



# EasyFinance: Developing the Capacities for Growth

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**Abstract.** EasyFinance is a Chinese training company founded in 2004, focusing on finance training. It was set up by two trainers, and Marshall Ma joined in 2005, as the third partner. EasyFinance has experienced rapid growth since its inception by doubling its revenues every year and has become the dominant player in the fragmented and highly competitive Chinese finance training market in 2008. The work force has reached 31 and the organizational structure and processes are also well established. Marshall and his two partners expect to keep doubling revenues for another three years. However, EasyFinance is playing in a relatively small market segment and the shortage of qualified trainers is a bottle-neck that his business has to overcome. Marshall and his team need to identify a feasible way to achieve their ambition. The case touches upon 1) the challenge entrepreneurial firms face of achieving sustained growth and 2) organizational development issues in professional service firms, with a special focus on attracting and retaining talent.

**Keywords:** entrepreneurship, China, professional service firms, growth; organizational development, training; start-up.

## 1. EasyFinance: Developing the Capacities for Growth

In February 2008, Marshall Ma and his wife GUO Yan returned to Sanya, a city that they had left seven years earlier. This was not just a family tour - the entire staff of EasyFinance was brought to this “oriental Hawaii” to celebrate their successful 2007. Marshall, GUO Yan and LU Linping, the three partners of EasyFinance, working with their team, had already succeeded in making EasyFinance the leader in the Chinese finance training market, doubling its revenues every year since its inception in 2004 (see Exhibit 1). At the annual review meeting held on January 30<sup>th</sup>, Marshall, as co-founder and General Manager of the company, not only reviewed the accomplishments of the firm, but also set forth a larger vision: to keep doubling revenues for the next three years and make EasyFinance the most respected company in the Chinese training and consulting industry.

Undoubtedly, the vision was ambitious, but how to achieve it was not very clear yet. Over the past three years, Marshall and his partners had learnt that there were some things they had to insist on, such as a focus on finance training, relying on full time trainers and continuously improving training effectiveness. However, were these enough to meet the high-growth expectations? If not, what else should

EasyFinance try? How could EasyFinance accomplish the transition from a small company to a mid-sized one characterized by a stable market presence, mature management systems and a sustainable business model for future development? Marshall and his partners were searching for answers to these questions.

## **2. Marshall's Background**

Marshall was born in Heilongjiang, the farthest northern province of China. He graduated from Shenyang Ligong University in 1993 with a degree in Computer Science and Engineering, and then joined China Northern Airlines (CNA)<sup>1</sup> as a Programmer in the Information Center. In the following eight years, he worked in different departments and branch offices of CNA. Although his cross-functional experience in CNA pushed him up the ladder much faster than others, he did not see a clear path that would allow him to fulfill his career ambitions. "CNA carried too much legacy from China's Air Force. It was not a real company and would have trouble to survive in a real free market. I decided to leave, before being assimilated by this system."

In 2001, Marshall left CNA to pursue his MBA degree in Shanghai. He enjoyed the MBA program very much. Besides his busy study and social activities, he also developed his first business plan with five classmates. They planned to establish a small airline for short-distance flights in Shanghai, Zhejiang and Jiangsu, through wet leasing of aircrafts from large state-owned airlines. To move forward with this business opportunity, Marshall needed the support of the Civil Aviation Bureau (CAB) and a large state-owned airline company. However, discussions failed on both fronts because neither of them cared about real business. Marshall and his team tried their best, but he had to shelve his business plan and join a multinational company.

Marshall got a position of Strategic Planning Manager in a Fortune 500 company after his graduation in 2003. Initially, he was fascinated by this job because, for the first time in his life, he was working in such a big organization and reporting to such a senior position and more importantly, he was involved in high-level strategic planning. However, he realized very soon that this job too did not meet his expectations. First, frequent changes at the senior level annoyed Marshall. Further, he felt powerless in his role because his proposals hardly got the attention from the US headquarters, despite his best efforts.

However, these disappointments did not take away his key learnings. "I got an opportunity to observe the workings of a multinational company and gain in-depth understanding of its operating systems. I started understanding why these giant organizations were so strong, yet at times so slow." He finally decided to

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1. CNA was a state-owned enterprise that merged with China Southern Airlines in 2001.

leave because he did not want to be assimilated again, although this time, by a huge multinational company.

In June 2005, Marshall quit his job. His next step was in a different direction. Unlike his previous experiences in large companies, which were either state-owned or multinational, he joined a small company, EasyFinance, founded by his wife GUO Yan and LU Linping, and became its third partner.

### **3. EasyFinance's Initial Year**

#### **3.1. Founding Partners**

GUO Yan obtained an MBA degree from Penteon Sorbonne (Paris I) Business School and worked as a finance professional at CNA and Carrefour for several years. In 2004, she worked as a trainer for a foreign-invested training company, and was also involved in developing training business in the Chinese market. During her interactions with clients, she realized that most of her clients had considerable demands for finance training, but few training companies were offering high-quality finance training programs. This was attributed to a shortage of qualified personnel in both Chinese and foreign training firms. The former lacked advanced training skills and international perspectives, and the latter lacked sensitivity toward the Chinese market and knowledge about finance- and taxation- related Chinese policies. GUO Yan, thus, believed that finance training should be a lucrative opportunity, and she should be the right person to seize it.

My educational background and work experience provided me with the necessary resources to establish a training company focusing solely on finance, with the aim of offering the best finance training in China. I had in-depth understanding of the training industry and also had connections in it. I knew certain good trainers, and their training programs were among the best. I was confident that we would be able to run the best finance training company in China.

When GUO Yan mentioned this idea to Marshall, he sensed that it could be a great opportunity. Thus, he encouraged her to go ahead, and even contributed a few ideas to enrich her business plan. With support from Marshall, GUO Yan started approaching people whom she felt could work on this project with her. LU Linping was one of them.

LU Linping was a colleague and close friend of GUO Yan. She had served as a Financial Manager at Motorola for three years, and then, as a lecturer in finance and taxation in a college for three years. In 2004, LU Linping worked as a trainer, and was involved in several consulting projects pertaining to corporate financial

management. GUO Yan's perception about the finance training market resonated with LU Linping's personal experience.

I had abundant experience in working on various finance-related projects with different companies. Clearly, a majority of my clients were neither able to manage their financial activities effectively nor manage their businesses through better utilization of financial data and tools. Their demands for improving financial management were growing, but there was no training company that specialized in the area. While a few training companies did offer courses on finance, which were focused on imparting knowledge or information, none of them could really help clients to improve their financial management.

Thus, GUO Yan and LU Linping started discussing the possibility of opening their own training company. Both of them were confident because as experienced trainers and finance professionals, they not only knew *what* to do, but also *how* to do it.

### 3.2. Training Market and Competition in China

Professional training companies emerged in the 1990's in China. The first group of players was from overseas, subsidiaries of large multi-national training companies. Most of their clients were also multi-national companies coming to China one step earlier. Training demand from Chinese local companies became visible at the end of the 1990's. However, the language and price barriers made the services of foreign training companies inaccessible for them. Continuously growing demand fostered a group of small local training companies. Of course, the quality and price of their services were much lower than their foreign counterparts. It was 2000 before some of the top Chinese training companies started to compete with their foreign rivals for the same customers.

In 2004, when GUO Yan and LU Linping set up Easyfinance, the competition in the Chinese training market was intense. Low entry barriers and high gross margins made this industry one of the most competitive in China. Most of the Chinese training companies relied on the attractiveness of star trainers and on building personal relationships with their clients, not on their brands. Therefore, very few of them could expand their business beyond a certain level. Shanghai had witnessed the most intense competition in the Chinese training industry since 2000. Every year, hundreds of training companies were registered in Shanghai and about the same number of them was shut down. Fortunately, finance training was so specialized that most training companies were unable to cater to the demand in this area, which ensured that newly established EasyFinance had a fairly comfortable existence in its initial years.

### 3.3. Services Offering and Marketing Strategy

GUO Yan and LU Linping started to write their business plan in details. LU Linping had more knowledge of developing training courses. She said:

What we sought to offer our clients was what they wanted, and even more: what they would need in the future. We wanted our courses to be practical, up to date, innovative, forward looking, and comprehensive. We would not only equip participants with financial instruments, but also influence their attitudes. Our courses needed to cover all finance-related topics, so that our clients should first think of us, when they realize the need for finance training. Our courses needed to be up-to-date so that they could respond to the latest economic and market trends, and government policies. To meet these criteria, we sought to undertake considerable efforts in terms of course design and preparation. Therefore, we could not rely on freelance trainers as many other training companies had done, because freelance trainers would not invest enough time in course design and preparation, in compliance with our standards. We had to recruit a team of full-time trainers.

GUO Yan paid great attention to pricing and marketing strategies.

We would charge our clients 25-30% less than well known foreign training firms did, but 50% more than the average price in the market. We believed that if our training was the best, our clients would realize its cost effectiveness. A no-discount policy would not only reinforce the high-value image of our training programs, but also reduce the complexity of managing sales operations. In terms of the marketing strategy, online marketing was considered a suitable option for two reasons. First, our potential clients - both HR and financial professionals in China - were well educated and accustomed to searching information online, so online marketing would be an effective channel to approach our clients. Second, it is cheap.

In early 2004, the company that GUO Yan and LU Linping were originally working for faced a serious crisis, which ultimately pushed GUO Yan and LU Linping to turn their business plan from paper to reality. They quit their jobs and registered EasyFinance in Shanghai in April 2004.

### 3.4. Financial Strategy of EasyFinance in Its First Year

Initially, GUO Yan and LU Linping anticipated that the worst scenario would be no cash flow in the first six months. Thus, they decided to save every penny possible before they obtained their first income. They decided against hiring anyone and renting an office. At last, the training business started at GUO Yan and Marshall's home, with the support of a printer, a fax machine, and a laptop. "Why do we have to have a laptop for each of us? One laptop is enough for delivering the training course and we can use PCs at our homes."

Following this cost-saving strategy, the two partners of EasyFinance, dealt with everything on their own. There was no clear division between LU Linping's and GUO Yan's responsibilities, although LU Linping focused more on the preparation of training courses and GUO Yan concentrated on sales and marketing. Marshall, the most active and loyal supporter of the company, lent his expertise, especially relating to business planning and Web marketing, to EasyFinance. GUO Yan recalled the initial days of EasyFinance:

His (Marshall's) previous education and work experience pertaining to computer science and programming helped us considerably. He prepared the structure of our entire website, which was even better than what certain professional agents could offer. We hired a few university students to develop this website; at times, I had to key in the words myself. There was too much to do, so I seldom went to bed before midnight. Usually, Marshall stayed up with me.

### 3.5. Positive Feedback of Online Marketing Strategy

The online marketing strategy brought satisfactory returns. Some phone inquiries poured in very soon. GUO Yan and LU Linping answered each phone call and tried their best to convince potential clients to participate in their open seminars. In July 2004, EasyFinance held its first open seminar for 15 non-finance managers (see Exhibit 2), which was a great success for a new training company. During the period of preparation, EasyFinance also bagged two in-company training projects in May and June. Both were initiated by the clients that LU Linping and GUO Yan had served earlier. With regard to their cautiousness in the initial phase, GUO Yan said:

Yes, we were very conservative in our approach toward spending, which does not mean that we were insecure about this business. On the contrary, we had contracts worth about RMB 100,000 and almost no extra expenses, apart from labor costs. It made us sufficiently secure, which enabled us to focus on accomplishing what we had planned to do, and do it to the best. In fact, a few friends introduced certain other forms of training projects to us, but we gave them up after trying for a short period. They were just not worth our while. I think we were lucky to be so focused from the very beginning, and it has contributed to our success.

### 3.6. Quick Expansion

Riding high on the success of the first few training projects, LU Linping and GUO Yan decided to expand their business. They made plans to hire people, rent an office, and buy the second laptop. In the summer of 2004, EasyFinance rented its first office, a three-bedroom apartment near Marshall and GUO Yan's residence.

Necessary furniture and office equipment were procured and installed easily, but recruitment proved to be a tough task. GUO Yan said:

For the first time, we realized that we did not know how to recruit people without the help of HR professionals. How do we obtain applications with minimum expenses? We needed to learn. All of us had conducted interviews earlier; however, without a screening system provided by HR professionals, the candidates appeared extremely different from what we had seen in our previous jobs. For the first time, we realized that we were being selected rather than selecting the candidates. In the end, we had to hire almost any one as long as he or she was willing to work with us because there was too much to do and someone was better than no one.

Finally, EasyFinance recruited two sales people and an office clerk in August 2004. For the first time since the inception of EasyFinance, the two partners did not have to answer phone calls on their own. The team size remained the same until 2005.

EasyFinance achieved revenues worth about RMB 769,818 in about 40 training days in the last eight months of 2004. Their public seminars enrolled 108 participants, and the profile of them were very diverse (see Exhibit 3). The gross margin was over fifty percent; this figure did not include the labor cost of GUO Yan and LU Linping. It was clear that the market feedback was positive and the business was growing at a rapid pace, but the current team and working space could not handle more work. In the spring of 2005, EasyFinance relocated again; this time, to a prestigious office building in the central business district (CBD) of Shanghai. Another round of recruitments was carried out quickly, and more sales personnel and a few IT professionals were recruited.

### 3.7. AIC Crisis

In May 2005, when EasyFinance was surging ahead, a notice from a municipal bureau stunned LU Linping and GUO Yan. The notice - sent by the Administration of Industry and Commerce (AIC) - declared that EasyFinance did not have a special license to carry out training business, and summoned its owners for a hearing. If the hearing committee, composed of AIC officers ruled that EasyFinance was at fault, a huge penalty could be imposed, or the business could even be terminated. Neither GUO Yan nor LU Linping knew that they needed a special license to do training business, and both of them were frightened at the prospect that everything that they had worked so hard for could disappear.

In China, there was no doubt that governments both at the central and local levels had tremendous power and resources. For start-ups, the AIC and Administration of Taxation were the most important governmental organizations; besides these, companies in different industries were also required to comply with the regulations of the corresponding supervisory departments in local

government. The ambiguous and sometimes contradictory law and government policies gave government officials considerable latitude for rent seeking; in addition to the strong culture of guanxi, most of the Chinese people tended to solve government related issues through personal connections, rather than through the public administration or the legal system. In this regard, the notice of AIC from the municipal government of Shanghai was definitely a serious problem. GUO Yan and LU Lingping were very nervous, so they turned to Marshall and asked him to seek help through his social connections. Marshall later said:

They (GUO Yan and LU Linping) were under intense pressure. On the one hand, business was increasing substantially and they had put in enormous efforts to meet client requirements. On the other hand, the government was challenging the legitimacy of the business. I had to help them, but it was impossible to do so if I continued to work for another company. So I quit my job. In times when people's careers are at risk, their spouses might choose to keep their jobs in prestigious companies to ensure a stable income for their families, but I am not one of them. If EasyFinance had not faced this crisis, I might have continued to serve as a professional manager in a multinational company; but since it encountered this difficulty, I felt that I had to pitch in.

In June 2005, Marshall left his previous job, and took on the full responsibility of managing EasyFinance, which was still a small company with only 10 employees and facing a crisis.

#### **4. Marshall Joins EasyFinance**

The first challenge for Marshall was to deal with AIC's penalty notice. At the beginning, Marshall tried to build a few connections with government officers at AIC; at the same time, he started seeking more information about relevant laws and regulations. After much effort and time, he made some headway on both fronts. First, he discovered that an alumnus of his business school held a senior position at AIC. More importantly, he found that AIC, in fact, did not have the legal authority to punish EasyFinance for the reason it claimed. Therefore, he decided to deal with this issue himself, instead of using his connections. He went for the hearing and to argue his case, taking with him some law books and legal documents to backup his position. Marshall pointed out the weakness in AIC's decision. He claimed he would take formal legal action if this case was not dealt with appropriately by AIC. No clear decision was made at the end of the hearing, nor AIC took back its notice officially. A year later, a government officer from AIC told Marshall, indirectly, that AIC had withdrawn its decision to penalize EasyFinance. Marshall was quite happy with this result.



The AIC case demonstrated that the Shanghai municipal government was fairly good in creating a small-business-friendly environment. First there was a hearing that offered you a chance to defend yourself, which might not exist in other cities. More importantly, the hearing was not there just for cosmetic reasons, their notice was withdrawn after they lost. It meant that this was a fairly reasonable government and small business owners were not entirely vulnerable when their interests were conflict in with those of local governments.

Shortly after surmounting this legal crisis, Marshall encountered another problem. In August 2005, a training course failed to meet participants' expectations, and they decided not to pay for it and asked to speak with the senior managers of EasyFinance. This particular course was taught by a freelance trainer, and participants complained that certain topics in the syllabus were not covered and the quality of the entire training was unsatisfactory. GUO Yan, LU Linping, and Marshall listened to the participants' complaints, and sought to clarify a few misunderstandings. GUO Yan apologized to the participants. EasyFinance also promised to refund them a part of the training fee and give them a certain amount of credit to attend its other open seminars in the future. Most of the participants were happy with this offer, and a few of them later became returned clients. However, almost at the same time, another training course, also conducted by a freelance trainer, received poor feedback from participants. The consequence of this, according to Marshall, was:

It was the first time that we had received negative feedback from participants, twice consecutively. It was good that we learnt how to deal with this situation. We started to know how risky it could be to use freelance trainers without a good quality control mechanism in place. It was impossible for us to do away entirely with freelance trainers, because as a training company offering an entire spectrum of finance-related training programs, we had to offer a few courses on certain specialized topics that were not much in demand and were taught by only a few trainers. However, if we could not avoid using freelance trainers, we had to at least monitor them carefully. We thus applied extremely strict criteria while selecting freelance trainers and also minimized their use.

## **5. Team Dynamics among Partners**

After two crises, Marshall quickly assumed charge of daily operations, including marketing, sales, IT systems, logistics, administration, and human resources. LU Linping and GUO Yan were free from the daily office chores, and focused their attention on course design, preparation, and delivery. Although Marshall was the last one joining the partner group, he quickly became the leader of the other two. EasyFinance established a firm triangle as its decision-making mechanism. LU Linping commented on Marshall's leadership style:

Marshall is our leader. He manages this company very well. Both GUO Yan and me have very high standard on details, Marshall is better in strategic thinking and business planning. More importantly, Marshall has very good personality. He is so broad minded. First, he has great vision, which encourages people around him. At the same time, he has a very tolerant attitude towards his co-workers.

Marshall also accepted that he was the leader of the company; but he emphasized that his leading position was determined mainly by the particularities of the training business and the different kinds of expertise that it required.

I think I am the leader of this group although I did not have any prior experience in training industry. They [GUO Yan and LU Linping] are good trainers with strong insight in finance and training, and they have to be absent from our office to deliver training programs and to communicate with clients. They need a person to look after daily operations when they are not in the office. I am the one doing this job. I am more like a businessman.

According to Marshall, EasyFinance was led by a businessman and two professionals, with good communication and collaboration among them.

Although we were clear about our different responsibilities since the very beginning, we still discussed everything with each other all the time. For example, I am the one responsible for daily operations, but if I want to buy something or add a new position, I always discuss it with LU Linping and GUO Yan beforehand and vice versa, so every one of us knows what is going on in this company. As EasyFinance has grown, we find that there are too many issues going on every day, so we gradually trimmed off some of the minor issues from our meetings. But in general, we three keep very close communication.

Based on their intensive communication, Marshall, GUO Yan and LU Linping also reached an agreement to make all major decisions with the consensus of all three.

We have very good communication on all aspects of this company and make almost all important decisions together. Of course, we have many disagreements and conflicts when working together, but we decide not to make any major decisions unless we reach an agreement. We may do something with some one reserving his/her opinion, but once some one is against something, it would not be done. This bottom-line helps us to reduce the possibilities of making fatal mistakes.

This group decision-making mechanism helped Marshall out of an awkward situation: a nonprofessional having to manage professionals, which, in general, is difficult. He summarized his experience as:

I am a manager of a professional firm, but I am not managing professionals. In fact, we do management work together. We are different to other professional firms. There is no clear hierarchy among us. I am not the one setting up goals or

standards for them. Instead, they set up their own goals and standards and I am the one encouraging and supporting them. Therefore, they would never come to me and say they cannot do something I required, which I required just because I am not a trainer. In fact, I almost require nothing from them.

LU Linping also expressed her satisfaction with the teamwork among the partners:

EasyFinance is an ideal place for us [three partners] to show our best and at the same time to support each other. We always have sufficient communication, and we enjoy sharing ideas with each other. The working environment is very good. Marshall is very considerate and supportive.

Although it took a great amount of their time in internal communication and decision-making, Marshall believed the advantages of this collective leadership outweighed the disadvantages.

We do spend more time on decision-making, but we save some time in subsequent execution because previous discussions made us understand decisions better so we had more efficient cooperation. It is true that we miss some critical opportunities, but we believe that there are plenty of opportunities in this world, and we do not have to catch every one. As long as we are surviving, not dying from stupid mistakes, we are going to catch some of them and then grow and be successful, sooner or later. We do not need special talent or any great breakthroughs; making fewer mistakes than our competitors is enough for us to win in this market.

## **6. Rapid Business Growth**

EasyFinance accelerated its growing speed after Marshall joining in the summer of 2005. He started recruiting some experienced sales personnel and installed a customer relationship management (CRM) system. The company's total revenue of 2005 stood at RMB 3.65 million, about 70% of which was achieved in the second half of the year. Regarding his first six months at EasyFinance, Marshall said:

LU Linping and GUO Yan were able to spend more time on communicating with clients, and on preparing and delivering courses. They could do what they were really good at and do it in a better way. The training capacity was increased and clients' satisfaction levels surged as well.

The increased training capacity was exhausted very soon. At the end of 2005, both LU Linping and GUO Yan had extremely tight schedules and the company faced a shortage of full-time trainers. However, it was extremely difficult to recruit qualified trainers because of the high qualifications required for

performing this job. LU Linping, who was responsible for recruiting trainers, said:

First, we wanted candidates who had extensive finance-related work experience in leading companies. In the absence of this, they would have trouble dealing with various kinds of practical questions being asked in classrooms. Second, our trainers need to have sufficient knowledge of general management because they have to communicate with managers in non-finance departments, and are responsible for improving their managerial competency by the application of financial instruments. At the same time, trainers are required to deliver courses effectively. Besides, this job also requires the skills of coordination, supervision, coaching, prompt response, etc. There are few suitable candidates because most people with a background in finance - especially senior financial managers in China - are extremely data oriented and lack interpersonal skills. Further, a person who meets our requirements usually has several choices in this job market. I do need some sort of luck to find the right people.

LU Linping and GUO Yan started searching for suitable candidates in the summer of 2005. They tried all possible channels. Though the response was phenomenal, EasyFinance eventually shortlisted about 50 candidates for interviews. Approximately 10 of them were given a chance to conduct trial seminars after a round of interviews, but none of them were finally considered suitable for the job. However, they persisted with their efforts and in early 2006, two highly qualified trainers appeared and were recruited; the training courses that were earlier conducted by LU Linping and GUO Yan could also now be carried out by others. GUO Yan believed that: "It was not just because of luck; we were growing fast and were able to offer more to our candidates."

Unsurprisingly, skilled trainers were not the only ones who noticed the rapid growth of EasyFinance. Competitors were tracking its success story as well. From 2005, an increasing number of training companies started imitating EasyFinance, and even plagiarized the course syllabus and copied the program. GUO Yan described this situation:

They [a few training companies] copied the titles of our courses, course syllabi, client lists, and even the comments of our clients, word by word. Several times, our sales team found that a registered participant was actually the owner of another training company. What could be done? Should we allow them to enter the classroom? Should we sue the plagiarists? Marshall decided not to respond and to focus our attention on carrying out our business in a better manner. What they could copy was what we did, not our ideas and thoughts. And the latter was the real reason for our success.

In 2006, Marshall recruited more people, built the management structure and set up many new internal policies and procedures, such as the workflow of sales and customer service. At the same time, the company also sought to expand its presence in other cities. EasyFinance started holding open seminars in Suzhou and Beijing in 2006. The first course held in Suzhou received good market

response and it was easy for sales people to fill the classroom. The situation in Beijing was a little bit unclear; the number of registered participants for the first seminar was around the break-even point. "I (Marshall) insisted on holding open seminars in Beijing because it is a large market and worth some investment before we can make money there."

In 2006, EasyFinance achieved revenues worth RMB 7.86 million in 252 training days. Repeated clients, some of them were famous multi-national or Chinese giants, increased dramatically (see Exhibit 4). Marshall summarized the year 2006 as:

Everything I did in 2006 was about people. We recruited key people, including two trainers and three sales personnel. More importantly, it became possible to transfer specific competencies from one person to another in our company. Most of our training courses could be delivered by different trainers, but with the same effectiveness. Our sales team leaders started to disseminate their knowledge and skills to the new sales personnel. Our staff was no longer merely working and making money here; they were also developing on the personal front. We also recruited more people in marketing, customer service and finance. In total, we had grown into a company with 21 employees at the end of 2006. Recruiting so many people in 2006 was slightly ahead of our business needs. However, the investments made, with regard to the workforce and their training, paid off in 2007, when our business volume doubled again.

The first achievement of 2007 was the substantially increased participant numbers in Beijing. Following this success, EasyFinance started offering its open seminars in a fourth city - Guangzhou. Later in 2008, Hangzhou and Shenzhen were added to the list, and about one-third of the training courses were scheduled in the five cities other than Shanghai. Marshall commented on their success in other cities:

All the courses that we hold in other cities, especially since the second year of starting operations, are profitable. It is primarily because we have opted for online marketing as opposed to sales visits in person. As long as our sales personnel can persuade potential clients to register for our courses through phone calls, the client location makes no difference to our cost. This has allowed us to expand the training business to different cities, without setting up offices there.

Not all attempts to gain new business model were successful. While serving an increasing number of clients in a number of cities in 2007, EasyFinance was considering the possibility of setting up an on-line portal for all finance professionals in China. It would not only provide static Web pages related to finance and taxation, news, policies and regulations, but also offer interactive services, such as e-community and e-learning programs. Marshall explained his idea as:

We were aiming to establish a “Sina”<sup>2</sup> for finance professionals. It would be our users’ cyber home and they would be able to find any information related to their occupation. This plan made little progress because I could not find the appropriate people to execute it. I strongly believe that it is better not to do something than do it with the wrong person. However, certain ideas related to this plan had already been adopted for the website that we were using as a marketing tool. Our business had already benefited from this plan to a certain extent.

In 2007, EasyFinance was no longer the small business it used to be. Marshall reviewed his 2007 as:

We had a great beginning in 2007. It was clear that we were heading for a big leap that year, and fortunately our management system and workforce were ready for it. Our fast-growing business also brought us stronger capacity to recruit more and better people, which enabled us to do our business even better. Two more trainers joined us and we started standardizing our training courses so that the trainers who joined us later would have something to guide them. This standardization would make duplication easier. Building our brand was another focus for 2007: We recruited a marketing manager and started building our brand image, instead of merely promoting a course or a product. Our first printed advertisement was in the CFO magazine. The scale of our business required us to implement this change, and eventually, we did have the money to do so.

## **7. The 2008 Annual Review**

On January 30, 2008, EasyFinance held its annual business review meeting in Shanghai. Marshall summarized the achievements of the company in 2007. The company’s business revenue doubled for the third time, to RMB 12.5 million. Both open seminars and company specific programs increased a lot (see Exhibit 5). The participants and the clients that it served, and its own workforce increased substantially as well. The number of trainers had gone up to 7, sales personnel to 13, and the total workforce to 31(see Exhibit 6). Moreover, Marshall also touched upon improvements in the internal management, such as the establishment of a sales team management system, inclusion of various processes and standards for recruitment, training, daily management, and Key Performance Indicators (KPIs); installation of a new CRM system and an internal IT system; and building the EasyFinance brand by advertising in magazines (see Exhibit 7). All these efforts sought to optimize the efficiency of the internal workflow and increase its capacity and competitiveness in the future. Over three hundred public seminars were scheduled at six cities in 2008(see Exhibit 8).

In the future, Marshall and his partners aimed to maintain the trend of doubling business revenues annually for another three years. However, this time,

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2. Sina is the most popular online portal in China.

they did not seek to simply duplicate previously achieved success on a larger scale. Their long-term business goals included becoming a leading company in the Chinese training industry, establishing a high-quality training model, building the “EasyFinance” brand and capitalizing on it, offering opportunities to employees to achieve their career plans, and sharing profits with all staff members. To achieve these long-term goals, Marshall and his team decided to increase investment in three areas - talent development, brand building, and IT system.

Regarding EasyFinance’s Vision 2012, Marshall believed that “most critical element is people”. “I want to have fifty excellent trainers before 1012. It would not be easy, but they are going to be our core competence and most valuable resource.”

## **8. Future Growth Opportunities**

Marshall and his partners knew that they were working in a fairly small niche market. The Chinese training market had grown very fast. Although comprehensive and concrete industry data were unavailable, the consensus was that training users were becoming more mature and demanding than ever. More and more HR professionals had been steadily raising their standards for training quality; at the same time, their affordability had also increased. Professional insights and relevance to real managerial issues were the most important criteria for training service users when selecting programs. Therefore, more and more training companies started to focus on specific subjects and tried to enhance teaching effectiveness. Within the scope of the Chinese training market, the top five topics in 2007 were leadership and strategic management, management skills for middle managers, interpersonal skills, sales, and foreign language training (for more detailed information, see Appendix 1).<sup>3</sup> Finance training, the sole focus of EasyFinance, did not feature on the list. Public seminars and company specific courses were the only two profit generators for EasyFinance since its inception (see Exhibit 9). Would this market then be capable of supporting the ambitious vision of EasyFinance? The answer remained uncertain in the spring of 2008. Marshall and his team considered several options, including the following:

1. Fully developing the Chinese market, especially the tier II and tier III cities<sup>4</sup>

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3. 2008 Directory of Training Services in China.

4. Tiers of Chinese cities was a quite vague categorization according to the size of population and economy. Among a total of 102 cities with over a million people, the four biggest cities – Beijing, Shanghai, Guangzhou and Shenzhen – were considered the first tier cities. Most of the remaining provincial capitals (about 25) were the tier II cities. The remaining seventy cities were considered tier III.

2. Expanding the product/service line by offering middle managerial courses or modules on interpersonal skills to finance professionals
3. Developing the financial consulting business
4. International expansion with their current clients
5. Developing new business models for revenue generation, such as an online portal or a magazine for finance professionals

EasyFinance had many choices, but maybe too many. The company had become the largest and the most professional finance training company in China. Therefore, it had to consider its next steps carefully. How could Easyfinance achieve its ambitious goal? Marshall and his team pondered over these important questions.

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### Exhibits

*Exhibit 1: Sales Revenue and Workforce of EasyFinance*

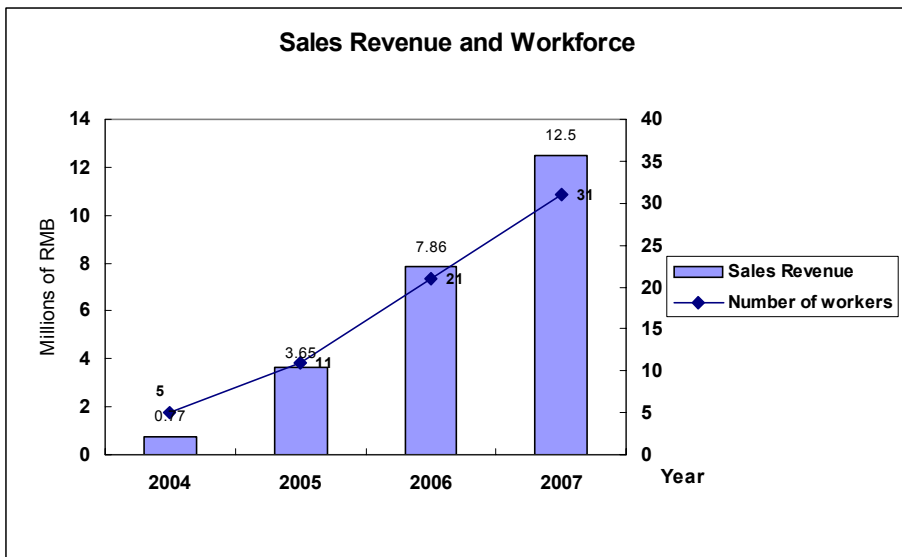
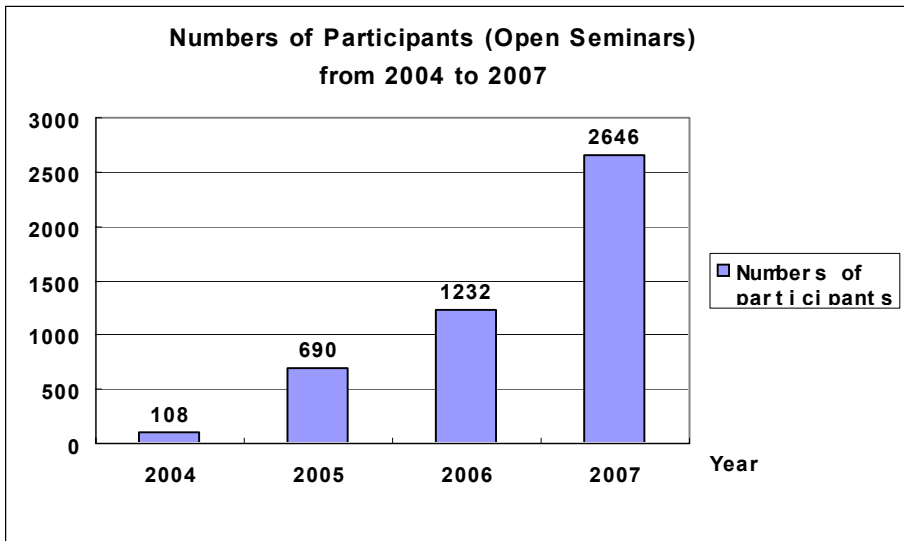


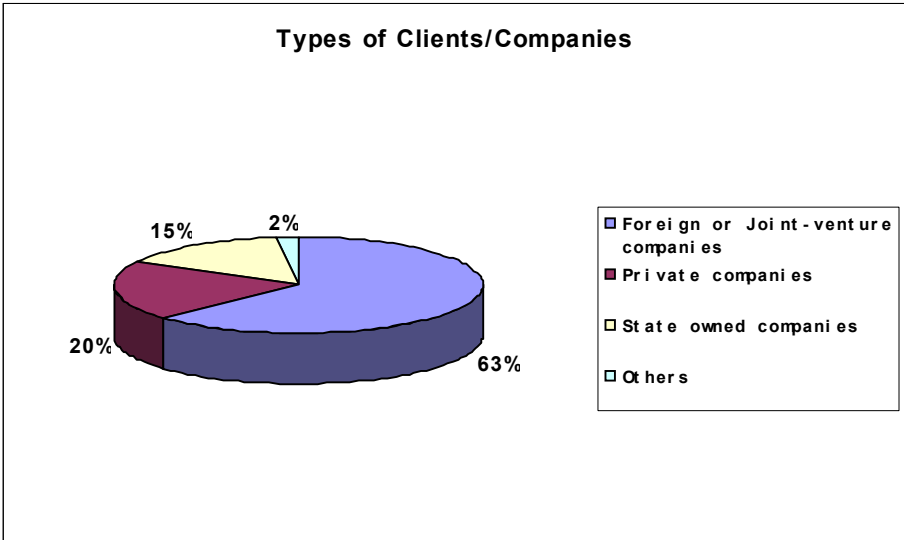


Exhibit 2: Scenario of EasyFinance’s Training

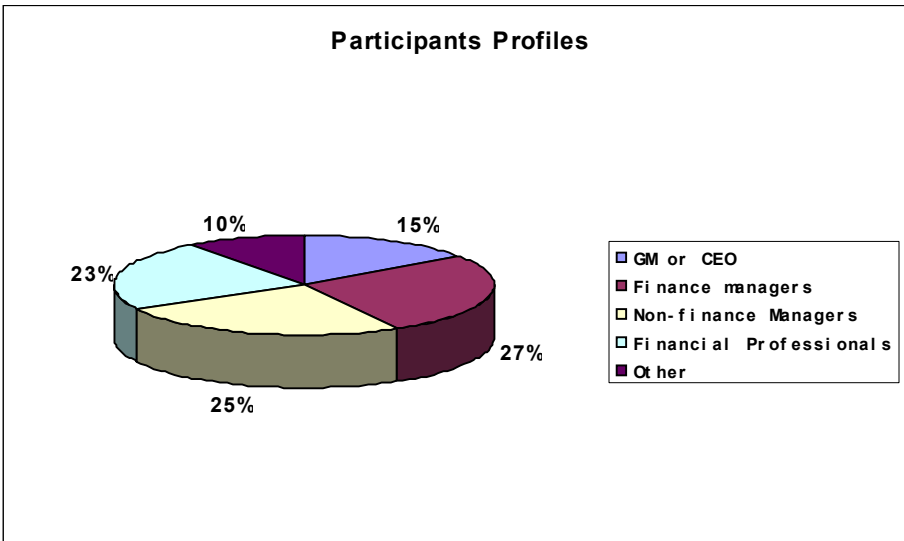


Exhibit 3: Information about Participants (for EasyFinance’s Open Seminars)





Note: Clients/Companies mean the organizations which training participants serve for.

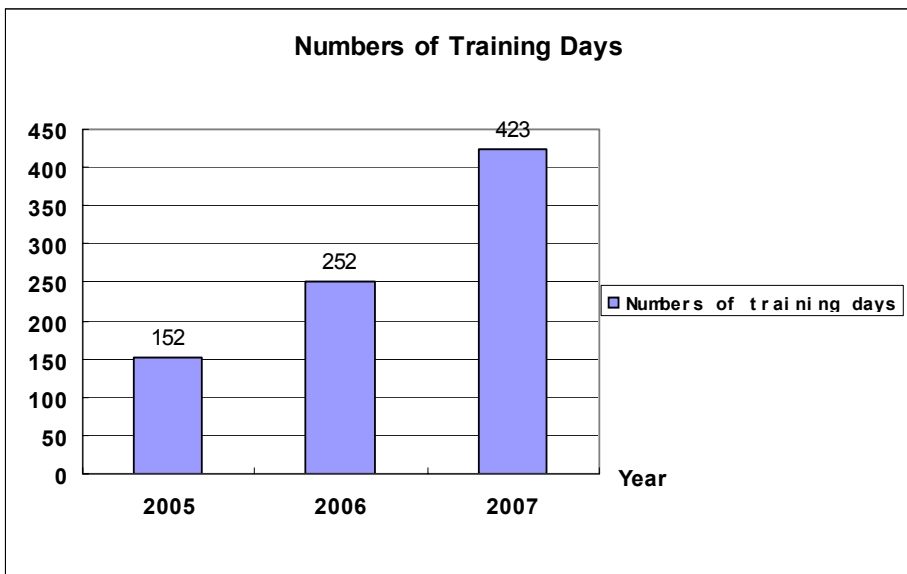


Exhibits 4: Key Clients List

| Industry                                  | Our Clients  |
|---|--|
| Automobile                                | General Motor, Nissan, FAW-Volkswagen, Toyota, Chery, Takata, Webasto, Valeo   |
| Manufacturing                             | Honeywell , Caterpillar, Mettler Toledo, Siemens, PM Putzmeister, Schlumberger, Emerson, Osram, THC, Holley Metering   |
| Food/Pharmaceutical                       | Wyeth, United Cell, Baxter, BD (Becton, Dickinson and Company), 999, Danone, Innomaxx, Kraft, Huayuan Life, Holiland Cake  |
| Retailers/Home Appliances/Consuming goods | Electrolux, A.O. Smith, Bosch, Henkel, Jahwa, Whirlpool, TCL, Sakura, Little Swan, Mennekes Nanjing, Grand Shopping Center   |
| IT/Electronic                             | Ericsson, Timeson, Lucent Technologies, China MobileComba Telecom, Gamutsoft, TYCO, , China Precision, Hangzhou Netcom   |
| Resource/Chemical                         | 3M, Ciba, Messer, Sigmakalon, China National Offshore Oil Group, Xinkuang Mining, Yi Tai Coal  |
| Real Estate/Transportation/Material       | Armstrong, ALCDA, S.C. Johnson, Lagarge, Nabel Tile, Zendai Group, Gamdale, GCM Material   |
| Others                                    | Li Ning, SVA Information, Aussino Home Fashion, Beijing Capital International Airport, ETO Sports, Environmental Resources Management, Peak Pacific (China) Investment, Bai Sha Group, Shanghai Waigaoqiao Free Trade Zone |

Resource: Internal Documents from EasyFinance

Exhibit 5: Different Training Programs and Numbers of Training Days EasyFinance Offered



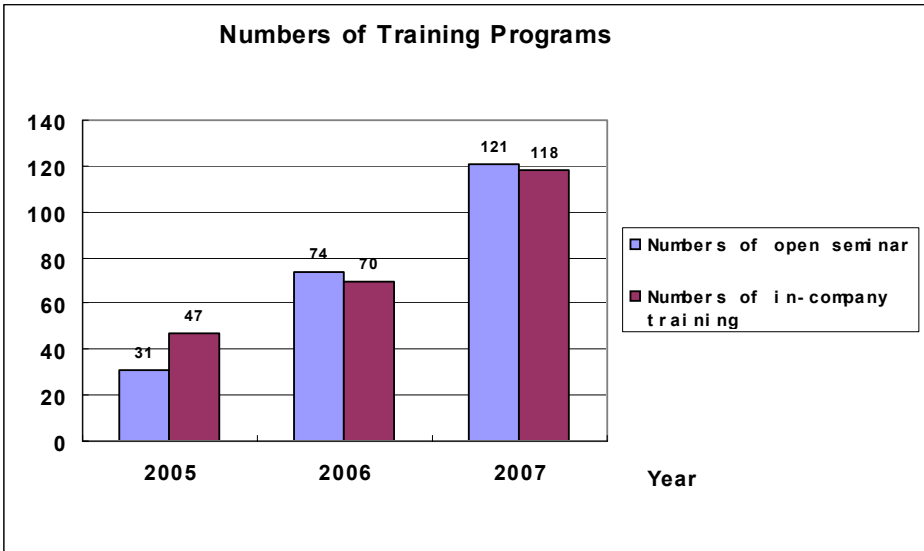


Exhibit 6: Organization Structure of EasyFinance (in March 2008)

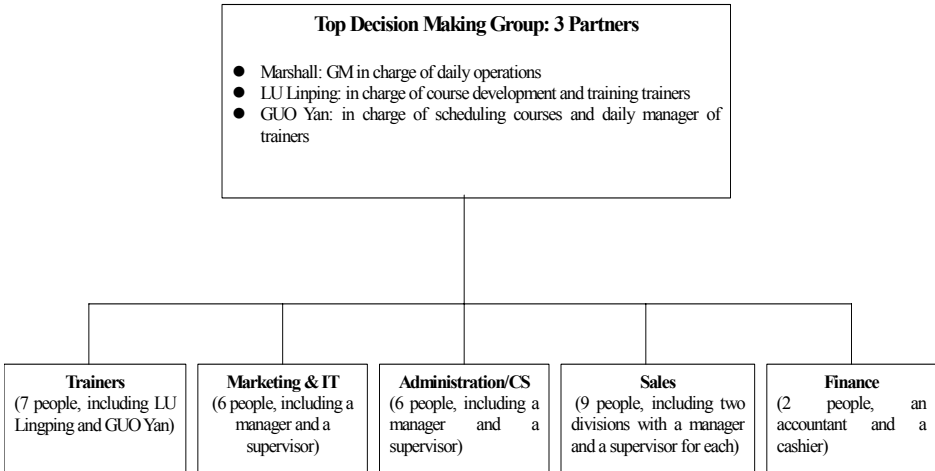


Exhibit 7: 2008 Public Seminar Plan

| CITY: SHANGHAI, BEIJING, GUANGZHOU, SHENZHEN, SUZHOU, HANGZHOU |   |  |     |       |       |       |       |       |       |       |       |       |       |       |       |       |
|--|---|--|-----|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Series   | P | Programmer Title                                   | Day | Price | Jan.  | Feb.  | Mar.  | Apr.  | May   | Jun.  | Jul.  | Aug.  | Sep.  | Oct.  | Nov.  | Dec.  |
| 18   | P | Finance for general managers                       | 3   | 6800  |       |       | 17-18 | 10-12 | 10-12 | 10-12 | 10-12 | 10-12 | 10-12 | 10-12 | 10-12 | 10-12 |
| 20   | P | Finance for non-financial managers                 | 3   | 4800  | 23-28 | 27-28 | 24-28 | 16-18 | 16-18 | 16-18 | 16-18 | 16-18 | 16-18 | 16-18 | 16-18 | 16-18 |
| 22   | M | Master budgeting management and control            | 2   | 3600  | 21-22 | 21-22 | 15-14 | 16-17 | 15-16 | 23-24 | 14-16 | 14-16 | 17-18 | 16-17 | 13-14 | 16-18 |
| 24   | M | Effective annual budget management-control control | 3   | 4800  | 16-18 | 16-18 | 19-21 | 16-18 | 14-16 | 18-20 | 21-22 | 22-23 | 17-19 | 22-24 | 19-21 | 11-13 |
| 26   | M | Internal control risk management                   | 2   | 3600  | 26-28 | 26-28 | 24-28 | 21-22 | 21-22 | 23-24 | 22-26 | 22-23 | 22-23 | 23-24 | 24-26 | 22-23 |
| 28   | M | Project finance                                    | 2   | 3600  | 28-28 | 28-28 | 17-18 | 21-22 | 16-18 | 18-20 | 22-23 | 22-23 | 16-17 | 21-23 | 20-21 | 11-12 |
| 27   | M | Project to invest financial report                 | 2   | 3600  | 28-28 | 28-28 | 17-18 | 17-18 | 17-18 | 17-18 | 17-18 | 17-18 | 17-18 | 17-18 | 17-18 | 17-18 |
| 28   | M | Manufacturing cost control and value analysis      | 2   | 3600  | 19-20 | 19-20 | 22-23 | 17-18 | 22-23 | 20-21 | 16-18 | 22-23 | 24-25 | 21-22 | 16-18 | 16-18 |
| 28   | M | Corporate investment decision-making               | 2   | 3600  | 19-20 | 19-20 | 22-23 | 17-18 | 22-23 | 20-21 | 16-18 | 22-23 | 24-25 | 21-22 | 16-18 | 16-18 |
| 30   | M | Finance for financial managers                     | 3   | 4800  | 16-18 | 16-18 | 16-18 | 16-18 | 16-18 | 16-18 | 16-18 | 16-18 | 16-18 | 16-18 | 16-18 | 16-18 |
| 32   | M | Corporate financial analysis and risk control      | 3   | 4800  | 16-18 | 16-18 | 16-18 | 16-18 | 16-18 | 16-18 | 16-18 | 16-18 | 16-18 | 16-18 | 16-18 | 16-18 |
| 34   | M | Excel-Economic value added                         | 1   | 2200  | 21-22 | 21-22 | 20-21 | 17-18 | 17-18 | 17-18 | 17-18 | 17-18 | 17-18 | 17-18 | 17-18 | 17-18 |
| 36   | M | Excel application in financial management          | 2   | 3300  | 21-22 | 21-22 | 20-21 | 17-18 | 17-18 | 17-18 | 17-18 | 17-18 | 17-18 | 17-18 | 17-18 | 17-18 |
| 38   | M | Master budgeting management and control            | 2   | 3600  | 21-22 | 21-22 | 13-14 | 16-17 | 15-16 | 23-24 | 14-16 | 14-16 | 17-18 | 16-17 | 13-14 | 16-18 |
| 38   | M | Master budgeting management and control            | 2   | 3600  | 21-22 | 21-22 | 13-14 | 16-17 | 15-16 | 23-24 | 14-16 | 14-16 | 17-18 | 16-17 | 13-14 | 16-18 |
| 38   | M | Annual budget planning and implementation          | 2   | 3600  | 21-22 | 21-22 | 24-25 | 14-16 | 15-16 | 17-18 | 17-18 | 17-18 | 17-18 | 17-18 | 17-18 | 17-18 |
| 40   | M | Cost analysis and control                          | 2   | 3600  | 21-22 | 21-22 | 13-13 | 10-11 | 22-23 | 12-13 | 04-04 | 14-16 | 11-12 | 16-17 | 13-14 | 11-12 |
| 42   | M | Activity-Based costing                             | 1   | 2200  | 18-18 | 18-18 | 17-18 | 10-11 | 22-23 | 12-13 | 04-04 | 14-16 | 11-12 | 16-17 | 13-14 | 11-12 |
| 43   | M | Manufacturing cost control and value analysis      | 2   | 3600  | 18-18 | 18-18 | 17-18 | 10-11 | 22-23 | 12-13 | 04-04 | 14-16 | 11-12 | 16-17 | 13-14 | 11-12 |
| 44   | M | Effective asset manager management-control control | 3   | 4800  | 16-18 | 16-18 | 19-21 | 16-18 | 14-16 | 18-20 | 21-22 | 22-23 | 17-19 | 22-24 | 19-21 | 11-13 |
| 46   | M | Credit analysis and risk evaluation in shipping    | 2   | 3600  | 26-28 | 26-28 | 24-25 | 21-22 | 21-22 | 23-24 | 22-26 | 22-23 | 18-19 | 20-21 | 24-25 | 22-23 |
| 47   | M | Practical credit collection skills                 | 1   | 2200  | 26-28 | 26-28 | 24-25 | 21-22 | 21-22 | 23-24 | 22-26 | 22-23 | 18-19 | 20-21 | 24-25 | 22-23 |
| 48   | M | Internal control and risk management               | 2   | 3600  | 26-28 | 26-28 | 24-25 | 21-22 | 21-22 | 23-24 | 22-26 | 22-23 | 18-19 | 20-21 | 24-25 | 22-23 |
| 49   | M | Internal audit                                     | 2   | 3600  | 17-18 | 17-18 | 21-22 | 16-18 | 14-16 | 18-20 | 21-22 | 22-23 | 17-19 | 22-24 | 19-21 | 11-13 |
| 51   | M | Treasury managers                                  | 2   | 4800  | 15-14 | 15-14 | 07-08 | 24-25 | 24-25 | 24-25 | 24-25 | 24-25 | 24-25 | 24-25 | 24-25 | 24-25 |
| 52   | M | Cost flow and working capital management           | 2   | 4800  | 15-14 | 15-14 | 07-08 | 24-25 | 24-25 | 24-25 | 24-25 | 24-25 | 24-25 | 24-25 | 24-25 | 24-25 |
| 54   | M | Tax management and planning                        | 2   | 3600  | 26-28 | 26-28 | 24-25 | 21-22 | 21-22 | 23-24 | 22-26 | 22-23 | 18-19 | 20-21 | 24-25 | 22-23 |
| 60   | M | Tax evidence and risk evaluation                   | 1   | 2200  | 26-28 | 26-28 | 24-25 | 21-22 | 21-22 | 23-24 | 22-26 | 22-23 | 18-19 | 20-21 | 24-25 | 22-23 |
| 60   | M | Tax evidence and risk evaluation                   | 1   | 2200  | 26-28 | 26-28 | 24-25 | 21-22 | 21-22 | 23-24 | 22-26 | 22-23 | 18-19 | 20-21 | 24-25 | 22-23 |
| 62   | M | International accounting standards(IAS)            | 2   | 3600  | 18-18 | 18-18 | 13-14 | 13-14 | 17-18 | 17-18 | 17-18 | 17-18 | 17-18 | 17-18 | 17-18 | 17-18 |
| 62   | M | International accounting standards(IAS)            | 2   | 3600  | 18-18 | 18-18 | 13-14 | 13-14 | 17-18 | 17-18 | 17-18 | 17-18 | 17-18 | 17-18 | 17-18 | 17-18 |
| 64   | M | Accounting standards                               | 1   | 2200  | 18-18 | 18-18 | 07-07 | 07-07 | 07-07 | 07-07 | 07-07 | 07-07 | 07-07 | 07-07 | 07-07 | 07-07 |
| 66   | M | Corporate investment decision-making               | 2   | 3600  | 18-20 | 18-20 | 22-23 | 17-18 | 22-23 | 20-21 | 16-18 | 22-23 | 24-25 | 21-22 | 17-18 | 16-18 |
| 66   | M | Corporate investment decision-making               | 2   | 3600  | 18-20 | 18-20 | 22-23 | 17-18 | 22-23 | 20-21 | 16-18 | 22-23 | 24-25 | 21-22 | 17-18 | 16-18 |
| 67   | M | How to employ workers capital or private equity    | 2   | 3600  | 17-18 | 17-18 | 17-18 | 17-18 | 17-18 | 17-18 | 17-18 | 17-18 | 17-18 | 17-18 | 17-18 | 17-18 |
| 68   | M | The operation of foreign exchange                  | 1   | 2200  | 21-21 | 21-21 | 16-18 | 20-20 | 15-16 | 18-20 | 16-18 | 22-23 | 24-25 | 21-21 | 16-18 | 16-18 |



NEW

# 2008 PUBLIC SEMINAR PLAN

FOCUSING ON FINANCIAL TRAINING FINANCIAL MANAGEMENT PROGRAMMES

The above dates are on 23/1/2008

Tel: +86 21-58522000 / +86 1501919100      Fax: +86 21-58521898      E-mail: [BD@EasyFinance.com.cn](mailto:BD@EasyFinance.com.cn)  
 Website: [www.EasyFinance.com.cn](http://www.EasyFinance.com.cn)

Exhibit 8: EasyFinance's AD on CFO Magazine (April 2008)



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FOCUSING ON FINANCIAL TRAINING

我们全力探索财务之路  
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欲了解更多，请致电：021-58353311（热线）1580 1919 100（客服热线）

## Exhibit 9: Profit and Lost of EasyFinance from 2004 to 2008

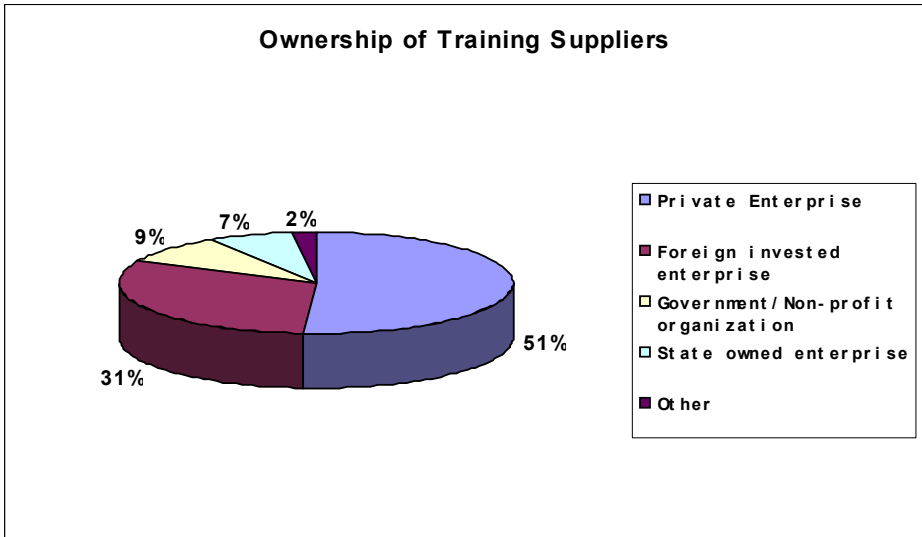
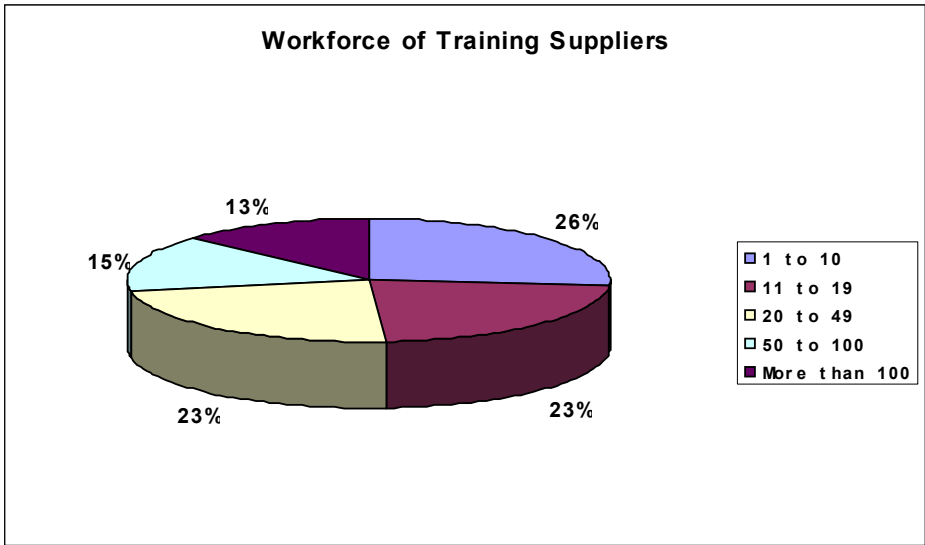
Unit: RMB

|  | 2004       | 2005         | 2006         | 2007          |
|--|------------|--------------|--------------|---------------|
| <b>Business Revenue:</b>                       |            |              |              |               |
| <b>Public Seminars</b>                         | 522,818.50 | 1,729,987.50 | 5,046,099.00 | 7,194,337.00  |
| <b>Company Specific Programs</b>               | 247,000.00 | 1,923,000.00 | 2,812,350.00 | 5,257,846.00  |
| <b>Other Revenue</b>                           | -          |              | 4,852.67     | 37,235.30     |
| <b>Total Revenue</b>                           | 769,818.50 | 3,652,987.50 | 7,863,301.67 | 12,489,418.30 |
| <b>Payout:</b>                                 |            |              |              |               |
| <b>Operation Cost</b>                          | 85,177.12  | 405,897.33   | 880,901.34   | 1,403,209.56  |
| <b>Business Tax</b>                            | 38,490.94  | 155,338.69   | 178,734.39   | 374,627.06    |
| <b>Depreciation, Loss and Amortization</b>     | 4,379.69   | 15,775.26    | 27,540.93    | 45,712.72     |
| <b>Sales and Administration Expense</b>        | 312,345.32 | 2,078,642.02 | 4,925,205.52 | 7,807,351.94  |
| <b>Net Interest</b>                            |            | -1,775.51    | -1,774.87    | -2,872.35     |
| <b>Others</b>                                  | 1,655.29   | 4,216.34     | 81,990.46    | 53,222.80     |
| <b>Total Payout</b>                            | 442,048.36 | 2,658,094.13 | 6,092,597.77 | 9,681,251.73  |
| <b>Non-business Profit (payout), net value</b> | -          | 56,739.00    | 58,788.00    | 105,388.00    |
| <b>Income Before Tax</b>                       | 327,770.14 | 1,051,632.37 | 1,829,491.90 | 2,913,554.57  |
| <b>Tax Preparation</b>                         | 36,815.28  | 139,491.73   | 193,307.94   | 415,849.76    |
| <b>Net Income</b>                              | 290,954.86 | 912,140.64   | 1,636,183.96 | 2,497,704.81  |

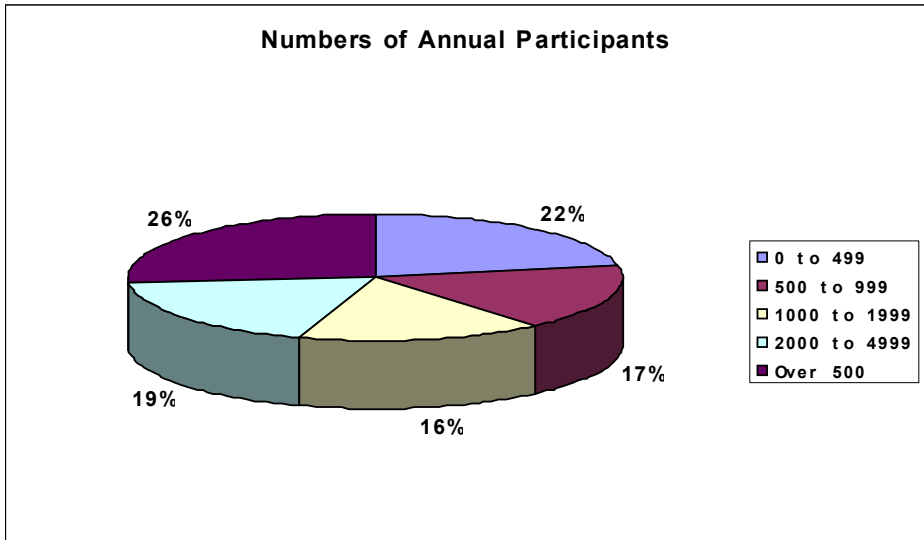
### Appendix 1: Background Information of Chinese Training Industry

The following information is based on the survey - Training Services in China – conducted by Universal Ideas in 2007.

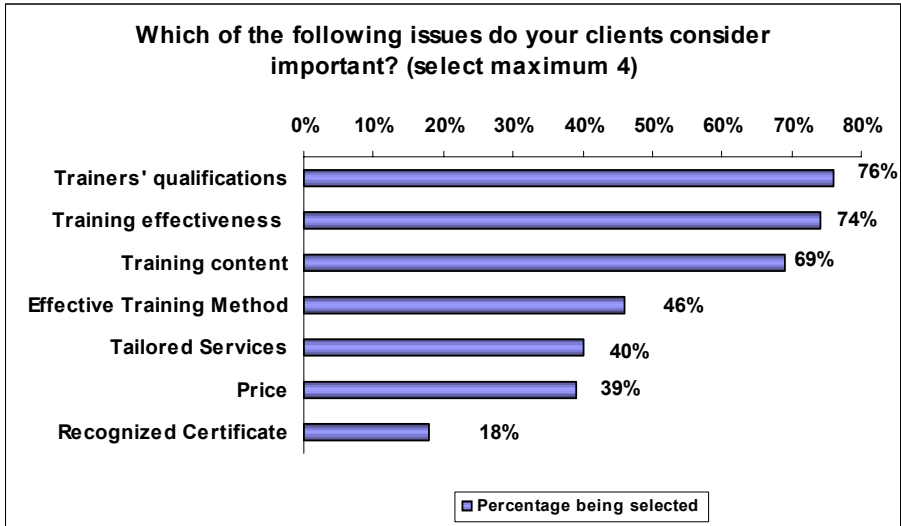
#### 1. General Profiles of Training Suppliers in China

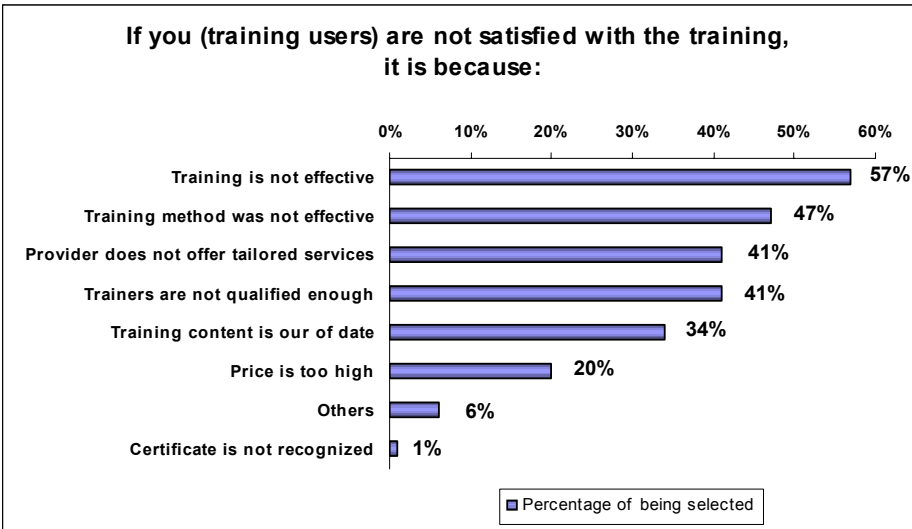
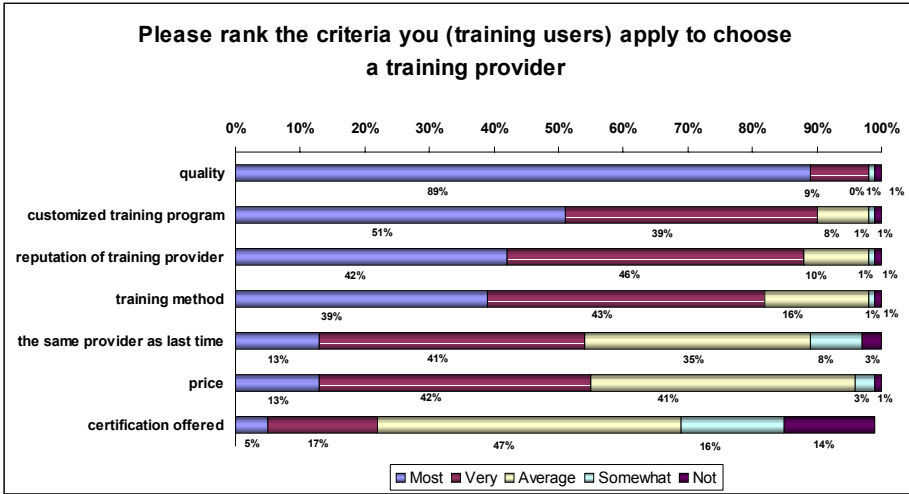




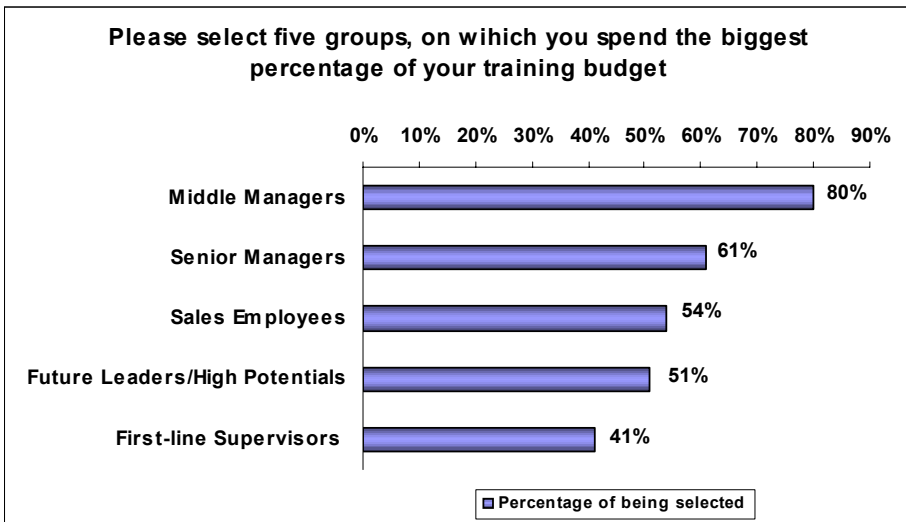
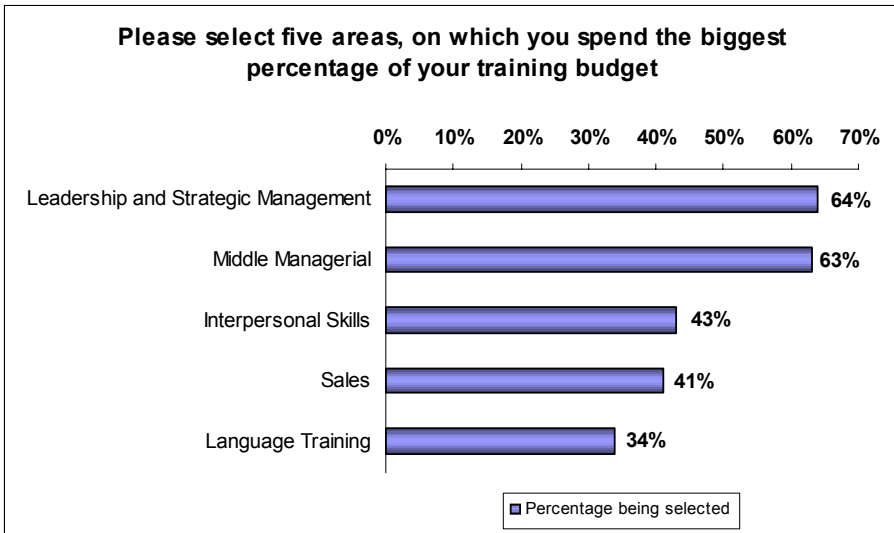


## 2. Information about Training Products/Services





### 3. Demands from Training Users



#### 4. Training Supplying



#### 5. Key Conclusions of This Research

- 1) There is noticeable room for improvement in training services in China in terms of quality and tailored training to address individual needs of a given organization. Buyers are generally not satisfied with

the overall quality, the trainers and the training content as well as learning methods. The perceived ROI and the optimal utilization of an employee's time is deemed as having limited value. The weakest areas are leadership and managerial training, which are in biggest demand and offered by the majority of providers. The majority of suppliers are meeting the gap for leadership and managerial training.

- 2) In 2007, buyers spent more on training, however, the share of training in overall expenditures decreased. The market is destined to grow. Respondents expect a further increase in training expenditures and revenues in 2008. 2007 was generally more profitable for providers in comparison to 2006.
- 3) The hot topics for 2008 are going to be Leadership/Strategic Management training, as well as middle level managerial training. Buyers are focusing on efforts to increase ROI in Managerial Training. Both buyers and the providers should bare in mind that managers have to see a clear link between training and delivery results which are clearly tied to the key objectives of the company. Buyers need to understand that training is valuable to them and good training can result in better work performance. Poor training can result in catastrophic losses. By providing quality training to employees, the company shows its appreciation of the value of their staff in the organization and recognition of high-potentials as valuable stakeholders. The training provider should work closely with program owner and clearly demonstrate skill acquisition.
- 4) Buyers and providers do not necessarily understand each other's needs. Providers offer training programs that lack sufficient customization, the content does not match the desired learning needs and may be the wrong intervention, and the methods of training are questionable. Often suppliers are not able to partner with holistic solutions. Buyers and providers have different preferred ways to get in contact with each other (providers prefer direct mailing, while buyers latch onto referrals). Both parties vary in regard to trainers and trainees, applied criteria and evaluation.
- 5) The vast majority of training buyers declare that the quality is the most important criterion for choosing a training provider.
- 6) Training providers are becoming increasingly more focused and specialized in specific training sectors, courses or topics. Training providers that lack a specific focus or area of training specialization will face intense competition from other generic suppliers and not be a

preferred choice by those buyers searching for a company's center of excellence only. Customized, specialized and creative training programs will be more popular, especially among new entry employees. Training providers who only provide standardized, off-the-shelf courses will be perceived as dinosaurs – extinct.

## 6. Research Basis

Universal Ideas Co. provides an in-depth research strategy which serves as a basis for this 'China Training Sector Industry Report' for its 2008 'Training Services Directory'. The research has been conducted in the time frame of August through December of 2007.

In order to conduct the research diligently the researchers used the gathering of primary data and other data research methodologies encompassing interviews and analytical tools. The research was surveyed both the training buyers and training providers.

There were a total of 223 questionnaires filled in by training providers and training buyers. Over 90 personal interviews were conducted.

Resource: Training Services in China: 2008 Directory of Company Profiles and Training Capabilities

[http://www.uichina.com/training\\_directory/2008\\_training\\_industry\\_report/executive\\_summary.php](http://www.uichina.com/training_directory/2008_training_industry_report/executive_summary.php)