



# Hold onto your hats: change is coming

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By Edward Tse(China Daily Europe)

Framework of Chinese management faces an exciting future

People are increasingly asking whether China will yield new management theories and strategies as happened in Japan in the 1980s.

China today and Japan then were fast-growing economies, both had companies popping up everywhere, and in many cases with surprising results to people in the West. However, while Japanese companies and management practitioners were able to develop and leave behind a series of management and business practices and theories, their Chinese counterparts have been unable to do so, at least not so far. I believe this is going to change.

The real underpinning of the development of leading business management and strategy theories is the China context. As we all know, China's market is large, growing rapidly and complicated. Changes are often multidimensional, non-linear and even discontinuous. In many arenas we see the world's most cutting-edge phenomena co-existing with some of the most rudimentary counterparts. While the role of the government continues to be strong and almost omnipresent, private sector entrepreneurs are becoming a much more potent force. Importantly, in the open sectors, some of the world's most intensive competition is taking place among the multinational companies, Chinese state-owned enterprises and privately owned ones all fighting for a larger piece of the pie. Intensive competition drives companies to innovate, and this is taking place today.

Xiaomi, the smartphone company, has made tremendous strides in less than four years, from scratch to becoming the world's third-largest smartphone seller, after Samsung and Apple.

Its valuation is said to be \$40 billion (32 billion euros). Contrary to what some US journalists have reported, Xiaomi is not a copycat of Apple. Its business model is fundamentally different and innovative.

It builds a strong following of "fans of Xiaomi" ("mifen" in Chinese) by leveraging on the social media. Based on the feedback of its fans, Xiaomi updates its smartphone software every week, a feat that is difficult for others to emulate. Today there are about 70 million mifen, and the number is growing. The combination of a loyal user base, "zero-distance" customer interactions, fast response cycle and ultimately a stellar reputation through word of mouth is what makes Xiaomi unusual and tough to beat.

Alibaba built its business over the past 15 years through a series of strategic jumps and made history this year by being the largest ever IPO in the United States. It started as a business-to-business platform, jumped onto customer-to-customer (Taobao), then business to customer (TMall), followed by payment (Alipay) and consumer finance (Yu'eobao), coupled by big data, logistics and other areas. The willingness to challenge and go beyond the traditional narrow premise of core competence theory has enabled Alibaba to jump from one business to another, which is emerging as a real skill and underpins a new type of business model.

Haier, China's leading white-goods manufacturer, is now undergoing a transformation. It is taking apart its original organizational model and is encouraging its staff to form a series of smaller entrepreneurial companies forming a "networked organization".

Zhang Ruimin, Haier's chairman, believes the change will allow the company to be much more responsive to its customers and create a new corporate platform fostering more innovation, agility, flexibility and adaptability.

Needless to say, this is a comprehensive and deep transformation of an industrial organization. As a visionary and vigilant leader, Zhang foresees that the future will be drastically different from today, and companies will need to reinvent themselves if they want to survive.

In addition to Xiaomi, Alibaba and Haier, many other companies in China are experimenting in their own ways to innovate and change. Many will probably get lost along the way but some will find ways of breaking through. Leaders of these companies are forming their own views on the ways businesses ought to be run and organize their strategies.

If we take a step back we will begin to see an emerging pattern, and this pattern is the basis for new business and management practices or theories that are coming out of China.

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Charles Darwin's survival-of-the fittest model manifests itself profoundly in China and will gather even more steam. While the Japanese management practices of the 1980s were mostly about techniques that usually had clear and well-defined methodologies, the Chinese contributions are probably going to be about management and business model philosophy and approaches that arise out of the China context.

After all, China does not defy the laws of nature. It simply expands the number of dimensions in business relative to that in the rest of the world, and these additional dimensions will form the context for new inspiration and lessons in business and management.

The author is founder and CEO of Gao Feng Advisory Company, a global strategy and management consulting firm with roots in China. He is author of the award-winning book *The China Strategy*, and an upcoming book *China's Disrupters*, to be published next year.

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