

Development

Fierce Culture Drives Tencent's Success

► Founder Ma Huateng rewards internal competition

► It's "pretty cool when you win something, no matter how small"

Tencent Holdings' ubiquitous WeChat emerged in 2011 after founder Ma Huateng encouraged employees to compete against one another to create a mobile messaging business. WeChat now has more than 805 million users who employ it for texting, playing games, paying bills, and buying money-market funds.

The blockbuster service helped turn Tencent into the biggest publicly traded company in China, with a market value of about HK\$2 trillion (\$258 billion). Ma wants to repeat that success as Tencent moves into live-streaming video. Workers in six units have developed broadcast platforms to compete for funding internally and in a live-streaming video market that's expected to grow ninefold, to almost \$13 billion, by 2020. "Tencent's culture is like a

shark womb," says Andy Mok, managing director for tech industry recruiter Red Pagoda Resources in Beijing, explaining how some unborn sharks cannibalize siblings in the womb to ensure their survival. "It's not as deadly, but it makes every member adapt faster and be more competitive."

Ma, China's third-richest person, said in December that internal competition drives innovation. Besides the live-streaming services, all of which launched this year, his Shenzhen-based company operates at least four music apps, has three virtual-reality businesses, and owns two film units. "At Tencent, there isn't a real clear line about who can't do what," says Ross Liang, a general manager at Tencent's Social Network Group. Ma, through a Tencent spokesperson, declined to comment.

The live-video business is potentially one of the most lucrative of Tencent's new projects. Services including **Twitter's** Periscope and **Facebook** Live let users broadcast themselves in real time while eating at a restaurant or test-driving a car. Those apps are banned in China, creating a huge market for about 200 domestic competitors. There are streaming services from **Alibaba Group** and **Baidu**. The biggest, according to researcher iiMedia, include **Momo**, **YY's Me**, and **Inke**. China-based live-streaming startups have raised \$750 million in capital, estimates researcher Zero2IPO.

The Chinese market was valued at about 9 billion yuan (\$1.3 billion) last year and could reach 85 billion yuan by 2020, according to HSBC, when the number of active users is expected to reach 491 million. "Competition in China's internet space is so tough,

where you have copycats whenever a new product emerges, so it's probably good for [Tencent's] employees to experience some of that firsthand," says Rawen Huang, founder of Petrel Capital Management, which invests in tech startups.

Each of Tencent's live-video units—eGame, live.qq.com, kg.qq.com, Huayang, Now, and Qzone Live—covers a specific interest, from sports to karaoke, for an audience of about 656 million who access the internet via smartphone. The businesses need to establish themselves before Tencent commits money for marketing and recruiting, says Liang, who also runs Qzone Live. That product attracted more than 17 million viewers for a May broadcast of a charity fundraiser that included celebrity performances.

Competition is emphasized early in a Tencent employee's tenure. Workers are told to look for products emerging in the industry. Failure to spot trends means a colleague has outsmarted you, a shameful burden, says Alex Bai, a former Tencent product director who now works for Baidu. Bai is skeptical of how effective the strategy is. "It's a lot of incremental innovation," he says.

Ideas often come from the bottom up, and employees are rewarded with cash prizes, from 500 yuan for redesigning an interface to 1 million yuan for more challenging projects. Bai once received 300,000 yuan for improving the advertising business. "It's considered pretty cool when you win something, no matter how small," he says.

At Tencent's monthly meetings, hundreds of staffers, from vice presidents to new hires, discuss their latest projects. Ma sometimes shows up; company President Martin Lau often does.

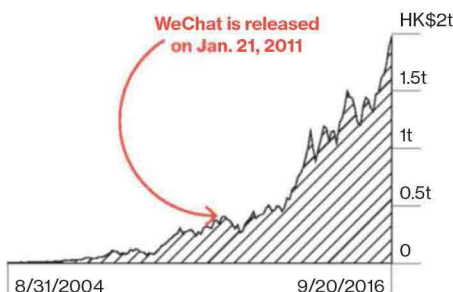
Deciding which service will win more funding is sometimes an informal process. Lau often joins a business unit's WeChat discussion group; Ma sometimes does, too. They'll pepper employees with questions, Liang says.

Says Bai: "They want the teams to run free for a bit because they don't know which team will come out with the better product." —*Lulu Chen*

The bottom line A hypercompetitive culture has helped Tencent produce blockbuster services and made it China's biggest tech company.

China's Blue Chips

Tencent market value, in Hong Kong dollars



The biggest companies in mainland China

Company	Sector	Market value*
1 Tencent	Internet	HK\$1.98t
2 Alibaba	Consumer services	1.96t
3 Ind. & Com. Bank	Banking	1.81t
4 China Constr. Bank	Banking	1.48t
5 PetroChina	Oil and gas	1.47t
6 Ag. Bank of China	Banking	1.17t
7 Bank of China	Banking	1.12t
8 Ping An	Life insurance	0.75t
9 China Life	Life insurance	0.68t
10 Sinopec	Oil and gas	0.67t

*AS OF SEPT. 20, 2016; DATA: BLOOMBERG

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