



THE THEORY OF EVOLUTION FOR COMPANY REPRODUCTION

Report on Experiment of Bionic Management in
Xinyan Logistics Chain Co., Ltd.

Yan Bin



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Viewpoints of the Book

- The truth that most companies are short in life and disorderly in management and most employers are busy and tired is due to the insufficient awareness of the essence of the enterprise.
- Structure defines function. Inorganic structure results in inorganic function, mechanical structure results in mechanical function, organic structure results in organic function, biological structure results in biological function.
- Every enterprise has its culture, e.g. a longevity enterprise features a bionic culture.
- Just as the name implies, Gene means the basic genetic factor. In order to achieve sound development, the enterprise should find enterprise development gene, which is similar to double DNA tracks plus single RNA track.
- Enterprise development gene consists in enterprise system and culture.
- Life science is the guiding ideology of enterprise while enterprise bionics is the latest management science.
- Just as there are advanced and inferior organisms, there are high grade and low grade enterprises. High grade enterprises should adopt

double tracks while low grade enterprises may adopt single track.

- Double tracks, similar to double DNA tracks of gene, are enough for enterprise without subsidiary. Enterprises with subsidiary companies should adopt three tracks, just as to add messenger, i.e. single RNA track, to gene, to avoid lose of control.
- During its development course, enterprise will successively establish divisions or parent company, subsidiary companies and chain reproduction. The 21st century is an era for brand management and chain reproduction, which makes money based on the thought of enterprise bionics and the mode of organic management.
- An integrated enterprise management should be a combination of three disciplines: 1) Law (enterprise rules and regulations), which is the form on the surface layer. 2) Management science (including marketing management, financial management and human resources management), which is the content on the middle layer. 3) Biology (the guiding theory of enterprise), which is the essence on the inner layer. Biology is the strategic thought of the enterprise while enterprise bionics is the most useful discipline in enterprise management nowadays.
- Every individual in the enterprise, including entrepreneurs and employees, takes enterprise as the platform to make living and realize their multi-layer needs. To achieve effective management is to deal with co-evolution relationship between individuals.
- The only path for healthy development of enterprise is to transform the enterprise from mechanical mode to organic mode.
- The four major functional department of parent company are market-

ing department, supervision department, human resources department and financial department, which construct four bases of the genes for enterprise development.

- The central dogma of enterprise bionics is that the functional departments of parent company institute the rules and regulations and then pass them on to the supervisors of subsidiary companies, who will then guide the sales in business operation. The will and instruction of the board will be passed on to the supervisors by the functional departments and the supervisors will pass them on in business operation. This is the central dogma of enterprise bionics.
- Enterprise bionics law No.1: the law of separation, where paired operation and management partners should be separated at enterprise and chain reproduction.
- Enterprise bionics law No.2: the law of independent assortment. When the enterprise is reproducing subsidiary companies, each pair of operation and management will be separated and then rearranged in pairs with any other partner. In new subsidiary company, each pair of operation and management partners are independent and separated and can be assorted with any other partner. This is the second law of enterprise bionic, the law of independent assortment.
- Enterprise bionics law No.3: emergency law. When subsidiary company A is short of man power, subsidiary company B may make up in time. This is called enterprise exchange law or emergency law, the third law of enterprise bionics.
- Enterprise cytology holds that an enterprise is made up of employees and employees are made up of cells. Each employee has over 1800 trillion cells. To manage enterprise is to manage employees and their

cells. Since we use biology in cell management, we will also use biology in human management. A cell depends on metabolism to survive and the fission to develop.

- Operation and management are semen and ovum. Strong in operation and weak in management is a common fault of enterprises. Only by synchronous development of the both can an enterprise achieve healthy development. The larger the company is, the more important role the management plays. A large company should implement double or three-track system. Single track is definitely unpractical.
- Man is not the only master of nature. Without collaboration, man will not evolve. Similarly, only by collaboration of upstream and downstream can an enterprise achieve superior competitive force in the supply chain.
- Enterprise information is the nerve of an organism. Only by building interoperable information expressway can the enterprise win the modern commercial combat with flexibility, accuracy and coordination.
- All healthy enterprises have flat organizations and open systems.
- Suppose the enterprise is an organism, the market occupancy should be its height of growth.
- To prevent corruption, an enterprise should share information and ensure full coverage of system and culture, just as ubiquity of DNA in organism.
- A long-lived enterprise is an enterprise that adopts biological mechanism.

Preface I



The author of the book Yan Bin is a private entrepreneur emerged with China's reform and opening up. Xinyan Company has undergone many difficulties during its expanding and is the rising tide of the time.

It is especially commendable that the author has been kept on practicing, thinking, summarizing, refining and writing despite of his busy engagement in business. He has been seeking for "theory" and developing his own theory regardless of any difficulty.

There is no flashy talk or brilliant views for lofty scholars, instead, it shows some meaningful thoughts of an entrepreneur.

All things on the earth are linked. The various forms have the same essence. Standardized research of objects with simple research methods may be conducive for scientific research, but this kind of research makes the society and the nature dull and lifeless in comparison with researches that adopts such rhetoric as contrast, metaphor, reference and allusion.

The author's emphasis on practice and his view of guiding practice with theories indicate that theory is by no means unnecessary but is the guidance and must for better practice. This demonstrates that we should vigorously support and offer guidance to theorists.

Since US professor has written *Corporate DNA—Revelation from Biology*, why is it impossible for Chinese entrepreneurs to make attempts to write a book about enterprise bionics? Why not improve it and

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intrigue experts' involvement into research in this field?

The title of the book is good and I was honored to contribute my inscription.

Cheng Yefu

October 10th, 2009

Preface II



Upon recommendation by friends in logistics circle, Yan Bin, the board chairman of Xinyan Logistics Chain Co., Ltd. and the author of *The Theory of Evolution for Company Reproduction*, visited me in person and asked me to write the preface for the book. I accepted the mission with delight mainly due to the following reasons:

First, Yan Bin is an entrepreneur who is interested in logistics, management and writing as well as an experienced and sophisticated logistics talent. He has published series I & II of *Handscripts of Minor Entrepreneur* before the publication of *The Theory of Evolution for Company Reproduction*. It's commendable for him to refine theories on management from his over two decades' experience in logistics. As the only modern service industry among the country's top 10 revitalized industries, the foundation of logistics industry is still weak. The logistics enterprises in China remain small, weak and scattered and logistic entrepreneurs have great potentials to improve their management and operation level. I feel delight that a book on logistics is emerged at the appropriate time.

Second, *The Theory of Evolution for Company Reproduction* focuses on how to use the principle of enterprise bionics to enable enterprises to develop new mechanism and organic model for healthy development of enterprises. The book creatively involves application of bionic management in seven respects, namely, enterprise bionics thought, mechanism, organization, human resources, information, operation and pre-warning. As new type management science, enterprise bionics can create magic result not only in logistic industry but also in manufac-

turing industry. Though enterprise bionics is not popularized in application, it is bound to have a broad prospect in the long run and is worth of in-depth research, study and popularization by both logistic and management personnel.

Third, Yan Bin is a member of China Society of Logistics. As the vice chairman of the Society, I'm willing to witness the contribution of the society to the promotion and innovation of business simulation in logistic enterprises. It will be a trend for famous brand logistic enterprises to make chain reproduction. Yan's theory of enterprise bionics is worthy of reference to parent-subsidiary company management mechanism.

In this book, the author presented many distinct points of views for our reflection. The following are some of my reflections after reading the book:

"Structure defines function. Inorganic structure results in inorganic function, mechanical structure determines mechanical function, organic structure results in organic function while biological structure results in biological function." We know well that an enterprise with organic structure has a harmonious mechanism and attaches great importance to human resources as well as sustained development of collaboration of upstream and downstream supply chain. Such mechanism is superior to the traditional management mode and is in line with the world's trend on management development. It's a frontier method that is worthy of attention.

Such opinions as "Every enterprise has its culture, e.g. longevity enterprise features a bionic culture", "The gene for enterprise development lies in enterprise system and culture" indicate that enterprises, like organisms, have genes. System and culture are the genes for an enterprise. Thus it's of vital importance to establish sound system and build enterprise culture. Enterprise that has poor system or ignores enterprise culture will not live long. Such opinions serve as a key to define and solve problems for logistics enterprises.

"An integrated enterprise management should be a combination of

three disciplines: 1) Law (enterprise rules and regulations), which is the form on the surface layer. 2) Management science (including marketing management, financial management and human resources management), which is the content on the middle layer. 3) Biology (the guiding theory of enterprise), which is the essence on the inner layer. Enterprise bionics is the most important discipline in contemporary enterprise management." Such opinion reveals that a successful enterprise needs inter-disciplinary talents and management as well as a combination of natural science and social science. Human being is a complex creature while the society is a complex organization. The more we realize the complexity of the enterprise, the better we can manage the enterprise and the longer the enterprise lives. Many enterprises were closed down after over decades' development due to their insufficient recognition of the complexity of enterprise. The pre-warnings and opinions in this book are of profound insights.

"Every individual in the enterprise, including entrepreneurs and employees, takes enterprise as the platform to make living and realize their multi-layer needs. To achieve effective management is to deal with co-evolution relationship between individuals." We can image that an entrepreneur who treat employees as the collaborative subject with equal existence right will create harmonious enterprise culture for individuals, which is the common pursue of the whole society and the secret to longevity of enterprise.

The book is both theoretical and practical. It is based on the reality but is beyond the reality. All in all, it is a book worthy of reading.

Huang Youfang

Professor, Ph.D, Tutor of Ph.D student and Vice-chancellor of Shanghai Maritime University

Chairman of China Council for Higher Education of Logistics, Ministry of Education

Vice Chairman of China Society of Logistics

Author's Preface

The world's financial crisis since the later half of 2008 has caused closedown of many enterprises and brought enormous mental and physical stress to entrepreneurs at both home and abroad, including a board chairman of a listed company, one of our clients, who has cooperated with us for 7—8 years and has entrusted our Xinyan Logistics Chain Co., Ltd. (hereinafter referred to as Xinyan Company) for the logistics of one of his subsidiary companies. His company went bankrupt during rapid expansion due to many reasons. But I think the major reason was that the company failed to establish enterprise bionics mechanism. As a result, the organization system and information system between the parent and subsidiary companies are lack of genes for development and pre-warning. This accident intrigued my long-cherished wish of publishing *The Theory of Evolution for Company Reproduction*, the research findings I obtained a decade years ago. I want to share in this book about the great success Xinyan Company has achieved by application of enterprise bionics mechanism and the experiment of parent-subsidiary company bionic management, which had enable longevity of enterprise as well as relieve boss's burden.

As a “new drug” to treat diseases suffered by enterprises, *The Theory of Evolution for Company Reproduction* has been put into “clinic experiment” in Xinyan Company and its subsidiary Zaozao Logistics Co., Ltd. for eight years since 2001. I've put forward the idea of “adopting life science as the guiding ideology of enterprise” and completely restructuring and upgrading the enterprise from a traditional small-scale private logistics enterprise to organic parent-subsidiary to make the en-

terprise stand out among the trade. The following three conclusions were summarized as result of implementation of Theory of this book: 1) The company has achieved healthy development. During 18 years' development since 1992, the company has shown a growing vitality with business increased by 28% despite of the global financial crisis since the late half of 2008. 2) The pre-warning and precaution function are strengthened; the employees have give full play of their creativity and enhanced cohesion with less job hopping; the enterprise is developing smoothly and orderly. 3) The boss is more easy and relaxed in management. Bosses are usually busy and tired. No wonder Mr. Z, the former deputy manager of Hangzhou Tianmushan Road Parking Lot who has been engaged in logistics since retirement, was surprised that my employees were all very capable while I was so free and at leisure. He may not have realized that Xinyan Company adopted the enterprise bionics mechanism. It's also not a surprise when professor J, the tutor of Ph.D student for School of Management of Xiamen University, said that I was more relaxed than his student C, also a general manager of a logistics company. He knew well that his MBA, EMBA students were all busy as bosses and few of them were as relaxed as I was in business operation.

Enterprise bionic mechanism has already been studied and put into practice at abroad. Even Bill Gates unconsciously applied the principle of enterprise bionics. For example, by improving outward quick-response capability and practicing inward information publicity among employees, his digital nervous system has created incredible values. When addressing in Beijing in 2004, Bill Gates said that "biology will change the world in the way the software has. I believe there is an interaction between the two". Such opinion happened to coincide with mine. I believe that biology is able to change the world, not only in natural science but will also in people's recognition of social science, including management mode of enterprise or any other organizations.

As Professor Ken Baskin has indicated in his book *Corporate DNA—Revelation from Biology*, the well-known US 3M has got some

experience in application of organic company mode. Before working over enterprise bionics, I wondered how can a multinational company, with thousands upon thousands of employees and agents around the world, managed to manage themselves in order. There must be some secret to management there. I decided to find this secret. Through four years' concentrated research from 1997 to 2001, I completed the manuscript of *The Theory of Evolution for Company Reproduction* in July 2001. In the book, I made a preliminary conclusion that a company was actually a special kind of organism or a personalized organism. The company is a special existence mode (like biologic specificity for organism) for employers and the employees. Enterprise management is essentially the management of individual, or let's make it more concrete, the cells of the individuals. It is easier to find the secret of enterprise management from the perspective of cell. Man is made up of cells and the gene in the Nucleus ensures the similarity between parents and children. Likewise, if the subsidiary companies inherit the gene of the parent company, the parent company will never fail in controlling the subsidiary companies. When managing and studying individual, only by fractionizing to cells can the enterprise command individual's biological essence in individual management and study. With cell as the bridge between the natural science and social science, it's easier to understand that enterprise and individual are only members of ecological system, whose existence and development should be based on co-evolution. Co-evolution should be the key word of enterprise management. Enterprise bionics is the most profound discipline for enterprise management nowadays.

What's enterprise bionics? I define enterprise bionics as a new type management science that studies enterprise biological mechanism and imitates biological principles to design enterprise structure and function and finally achieve healthy development of enterprise.

What's the object of study of enterprise bionics? I summarized seven research objects: namely, management ideology, management mechanism, management organization, human resources management,

information management, enterprise operation and enterprise pre-warning.

What's the research approach for enterprise bionics? 1) Method of anatomization, that's to anatomize and analyze the research object and clarify the corresponding relationship between structural function of the enterprise and the biology through anatomization. 2) Method of induction, that's to find the fundamental elements of the enterprise and biology, i.e. C, H, O, N. We can see that enterprise and biology are of the same ancestor and have the same gene and rules. 3) Cross-discipline; multiple disciplines are required, the most important of which is biology, including principle of biology, general biology, cytology, genetics, molecular biology and biochemistry; followed by enterprise administration, including business administration. Other disciplines needed are theory of evolution, psychology, logics, philosophy, and computer.

On the occasion of the publication of the book, I'd like to extend acknowledgement to Professor Cheng Tianquan, my tutor in Fudan University, who had carefully read the manuscript of *The Theory of Evolution for Company Reproduction* in August 2001, presented valuable suggestions and outlined the structure of the book for me. I delayed publication of the book for eight years since its completion because I thought the theoretical research needed to be improved and enriched. Now the book is finally going to be published, I will adopt Mr. Cheng's suggestions. Also, I'd like to extend my acknowledgement to Huang Youfang, Chen Xiachu, Cai Lingping, He Dengcai, Huang Chongping and other teachers and friends, who have also presented valuable comments for the book from different angles.

This book is dedicated to employers and executives of manufacturing industry, to the peers of logistics industry, to all the employees of Xinyan Company, who are also the experimenters of enterprise bionics, and finally to my daughter Yan Shiman. I wish she will continue to study and practice enterprise bionics after her grows up.

Finally I have to clarify that I am inferior to many entrepreneurs in

business operation and inferior to biologists in theoretical research. I was just interested in making comparison between enterprise and biology and found some interesting phenomenon by chance. I've tried to seek for the essences and rules and tested them in company operation. Therefore, the book will be inevitably insufficient or even wrong in term of both theory and universality of practice. I should beg your pardon for that and is ready to accept your valuable comments, which I believe will be helpful for me to deepen and improve the research.

Written in Hangzhou

Oct. 18th, 2009