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9B19M135

GREATWALL Enterprise Institute: EXPLORING NEW DIRECTIONS AFTER RAPID GROWTH

Shaomin Li wrote this case solely to provide material for class discussion. The author does not intend to illustrate either effective or ineffective handling of a managerial situation. The author may have disguised certain names and other identifying information to protect confidentiality.

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On December 31, 2018, in Beijing, the chief executive officer (CEO) of Beijing Greatwall Enterprise Institute (GEI), Wang Delu, found himself marvelling at the rapid changes that had occurred in the landscape in front of him. The scene below his office window was a busy, multi-lane boulevard, with highway overpasses and high-rises in the background, a vast cloud of smog, and an endless stream of cars. But 25 years ago, the view had been one of quiet farmland with occasional donkey-drawn carts.

Back in 1993, Wang had just started GEI with five associates and a first consulting contract, worth ¥10,000[[1]](#footnote-1) (US$1,500). By 2019, the institute, which specialized in consulting services for the development of science and technology parks (STPs) in China, employed more than 350 professionals and had 12 regional offices in strategic locations throughout China (see Exhibits 1 and 2).The institute had an annual revenue of more than ¥200 million (about US$30 million).

After 25 years of rapid growth, GEI was at a critical juncture with respect to its further development. Its focus until now had been on providing services to both the government agencies that oversaw STP developments and the firms in the STPs, and this had been very successful for GEI. Now, several strategic questions needed to be addressed: Should the company continue to focus on services to these government agencies and STP firms, or should it explore new markets and new approaches for its work, for example, by approaching business firms directly, going beyond STPs, or even reaching international clients? If these new markets and new approaches were worth exploring, was GEI ready for them? “Ironically, this dilemma has stemmed from our own success,” Wang mused. He felt that it was time for GEI to discuss and decide on these strategic issues.

political and economic context

In 1949, after decades of fighting a civil war with the Nationalists (Kuomintang), the Communists, led by Mao Zedong, defeated the Nationalists and established the People’s Republic of China, to be governed according to the principles of Marxism. Land was redistributed from landlords to tenants, and factories were confiscated from the business class, giving the new communist country a brief period of excitement.[[2]](#footnote-2) However, the ensuing policies—the elimination of private property rights through the collectivization of farms, the nationalization of industries, and the rigid central planning—essentially removed economic incentives for people to work, and this, along with several large policy errors, sent the country into starvation and stagnation. In 1966, fearful of the prospect of losing power, Mao waged the Great Proletarian Cultural Revolution, which drove the country’s economy to the verge of total collapse. In 1976, Mao died, and China was presented with a historic opportunity to diverge from his ultra-leftist course.[[3]](#footnote-3)

Beginning in 1978, the new leadership of the Chinese Communist Party seized the opportunity to launch an economic reform. Reform-minded leaders such as Deng Xiaoping, Hu Yaobang, and Zhao Ziyang took a pragmatic approach and followed a developmental strategy described as “feeling the stones to cross the river”[[4]](#footnote-4)—essentially admitting that they did not have a clear strategy but would use a trial-and-error method to revitalize the economy. The key challenges were incentivizing people to work hard and finding the much-needed capital and managerial skills to enable people to work productively. Their exploration quickly led them to adopt two main policy measures: (1) domestically, they decentralized power from Beijing to local governments, so that the local people would be incentivized to create more output; and (2) internationally, they opened the door for foreign investments in order to get capital and managerial expertise.[[5]](#footnote-5)

However, adopting market-oriented measures and learning from foreigners was not easy due to China’s years of central planning and orthodox communist indoctrination. In order to remove these obstacles and facilitate the reform, a group of intellectuals started a thought liberation movement. For centuries in China, intellectuals had been recognized as a special group of educated people who had both the mission and the duty to shape society for the better. This time, however, the intellectuals were helping the Chinese people break away from central planning to embrace the market; while their effort greatly helped the reform process, it was criticized by traditional communists as “going capitalism.”[[6]](#footnote-6)

Deng Xiaoping, the top leader of the reform, used the following analogy to defend the adoption of some capitalistic measures in the reform: “It does not matter whether it is a black cat or a white cat. As long as it catches mice, it is a good cat.”[[7]](#footnote-7) In other words, he advised people not to worry about whether the reform was communist or capitalist; as long as it helped to develop the economy, it could be considered a good ‘-ism’. Encouraged by the opportunities created by economic liberalization, some government officials quit their government jobs to become entrepreneurs—an act commonly referred to as “plunging into the sea.”[[8]](#footnote-8)

From the late 1980s until the early 1990s, the reform progressed unevenly. In 1992, in order to further boost the reform and marketization, Deng Xiaoping conducted his famous southern tour to the more liberalized regions of China, during which he called for deeper economic reform and a wider opening up of the economy. This fuelled a second wave of “plunging into the sea,” and this time, many government employees jumped, including Wang.[[9]](#footnote-9)

The Birth of GEI: 1993

Wang was an intellectual, and he noted that one of the major weaknesses of traditional intellectuals was that they could not be independent because they lacked the financial means to do so. Wang explained that this was one of the main reasons why he had “plunged into the sea.” “My goal of going into business was threefold: to embrace the technological revolution, to achieve independence as an intellectual, and to unify what I believe and what I do,” he said.

In 1977, one year after Mao’s death, universities began to admit students based on a rigorous college entrance examination system called *gaokao*. Wang passed the gaokao at the age of 21 and was admitted to then East China Petroleum Institute (now China University of Petroleum), where he majored in physics. He became fascinated by the history of physics and the role of science and technology—not only in economic development but also in social and political developments such as the Enlightenment. This broad range of interests enabled him to use business activities as a means to achieve social and political progress. As he said some years later,

Back then, the economy was bad, with few opportunities, so I had to be prepared for the worst. In the worst situation I would be a tailor—I am very good at that—to survive. In the second worst situation, I would be a vinegar maker; I once worked as a manager in a vinegar plant. In the best, I would be a consultant. This is where my heart is. I am a natural at interacting with and advising people.

In 1993, Wang and five associates started GEI. Wu Wensheng, one of the original five associates who was general manager of GEI at age 51, explained that the associates originally chose the name to reflect their admiration for the famous think tank the American Enterprise Institute. GEI’s first consulting project was for a private firm, the New Hope Group Co. Ltd., a conglomerate that had begun by producing animal feed. The contract for this first project was merely ¥10,000 (about $1,500), or about two years’ salary for an average employee in a private firm.[[10]](#footnote-10) The second contract was for ¥50,000. A consulting firm was thus born.

Searching for a Niche

From the onset, Wang and his associates had a clear goal for their work: they wanted to help firms, especially private firms, to grow and innovate. Interestingly, the founders of GEI said they did not have a clear strategy on how to achieve their goals. “Finding work was difficult at the beginning,” Wu said, but they did not give up. “We just followed our instincts and followed the market,” he added. “We kept our minds alert and our eyes open.” Their exploration led them to go beyond firms. Years later, Wang recalled what had happened:

As the [Chinese] society bid farewell to Mao’s revolutionary era and embraced the market economy, I became convinced that the thought liberalization movement of the 1980s, which had spearheaded China’s reform and opening up, had ended, and that a new era of rule by pro-business officials was emerging.

His view was echoed by Zhao Mulan, a senior advisor at GEI: “I was working in the government back then, and I remember that my boss made a declaration: ‘We are now a business-friendly government.’” This newly added function of helping businesses to grow was carried out by many powerful ministries in the central government.[[11]](#footnote-11) Ministry officials, who had previously known only Marxism, quickly realized that they knew little about developing business and needed help. This provided an opportunity for consulting firms like GEI.

One of the powerful ministries looking for consulting help was the Ministry of Science and Technology (MOST). MOST was in charge of the science and technology development and application in China and had vast resources to oversee all STPs in China. [[12]](#footnote-12) Li Wan, a *chuzhang* (“section chief”) at Beijing’s Science and Technology Committee (the equivalent of MOST in the local government), was looking for a consulting firm to help with the development of the STPs in Beijing. After short-listing a few candidates, including GEI, she called GEI in for a meeting.

Wang recalled, “She kept calling us, but we did not want to meet with a government official. We had left the government in order to help private firms to grow, not to work with the government again.” Reluctantly, however, they met with Li, and she chose GEI as her contractor. “Later,” Wu remembered with a laugh, “Ms. Li told us that our office location—we had leased an expensive office space in a prestigious tower in the centre of Beijing—had given her more confidence in selecting us.”

Wang noted that the logic of China’s development was that governments at both central and local levels played big roles. “Without our realizing it, our business had been steered toward getting more work from the STPs, which were created by, and run by, the governments. It was not a conscious decision,” he said, adding, “It was the reform that gave us the opportunity.”

Zhao commented,

Back then, it was increasingly clear to us that, in order to help firms grow, we had to help the government reform and make new policies that would allow the firms to grow. For example, the founders of the firms wanted to legally own shares in the firms, and they also wanted the autonomy to seek funding and to access the international markets. All of those things needed governmental approval.

Wang explained that, as the consultants adjusted their approach, based on China’s unique situation, they developed one of their key tools, called *three angles—*an integrated analysis of three levels: micro (firms), middle (industries), and macro (regions). He elaborated:

Our three-angle analysis draws on Harvard University Professor Michael Porter’s three-level paradigm[[13]](#footnote-13), but is different from his in the sense that the government permeates all three levels, and our analysis emphasizes breaking the boundaries between the three. I always tell our analysts “dissect, dissect, and further dissect, and then synthesize, synthesize, and further synthesize.”

Focus on Science and Technology

Wang spoke of a deep affection for science and technology: “Our background and expertise were in science and technology, and it had always been my interest and intention to leverage science and technology to achieve social changes.” The backgrounds of Wang and his associates made their work with MOST and the STPs a good fit.

The Rise of Science and Technology Parks

Since the late 1980s, the Chinese government had been investing heavily in developing STPs throughout China. In 1988, China set up the first STP in the Zhongguancun area in northwestern Beijing. The subdistrict housed the headquarters of the Chinese Academy of Science, and it was located near both Peking University and Tsinghua University, research institutions often compared to Harvard University and the Massachusetts Institute of Technology (MIT).[[14]](#footnote-14) Zhongguancun became the best-known STP in China, with a revenue of ¥735 billion yuan ($111 billion) in 2017.[[15]](#footnote-15)

STPs were approved and supported by the government at various levels and governed by state agencies called STP administrative committees (STPACs), which had all of the authorities and functions of local governments, along with the ability to direct, advise, and support the management of the firms in the STPs.[[16]](#footnote-16)

The bigger STPs were also called high-tech zones, and they might be further divided into several smaller STPs. Since the early 1990s, STPs had experienced rapid growth. By 2018, there were some 168 STPs throughout China, which housed more than 100,000 firms (see Exhibits 3 and 4). [[17]](#footnote-17) Several factors attracted companies to STPs: (1) government support and subsidies, (2) better infrastructure, (3) easier access to venture and angel investment, and (4) the clustering effect, which allowed high-tech firms to enjoy a local information exchange and talent pool.

Wang and his associates had very close ties with the Zhongguancun STP, and this enabled them to jump-start their consulting practice. In fact, before she joined GEI, Zhao had been a senior official in charge of research and development at the Zhongguancun STP. She had contracted GEI to do research, and she had been greatly impressed by their work. In 2006, Zhao retired from her government position and joined GEI.

Work Environment and Consultant Profiles

GEI’s main working area was big: it encompassed more than 464 square metres and held about 200 desks, most of which were occupied by consultants working with little privacy. There were no tall partitions between desks. The office was more like the open spaces of US technology companies, but more crowded. Consultants seemed focused, and they treaded lightly if they needed to move. The working atmosphere was quiet, with workers sitting at cluttered desks that resembled those of professors—a mixture of Zen and chaos.

In 2018, the average age of GEI consultants was 30; 95 per cent had bachelor’s degrees, and 75 per cent had postgraduate degrees. The corresponding percentages in 2018 for the Chinese population were 27.7 per cent and 4.3 per cent, respectively.

The GEI consultants who were interviewed reported that they liked consulting because they got to work on different projects. “There is always something new,” one commented. They enjoyed their work experience, and they reported that they felt a strong sense of accomplishment when their clients appreciated their help.

Compared to other consulting firms, GEI was more like a think tank, and this appealed to its consultants. “GEI is not known for having high salaries, but it is certainly known for its thought leadership and its independent thinking,” one consultant commented.

In a recent internal essay contest at GEI, three winning essay writers talked about their working experience at GEI. They mentioned GEI as a “thought supplier for the new economy,” and a “high-end think tank,” having “independent thinking.” One winning essay likened consulting to “Zen and the art of making tea.”

One consultant reported a taste for GEI’s flat organizational structure, its positive and pleasant work environment, and its CEO, Wang, who was described as “very approachable and likeable.” Another feature that consultants liked was the rule-based work procedures at GEI. “Unlike most private firms in China, which tend to be permeated with personal relations and shady practices, GEI’s management is above board and follows rules closely,” one consultant commented.

Most consultants treasured the ability to learn and grow that GEI offered them. “GEI is very good at training new analysts to do their jobs and to learn,” one consultant commented. “I am so happy that all of my projects so far have been different in nature,” another consultant commented. One consultant said that “I like the fact that GEI gives us a clear path of growth, even quantitatively.” However, some consultants had left because their work had become repetitively similar or because the work did not use their specific expertise (such as international business knowledge).

GEI developed its own methodology and tools, of which Wang and his associates were very proud. These included the three angles mentioned earlier; three analytical tools (i.e., the 80/20/4 creative rule, the longest stave of wooden bucket analogy, and brainstorming) (see Exhibit 5); “the new concept method” (see Exhibit 6); and “the importance of insights” (see Exhibit 7).

Clients and Projects

GEI worked for a variety of clients on different types of projects including STPAC, hybrid, and business client projects.

STPAC Clients

STPACs became GEI’s main clients. Of all 168 STPs in China, GEI had worked with 110.

GEI relied on two channels to attract clients. The first was a connection with MOST and with local governments, through which GEI established a network of repeated clients. Second was the open bidding market for government projects such as STPACs. GEI had a group of people who specialized in bidding on government projects. Zhao attributed GEI’s success in the open bidding market to its ability to understand and meet the needs of the government agencies that were requesting the bids: “We are good at retaining clients. Many of them become repeated clients.”

GEI helped STPACs formulate and implement development strategies, organizational designs, and human resource policies. A main line of its services was helping STPACs to reform their administrative systems. The word reform was perhaps the most important word in the vocabulary of contemporary China. The economic change from a planned economy to a market economy was called a reform. All of China’s new ideas, policies, or ways of doing things that produced positive results were called reform, and so GEI billed itself as an expert in helping STP administrations to reform. Nationwide, GEI helped the 30 largest STPs to design and implement similar reform plans (see Exhibit 8).

Wang Zhihui, a young partner and the vice general manager of GEI, commented, “As far as STPs are concerned, we are the most authoritative on the subject.” After 25 years of providing strategic and managerial consulting for almost all STPs in China, GEI had built a vast network of STPs, based on its experience, expertise, and supporting capabilities. GEI was at the centre of the network. Although proud of their success, GEI’s leaders were quick to point out that serving STP government agencies was not an end, but a means to serving the firms in the STPs. “We just discovered that it was an effective way to help the firms in the STPs to grow and innovate,” Wu commented.

Hybrid Projects

Hybrid projects involved both the STPAC and the firms in the STPs. A typical hybrid project was GEI’s “gazelle” development project. A gazelle firm was an innovative firm that had jumped over the “death valley” phase[[18]](#footnote-18) and had begun to enjoy explosive growth with a market-recognized business model. Naturally, all of the STPs wanted to attract and grow such firms. To meet this demand, GEI designed its gazelle development project, which helped STPs formulate policies to identify potential targets and evaluate their performance. As GEI’s work with STPAC deepened, the committees wanted GEI to go one step further to help the target firms. Many STPACs would order and subsidize the firms in the STP to buy GEI’s services, creating clients that represented a government/business mix.

Business Clients

In the early days, business (firm) clients accounted for the majority of GEI’s work (see Exhibit 8). Later, as GEI began to find its niche with STPACs, the number of these clients grew rapidly and became GEI’s main focus, and the share of its direct business clients was reduced.

Most of GEI’s business clients were in the STPs. These firms’ main need was to develop innovation and entrepreneurial capabilities, in order to become gazelles. MOST offered programs to help them, and they became GEI clients either due to GEI’s close relationship with MOST or due to GEI’s work with STPACs. In general, business clients tended to be “random and infrequent,” as one GEI consultant observed.

In terms of the differences between STPAC and business clients, GEI consultants found that STPAC clients were more policy-oriented, and their goals were more general. “The most important thing for STP officials is what their superiors want,” one consultant commented, “and we have to deal with approvals at different levels.” Business clients focused on concrete issues with clear goals and emphasized step-by-step implementation. “They are very practical,” one consultant noted.

Senior managers clearly recognized that private firms were a huge and lucrative market. Wang felt that GEI could leverage its success with STPACs and could engage the firms there to a greater extent: “Go deeper, do bigger.” But he also felt that GEI’s consultants were not ready for that. And Zhao seemed to agree: “The challenge to getting into firm consulting is more internal.”

International Efforts

GEI’s desire to internationalize appeared to be strong. In 2011, the company even established an international division. However, so far, its international projects had included writing policy reports and feasibility studies about international co-operation for various government agencies in China. GEI also developed relations with STPs and related organizations abroad, and it had proposed helping foreign countries develop and manage their STPs. Zhao observed,

There is definitely a need for our expertise in developing STPs in foreign countries. We pitched to universities and incubators, as well as to government officials in countries like Brunei, Thailand, and Egypt. They were all very receptive. But the issue seemed to be that they did not have the budget to pay for our services.

In addition, there was pressure from the consultants within the company’s international division, who wanted to develop “real” international projects—working with foreign firms or with foreign governments.

Wang wanted to put more resources toward developing GEI’s international market. In 2019, the international division was conducting a large-scale survey of major STPs, covering all of the regions in the world. GEI was funding the survey itself, with the goal of establishing its authority in STPs at a global level. Wang reported that he was also contemplating developing a policy paper series in English, to be disseminated worldwide. However, other senior managers were more cautious and seemed to feel that GEI was not ready to put significant resources into such projects.

COMPETITION

GEI’s competition included a major international consulting firm, universities, and government consulting services.

McKinsey & Company

In the early days, GEI identified McKinsey & Company as the model it wanted to emulate. McKinsey’s strategy in China was to take the position of the high end: it worked with big, multimillion-dollar projects for high-level governments or worked on high-level strategies for big companies. Wang explained:

We learned from McKinsey to take low risks, to build one’s reputation, and to focus on strategic consulting. But we went beyond copying McKinsey. Part of the reason for that was the nature of the market in China: it was new, and it was growing very fast. For instance, McKinsey’s method heavily relies on quantitative analysis. But we felt that, for China’s many new markets, new ideas generated from brainstorming of entrepreneurs were more needed than numbers. A case or an insight was more important than a statistical analysis. McKinsey uses “best practices” to benchmark and to project a growth rate for clients. So, 20 per cent is considered the best. But our clients achieve 300 per cent or 500 per cent growth. Such explosive growth might be viewed [by McKinsey] as abnormal, but we found that it could be consistently achieved in China by certain types of firms, which are referred to as “gazelle enterprises” and the best ones as “unicorn enterprises.”

Zhao commented that it was difficult to compete with McKinsey for high-end clients: “In 2006, both McKinsey and GEI were pitching the Shanghai STP for its planning work. McKinsey’s price was in the several millions [yuan], while ours was in several hundred thousands [yuan]. Even though the park’s officials liked our proposal, they went with McKinsey for its reputation.”

Universities

When potential clients—mostly governments—did not have budgets big enough for McKinsey, they would bypass GEI and go directly to university professors. “Since they [professors] have a regular salary and do not entirely rely on consulting income, they can bid at low prices,” noted Zhao. He explained further:

Being in the middle [between McKinsey and the university professors], we made a great effort to understand the clients’ needs, to be “down to earth” (which professors can lack), and to leverage our insights and new ideas that might resonate with clients. For instance, in competing for a project at a new STP in Suzhou, even though our bid was much higher than that of a team of professors, we got the project.

Zhao recalled her first engagement with GEI, one that occurred while she was working at the Zhongguancun STP as an official:

I was looking for consultants to conduct a competitive analysis of our STP by using Porter’s diamond model, and I contracted two teams to do it: a team of professors at Peking University’s Guanghua Management School and GEI. The professors just circled around what Porter’s model was all about, theoretically, without much of relevance to our issues at hand. So, I had to terminate their work.

Government Consulting Services

Various government agencies also provided similar consulting services; in particular, three agencies stood out: (1) a central government agency called the Research Center of the State Council, (2) a consulting arm of the Chinese Academy of Science called the Institutes of Science and Development, and (3) a consulting arm of MOST called the Chinese Academy of Science and Technology for Development. GEI leaders reported that these were not a major concern for the company for two main reasons: GEI leaders felt that the agencies’ motivation was not as high as that of GEI’s people because they were part of the government, and the needs of STPs were not a high a priority for them, so they did not allocate sufficient resources for STP projects.

WHAT’S NEXT?

In early 2019, Wang and his associates needed to discuss and to decide which avenues to pursue: beyond SPTs or international.

Go Beyond STPs?

Wang and some GEI managers felt that they should expand the GEI way by helping STPACs improve their services to firms. This would help other local governments to improve their services to firms. However, others argued that GEI should stick to what it did best: serving STPAC. Should GEI go beyond STPs? If so, what should GEI do to develop this new market?

Go International?

Another contentious issue was whether GEI should make a strategic effort to develop international clients. Some managers wanted to pursue this route with more resources; others felt that GEI was not ready. Was there a market for the paid services of GEI in foreign countries? If so, where was it? Should GEI make a serious effort to cultivate it?

EXHIBIT 1: Greatwall Enterprise Institute ORGANIZATIONAL CHART, 2019

Note: STP = Science and technology parks.

Source: Created by the case author using company information.

EXHIBIT 2: Greatwall Enterprise Institute TOTAL EMPLOYEES, 1993–2018

Source: Created by the case author using company information.

EXHIBIT 3: Number of Science and Technology ParkS in China, 1988–2018

Note: STPs = Science and technology parks.

Source: Created by the case author with company information, and with information from “China’s 30 Years of STPs, 1988–2018” (in Chinese), Torch High Technology Industry Development Center, Ministry of Science and Technology, accessed March 2, 2019, www.chinatorch.org.cn/gxq30/index.shtml.

EXHIBIT 4: Number of firms in Science and Technology ParkS in China, 1988–2018

Note: These firms, called rutong firms, had reached a certain scale in order to be included in the official statistics.; STPs = Science and technology parks.

Source: Created by the case author with company information, and with information from “China’s 30 Years of STPs, 1988–2018” (in Chinese), Torch High Technology Industry Development Center, Ministry of Science and Technology, accessed March 2, 2019, www.chinatorch.org.cn/gxq30/index.shtml; “High Tech and Innovative Companies Designation and Management” (in Chinese), Innovation Company, accessed March 2, 2019, www.innocom.gov.cn/gxjsqyrdw/gqxw/201904/72559c9e9a124fdab39d2519b65183c2.shtml.

EXHIBIT 5: Greatwall Enterprise Institute’S THREE ANALYTICAL TOOLS

***The 80/20/4 creative rule.***This rule was based on the Pareto principle, or the 80/20 rule, which maintained that **80** per cent of the output from a given situation or system was determined by **20** per cent of the input. As the company developed, Greatwall Enterprise Institute (GEI) took the law one step further, to make it 80/20/4. GEI believed that, amid the top 20 per cent of the input, an organization should pay particular attention to the top 4 per cent. According to GEI, this method consistently helped GEI identify the core values of its clients.

***The longest stave of wooden bucket analogy*.** In Chinese consulting circles, the well-known “wooden water bucket effect,” was based on the analogy of a wooden water bucket. Just as the bucket’s capacity was determined by the shortest stave, the strategic capability of an organization was determined by its weakest area, similar to the “weakest link in the chain” analogy. However, GEI turned that analogy upside down. Instead of improving the shortest stave, GEI focused on, and leveraged, the longest stave. To achieve explosive growth, according to GEI, an organization should invest in, and leverage, its strongest areas—and it should outsource its weakest areas.

***The concept of brainstorming.*** This method of generating new ideas, one that had been well accepted and widely practised by Western firms in mature economies since the middle of the 20th century, was new to China and faced resistance. Early on, GEI saw the potential of brainstorming, but the company also understood why the Chinese had resisted using it. Philosophically, creativity for Chinese people meant introspective soul searching by a lone thinker. The Chinese way of generating new ideas was to think deeply by oneself, whereas the Western way involved many thinkers in a free exchange of ideas, without criticism. GEI claimed that this revelation at the philosophical level about the differences between the East and West enabled the company to make a systematic, conscious effort to introduce brainstorming into the work, helping Chinese firms and local governments to create and innovate.

Source: Created by the case author with company information, and with information from George E.P. Box and R. Daniel Meyer, “An Analysis for Unreplicated Fractional Factorials,” *Technometrics* 28, no. 1 (2012): 11–18.

EXHIBIT 6: THE “NEW CONCEPTS” METHOD

Greatwall Enterprise Institute (GEI) liked to develop new concepts, and introduced many of them. Some of the new concepts, such as “the new economy,” were difficult to define. Others were not new in substance, but had new labels. Examples included terminologies such as three angles and the longest stave of a wooden bucket. Wang believed that the ability to develop and successfully introduce new concepts was a key to GEI’s success. “Unlike the United States, whose economy is mature and grows slowly and whose social system is highly developed, China, at the beginning of the reforms, was ridden with old [communist] ideas and rigid government control. We desperately needed new ideas, new concepts to wake people up, and an invigoration of the markets.”

Some of the new concepts were self-explanatory. But some, such as “the ability to penetrate,” “explosive growth,” and “energetic economy,” were not. These could be described as concepts people would know when they saw them. But the most important function of each concept was to energize people to pursue new opportunities in markets, which would create new products and services. Their main effect was to be heuristic, according to GEI’s people.

Note: According to Wang Delu, the “new economy” was based on knowledge and creativity as opposed to tangible goods and manufacturing.

Source: Created by the case author using company information.

EXHIBIT 7: THE IMPORTANCE OF “INSIGHTS”

Wang and Greatwall Enterprise Institute (GEI) emphasized the ability to *generate insights* for clients. Wang defined insights as “new, important views on a subject that were not obvious and that might change the existing views of the experts on the subject.” Insights were derived from “the ability to comprehend a phenomenon with accuracy and depth.”

Wang valued consultants’ breadth of knowledge more than their depth of knowledge. He believed that broad knowledge, such as interdisciplinary knowledge or the ability to cross subject areas, helped a consultant to achieve more general insights.

GEI put great emphasis on its ability to generate insights for its clients. Wang reported that he believed this was a key feature of a great consulting firm. GEI had been exploring ways to improve its consultants’ ability to generate insights. So far, these ways included adjusting mindsets (embracing new concepts), developing alertness for new ideas (valuing hunches), and distilling and synthesizing, in order to create insights.

Source: Created by the case author using company information.

EXHIBIT 8: SAMPLE Greatwall Enterprise Institute PROJECTS

Science and Technology Parks (STP) Administrative Committee Projects

*Luoyang STP Administrative System Reform Project* (2017– ): Luoyang City (population 7.1 million) was in the central province of Henan. Its STP, with an area of 110 square kilometres, was founded in 1992. The project was to help the administrative committee design, develop, and implement reform plans in the following four areas: (1) organizational design and management for the STP, (2) job descriptions and recruitment, (3) performance evaluation, and (4) salary and incentive design.

Greatwall Enterprise Institute (GEI) did similar projects for the following STPs:

Wuhan Donghu STP (Hubei); Shijiazhuang STP (Hebei); Chengdu STP (Sichuan); Hefei STP (Anhui); Foshan STP (Guangdong); National STP Administration (central government in Beijing); Zhengzhou STP (Henan); Lianyungang STP (Jiangsu); Xuzhou STP (Jiangsu); Zhongguancun STP (Beijing); Haikou STP (Hainan); and Xiangfan STP (Hubei).

**Hybrid Projects**

*Wuhan Donghu STP Gazelle Development Project* (2011– ): Wuhan (population 10.6 million) was a major city in the central province of Hubei. The Donghu STP, at 518 square kilometres, was founded in 1988. It commissioned GEI to carry out this project to identify and designate “gazelle” firms. GEI helped Donghu STP identify and designate 102 gazelles in 2012, and by 2017, the number of gazelle firms had increased to 320. GEI provided consulting services to the top 10 gazelles each year. The projects were funded by STP administrative committees (75 per cent) and by the firms (25 per cent). Services included firm diagnosis, positioning, business focus, business model development, strategic development, organizational optimization, and human resource upgrading.

Similar projects handled by GEI in other regions included Zhongguancun STP (Beijing); Daqing (Heilongjiang); Ningbo (Zhejiang); Binhai (Tianjin); Guangzhou (Guangdong); Huizhou (Guangdong); Jinan (Shandong); Chengdu (Sichuan); and Nanjing (Jiangsu).

EXHIBIT 8: (Continued)

**Business Projects**

Jing Brand Co. Strategic Consulting Project (1995– ): Jing Brand Co. (劲牌有限公司), located in the central province of Hubei, was a brewer specializing in making an alcohol beverage with herbs that was believed to have healing and health benefits. Begun as a state-owned firm in 1953, it was a small, little-known firm with an annual output of a few million yuan in the early 1990s. In 1995, it contacted GEI for help. The initial services provided by GEI were so satisfactory for Jing Brand that it grew into a full-scale, long-term service relationship that covered strategy, marketing, government relations, ownership restructuring (privatization), human resources, and other areas. Since then, Jing Brand experienced explosive growth to become a well-known brand in China, with an annual revenue of ¥10.4 billion in 2017 ($1.3 billion).

GEI also helped the following gazelle firms:

New Hope Group Co. Ltd. (新希望集团), Jumbo Chains Co. (均豪企业), Phase (宁波菲仕电机), IETS (大丰能源), and Ningbo Dahongying University (宁波大红鹰学院).

Source: Created by the case author using company information.

1. ¥ = CNY = Chinese yuan renminbi; ¥1 = US$0.15 on January 1, 2019; all currency amounts are in ¥ unless otherwise specified. [↑](#footnote-ref-1)
2. June Teufel Dreyer, *China’s Political System: Modernization and Tradition*, 7th ed. (New York: Longman, 2010). [↑](#footnote-ref-2)
3. Ibid. [↑](#footnote-ref-3)
4. Ibid. [↑](#footnote-ref-4)
5. Dongsheng Zhou, Shaomin Li, and K. Tse David, “The Impact of FDI on the Productivity of Domestic Firms: The Case of China,” *International Business Review* 11, no. 4 (2002): 465–484; Shaomin Li, Shuhe Li, and Weiying Zhang, “The Road to Capitalism: Competition and Institutional Change in China,” *Journal of Comparative Economics* 28, no. 2 (2000): 269–292; June Teufel Dreyer, op. cit. [↑](#footnote-ref-5)
6. Shaomin Li, *Chinese Intellectuals View Politics, Society, and Economics*, ed. Shaomin Li (Taipei: Guiguan Books, 1988). [↑](#footnote-ref-6)
7. Honglin Li, *A History of China’s Thought Movement: 1949–1989* (in Chinese) (Hong Kong: Cosmos Books, 1999). [↑](#footnote-ref-7)
8. June Teufel Dreyer, op. cit. [↑](#footnote-ref-8)
9. Ibid. [↑](#footnote-ref-9)
10. NBS, *China Statistical Yearbook* (Beijing: National Bureau of Statistics of China, 1997). [↑](#footnote-ref-10)
11. “Ministries of the State Council,” (in Chinese), Government of China, China Government Network, accessed April 2, 2019, www.gov.cn/guowuyuan/gwy\_zzjg.htm. [↑](#footnote-ref-11)
12. “Missions of the Ministry of Science and Technology,” Government of China, Ministry of Science and Technology, accessed February 9, 2019, www.most.gov.cn/eng/organization/Mission/index.htm (2018). [↑](#footnote-ref-12)
13. Michael Porter, *The Competitive Advantages of Nations* (New York: Free Press, 1990). [↑](#footnote-ref-13)
14. T. J. Pattberg, "And the Best University in China Is..." *Big Think* May 27, 2014, no. https://bigthink.com/dragons-and-pandas/and-the-best-university-in-china-is (2014). [↑](#footnote-ref-14)
15. Zhongguancun Administrative Committee, *Statistical Handbook of Zhongguancun High-Tech Zone* (Beijing: Zhongguancun Administrative Committee, 2018). [↑](#footnote-ref-15)
16. Baike. "Zhongguancun Stp Administrative Committee." Baike.baidu.com Nov 11, 2019, accessed, November 21, 2019, https:// baike.baidu.com/I tem/%E4%B8%AD%E5% 85%B3%E6%9D%91%E7%A7%91% E6%8A %80%E5%9B%AD%E5%8C%BA%E7%AE%A1%E7%90%86%E5%A7%94%E5%91%98%E4%BC%9A . [↑](#footnote-ref-16)
17. “China’s 30 Years of STPs, 1988–2018” (in Chinese), Torch High Technology Industry Development Center, Ministry of Science and Technology, accessed March 2, 2019, www.chinatorch.org.cn/gxq30/index.shtml. [↑](#footnote-ref-17)
18. This refers to the high failure rate associated with the early stage of a firm. [↑](#footnote-ref-18)