

## Chapter 2

# Brief Introduction of Wenzhou Electrical Industry Cluster

### ABSTRACT

*The development of the electrical industry in Wenzhou is a sound research area for its size, industrial cluster, culture, globalization history, collaboration traditional in business, and political preferences. 'Grouping' is a special atmosphere of collaboration in Wenzhou business model quite different from the atmosphere of competition in other industries. Wenzhou electrical industry cluster is challenged by several uncertainties in its rapid development. A brief analysis of SWOT will give a clear picture. The study of the lifecycle analysis of industrial cluster as well as their relationship with the collaboration performance and competitiveness helps the understanding of the unique values of the research in Wenzhou area.*

### INTRODUCTION

Giving the wide range of industrial sectors all over the world, this research is necessary to limit the research on certain industry within specific geographical area. The research question cannot be answered without thorough investigation of the impact of collaboration on business performance as practiced by industry. For the purpose of this research, the electrical industry in China is selected. The unique value of the research in electrical industry in China as well as Wenzhou area would be discussed in the first section.

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The business transforming experience of Wenzhou electrical industry will provide a worthy model for the upgrading of traditional industries in China. ‘Grouping’ is typically distinguished as ‘Wenzhou Grouping (regarded as ‘BaoTuan’ in Chinese) culture’. The main purpose of this chapter’s discussion of the Wenzhou entrepreneurs, their global collaborating group and grouping business culture is to give an insight about how the tradition of collaboration and trust in Wenzhou contribute to its fast and flexible industry **cluster** developing.

Moreover, an industrial cluster life-cycle discussion is objective to give a holistic view of Wenzhou electrical industry and its competitiveness. This chapter would contribute to the understanding the role of the inter-organizational collaboration in this industry cluster’s way to flourish.

The discussion in this section is basing on the information and the key findings according to the content of these interviews with WSMEA secretary-general (Mr. Lu) and Chairman (Mr. Hu), Administrative Committee meetings of Yueqing Central Industrial Park and Liushi Technology Development Zone (where the majority of electrical enterprises located), six pilot studies, the open question’ respondents collected from 395 questionnaires survey and other government and Industry Association documents.

## **THE FAMOUS WENZHOU COLLABORATION CULTURE**

Culture is the enduring behaviours, ideas, attitudes, and traditions shared by a group of people and transmitted from one generation to the next (Myers, 2006). From the late of 1980s, ‘Wenzhou model’ is well known throughout the country, causing widespread concerns by business and academic world in China (ZNNES, 2010). Wenzhou mode refers to the pattern of developing big market by small commodities created by the southeast of Zhejiang Wenzhou area, which is the result of family factories and professional development of marketplace (ZPPGRC, 2005; YCLCC, 2009; ZNNES, 2010; Pan, 2013). These small commodities mean these products have low production scale, technical content and transport costs. Large market refers to the sales networks and professional markets established by Wenzhou enterprisers in China and worldwide. As concluded by Duan, Xing and Wang (2013), the ‘realistic and pragmatic spirits’, ‘trust and harmonious philosophy’, and ‘open and diligence attitude’ are the three essential composing inside people’s value in this area.

Especially after the Chinese reform and openness policy in 1984, Wenzhou entrepreneurs gradually realized the value of collaboration in the industry. In despite of collaborating or competing, Wenzhou entrepreneurs prefer the word of ‘grouping’ (Ren, 2011). When a person from the group found a new market opportunity anywhere in the world, he would send back a six-word message to his friends from

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