

BEIJING CONSULTING MANAGEMENT ENTERPRISES

Runbing Huangfu¹, Napaporn Khantanapha²

^{1,2}Graduate School, Southeast Asia University, Bangkok, Thailand

E-mail: NapapornK@sau.ac.th

ABSTRACT

In order to achieve economic transformation and upgrading, Chinese government has formulated many supportive policies to encourage scientific and technological innovation, which have fostered some world-class enterprises in the new energy, medical device and pharmaceutical industries. Due to the characteristics of high-risk and high-return of investment in the high-tech industry, Beijing consulting management enterprises focuses on small and medium-sized biotech, medical equipment, and new material enterprises. The company acquires clients with high quality and low-cost management consulting services and looks for high-growth investment opportunities from them with a comprehensive and in-depth understanding of the operation of the enterprises. The company's initial investment is 15 million yuan, and from 2023 to 2025, it will raise 15 million yuan at a 20.20% equity consideration. The five-year average annual profit from 2022 to 2026 is 10.3169 million yuan, and the five-year average return on investment is 34.39%. Since the exit cycle of each investment project is set at 5 years, the payback period of the initial investment is up to 7.5 years.

Keywords: Management Consulting, biotech, medical equipment, new material enterprises, investment

Introduction

With 40 years of rapid development since Chinese economic reform, China's economy has evolved from a shortage stage to a surplus stage, and the market for traditional industrial products and consumer goods is extremely competitive, with low profit margins for most enterprises. In the last decade, the Internet economy represented by Alibaba, Tencent and Byte Dance has developed rapidly, but they are essentially solving the problem of efficiency in exchange of goods, and do not create new products which market demands.

Although pharmaceutical, medical device and new material industries are high-quality fields of investment, most startups end up in failure and only a small percentage of companies achieve great success due to the high risk of investment in science and technology innovation. Our company is using management consulting business as an entry point to find investment opportunities.

The company's business model has certain advantages, but there are also some risks and challenges. The first risk is that the company is unable to acquire expected number of clients in a competitive market. The second risk is that our direct investment or the investment that we help clients to introduce do not reach the expected rate of return. The third risk is possible employee accidents, financial risks, tax risks, etc. that may occur during the company's operation.

Section 1 Company Description

1.1 Company History

Beijing consulting management enterprises was founded in Oct 2021 by well-known entrepreneur Dr. Yang Liu along with a legal and financial expert and a senior IT expert with rich practical experience in the industry.

1.2 Mission Statement

Helping high-tech start-ups succeed.

1.3 Products and Services

The company mainly provides management consulting, investment introduction or direct investment services for small and medium-sized biotech, medical device and new material companies.

1.4 Current Status

At present, the company's business development plan is formulated, mainly including the type of business to be carried out and the five-year business development plan. The company has set up a business consulting department, a marketing department, and a general department, and has begun to recruit new employees and provide onboarding training for them.

1.5 Legal Status and Ownership

The enterprise type of the company is set as a limited liability company. It has three founding shareholders. Dr. Liu is the controlling shareholder of the company.

1.6 Selecting the Name for Business

A good company name should be easy for clients to remember, and if possible, it should also have a good meaning. We successfully registered the business name of " Beijing Consulting Management Enterprise."

1.7 Legal Issues

After the business is launched, the company could face the following risks: the operation risk, financial management risks, tax compliance risk and the risk of personal safety of employees.

Section 2 Industry Analysis

The United States is the country with the most developed consulting industry, accounting for more than 60% consulting business revenue of the world.

2.1 Industry Size, Growth Rate and Sale Projections

According to IBIS World and China Enterprise Confederation Management Consulting Committee, the revenue of the management consulting industry in China was about 120.5 billion yuan in 2016, up 9.22% year-over-year, and reached 133.76 billion yuan in 2017, up 9.54% year-on-year. It increased to RMB 207.285 billion in 2020 and to RMB 230.78 billion in 2021.

2.2 Industry Characteristics (Industry Structure, Nature of Participants, Ratios, Key Success Factors)

Chinese consulting business scale continues to grow and the performance is rapidly improving. The development of consulting organizations in China is unbalanced among regions. Most of Chinese consulting firms have relatively low revenue, and there is a significant gap between Chinese and internationally renowned consulting firms.

2.3 Industry Trends (Environmental Trend, Business Trend)

In the coming years, Enterprises are demanding more and more professional abilities from management consultants. The management consulting business industry will become more and more regulated. Information technology and management consulting could become increasingly integrated.

2.4 Long-Term Prospects

In the next decade, the sales of pharmaceuticals and medical devices and new materials will exceed 100 billion yuan each year. As a result, the demand for management consulting services from small and medium-sized technology companies will grow significantly.

SWOT Analysis

According to SWOT analysis, China's management consulting industry will continue to grow and develop in the market competition.

Strength of China's management consulting industry: Localization advantage, Flexibility advantage, Price advantage.

Weakness of Chinese management consulting firms: Poor reputation, Lack of high-quality consulting talents, the quality of consulting is not high.

Opportunities for China's management consulting industry:

China's rapid economic growth creates a favorable development environment, Strategic adjustment of industrial structure is a powerful driving force for the development of management consulting industry. Increased market competition leads to increased awareness for corporate consulting.

Threats to China's Management Consulting Industry: Large foreign consulting firms have entered the Chinese market, Consulting industry lacks a comprehensive support system, Some threats come from substitutes and potential competitors.

Section 3 Market Analysis and Marketing Plan

3.1 Market Segmentation and Target Market Selection

There is a large number of foreign companies entering the Chinese market, and they have a relative competitive advantage in terms of products and operation management. As most small and medium-sized biotech, medical device and new material companies have little or no business revenue, they do not have enough capital to hire high-level professionals in finance, legal affairs, IT, etc. They are willing to cooperate with local management consulting firms for lower fees. Our target clients are small and medium-sized biotech, medical device and new material companies, and we will mainly work in Beijing and neighboring areas in the first year, and start a small amount of business in other regions in the second year.

3.2 Buyer Behavior

For many startups, with some advantages in R&D and disadvantages in management, it is necessary for them to use "outside brains" for diagnosis, they are willing to cooperate with local management consulting firms for lower fees.

3.3 Competitor Analysis

At present, internationally renowned consulting firms only undertake services for large clients, while small and medium-sized companies can hardly afford high fees. The number of management consulting firms specializing in small and medium-sized biotech, medical device, and new material companies is relatively small now, so there is a good market opportunity to conduct business at a price easily accepted by these companies.

3.4 Estimate of Annual Sales and Market Share

According to the China Enterprise Database query, there are 28,984 existing small and medium-sized biotech, medical device and new material companies in China. The annual market demand for management consulting services for them exceeds 1,034.28 million yuan.

In the first year, the management consulting business income would be around 2.25 million yuan, accounting for about 1.69% of the market share in Beijing and neighboring areas; in the second year, the management consulting business income would be 5.85 million yuan, accounting for about 4.40% of the market share in Beijing and neighboring areas; from the third to the fifth year, the management consulting business income market share would increase by more than 10% per year on average.

3.5 Marketing mix analysis (7Ps)

In order to better serve customers in the small and medium-sized pharmaceutical, medical device and new material industries, the marketing of consulting services will be carried out in the following seven areas:

- 1) Products: We provide consulting and financial services.
- 2) Price: In order to gain a piece in the market competition, the price we charge should be competitive.
- 3) Place: Our company's initial market development scope is Beijing and the surrounding areas.
- 4) Promotion: The initial expansion will be carried out by means of price concessions and acquaintance recommendations.
- 5) Participant: We will initially build up a team of personnel by recruiting in the same industry.
- 6) Physical Evidence: In addition to a comfortable and clean office environment, we should also have a modern corporate appearance to show to clients.
- 7) Process Management: We would utilize flat management to reduce redundancies, save time, and increase efficiency.

Section 4 Management Team and Company Structure

4.1 Management Team

Mr. Liu Yang, 45, holds a PhD in chemistry from Imperial College of Science and Technology in the UK. He is the general manager of the company. Mr. Feng Jihong, a finance and legal expert, served as the company's deputy general manager, Mr. Zhang Tao, an IT expert, is the company's deputy general manager.

4.2 Board of Directors

The Board of Directors consists of three members: Liu Yang is the chairman and legal representative, and Feng Jihong is the vice chairman. The Company does not have a supervisory board, and has one supervisor, Mr. Zhang Tao.

4.3 Board of Advisors

The company has a professional advisory committee: Rao Yushi who is a Cell biologist, Li Zhida who is a Polymer chemistry expert, Zhang Jie who is a Legal expert.

4.4 Other Professionals

The company's departments and personnel are as follows: 7 persons in business consulting department, 2 people in the marketing department, 3 people in the comprehensive department (finance, HR, administrative affairs).

Section 5 Operations Plan, Production Design and Development Plan

5.1 Operations Model and Procedure

The management consulting business is the main source of the company's daily revenue and the entry point for the investment business. If the client is considered to be a company with worthy development prospects, we would consider assisting them in formulating financing plans and introducing investors, or to make direct investments.

The main workflow within our company is as follows: With the support of the business consulting department, the marketing department visits target clients and recommends the consulting business products and offers price quotation, then we sign the business contract and collect payment from the customer. Afterwards, the business consulting department will carry out consulting services.

5.2 Business Location

In the first year the business location would mainly be in Beijing, where the company is registered, and the target clients also included Tianjin and Hebei because of locational proximity.

5.3 Facilities and Equipment

The main facilities and equipment of the company are as follows: Office workplace and office furniture, Computer and network equipment, Commercial vehicles.

5.4 Operation Strategy and Plans

In order to achieve the company's medium and long-term business goals, the five-year operation plan from the company's establishment is as follows:

The main work in the first year is to recruit professionals. In the second year, the company's operation objective is to achieve break-even. The company is going to achieve profitability in the third year, developing business in Chengdu and Shanghai area. From the fourth year onwards, the company will enter maturity in operation and determine whether to set up a branch in Chengdu.

5.5 Challenges and Risks

Developing high quality business consulting products is the main challenge. Investment and financing expertise is crucial to the success of the company's operations. Therefore, recruiting excellent professional investment management talents, finding external investment institutions with sufficient capital for business cooperation are all difficult tasks that company faces.

5.6 Costs

The main cost of the company comes from human resources. Only professionals with extensive knowledge of management and practical experience in running a business can possibly develop competitive consulting products.

5.7 Intellectual Property

Management consulting products are developed by the company at a great cost, mainly based on the needs of clients in the pharmaceutical, medical device, and new material industries. These intellectual products help improve the company's market competitiveness, so they must be protected by practical measures to prevent competitors from acquiring them.

Section 6 Financial Projections

6.1 Source and Use of Funds Statement

Beijing Restart Management Consulting Co., Ltd. is funded by three founding shareholders with initial capital invested of 15 million yuan. From 2023 to 2025, the company will introduce three shareholders with 15 million yuan.

6.2 Pro Forma Income Statement

2022--2026 Profit Estimate Unit: ten thousand yuan

Items	2022y	2023y	2024y	2025y	2026y
Revenue	382.08	1,089.62	2,051.89	3,566.04	3,707.55
Cost and Expenses	695.28	969.26	1259.27	1535.76	1675.3
Investment Return	-	180.00	360.00	600.00	600.00
Operating Profit	-313.20	300.36	1,152.62	2,630.28	2,632.25
Income Tax	-	30.09	198.15	507.57	508.06
Net Income	-313.20	270.27	954.46	2,122.71	2,124.19

6.3 Pro Forma Cash Flow

2022--2026 Pro Forma Cash Flow Statement Unit: ten thousand yuan

Item	2022y	2023y	2024y	2025y	2026y
1. Net operating cash inflow	-425.20	-314.48	-284.79	-675.54	-73.06
2. Net investing activities cash flow	-59.00	-328.00	-333.00	-403.00	-3.00
3. Net cash flow from financing activities	1,500.00	500.00	500.00	500.00	-
4. Net increase in cash and cash equivalents	1,015.80	-142.48	-117.79	-578.54	-76.06
Add: Beginning balance of cash and cash equivalents	-	1,015.80	873.32	755.53	176.99
Ending balance of cash and cash equivalents (fund surplus/ gap)	1,015.80	873.32	755.53	176.99	100.93

6.4 Ratio Analysis

ROE and ROA in the first year are relatively low, and gradually increase from the second year to relatively high levels.

Profitability Ratio	2022y	2023y	2024y	2025y	2026y
ROE	-23.31%	17.19%	35.56%	44.94%	29.93%
ROA	-20.26%	11.28%	23.04%	34.03%	25.09%

6.5 Feasibility Analysis

1) Assuming a discount rate of 6%, return from introduction of investment and direct investment will realize after 5 years, the net present value of all the investment is 33.5761 million yuan > 0 , using the interpolation method, the internal rate of return is 6.93%, Internal rate of return $>$ discount rate, the project is feasible and worth investing in.

2) In the second year, when the direct investment return is 1.80 million yuan, and the total amount of the consulting service income, financing commission and introduction of investment return share reaches 8.00 million yuan, the company will achieve break-even point.

3) The investment introduction and direct investment business return period is more than 5 years. Therefore, the static payback period is 7.05 years and the dynamic payback period is 7.53 years as estimated.

References

- Depperu, D., & Cerrato, D. (2005). Analyzing international competitiveness at the firm level: Concepts and measures. *Quaderni del Dipartimento di Scienze Economiche e Sociali, Università Cattolica del Sacro Cuore–Piacenza*, 32, 2007-2013.
- Boltho, A. (1996). The assessment: International competitiveness. *Oxford review of economic policy*, 12(3), 1-16.
- Summers, L. H. (1988). Tax policy and international competitiveness. In *International aspects of fiscal policies* (pp. 349-386). University of Chicago Press.
- Van Asselt, H., & Biermann, F. (2007). European emissions trading and the international competitiveness of energy-intensive industries: A legal and political evaluation of possible supporting measures. *Energy Policy*, 35(1), 497-506.