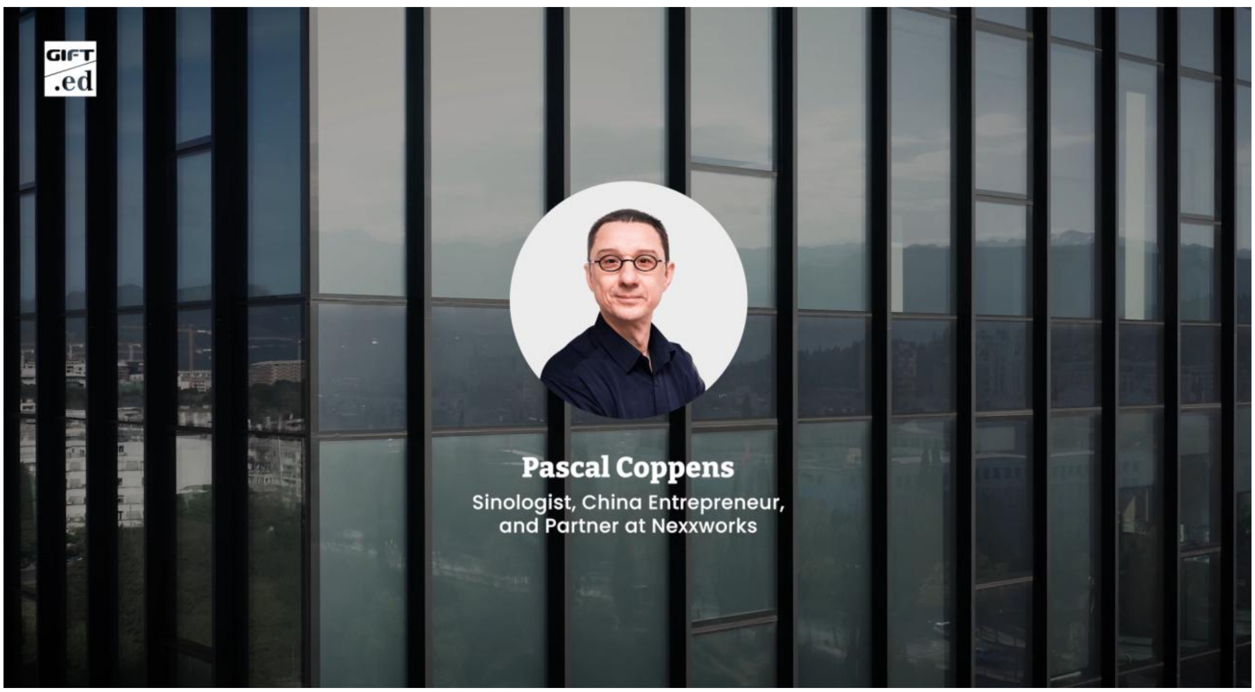
TRANSCRIPT

Innovation Ecosystems in China

Host:

Innovation in China has gone through rapid transformations in the last two decades, initially replicating Western innovations to now producing complex innovation ecosystems of its own. To explore the main characteristics of China's modern innovation ecosystems, you'll hear from Pascal Coppens, a prominent expert on China's innovation and business landscape with over 20 years of experience in the country.

Pascal is the author of two books on China and is a practitioner and advisor to startups, multinationals and governments in the fields of artificial intelligence, e-commerce and digital transformation.



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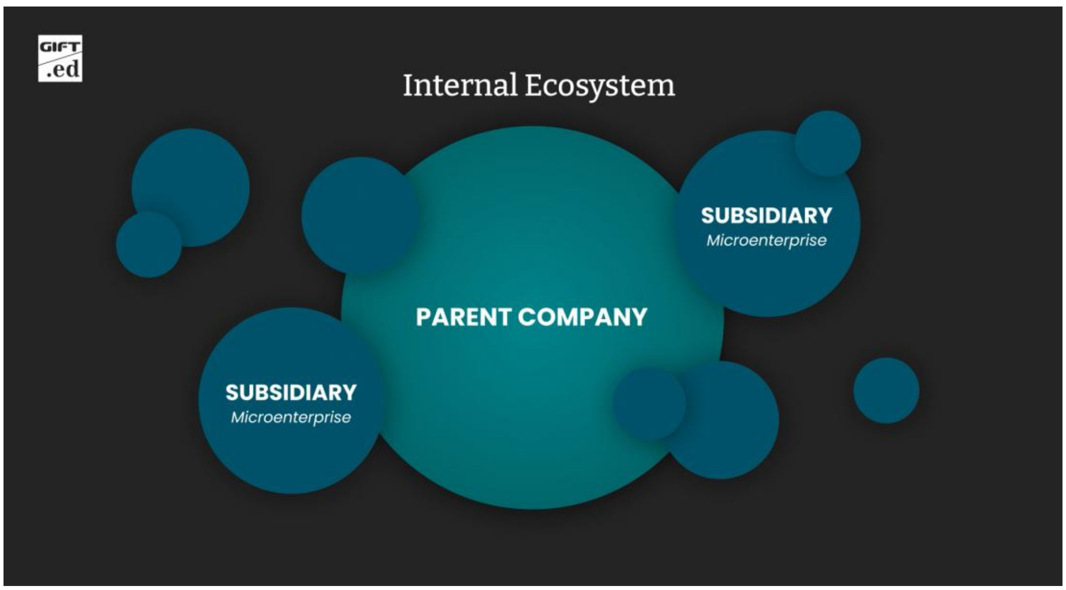
Pascal Coppens:

Ecosystems in China is both internal and external, and I think that's a real big difference between how many people in the West or outside China look at ecosystems.

Internal Ecosystem

So when you look at it internally, it's quite fascinating to see how these Chinese companies have been able to break down their company in many microenterprises and making almost entrepreneurs from their employees. It's a holistic system. It's not something you want to control, it's something that kind of lives on itself. And letting go of that control is one of the most difficult things in ecosystems.



But once you have this modular environment, you need digital platforms. And that's where the Chinese have been very good at, both to monitor, to share data, to get access to resources, and all that helps the employee to become an entrepreneur and do something with it itself. So that's something we can definitely learn is from the internal ecosystems.

And most Chinese companies, they try to grow the ecosystem rather than grow the business. And I think that's a huge difference, because if you want to grow the ecosystem, that means that you go into different industries, you follow the user, you try to figure out where the next opportunity is, and by doing that, you grow your business by default.

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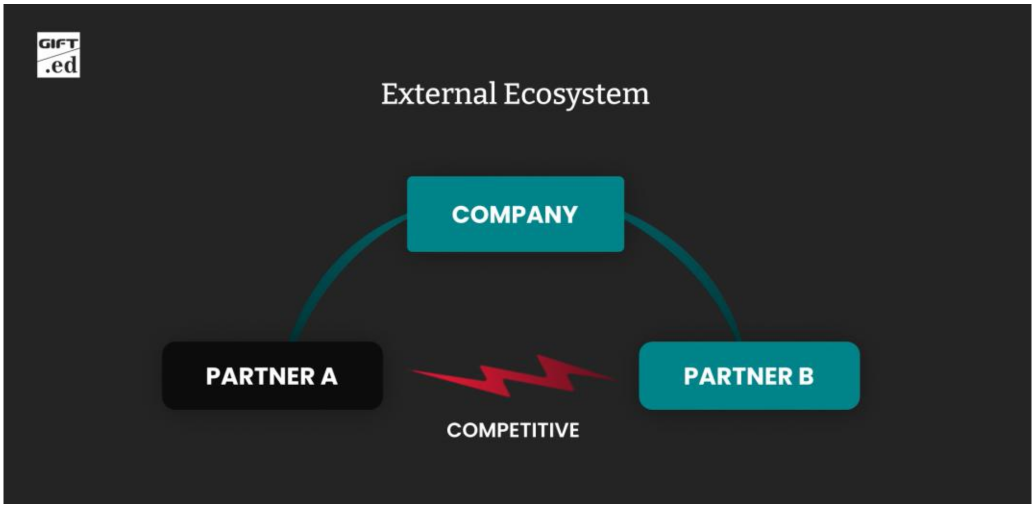
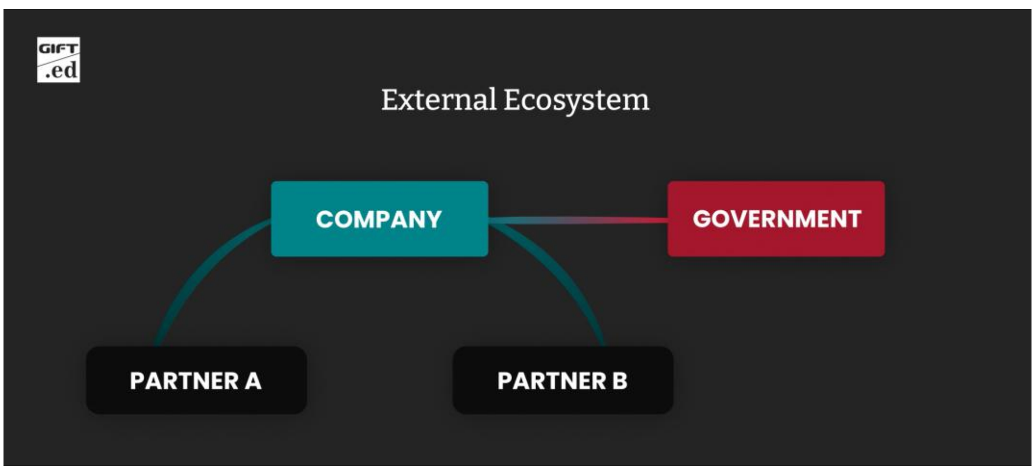
External Ecosystems

When we think about ecosystems, we often think about partnerships and alliances. And lots of companies you work with, and Chinese have that too. But that's the next level, and that's the level where they actually work a lot with partners, not so much as complementary, but even sometimes competitive. It's like a race to making sure that the one that gets there first is the one that you want to continue working with, and the other one might have to next time have a better chance or a better product to keep on in that race. And so it's a different way of looking at it.



But what I truly like about these external ecosystems is how the Chinese are putting KPIs and partnerships, not just with companies, but also with the government. And I'm not just talking about the central government because they put the guidelines out, but also the local governments in China very often are listening to what's happening on the ground, because they have these companies that want to build these ecosystems together with them.



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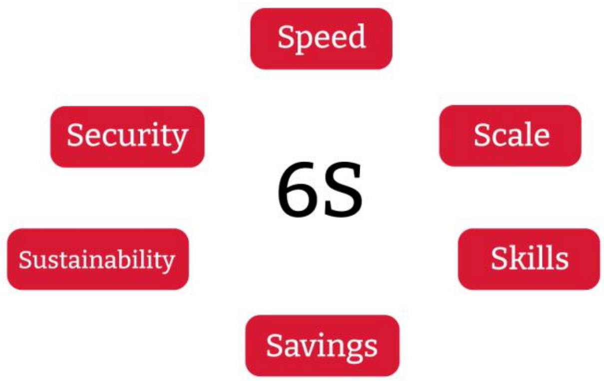
And so I think that's kind of some of the points I would break it down. But most important is that an ecosystem is kind of open, so you invite other people to join. And that's why you needed to have these digital platforms to allow it.

Key Features of Innovation Ecosystems in China

In the Chinese context, when you look at these ecosystems, they create many different things. I call that actually the six S's, speed, scale, skills, savings, as well as sustainability and security. So that's lot of S's.



When you look purely at **speed**, it's very much that when you have a lot of partners that all try to do things themselves, and they all are kind of competing in that same ecosystem, and that allows you to really monitor who's the fastest within that ecosystem.

It's to not to do everything yourself, but to try to do it all together. And that, of course, creates also **scale**, because if you scale in terms of modular environments, you can very quickly have a

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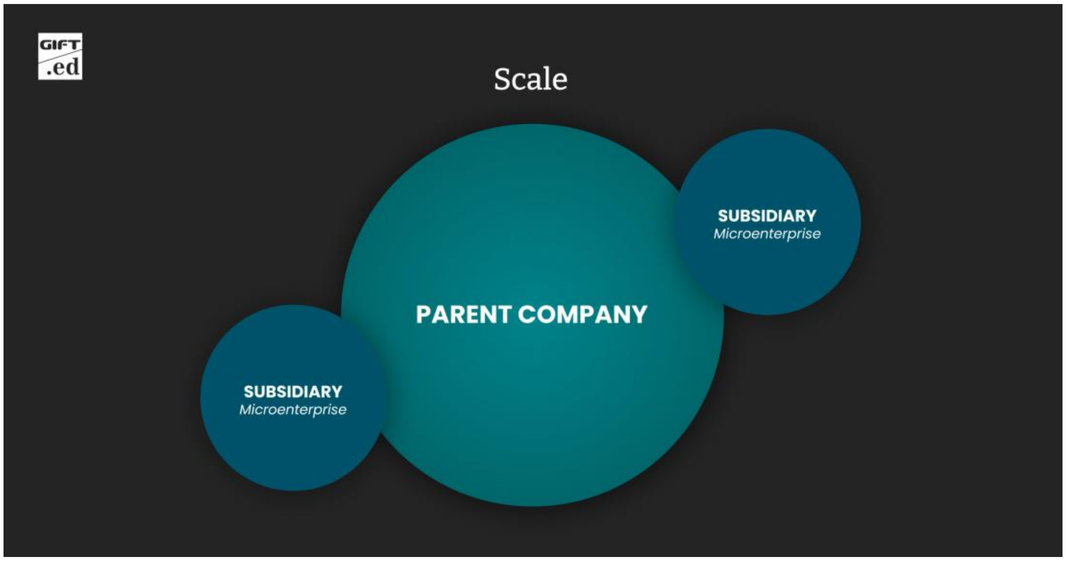
small department becoming a big company on itself, and maybe another company can split into two and then scale again. And so there's a lot of modularity in there, and that creates the scale.



If you look at a company like Haier, which is one of the biggest white good companies in the world, the way that they have like 8,000 departments, that scales globally at a very, very fast pace. And if you have a lot of modular global departments working together, that's where you get a lot of **skills** as well. You can save a lot of money with these ecosystems.

Talking about **sustainability**, it's really about being ready for any attack or any problem or any change that the company experiences. The best example is COVID-19, a company like Haier, they

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were the first company that was back on their feet because the company was completely in lockdown in China, but then a month later, or two months later, they were in lockdown in other countries. They could shift production, shift design, shift innovation very, very quickly. And by doing that, they become a very sustainable organism in itself. But it's also about **security** and making sure when something goes wrong that you can actually get back on track.

Host:

China is developing modern approaches to innovation ecosystems, where companies break into **micro enterprises**, enabling employees to act as entrepreneurs, supported by digital platforms for data and resource sharing. This **modular structure** allows companies to grow ecosystems by expanding into various industries.

At the same time, many Chinese companies have found success by forming **competitive partnerships** often working closely with local governments to align with national policies and customer needs.

As Pascal described, the six benefits of these ecosystems are speed, scale, skills, savings, sustainability, and security.

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