



Business

How to Succeed in China with Agile Thinking

By CHRISTIANE PRANGE

To succeed in China requires a fundamental shift in perception and a flexible attitude in approaching paradoxes. In essence, this necessitates agile thinking.

China Between Soft Landing and Middle Market Explosion

For many companies, the historical development of China has held abundant promises – some people were even talking about a gold rush. But today several conditions are making life more difficult. China is trying to find the “new” normal, shifting gear from high speed to medium-to-high speed growth. The market is rapidly bifurcating between a still large (but less affluent) mass market and a new, even bigger group of upper-middle-class consumers. The people in this more affluent segment enjoy household incomes between 106,000 and 229,000 Renminbi (\$16,000 to \$34,000) a year. By 2022, McKinsey estimates, the upper middle class will account for 54% of urban households and 56% of urban private consumption.¹ The mass middle will dwindle to 22% of urban households. The evolution of the middle class means that sophisticated and seasoned shoppers – those able and willing to pay a premium for quality goods – will soon emerge as the dominant purchasing force. Chinese citizens are moving beyond being able to only afford the basics of life, and their discretionary spending is taking off. However, understanding Chinese consumers is going far beyond drawing

a one-dimensional picture of luxury addicts. Companies need to understand the multifaceted nature of the Chinese people, including the many faces that often remain hidden to the West, if they do not want to stagger out of the People’s Republic – battered, confused, and defeated.

Success in China is Based on Managing Paradoxes

While the Chinese market is still interesting to foreign investors, competition has intensified, and profits are shrinking as a result of the economy’s slowdown. Of course, the path to success has never been straightforward and there is no defined formula for unlocking the Chinese market.

Companies that have been successful in meeting their goals are usually those with a thorough and in-depth market and resource analysis, a clear understanding of entry mode choices, consumer behaviour and the need for an adaptive strategy. They are nimble enough to respond to changes in the fluctuating environment and innovative enough to approach China differently. They do not expect to use the same business strategy that had worked in their home markets, or from any other emerging market, even should that strategy be tried and proven. However, even powerful companies that had gone confidently into the China market failed.

To a large part, difficulties arise from cultural differences, requiring foreigners to learn about the cultural gaps between the East and the West. Indeed, expanding to China requires deep insights into cultural traditions and their impact on consumer psychology. One of the major challenges is the relationship-oriented culture, the *Guanxi*, which derives its meaning from Confucianism.



People line up to buy iPhone at a China mobile store in Wuhan. Photo courtesy: dailycaller.com

Strategy

Guanxi can be defined as an informal, particularistic personal connection between two individuals who are bounded by an implicit psychological contract to follow the social norms, such as maintaining a long-term relationship, mutual commitment, loyalty, and obligation.² Apart from anything else, these relations account for stable (business) contacts.

What makes the country even more challenging is that society is constantly evolving with traditional values co-existing with modern influences. While there is a belief among the middle class that they can transform lives and engage with society for material and social benefit, this doesn't mean that China's middle class is becoming more Westernised and materialistic; rather, consumer spending is seen as a tool for social achievement.³ This is important to know, because purchasing behaviour is influenced by how much items can be displayed to show and share the wealth the buyer has acquired. Luxury products are bought as a means to an end; they incorporate cultural aspirations, together with the desire for status, image, and self-representation.

In contrast, home consumption builds on purchase preferences that are often diametrically opposed. Naturally, this has several consequences for companies operating in China because they have to understand that even a single consumer's behaviour can be built on two opposing thoughts or propositions which, however contradictory, are equally necessary to convey a more imposing, illuminating, life-related or provocative insight into truth than either fact can muster in its own right. In order to learn about these paradoxical challenges, deeper insight into the Chinese mind and the cultural heritage is required.

Challenges below the Surface

Chinese culture is fluid in that it is oscillating between seemingly incompatible extremes. It is both anchored in traditional values and torn towards modern ones; it is inspired by relationship, harmony, family, and attracted by entrepreneurial achievement and wellbeing. The more advanced and modernised values have adapted to laws of nature and society, in accordance with people's interests and

the natural development of human society. Integrating elements of Western values is vital for the modern Chinese value system, but preserving traditional Chinese values, such as harmony and cooperation, will extensively reflect China's policy and future success. In fact, China does not adapt to modernity, but uses it as it has always done in the past, as a tool to serve its own purpose. As Faure (2003) put it:

*The 'MacDonaldization' in China is only a superficial phenomenon that should not mislead the interpretation of the true nature of the changes. The process is the following: collection of new elements, sedimentation of those elements within the Chinese system, then digestion and finally re-use within the Chinese metabolism.*⁴

While the result may appear to be a more modern, or a more Westernised China, we may all be dramatically mistaken to assume that we can operate with the same business principles and practices we are used to in our home countries. To understand China, one has to digest the cultural foundations that make the Chinese civilisation so unique.

The Logic of Opposites

For most Westerners, it is difficult to understand that for Chinese people opposites can and do co-exist and that these opposites have long existed before China engaged in modern principles of marketing and management. The understanding of opposites goes back to the difference between Aristotle and Confucius: Western societies believe in logic – where something is either “A” or not “A” – so dealing with logical inconsistencies causes great discomfort. East Asians are able to accept that something could be both “A” and not “A” at the same time. These tensions are swirled around seemingly contradictory but interwoven forces that facilitate

FIGURE 1. The Logic of Opposites



situations beyond and above Western black-and-white-thinking. Figure 1 provides some illustrative examples (see figure 1 on previous page).

Chinese can be both high-end and low-end consumers; purchase intentions can be driven by functionality or brands; increasing prices may yield high sales, while lower prices can cause failure, and sometimes the exact opposite holds true. Looking at the firm level, companies may need to consolidate internal resources to remain competitive while, at the same time, explore new business models and tap into unknown sources of value generation, that is, they both avoid and encourage risks. Managers and firms need to continuously update their knowledge while being open to unlearn and challenge previously acquired recipes and managerial tools. This requires that they engage in re-confirming existing mindsets but also in questioning them. Many activities require a lot of time to be implemented, while others occur at path-breaking speed. Companies favour flexibility and adaptation, while internal hierarchies are important to secure stable and reliable frameworks for decision-making. In marketing terms, consumers may demand Western-style premium products but at the same time favour local manufacturers, thus segmenting becomes important. Many Chinese consumers have become very rich, but many are still very poor. Thus, localisation of the marketing mix is relevant (especially with regard to pricing), but global product images derived from Western country-of-origin positions (e.g. Campaign from France, High-tech from Germany) are also very attractive. All these challenges elaborate calls for paradoxical “both/and” instead of “either/or approaches” to management.⁵ Obviously, this runs

counter to straightforward and easy to implement guidelines.

Engage in Agile Thinking

While the mindset of Chinese business partners and consumers may be quite different, having both the patience and the ambition to deep dive is an important step to success. Rather than giving “how to advice”, adopting agile thinking may be more helpful. Agile management and agile thinking originate from software development. The so-called “Agile Manifesto”⁶ specifies some principles and underlying values that can be adjusted to doing business in China: (1) individuals and interactions over processes and tools. For many cross-cultural projects, the precise procedures of approaching a project may evolve over time and need to be incrementally adjusted; teams focus on doing the best they can while managing change in a cooperative and transparent manner; (2) collaboration over contract-negotiation. As reality often shows, working together and mutually defining goals can often accelerate progress rather than insisting on pre-defined milestones chiseled in stone; (3) responding to change over following a plan. Having the courage to change and experiment helps to adjust to both customer and team member expectations, and if self-organising teams dominate, management’s role may be less important than previously imagined; (4) getting work done over documentation. Judging success by iterative improvements of (small) tasks yields higher satisfaction than one-sided high expectations of a foreign partner.

In a nutshell, agile thinking increases the capacity for decision-making through its focus on choices, including the reconciliation of paradoxes. A shift from more linear thinking (typically Western approach) to more

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evolutionary thinking (typically Chinese approach) can help to encourage trial and error as an emotional seismograph in collaboration. Finally, management principles may be more variable across cultures if they include an “inspect and adapt”-mindset that considers challenges from different angles and fosters incremental learning and trust. Ultimately, agile thinking could lead to changes in management from telling people what to do to leading and helping everybody to do the best to achieve their goals. ■

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