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MANAGEMENT INSIGHTS

RESEARCH HIGHLIGHTS

From Community to Strangers:
The Spillover of Cooperation

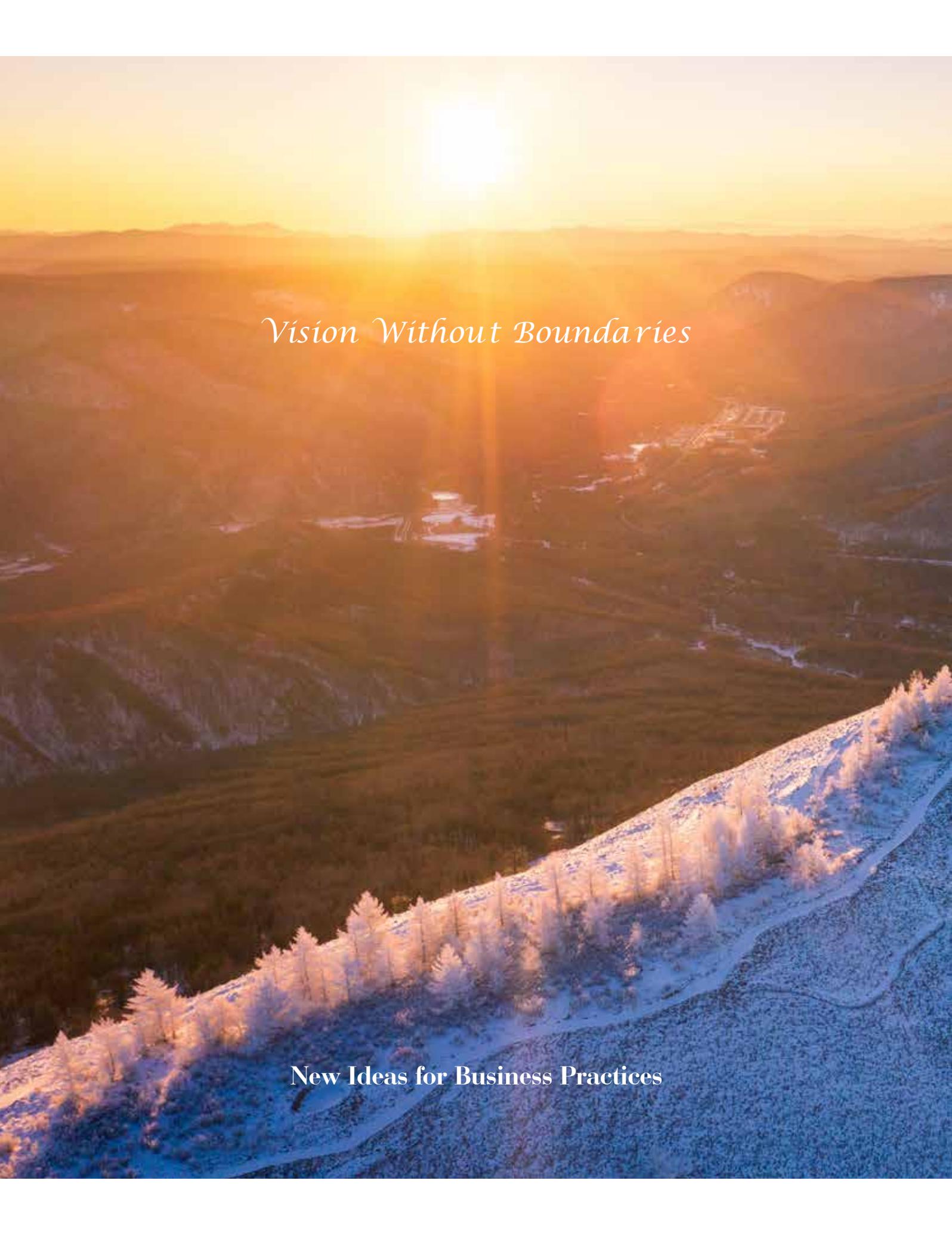
How Did WeChat Become a “New-to-the-World” Innovation?

Beyond Bounded Rationality:
How CEO Reflective Capacity Drives Firm Sustainable Performance

EXECUTIVE PERSPECTIVES

The Essence of Digital Enterprise:
Openness, Transparency, Empowerment, and Efficiency
An Interview with Jianguo Wang

Keeping a Boat Afloat and Far-reaching
in the New Blue Ocean
An Interview with Dongqi Qian

An aerial photograph of a mountain valley at sunrise. The sun is low on the horizon, creating a warm, golden glow and long shadows. The foreground shows a snow-covered slope with a line of evergreen trees. A winding river flows through the valley floor. The background features rolling mountains under a hazy sky.

Vision Without Boundaries

New Ideas for Business Practices

An aerial photograph of a mountain range during sunset. The sky is a mix of orange and blue, and the mountains are covered in snow. The foreground shows a steep, rocky slope with a path leading up to a small structure on the peak.

**MANAGEMENT
INSIGHTS**

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Guiding business to succeed in the new economy

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and President of Tineco

There Is a Crack in Everything, That's How the Light Gets In

— Leonard Cohen

When the world has plunged into so much darkness and chaos in 2022, our editorial team in Shanghai made extraordinary effort to publish four remarkable issues in the Chinese language. Each issue focuses on a timely and important topic, including the rise of China's digital economy, how to motivate Gen Z workers to harness their energy and creativity for organization innovation, how to help sci-tech entrepreneurs to master management knowledge and skill, and how to address challenges facing nascent and existing Chinese global companies in today's turbulent geopolitical environment. These topics shed hopeful lights for organizations and employees to navigate effectively in the troubled world.

Along with the special topic forums, each issue also contains carefully selected academic papers published in top management journals, such as the *Administrative Science Quarterly*, *Organization Science*, *Management and Organization Review*, in the form of "Research Highlights" – shorter and more digestible essays – to share with Chinese managers. I am pleased to share eight Research Highlights with our English readers in this annual English issue, along with the English translation of the two CEO interviews among the eight published in the four Chinese issues in 2022. I hope this condensed 2023 annual English issue gives our English readers a glimpse of what Management Insights attempts to achieve: bridging the gap between academic research and managerial practice.

Every research article offers profound findings and revelations. For example, in "From community to strangers: the spillover of cooperation", Molina, Nee, and Holm surveyed 700 CEOs of private companies located in seven cities in China's Yangzi River Delta region. They explored the mechanisms that facilitated the cooperation among strangers whose relationships are often fragile. They found that strengthening the norm of reciprocity and cooperation within a business community can substantially enhance the chances of cooperation in transactions with strangers, especially those in areas with stronger local markets. In "How did WeChat become a 'new-to-the-world' innovation",

Murmann and Zhu used historical case analysis and tracked the dynamics of competition in the Instant Messaging industry in China. They found that within Tencent, its multiple business units not only cooperate but also compete, and it is the internal "co-opetition" that played a key role in the development of "new-to-the world" products. This co-opetition dynamic occurred in three key business areas – technology, product promotion, and supplier complementary assets. In addition, top management guidance and firm-level routines were essential in managing the challenges of co-opetition within the firm. Studies at the individual level also provided deep insights. For example, in "Beyond Bounded Rationality: How CEO Reflective Capacity Drives Firm Sustainable Performance", Jia, Tsui, and Yu surveyed CEOs and their executive-subordinates of 213 Chinese small-medium firms to identify the essential capabilities that can help firms to achieve sustainability performance (economic, social, and environmental). They discovered CEO reflective capacity – a higher-order cognitive capability – as most relevant to enable CEOs to engage in a purposeful process of continuous improvement by deriving connections between time, space, and relationships, and eventually lead to the firm's sustainability performance.

The insights from the interviews with two Chinese entrepreneurs are fresh and eye-opening. The founder of FiveStar Holdings, Mr. Jianguo Wang explained how his acute business foresight and digital mindset were instrumental in building up his business empire. He attributed the success of his enterprise to four main qualities: openness, transparency, empowerment, and efficiency. The stories and reflections shared by Mr. Dongqi Qian, founder of ECOVACS Robotics and Tineco, are also fascinating. Using smart technologies to make cleaning robots and cooking robots, he views himself as a captain driving new ships in Blue Ocean, with a bright future ahead.

I truly hope you enjoy reading this 2023 annual English issue of Management Insights. Happy 2023!



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Idea Scan



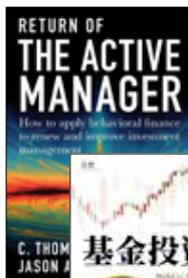
Management Scholars' Bookshelf

Book recommendations from top management scholars

Li Lingfang

Professor

Fudan University



Return of the Active Manager

Author: C. Thomas Howard Jason A. Voss **Translator:** Chen Shi / Li Lingfang

Publisher: Harriman House

Business and investment decision is a science, and also a behavioral game. Making good business and investment decisions requires not only strategic thinking that takes into account the big picture, but also the ability to master your own impulses and see those of others. Recent winners of the Nobel Prize in Economic Sciences include George Akerlof, Peter Diamond, Alvin Roth, Robert Shiller, Jean Tirole, Richard Thaler, and others, whose researches deal with behavioral economics. By introducing a range of analytical tools from behavioral economics and behavioral finance to various strategic contexts, this book helps to understand and analyze strategic behavior and the capacity for irrational impulses in social, economic, and business life. This book covers a variety of behavioral biases in investing and provides specific advice to investment managers, such as how to keep an investment diary to record the investment decision process, how to do better research, how to manage the investment process, and how to manage an investment company. It is hoped that this book can help people understand the basic knowledge of behavioral economics and behavioral finance, understand and analyze the irrational impulse in investment, and clarify how to reduce the influence of behavioral biases through mechanism design, so as to make better investment decisions.



Zhu Zhenmei

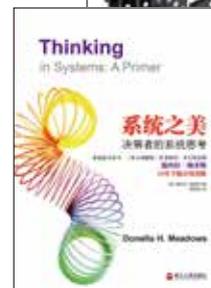
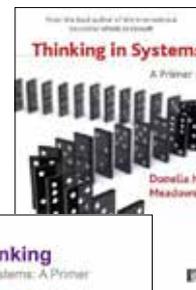
Associate Professor

Fudan University

Thinking in Systems: A Primer

Author: Donella H. Meadows **Translator:** Qiu Shaoliang **Publisher:** Earthscan Ltd.

As a powerful tool to deal with complex challenges, systems thinking has been widely recognized and applied in various fields of economy and society. It can be said that the ability of systems thinking can help people to work, study and live better. Even though the importance of systems thinking is acknowledged, the boring and complex models and formulas of systems theory scare many people away. This is an introductory book on systems theory that vividly inculcates systems thinking in readers by listing common systemic problems, their causes, and solutions. The reason why this book can use plain language to explain complex issues thoroughly is due to the author's profound theoretical, practical and interdisciplinary skills, and also her systems thinking ability. Donella Meadows, the author of this book, is one of the world's greatest masters of systems thinking. In this book, she constantly demonstrates the importance of systems thinking in everyday life. For example, as the book says, the flu virus doesn't attack you, instead, your body is just right for the flu virus to grow. Mastering systems thinking will enable you to see problems and things that are previously unseen, and find fundamental solutions to problems.





Xiao-ping Chen

Professor
University of Washington
Executive Editor of Management Insights

The Moral Limits of Autonomy -- Solving Ethical Problems from the Perspective of Economics

Author: Wang Guoxiang **Publisher:** Beijing World Publishing Corporation

It's ethical to save someone in distress, but what if he/she charges a fee for doing so? Is this person still a moral model? Conversely, if the person who provides voluntary labor is a moral model, is the recipient of the voluntary service also a moral example? Confusion about moral concepts often prevents people from giving clear answers. In this book, the author proposes two forms of morality: one is economic morality, that is, the morality of not harming others for one's own benefit or self-interest; the other is personality morality, that is, morality based on conscience or moral sense. In the mainstream Western moral philosophy, the so-called morality refers to the personality or virtue of individuals, leaving behind the meaning of economic benefits. The discussion about "pro-self and pro-social" is also limited to whether the motive for individual virtues is self-interest or morality, and fails to distinguish between altruism and egoism in economics. In other words, altruism in the Western moral philosophy is only related to love and respect for others in personality, and has nothing to do with economic interests. But in China, altruism means benefiting others economically. It is this difference between China and the West in moral understanding, which has been ignored in China for a long time, that leads to the unique moral confusion of Chinese people. The author thinks that these two kinds of morality coexist and reinforce each other, with personality morality the initial condition of all moral behaviors, and economic morality the way to realize personality morality in economic behaviors.



He Wei

Professor
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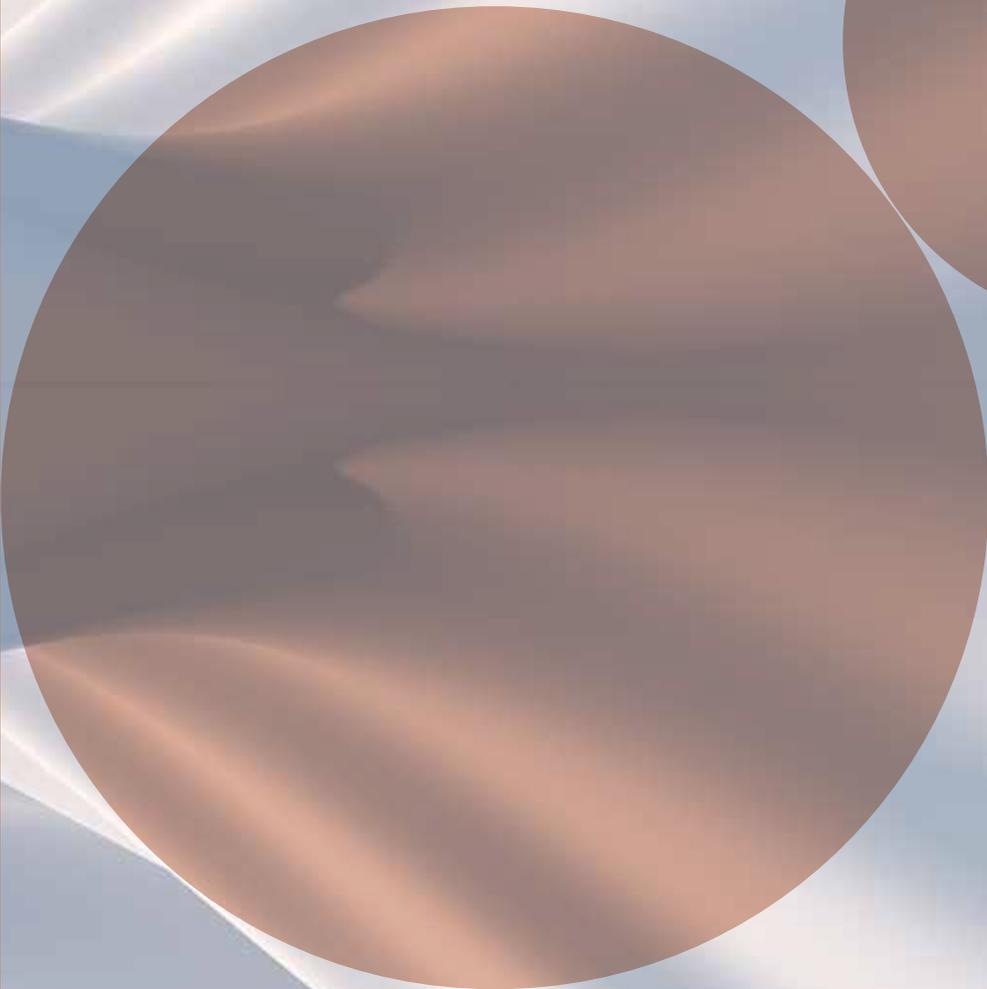
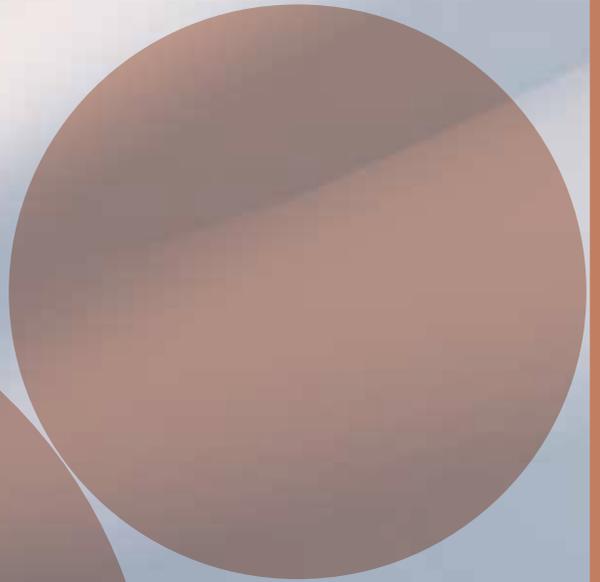


Intelligent Manufacturing in China: Model Innovation of Leading Manufacturing Enterprises

Author: Zhang Zhixue / Ma Li **Publisher:** Peking University Press

This book records in-depth dialogues between the Chinese management community and the Chinese manufacturing industry on the important issue of intelligent transformation. It combines condensed theoretical insights with business cases. The book covers not only classic theoretical perspectives such as identity, creativity, innovation, and organizational culture, but also the rich experiences of outstanding Chinese manufacturing enterprises that has strived to achieve transformation. Through the multi-party dialogues and combination of academia and industry, the book sheds lights on the underlying logic behind the achievement of intelligent manufacturing of Chinese manufacturing enterprises. At the time when we are facing an intense international situation and the upgrading of development strategy in China, the book comprehensively answers the important question of how to move from "made in China" to "intelligent manufacturing in China", and provides effective guidelines for a vast number of Chinese enterprises to transform magnificently in this era of change. More importantly, the book provides an important and concrete demonstration of the two-way collaboration between management theory and management practice in the context of Chinese culture, and the complementary integration of macro and micro research paradigms.

RESEARCH
HIGHLIGHTS



From Community to Strangers: The Spillover of Cooperation

The belief in the reliability of robust norm enforcement in one's business community is positively associated with a higher probability of cooperation with strangers.



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Unlike voluntary market exchanges rooted in ongoing social relationships with acquaintances and business partners, which are enabled and guided by norms of reciprocity, reputation and long-term cooperation, business transactions with strangers involve both risks and opportunities. There is no history or record showing that strangers can be cooperative. The opportunity cost of not transacting with strangers is a loss of business and market growth, while the risk is to be deceived by a stranger

in a one-shot transaction. He/She may provide false information, put in hidden fees or fail to deliver the products/service or pay on time. Unlike working with long-time business partners, these noncooperative behaviors often do not incur future costs given that there will be no future transactions, and there is no reputation to be damaged since the strangers are often anonymous and/or out of the business community. As economists put it in the famous depiction of “Prisoner’s Dilemma”, it’s always beneficial

and rational to be non-cooperative in a one-time relationship, regardless of the action of the other party. Therefore, the social exchanges with strangers are often fragile and walking on thin ice, leaving people wondering if or when the other party will defect.

Nonetheless, in a market economy, it is essential for business to work with strangers, which can potentially enable organizational actors to gain access to novel ideas, strategic information, and timely advice about business challenges. It can also open pathways for new business opportunities and new ideas and technologies through knowledge sharing and sequential exchange. Thus, given the importance of working with strangers and the fragility of these exchanges, it is important to understand what promotes cooperative behaviors in transactions with strangers.

According to Mario Molina, Victor Nee, and Hakan Holm, the answer may lie in the strength of the social norm of cooperation in one's business community. They argue that when there's a strong social norm of cooperation in one's business community, this norm does not only guide exchanges or transactions within the community; in contrast, executives and entrepreneurs will also internalize this social norm and apply a similar standard of cooperation when interacting with strangers who are outside of their business community.

Empirical Methods

To provide evidence to this claim, the researchers surveyed 700 CEOs of private companies located in seven cities in China's Yangzi River Delta region: Hangzhou, Ningbo, and Wenzhou (Zhejiang Province); Nanjing, Changzhou, and Nantong (Jiangsu Province); and Shanghai. The selection of companies is randomly stratified based on city, company size, and industry. Two-thirds of the sample is small firms (with 10-100 employees), one third is medium firms (with 100-300 employees) and the rest is large firms (with more than 300 employees), spanning across labor-intensive

(ordinary machinery, automobile and vehicle parts, and textiles) to knowledge-intensive (pharmaceutical and electronic and communication appliances) sectors.

In 2009, the researchers measured the cooperative norm enforcement in the CEOs' local business community with seven scenarios, each involving a standard business conflict between two hypothetical Chinese entrepreneurs (L and Z):

- 1.Z refuses to lend money to L, albeit he has the spare money to do so;
- 2.L worked in Z's company for many years and is planning to start his own company, but Z refuses to offer any advice or assistance;
- 3.Z does not pay back an informal loan to L in time;
- 4.Z delays the delivery of supplies to L and causes L to lose a contract with one of his customers;
- 5.Z delivers supplies of inferior quality to L and refuses to fix the problem;
- 6.Z does not pay for a delivery of goods in a timely manner to L;
- 7.After maintaining a trusting business relationship over the years, Z tries to lure away L's clients.

To each scenario, the surveyed CEOs infer the probable consequence that should happen in their business community (with possible multiple choices): (i) Nothing will happen, (ii) Z will tell others about the bad experience (negative gossip), (iii) Z covers his losses in future transactions by taking action against L (retaliation), (iv) a change in the business relationship between Z and L with material consequences (punishment), or (v) other people will treat L differently (community sanction). And the researchers combined these answers to obtain a score of cooperative norm enforcement in the CEOs' business community.

In 2012, the researchers captured the CEOs' decisions to cooperate with strangers or take advantage of them with a "Prisoner's Dilemma" decision-making scenario.

Empirical Results

After controlling for gender, age, family income, years of education, the CEOs' household status at birth, urban/rural locations, manufacturing sector, and municipality to capture differences in the local business environment, the researchers found that, the belief in the reliability of robust norm enforcement in one's business community is positively associated with a higher probability of cooperation with strangers, particularly in Nanjing and Wenzhou. This is perhaps because, in contrast with other Yangzi River Delta region cities, Nanjing and Wenzhou have stronger local markets.

While the study provides important insights, it

is possible that the CEOs who are generally more prosocial toward strangers are also more sensitive as regards perceiving the enforcement of cooperation norms in their business communities. In other words, the norm enforcement is not causally influencing the willingness to cooperate with strangers. To obtain additional insights on the links between social norms and cooperative prosocial behavior, the researchers further conducted a scenario experiment with 588 managers and nonmanagers from Shanghai, Nanjing, Changzhou, Wenzhou, and Hangzhou. The findings reveal that norms of reciprocity are significantly related to cooperation with strangers in Nanjing and Wenzhou, the same as observed in the previous study. 

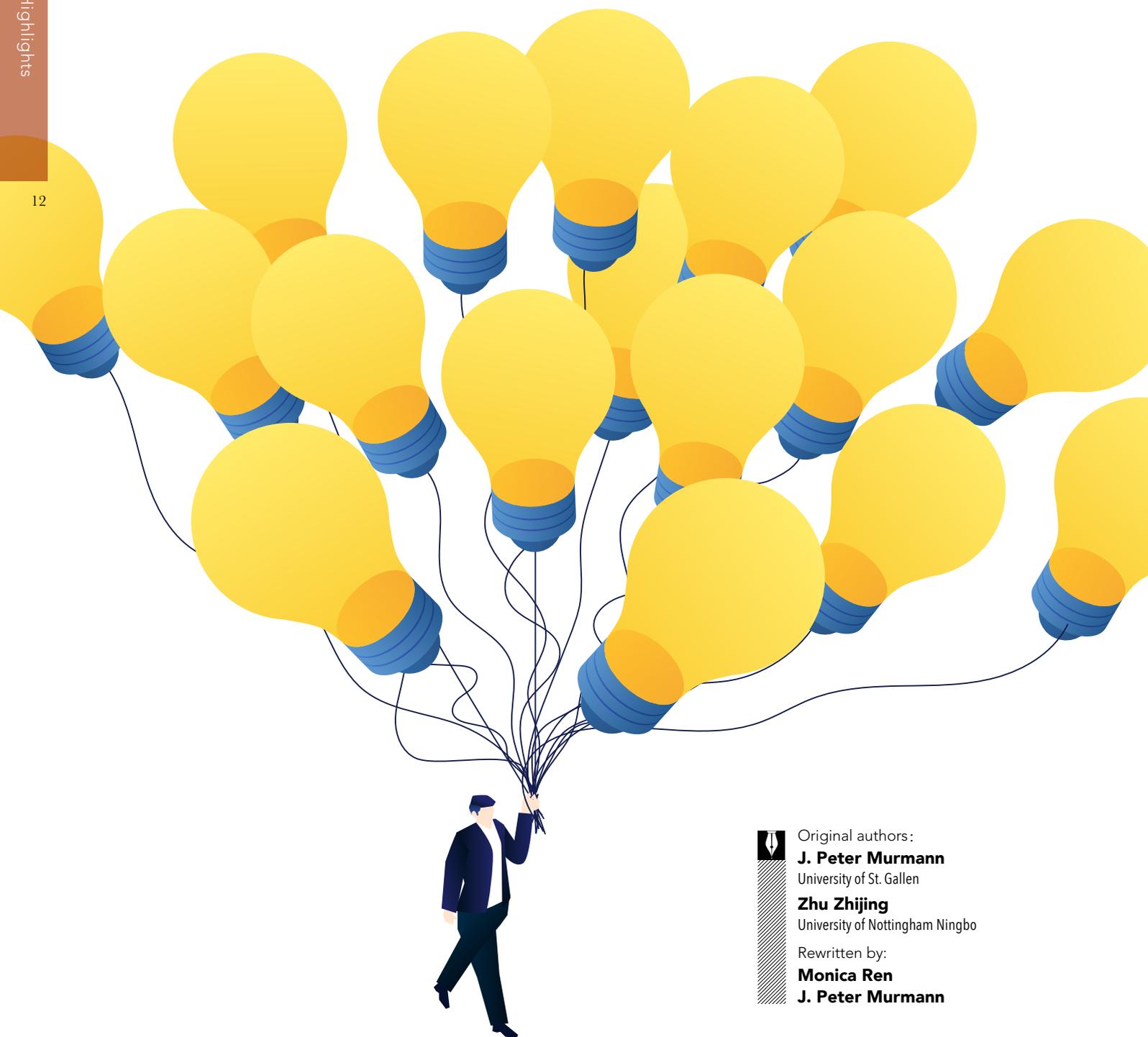
Managerial Implications

The Chinese economic reform since 1978 has empowered the country's private sector and energized the market. In this process, entrepreneurs and producers are offered a greater set of choices, enabling them to develop new means and modes for cooperation in pursuit of competitive advantage and profitable exchange. As such, entrepreneurs and companies need to continuously expand their business and transactions into new markets and work with new business partners that are beyond their local business communities. Such expansion and constructive exchange are not only crucial for the focal business or entrepreneurs, but essential for the continuous development of China's economy. Nonetheless, it is also coupled with challenges indicated in the classic "Prisoner's Dilemma," where people are likely to defect and take advantage of each other in transactions with strangers.

Fortunately, the findings of the researchers paint a more promising picture for the prospect of

cooperating with strangers, as they found that a strong norm of reciprocity and cooperation within the business community can substantially enhance the chances of mutual cooperation in transactions with strangers, especially in areas with more robust local markets. This injects confidence into business transactions with strangers. The question that follows is perhaps what roles entrepreneurs and executives can play in facilitating and enforcing a social norm of reciprocity and cooperation. While one may count on community leaders to advocate the importance of this kind of norms and proper sanctions of uncooperative behaviors—should it occur in the business community—such top-down enforcement may not be enough to create a sustainable norm of reciprocity. In other words, all entrepreneurs and executives should take on their responsibilities of building up and sustaining a strong norm of reciprocity so that it emerges naturally from ongoing social relations and helps create a constructive business environment.

How Did WeChat Become a “New-to-the-World” Innovation?



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Tencent's internal competition and cooperation dynamics played a key role.

Chinese companies are widely seen as imitators. However, in recent years, Chinese tech giants like Alibaba, Tencent, Huawei, DJI, and ByteDance (the developer of TikTok) have all worked hard to become more innovative in product development. WeChat, an instant messaging (IM) app developed by Tencent, is the most commonly used mobile phone application in China. As reported by the German market data research company Statista in November 2020, WeChat has 993 million monthly active users, second only to WhatsApp with 1.5 billion users and Facebook Messenger with 1.3 billion active users.

How did WeChat start and thrive? Evolutionary scholars have advocated that historical case studies are particularly powerful if one wants to understand in detail how a new capability arose in a particular firm at a particular point in time (and not another) and how it developed over time. A big challenge for compelling historical research on firms is to get access to data on the internal processes and decisions a long time ago. Not surprisingly, the number of studies overcoming this data hurdle is smaller than other forms of research.

But there are a growing number of studies showing that an historical approach—investigating both the details of the context and what occurred within a particular firm—can lead to deep new insights that other methods would have difficulty establishing. One of the earliest historical studies was Langton who used evolutionary theory to explain how bureaucratization arose in the English pottery firm of Joshua Wedgwood and then moved across the entire pottery industry through a competitive process that eliminated firms

not adopting similar bureaucratic principles.

Similar to other sciences, evolutionary scholars also believe that the organizational world is composed of multiple hierarchical levels, and this nested organizational hierarchy, whose structure can be parsed as starting from individuals and then gradually rising to groups, organizations, communities, and ecology. So far this kind of research has mostly been done in the Western context. For this reason, it is very valuable to conduct multi-level evolutionary research in a country whose history and system are very different from the Western background and in a very different period of development. China provides a good opportunity for such research, because Chinese companies have been seen to imitate Western companies to a large extent and rarely develop “new-to-the world” innovations.

John Peter Murmann, a professor of strategic management from the University of St. Gallen in Switzerland, and Dr. Zhu Zhijiang from the University of Nottingham Ningbo, China, therefore used historical case research methods to investigate how WeChat developed into a globally influential Chinese IM innovation product and the management mechanism of Tencent. Because of the availability of smartphone use data, the authors were able to collect historical data across countries.

Settings, Methods and Data

Inductive historical case studies are suitable for establishing theories about the occurrence and evolution of complex phenomena, such as co-opetition. The phenomenon of co-opetition — generally referring



to the simultaneous competition and cooperation between two or more actors — has drawn increasing attention from scholars since the 1990s. Most of the scholarly attention has been focused on co-opetition between rival firms. A few scholars have investigated the co-opetition dynamics within individual corporations, highlighting that co-opetition dynamics were also extensive within individual corporations. Scholars also connected co-opetition dynamics within firms to the management of organizational charters for subunits. The authors built on these contributions to further investigate how and why intra-organizational co-opetition emerged and evolved to help explain the creation of new-to-the-world innovations.

The authors chose to conduct the research in the IM field for two reasons. First, WeChat has become a rare Chinese new-to-the-world technological product with global influence. Many IM products around the world have imitated it, hoping to become "WeChat of the West". It is easier to detect causal mechanism with extreme cases. Second, this sector is new and subject to fewer national or regional institutions than older sectors in China, thus allowing the authors to extract micro-organizational factors while ruling out higher-level confounders to explain the association between the intrafirm co-opetition process and WeChat's increasing novelty.

The author conducted the research in two stages.

In the first stage, they searched extensively in the Chinese economy for a clear case of new-to-the-world innovations. They found that existing literature on innovative Chinese products presented very little comparative data to ensure that the products were not imitations of non-Chinese pioneers. For this reason, they took great pains to confirm that WeChat was a clear example of Chinese new-to-the-world innovations by comparing its development timeline with those of its rival products worldwide. In stage two, they analyzed the process of WeChat's development to theorize what micro-organizational mechanism drove its innovativeness and might drive Chinese new-to-the-world innovations in other sectors.

From October 2014 to January 2017, the authors conducted two rounds of big data collection: The first round happened between October 2014 and April 2015, which was the open data search stage. First, they verified whether WeChat was eligible to be called a new-to-the-world innovation, and then traced historical data to explain why some new-to-the-world innovative features emerged in WeChat but not products from other companies. Since innovation involved the entire ecosystem of the industry, the authors collected three groups of data including macro data that might affect China's IM industry (for example, government regulations, infrastructure development), market growth data (for example, user growth), and company-level data (for example, R&D team size, business strategy, organizational structure, product development). The critical data to qualify WeChat as having new-to-the-world features came from the release notes of different versions of the app in Apple Store, Android store, Tencent's official website and 50 other sources. Because each release note had a date, they could reconstruct when WeChat and its competitors first introduced new features. Results showed that many features were first introduced in WeChat, not rival products within Tencent or other global competitors.



The second round of data collection was from June 2015 to February 2017. The author obtained more detailed information about Tencent to understand its internal competition dynamics and organizational practices. It was not until May 2015 that Tencent executives began to recall the competition history in small-scale events, and in October 2015, the Mobile QQ team's core members recalled their five-year struggle along with WeChat's growth in an in-depth report.

In order to explain how Tencent created WeChat, the authors also did qualitative research based on other materials, for example, public speeches given by Tencent executives mentioning product history, and related books and articles. In addition, they also conducted semi-open interviews with four relevant Tencent managers in 2015: one from Tencent headquarter, two from the WeChat team, and one worked with the WeChat team every day. Two of the managers witnessed the first four years of WeChat and also published a case study on WeChat's innovation process.

History of WeChat

In the development process of WeChat, competition and cooperation within Tencent is an important impetus.

WeChat infancy: fierce competition

In October 2010, Tencent decided to ask three teams to begin to develop new IM products at the same time. This is a competition-led period, meaning that the teams competed intensively but hardly cooperated with each other. This was because the three products are aimed at the same market, and Tencent adopted the market selection rule to choose the best. The result of the fierce competition determined who could obtain resources from the company. Therefore, the tension between the teams was as intense as with external enemies. Four months later, WeChat was officially launched (January 21, 2011) and quickly accumulated users. Its competitor, the QQ address book, gained no popularity among early users and thus was selected

out, leaving the other two products, WeChat and mobile QQ to coexist in the marketplace.

WeChat childhood: balanced competition

In March 2011, two months after the release of the third version of WeChat, Tencent executives pushed the WeChat team and mobile QQ team to increase cooperation in order to balance the competition between them. Tencent expected this balanced co-competition could speed up WeChat's growth and curtail the growth of Sina Weibo, a new social media product in China. The WeChat team leveraged both the competition and cooperation with the mobile QQ team to strengthen WeChat's innovativeness.

As competition progressed, WeChat became more and more innovative, and the number of market users also experienced a growth spurt. In the meantime, more external competitors entered the market, which led Tencent to reorganize its internal team and adjust the resource allocation strategy. In May 2014, the WeChat team went from a sub-department of the company-level R&D department to an independent new department called WeChat Group. The team continued to develop new features and turned WeChat into an ecosystem, during which period many new functions were provided.

WeChat adolescence: competition-dominated co-opetition

After the establishment of WeChat Group, Tencent executives decided to let WeChat and mobile QQ be twin ecosystems of Tencent's mobile Internet business and encouraged them to explore their own path forward. Technically, they not only competed but also cooperated with each other. They continued to communicate ideas and share application infrastructure used to develop new functions. At the same time, the two applications had different positioning, different innovations and different development strategy, and they kept competing for more users and revenues.

Lessons from the Story of WeChat

By studying the historical development of WeChat, the authors put forward several insights about how new-to-the world innovations can emerge.

1. Nested organizational mechanisms

The authors constructed a nested co-opetition-based evolutionary framework to explain what organizational mechanism drove WeChat to be a new-to-the-world IM product innovation. In the framework, competition and cooperation happened simultaneously among different departments of the company, with the focus shifting in different periods. This competitive dynamic occurred in three key sectors: technology, product promotion, and complementary assets. This organizational mechanism shaped a healthy competitive environment and organizational relationship within Tencent.

2. Three-level VSR process

Although the original purpose was to meet the challenges in the IM industry, the emergence of WeChat was also partly derived from the characteristics of the relatively unregulated institutional environment surrounding the IM sector that allowed entry and exit of a large number of competitors. The rapid development of China's mobile Internet infrastructure and technology has led to an exponential growth of smartphone users since 2009, thus creating a huge emerging smartphone market, which is conducive to the development of mobile Internet-based products.

At that time, few organizations were restricted from entering the IM industry in China. This provided a window period for a large number of Chinese and foreign companies to quickly launch IM products based on smartphones. More than 30 new IM applications emerged between 2000 and 2005, including Microsoft's MSN Messenger, Yahoo! Messenger, and computer-based Skype. From the beginning of 2009 to August 2012, the number of smartphone-based applications increased from 50 to 91. There were 60

new entrants in 2013, and one year later, 35 of them left the market, including Samsung ChatON, Google Voice, Google Hangouts, Tango and AOL AIM. But at the same time, 45 new competitors entered the market.

Under this circumstance, the WeChat team demonstrated a strong sense of customer orientation. They prioritized user experience over everything else, which allowed them to generate many new-to-the-world features of WeChat through a nested, three-level hierarchy of variation-selection-retention (VSR) process, which was embedded in organizational capabilities and other organizational features of Tencent and the WeChat business unit level. The VSR process enabled the team to quickly absorb external knowledge from the industry and other departments of the company.

3. Executive learning

Tencent executives have gradually learned to use the competitive dynamics as part of its evolution, which is called Tencent's transformation system. Tencent chose the co-opetition strategy because of the crisis it encountered between 2009 and 2010. At that time, its core product, the mobile QQ IM application, could not adapt well to user needs, nor could it cope with the rise of smartphones. It was in this state of crisis that Tencent senior management

began to encourage different teams to develop alternative solutions for IM products for smartphones.

Tencent top management gradually learned to harness the co-opetition dynamic as part of its evolutionary system for transforming Tencent. The WeChat team realized that smartphones were a technological game changer to bring the Internet to mobile phone users. However, the team itself was not very optimistic about the prospects in the first few months because of its lack of experience in IM product development, and Xiaomi's MiTalk has already enjoyed the first-mover advantage. The WeChat team then built up its capabilities using a large number of product feature trials, which coincided with the exponential growth of smartphones, and thus made it a great success among Chinese users. Although the QQ team has more resources than the WeChat team, it is almost overwhelmed by the WeChat team between 2011 and 2013. What helped Mobile QQ is that Tencent top management required all business units to cooperate and share basic technologies and infrastructures with one another. While Tencent institutionalized co-opetition by elevating WeChat to a large business unit, Tencent management over time changed the relative mix of competition and co-opetition depending on what they perceived to be beneficial for the firm as a whole. 

Managerial Implications

Tencent was successful with its attempt to harness co-opetition partly because it has possessed a number of organizational routines and practices enabling it to overcome resistance to instituting fierce competition among business units in the same product space. But other firms might find it difficult to implement co-

opetition. Managers need to learn how to balance competition with cooperation over time. What the optimal balance is cannot be decided theoretically for all cases and times but needs to be ascertained by managers who can assess whether the balance is appropriately struck in a particular situation.

Beyond Bounded Rationality: How CEO Reflective Capacity Drives Firm Sustainable Performance

CEOs with high reflective capacity demonstrate the capability to engage in a purposeful process for continuous improvement and derive connections between time, space, and relationships.



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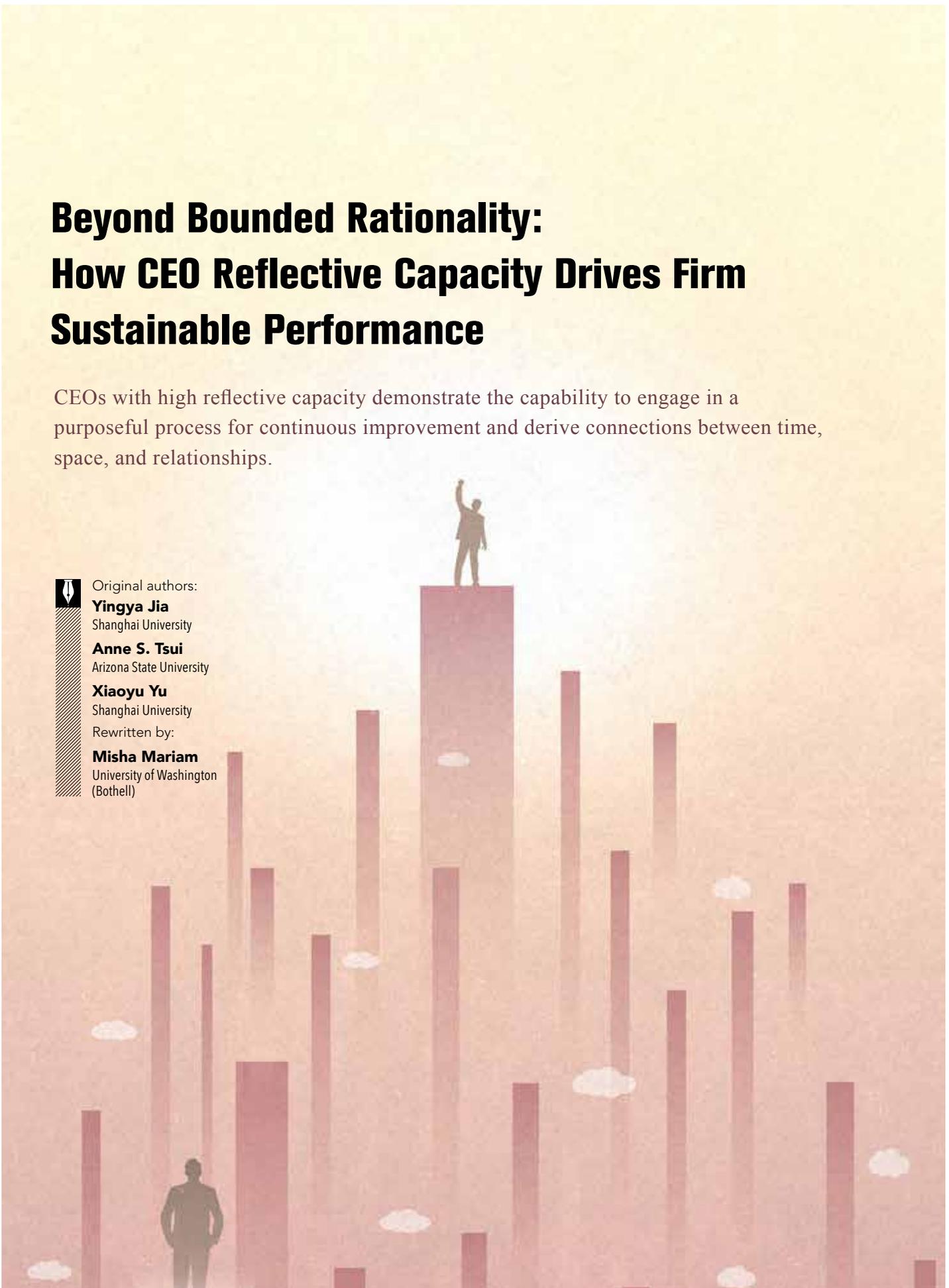
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No one would argue that humans are constrained from making optimal or rational decision for obvious reasons such as impossibility of exhaustive information search, and the inability to process or compute the likelihood of outcomes associated with all possible choices, but it doesn't stop there. Our preferences, experiences, self-interests, and structural context can all play a role in reducing the optimality of our decision process and choice. All of us are susceptible to a narrow field of vision when it comes to complex decisions, and even CEO's, despite their vast amount of experience and high level of intelligence are no different in this regard.

Of course, not all CEOs are the same when it comes to the degree to which they are constrained by bounded rationality. Some CEOs may have stronger computational capability or be motivated to seek a variety of information to address their cognitive boundaries, while others may show a disinterest in learning and an inability to accept any information that does not match their existing beliefs or preferences. Given the critical implications of CEO decisions for a broad array of stakeholders, it is important to understand how CEOs reflect on their systematic deficiencies and lift the height of their personal ceilings. The authors of this paper offer answers to this intriguing question by uncovering a personal attribute that enables CEOs to overcome the limits of bounded rationality. They introduce the concept of "reflective capacity" to capture CEO cognitive capability and actual behaviors involved in their information acquisition and processing activities.

Reflective Capacity

Concepts such as "reflection", which refers to careful consideration of and extracting meaning from one's own experiences, are hardly new in psychology and management studies. There is, however, minimal exploration of this important cognitive activity in the domain of managerial responses to new experiences

and strategic decisions at the organizational level. Tsui and her coauthors elevate "reflective thinking" as a reflection of the firm's past experiences, current challenges, and future potential that motivates CEOs to engage in expansive search for information useful for strategic decision making. This paper defined it as reflective capacity, which manifests in the form of a cognitive capability to increase awareness of the firm's current and future opportunities by collecting, analyzing, making sense, integrating, and applying diverse information obtained from diverse sources. By conceptualizing it as such, the authors emphasize both the internal mental structure and its external behavioral manifestations. CEO reflective capacity is not a self-focused concept about self-awareness or self-consciousness, but the CEO's reflection on the outside world, and encompasses more than just "looking back" but involves internal dialogues during developmental activities. The authors facilitate our understanding of this complex and nuanced process by explicating its three sequential yet mutually interconnected dimensions.

The first dimension entails a search of diverse information sources which include not only the usual largely internal ways (i.e., executive meetings, working emails, routine reports), but also myriad formal and informal sources ranging from the internet to industry activities, business visits, and executive development programs. Through diversified information scanning for all possibilities, CEOs establish a firm basis of evidence and rationality to for beliefs and make unbiased decisions. Next, attention to diverse information content involves making sense of differentiated information, mainly from beyond the organizational border, both in depth and in breadth. This dimension requires CEOs to focus on both positive and negative information, as well as both long- and short-term issues of their own companies, other companies, the industry, and even the trend of the whole world. It allows the CEOs to



improve the effectiveness of information processing, which further contributes to rational decisions. Finally, in the learning and integration dimension the CEO transforms the loosely connected information into a systematic structure by synthesizing the interconnected information, disaggregating multi-perspectives, and integrating new information. This aspect functions as the key to the CEOs cognitive capability and facilitates crucial organizational processes such as strategic upgrading and stakeholder relationship balancing.

Implications for Firm Sustainability Performance

Sustainability performance represents a critical and immensely challenging goal as it entails meeting the current needs of the firm and various stakeholders while protecting, sustaining, and enhancing the human and natural resources needed in the future. Achieving it requires executives to simultaneously address widely diverging but interconnected concerns regarding not only their firms but the natural environment, social welfare, and economic prosperity. Given that these issues operate in different time frames and follow vastly different logics, this is quite a herculean task for CEOs. Fortunately, CEO reflective capacity presents a solution to this

challenge. By enabling CEOs to search, organize, and process diverse information sources, it can empower them with a greater awareness of the needs and expectations of different stakeholders and to have greater exposure to practices suitable for addressing diverse stakeholder situations. Simply put, CEOs with a higher reflective capacity are more likely to consider long-term implications, balance contradictions and paradoxical demands, value diversity, and compare alternatives to optimize sustainability performance.

The authors shed light on two underlying processes to facilitate a better understanding of how CEO reflective capacity relates to a firm's sustainability performance. First, strategic decision comprehensiveness, or the extent to which an organization attempts to be exhaustive and inclusive in making and integrating strategic decisions, presents an important bridge between reflective capacity and sustainability. CEOs with high reflective capacity have a broad field of vision based on information from diverse sources which lowers their selective perception bias and facilitates awareness of new opportunities and resources for the firm. The comprehensive information helps CEOs balance between long-term and short-term, economy and society, and divergent needs of multiple stakeholders, which is conducive to achieving firm sustainability. Second, CEO behavioral

complexity refers to the ability to perform multiple, competing roles and behaviors that circumscribe the requisite variety implied by an environmental context. CEO reflective capacity is useful for implementing multiple and contradictory roles of a CEO by providing a rich information context, leading to thoughtful responses to multi-faceted stakeholder demands, resulting in a high level of sustainability performance.

Research Methods

Proposing, defining, measuring, and theorizing a largely unobserved cognitive capability is a complicated task and calls for systematic empirical investigation. Through two in-depth studies, the authors developed reliable measure for the newly proposed CEO reflective capacity construct, and then uncovered its implications and underlying mechanisms. First, they developed and validated the measure using two executive samples. Next, a multi-source multi-time survey with a sample of CEOs and their direct subordinates, i.e., top executives, was conducted to study its relationship with firm

sustainable performance, and to demonstrate how strategic decision comprehensiveness and CEO behavioral complexity drive this relationship. CEOs from small to medium-sized firms (annual sales less than 200 million and no more than 1,000 employees) were recruited through alumni directories of a top-level business school in eastern China and through influential individuals such as secretary of a Chamber of Commerce and a senior leader of a private advisory board. CEOs who agreed to participate were asked to invite at least one top executive, resulting in a final sample of 213 CEOs and executives. In the survey, CEOs rated firm sustainability performance, reflective capacity scale, strategic decision comprehensiveness and provided demographic information, while the executives reported CEO behavioral complexity. Using rigorous statistical approaches including structural equation modeling and bias-corrected bootstrapping test, the authors provided compelling empirical evidence connecting CEO's reflective capacity to firm sustainability performance through comprehensive strategic decisions and CEO behavioral complexity. 

Managerial Implications

At an organizational level, CEO reflective capacity is immensely valuable for a firm's sustainability performance as it facilitates complex cognitive frames required to reconcile tensions between complex economic, environmental, and social issues. It is particularly relevant in dynamic and complex environments where the cognitive capability of top executives is a competitive advantage for the long-term sustainability of both the firm and the society.

Given the importance of CEO reflective capacity for driving firm sustainability performance and curtailing bounded rationality, many of us may be wondering, "If I

do not have it, am I doomed?" Fortunately, what makes the notion of reflective capacity especially relevant is that it can be learned by practice. While the authors argued for its learnability, they also cautioned that it is difficult to imitate readily because it involves mental processes that are not easily detected by others. Regardless, given the importance of reflective capacity to further firms' long-term viability and potential to be contributing institutions of the world community, developing this ability by learning to learn is certainly a challenge worth pursuing.

When Your Industry Peer Is Accused of Financial Misconduct, What Would Happen to You?



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Non-accused firms may experience a positive or negative spillover, which is influenced by the market overlap and the sophistication of investors.

The business world has never been a pure land. While governments, the media, and a growing number of third parties in many countries play an increasingly active role in monitoring and punishing violations of business practices, we are still shocked by the exposure of every corporate misconduct. Examples include recent financial fraud by Kangmei Pharmaceuticals and Luckin Coffee, data fraud in the live broadcasting industry, the "black heart kitchen" ☐restaurants using low-grade ingredients☐and food safety issues in the catering industry, and the melamine contaminated milk powder scandal involving Sanlu Group and other milk powder producers.

How does the market react to firms' financial misconduct? What is likely to happen to other firms in the same industry as the accused firm? On the one hand, people may question the integrity of the non-accused firms as they may think that the accused firm's fraudulent practice may be prevalent in the industry, or even be the industry's implicit norm. Therefore, one firm's misrepresentation of its financial performance can implicate all firms in its industry, incurring financial losses to them. This negative spillover is called the "stigma effect". On the other hand, one firm's scandal may create opportunities for its peers in the same industry to gain financial benefits by taking over the accused firm's customers and market share and gain a competitive advantage over the accused firm. Therefore, from the competitive standpoint, the accused firm can create a positive spillover to other firms in its industry.

Although the two effects are contradictory, each makes sense by itself. What will be the overall consequences for the fraudulent firm's peers in the industry? To answer this question, Professor Ivana Naumovska at INSEAD and Professor Dovev Lavie at Bocconi University examined the causes, conditions, and magnitudes of these two effects in the context of financial misconduct.

Negative Spillover Effect Due to Stigma

When a firm is accused of financial misconduct, not only will it be fatally affected, but other firms in its industry will also be implicated. For example, WorldCom, the second-largest long-distance telephone company in the United States, suffered a stock price fall from \$6.97 to \$0.83 in 2002 after being accused of financial misconduct. Other telecommunication companies experienced very negative stock market reactions as a result of that accusation. As reported by The New York Times, "WorldCom's bad news helped batter stocks of other carriers." The CEO of Infonet, world's leading provider of voice and data services, which was acquired by BT in 2005, complained that "the industry is reeling from this black mark."

The effect of stigma due to association can find explanations in social psychology. Cognitively, people tend to classify things with similar attributes into the same category and make general assessments of things in that category, which can save our cognitive resources and improve the efficiency of judgment. Stigma is considered a social attribute that raises

questions about the credibility of individuals and groups as well as those closely associated with them.

Applying this logic to the context of financial misconduct, stakeholders are likely to perceive firms in the same category, such as those in the same industry, as having common attributes. When new information about one firm's attribute is revealed, it is perceived as a reflection of the attribute shared by all firms in its industry. For example, when a food safety incident at a chain restaurant is exposed, consumers tend to suspect that this is a common practice among restaurants. When a real estate developer is found to have low construction quality and shrinking floorage, consumers tend to worry that other developers are doing the same to reduce costs and make profit.

Therefore, when a firm is accused of financial misconduct, its market value shrinks due to regulatory penalties and reputation damage. Additionally, the stigma can lead stakeholders to believe that other firms in the industry are likely to have engaged in similar violations and in turn to reduce their valuation of these firms. Stakeholders' withdrawals from the industry, such as customer attrition, further lead investors to reduce their investment in these firms. At the end, the accusation of a firm spreads the negative effect to other firms and results in a crisis for the entire industry.

Positive Spillover Effect Due to Competition

Unlike social cognitive theory, strategy research on competitive dynamics holds that the negative events that a firm experiences can improve the competitive position and performance of its competitors in its industry. The firm's misconduct scares away customers, business partners, and other stakeholders because they are concerned not only about its poor product quality but also about the damage to their own credibility and business due to their association with that firm. For instance, when a star athlete or performer's scandal is uncovered,

companies he or she serves as the spokesperson tend to terminate the contract right away to keep distance from the star and claim their moral standing.

However, the market need does not go away; instead, it is waiting to be satisfied by other product and service providers. Therefore, the accused firm tends to have a positive spillover effect on other firms in the same industry, which can take on its market position. For example, after WorldCom was accused, The Washington Post reported that "major customers were considering switching their telephone and Internet business to other companies" and WorldCom's rival Cable & Wireless USA Inc. received hundreds of calls from WorldCom customers in the few days after the scandal and made a number of big deals. As the media reported, WorldCom's scandal had panicked its customers and its rivals had made a big "surprise fortune". Empirical research also showed that companies accused of financial fraud are more likely to lose their large customers, resulting in significant revenue decrease. As customers switch to firms that offer similar products in the market, investors see a considerable market space to be filled by the competitors of the accused firm, which is precisely a good opportunity for investment. At the end, the fraudulent firm "hands over" its own market to its competitors, bringing a positive spillover to its industry.

Stigma or Competition Effect?

The Role of Product Market Overlap

When do industry peers of the accused firm bear the negative spillover due to stigma effect, and when do they enjoy the positive spillover due to competition effect? Professors Naumovska and Lavie proposed that it depends on the product market overlap between the accused firm and its peers. First of all, as the market overlap increases, the negative spillover increases, because investors make negative inferences and judgments about the non-accused peers based on the shared membership they have

with the fraudulent firm. However, when the product similarity reaches a threshold level, higher similarity has no added value for investors to make generalized inferences about the unobservable attributes for the non-accused peers based on the shared classification. According to the “satisficing principle” of decision-making, investors only need sufficient information to categorize firms and it is a waste of cognitive resources for them to gather additional information about market overlap. As a result, with the increase of market overlap, the negative spillover will increase but at a diminishing rate (as illustrated in Figure a).

When a firm shares not only some general attributes with its peers but also a sufficiently high market overlap that makes them direct competitors, these peers tend to enjoy the positive spillover. The similarity in specific product markets allows the

competitors to replace the accused firm and grab its market. According to the “maximizing principle” of decision-making, in order to make a profit from the competition, investors are willing to gather more information on product similarity so that they can make accurate predictions and identify the close substitute. Thus, as the market overlap increases, the positive spillover to the non-accused competitors tends to increase at an increasing rate (as illustrated in Figure b).

In sum, there is a U-shaped relationship between product market overlap and spillover effects. The negative spillover due to the stigma effect occurs mostly before a threshold level of overlap, while the positive spillover due to the competition effect occurs mostly after that threshold (as illustrated in Figure c).

The researchers also propose that such a U-shaped relationship depends on the granularity

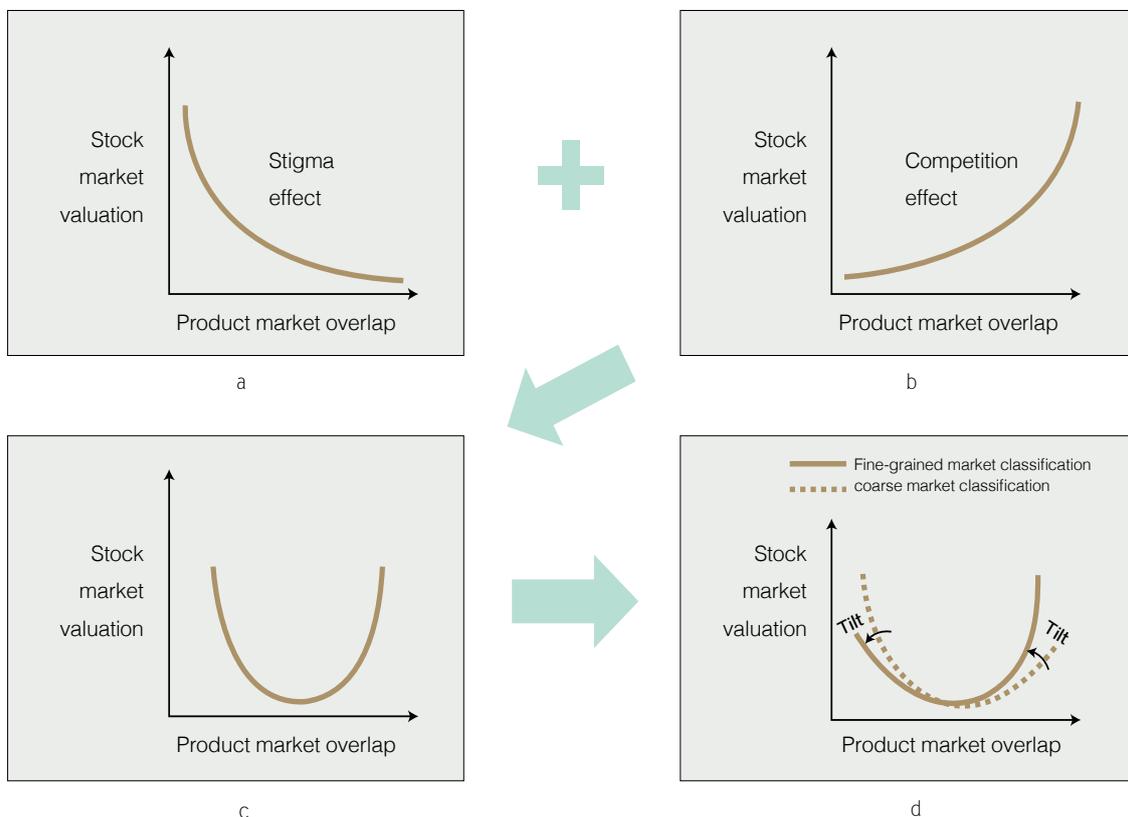


Figure a–d: relationship between stock market valuation and product market overlap

of the market classification and the investors' sophistication. When investors have higher level of industry expertise, they can rely on a more fine-grained market classification rather than a coarse classification. In this case, the positive spillover tends to offset the negative spillover as investors can better identify the close competitors of the accused firm rather than make some generalized inferences (as illustrated in Figure d). For a similar rationale, the positive spillover due to the competition effect tends to be more pronounced than the negative spillover due to the stigma effect among more sophisticated investors. While less sophisticated investors rely on coarse classification to find association between the firm accused of financial misconduct and its industry peers, more sophisticated investors leverage their extensive industry knowledge, domain-specific expertise, and strong analytical skills to map the competition landscape, identify the substitute competitors, and make a wise investment decision.

Evidence from the Prepackaged Software Industry

To test the stigma effect and competition effect and the conditions for each to occur, the researchers conducted empirical analyses of data on 242 publicly traded U.S. firms in the prepackaged software industry (Standard Industry Classification 7372) during the years 1991-2001, in which financial misconduct was most prevalent. The database includes records of all publicly traded firms accused of financial misconduct that violated provisions of the 1934 Securities Exchange Act in the U.S. and the date of the accusation. During that period, there was a total of 16 software firms that were subject to the enforcement actions by the Securities and Exchange Commission (SEC).

The key variable, product market overlap, was a ratio ranging between 0 and 1, and was calculated as the number of product categories in which both the accused firm and a peer firm introduced software

products in the three years preceding the accusation date, divided by the number of product categories in which the peer firm introduced products in the same period. Three types of product categories were used to capture different levels of granularity of product classification. The coarse level of market overlap was based on four product classes. The intermediate level of market overlap was based on 54 product segments. The fine-grained level of market overlap was based on 464 product functions. Another important variable, investor sophistication, took the value of 0 or 1, with 1 indicating hedge funds and mutual funds, which are commonly regarded as the most sophisticated institutional investors that are able to earn higher market returns, and 0 indicating the remaining institutional investors such as banks, insurance companies, and investment advisors.

To capture the stock market reaction to the industry peers of the accused firm, the dependent variable was measured with the three-day cumulative abnormal return (CAR). The first day was the day prior to the day when the misconduct was firstly made public, which was included because the information may leak beforehand. The day after the event was included because the announcement sometimes was made after the stock market was closed for trading. Another indicator of stock market reaction was shareholding change in the peer firm. It was calculated by subtracting a peer firm's percentage of shares owned by investors in the quarter prior to the event from the percentage of shares in the quarter following the event. In addition, the researchers controlled for the effects of many other factors on stock market reactions, including firm characteristics such as firm size, age, sales, performance (i.e., return on assets), R&D expenditure, viability, market to book value, and financial solvency. They also controlled for the effects of similarities between the peer firm and the accused firm in many other aspects such as the characteristics above, whether they were listed

on the same stock exchange, had their headquarters in the same state, had stock prices co-movement in the year preceding the event, and had interlocking directors, joint alliances or shared alliance partners.

Results showed the predicted U-shaped effect of the market overlap between the accused firm and its industry peer on the peer firm's CAR when market overlap was based on the intermediate level of classification. Before the inflection point, which occurred at the 0.553 degree of overlap, the higher the overlap was, the lower the peer firm's CAR, reflecting the stigma effect. After the inflection point, the higher the overlap, the higher the peer firm's CAR, reflecting the competition effect. When market overlap was based on the coarse level of classification, only

the stigma effect occurred. When market overlap was based on the fine-grained classification, not only the U-shaped relationship occurred but also the increasing rate of CAR became greater in reaction to one unit of increase in overlap. Results also showed that, compared with less sophisticated institutional investors, hedge funds and mutual funds increased their shareholdings in the peer firms, especially when the market overlap was based on the fine-grained classification. This suggested that more sophisticated investors attended more to the competitive opportunities brought about by the fraudulent firm to its industry peers rather than withdrew from the industry based on general categorization information. 

Managerial Implications

As revealed by the research, a firm's financial misconduct or other scandals can have either a positive or a negative spillover to its industry peers. Other firms in the same industry can suffer undeserved financial loss due to the tarnished reputation. They can also benefit from the precious opportunity if they are close competitors of the accused firm and can provide substitutes for its products and services. When the market only rely on coarse product classification or the investors are not sophisticated enough, the stigma effect tends to be stronger than the competition effect. In contrast, the competition effect is more likely to overwhelm the stigma effect when more subtle differences and similarities of the products are identified and the investors have the expertise to do so.

Accordingly, the implicated firms should be cautious when taking actions. Some actions, such as

highlighting their differences from the fraudulent peer and distancing from it, can reduce the risk of being stigmatized, but can also sacrifice the opportunity of being perceived as a substitute for the fraudulent firm. Some other actions, such as claiming the willingness and capacity to fill in the needs of the customers who are previously served by the accused firm, can improve the competitive advantage, but can also strengthen the perceived similarity to the accused firm. Therefore, if a firm is not a direct rival of the accused firm but only belongs to the same broad category, it is better to stay away rather than be opportunistic. If a firm has been a close competitor of the accused firm, it is worth accentuating specific similarities on the detailed aspects of their products. Rather than being assigned to the discredited category, the firm may gain the market share and even replace the rival who is in trouble.

Blinding Curiosity: Encouraging Decision Makers to Put on Justitia's Blindfold

Curiosity can bias decisions, but it is possible for organizations to increase people's preference for blinding using nudging measures.



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The Roman goddess of justice, Justitia, balances scales in one hand, representing impartiality, and holds a sword in the other hand, symbolizing power. On her eyes is a blindfold, indicating that her judgment is based on merit and not biased by any outside factors, such as the appearance, status, or identity of any party. The spirit of Justitia's blindfold is manifested in the practice of “blinding”, a strategy of purposefully restricting access to biasing information to minimize its adverse influence on decision making. As a policy solution to decision bias, blinding has been applied in a variety of domains, such as judicial judgments, clinical trials for new drugs, pharmaceutical research, peer review in academia, and auditions for membership in orchestras. Blinding policies help to avoid conflicts of interest, gender, race and other biasing information. However, when a blinding policy is not employed or enforced, will people choose on their own to cover their eyes with Justitia's blindfold? Are they aware that exposure to irrelevant information may mislead or bias their judgment?

Professor Sean Fath from Cornell University and Professors Richard Larrick and Jack Soll from Duke University proposed that people's information seeking in evaluative contexts is driven not only by concerns over accuracy but also by curiosity. Curiosity is a desire to acquire new knowledge and experiences. Compared with “cold” and analytic modes of information seeking, curiosity is a “hot” and impulsive motivator of information-seeking behavior. When people perceive a gap between what they know and what they could know, or when new information is available, curiosity arises and drives them to seek new information. When people encounter novel or unusual sensory stimuli, curiosity also arises and motivates exploratory behaviors. For instance, after seeing a complex painting, we may want to examine it more closely; when hearing a beautiful song, we may want to know the name and singer of the song.

Curiosity can bring about a feeling of either

interest or deprivation. Some people show strong interest in the unknown and look forward to the pleasure and satisfaction accompanied by the anticipated closing of an information gap. Other people feel anxious about uncertainty and the feeling of deprivation stems from the presence of an information gap. For example, if someone offers to share gossip about a job candidate to a hiring manager, the manager may be curious to hear it either for potential enjoyment or to resolve the displeasure stemming from not knowing it.

Regardless of whether curiosity is experienced as a positive or negative feeling, when it motivates people to search and use irrelevant but potentially biasing information in evaluative contexts, the fairness and accuracy of evaluations are jeopardized. Therefore, the three researchers conducted a series of studies to investigate the role of curiosity in information seeking and decision making and potential interventions to reduce its adverse impacts.

Study 1: Performance Evaluation

The researchers asked 804 participants to watch a videotape of someone's performance in a multi-round pattern-recognition task and estimate his/her performance, measured as the percentage of times the performer provided a correct answer across rounds. Participants were randomly assigned to three groups. Those in the “automatic-profile” group were presented with a profile of the performer, including name, hometown, education, college major, and performance in a different test of mathematical ability (40% correct) before they watched the video. Participants in the “automatic-blind” group were not presented with the profile. Participants in the “choice” group were asked to choose whether they wanted to view the profile before watching the video. Those who chose “yes” viewed the profile, and those who chose “no” watched the video directly. Almost half (48%) of the “choice” group chose to view the profile.

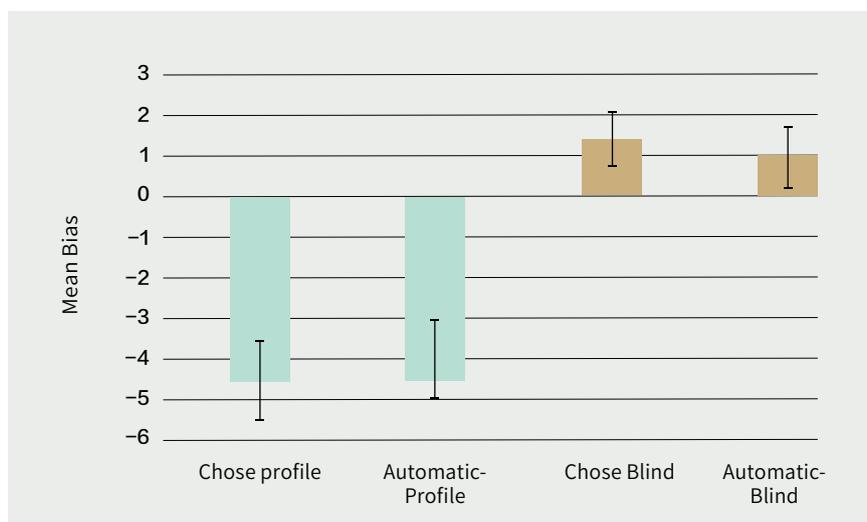


Figure 1. Mean bias by group

The difference between participants' performance estimation and the actual result (69%) was used as an indicator of bias. As shown in Figure 1, those who viewed the profile (i.e., both those who automatically viewed it and chose to view it) showed a greater bias than those who did not view the profile (i.e., both those who were automatically blinded and chose to be blinded). The poor performance in the previous task shown in the profile seemed to lead participants to underestimate the person's performance in the current task. Moreover, the choice group, regardless of their choices, showed a greater bias than the automatic-blind group but a smaller bias than the automatic-profile group. This suggests that merely providing an option to be blind to potentially biasing information can effectively reduce bias relative to exposing people directly to the information, although not as effectively as totally covering up the information.

Study 2: Leonardo da Vinci and Michelangelo Buonarroti

As the profile information provided in Study 1, especially previous performance in a math test,

could have been perceived as useful and thus adopted in evaluation, the researchers used objectively irrelevant and potentially biasing information in Study 2 to test whether curiosity was a motivator for adopting potentially biasing information. They assigned 396 participants to a task of guessing the average attractiveness ratings of two paintings, which were previously rated by another 100 participants in a blind pretest without knowing the names of the artists. The two paintings were relatively obscure work by da Vinci and Michelangelo Buonarroti from the late Renaissance period.

Participants viewed the first painting blind to the artist's name and guessed the average attractiveness rating. Before viewing the second painting, they were asked whether they wanted to know the artist's name. Those who chose "Yes" were randomly assigned to view either the true name of the artist or the name of a lesser-known, late-Renaissance painter—Pietro Perugino or Domenico Ghirlandaio. To examine whether those who regarded themselves as more knowledgeable about paintings would prefer to know the name, the researchers listed the names of 15 painters and asked the participants which

ones they knew. Five were famous painters such as Pablo Picasso, five were obscure painters such as Umberto Boccioni, and five were made-up names.

Although the painter's name was objectively irrelevant to participants' estimates of attractiveness ratings, 60.4% of the participants chose to see the name of the second painting's artist. Attractiveness estimates were compared to the true ratings from the pre-test. Among those who chose to see the name, the ones who saw a famous artist's name provided more positively biased estimates relative to pretest ratings than those who saw an obscure artist's name. These results demonstrate the biasing potential of irrelevant information. In addition, participants who claimed to have recognized more painters' names showed a stronger preference for knowing the name of the second painting's artist. This suggests that the self-perceived experts are more curious about irrelevant information and motivated to close the information gap.

Study 3: Curiosity or Usefulness

To further examine people's motivation for seeking potentially biasing information, the researchers replicated Study 1 among 294 participants. Again, those who chose to view the profile showed a greater bias in performance estimates than those who chose to be blind to the profile. Furthermore, participants in this study were asked to provide explanations for their choice. Choices to be blind were primarily explained by beliefs that the profile was irrelevant to the performance and could bias estimates. Explanations provided by those who chose to view the profile fell into three categories. The first category was curiosity, and 82.4% mentioned it. Example responses included "I'm interested to know more about them," which indicated a feeling of interest, and "To get to know as much about the person as possible," which indicated a feeling of deprivation. The second category was relevance, and only 29.4% mentioned it. Example responses included, "It would help me

analyze the performance." The third category included other reasons, such as trying to avoid surprise, and vague responses (12.4%). These results suggest that the majority of people chose to view the profile due to curiosity, a choice that biased their estimates.

Study 4: Curiosity and Appearance

If curiosity plays such a critical role in information seeking, will inducing people's curiosity increase their preference for potentially biasing information? To answer this question, the researchers had 399 participants evaluate a mock job candidate's fit for an open position. They were randomly assigned to two groups. The baseline group was asked whether they wanted to see the name and photo of the candidate together with a summary of the candidate's credentials. One's name and photo add little to the credentials but can bias people's evaluation. For instance, past research has found that attractive people receive more favorable treatment and evaluations than unattractive people.

The silhouette group viewed a preview of the summary of credentials with the name shown as "Applicant name: ??? ???" and the photo shown as a blacked-out outline of the candidate's torso, head, and hair. They were then asked to make their blinding choice. In both groups those who chose to see the information saw an unattractive photo of the candidate.

The information gap theory of curiosity suggests that, compared to complete ignorance, knowing something (but not everything) about the target tends to give rise to stronger curiosity about the target. Consistent with this theory, a greater percentage of participants in the silhouette group (38.5%) were curious to see the name and photo than in the baseline group (28.9%). Moreover, the mean rating of job fit among participants who opted to view the name and photo of the candidate was lower than the rating among those who opted to be blind, although the summary of credentials was the same for both groups,

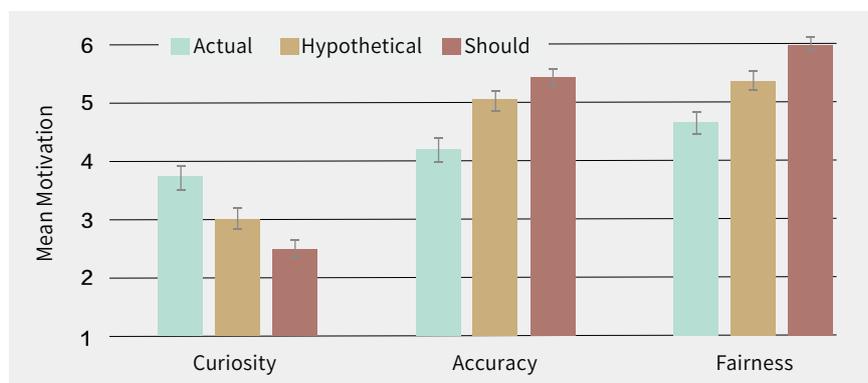


Figure 2 Mean motivation by group and motivation category

indicating bias against an unattractive candidate.

Study 5: Delayed Gratification of Curiosity

If people's curiosity can be satisfied after making a decision, will they still seek potentially biasing information before it? To answer this question, the researchers randomly assigned 1205 participants to three groups and again asked them to evaluate a job candidate's fit for an open position. Participants in the "choice before evaluation" group chose whether to see the candidate's name and photo in addition to credentials before making their evaluation. Participants in the "choice after evaluation" group first evaluated the candidate on credentials alone and then made the choice whether to see the name and photo. Participants in the "omnibus choice" group chose whether to see the name and photo before evaluation, after evaluation, or not at all. In all three groups, those who chose to see the name and photo were randomly provided either a photo of an attractive or unattractive candidate.

In the "choice before evaluation" group, 38.3% chose to see the name and photo. In contrast, only 16.7% in the "omnibus choice" group chose to see the information before evaluating the candidate. In this group, 43.1% chose not to see the information at all, and 40.1% chose to see the information after evaluation, among whom only 20% revised the initial evaluation they made blindly. This result suggests that when people have the

opportunity to close a knowledge gap after making a blind initial evaluation, they are less likely to seek potentially biasing information beforehand. 65.3% of the participants in the "choice after evaluation" group chose to see the name and photo after a blind evaluation, and less than one third of them revised their initial evaluations. Thus, people are largely curious about obviously irrelevant information, but few choose to change a relatively objective decision they have already made (i.e., a blind evaluation of credentials).

Study 6: The Cooling Effect of Deliberation

Given that curiosity is a hot and impulsive motivator of information seeking, will decision frames that induce cold and analytic reasoning dampen people's curiosity and reduce decision biases?

This study asked 456 participants to complete the performance evaluation task from Studies 1 and 3. They were randomly assigned into three groups. The "actual choice" group indicated whether they would like to see the profile of the performer before viewing the video of the performance, like in Studies 1 and 3. The "hypothetical choice" group imagined what their blinding choice would be in an imaginary version of the task. The "should choice" group indicated whether they thought they should view the profile if they wanted to make an unbiased



estimate in an imaginary version of the task. All participants were also asked to indicate the extent to which their choices were motivated by concerns about (1) fairness of treatment, (2) accuracy of estimate, and (3) curiosity.

The researchers found that 45% in the “actual choice” group, 32.5% in the “hypothetical choice” group, and 9.7% in the “should choice” group chose to view the profile. As shown in Figure 2, when participants made a real blinding choice (“actual choice” group), their choices were motivated more by curiosity and less by fairness and accuracy concerns than participants making the hypothetical choice. The difference was even larger between the “actual choice” group and the “should choice” group. The findings suggest that merely framing the decision as a hypothetical one and asking people to think “what would I do?” was sufficient to inhibit visceral impulses, induce analytic reasoning, and encourage proactive blinding.

Study 7: Thinking Slowly

Daniel Kahneman, Nobel Prize winner, proposed that thinking slowly allows decision makers to recognize biases in their decision making. Accordingly, this study aimed to examine whether prompting people to reflect on potential bias before making choices could affect their preference for potentially biasing information. Participants were 803 managers from 21 industries, who had 19 years of work experience, 28 hiring decisions, and 5 subordinates on average. The job candidate evaluation paradigm was used. Participants were asked to imagine their secretary was preparing applicant materials for them to review and they had to decide what information about the applicants should be included. The managers were randomly assigned into two groups. The “should reflection” group first answered the question, “In order to make an unbiased judgment, do you think you should see

the candidate's name and a photo provided by his/her previous employer (from his/her employee ID)?" After this question, these participants made an actual choice of whether to see the name and photo. The "baseline choice" group made the choice without first reflecting on "should" preferences. Participants who chose to see the name and photo in both groups randomly viewed either an attractive or unattractive candidate. The rest of the credential summary was kept constant.

Only 15.1% of the managers in the "should reflection" group believed they should see the name and photo, and 21.5% chose to actually see the information when subsequently making a real choice. In contrast, 37.6% of the managers in the "baseline choice" group chose to see the information. Consistent with discrimination based on appearance, the unattractive candidate was rated a worse fit for the job than the attractive candidate. These results demonstrate that information irrelevant to job credentials impairs evaluative fairness by inducing discrimination. Nudging people to reflect on whether they should be blinded or exposed to the information before

making choices was an easy and effective intervention to increase people's preference for blinding.

Conclusion

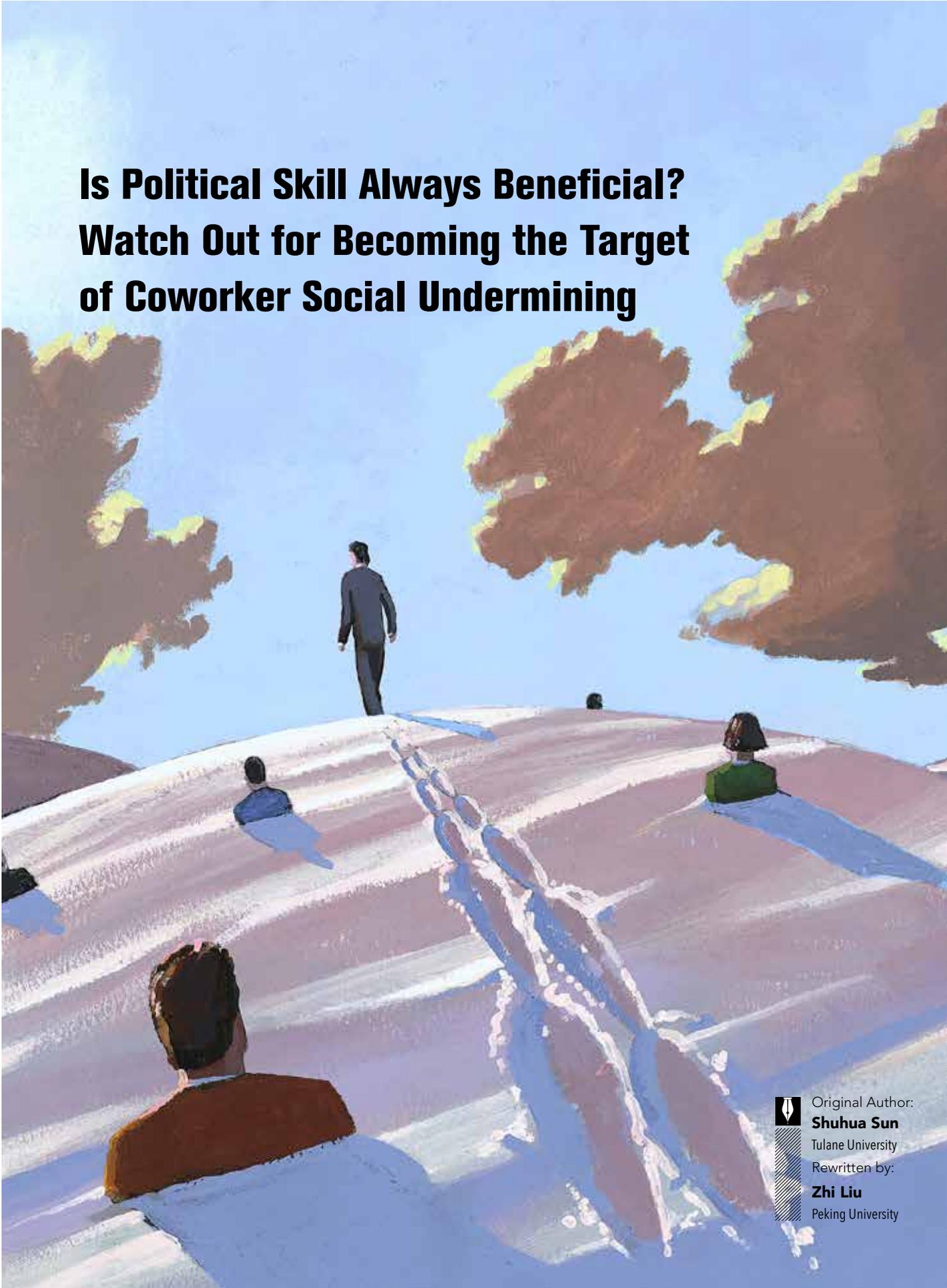
This set of studies demonstrated that receiving irrelevant information about a target of evaluation can bias decisions. Even though people may realize the irrelevance of the information, curiosity still drives them to seek and use the information. However, people's preferences for blinding can be enhanced when (1) their curiosity can be satisfied after decision making (Study 5), (2) they are distanced from immediate decision making and asked to just imagine their preferences (Study 6), and (3) they are engaged in a "should" reflection before making real choices (Study 7). A common mechanism underlying these interventions is that, when people's focus on curiosity is shifted to concerns over fairness and accuracy, preferences for blinding will increase. In other words, impulsive information seeking can be replaced by cool-minded and analytic thinking, increasing preferences for blinding. 

Managerial Implications

Although employees' curiosity is one of the preconditions for exploration, discovery, learning new knowledge, and innovation, it also has a dark side. These studies suggest that the dark side of curiosity can lead to unfair treatment received by individuals as well as harm to organizational justice and decision quality. The researchers suggest that the ideal and most effective approach is the adoption of a blinding policy—removing potentially biasing information from organizational decision processes. In addition, organizations can

increase the awareness of potential decision biases lurking in seemingly irrelevant information among organizational members through training and education. When it is costly or difficult to remove biasing information by policy, organizations can still use nudging measures to motivate people to proactively cover their eyes with Justitia's blindfold. Although not as effective as a blinding policy, nudging measures like those discussed here can reduce biases to a greater extent than the traditional practices without blinding at all.

Is Political Skill Always Beneficial? Watch Out for Becoming the Target of Coworker Social Undermining



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Employee political skill evokes coworker social undermining by affecting coworker perception of status threat, particularly when the coworker views the focal employee as a rival.

Organizations are also political arenas. Besides professional skill, political skill is one of the most important factors contributing to career success. Different from political maneuvers and games, political skill is a neutral word, referring to the ability to understand people effectively and use such knowledge to influence others to act in ways that enhance one's personal and/or organizational objectives. Politically skilled employees have greater sensitivities in social interactions, more powerful influence and control over others, are better at building social networks, appear more genuine, and have better management of impression. Research and workplace observations both show that political skill can bring a wide variety of positive outcomes, such as enjoying great popularity, developing high-quality relationships with key organizational members, flexible adjustment of interaction modes according to the context, having more communication with leaders, accumulating more organizational resources and social capitals, and gaining more development and promotion opportunities.

However, Professor Sun Shuhua from A. B. Freeman School of Business at Tulane University reminded that don't conceive political skill as something perfectionistic. With a lapse of attention, politically skilled employees could be the target of coworker social undermining.

Political Skill, Status Threat, and Coworker Social Undermining

Human societies have developed social ranks and status during evolution. Humans are motivated to attain and maintain their social status. Social rank theory posits that humans have evolved a social rank mental system, which constantly appraises the current and potential threats to their status. An important factor influencing people's threat perception of status is others' social attention-holding power. People actively use impression management to make others feel that they have superior socially attractive qualities, because the society grants higher social status to those with such qualities. Social attention-holding power is a part of people's political skill. That's why employees with strong political skill are likely to make their coworkers perceive status threat.

Social rank theory also posits that people are strongly motivated to eliminate the perceived threat and can even engage in social undermining behaviors to do so. The actors may sabotage the target employee's positive interpersonal relationships, work-related achievements, and favorable reputations by spreading rumors about others, intentionally delaying work to slow others down, and giving other coworkers false or misleading information. These social undermining behaviors can "dig the dirt" on the target's reputation to destroy the favorable social attraction and weaken

the competitive advantage of the target. Prior research found that social undermining is attractive to people despite its insidious nature. Therefore, once regarded as a threat, the politically skilled employee is likely to become the target of social undermining.

The Intensifying Effect of Rivalry

The destructive chain relationship between employees' political skill, coworker perception of status threat, and social undermining will be intensified if the coworker regards the focal employee as a rival.

Rivalry refers to one's subjective perception of the long-term competitive relationship with a specific target. The two individuals in a rival relationship usually have similarities in ranking, have been competing against each other repeatedly, and evenly matched in past contests. In organizational settings, the competition could be over bonus, promotions, status and influence, leader's approval and other important outcomes. Rivalry is not about a single competition or an immediate outcome. Instead, rivalry is a relational schema one has developed as a result of a long history of competition and expectation of future competition. Even when there is no explicit object to compete for or no substantive gains or losses, the competitive mindset and status concern created

by rivalry motivate people to defeat the opponent.

Politically skilled employees are good at gaining leaders' support, building alliances with strategic partners, and mobilizing these resources when it is necessary for winning the competition. Hence, in the eyes of the coworkers, their politically skilled rivals are nefarious players of competitive status-jockeying games, which further heightens the status threat perception of the coworkers. Defeating the politically skilled rivals has greater psychological stakes than actual stakes for the coworkers. Thus, their motivation to win becomes stronger when they perceive high rivalry between them and the focal employee and can be willing to do whatever it takes to win. However, harming and doing an injustice to others is a challenge of human nature. To reduce the psychological cost of undermining the rivals, the coworkers tend to exclude the rivals from the scope of justice and ethics. They may feel less ethically constrained for undermining the rival who threatens their status.

In summary, when coworkers perceive a high level of rivalry relationship with the politically skilled employee, their perception of status threat tends to be stronger and their likelihood to take social undermining behaviors is greater.

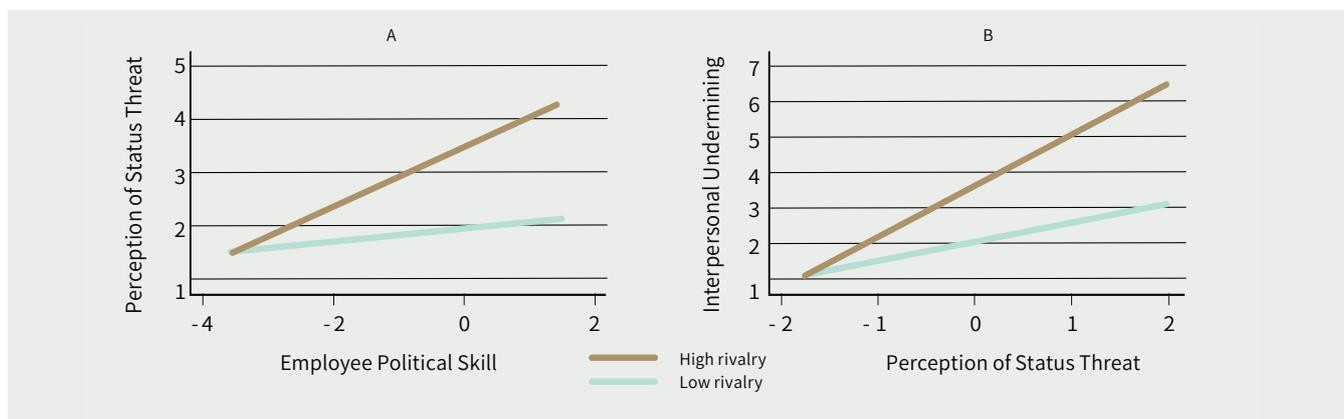


Figure 1: The moderating roles of rivalry

Study 1

Two hundred and eleven working adults participated in the study. They were asked to think of a current colleague to whom they constantly compare themselves. They first rated the colleague's political skill and the rivalry between them. One week later, they reported perceived status threat and previous social undermining behaviors towards the colleague. As expected, the colleague's political skill positively related with the participants' status threat perception (Fig. 1A), which in turn positively related with undermining behaviors (Fig. 1B), especially when rivalry was high. When rivalry was low, the chain relationship did not exist (the dotted lines in Fig. 1A and 1B).

Study 2 and Study 3

These two studies examined the first half and the second half of the relationship model shown in Fig. 1 respectively. Each study recruited 400 working adults. All participants imagined that they had been working in a company for several years alongside a particular colleague, who had the same position with similar tasks, responsibilities, and company tenure. Participants in Study 2 were randomly assigned to

reading one of four scenarios describing the colleague as having high or low political skill as well as high or low rivalry. Then the participants reported their perception of status threat. Participants in Study 3 were also randomly assigned to reading one of four scenarios based on sense of status (high versus low) and rivalry (high versus low). Then the participants reported their likelihood to engage in social undermining behaviors. As shown in Fig. 2A, when both rivalry and the colleague's political skill were high, participants had the highest level of threat perception. In this condition, participants were most likely to engage in undermining behaviors, as shown in Fig. 2B.

Study 4

To further examine the intensifying effect of rivalry on the relationship between political skill, status threat and undermining behaviors, the researcher randomly assigned 251 working adults to two conditions. In the rivalry condition, participants were asked to think of a colleague they considered as a personal rival (someone they had repeatedly competed against and/or were evenly matched with). In the nonrival competition condition, participants were asked to think of a colleague whom they had been competing with but not

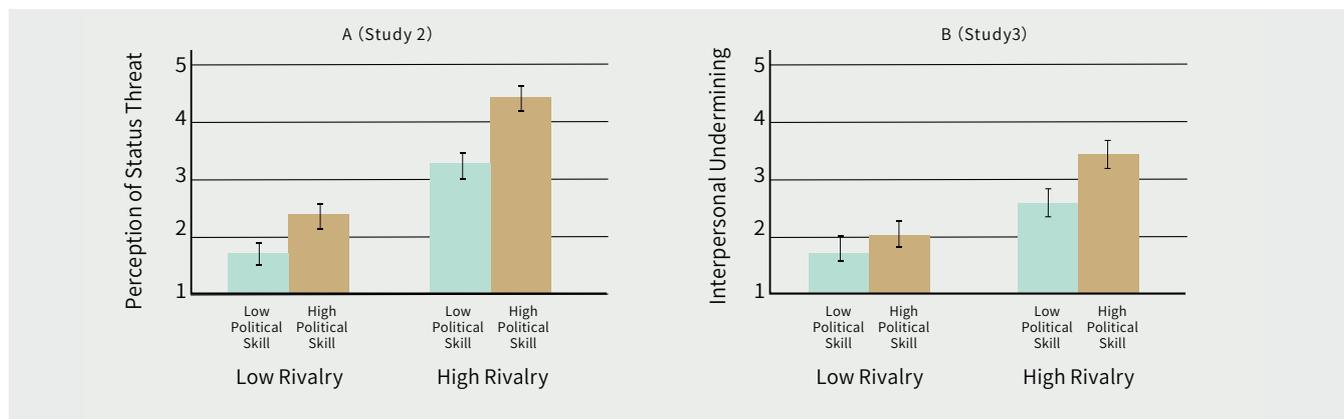


Figure 2: Interactive effects of employee political skill and rivalry on coworker perception of status threat and interpersonal undermining behaviors

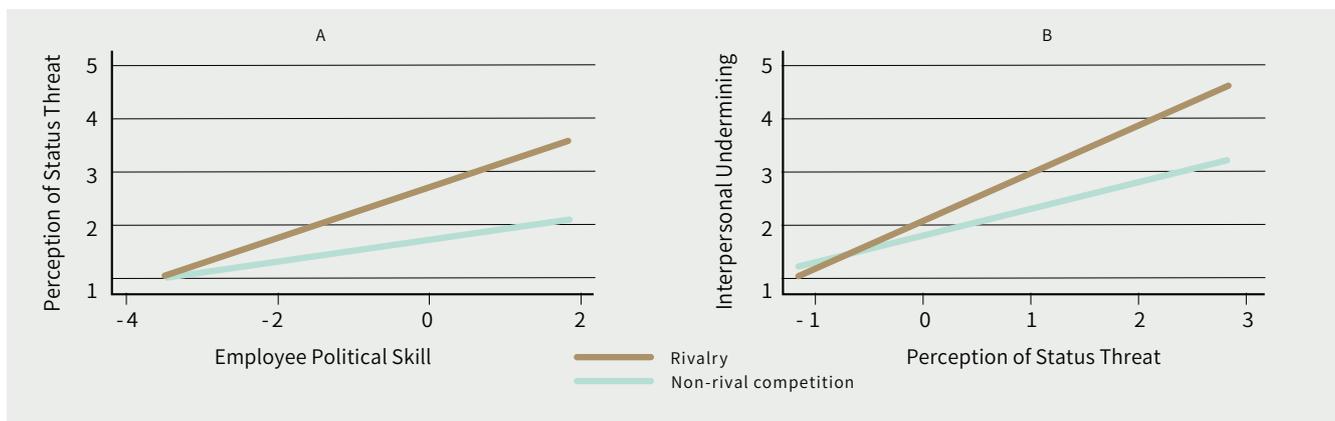


Figure 3: The intensifying effect of rivalry on the relationship between political skill, status threat and undermining behaviors.

considered as a personal rival. Then all participants reported their perception of the colleague's political skill, status threat, and undermining behaviors. Results show that in both conditions, the higher the colleague's political skill, the higher threat participants perceived (Fig. 3A), and the more undermining behaviors (Fig. 3B). However, as indicated by the two

solid lines, these chain reactions were stronger under the condition of rivalry. That is, as long as being in a competitive relationship, people are concerned with their coworkers gaining more competitive advantage and higher status; but only when the competitive relationship is rivalry, the negative psychological and behavioral reactions become intensified. ✉

Managerial Implications

This set of studies reveal that political skill, believed as a unique skill to career success, can bring unintended negative consequences. In the eyes of coworkers, especially those who have similar qualifications, professional skills, and performance to the focal employee, their competitors' political skill tends to threaten their own status at work, especially when the focal employee is regarded as a rival. To reduce or eliminate the competitive advantage enjoyed by the politically skilled employee such as good interpersonal relationships, wide social network, and leader's favorable treatment, the coworkers may

take dirty and odious behaviors. Therefore, politically skilled individuals should be wary about the potential psychological pressure they bring to their coworkers while they make full use of their advantages. They should avoid forming rivalries with current or potential competitors and reduce coworkers' feelings of being threatened in order to create a friendly career environment for themselves. The HR department should also consider whether their promotion and incentive systems would develop rivalry between employees and motivate cutthroat competition, which are destructive to the organization.

The Interpersonal Consequences of Stealing Ideas

Surprisingly, witnesses consider stealing ideas as even worse than stealing money, especially when the idea is creative.



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Which behavior is worse — money stealing or stealing ideas?

This question seems to be easy at first glance. Stealing money is illegal when the amount of the stolen money reaches a certain level. However, ideas are intangible, so they are not owned by anyone or legally protected before being patented. Because of the vulnerability of ideas, some people believe it is acceptable to steal others' ideas or claim ownership. Concerning the risks of this problematic belief, Dr. Lillien M. Ellis, assistant professor at the University of Virginia, investigated the interpersonal consequences of idea theft through seven experiments, and proved that the consequences of stealing ideas can be severe—severer than that of stealing money.

“Idea Theft” in the Organizational Context

In the era of the knowledge economy, creative ideas are seen as decisive factors for organizations' success. However, the process of sharing ideas is imperfect. There are burgeoning concerns from knowledge workers, as nearly one-third of them report having coworkers who steal their ideas at least once. The phenomenon of idea theft is especially salient in some areas like research and development, music, theater,

marketing, and academia, given that generating original ideas is essential in these fields. Also, idea theft may occur in a variety of formats, such as intellectual property theft, plagiarism, cryptomnesia (mis-categorizing the process of remembering an idea as the process of generating it), scooping (claiming the priority of an idea—through publishing or presentation—that another individual has also been working on), taking credit, and interpersonal idea theft. Some of the idea theft behaviors may be unconscious, such as cryptomnesia, as the idea thieves believe they generate the idea themselves; other idea theft behaviors may be intentional, such as plagiarism. Although the formats and intentions of idea theft vary case by case, stealing ideas may bring visible benefits to the idea thieves but harm the victims in the meantime.

The popularity of idea theft in the workplace is relevant to its trivial costs, given that ideas are not legally protected in most situations. Even some well-developed ideas are vulnerable to idea theft before being patented. Also, because employees usually work in team settings and build off each other's work, it may be difficult to judge who initiates or owns an idea. Despite the different types of idea theft, Dr. Ellis shed light on a particular kind—interpersonal idea theft—as it is frequently seen



in almost all industries and types of work.

Interpersonal idea theft occurs when an individual intentionally pursues or takes credit for an idea that is perceived to be owned by another individual. Let's imagine this scenario:

One day, while you and your coworkers were having lunch together, you suddenly came up with a great idea that could resolve an issue discussed in the meeting that morning. You were excited about the idea and shared it with your coworkers at the lunch table. However, it surprised you that in the afternoon meeting, a coworker proposed your idea to your leader and claimed it as his/her own. Your leader was delighted with this idea and complimented the coworker. Still, other coworkers who had lunch with you knew clearly that this person stole your idea.

The Consequences of Idea Theft

Do you feel familiar with this situation? Many people may say yes. The unethical behavior described in this scenario is not a “big deal”, so people may forget it quickly, even the victim. However, consciously or unconsciously, coworkers who witnessed this situation may perceive the idea thief as possessing bad characters. As a

result, whenever the idea thief needs help in the future, fewer people are likely to lend a hand.

To demonstrate these negative consequences of idea theft, Dr. Ellis conducted seven experiments with a similar procedure. First, the participants were randomly assigned to one of the two conditions—idea theft or money theft. In both conditions, participants were directed to imagine being a new HR intern at a Research and Development firm. In the idea theft condition, participants overheard that a product specialist, John, recently stole credit for an idea from a coworker. In contrast, in the money theft condition, John, the specialist, stole money from a coworker. After reading the assigned vignette, participants were asked to rate John on the following six characteristics: warmth, morality, helpfulness, sincerity, trustworthiness, and likability. Through their ratings, the researcher captured participants' general impression on the idea or money thief.

Studies 1 to 5 showed that participants consistently gave lower scores on these six characteristics to the idea thief than the money thief. In other words, people generally believe that an idea thief possesses worse characters than a money thief. Studies 3 to 5 further asked the participants to what extent they might provide help to the thief, and the results showed that people were less willing to help the idea thief than the money thief. Study 6 created a more robust situation in which participants read both scenarios (idea theft and money theft) and needed to choose one of the thieves to cooperate with. As a result, 65% of the participants chose the money thief, further demonstrating the negative consequences of idea theft.

It is worth mentioning that the researcher also considered an important factor—the value of the stolen idea or money. In Study 4, participants were asked to estimate the value of the stolen idea or money. Still, there was no significant difference between the two conditions. In Study 5, the researcher explicitly indicated the stolen idea or money worth \$10,000,



but this information did not change participants' worse impressions on the idea thief than the money thief. Both studies imply that the value of the stolen property is not relevant to witnesses' perceptions and behaviors towards the idea or money thief.

Although the value makes no difference, the type of the stolen idea can determine the severity of the interpersonal consequences. In Study 7, the researcher differentiated two types of ideas—creative ideas and practical but not novel ideas. The results indicated that participants reacted more negatively to the coworkers who stole a creative idea than those who stole a practical but not novel idea. It may be because sharing creative ideas is sometimes perceived as intimate self-disclosure, given that these ideas may reflect the owner's personal characteristics and

thinking. Therefore, people are likely to perceive a stronger psychological attachment and ownership to those creative ideas. These common beliefs of creative ideas may trigger the witnesses' empathy and thus perceive stealing ideas as more unforgivable.

Why Stealing Ideas Worse Than Stealing Money?

The researcher also explained why stealing ideas may cause severer interpersonal consequences. The reasons are related to witnesses' attributions of the thief's intentions. Witnesses tend to make "internal attributions" for idea theft, considering the idea stealing behaviors as purely for self-interests. Contrarily, people can find more situational excuses for money thieves, such as the desperation resulting from poverty, addiction to illicit drugs and gambling, lack of education, and perceptions of injustice of the social system. However, none of these external excuses can be adopted to explain the intentions of idea theft. Moreover, idea thieves are likely to be seen as hypocritical as they attempt to secretly use others' ideas to succeed. These factors cause witnesses to dislike the idea thief more. [M](#)

Managerial Implications

Creative geniuses like Pablo Picasso and Steve Jobs have identified idea theft as a deliberate strategy behind their successes. Maybe because of these successful examples, idea theft has never been considered a severe issue in organizations. Managers may also believe that it does not matter where an idea originates so long as it can benefit the organization. The present research warns

managers to be cautious of this problematic belief. While organizations may benefit from stolen ideas, the indirect costs associated with idea theft could be greater and even more interpersonally destructive than situations when employees steal money. Simply speaking, organizations should take idea theft very seriously and include this missing piece in their policy and management.

Impact of New Techno-Nationalism on International Business and How MNEs Can Respond Strategically



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By combining political and economic considerations, linking technological capabilities directly to a country's national security, economic prosperity, and social stability, new techno-nationalism intensifies de-globalization and decoupling in a complex way.

Techno-nationalist policies are designed to strengthen the competitiveness of domestic industries against foreign rivals. Traditional techno-nationalism dating back to the mid 1990s believe that how well a nation innovates, diffuses, and harnesses technology, national R&D efforts and FDI inflows in technologies are key drivers for the nation's overall growth, sustainability, and prosperity. Its focus is on the use of technology as a means to advance

nationalist agendas, with the goal of promoting connectedness and a stronger national identity.

Decades later, the convergence of globalization and technology has opened incredible opportunities to connect and exchange ideas in new ways, but has also led to divides. In such a context, techno-nationalism resurged, which we refer to below as new techno-nationalism. New techno-nationalism links cross-border technological exchanges directly to a nation's

national security, advocating for strong interventions by the state against opportunistic or hostile state and non-state actors from other countries. What underpins new techno-nationalism is political realism, which holds that, in an ultimately anarchic world, states focus on maximizing their power relative to others to increase their own chances of survival. In this world of relative gains, state leaders have an incentive to curtail or eliminate economic ties with rivals if they believe that these ties benefit their rivals relatively more. Under new techno-nationalism, country leaders seek to attain geopolitical gains, building on the premise that the world has entered a new era of systemic rivalry between competing geopolitical powerhouses that differ markedly in ideological values, political systems, and economic models.

How Techno-Nationalism Constrains International Business

While competition or bargaining still holds to fulfill the respective goals of multinational firms and foreign governments, the two parties are interdependent and maintain a co-opetition (simultaneously collaborating and competing) relationship. In this co-opetition view, enterprises' political responses do not remain at a standstill, nor do different MNEs act the same way. When a multinational's resource complementarity and goal congruence with governments strengthen, the relationship between the MNE and the host country government becomes more cooperative and less competitive. We see this effort as important because sharing interdependent resources or taking collective actions can create payoffs for both MNEs and governments.

However, new techno-nationalism places target countries as adversaries, a stance that can cause serious legal, political, compliance, and operational consequences for multinational enterprises from home, host, and even third countries. When a target country represents a critical foreign market for MNEs,

local governments are supposed to be an important stakeholder, but when such a relationship becomes adversarial, the firms will inevitably face higher institutional, regulatory, and legal uncertainties and restrictions in these host countries, giving rise to greater transaction costs and institutional disadvantages relative to other country MNEs.

Collaborative global innovation networks, a globally organized web of complex interactions between firms and other organizations engaged in knowledge and innovation development, have formed a hallmark of international business. However, new techno-nationalism depreciates global open innovation, which may lead to competitive disadvantages for affected MNEs.

As cross-border connectivity, physically and virtually, reduces inter-firm coordination and transaction costs, multinationals take advantage of a global pool of expertise and resources, but techno-nationalistic policies may impede access to this pool.

Cross-border collaborative activities enhance the interoperability between networked products and services, accelerate access to new foreign markets, and lower production and development costs. Yet, new techno-nationalism may present obstacles to this co-development and cause a breakdown of the global value chain. Research reveals that MNEs can build competitive advantages through collaboration with global competitors (horizontal cooperation) or with suppliers and distributors (vertical cooperation). Unfortunately, new techno-nationalism is often difficult to hedge and brings severe impact on maintaining global value chain operations.

Finally, a nationalistic view of technology may result in a vicious cycle of obstruction to international business. Research suggests that the resurgence of techno-nationalism in areas such as 5G, AI, and the internet of things impedes cooperative R&D and could trigger both market fragmentation and incompatible standards and norms.

MNE Exposure to Risks of New Techno-Nationalism

MNEs vary along the dimensions of market dependence and technology dependence, which determine the political, financial, and transactional risks that they face. The following discusses four types of MNEs that differ in their market and technology dependencies.

High market dependence, low technology dependence:

Market-coupled MNEs are heavily dependent on the foreign market but with a low level of technological coupling with the country (e.g., Qualcomm or Micron in China, or China's Xiaomi in India). These firms experience moderate exposure to risks induced by techno-nationalism, yet potential losses can be enormous, depending on the revenue contribution of this market to the firm's total revenue. If abundant market similarity exists between the target country and alternative countries that the firm wants to switch or relocate to, then the firms' market exit and switch costs will be lower.

High market dependence, high technology dependence:

Tightly coupled MNEs, characterized by high levels of both market dependence and technology dependence (e.g., US's Caterpillar and GM in China or China's Huawei in Europe), are highly exposed to threats posed by techno-nationalism. Technology can include manufacturing technology (e.g., robots and automation for mass production), integration capabilities that combine and configure different technologies, and engineering and applications—often viewed as strengths held by some successful emerging market firms with which Western MNEs have partnered. For these MNEs, decoupling becomes rather costly.

Low market dependence, high technology dependence:

Technologically coupled MNEs stand less

exposed to new techno-nationalism than tightly coupled ones, but are still moderately susceptible to its risks. Western firms' global sales in consumer electronics and household appliances, for example, may not depend on the Chinese market, but they rely on the well-established technology or key components supply chain and manufacturing network in China. Relocating one product or one value chain activity between countries may be reasonably doable, but relocating many activities between countries becomes a daunting challenge.

Low market dependence, low technology dependence:

Finally, loosely or non-coupled MNEs enjoy the least exposure to risk by techno-nationalism due to low levels of both market dependence and technology dependence. This non-coupling tends to be achievable when the home government erects techno-nationalism against only one or very few countries. But with the protective practice expanding or becoming more extraterritorial and reciprocal, even loosely coupled MNEs can be adversely affected due to global interdependence of various technologies and components.

Strategic Responses and Actions of MNEs

MNE leaders are not in a policy-setting position and may well be vulnerable to and even victimized by techno-nationalism. They need to respond vigilantly to increasing techno-nationalistic policies because they are primary players in globalizing R&D and technologies and at the receiving end of techno-nationalist disruptions.

First, international or regional diversification forms a viable option to mitigate dependence-related risks. Some MNEs, especially those with well-established global networks and geographic footprints, can fortify their resilience and flexibility for global operations to minimize risk exposure to new techno-nationalism.

Second, MNEs should prioritize risk analytics and intelligence to cope with technology- protective stances. Maintaining end-to-end transparency and integrity of the supply chain, such as through the internet of things or blockchain, which enables goods and digital products to be traced in real time, will likely become increasingly critical for compliance with heightened scrutiny and could potentially serve as a competitive differentiator in a world with high cybersecurity concerns. Where they cannot directly prevent shocks, MNE executives can position the firm to reduce the cost of disruption and the time it takes to recover through digitally-enabled global connectivity.

Third, MNEs can profoundly contribute to global standards and the setting of best practices for technologies. As an example, a multilateral treaty that governs digital connectivity and security may provide governing and over-hauling principles and measures in ensuring digital trade and data governance, as well as diffuse best practices and standards for technology security and cyber security.

Fourth, MNEs can work collectively to influence governmental policies that would otherwise harm the firms at home and abroad. Yet determining which

policies to advocate for requires due diligence. Firm leaders should assess whether it is most effective to work in tandem through industry associations or to independently voice concerns specific to the company.

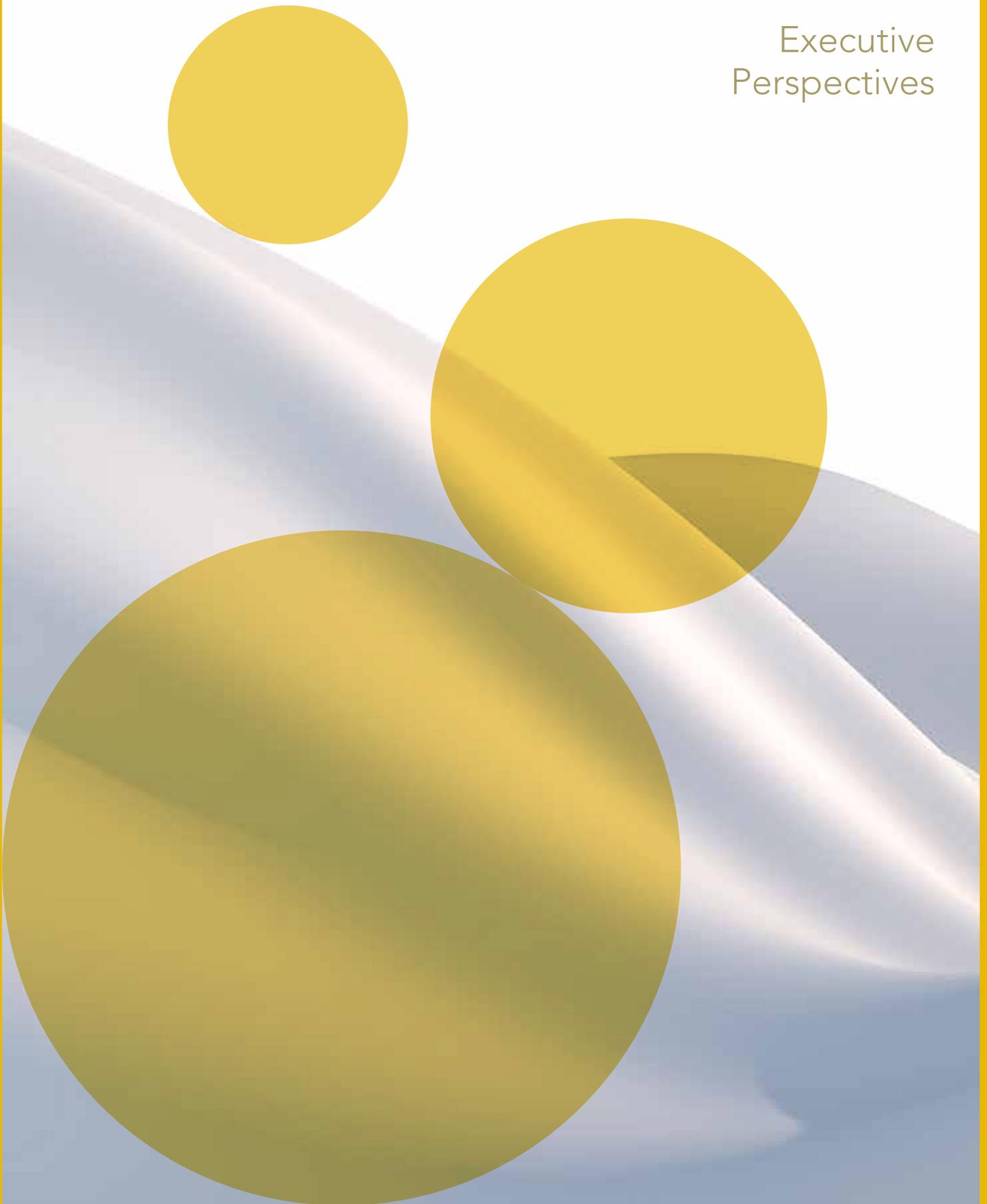
Finally, many MNEs, large and small, from the assumed rival countries are likewise adversely affected by new techno-nationalist restrictions. The protective policies make it more difficult for springboard MNEs to acquire critical strategic assets through radical FDI. One response lies in combining deep localization and stealth in the host country so as to not trigger defense mechanisms intended to keep them out. Another approach is to limit springboard efforts to friendly territory instead of the advanced economies imposing techno-nationalist policies. A third option can be more entrepreneurial, involving resilient restructuring or business reconfiguration that falls in a middle ground to satisfy host country regulatory demands without exiting. For example, ByteDance sought to address US concerns by creating a new entity in the country jointly owned by its existing US investors, Oracle and Walmart, and letting Oracle handle TikTok's US user data and content moderation. 

Managerial Implications

Technological competition forms part of a larger strategic competition between states and firms. But this competition does not have to be zero-sum. In today's interconnected and interdependent business world, open innovation will continue regardless of intricate geopolitics. The dark sides of technologies and certain digressed behaviors of economic powerhouses form a legitimate concern, but countering this concern does not have to cost economic openness, knowledge sharing, and

technological connectivity. Global open innovation and cross-border knowledge flows should remain as a cornerstone of international business while at the same time respecting security concerns. Sound economic and political policies by any government should foster country competitiveness in the interdependent world economy. Country openness, technological collaboration, science and education, and institutional support are among the key determinants of this competitiveness.

Executive
Perspectives





The Essence of Digital Enterprise: Openness, Transparency, Empowerment, and Efficiency



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In 2015, I had my first interview with Mr. Jianguo Wang, who was in the process of founding Kidswant, a company that provides a one-stop, omni-channel solution for expectant mothers and children aged 0-14, as well as parenting, growth, and social interaction services. He proposed the idea of building “strong ties” with customers and exploring ways to digitalize his business. I was impressed by his unpretentious style and his vision for the future of Kidswant. When he talked about the continuous iteration of stores, his eyes sparkled, and when he proposed using a new organizational management approach to implement the idea of “strong customer relationship”, he was full of passion. Fast forward to 2021, I heard the news that Kidswant Co., Ltd. had listed on the Shenzhen Stock Exchange’s Growth Enterprise Market. And then in February 2022, another company under his leadership, Huitongda Network—a professional trading and service platform for rural retail industry enterprise customers in China—also successfully listed on the Hong Kong Stock Exchange. I therefore decided to conduct another interview with him.

Xiao-Ping Chen: Hi, Jianguo, it's so good to see you again! I know that after selling Five Star Appliances in 2009, you founded three businesses: Kidswant, Huitongda, and Hosjoy. Now Kidswant and Huitongda have successfully IPOed, and Hosjoy is also doing very well. However, these three companies are different in terms of their target customers, industries, as well as products and services. Would you tell me how you developed different visions and strategies for different companies and made each one a unicorn in its industry.

The Underlying Logic for a Business-Generating Enterprise: Creating Customers, Pooling Resources, and Empowering Entrepreneurs

Jianguo Wang: My understanding is that although these companies are different, the underlying logic behind them is the same and can be substantiated in three aspects. The first is the nature of the business, which is customer generation. It is consistent that Kidswant, Huitongda or Hosjoy all benefit from getting more customers. The second is the nature of operation, that is creating profits or making money. The third point, which is central to the success of businesses, is how to motivate and manage people. This credo applies regardless of what type of businesses you do.

Xiao-Ping Chen: I agree with your underlying logic, especially the first point “customer generation”, which is very unique. Most people would say that the underlying logic of running a business is to serve customers in the sense that customers have needs and the business should meet their needs through service. But you said

that you are creating customers, why?

Jianguo Wang: Serving customers is reactive. You give them what they need. However, before a new product comes out, customers may not know they will need it. For example, customers may not think they need an Apple phone or an electric car until these products appear on the market. Therefore, we propose creatively satisfying customers or creating customer demands, which means exploring customer needs, inducing their demands, and navigating consumption. This is true business. There are different types of companies and different industries have different characteristics. But if you master the underlying logic, there are many commonalities that you can apply to different companies.

In addition to the shared resources for the three companies, there are also things that the companies can copy or learn from one another. For example, many digital and business technologies can be shared, whether they are 2B or 2C. The methods for employee training, employee capability development, and management systems for the three companies are also common and can be shared, because they share similar ideology, core cultural values, and mindsets.

Xiao-Ping Chen: You are saying that the business and management philosophy, the content and methods of training employees or executives are actually very similar across the three companies.

Jianguo Wang: Yes, especially the way of thinking, such as openness, innovation, transformation, embracing change, these ideas are the same no matter what kinds of business we do. With regard to business technology, for example, the content of the APP customer



The Kidswant Baby Crawling race.

interface, 2C and 2B apps are superficially different, but if it aims to help 2B companies to serve customers, Huitongda's APP is similar to Kidswant's APP. To this point, it's easy to apply the approach of Kidswant's APP to Huitongda, but it would be difficult if every company makes their own APP. This is what I mean by the fact that many technologies can be copied and used.

For the third point, I believe that our generation of entrepreneurs no longer has time to personally start one company after another. When I founded my company, I set my goal to make my company the one that can generate and develop entrepreneurs. The purpose of my business (Five Star Co.) was not to create just one company, but to develop many businesses. In 2009, my mission was "to help more aspiring people achieve their dreams." In this sense, my intention was to decentralize. I didn't want to create a company by

myself, but to inspire more people to start a big business together.

Xiao-Ping Chen: So you are on the side of helping others to grow their own businesses, which is actually a business incubator.

Jianguo Wang: You're right. Nevertheless, the reality wasn't as good as I expected. At first, I hoped to delegate management of the company to someone else, but it was not possible, so I had to do it myself. Later, I did find a group of young people to work with, like a master taking on apprentices. Then we became partners, and I withdrew from operations gradually. I had this plan from the very beginning, to find and cultivate partners. We have started many companies in different fields, including the three you mentioned earlier and some small and micro enterprises, such as Agra, Chengyida, etc.

So over time, there should be a few more companies going public. They all use similar underlying ideas and technologies, but the key is to develop people, to cultivate and grow more entrepreneurs. From this point of view, starting a company is not so complicated, and we call it distributed development. To make an analogy, it is not like an old train with a locomotive pulling many carriages, but more like a bullet train with its own engine and independent carriages. In this way, the locomotive does not play a very important role, because each carriage of the bullet train has its own power, that is, each company has its own development, and I (the locomotive) only do the overall layout of the enterprise. My approach is similar to the skyscrapers in Hong Kong. Each skyscraper is independent, just like each independent company, but there is a sky bridge in the middle connecting them all. Many values or basic logics are the same but can be constructed into different forms of “skyscrapers”.

Xiao-Ping Chen: Very vivid metaphors. So you have to gather a group of people to work together and have them split up to run their own engines, and eventually they add up to the fruits that you want to grow in the first place.

Jianguo Wang: Yes, my dream is to help more people, especially young people. By giving them a business and a platform for entrepreneurship, their enthusiasm is stimulated. Moreover, when everyone is in the same company, they can learn from each other and compete with one another at the same time, which makes them more open-minded. For example, managers of the three companies usually have joint meetings and report their work to me. This way, people from Hosjoy can learn how Kidswant does things, how Huitongda conducts organizational changes, how

they assess employees, and how they create value for customers. The mutual influence between them is subtle yet quite big.

Xiao-Ping Chen: It sounds that the company’s first and second in command, as well as people from different companies, have a very harmonious relationship with each other, and they have the mentality of learning from each other and complementing each other’s strengths and weaknesses.

Jianguo Wang: Yes. In our meetings, we invite the core management team of each company to participate. The teams sit together, with the reporting team from each company sitting in the front, and the CEOs, CFOs, COOs, CTOs, as well as middle-level managers all sitting in the back. This way, mid-level managers from Huitongda can hear the speeches given by Kidswant, and mid-level managers of Kidswant can also learn from Huitongda. I find this type of learning very effective.

Xiao-Ping Chen: Your approach is quite special, and it can only be achieved with a culture of transparency and willingness to share. In some companies, people in different departments don’t talk to one another. They do their own businesses and sometimes secretly fight each other. It must have taken a lot of effort for you to create such a transparent and sharing company culture.

Leveraging Digital Platforms: Empowering Customers and Improving Efficiency

Xiao-Ping Chen: Recently, Huitongda just went public, and I have a few questions about the

company. I know that Huitongda is a trading and service platform that is dedicated to providing high-quality products and services to China's lower-tier markets. The lower-tier retail market in China covers all rural and suburban areas in small towns and villages, as well as retail markets in non-first and second-tier cities. Huitongda's mission is to make life better for farmers, focusing on serving and changing people's life in rural areas. However, at the same time, I also think it is very difficult for a company to make profits in this field and Huitongda is not a non-profit company. You have said before that "Huitongda chooses a difficult but correct path." I would love to hear your thoughts behind this statement.

Jianguo Wang: I'll start with a brief explanation of Huitongda's operating model. It focuses on rural areas, and we currently choose the town level. The town spreads to villages, and each village spreads to about 500 farmers. The town-level business is focusing on small stores that sell home appliances, such as agricultural machinery, agricultural supplies, electric vehicles, 80-90% of which are husband and wife stores. We choose these small stores and let them use our system, called SaaS (Service as Software). There is an APP at the front end, ERP in the middle and CRM system at the back end, which altogether constitute a whole set of digital and information system. In the past, some of these stores did their accounting manually, some used ERP system, but none of them had an APP to interact with customers. So, we went to convince the owners of these stores and told them if they use this system, we would deliver the goods they sold on the same day, so they could reduce their inventory. We then installed a touch screen in the stores, which was either an iPad or a cell phone, to help

farmers use internet. If the farmers themselves were afraid to go online, the owner of the store could give them instructions and showed them samples online, like air conditioners, washing machines, refrigerators, etc. When farmers knew that there are many choices, they would be more willing to buy from the store. We ensure that the goods sold will be delivered to the store on the same day. To do this, we have built 500 cloud warehouses (leased warehouses) across the country, and all the goods in the cloud warehouses can be sold in the small stores. So, on the one hand, we introduce SaaS into these small stores; on the other hand, we build a new supply chain.

In this way, we transformed these small stores with digitalization and thus empowered them. Because you can't expect any single small store to informatize, let alone digitize, on their own. It is very difficult for them to develop a software or build a supply chain. In addition, manufacturers have a wide variety of products, making it impossible for small stores to connect to them all. But once they have connected with us, we can connect them with a lot of manufacturers, which would help them a lot. So I think we are doing a great thing.

Xiao-Ping Chen: I completely agree. And how much does it cost for each small store to connect to your system?

Jianguo Wang: Our system started out free. Now, small stores have grown and made money, around a few thousand yuan per year, and even 10,000-20,000 yuan for some stores. We charge them depending on the volume and operating conditions.

Xiao-Ping Chen: So your investment upfront is huge.



HOSJOY helps to build an intelligent home.

Jianguo Wang: Yes, the upfront investment is huge. Many systems need to be taught by giving them step-by-step instructions, and it's hard for them to get online. Why did I say that this is the hard but the correct thing to do? I was born in Suzhou and grew up in the countryside, so I'm familiar with the situation in countryside. My first job was also there, being a part of rural system work reform, so I still have an affinity to these places. Over the past few years, I have noticed a growing gap in life between urban and rural areas, between farmers and urbanites. For example, the tuition of a farmer's son needs to be paid by himself. In addition, farmers can't pay for their cell phones in installments like college students in the city. Farmers have land, houses, but they cannot pay in installments, even if their children live in the urban city can. This is urban-rural difference. Another example is the courier. The industries of express delivery and takeout in urban cities have been well developed, but in

rural regions there is no express delivery service at all. The life of farmers is very different from those who live in the city. Rural people can buy Coca-Cola, but it is not produced by the known "Coca-Cola" company. Rural people can buy home appliances of the brand called "Midea", but it is actually not produced by that company in Guangzhou. Overall, the lack of access to urban goods and services for farmers is a growing problem that is difficult to solve in the short term.

The second problem is that the circulation of goods between urban and rural areas has been like an "intestinal obstruction". The good stuff in the city cannot reach the countryside, and the good things in the countryside cannot enter the city. The circulation of goods and resources between urban and rural areas is not smooth. The government has thought of many approaches, given a lot of subsidies, but has not fixed this problem.

Third, I think China's economic development

has reached a new stage. The traditional three engines of economy are exports, investment, and domestic demand. Now the efficiency of investment is very low. Moreover, the supply chain is broken by the pandemic, so the pressure on exports is higher. Therefore, the next round of China's economic development depends mainly on domestic demand. We have 700 million farmers, so the real potential for the development of domestic demand lies in rural areas. But for the two reasons I mentioned earlier, the current state of the countryside is difficult to achieve this. In this sense, what we are doing has a real social value.

My understanding of doing a business is now different from before. I used to think that a company was a success only if it made money. Now it's clear from the government's policy that you must bring value to the industry and society once your company gets big. So Huitongda is doing the right thing. We started by resolving social problems, by satisfying the needs of farmers and solving the circulation problem between urban and rural areas. But in retrospect, why hasn't anyone done such a right thing before? Why did other people fail? The truth is that there are several obstacles to overcome in rural areas.

The first is the fragmentation of the countryside. Farmers are scattered in various places, and if you have to deliver goods to his home, the efficiency is too low. The second is its complexity. The consumption characteristics across different counties and towns are all different. Just like our language, Jiangsu has a variety of dialects, and people from Nanjing couldn't understand the dialect of those who live next to their place. This complexity of language leads to the complexity of consumption habits. For example, Jiangsu and Jiangxi, two provinces with "Jiang" in their names, are very different.

The product that is very popular in Jiangsu may not attract people in Jiangxi. The third is related to the diversity of farmers' consumption characteristics. No single product can monopolize the market. Diversity, complexity, coupled with fragmentation, lead to difficulties in the rural market. By helping these town-level stores, we gather a variety of goods and deliver them to the villages and then to farmers' homes. In doing so, we integrate social resources to serve farmers. Though it may sound easy, it is actually very difficult to do.

We started doing this in 2010, by sending a team of 2,000 local salespeople to provide hands-on services to the small stores in rural areas. It took us two years to develop 2,000 stores. Why so long? At first, the stores were reluctant to use our system because they were worried that the data stored in the system would be checked by the Tax Bureau. They thought that their earnings could be used at their discretion at any time if not recorded in the system. Once recorded, their money for smoking and drinking would be regulated, and they didn't want that. So it was difficult to mobilize them to use this system at the beginning. We then convinced them by saying that this system could help them enlarge their business. Later when they found out that it indeed helped, they began to use the system. Then their neighbors came to visit and realized the benefits and agreed to use it too. Gradually, our business and system expanded to more people in town and also people from other towns. This process was very difficult.

Back to the 2,000 people I mentioned earlier. At the beginning, we chose college students from top-notch schools who also received military training. We gave them very high salaries and subsidies. However, it turns out that none of them remained in the company for more than

two years. Why? Because they were not used to living in the countryside. They did not speak and understand the local dialects and also were not comfortable living there, making them feel lonely. Later we reviewed and revised the recruitment criteria: first, the recruits must be born in rural regions; second, they should be graduates from second-rate schools; third, they want to return to the countryside for job; fourth, their hometown is nearby; and lastly, their current job is worse than the one we offer. Now our team is more stable.

In addition, we are different from other Internet companies. Because stores make recruitment, pay taxes, and create profits in their rural areas, our business not only helps these stores to digitize, but also helps local governments solve employment problems. The government and other Internet companies cannot help the small stores with digitalization. So we are doing something that the Internet company is not very good at and that many offline enterprises want to but can't do. It took us ten years to make it happen.

Xiao-Ping Chen: Thank you for your clarification, that's very helpful! What do you think are the challenges that Huitongda is facing now? This is a burgeoning field, and more Internet companies have stepped into this space. Do they have any impact on Huitongda? What do you think Huitongda can rely on to break through the current competitive landscape?

Jianguo Wang: In addition to empowering small stores, another thing Huitongda is going to do is to reconstruct a new supply chain and create a new channel. The goods shipped to rural areas originally go through four steps, called "four-level jump": provincial-level, city-level, county-level, and town-level. This is not very

efficient. Moreover, brand portfolio is difficult to achieve. As big brand manufacturers require specialization, stores can only focus on one brand. Single brand and complicated layers of wholesale is a traditional way of supply, which is very inefficient. Can we reduce the layers and enable manufacturers to deliver their products directly to the town? So my responsibility is to achieve this, distributing a variety of products and brands directly to the customer. This greatly improved the efficiency. And this is what I call "channel reconstruction".

Implementing this method is challenging because it is different from the traditional one and thus may disgruntle companies serving in the traditional chain, because they think I'm stealing their businesses. The second challenge, I think, is related to the future. In my mind, the future model should be packing the demands of many small stores into one order and then purchasing from factories, and establish a C2F (customer to factory) user supply chain in this way. This leads to another big change that is related to the requirements for workers who used to deal with wholesale, and they will need to know customized products like Xiaomi. In addition, we will have to do research and development in order to make our products exclusive.

Xiao-Ping Chen: Wow, your plan sounds exciting! I can imagine the huge challenges you will encounter as you are disrupting the traditional business model and trying to create a new supply chain.

Jianguo Wang: Yeah, it's not easy. You just asked about the competitive landscape, and I think it's very difficult for online Internet companies to do offline businesses because their genes are different. My personal understanding

of the consumer internet business is that if you pursue breadth and flow, the volume will increase quickly. By contrast, the industrial internet business that pursues depth is slower and requires more patience to progress. We have been in this field for ten years and to some extent achieved some first-mover advantage. While others can enter this space, it will still take them some time. Right now, we don't think Huitongda has obvious competitors. There may be some in certain areas, but we are not worried about the competitive landscape at this time because there is still plenty of room in the market.

China's rural areas will have a market of more than 20 trillion yuan by 2025. We have done less than 100 billion yuan now. One hundred billion versus 20 trillion, only a drop in the ocean. How do you call it competition? There are 4.7 million small stores competing, and I have only connected to nearly 170,000 small stores now, with nearly 70,000 active. Compared to the total number of 4.7 million in China, where do you think the competition is? I'd say there is no competition. The market is still an absolute blue ocean. If there is competition, it is with ourselves in terms of our ability to make it more responsive to changes in consumer needs in rural areas.

Xiao-Ping Chen: Huitongda aims to empower husband and wife stores in town-level rural areas, helping them achieve digital transformation in their businesses. Regarding digital transformation, what are the challenges of Huitongda may encounter in their future of digital transformation?

Jianguo Wang: Digital transformation benefits from the rapid development of information technology. Over the past few years, cell phones have become more intelligent. Communication speed has become fast thanks to 5G. The two-



dimensional displays are soon going to become three-dimensional. Technology has progressed a lot. On the user side, digital transformation has also been progressing fast. Even farmers start to use smart phones. In this sense, the company has to adapt itself to such changes regardless of what business you are in. However, some traditional enterprises think that selling goods online is called digitalization and offline sales is not digital. This is a very wrong understanding. Unfortunately, this understanding has led many traditional enterprises to set up their own e-commerce departments, resulting in the business that could have lived ending up dead. This is because the cost of setting up an e-commerce department is very high. The consumer internet business is a decentralized SKU sold to a decentralized user. Selling things online requires goods and users to have no boundaries, which is nearly impossible for traditional companies to realize.

In my opinion, the first thing that traditional

enterprises need to do is to develop a digital mindset. What is the mindset of digitalization? It is “management of users” rather than “selling goods” as it used to be. Take customers as the core, interact with them through WeChat, small programs, or any other methods. It does not matter whether you sell goods online or offline, what matters is to build a relationship with the customer. It is the mindset that needs to be changed into a customer-centric one. Technology is just a tool that doesn’t require companies to build by themselves. They can find other specialized technology companies to help fulfill this need.

The reason why we invested so many human and material resources into developing our own system is because we pursue precision. For each customer, we care whether their child is a boy or a girl, when they come to my store, what items they touch, how long they stay, when they last came, what brands they buy, and when they run out of the items. I forward this information to my staff to help them communicate with customers. Of course, we have done a bit too much. The average companies don’t need to make that much of investment. For rural small stores, the first point we do digitalization now is to develop the APP between these small stores and users, and then operate it in grids and communities. If there are 5,000 farmers in a town, we will put the 5,000 farmers on our platform, divide them into grids, and then provide them with an efficient system and a financial staff to do the accounting. We also provide a supply chain to simplify the complicated things. Therefore, what we do about digitalization is not for the sake of digitalization, but to serve users and improve efficiency for the business.

I think the most important thing about digitalization is to bring convenience to customers, to facilitate transactions and

interactions. The second more essential thing is to improve efficiency. If the cost becomes higher after digitalization, it makes no sense to digitalize. Digitalization is a process of integrating social resources. Huitongda’s business now includes 170,000 digital stores, and this large volume significantly reduces my own cost per store. If this system is set up and run by a single small store, or even a company with a 10,000 small store in business, it is still not cost effective.

Overturning Traditional Management with Customer-Centric Approach

Xiao-Ping Chen: I really appreciate your thoughtful response. I’d like to circle back to our conversation about Kidswant. I remember that the customer-centric concentric circle management model you described at the time basically overturned the traditional management philosophy of most Chinese companies, and the concept of store iteration was even more so. I know that Kidswant has now entered the stage of smart stores and already has 500 stores across the country. I would like you to reflect on why customers and users should be placed at the center of the circle before designing the organization's



The scene of the 2018 Kidswant Family Marathon race.



Rural areas have huge room and potential to boost domestic demand.

structure and the roles and responsibilities of employees. Moreover, tell us more about the problems you encountered when implementing the concentric circle management model and how you addressed them, as well as the evolution of the whole management concept and the impact it has brought about to the growth of the company.

Jianguo Wang: First, Chinese commerce has overtones of planned economy and industrial revolution, especially retailing. The retail business in China is distinguished by commodity, such as department stores, grocery stores, fruit stores, hardware stores, and so on. With the development of the market and the oversupply of goods, this classification method is extremely unreasonable. It is very impersonal that a family has to go to several different stores to buy things they need. But the customer-centric approach is also a challenge for Chinese retail industry, which is not only classified by products, but also driven by resources. For example, the retail sales depends on whether the stores are in good locations, on good floors or have good properties. Traditional department stores do not care who the customers

are. The service they provide is entirely from the perspective of a product supplier, which is the so-called product mindset. This kind of labor division reflects the idea of industrialization, in which different people are clearly deployed to be responsible for different things, including procurement, sampling, operations, sales, sanitation and cleaning, etc. Now it has been changed to be customer-driven. However, our organizational structure has not been adjusted accordingly. It is very difficult for a retail store that has different people responsible for these functions to serve customers, because it takes all these departments together to address a customer's problem.

From the perspective of operation, the one thing that doesn't reach the user directly is management. I think current companies focus too much on management, which can be a big drawback. They make rules about managing everything, but the question about who is responsible for the user remains unresolved. I once told a Russian proverb about three people planting a tree. The work was divided clearly: one person specialized in digging a hole, another in bringing the sapling, and the third in filling in the soil. It was a highly efficient assembly line. But one day, the person who brought the sapling fell ill. As a result, the person who dug the hole said, "I don't know how to bring the sapling. There is a certain way to put it in place. If I put the sapling in wrong, I can't take responsibility for it." The person who filled in the soil said, "I won't get paid if I don't fill in the soil. I have to fill it in." This is also the situation of companies nowadays. Procurement is the responsibility of the procurement department, and the external goods are the responsibility of the operations department. The people in the operations department would claim that it was the person in other departments who did not do a

good job that caused the goods to be unsold. As a result, everyone becomes irresponsible. In reality, customers are at the heart of service and making customers satisfied is what leads to a successful company. Internal management can do all sorts of things, but if the customer is not satisfied, it's all for nothing.

When I founded Kidswant, I proposed two principles. The first was to shift from managing goods to managing customers. The age of selling goods is over. Now it's about managing users. To manage users, you have to classify them and interact with them to build a relationship. Interaction creates a relationship. Additionally, since we are managing users, we have to understand them and let them trust us. All of this is for understanding the user, building a relationship, creating trust and reliance, which are the key points.

The second principle was to shift from satisfying needs to doing it creatively. This means that we are not passively satisfying customer needs, but creating their needs and then satisfying them. But this principle can't be put into practice without organizational transformation. So at the same time, our business philosophy has weakened the functions of the management department. For example, the HR department and finance department used to be in charge of personnel, but they actually didn't care about customers because whether the business was doing well or not had nothing to do with them. This would cause problems. So we downgraded these functional departments to secondary departments and promoted the people who directly deal with customers to primary departments.

Xiao-Ping Chen: You make secondary departments work for the primary departments.

Jianguo Wang: That's right. Whoever serves the customer is the boss, and this leads to a big change. In addition, there are also barriers between different customer-centric departments that need to be broken down. For example, for the customer research center and customer service center, we claim that customers are the core and the difference between the two departments is just their professional skills. If your skills do not apply to the customer, you will not be used by the organization. So the core of concentric circle management means a change of mindset, followed by a change in form. Although those traditional departments are still there, such as human resources, administration, and finance center, their mindset has changed. We also set up many cross-functional teams, like virtual organizations and project teams. Take the customer research center as an example, there are people who do finance, IT, and other functions. People from different departments work together on research.

Xiao-Ping Chen: By transforming the structure of the organization, the customer-centric mindset is deeply rooted in the employees, which has led to the rapid growth to 500 stores.

Building an Excellent Top Management Team: Trust, Empowerment, Support, and Benefit

Xiao-Ping Chen: You once said that the implementation of a company's strategy is rooted in creating a culture to build an efficient team. How do you do that?

Jianguo Wang: Yes. Basically, all the enterprises I founded have the same gene, that is, the core values are consistent. Our core values are



Exterior scene of Kidswant offline store.

honesty, pragmatism, respect for individuals, achievement of partners, and pursuit of excellence. But each enterprise has its own face. They each have their own secondary culture, vision, and mission. Kidswant's mission is "to make every childhood better," Huitongda's is "to make farmers' lives better," and Hosjoy's is "to make the home more comfortable and healthier." But the core values are the same. We propose to implement cultural values and make employees aware that these are not just slogans but should be manifested in every aspect of their work. At the same time, culture must also be upgraded. Recently, we emphasize the culture of review and reassessment. We must continuously review our progress, because after many years of development, there must be many problems. Each reassessment is like a bamboo section growing longer, or like a fishing net catching more knots, which makes the company grow. We also want an ocean culture, which emphasizes openness. Integrating social resources and openness can help us absorb cosmic energy because the external environment is constantly changing.

Xiao-Ping Chen: I would like to ask you about your insights on building a management team. I noticed that the working time of the founding members of Five Star Appliances has exceeded 20 years. This indicates that they are here for the long term. I'm curious what you did to make people stay.

Jianguo Wang: I talked about a "five gives" principle: trust, empowerment, support, recognition, and benefits. Trust and empowerment are easy to understand. The idea behind support is that if someone makes a mistake, instead of criticizing their flaws, you should support them, because if you focus on their weaknesses at this point, they will lose confidence and the team will look down upon them. Recognition is also very important. When someone does something good, you should praise them in front of many people. They may be grateful to you, but more importantly, it will increase their self-confidence. Rewards and benefits must be given, otherwise it goes against human nature.

When it comes to building a team, a company

cannot rely on one person. If you only choose a CEO and hand over a company to him, the risk is too great. My approach is to build a team by putting together people who have complementary abilities, personalities, and even genders. In this way, I manage a team, not just a CEO.

Xiao-Ping Chen: Incorporating diverse members to build a top management team is super important. Now I would like to ask your administrative director Ms. Liu privately to see if the “five gives” principle is actually implemented.

Jianguo Wang: No problem! Let me recuse myself. (he left the conference room)

Ms. Liu: I have witnessed the growth of Five Star and have seen how Five Star cultivated so many entrepreneurs. I think the greatest characteristic of Mr. Wang is that he is good at setting high goals and leading us to achieve these goals. He often describes a vision that is not yet clear and shares his higher and longer-term ideas to everyone. Once stimulated by his high-level future goals, I may not care much about short-term costs and benefits anymore.

As Mr. Wang said, the first element of his “five gives” principle is trust. The premise of trust is that we have reached this consensus with each other. With this consensus and a longer-term goal, we will not put much emphasis on the benefits and gains in front of us, but rather think more about how to go further. Mr. Wang often talks about goals using metaphors, such as launching a battle or sounding an alarm. He has this force to bring us together. He is a leader, not a boss, and he is leading by doing. For example, like Mr. Wang just said, he will be there at the right time and place to help kick the ball in when it is close to the door. He mobilizes resources for us to accomplish a



Consumers shopping at Kidswant.

goal that would be super challenging without his support. In doing so, he makes us acquire a sense of satisfaction, achievement, and existence. These are our feelings, which are very important for the middle and top-level managers.

Enterprise that Creates Businesses: Cultivating and Empowering Entrepreneurs through Investment

Xiao-Ping Chen: I would like to ask two questions related to corporate investment. I remember you told me that after you sold Five Star Appliances, you actually wanted to invest in other people to do business. But at that time, you couldn't find the right person, so you did it yourself. Now the situation seems to be different. You participated in the establishment of Focustar Capital in 2017 and frequently made attempts to invest. I'm wondering if you can share your investment philosophy and strategy with me.

Jianguo Wang: After selling Five Star Appliances, I did some incubation of industries on the one hand and also made some investments, mainly in funds, about ten to twenty funds. During the process of investing, I also collected a lot of information and did research about different



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funds. I felt that funds are too financial and finance reflects mostly supply and demand, which is difficult to look into the future.

Another point is that I used to think that companies rely on capital as a driving force. But later I found out that capital is only part of doing business; more importantly, it requires wisdom and resources. Advanced ideas, advanced concepts, and advanced approaches are what entrepreneurs are especially eager to get. The second thing is to have resources, and whether they can cross boundaries and surpass others. The third thing is capital. Good entrepreneurs need to care about all these three things, while bad entrepreneurs only know they need money. Therefore, I think industrial capital is more helpful to entrepreneurs than financial capital.

Nowadays, many entrepreneurs are willing to give me their investment priority because they know that after all these years in business, I understand the importance of integrating enterprises with capital. My three companies have raised more than 10 billion yuan in total, and more than a dozen funds have invested in us, including almost all major institutions, such as Alibaba, Tencent, and Hillhouse Capital, They have brought about a great impact on me. Then I thought, “Since I am creating a business, why not make an investment platform?”

In 2017, the Jiangsu Provincial Government had a mother fund of 10 billion yuan, and was looking for an entrepreneur to take charge. They chose me, and I agreed to take the job. I thought that since I was doing a fund, I should do something different and create a unique investment model. It is difficult to say that capital has uniqueness because money is all the same. At the time, I studied the approach of Danaher Capital in the United States, that is, they not only invest in a business, but also empower it and help it grow. As a result, my company has a higher return and better cash flow than Warren Buffet's company, because it adopts a control-type approach, not simple financial investment.

I thought that no one in China had done a real estate-type empowering investment yet, so maybe I could create one (Focustar Capital). I invest in businesses, and provide them with resources, methods, strategies, and consulting services. My businesses are mainly focused on consumer commerce and technology, with big consumption the core, including production, distribution, and TMT. In the past few years, our management scale has reached more than 10 billion yuan. We have invested in many good projects with good capital recovery periods and returns.

Xiao-Ping Chen: I think the entrepreneurs you invested in are very lucky, because you not only give them financial resources, but also share your knowledge and expertise on how to run a successful business, empower them to become great entrepreneurs in the future. I see that your investment approach is consistent with your philosophy of creating enterprises, which is to cultivate and support entrepreneurs. Thank you so much for sharing your wisdom with me and through me, the readers of Management 

Keeping a Boat Afloat and Far-reaching in the New Blue Ocean



Mr. Dongqi Qian received his Master's degree from Nanjing University in 1987. He founded Ecovacs Robotics Co., Ltd. (formerly TEK) in 1998 and began to independently develop and produce vacuum cleaners. In 2006, Mr. Qian launched a self-developed brand "Ecovacs" and developed a household service robot. In 2018, Qian founded Tineco that produces high-end smart living appliances. Fuwan, the world's first intelligent mopping machine, created a new category that adopts intelligent and digital upgrading in the traditional home appliance industry. Mr. Qian has dealt with numerous challenges in his life, such as migrating to Southern China, venturing into business, undertaking foreign trades, engaging in original equipment manufacturing (OEM), and independent research and development. Today, he is swimming in the new blue ocean of ready-to-cook food, attempting another new frontier of cooking machine Shiwan. Although cooking machines are rare species in the current market, Mr. Qian is confident about its future.



Dongqi Qian
Founder and Chairman
of ECOVACS Robotics
and Founder and
President of Tineco



Qingyun Jiang
Fudan University



Yating Cheng
Fudan University



Xiang Fan
Fudan University

In 2018, Mr. Qian handed over the listed company Ecovacs to his son Cheng Qian. Surprisingly, this is not because of his willingness to retire, but the intention to upgrade another sub-brand of the company called TEK to a new brand Tineco. Some investors of Ecovacs didn't understand why Qian was interested in cultivating a new business while the first one was doing well. What if this threatened the stability of the entire listed company? Confronted with these doubts, Mr. Qian did it anyway. Now 4 years after its founding, Tineco has been growing rapidly and become financially independent. It has reached an annual revenue comparable to that of Ecovacs and started to make a profit.

We visited the Tineco headquarters at No.18 Youxiang Road in Suzhou and saw Tineco's slogan everywhere: "White technology in life, simple pleasure at home", communicating the brand's mission of providing consumers with a dream home life based on technology. Here we also met Mr. Qian, wearing a pair of black-rimmed glasses as always and a monochrome POLO shirt. He had a thin build but was very vigorous, cautious and sharp. He often thought for a moment before speaking, but also would laugh loudly when he got excited.

Mr. Qian told us that starting a business is similar to sailing a boat. The most important things are direction and power. He is the captain to control the direction, while the power derives from the cooperation of the team. He said, in any case, he should be the last line of defense, protect the boat from sinking and direct it to the right shore.



Start a New Business: New Technology Drives the New Blue Ocean

Management Insights (MI thereafter): It is remarkable that you started with an OEM company producing vacuum cleaner, but soon created your own company and brand Ecovacs Robotics, and then ventured into building a new brand of Tineco. What are your own thoughts and tips about cultivating a brand?

Dongqi Qian: At first, our main business was OEM. After that, we started to produce a robot vacuum cleaner branded Ecovacs. At that time, I still thought that a brand name is like a label on the product. Later, I really understood the meaning of a brand. Abstractly, building a brand means to identify the product value and target population through the users' mindset rather than simply selling products to them. So in my opinion,

cultivating a brand involves a chain process to build a potential energy field. Only when this potential energy field is formed can a brand be truly established. While OEM could survive by lowering costs, a brand could not survive in this way. It requires continuous efforts in providing unique value to customers.

Viewing a brand in this way, it's understandable why we can't compete with Dyson at first. Consumers' mindset was difficult to change. They believed in Dyson products, although our products had scored higher on smartness than Dyson's by American consumer magazines for three consecutive years. We then adjusted our market positioning and developed an intelligent mopping and washing robot. As the product iterated from the first and second generation to the present third and fourth generation, we were able to fulfill all of consumers' needs step by step. During this process, Tineco slowly paved its own way into the industry. Dyson has built its barriers in the field

of vacuum cleaner, but has disadvantages in smart mopping and washing robots.

For brand-building, a single commercial battle is far from enough. What really matters is to aim high and keep your feet on the ground simultaneously.

MI: Did you basically copy the process of building Ecovacs for your second venture of Tineco? Or did you try new ways?

Dongqi Qian: Yes and no. People don't like to do laundry, just like they don't like to sweep the floor. So if consumers are not attracted to our products, it means that our products are not good enough. We must address their concerns using new methods, new technologies and new solutions, only then can we impress our customers.

The difference between Ecovacs and Tineco is that by using new technology, Ecovacs created a new blue ocean, while Tineco found a blue ocean in the red sea. When Ecovacs got started in R&D in 2000, I set the goal for its transformation with the core index of half-half sales revenue for OEM and self-owned brand products. It took ten years for Ecovacs to achieve that goal and be self-sustaining. For Tineco, it took only two or three years. At this point, it is impossible to copy the old process. The old methodology could give you some guidance, point you to the right direction and prevent you from groping in a dark tunnel, but you still need to add something new into it.

In addition, as a result of my personal experience, it is easier for me to manage Tineco today than to manage Ecovacs before. After all, I have experienced it once. The most difficult thing is to walk a fine line. Your responding behavior and the ultimate outcome vary as the function of your judgement. You would hesitate and take tentative steps if you are not sure about it. But now, I know

the road is here.

MI: In 2021, Tineco launched “Shiwan”, the intelligent cooking machine. We know that Tineco made great a success by delving deep into intelligent mopping and washing robot market. However, cooking machines are so different from mopping and washing robots in terms of product category. Why did you make such a decision to jump into a new sector?

Dongqi Qian: Although in your eyes, we jumped from Fuwan, the mopping and washing robot, to Shiwan, the cooking machine, they actually share something in common, which is to fulfil people's life needs. In a modern fast-paced era, people desire convenient and delicious food, and we know that we have the intelligent methods and new technologies to provide that. So we decided to produce a cooking machine. Another question is why cooking machines but not other products? Because in our mind, cooking machines and mopping robots are actually in the same product category: they are both small household appliances, and both intelligent hardware driven by technological innovation. Although their functions are not high-tech, they are well received by the market.

After recognizing consumer needs, the core point is how to meet these needs with a product using new technologies, such as chip technology, sensor technology, algorithm technology, Internet of Things, and cloud. Mopping robots is such a product that solves problems by using new technologies, so does Shiwan. At the beginning, we simply applied the interactive algorithm technology with a chip inside. However, with old-fashioned mental models, we emphasized the flavor of dishes and ignored user experience. Quite different in the current Internet age, we realized

that consumers' needs for food is its readiness and nutrition. Additionally, we should try our best to serve diversified eating habits, as well as digitalize and standardize the significantly varied cooking processes of these dishes.

We became more and more excited about this product. Two years since its introduction, Shiwan has been upgraded to its 3.0 version, which included a complete closed loop from clean and prepared ingredients to delicious food, as well as digital and standardized content. We have developed more than 100 ready-to-cook dishes for Shiwan, and are developing another 200 dishes. The challenge is the preservation of vegetables. Freeze-drying and air-drying methods are widely adopted followed by rehydrating and refreshing. But the problem is still not fully addressed regarding how to ensure the nutrition and taste. So we launched our own research institute to solve these problems.

To be honest, Shiwan has not yet met our expectations for a big market, namely a condition when Shiwan is widely accepted and acclaimed.

We believe the opportunity to achieve that goal resides in the lapse of time and development of technology and innovation. What we can do now is to follow the trend. I remember that the mopping robot didn't work well at first because of the undeveloped technologies, but we persisted for ten years and finally solved the problems.

MI: What would you do to help Shiwan go through the dark time?

Dongqi Qian: Shiwan owns a user base of up to 100, 000 that could support us to go through the dark tunnel, although I'm not sure when the exact time is. The only question is how to manage it. We will continuously collect data of various dimensions, and evaluate whether there is positive feedback. Obviously there is a potential bias towards positive feedback, because Shiwan is now mainly accepted by pioneer users who are in favor of technological innovation and way of modern life. However, we can definitely know from the feedback that we are running in the



right direction. Consumer feedback indicates that Shiwan is very helpful to them, even though they did not know they needed it before they tried. We are lucky that we have mopping robot products to support Tineco while Shiwan is still endeavoring to go through the dark tunnel. Once Shiwan succeeds, its sales revenue is estimated to be half for the whole company of Tineco.

We have cut into both traditional e-commerce distribution channels such as Taobao and JD.COM, and new modes like livestream e-commerce. Moreover, the offline retail is also doing well now by providing consumers with an immersive experience in the store. In comparison, our competitors are reluctant to offer the opportunity to try products because it would cause smoke in the store. We have avoided the problem.

MI: Employees call you "Chief Experience Officer" because you personally read/respond to the comments from consumers and users. How do these comments impact your judgment and decision?

Dongqi Qian: With no doubt, these comments inspire innovation. When Steve Jobs was once asked if he had done market research, he asked a question in return: "Did Edison do market research when he invented the light bulb?" Innovation requires digging into the potential and unrealized demand, and then visualizing this demand. If you do this through market research, you will probably fail. Conventional products can rely on market research, but innovative products require foresight and vision.

However, we are very willing to pay attention to customer voice and feedback, because they are real and valuable. We can infer what our blind spot is and how we can do better from

digesting consumers' words. We value consumer experiences. But creating new products is a different thing.

MI: Do you regard Ecovacs and Tineco as manufacturing companies or technology companies?

Dongqi Qian: They are definitely technology companies. Our companies are led by technology and can do nothing without smart technology. What we can do defines what type of companies we are. We don't pay much attention to the amount of R&D investment, because R&D investment can be merely a game of numbers. But business can't. Business must face the market directly. Technology must be connected to the market and users. Our slogan, "white technology in life, simple pleasure at home", shows our philosophy that technology stands behind consumer experience. Only when the two are well integrated and connected to other parts within the brand can a good closed-loop be gradually formed.

MI: When a company broadens its product line, the CEO's personal understanding of technology plays a pivotal role. How does your technology background help you to keep up with the cutting-edge technologies and set the pace for their commercialization?

Dongqi Qian: Having a good sense of technology is the key. As for commercialization, it is done by our R&D staff, not me. What I can do is to collide with them at the R&D meeting when we come to a new turning point or encounter problems. R&D meetings are very important because technological innovation is our foundation. Our business activities are oriented towards realizing technological innovation,

producing products, communicating product value to users, and cultivating a reasonable closed-loop.

As I majored in physics, I had the advantage in understanding the basic principle of varying technologies. Mathematics and physics are the basic principle of natural science. While mathematics is extremely logical and abstract, physics deviates from pure abstraction toward experiment to verify. This leads to more concreteness and better products. So sometimes I stand a little higher than my R&D teams. They find me on the same page to communicate with them like a bosom friend. That should be attributed to my educational background.

Managers Are the Last Line of Defense for Enterprises

MI: What challenges have you encountered during your entrepreneurship? How did you handle them?

Dongqi Qian: Managing a company is like pushing stones up a mountain. You encounter a lot more bad times than good times. When you feel that you have reached the top of the mountain, you can only catch your breath and then get ready to climb the next mountain. This is also a mental exercise. If pressure disappears one day, my heart will be occupied by vacuity. So to me, pressure motivates me; challenges and adversity are normal. For a company to have sustainable success, overcoming one challenge is never enough; you need to be prepared to deal with numerous challenges. There is no end to it.

MI: As a business leader, what role do you play in leading the company?

Dongqi Qian: In the process of building a brand, I was like a captain, leading the way forward to the destination across the troubling water. There are two key points for ensuring arrival. First, we should be in the right direction. Second, we should have enough power. Of course, there needs to be no mistake anywhere in the hull. I am the one responsible for pointing out the right direction, and other team members are supposed to provide enough power. Team members will be motivated to contribute if they can envision the future. Another key point is that a team inevitably has weaknesses. Sometimes I should take the lead in jumping down and fixing problems, because I can see clearly what's going wrong. A few years ago, I told them that Tineco would be my second business. I must keep in mind that I should be the last defense line in any case. So I will only get involved in critical times, but not all the time.

MI: How do you learn and update your business knowledge?

Dongqi Qian: I'm sorry to say that I never read business books, because I'm just too busy. I learn by doing and reflective thinking. When I look back, I often ask myself why I did so. I see both similarities and differences between what I learned from practice and what others demonstrated in books. I like the interesting collision of different ideas.

Essentially, management is to lead the team to achieve a specific goal. Leaders should prioritize brand positioning and product value. These are the two things of the highest importance. Second, leaders should identify the talents in the team, which is the foothold of management. I think it's important not to make issues personal and stir up class struggle within the team. Just focus on the behavior rather than the person. Third, it's



unrealistic to expect that everyone behaves in the way leaders want them to. Everyone has their own strengths and weaknesses. My duty is to release their strengths and potentials. My core belief is to be kind to others, not be malicious. Everyone makes mistakes. There is no need to blame them as long as they don't make the same mistakes. Managers in our company should remember these basic principles and apply them into management routines.

MI: Would you encourage employees to voice their dissent?

Dongqi Qian: I always ask them (the management team) what they think before I express my opinion. This is my habit. I should always listen to criticism, but also remember two things. First, the criticism could be subjective and biased. Second, the criticism could point out my blind spots. If blind spots are pointed out, of course I should fix them. But if the criticism shows only a different perspective of thinking, I should persuade everyone into one direction.

MI: Would you please share your views on the value-building of the company? What team

characteristics can ensure rapid development of a brand?

Mr. Qian: My value-building efforts are mainly based on my own views. First, we should tell right from wrong based on facts, not individual interests. Second, the core reason why companies exist is to create value for consumers. Therefore, every process such as R&D, marketing, branding and even digital system building, should be consumer-orientated. Pursuing excellence is high-sounding words, but the two aforementioned points help to make it happen. I view my job not just as running a business, but more as my personal career. In this view, we are not satisfied with merely imitating others and producing products that could be sold. We are trying to satisfy consumers by relying on technological innovation to develop products that consumers are willing to pay for.

MI: Many people are concerned about the coming retirement of the first-generation entrepreneurs in China. On the contrary, you chose to start a second business and switch to a new track. Why don't you want to retire?

Dongqi Qian: As an entrepreneur, I desire to climb from one peak to another. I see that my boat is carrying a lot of stakeholders. It's my responsibility to make this boat afloat and far-reaching. Once that happens, I will retire. Meanwhile if the new generation can do better than me, there would be no reason for me to stay either. For both Tineco and Ecovacs, the time comes when they (the management teams) can guarantee a 70% to 80% success rate. It doesn't matter whether the boat is moving forward or backward, what really matters is that the teams are able to guarantee that this boat won't sink. 



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