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# Dragon Tactics

How  
Chinese  
Entrepreneurs  
Thrive in  
Uncertainty

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## NOTES FROM THE AUTHORS

Between the time we decided to write this book, two years ago, and today, as we are putting the finishing touches on our manuscript, we are seeing a steady accumulation of what some might call alarming news about increasingly bold policies and actions by the Chinese authorities, some aimed at controlling the most dynamic companies in its private sector, especially in the tech industry.

Such initiatives are undermining not only the already fragile trust the rest of the world has in China but also, within the country, the confidence entrepreneurs may have in a stable future to develop their businesses.

We are also witnessing a worrisome rise of nationalism in China that slowly is becoming the new norm to which many conform, stifling alternative voices as well as potentially making it increasingly difficult for foreign brands and companies to succeed in China.

Yet, despite such circumstances, we believe more than ever in the relevance of the *Dragon Tactics* we describe in this book. We provide clear insights in what has made Chinese entrepreneurs successful in a rapidly evolving and often uncertain environment. Changing realities, political uncertainties, hyper competition, rapid digitalisation — none of these circumstances is new to them and they have learned to prosper within such uncertain surroundings.

The book is therefore less about China, but much more about what can be learned from companies that are able to thrive in uncertainty.

This book is not just aimed at entrepreneurs and company executives who do or are interested to do business in or with China, but mainly at business leaders worldwide who want to learn how to survive in fast-changing market circumstances.

With business uncertainties on the rise globally, driven by climate change, the increasing calls for firms to become more socially responsible and involved, the role of China on the world stage growing and changing, and its companies transforming and expanding, the world may only now start to experience what successful Chinese entrepreneurs have known since their very beginnings. In this fast-developing new reality, the lessons in this book are of vital importance to entrepreneurs and business leaders around the world.

To be clear, this book is not a political book. It does not intend to analyse the geopolitical tensions between China, the US, and other parts of the world, even

less to take sides. Also, while we believe much can be learned from Chinese entrepreneurs, we are not giving in to blind fascination and enthusiasm about all things China. Instead, throughout this book we demonstrate our critical ability, including when it comes to Dragon Tactics.

With this book, we share some insights from our many years in the Middle Kingdom. We encourage you not to throw out the baby with the bathwater, to keep your eyes open and exercise a healthy curiosity for new ideas and new practices that may help you become or remain successful in tomorrow's world, rather than judge this world prematurely, without the necessary knowledge and insights.

### **The road to Dragon Tactics...**

In June 2019, we came to the conclusion that this book needed to be written.

What instigated our decision was the announcement by the Carrefour Group, the French multinational retailing behemoth, that they were selling their China subsidiary because they were no longer able to compete in the Chinese market. Incredible! This after nearly two decades operating in the Middle Kingdom, a large part of that period very successfully and profitably. What had just happened?

We had some ideas about what led to their demise, and this book now provides many of the answers. Carrefour was indeed outcompeted. They failed to fully understand or take seriously enough the capabilities of local players. They moved too slow in a fast-changing, difficult-to-predict market. They did *not* thrive in uncertainty.

But many of their local competitors did and still do. Our book provides clear insights into how local enterprises have mastered operating in uncertain circumstances. In our view, there is much to learn from their experiences and capabilities.

### **...started with our own first steps in China, many years ago.**

We both came to China relatively early in China's incredible journey from an economic backwater to the global powerhouse it is today.

Sandrine arrived in Shanghai at the beginning of 1994, on what was supposed to be a short-term mission. Requested by Robert-Louis Dreyfus, the new shareholder and CEO of Adidas, she came to explore commercial opportunities for the German sportswear giant. Sandrine ended up staying and starting Adidas China out of her living room.

Aldo first moved to Hong Kong in early 1992 when he found his first job, in marketing, at Dutch conglomerate Hagemeyer. He then relocated to the

mainland in 1995 to be one of the co-founders of the Beijing office of J. Walter Thompson, an American advertising agency. Both of us did not know a lot about China when we arrived. For Sandrine in particular, it was a true cultural shock and a tough journey at the beginning: what could Adidas do in China when faced with immature (if non-existent) commercial infrastructures, very low purchasing power, and significant legal obstacles in place before China was granted access to the WTO?

And yet, Sandrine insisted on staying beyond her short assignment and volunteered to create the Adidas China subsidiary and business. Despite all the difficulties she encountered, she felt China had a unique energy that would make the place the epicentre of the 21<sup>st</sup> century.

She was proven right. Yet, as China was developing at lightning speed, she was still very sceptical about the first generation of entrepreneurs emerging back then. Her impression was one of chaos, lack of planning, wasted resources. And in the early days, that was all true.

The same belief as Sandrine's—that China was holding incredible opportunity—was behind Aldo's move to give up life in Hong Kong for an uncertain future in Beijing. Having travelled back and forth into mainland China from Hong Kong for a few years, he experienced a more subdued culture shock.

Whereas Sandrine was, at first, working with local entrepreneurs to create a supply chain and a distribution channel, Aldo initially worked with multinationals aiming to conquer the Chinese market, some of them achieving success, some of them a lot less. He vividly remembers discussions along the lines of 'if only a small fraction of China's 1.3 billion population would buy our product, we would be very successful', while the reality of enticing this 'small group' was a lot harder, especially, with not many companies willing to make tough strategic choices to appeal to this new Chinese audience.

Aldo's best example of this short-sightedness came when consulting for a well-known cereal company that was struggling to entice Chinese audiences to eat sugared cereal for breakfast. He was warned explicitly by the China management team, prior to a meeting with the APAC leadership, *not* to suggest during that session that the company should start creating local breakfast products, such as deep-fried breadsticks, for risk of being removed from the meeting. The company was a cereal company and it *was* going to convert the market!

Sandrine and Aldo met at Adidas China in 2004. Sandrine had meanwhile grown Adidas China from scratch into the second biggest subsidiary and had successfully convinced the Beijing Olympic committee to award Adidas the lead sportswear sponsorship at the XIV Olympiad to be held in Beijing in 2008.

Needing a marketer to strengthen the Adidas brand ahead of the Olympics, she turned to Aldo, meanwhile working for Siemens, who had just delivered an award-winning advertising campaign that was successful both globally and in China, quite a unicum at that time.

A lot has changed since then. Not just China itself, or our own careers, but especially our belief and understanding of how to become and stay successful in China.

Since 2004, we both have served in different leadership roles and have worked for, and with, a variety of different businesses, companies both global and local. And in Sandrine's case, advancing her own entrepreneurial endeavor. In all these positions we have had numerous touchpoints with Chinese entrepreneurs, ranging from Chinese franchisees and manufacturing partners of the brands we operated, to scouting possible partners for global brands we have represented, to actually working directly with or for these entrepreneurs.

With our initial and, in hindsight, limited knowledge, we first judged local businesses, like so many others before and after us, as not quite at a professional level. And yet, from those early days, and particularly over the last ten to twelve years, Chinese entrepreneurs have turned many of these shortcomings into strengths and have developed a whole new way of doing business, which is one of the key success factors of China today.

One thing of note is that throughout our career in China, we have both operated mostly in consumer markets. In the book, we therefore use many consumer-related examples because that is what we know best. However, it should be clear that there are many businesses in China, successful or not, operating outside the consumer space for which our thinking does and will apply. The management practices used successfully by Chinese entrepreneurs and business leaders that we describe in this book, are not category specific.

### **Dragon Tactics, explained.**

Last, but certainly not least, we would like to explain the title of our book: 'Dragon Tactics'. On the surface these two words seem a simple amalgam that combines an iconic Chinese cultural symbol with a word to express how to get things done.

While this is perfectly true, there is more to the title than meets the eye. In our view, any other name would not have been appropriate for our book.

As you will read soon, many Chinese entrepreneurs, certainly the ones we have met and worked with over the years, revere wolves. Not necessarily the molar wolves — the aggressive lamb mauling, drooling kind despised in both Western and Chinese culture — but the more cerebral types that are smart,

courageous, stubborn, and patient; the kind that cherishes independence and freedom and in a fight are fully cognizant of the limits of battle, highly organized, and disciplined; wolves that know how to make plans and set goals and then spy, encircle, ambush, attack, and intercept; the kind that can resist thirst and hunger, is family-oriented, possessing a collective spirit, unyielding, and indomitable.

In many ways wolf characteristics symbolize much of what drives Chinese entrepreneurs. Wolf Culture, which we will explain in-depth in this book, has become for many of them the most appropriate metaphor to describe the business culture they have built.

So, we could have considered calling our book Wolf Tactics, and yet we did not. While a lot of Wolf Culture is admirable and can lead to incredible success, you will read that not all that a Wolf does is amicable. Moreover, not every entrepreneur or business leader in China is necessarily a Wolf. But they are all Dragons!

While dragons feature in both Chinese and Western legends, they are perceived very differently. In the West a dragon often has a negative image as a fire-breathing beast that can only be slain by brave heroic men. In Chinese legend on the other hand, the dragon is perceived much more favourably. The Chinese dragon is a highly revered mythical creature.

In ancient Chinese times, the dragon was a sacred being, worthy of worship. The dragon was elegant, with a docile character. A benevolent symbol of fertility associated with water and the heavens. A god who controlled the rain and sunshine.

As feudal society developed, and with it hierarchy, the role of the dragon evolved with it. When Chinese rulers obtained the mandate of heaven and became Emperors, the position of the dragon followed in their footsteps. The Emperor, no longer just a man, but a god-like Son of Heaven embraced the dragon as the exclusive symbol of his aristocracy. Gradually the emperor became a dragon. A golden dragon.

Today, the dragon is still a highly respected symbol, representing wealth, wisdom, success, power, and luck. The Chinese proudly declare that they are the descendants of dragons. Western media often use the dragon as a symbol of China.

In our book, we describe the role which a Chinese founder, entrepreneur, or leader fulfils inside his or her organisation. Often that is as an absolute, yet benevolent leader looking after his people. An Emperor. And thus in our view a Dragon (龙, pinyin: Lóng).

The word Tactics (策略, pinyin: Cèlüè) is also carefully chosen. As we de-



scribe in this book, Chinese entrepreneurs are masters of speed, flexibility, and improvisation. With their history and culture pervaded with the succession of the four seasons and its resulting expectation of permanent change, the only constant is their need to adapt.

Operating in a hyper competitive, fast-changing world, they plan with a long-term vision in mind. Yet, with how the world around them changes, they don't chisel their plans in stone tablets. We once heard very aptly described that the only time you see a Chinese company create a five-year plan is when they are preparing for an IPO or sell themselves to a Western firm.

The market is simply moving too fast to plan far ahead. In fact, in an environment where things change as rapidly and fundamentally as in their increasingly modern and digitalized world, entrepreneurs in China need to keep their engine running, even while they upgrade it.

As we will explain, strategic planning as we know it in Western thinking therefore does not exist in the Chinese entrepreneur's mind. In a flexible world, inflexibility equates to stupidity. Vision, on the other hand, is scope, is long-term and anticipates the future based on the potential of the situation here and now.

While working toward a long-term goal, the short term therefore can be as flexible as the here-and-now requires. After you have a clear vision, you can start to act. Tactics are what will get you on your way and will keep you directed, no matter how winding the road will be.

This is also how we see the role of this book. Dragon Tactics is your scope. It shows you where you can go. How you apply the lessons, here and now, in your reality, is for you to decide.

# 适者生存

4

ADAPT TO  
CHANGE OR DIE.

## 4. ADAPT TO CHANGE OR DIE.

*'Become as flexible as water, which always finds its way forward by adapting to the ground.'*

Lao Tzu

Ancient philosopher and writer

### 4.1 CHANGE IS AS OLD AS HISTORY ITSELF

Rooted deep in Chinese culture, there is the view that the world around us never stands still and that all that is happening on it is changing continuously.

Unlike Western societies (from the Hebrew to the Greek and the Christians), there is no such notion as transcendent gods, eternal ideas, and the essence of things, in China's cultural past.

Instead, Chinese culture is infused with expectations of permanent change. It is central to the Chinese way of thinking, traditionally as well as today.

Chinese are the heirs of three millennial traditions: Taoism, Confucianism, and Buddhism and over these vast swaths of time a different form of thought has developed, not linear and rational but circular and intertwined. Chinese thinking is based on the realization that in reality, things are woven together like the weaves in a carpet.

In the 'Yijing' (易经, sometimes stylised 'I Ching', and also called 'The Book of Changes'), one of the oldest Chinese texts that first originated during the 1000 to 750BC period, the Chinese character 易 (Yi) as a noun means 'Change', and as an adjective, 'Easy'. The combination of the two meanings gives the idea that nothing is easier than change.

Confucius (孔夫子, meaning Master Kong; 551-479 BC), one of China's most revered and influential scholars was crucial in further developing this philosophy. Master Kong strongly rejected preconceptions, categorical assertions, and stubbornness. His teaching aims not to get an idea about things but to put fluidity in and between things: Why get attached to ideas while reality is in continuous transformation?

This thinking is also underlined by Buddha: 'The only law which does not change is the one which states that everything changes. To refuse this ontological law is to be narrow-minded.'

### **A mind must be sharp to deal with change.**

Knowledge is the path to coping with change. All Chinese wisdoms consider that it is through vision and not through speculation that man gains knowledge. Studying, however, is not just accumulating book knowledge but also sharpening your mind, so that you always have the right answer for a given situation.

Lao Tzu (老子, meaning 'Old Master'; likely 6th century BC), another prominent Chinese philosopher and the founder of Taoism, was the leading force behind the notion that learning is critical to gaining an edge: 'He who does not know, always sees opposing forces. Those who know, see the necessary complementarities in the contradictory aspects.'

It is in the same spirit that Confucius advocates study. He constantly brings his teachings back to the realm of the concrete: 'Knowing is nothing, knowing how to live is everything.' As described earlier in Chapter 3 Wolf Culture, this respect for learning is still highly valued in modern Chinese society and can, for example, be seen clearly in the results of Chinese students around the world.

While in Western philosophy the important thing is to think well, for the Chinese the important thing is to observe well, and all the more so since luck does not fall from the sky: it is not the result of chance or Providence, but it is the fruit of the potential of a situation that has been detected, here and now, with its benefits to be exploited.

### **Time stops and starts.**

Time, in Chinese wisdom is also interpreted differently. In the Chinese scriptures, time appears as a spiral, an eternal restarting but never with a similar restart, like the four seasons that will always follow each other but are not alike. There is no beginning or end in such a view of time, only change.

And such eternal restarting has profound consequences beyond the realm of time itself. It is at the basis of what is often erroneously termed as 'lack of vision or lack of a clear goal'. But in Chinese reality, it is seen as maintaining full flexibility. The Western fixation on a specific objective presents two major drawbacks in traditional Chinese wisdom: (1) It is a source of tension which squanders the vital energy of man; (2) It does not allow you to see what is happening at ground level and therefore to seize the opportunities that arise. Chinese thought is concerned with always being in tune with reality, an adequacy all the more successful when the object of aim is forgotten.<sup>1</sup>

The gap between our two thoughts is illustrated in the conception of genius: in Western philosophy he is a gifted being of exceptional creative thinking; Chinese wisdom would describe him as quite simply the one who is able to seize the opportune moment which escapes any plan conceived in advance.

This means companies must adapt faster to changing needs and desires to stay appreciated. Or better still, demonstrate to consumers they deserve their attention and money by creating a constant stream of new and desirable alternatives. Such constant craving for ‘new’ has given a novel meaning and purpose to innovation and product development. One that is very different from how innovation is perceived in Western markets, which move and develop more slowly and where brands are more resilient.

**The need for innovation is often misunderstood or outright dismissed at global HQs.**

In our discussions with global colleagues at headquarters or when interacting with global leadership teams of companies we have consulted for, we were always surprised how poorly understood this phenomenon was. It was often extremely difficult for them to understand that China could be in need of more innovation. More often. Or even simply more choices, colours, or varieties than consumers were expecting in their own established home markets. Failure to deliver sufficient innovation and newness has often been the reason for global companies to struggle, or worse, fail in the Chinese market.

**ADIDAS NEO - THE €200M BUSINESS THAT WAS NOT ALLOWED TO EXIST.**

Today in China, Adidas relies on three brand pillars for its growth.

- |                       |                  |
|-----------------------|------------------|
| 1. Adidas Performance | ‘Sports’         |
| 2. Adidas Originals   | ‘Sports Fashion’ |
| 3. Adidas NEO         | ‘Sports Casual’  |

Prior to 2006, Adidas NEO did not exist. Here is why and how it was created.

**A CLEAR MARKET NEED WAS IDENTIFIED.**

The casual market was significantly underserved as many mass-fashion brands (local and foreign) had either not yet been launched or were still very small in country. Demand for such casual product for daily use was high and opportunities for retail space — particularly beyond a pure sports environment — was abundant.

**EXISTING ADIDAS PRODUCT OFFER AND DISTRIBUTION WERE NOT ABLE TO FULFIL THIS DEMAND.**

Adidas Sport Performance already had a very high share of the casual products market. Increasing this further would seriously risk its sports credentials.

Adidas Originals (or Sports Heritage as it was then called) was a higher priced product, out of reach for most consumers. Also, the brand was deemed more 'fashionable' and for a trendy audience. Broadening the range with casual product and lowering pricing would damage its 'must have' brand-enhancing appeal.

### **THE INITIAL SOLUTION...**

Standalone stores with 'Adidas Casual' products, branded with the generic 'adidas' and three stripes logo.

Initially, these stores were stocked with products from both Sports Performance (casual/daily apparel and lower-end basic footwear) and Sports Heritage (lower-end, more basic apparel and footwear).

### **THE JOURNEY - TENACITY AND BELIEF:**

- Summer of 2006, five test stores were opened by local management. They were an enormous success.
- September 2006, the business idea was first pitched to global leadership. They said no.
- In response, the pilot was increased to 50 stores, mostly in lower tier cities to keep the pilot as low profile as possible.
- March 2007, the idea was pitched again to the global board. They again said no.
- The number of 'test' stores grew to 100.
- June 2007, a multiyear business plan was presented to the global board, with a €200m (20%) difference between a scenario with and one without the Casual opportunity.
- Finally, the Board agreed.

At the end of 2020, this casual business segment had nearly 3000 POS in China. It was renamed Adidas NEO in 2008, targeting teenagers and young adults with product that is priced up to 50% lower than Adidas Originals.

Benefitting from dedicated design and supply chain, the brand still helps the company penetrate lower tier cities, and still provides Adidas China a clear competitive edge.

**Source: Authors**

# 大浪淘沙

6

PEOPLE COME  
AND GO.  
THOSE WHO FIT  
STAY LONGER.

## 6. PEOPLE COME AND GO. THOSE WHO FIT STAY LONGER.

*'In Chinese society, no one is an end in themselves; you are a means to an end. The view of personhood is that the person is valuable in so far as they are in a relation to others.'*

Jerusha McCormack

Professor, School of English and International Studies, Beijing

### 6.1 FAMILY CHARACTERISTICS

Family culture is at the core of Confucianism\*. And with Confucian thought at the centre of traditional Chinese society, family culture equates to Chinese culture. Or stated differently, Chinese culture is family culture.

As we described at the beginning of Chapter 5 *The Emperor Decides*. But Agility Rules, Confucianism promotes social harmony in human relationships, a principle thus naturally applicable to family relationships as well. Achieving harmony within the family relies on the combination of a parent's authority, conformity to the rules, and the role and responsibilities of each individual.

Conventionally, in Chinese family culture, respecting the old and loving the young is the most prominent feature. 孝 (pinyin: xiào) translated as filial piety is highly valued. Xiào is rooted in China's feudal social structure, in which land was held by large clans whose internal life was structured hierarchically and patriarchally. Traditionally, Chinese people obey the hierarchical relationship between the previous generation and the next. Children are not willing to contradict their elders. Obedience is an expression of respect from the child toward parents and the elderly.

In Confucianism, this virtue is directly associated with a person's citizenship and leadership in society. Confucius said, 'To put the world in order, we must first put the nation in order; to put the nation in order, we must first put the family in order; to put the family in order, we must first cultivate our personal life; we must first set our hearts right.'

\* For nearly 2,000 years, Confucianism has shaped the social, ethical, and political aspects of Chinese cultures. Developed by the greatest Chinese philosopher, Confucius, Confucianism is a philosophy that focuses on the conduct and practices of people in daily life. It is a complex set of ethical and moral rules that dictate how a person relates to others. It plays a key role in forming the norms of social morality that influence the culture in personal, familial, and social relationships.<sup>3</sup>



It is believed that children who respect their parents will become good citizens and leaders. Rebellion against parents' authority is unacceptable and will result in harsh consequences. Being 'unfilial' was considered a crime in traditional Chinese society. It even could result in death as a punishment.<sup>1</sup>

Family culture is the moral bond that holds the family together and improves its fortunes. It brings cohesion and requires mutual support. While children are expected not to rebel, the patriarch is expected to expand the prosperity and vitality of the family, which explains the extraordinary determination of most Chinese families to do better than the previous generation in education, job prospects, and wealth. Cohesion is also the driver of mutual trust among family members.

### **Trust in the family.**

American Japanese scholar Francis Fukuyama believes that culture can be divided into high-trust culture and low-trust culture.<sup>2</sup> High-trust culture refers to a society where trust exceeds blood relationship, while low trust culture equates a society where trust only exists in blood relationship.

China (and with it for example France and Southern Italy) in his view is a low-trust culture, where people trust others more when they are related to them. The family is the circle of dependence.

This base for trust is the reason why the large majority of businesses in China is generally family-based; even when the corporation is publicly held, the family is often still in control. No wonder then, that family culture has entered the thinking and behavioural rules of Chinese enterprises.

In China's businesses, the corporate culture is often an expression of traditional Chinese family culture, which can even determine property rights and organisational forms.

The family members generally take a hands-on approach in the affairs of the business. Decision-making can often be informal and may even occur at events such as family dinners. The organisational chart does not necessarily provide information about who actually holds the power; often a person with an influential-sounding title may only be a figurehead.

### **When the family is a clan.**

Beyond the inner family culture, China has a long history of organized groups of descendants of one common ancestor, known as clans: autonomous organisations with broad social and economic functions and important providers of public goods and social services, and sometimes even a substitute for the state.<sup>4</sup>

There is a lot to say in favour of participation models at Yong Hui Superstores or incentive schemes at Haidilao and certainly also for the Huawei ownership system, particularly when compared to schemes common among global multinationals with guaranteed salaries, bonuses, and low-priced options. These often present a lot of upside and no downside and are often concentrated at the top.

Now compare this to the thousands of Huawei employees who could lose the bulk of their personal wealth if the firm decreases significantly in value. So, when Huawei talks about going into 'battle mode', you need to picture tens of thousands of employees all fighting together against big declines in their personal wealth.<sup>17</sup>

Or better still, they are all pushing in the same direction to increase its fortunes by finding entrepreneurial ways to grow the company and improve their own prosperity in the process.

### **The limitations when venturing outside China.**

We also see lessons to be learned by Chinese companies that plan to expand abroad, especially when entering Western markets.

In such business environments, too much top-down control will have clear limitations among people used to being able to think and decide much more independently. In the short term, we see firms solving this problem by employing Chinese leaders in senior positions. But while we earlier quoted Chinese entrepreneurs such as Robin Li from JD.com who rightfully criticised multinationals for not doing enough to localize management, the same will be true for Chinese firms growing and developing in markets foreign to them.

Clan based people management and decisions not necessarily in the interest of the enterprise will prove to be obstacles when expanding abroad and bringing in much needed foreign talent. Running large enterprises with a few hand-picked, Western-educated Chinese nationals will turn out not to be sustainable in the long term.

Also, finding the right balance between capturing short term opportunities and following more structured planning models needed to provide the necessary strategic alignment will be another challenge for Chinese companies expanding outside their borders. Change is not a constant in more mature Western markets.

Trust (or rather the lack of it outside the inner circle) will also need to be addressed. A relatively small but telling example that really struck Sandrine when she sold her company, and which, when discussing with other Westerners who had sold their businesses in China, she found to be a common practice: at the very minute when she received payment for the transaction, she was asked to

remit all bank codes and tokens, including for her Paris office. This is not something you would expect in the West, where it is assumed that a senior director will respect basic payment processes and that trust comes with the position.

There is still a long way to go for Chinese entrepreneurs to be comfortable managing responsible foreign managers in a culture that is deeply different from theirs.

### **The impact of technology.**

On a closing note, another challenge, not just for family-led Chinese firms but also for multinationals doing business in China, is to navigate their companies in the current technological revolution — often called the Industrial Revolution 4.0 — in which a fusion of technologies is blurring the lines between physical, digital, and biological spheres.

This profound change is ripping through China, with hugely disruptive technologies leading China's effort to transition from a manufacturing-driven economy to a service-and consumer-oriented one.

Business models that worked well a few years ago may no longer function after the disruptions, and this is no exception to mainland family businesses. The quality of the succession of company leadership will decide the future of many Chinese enterprises over the next few decades.

As Chinese companies are well used to change, many are already well equipped to deal with the digital disruption. We will explore this digital revolution in more detail in the next chapter, *It All Starts with Data*.



## ACKNOWLEDGEMENTS

The basis for this book is our own extensive experience in China, each of us spanning a period of 30 years working in international firms with their many local partners, with and for local Chinese private enterprises, and in our own created venture in China.

With many of the brands and companies we describe in this book, we have had some form of involvement or a working relationship with the founders, owners, or other most senior leaders. In addition, we have conducted various interviews to further develop our knowledge. We learned a lot from all of these entrepreneurs. And we hope, they from us. We would like to thank them for their education. Their day-to-day habits, actions, and knowledge are the foundation on which we built our thinking.

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Dragon Tactics uniquely brings together many aspects of Chinese business management. Yet, prior to our book, others have published their thinking on some of the topics we cover. Our manuscript would not have been complete

without utilizing some of this existing material such as books, videos, reports, scientific research, and published articles. A full list of these sources is listed below in either *References* (which are numbered throughout the book) or *Sources*.

We have included extensive Chinese material, some of which are blogs or social media posts, that reflect the current mindset in China on the topics covered in our book.

A final note is dedicated to the representation of Chinese names. Out of courtesy to the entrepreneurs we thanked in the section above, we have used their Chinese names complemented with a pinyin-based or—for those who use this regularly—a Western-style name representation. However, throughout the rest of the book for the purpose of simplicity, we have only reflected names, both for people and companies, using the commonly accepted pinyin conversion or Western-style name.

## ABOUT THE AUTHORS

### ALDO P.H.M. SPAANJAARS

Since 1992, Aldo Spaanjaars has been involved in business in China, building bridges between Chinese and Western cultures. His vast China understanding and experiences range from creating award-winning advertising to managing retail chains and investment management.

During his nearly 25-year career in China, Aldo has had extensive exposure to business practices in both global and local companies, enabling him to compare the effectiveness of various methodologies and realizing that not all he had learned in business school would automatically lead to success in China.

Working for Fosun International, China's premier private equity company, Aldo worked directly with some of China's leading entrepreneurs and witnessed first-hand what enables their success.

Previously, Aldo was CEO of Lacoste Greater China and COO at Adidas Greater China, and he is one of the co-founders of J.Walter Thompson Beijing (an advertising agency). Throughout these stages of his career, Aldo worked extensively with local customers and manufacturers and learned early in his career that success in China, and increasingly abroad, requires the acceptance of new ways of thinking.

### SANDRINE ZERBIB

Sandrine Zerbib has over 25 years of experience in the consumer business in China.

Back in the mid-90s, as the President of Adidas Greater China, she created and developed the China business of Adidas from its nascent stage to its present market-leading position.

She later became the CEO and Executive Director of Chinese group Dongxiang, which gave her a perfect observation post to understand Chinese entrepreneurial management from within and compare it with her experience in a Western multinational.

Today she runs the business she founded in the e-commerce operation industry, ([www.fulljet.com.cn](http://www.fulljet.com.cn)), in competition with mostly Chinese private enterprises. In early 2021, this company was acquired by China's leading e-commerce service provider, Baozun, which gives her additional insight on successful Chinese enterprises.

Thanks to her many years leading both Western, Chinese, and ultimately mixed businesses in China, she was able to observe the changes in the Chinese market and the rapid evolution of Chinese private companies. It gave her a chance to truly challenge what she used to take for granted, to analyse the pros and cons of Western and Chinese approaches to business, and to learn from the latter and adopt the relevant ones.





'Dragon Tactics' presents a potent mix of China's four-thousand-year-old history and management methods that borrow as much from Confucianism as from new technologies.

It explores a unique approach to business by analysing everything from the unexpected philosophies of Chinese business leaders on competition, risk, profit and failure to the role of family and how it is changing. It defines the cultural spirit of a wolf pack: its skill of observation, its respect of the leader's authority, its embrace of flexibility, and more.

Ultimately, the book describes the Dragon Tactics mentality in entrepreneurial China, and in those who embody it, to explain how and why Chinese businesses thrive in chaos.

In less than thirty years, world-renowned Chinese companies like Haier, Huawei, Alibaba (and many other companies virtually unknown outside of China) have converted the country into a fast-paced consumer society and a powerhouse of innovation and survival. How did these Chinese brands become so successful so quickly in one of the world's most unpredictable, hyper-competitive markets? How do they navigate the local uncertainty that frustrates and intimidates most Western managers?

There are many lessons for Western leaders to learn—a new set of quite unexpected but proven business management skills, how they came to be, and why they work—to not only to succeed within China, but more importantly, to better navigate an increasingly uncertain and volatile world far beyond China's borders.

Informed by decades of experience in the Chinese marketplace, Aldo Spaanjaars and Sandrine Zerbib don't simply unveil the secrets of how Chinese companies operate and stay competitive. Rather, more usefully, the authors provide a clear understanding of the cultural forces driving the business practices that otherwise confound outsiders.

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