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Chinese entrepreneurs will lead the next revolution in global business

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Edward Tse believes the complex and dynamic Chinese economy is a forerunner of how global business will evolve, and its dare-to-fail entrepreneurs will be the standard-bearers

Many people outside China still view the country in a very narrow sense, as a nation with a one-party authoritarian regime where the economy is dominated by large state-owned enterprises. Though it remains true that the country's biggest companies - its major banks and insurers, oil and energy companies, telecom operators, airlines and leading steel, auto and construction firms - are all government-owned or controlled, the often-overlooked private sector is where China's largest source of growth resides.

There are about 2.3 million state-owned companies in China today, a staggering-sounding number, but not when you compare this to the total number of businesses. In 2013, the country had more than 12 million private companies and more than 42 million proprietorships.

In 2000, total revenues earned by state-owned and non-state-owned industrial companies were roughly the same, at about 4 trillion yuan (HK\$4.6 trillion then) each. By 2013, while total revenues at state-owned companies had risen just over sixfold, those in the non-state sector had risen by more than 18 times.

Increases in profits were even more impressive over the same period: up nearly seven times for state-owned companies, but up nearly 23 times for non-state ones. Like it or not, Chinese entrepreneurship is growing in leaps and bounds.

The rise in Chinese entrepreneurship can be seen as four distinct waves. The first one came in the 1980s soon after Deng Xiaoping started economic reform in 1978 and included companies like Huawei and Legend (the precursor to Lenovo).

The second wave was in 1992, after Deng went on his now legendary "southern tour". This wave lifted the companies established in the first wave and also served as a launch pad for many others. A number of former government officials decided to *xia hai* (jump into the sea) to become businessmen, forming the so-called "Gang of '92".

By the mid- to late 1990s, a third wave of entrepreneurs had established themselves and these included the now notable internet companies - Baidu, Alibaba and Tencent, collectively known as "BAT".

The fourth wave started in the late 2000s, fronted by those born in the 1980s and after. Many of

these latest start-ups are internet-related, building e-commerce businesses. These young people who grew up in the post-reform era try to copy the successes not just of American internet companies such as Google and Facebook, but also of BAT, China's home-grown giants. This wave came in a much larger number than its predecessors and many of them aspire to be the next Jack Ma Yun, of Alibaba fame, or Pony Ma Huateng, who founded Tencent.

One remarkable thing about the entrepreneurs of the first two waves of China's economic reforms is how their companies were able to adapt to the changes during this period. They set up businesses when the economy was still dominated by the state. They survived the Asian financial crisis of the late 1990s. They fought off competition from the flood of foreign companies that arrived after China joined the World Trade Organisation. And they rode the worldwide downturn that followed the global financial crisis.

Chinese entrepreneurs do not all fit in a cookie-cutter mould. They are of different ages and educational backgrounds, come from a wide spread of hometowns, and have varying degrees of government influence. Most have run small companies, but some come from management backgrounds in giant companies.

Yet they all share this trait: they are willing to take chances and not at all afraid of failure. Almost all have an extraordinary openness to ideas; they seek inspiration from around the world and are willing to use resources from outside China, especially human talent with the right kind of expertise.

At the heart of China's entrepreneurial spirit lie three core elements: pride, relating to a desire to once again see China rise and be counted among the forefront of nations; ambition, a belief that aspirations can be achieved; and China's Confucian tradition, shaping aspirations both for and beyond business. The pursuit of the "Chinese Dream" often comes up when these entrepreneurs speak about their motivations.

I believe that today's China, both in terms of scale and complexity, is a forerunner of how the world's business environment will evolve. Just see how technology, especially the internet, is breaking down barriers between industries and fostering more cross-sector competition. To survive, businesses must seek new sources of advantage - even if that means moving beyond their traditional area of expertise.

The internet is not unique to China, but its impact on the country, because of the nascent nature of its economy, is greater and more pronounced than in developed economies. Retailing, for example, is being turned on its head as e-commerce allows shoppers in even China's remotest regions to gain access to goods, long before bricks-and-mortar stores can be built. The country's e-commerce giants are moving into finance by offering money-market products that offer higher interest rates than banks can.

Other companies are also stretching themselves. Computer giant Lenovo and telecom equipment maker Huawei are both striving to become international players in the smartphone market, for example.

The complexity and speed of change in China puts a premium on improvisation and innovation. To be successful, entrepreneurs need to seize the advantages of China's scale and dynamism to make their companies fast-growing, powerful and flexible, ever ready to reinvent themselves

continuously and repeatedly.

One Chinese entrepreneur has recently been receiving worldwide attention: Jack Ma of Alibaba, which is about to be listed on the New York Stock Exchange. According to Bloomberg, Ma is China's wealthiest person, with a net worth of US\$21.9 billion. The second and third on the wealth list are Tencent's Pony Ma and Baidu's Robin Li Yanhong. These three men built up their businesses from scratch some 15 years ago to become the leading internet companies in China. As far as most people know, they are not princelings, nor do they have any special government privileges; they came from fairly humble backgrounds.

China has embarked on a transformation, one that will bring both tremendous opportunities and challenges. Amid all this, it will be China's entrepreneurs who play the key role in (re)forming the economy necessary to create a dynamic society whose citizens and government contribute to shaping a new China.

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