



Wang Xiao:

A Man of Intuition, Rhythm and Fame

■ Yu Lili

When venture capitalist Wang Xiao (EMBA 2006) blew out the candles on a large cake at the Rosewood Hotel in Beijing in February 2017 he wasn't celebrating his birthday, but the fifth anniversary of Unity Ventures. Though he's usually low-key, Wang was especially talkative at the event as he introduced each member of his team. Perhaps it was the wine, or maybe it was just the proud excitement of

seeing the venture capital fund he had established turn five years old.

Wang happily shared some of the company's milestones with those who had turned out to help him celebrate. Unity Ventures is now managing three funds; the value of its first phase of investment has risen from RMB70 million to nearly RMB1 billion, bringing the limited partners a return of about 13 times book value, with

a yearly compound growth rate of about 90%; and the rate of return on its second phase of investment was 64%. The company is clearly doing something right, with Wang at its helm.

Many see Wang as having a technical or engineer's approach to investing. This kind of investor typically understands the technology and thinks about projects in a technical way, he also maintains good relationships with the

founders of the start-ups he invests in; but he's not a revered spiritual leader who's good at expressing himself. But Wang had no problem getting his point across when asked, during an interview, what makes a good angel investor. "Someone with good judgment and sound logic; character is only secondary" he said, his voice full of conviction. One entrepreneur once described Wang as more of a Bill Campbell (Silicon Valley coach and mentor) than a Marc Andreessen (Silicon Valley venture capitalist); he would rather be a coach sitting on the board of Google, helping guide the company to greatness. When he founded Unity Ventures his goal was to become the next Sequoia Capital for angel investment, and he still has a way to go. But some would argue that he has already come a long way and much of that has been because of innate skill. For example Wang has always been good with numbers. His parents ran a grocery store when he was young and he sometimes had to ring up the customers, which helped him become exceptionally quick at math. This has served him well as an angel investor. He often encounters start-up teams that don't know how much money they need; he can quickly calculate how much capital an app development team would need for a year, plus promotion to get them through to their next round of investment.

When I first met Wang about a decade ago in a café in Beijing's Zhongguancun District I was surprised to see that he still looked like a programmer, sporting



“How far are the Chinese from the information superhighway – 1,500 metres north.”

a pair of sneakers and matching shirt. Zhongguancun is China's version of Silicon Valley. Twenty years ago an internet company's conspicuous billboard ad became a part of folk lore with its catchy tagline that pointed potential clients its way: "How far are the Chinese from the information superhighway – 1,500 metres north". In the ensuing years, there were signs everywhere touting promotions for the District's many electronics stores. After these stores faded away – almost overnight – with the rise of e-commerce, Zhongguancun filled with people talking about financing and valuation. The cafés became the headquarters for aspiring entrepreneurs and the 200-metre strip of road once known as Haidian Book City even changed its name to Zhongguancun Entrepreneurship Street.

Wang experienced Zhongguancun's transformation first hand. He arrived there after earning his Master's Degree in Communications Engineering from Beijing University of Posts and Telecommunications. Most of his former classmates either joined telecom operators or, if they failed at that, joined multinational companies or

became government officials. But Wang had his own plan. A nerd who enjoyed reading *A History of Western Philosophy* in the dormitory, he did a frank self-assessment: he was not a people person, and was too independent minded to be a government official. He also believed that the telecommunications industry had already matured, and there was no room for further growth. However he saw the myriad possibilities the internet could offer, so he joined Baidu as one of the company's first seven workers who later became known as Baidu's Magnificent Seven. Five years later the company went public, making him a wealthy man. Eleven years after joining Baidu, seeing the many new businesses that were springing up thanks to the rapid growth of the mobile internet, Wang decided to leave the Chinese internet giant to launch Unity Ventures. He became an angel investor.

He made his first investment while completing his Group Project for the CEIBS EMBA Programme. At that time, some of his classmates were discussing whether they should invest in the men's clothing brand Masa Maso. Wang thought the company's founding team was good, it understood the internet

and clothing industries, and there was not yet much competition; he thought the company's B2C model would likely be profitable. Wang and his classmates decided to make a small investment, and Masa Maso went on to successfully complete two further rounds of funding. The experience taught Wang that becoming an investor could very well be a worthwhile path.

During its first two years of operations, Unity Ventures didn't have an office or much staff. Wang and his team met entrepreneurs in coffee shops; everyone at Unity Ventures had the same job title on their business card: Angel Investor. Wang read five or six business plans a day back then, and estimates that he has probably read more than 5,000 by now. He says raising the first of Unity Ventures' three funds was relatively easy: "A few friends pooled money and it was done." Putting the other two funds together was harder, more like "rowing against the current," but he doesn't mind a challenge. "If it is easy for me, it is easy for all," he explains.

As of this writing, Unity Ventures' three funds have raised RMB70 million, RMB300 million and RMB500 million, and 14 of the companies it has invested in are valued at more than RMB1

billion; more than 65% of its projects have gone on to the next funding round, and more than 40% have received Series B funding. Its projects include 36 kr.com, Xia Chu Fang (Let's Cook), 91 Jin Rong, Xing Kong, QingCloud, Xin Pian Chang (New Filmmaking), and Lanxiong Sports.

"I believe in the power of technology, and I also believe that only those companies with a human touch can really go far," Wang says. "If you do valuable things you won't be far from creating business value."

His idol, Tesla founder Elon Musk, uses clean energy to lower carbon dioxide emissions and energy consumption of its cars, and Wang invested in QingCloud (a commercial-use cloud service platform) which has a similar goal of trying to conserve the planet's energy.

In early 2016, Wang Xiao told *LaoDao News*, a popular source of news for the tech crowd, that he was planning to hold a music festival – a Chinese version of SXSW, the annual South by Southwest Conference and Festival held in the US. He asked LaoDao to write an article about his festival that would capture the Rock 'n Roll spirit of the

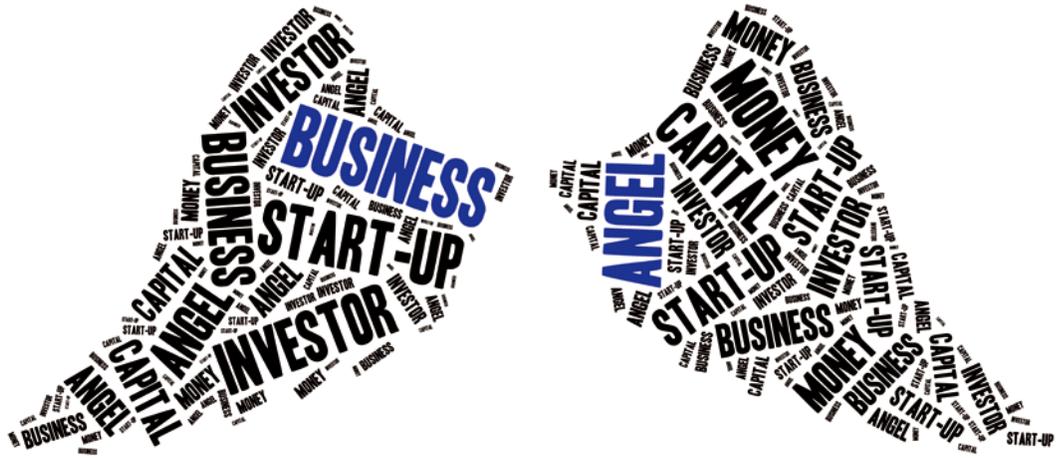
entrepreneurs of his time and help pass it along to the younger generation.

In September 2016, some 90 miles from Beijing in the Huai Lai Desert in Zhangjiakou City, a grand festival kicked off – the main stage was designed as an alien spacecraft, there were more electronic bands than rock bands, and the atmosphere was very high-tech. Michael Lang, the 75-year-old founder of the Woodstock Music Festival, and Xu Xiaoping, the renowned 60-year-old investor, discussed the creativity of Silicon Valley. Looking out from the stage they said the audience reminded them of the hippies of their youth.

Unity Ventures explained in the invitation for the festival that the event grew out of the company's belief in the unity of technology and humanity, and its desire to explore the boundaries of human creativity. "The investment industry has always been the closest to the future; we should be the vanguard for any possibility that is valuable," the invitation said.

As with music, Wang also likes to find the right rhythm for doing business. The market can be either hot or cold. When it is hot, some projects may be

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more likely to fail; when it's cold things may get done more easily. Wang tries to find the right balance between the two.

The founders of the first companies that Unity Ventures invested in, such as 36 Kr, Xia Chu Fang and Xin Pian Chang, were not from big name companies, nor did they have any prior experience starting a business. Take Liu Chengcheng, founder of 36 Krypton (known as 36 Kr or 36Kr.com), as an example. Liu was a postgraduate student when he met Wang at an alumni party, and 36 kr was a simple website that posted translations of technology blog articles from around the world. “The office was poorly furnished, and the employees were spread across various cities,” Liu explains. He recalls that Wang didn't ask many questions about their business model, his only request was to meet the team members. “Then he invested in us. I don't know why, maybe because we were young and

energetic?” Liu says with a laugh.

But Wang Xiao explained his decision to me: he relied on his intuition, just as he had when he decided to join Baidu 11 years before. He invested in 36 Kr because he once again spotted a trend before many others did. “In the past, if a company wanted to grow it needed capital and the right business environment. In the long run only the internet and technology can influence growth, so people need a platform, a place where they can learn what is going on both at home and abroad,” he explains. Five years after Wang's angel investment, 36 Kr announced that China Merchants Venture Capital was among those who had made an RMB1 billion strategic investment in the platform.

Experience has taught Wang that extroverted and eloquent investors get more excited about a hot market; they like the spotlight it attracts. But this kind of attention makes him

uncomfortable, and sometimes his desire for stability causes him to pass up a hot project. Last year when China's bike-sharing craze was heating up and attracting lots of venture capital Wang met with Dai Wei, the founder of OFO which is now a leading bike-sharing company; but he ultimately decided not to invest.

In addition to shunning the spotlight, Wang is also careful about protecting his reputation. “I do things step-by-step,” he says. “I don't like to boast... so an overly-exposed brand is a negative asset for me.” His desire to make Unity Ventures the next Sequoia Capital is partly because Sequoia has maintained a good reputation and track record over many years. “Its strength and name match its fame,” he says. “They have a good and clean name.”

Of course he is aware that his desire to maintain a low profile is a double-edge sword. “Budding entrepreneurs don't

know about me and my company, you have to be influential so that people will come to you,” he says.

Wang has also had to find a way to adapt his low-key style to managing his staff. Two key employees left Unity Ventures at the end of 2014. This prompted Wang to seek feedback from remaining staff to better understand their needs and concerns. He then spent a month re-arranging the company’s management structure. “We used a flat structure before, because I was thinking it made management easier, I wasn’t aware that it blocked everyone from seeing a path for their advancement,” he says. The company also began focusing a lot more on team building activities. Within a year, it had doubled the number of employees. The process taught Wang that he needed to push himself to be warmer and more caring when dealing with others.

Now Unity Ventures has a more structured and mature operation, but most of its new team members have experience working for a start-up. Wang is a big advocate of “not simply throwing money at” early-stage investment and emphasises that those with start-up experience can better understand budding entrepreneurs.

Given his own tech start-up experience, Wang believes that Unity Ventures should pay close attention to intelligent internet which, he says, is replacing the traditional internet. The essence of this evolution is the growing importance of data over connection, and a shift from a flow economy to an efficient one. According to Wang, artificial intelligence is an important aspect of the intelligent internet; deep learning and machine learning are key tools and Internet of Things (IoT) is the core connection to the intelligent internet’s

layers of data. “In this new era, data is as valuable as oil,” he adds.

Xiao Min, a partner in the venture firm Matrix Partners China, believes Wang’s investment philosophy is both stable and radical, but with slightly a bit more of the former. Wang has little interest in flashy, once-in-a-lifetime experiences such as bungee jumping; he values sustainability. During the transition from being an angel investor to making Unity Ventures operate in a more mature way, he learned to be more adventurous, less afraid of risks, and more caring towards employees. Maybe in his next transformation he can become more of a spiritual leader than an engineer, or perhaps he is simply trying to find the balance between these two roles.

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