

Winning Strategy and Organizational Capacity: A Chinese Business Perspective

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Abstract—Winning is not only a great goal, but also a great action! Almost all leaders from political, military, especially economic sectors invariably focus on the goal of excelling in the world. Leadership is the premise of winning. Prosperity and progress of a nation depend on the leadership wisdom of individuals. The development of and profitability of enterprises rely on leaders who can make sound decisions and establish a plan of action that leads their firms toward their objectives. Drawing on Confucius teachings and insights of Jack Welch, this paper explores the core organizational capacities that a firm should possess in order to develop a winning strategy.

Keywords—Confucius, corporate leadership, winning strategy

I. INTRODUCTION

THE Chinese character “赢”(ying) means "win" which has an upper and lower structure. In the upper area one finds “亡”(wang) which means "death". Additionally, “口”(kou) appears which means "mouth". In the lower area, there are three characters: to the left is “月”(yue) which means "moon"; “贝”(bei) which means "wealth and money" is in the middle; and to the right is “凡”(fan) which means "ordinary person". So the meaning of the Chinese character “赢” is: an ordinary person who is hungry uses money(贝) to exchange the meat of dead(亡) animals. In other words, the person who gets the most money becomes the winner.

Much has been written about what a winning strategy entails. One of the most insightful contributions is *Winner* written by Jack Welch, the former CEO of GE, on which this paper will heavily draw. The definition of an effective investment strategy is one that promises the realization of winning. In many respects, enterprise strategic management is

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a game. Many management masters have brilliant exposition in their works. If an enterprise wants to win, it must have leadership and core competitiveness. Strengthening leadership and core competencies of enterprises are the key to a winning outcome.

It has already been said by entrepreneurs that enterprise culture is the soul of enterprise. A proper enterprise strategy is important to win. An enterprise's strategy should be responsive to both domestic and global competitive conditions.

II. WHAT IS A WINNING STRATEGY?

A. Business competition

Business competition is a core aspect in any capitalist economy. The scholarship on business competition is vast, spanning over several decades and covering different regions of the world. Recently, scholars have increasingly zeroed-in on Asia—especially China. Within the Chinese business literature, some works address the development of commercial enterprises and cultivation of an entrepreneurial society [1]-[3], while others examine Chinese business culture from a comparative perspective [4]-[5]. Still, other scholars focus on how Chinese firms have contributed to the country's economic modernization and growth [6], whereas others address the international aspect of Chinese businesses and how they have reshaped international competition [7].

Table 1 illustrates Asia's top ten largest firms. Illustrative of the ascent of China's entrepreneurial strength, eight of these firms are Chinese. Additionally, these firms span numerous sectors—from energy to internet to finance to telecommunication. The fact that an increasing number of Chinese firms have assumed leading positions in the international economy exemplifies their ability to formulate and implement winning business strategies.

An enterprise is a for-profit economic organization that is culturally and socially embedded. Figure 1 illustrates the multidimensional nature of an enterprise. First, government regulations shape a firm's strategic outlook by defining the scope of economic opportunities. Second, an enterprise seeks to obtain customers and meet the market's demand for production and consume. As Peter F. Drucker once pointed out: "There is only one valid definition of business purpose: To create customers. It is the customer who determines what a business is.... The customer is the foundation of a business and keeps it in existence. He alone gives employment" [8]. Cultivating and serving customers are the driving force of an enterprise's ability to win. Third, enterprises cultivate and draw on talent and entrepreneurship in society. The quality of

human capital is critical to achieve business innovation and efficiency. Finally, enterprises need to be firmly embedded in a supply chain in order to promote division of functions and economies of scale.

TABLE I
ASIA'S TOP TEN LARGEST FIRMS

Market Capitalization (\$bn)	Sector
Petro China	Energy
ICBC	Finance
Samsung Electronics	Technology
Toyota	Automotive
China Mobile	Telecommunication
China Construction Bank	Finance
Alibaba	Internet
Agricultural Bank of China	Finance
Tencent	Internet
TSMC	Energy

Source: The Economist [9].

Winning is a core objective of firms, investors, public administrators, and society at large. As Welch observes [10]:

Winning in business is great because when companies win, people thrive and grow. There are more jobs and more opportunities everywhere and for everyone. Winning lifts everyone it touches—it just makes the world a better place. Winning companies and the people who work for them are the engine of a healthy economy, and in providing the revenues for government, they are the foundation of a free and democratic society.

Everyone in the world wants to get wealthy. As early as 2500 years ago Confucius, the founder of the Chinese Confucianism, said: "People desire wealth and hate poverty." People have to win to get wealthy. The enterprise is a community of many interests and talents. Managers, investors, workers, suppliers, public officials, and nations hope to win. Each one is a stakeholder in their economy—their wellbeing is contingent on the efficacy and success of the strategies that economic entities pursue.

Winning is an outcome that everyone desires. Investors begin the first step toward this outcome by strategizing. Welch [11] engages the meaning and implications of the term strategy in an insightful and illustrative manner:

I know that strategy is a living, breathing, totally dynamic game. It's fund—and fast. And it's alive. Forget the arduous, intellectualized number crunching and data grinding that gurus say you have to go through to get strategy right. In real life, strategy is actually very straightforward. You pick a general direction and implement like hell.

His description of strategy is lively and humorous, using anthropomorphic language. A strategy is not inflexible; it is breathing and is in constant motion just like lively people. It is a game insofar as players need to react quickly, have the

perseverance to win and to make every attempt to outwit competitors. Once one selects a plan of action to achieve a winning outcome, one should make all efforts to stay the course until the end. This is the strong sense of mission and fighting spirit that entrepreneurs should possess.

Hitt, Ireland, and Hoskisson observe that "a strategy is used to develop the core competitiveness" of a corporate entity. In so doing, "a strategic choice shows what a company intends to do and what not to do" [12]. This involves the differentiation of strategy—that is to distinguish what one's enterprise excels in relative to the efforts of competitors. A company's ability to compete effectively hinges on choosing a different product that cannot be copied or imitated by its competitors. Just as products should be differentiated so too should the relationship between customers and producer. Even if one's products have certain flaws, timely and personalized service to customers can win their trust and loyalty.



Fig. 1 An Enterprise Money Tree

B. A Personal Account

In October 1985, Shi He Ni (the lead author of this paper) was the headmaster of a senior vocational school. In order to develop students' practical knowledge base, Ni decided to start a fire truck repair factory after doing marketing research. At the beginning, the company had neither technology nor money. After many efforts, it raised 15,000 yuan, built four simple plants and purchased a set of repair tools. Eight technical staffs from Shanghai were hired and ten local apprentices were recruited. The factory was open officially in March 1986.

The reason Mingguang Haomiao Fire Technology Corporation decided to open a fire truck repair factory in the northern area of the Yangtze River was that 30 provinces' fire trucks had to be sent to Shanghai for maintenance at that time. The high maintenance cost they incurred proved to be a business opportunity for me. The business strategy Ni

developed was responsive to this regional need and highly distinguishable from other services rendered.

After 20 years, the factory has grown significantly. Ni bought the ownership of the factory in 2003 as the enterprise was undergoing restructuring. At present, it has nearly 200 million yuan fixed assets. In the past, it could only repair cars and fire trucks. Now the company has developed more than 80 kinds of emergency rescue equipment and has annual sales of more than 400 million yuan. Spontaneity, dynamism, and adaptability were ingredients upon which the firm's strategy was built and expanded, as Welch envisions the true nature of a winning strategy.

TABLE II
MINGGUANG HAOMIAO FIRE TECHNOLOGY CORPORATION

Year	Annual Sales (Yuan)	Taxes (Yuan)	Average Salary (Yuan)	Charity
2009	198.7	87.9	3700	50
2010	204.0	108.0	4100	21
2011	248.0	126.0	4500	150
2012	342.0	148.0	4800	180
2013	408.0	169.0	5200	220

II. LEADERSHIP AND COMMUNICATION

A. Leadership

Leadership is the key to fulfilling any type of endeavor. Enterprise organizations normally have three levels of management: top managers—such as chairman and the team of general managers—middle managers—such as department managers and first-line managers—and the workshop directors. Top leaders have two main functions: to give direction to an enterprise and to manage the staff well. Giving direction means devising and implementing a winning strategy. Managing the staff entails choosing competent agents to execute the commands of superiors.

Each enterprise has a variety of rules and regulations that guide the actions of those in leadership positions. Every leader has to accept the supervision of staff for example. There are also many unqualified managers. As Welch points out: "Bad bosses come in every variety. Some grab all the credit, some are incompetent, some kiss up but kick down; others bully and humiliate, have mood swings, withhold praise and money, break promises, or play favorites" [13]. There are three types of leaders in general. There are those who work like a horse and do everything personally; some love to brag and show off; others think through every decision they make based careful analysis of available information and seek to grasp good opportunities that present themselves. Figure 2 illustrates the five qualities of effective corporate leadership. They include, thinking informed by sound frameworks of received wisdom; careful analysis based thorough observations; objective, fact-driven judgment; and quick decision-making.



- 用脑思考力: Intellectual thinking
- 认真分析力: Careful analysis
- 细心观察力: Careful observation
- 精准判断力: Accurate judgment
- 快速决策力: Quick decisions

Fig. 2 'Five Forces' Of Corporate Leadership

B. Communication

It is not only managers but also the firms' owners who determine the direction of enterprises. A winning strategy must generate gains for all stakeholders—managers, workers, and owners alike. In governing an enterprise the problem of agency cost can emerge. Investors provide funds to enterprises with the expectation that managers will employ this capital to achieve the highest returns. However, the information asymmetry that exists between owners and managers makes it difficult for owners to determine whether managers are employing capital in the most effective manner. In effect, managers may be pursuing a strategy that is at odds with the preferences of owners. Consequently, owners may decide to pull out their investments, thus threatening the survival of a firm, and making it difficult for firms to secure sources of capital. Thus, if the agency cost problem is not addressed effectively through effective corporate governance regulations, conflicts between the principles (owners) and agents (managers) can occur and have widespread negative economic consequences.

To solve the conflict between agent and principal, both sides must maintain ongoing communications—that is "interpersonal exchange of information and knowledge" [14]. With continuous dialogue, information asymmetry is minimized and the promotion of collective interest is maximized. Agents and principals actively participate in the corporate decision-making process leading to consensus building and harnessing of a community of interests. In this corporate governance environment, the enterprise can define its core competitiveness and develop a winning strategy.

Just as owners and managers should communicate with each other frequently, so should upper managers communicate with and lower managers and staff members to foster unity from top

to bottom to form a cohesive force. China has an old saying: strength lies in unity. There are specific attributes that lead to effective communication. First, communication should be conducted in real time, without delay. Second, communicate actively without shirking. Third, communicate harmoniously, without blaming. Communication promotes cohesion. While top managers make strategy, lower-rank managers and staff members are the key to implementing it. The quality of human capital forms the core competitiveness of an enterprise and is instrumental in achieving a winning strategy.

III. DECISION IMPLEMENTATION AND CULTURE

A. Competition

Confucius once said: "A gentleman would rather be quick in action than talk a lot." Being quick means being proactive, flexible, rapid, and having an alert mind. "See what a man does. Watch his motives. Examine his reflection after finishing the things" [15]. Being quick especially refers to rapid action for a particular goal. "Success begins with desires and is realized by action. A person who only makes dreams but doesn't work hard will never succeed" [16].

Likewise, Welch observes: "Being able to execute is a special and distinct skill. It means a person knows how to put decisions into action and push them forward to completion, through resistance, chaos, or unexpected obstacles. People who can execute know that winning is about results" [17]. Execution refers to making effective use of limited time and never delay what you should do today till tomorrow.

During the process of implementation, managers may encounter many kinds of resistance, interference, and risks, which test the courage of the executives. Confucius said, "The wise are not puzzled, the benevolent are not worried, and the brave are not afraid." Good executives should be wise, benevolent and brave.

In today's economic globalization, competition is everywhere. In the face of strong competitors, one should have the courage to compete, to make good use of one's wisdom to formulate competitive strategies. You will encounter both external and internal resistance that is caused by the resilience of existing ideas and old systems. Therefore, managers should have the courage to eliminate internal interference and overcome resistance.

B. Culture

文(wen) refers to the nature or a regular phenomenon in human society and some ancient laws system and the degree of social civilization. Culture refers to literature, art, radio, television, music, art, dance, sports, and many other aspects. Some scholars think that culture is the thoughts, concepts, etiquette, behavior, customs, moral and habits of a group (national, ethnic, social organization, enterprise, family) that forms in a certain period. Culture is a reflection of people's values and their view of life. Culture is the spiritual home of people.

The enterprise is an important cultural organization of society. It creates customers and creates value for countries, societies and staff. And this is inseparable with the

construction of enterprise culture. The enterprise culture can be also called organizational culture. It is a unique cultural phenomenon that consists of values, faith, rules, regulations, etiquette and manners of this organization. Excellent enterprise culture is shown through staff's words and behaviors. Staff's values are the cornerstone of the core competitiveness of enterprises.

Staff's values are the embodiment of enterprise culture. China has an old saying: people can move mountains if they are united. Staff members represent the cornerstone of the core competitiveness of enterprises. A divided enterprise is unable to win in competition.

In conclusion, the making of a winning strategy is contingent on the nature of a firm's organizational capacities. As this paper has argued, the quality of corporate leadership, the connections that a firm cultivates with stakeholders, and the embedding of a firm in society are organizational attributes that are highly associated with a firm's ability to create a winning strategy.

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