The Wanda Warning

Behind Wang Jianlin's global aspirations was a comedy of errors — one that China's state government of entrepreneurs may want to avoid.

BY DAVID BOLANDER | June 24, 2021

Illustration by Robert Hinshaw

Lucas Wilson had only been at his new job for four weeks when he traveled from Los Angeles to the Spanish island of Mallorca to host a private dinner for 24 luxury yacht owners. As the sun set over the bay where the Sunseeker yachts were docked, their owners — British and American tech entrepreneurs and restaurateurs — filed in for dinner at La Fortaleza, the 400-year-old fortress on the cliff.

"My job was literally to read the world, looking for trending things," Wilson recalled, looking back.

It was April 2014, and Wilson had just joined Dalian Wanda Group, the private sector Chinese conglomerate that was expanding aggressively overseas. At that point, Wanda had spent $1.2 billion on US film studios, ramping up European global bonds to pump up entertainment — including Sunseeker, AMC theaters, Ironman Group, the Atlético Madrid soccer team, and Legendary Entertainment, the American film and TV production company Wanda had become a symbol of a newly confident China.

Wilson was brought in as the office and marketing director for the Sunseeker Business, Wanda's luxury development on the Gold Coast in Australia (not last Monday's five-star chain of Vista hotels in its core US and the adjacent markets of Mexico and Canada international properties — Our Nine Elites, a skyscraper alongside the Shanghai Tower in Lujiazui — was in Mallorca to leverage the Sunseeker relationship into sponsorships.

That evening, Wilson quietly pitched Jewel's multi-million dollars luxury sponsorship-over-ones, which the guests enjoyed free-flowing drinks and watched a magician chef dancer perform inside an inflatable ball on top of one of the swimming pools.

But Wilson ran into the same problem he was encountering everywhere in his world: Wanda was spending so much money so fast that it was creating a bubble of Australia's Gold Coast and the direct cause of the project sweeping the resident, there was much demand. Four months later, having toured hopes for just 20 of its 500 units, Wanda sold its stake in the Jewel, along with another failing project in Sydney, at a large loss.

"It was a loose of cards," Wilson said of the Jewel.

The Jewel was just one of many flops for Wanda as it pulled into unfamiliar markets at home and around the globe — such as theme parks, film studios, and real estate in the US and Europe. While it still owns most of its prized overseas assets — such as AMC theaters — the company largely shelved its global ambitions in 2017, after Beijing tightened credit and forced Wanda and a few other aggressive private companies to pay down their debts.

Proposed image of Jewel Residences, Four-floor cellarm. Credit: Jewel Residences

Many observers saw Beijing's recent as political the government was reining in Wanda out of fear that some of the country's biggest private firms were borrowing too aggressively from state banks and then deploying that money irresponsibly, buying up high-priced overseas assets.

"When you had companies that big, with control of that much capital, it made Beijing nervous," said Sean Swenson-Yang, founder of CyberCapital, noting that that global expansion gave them wealth beyond the immediate reach of the state. "There was too much money going overseas, and it could be used to undermine Beijing and to administrative authority to capture their capital."

But the company's problems were deeper than its profligate spending. In interviews with Bloomberg, a group of former employees who had been involved in Wanda's global diversification said they felt in 2017 it became clear that the corporate culture had propelled Wanda into the most successful private corporate insider of China — the "Wanda Way," as the company called it — proved to be a liability outside of China.

The company's organizational structure caused it to turn into deals, grossly mistaken the markets, and then, when faced with a problem, to double down on the original decision.

"They are not with a great deal of strategic focus, and we felt it was prejudiced by the part of it," said Swenson-Yang, who between late 2014 and mid-2017 served as director of land transaction for Wanda at the Jewel. But Wanda's culture, he said, was characterized by ability and expertise. "So a local, I know how things worked [in Australia], but that wasn't something that was valued in their system. At the end of the day, it was the same, just making bankruptcy. They had to just making reports, not decisions."

It was strange to see a prestigious firm like Jewel's spiralling commercial success, for example, Wanda decided not to notify the apartments with refrigerators. According to Wilson, the decision was made to accommodate a particular market of Gold Coast that was subsequently discontinued. An unapproved Wilson complained that not only would it difficult to sell luxury apartments without fridges, but that it would cost him $1,000 per fridge to have to go looking for the same fridge in Australia at the same time and have it installed.

According to former employees, just about every project involving foreign clientele or development has been "mitigation" many — an almost central sense of judgement — that, according to Wilson, contrasted with Wanda Warning — a warning that Chinese state generation of entrepreneurs with global aspirations may want to heed.

Andi Rashid in Jeddah, Saudi Arabia, Sept. 20, 2021. Wanda bought a 20 percent stake in Rashid's company, Jeddah, Saudi Arabia. Credit: Getty Images. Creative Commons

RANK AND STILE

Wang Jianlin, China's wealthiest chairman and founder, is the archetypal China CEO. Wang's father fought in the Long March for Mao Zedong, and Wang himself was a soldier for 10 years before setting out to take advantage of China's economic opening. He was named chairman of a small, state-owned residential real estate company in the city of Dalian, in northeast China, where he was 35 years old, promoted the company, and set about growing it into a national property developer.

Wang Jianlin, chairman of Wanda Group. Credit: Sean Gallup/ Getty Images. Creative Commons

Wang's timing was perfect. The government only began allowing citizens to buy and sell residential property in the 1990s, and it quickly profited, beginning with residential complexes and then mentoring into Jonshell, Wanda Plaza, with shopping malls, hotels, tourist theatres, and shops, in just about every urban center in China.

As Wang's empire grew, with China's booming economy and Beijing's encouragement, he began entering his company overseas, snapping up sports and entertainment properties, as well as high profile skyscrapers in big cities, like New York, London, Chicago and Madrid.

In 2014, Forbes estimated Wang the richest man in China, with a fortune valued at $28.8 billion.

In growing Wanda, Wang brought a degree of military-style discipline to the firm and created a corporate culture that, within China, is legendary for its hard-driving, top-down leadership.

Wang is not shy about his aspirations for Wanda — and China — to beat the West at its own game. The company's name, according to promotional materials, means "all things are connected." Wanda's logo, a stylized "W" that resembles a Chinese knot, symbolizes the coastal city of Qingdao, in north China, would be a bigger and better Hollywood, that his new chain of Chinese theme parks would prove more successful than Shanghai Disneyland, and that the Vista hotel brand would come to rival top of mainland China's the Peninsula or Ritz-Carlton.

This is a Wanda Warning, Wanda employees are expected to abide by a strict dress and work code. They're expected to provide to open arriving at work and explain in writing why they're late. At the local office in Beijing employees are required to receive their cover before entering the elevator. Receptionists at lock keep duck-faces for relations as people exit. A first violation is sent with a fine, a second results in being docked half a month's pay, after a third, the employee is let go.

"At Wanda, "Wang liked to say, "corporate rules are like high voltage lines, and those who touch them will get punished."

At the heart of Wang's management style is the "tax manual," an internal book that former employees say contained all pages long and outlines the steps involved in managing a construction project from beginning to end. Former employees told Bloomberg that the manual not only covers every aspect of project — from construction, to design and marketing, to finance — but also in some every possible contingency, and crucially, what kind of compensation needs to give approved for each action.

The result is a highly bureaucratic and hierarchical organization — one that pursues corruption by institutionalizing oversight and keeps employees on their toes by giving them only a unique approach of meeting and sharing employees who fall short. Managers who underperform are fired, or, if they delay or budget overrun — here that's almost always broadcast over the Wanda intranet.

"It leaves these managers no choice but to try harder to keep pace with or even exceed others," Wang said in a 2014 speech at the China Europe International Business School in Shanghai. "This sort of corporate culture is so ingrained at Wanda that even managing a task well will felt as a beneficiary to every Wanda employee."

Hans Vanne under construction in Chengdu in 2008. Credit: SeanMadsen/Flickr. Creative Commons

Given the magnitude of Wanda's projects, this trait proved especially farcical and disastrous.

For example, upon reviewing the designs for the Vista Tower — a luxury 300-story residential tower in Chengdu — Wang discovered that the truck claims he measured, not knowing that the city's building code required these, a tower employee said. Having the chem estimated was a painstaking process that involved U.S.-based staff taking photos of actual truck claims to explain how they work.

Another person said that Wang put his personal surgeon on the course design of Wanda's planned Beverly Hills hotel, insisting that the bath tub be positioned so he could see the ocean. The surgeon could enjoy the ocean view while soaking — but it required them to circumnavigate the bathtub in order to enter the bathroom, a layout that routinely ruined sidewalks among people who saw the design.

Wang also ordered the employees outside the office, according to Wanda's studios in Qingdao, to include their dogs in corporate photos and to wear matching dress-casual. A person working at the studio at the time said that only confused the guests Given that Hans generates a lot of trade, particularly first-set construction, designers are an integral part of any production. Their absence gave the studio a Potemkin feel.

The Qingdao studio, is a wing service as a microcosm for Wanda's grand ambitions and deep pockets — and then its propensity to bubble itself with wild miscalculations.

In 2014, the company broke ground in north China on what would eventually be the world's biggest movie studio, with post-production facilities, two cinema water tanks, and 40 state-of-the-art sound stages — sound proof warehouses that the production a controlled environment in which to film. Wanda even built the biggest sound stage in the world, at 1,000 square meters, 500 square meters, the biggest sound stages of the Warner Bros. studio in Burbank, Calif., is 5,000 square meters, at Universal Studios, it's 2,700 square meters.

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>
> *— John Ley, managing director of LinFox Consulting*

While working at Wanda's movie studios in Qingdao, for example, Aaron Shoehner, an American producer, asked the Wanda staff to turn super leaders for the office. "They people at Wanda said it was easier if I just bought it myself," Shoehner said. "They said, 'legitimate through is to just run back.'"

To circumvent such a cumbersome process, Wanda developed an over-reliance on going straight to Wang for approval — a shortcut that was not without its costs. Wanda's Wang's Sensoriums are trained to implement his wishes, no matter the cost. As a result, Wanda developed a reputation for overpaying for assets.

In November 2014, for instance, Wanda agreed to pay close to $1 billion for Dick Clark Productions, the TV production company that produced the Golden Globe awards. Clark had previously changed hands in 2012 for $570 million. China's National Development and Reform Commission declined to approve the deal, partly over concerns about the exorbitant differential, and a lawsuit Wanda eventually lost.

Wang is also notoriously hands-on — a trait common among Chinese executives, according to John Ley, managing director of LinFox Consulting, which helps Chinese businesses find the right locations to invest in the United States.

"Over the past 20 years China has gone through a lot of changes, but Chinese firms still rely on the big boss, his gut feeling, his instincts," Ley said. "You sometimes end up in a situation where everyone's afraid to tell the boss bad news, so they try to hide it, because no one has the guts to tell the big boss what the real situation is."

Dalian Wanda Global actress at the red carpet during the opening night of the Qingdao Oriental Movie Metropolis of Qingdao Best City on September 20, 2014 in Qingdao, China. Credit: Visual China Group via Getty Images

It appeared that when Wanda's lofty China could be loose in the new Hollywood, Wanda paid some of Hollywood biggest stars — such as Leonardo DiCaprio, Nicole Kidman, and Ewan McGregor — to fly to China to attend its elaborate grandiloquent ceremony in Qingdao. It reported they were accompanied by senior executives from Sony Pictures, Warner Bros. Entertainment, Universal Studios, Paramount Pictures, Lionsgate Films and The Weinstein Company.

At the time Wanda boasted that it had "reached preliminary agreements with a number of global film and television giants and talent agencies to have about 30 foreign stories that will produced in Qingdao Oriental Movie Metropolis every year." And, by the end of 2016, Wanda was ready to start welcoming film productions. Things started reasonably well in 2017, Legendary Entertainment (which Wanda acquired in 2016 for $3.5 billion) was using the Qingdao studios to shoot part of "Pacific Rim: Uprising." At the same time, three foreign productions — science fiction epic "Wandering Earth," a sci-fi comedy "Crazy Alien," and fantasy comedy "The Island" — were also in production.

Given the scale of "Pacific Rim" and "Wandering Earth," about 70 percent of the studio's square footage was being used, a respectable start for a new studio. But the productions accepted only a handful of the studio's vibrant large sound stages, which meant most of the small ones were idle.

Wang clearly contained about the underutilization of the site, deducted that demand forecast the large stages and that it was a mistake to have small ones. A person involved with the studio at the time said Wang ordered that the manual could wages be torn down and additional large ones built in their place. After studio staff explained that some firm the demolition and construction would drive productions away, effectively closing the studio for a year, he decided not to demolish the existing facilities.

Instead, he ordered the construction of five additional 1,000 square meter sound stages and five 5,000 square meter stages, a massive expansion of capacity for which there was no obvious demand. Most of these were sit empty.

RED WITH AMBITION

During the height of Wanda's global aspirations, in late 2015 to early 2016, Wang Jianlin, also known as "Uncle Wang" and the "Wanda Wolf" to other men around the world, hosted Michael Connolly and Gerard Neuman, both former executives at Walt Disney Company, for a dinner in Beijing. Connolly and Neuman had been hired to Chinese dinner for ambitious, especially Wanda's goal to transition from just manufacture — "Some people on the Chinese studio say Wanda only known to buy, buy, and buy," — to efforts to bring China into the market of global luxury services.

Wanda's Acquisitions

AMC Entertainment $2.6 billion		**Sunseeker** $500 million	
Hoyts $266.7 million		**Atlético Madrid** $34 million	
Infront Sport & Media $1.1 billion		**Ironman** $400 million	
Legendary Entertainment $3.5 billion		**Jewel Residences** $62.7 million	

Between 2014 and 2016, Wanda acquired globally, primarily entertainment and sport-focused properties, with Wanda's investment amounts. Data: Wanda and media reports.

"The biggest luxury product in the world is hotels. To say a piece of clothing is luxury is quite an exaggeration. You can't really have a luxury leather hat," Wang said to Neuman.

Wanda's Vista, he went on to say, was going to be the first global luxury hotel brand from China.

"Wanda already has a lot of 5-star hotels in China," he noted. "To establish a global luxury brand requires at least 10 or 20 years, so we've decided that to start with well-build our High-end hotels, in seven landmark cities, including three in the US, — New York, Chicago, and LA — and in London and Madrid, all in landmark areas."

Anthony Aquilina, Wanda's Sports, part of the buildings Wanda acquired. Credit: Sean Gallup/ Getty Images. Creative Commons

The strategy of investing in global cities made sense, according to Michael Shmidko president of Frost Green Advisors, a fund development consultancy.

"You may need to over-pay to be in one, but you do it because you need the presence," he told Zh Wire.

Shmidko is based in Chicago where the one recurring overseas Wanda Vista hotel is being built — Wanda having sold off all the others after the Chinese government forced it to bring its debt down to earth. Shmidko, who has professionally endorsed Vista Tower, the third tallest building in Chicago, that is 50 percent owned by Wanda and varying completion. But, given the Vista's lack of global presence, Shmidko isn't optimistic about the hotel's chances.

"No one in the US has heard of Wanda Vista as a hotel brand," he said. "The Vista name doesn't bring the same precision as a Waldorf or St. Regis would."

Wanda's global retreat came on the heels of a round of bad news. The company was aggressively expanding overseas, with Beijing first encouraging Chinese firms to "go global" and then pressing some of those firms to scale back their foreign investments.

Wanda also had to cope, in mid-2015, with an engine published in The New York Times that described Wang's ties to China's elite families, including his to the family of President Xi Jinping and former top Politburo Standing Committee member Wang Qishan.

Wilson asked about the series reported on Caixin. Wang denied the central assertion that his political affiliations had contributed to Wanda's "rapid growth," but — surprisingly — offered some detail about Xi's relatives's Wanda holdings. He said that Qishan's nephew-in-law had acquired the shares in Wanda's commercial property subsidiary in 2009 at market price, along with other investors, but had sold them back to the firm a few years later when he could have earned had he waited for the listing.

"I feel it has zero relevance of corruption. This is evidence that the way Secretary Xi governs is extremely strict."

Within two years, Beijing started looking into Wanda and a small group of other privately owned companies that had been aggressively pursuing overseas investments. Chinese Foreign Investment in Europe since — its assets were seized by the state, and executives imprisoned, into a new firm, Dalu Investment — and its chairman at the time, Wu Xiaohui, went to prison when charged with corruption.

HNA, the airlines, property and resorts conglomerate, also had to assets seized by the state, after borrowing too aggressively to buy overseas assets.

Wanda, though, has survived. After being publicly scolded by the authorities, Wanda sold back its less quickly fi desired billions of dollar worth of assets between 2017 and 2018 and shifted to a less debt-intensive model of growth, one that focuses more on service — such as construction and hotel management — rather than owning the facilities it holds.

It's impossible to say whether Wanda's overseas property development and hospitality proved successful had Beijing not intervened — with the exception of the Jewel, most never reached a stage where discussed may really tested. But one thing is clear: Wanda's acquisition campaign, Wanda spent heavily to acquire trophy assets where it had no prior experience, only to entangle the conduct.

Beijing's intervention, then, may be what saved Wanda from itself.

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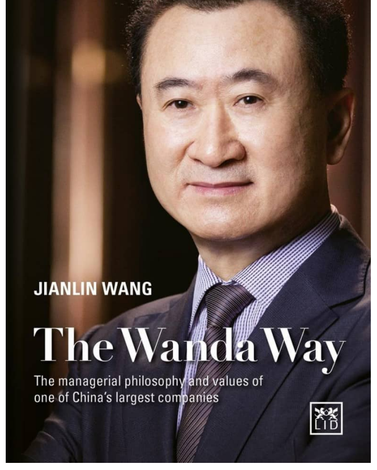
Wang, for his part, seems appropriately grateful. He no longer jets around the globe boasting about the Wanda Way, even though, with more than 100,000 employees, Wanda remains a behemoth. Instead, the company hasn't abandoned its ambitions so much as funneled them in a different direction.



Wang Jianlin's book, *The Wanda Way.*

In April 2019, for instance, Wanda broke ground on a theme park project in Yan'an, the Chinese Communist Party's base during the Second World War and a town steeped in CCP mythology. The site plans include a "mega" ice lake, ice and snow tubes, an ice carnival, and an acrobatics show.

According to Wanda's website, the "red-themed" project "will be presented as a gift to the 100th anniversary of the founding of the Chinese Communist Party."

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BY DAVID BARBOZA

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