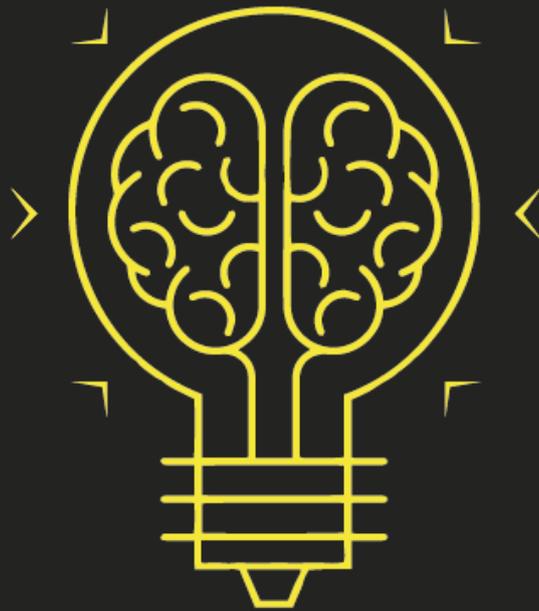


INNOVATION@WORK

WHAT IT TAKES TO SUCCEED
WITH INNOVATION



THINKERS

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RADAR



Innovative ways of organizing in the East

Google, Amazon, Facebook and Apple (Gafa) may still be the world's largest technology companies, but a new generation of contenders is coming from the East. The Chinese giants are consistently on the *MIT Technology Review's* list of smartest companies in the world. While Chinese enterprises were long written off as copycats, this has now become a bad joke. Gafa needs to be aware of BATX's boundaryless business approach, leveraging a new way of organising and exploiting the benefits of both strategic planning and entrepreneurial decision-making.

Alibaba and its peers Baidu, Tencent and Xiaomi (popularly termed BATX in China) not only lead but also create and disrupt markets. With a combined market capitalisation of about \$900bn, incubating more than 1,000 new ventures within a decade and an average annual growth in excess of 50 per cent, they are showing their unprecedented expansion and relentless ambition to the world. Tencent's WeChat has more than a billion users worldwide. Xiaomi overtook Apple in the Chinese market just four years after its establishment. Baidu is one of the big boys in artificial intelligence (AI), not less than Google and Microsoft. Gafa needs to be aware of the rise of BATX.

The BATX companies have no respect for boundaries: sectors, countries or technologies. While the roots of BATX are in search technology, e-commerce, social communication and software, times have changed in the past five years.

These new technology giants are active in more than 20 sectors, both online and offline and increasingly in hardware electronics. Alibaba and Tencent have penetrated almost every aspect of the life of Chinese consumers. Xiaomi is one of the largest players in smart homes, the internet of things and smart wearables. While Google and Facebook's revenue models are predominantly based on advertisement, the BATX companies have diverse sources of income, related to their wide variety of activities.

Global presence is no longer just an ambition but already becoming a reality. BATX gained hundreds of millions of users in international markets, footholds in American, European and Asian markets, more than 150 direct overseas investments and acquisitions, and rapidly spreading pioneering payment, cloud and communication technology services. In fact, BATX reported in 2015 that about 10 per cent of their total revenues – considering their huge revenues, this totals billions of dollars – already came from abroad. As oversized start-ups, still in the early phases of developing mature management systems, these companies have internationalised early and rapidly. Although these are the first

experiments and they may go wrong, BATX will not rest until succeeding abroad.

Alibaba and Tencent's advances in mobile technology, from payment to communication, are world-leading. Baidu's ambition for driverless cars beats Tesla with the first commercial vehicles heading for the road in 2019. Xiaomi's massive internet-of-things network, with more than 300 million connected devices deployed, makes many traditional appliance and electronics manufacturers jealous. But perhaps it is the embrace of multiple, pioneering technologies that sets BATX apart.

But does this mean that these boundaryless organisations have nothing to keep them together? Our decade-long research as summarised in *Business Ecosystems in China: Alibaba and peers Baidu, Tencent, Xiaomi and LeEco* (Routledge, 2018), suggests otherwise. Chinese companies can no longer rely on cost advantages but are required to innovate their whole business. And this is indeed what BATX have done by creating business ecosystems rather than corporations.

Business ecosystems are boundaryless organisations of interdependent businesses with customer-centric offerings across industries. Our research shows that Chinese business ecosystems are digital-driven, featured with strong interdependence between the businesses and orchestration by a focal player, innovate across the boundaries of industries and countries, and co-evolve with the dynamic business environment. These Chinese business ecosystems differ sharply from those of Gafa. In the US, one company usually creates a platform which outside companies either plug into or use. In China, an outside company does not plug in, but becomes part of the business as one of hundreds of players in an ecosystem. A distinct trait of a Chinese business ecosystem is the "glue" that exists between all the participants. For example, in the case of Alibaba, the payment function is shared in its ecosystem.

Chinese business ecosystems developed and transformed from organic growth to rapid expansion by investment, incubation, innovation and internationalisation. For example, each of them invested in more than 40 companies on average for the past five years and hundreds of new chief executives have been groomed inside the business ecosystems. For instance, the founder of the world's second-largest unicorn Didi Chuxing – right after Uber – is former Alibaba salesman Cheng Wei; the Nasdaq-listed Xunlei (XNET) was founded by a former Baidu engineer, Cheng Hao.

What they have in common is an aversion to adopting the standard metrics structures used by most multinationals. Their unique ecosystem, under which suppliers, distributors or customers become partners, helps them achieve early success in a highly uncertain business environment. Gafa needs to be aware of BATX's boundaryless business approach, leveraging a new way of organising and exploiting the benefits of both strategic planning and entrepreneurial decision-making. BATX's business ecosystems are leading, creating and disrupting markets, not only in China, but in the rest of the world as well.