

How quickly times change. A year or two ago, the world appeared to all but tremble in fear of the Chinese economy. Then, politicians and economists the world over accused China of being insatiable in its appetite for raw materials while flooding foreign markets with cheap goods of all kinds. Now, projected “low” growth rates of six percent, which would have the chief economist of almost every other country break out in tears of joy, serve as evidence for the Chinese economy having over-expanded and suffering from systematic problems.



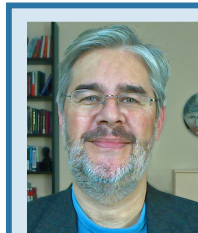
This may be a good time to take another look at the fundamentals that propelled China’s economic emergence, as INSEAD professor Peter J. Williamson and his Cheung Kong colleague Ming Zeng do in their book, *Dragons at Your Door*.

For starters, the authors argue, forget yesterday’s stereotypes: China today is far more than a producer of cheap, low-quality imitations. Be it Lenovo or Huawei, CIMC or Haier, a sizeable group of Chinese companies have fought their way towards industry leadership in their respective markets. Underlying their successes, and those of many other Chinese players, is what Zeng and Williamson call *cost innovation*: offering high

technology at low cost, flooding markets with a wide spectrum of product choices, and turning specialty categories into volume businesses by making them cheap.

*Dragons at Your Door* is written from a Western perspective. The authors use the first two chapters of the book to analyze how cost innovation works and how it disrupts global competition. The remaining three chapters, however, are dedicated to a discussion of strategic consequences for companies that face these new competitive pressures. Along the way, Zeng and Williamson analyze Western vulnerabilities as thoroughly as they discuss the limitations the Chinese Dragons face. On both fronts, you will find deep and useful insights here. The final and most valuable chapter of the book, titled “Your Response – winning in the new global game,” presents a number of strategic options aimed at beating the Dragons at their own game.

Make no mistake: China presently faces huge challenges, and keeping its economy growing at the rates of years past may be nigh impossible for any leader. But as Zeng and Williamson remind us, ignoring the country’s fundamental competitive strengths would be a mistake. As their book explains well, these strengths are founded in aspects that will in all likelihood continue to give the Red Empire a sustainable cost advantage. In spite of current worries, better expect China to maintain or even expand its role as an economic powerhouse.



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