

# Haier Taking A Chinese Company Global

It has a total market share of 6 percent in the world which makes it the second largest Refrigerator manufacturing company and the third largest in the white goods revenues. It has a 30 percent share in the Chinese market of around 129 Billion white goods and is also growing the black goods sectors in China.

But in the last five years of time, the profit margin of the company dropped down to 2.6 percent from 9.4 percent. The main reason for this decline was attributed to be the entrant of several global competitors in the sector which made the company cut it's by 10 to 15 percent. But the best part was that it was expanding globally with almost doubling its global exports from China and generated revenue of USD 1 Billion alone from US.

Haier mainly focuses on the difficult markets first. By difficult market, it means that the company's focus is mainly on the developed market where it faces high level of competition. In the year 2004, around 70 percent of the total revenue from the international market came from the developed markets like Europe, US, etc.

Company focuses on beginning with the niche products. For The Company entered in the developed market with a complete niche in order to eject the competitors out from the market. For example, the company entered in US market with refrigerators for the student or for offices. This was a new plan and was highly successful.

Company focuses on staffing the local population. Whenever company enters the international market, it believes in hiring the local people for the making the structure for the new product in the market because the local people have clear idea about the market. It follows this strategy not just to export but also to satisfy the needs of the local population.

Company always keeps in mind the environmental betterment of the country or the city in which it is having its production. This give a company a very good carbon rating in the market which makes a very good image of the company increases its future prospects.

In the Chinese environment, there were several foreign and the local entrants giving competitor to the company. Foreign brands in the countries were taking the market away from the local brands in the Chinese market. But Haier had an advantage of in build Chinese value in the products which was never tuned by the foreign entrants.

In the year 1989, in China there were 100 producers of refrigerators which dropped down to 20 in the 1996 with three major producers. In china, Haier faced formidable competitors which were involved in one or two products only. Among its competition

in the country, Haier was always secure from the threat of the competitors because of its innovative techniques and export strategies.

Corporate structure of the company is under Partial Public Ownership. Haier is a collective company which means that the company is owned by the employees only. The ownership structure of the company is actually opaque. This clearly suggests that it is compatible for the employees or not. The problem with the corporate structure of the company is that the employees do not get any dividend and they do not know how much share they have in the company.

There is dissimilarity between the corporate structure of Haier and other organizations. Generally, other organizations of the same type do not have the same structure of owner. The ownership fundamental of the company makes it absolutely different it in corporate structure from the other companies.

## IV.B Corporate Culture

The corporate culture in the company is really very innovative as it has always been created in such a way by the senior employees in the company. Innovation is considered to be the core value of the corporate culture of Haier. There is a unique culture which is carried out by the company for the past 25 years. There are certain factors on which the corporate culture of the company depends. These factors are as follows:

Creative Technologies

Innovative strategies

Efficient organization

Advanced concepts

Market orientation

These above factors have made Haier grow in a swift manner and made the company expand from China to all over the world.

The corporate culture of the company is heavily adopted by the people working in the company. Main reason behind this is that company recruits the local people where it expands the business and hence, the corporate culture of the company is considered to be very much compatible with the local environment of the company where it operates.

## IV.C Corporate Resources

## IV.C.1 Marketing

There are several marketing strategies followed by the company. Haier markets its products as an innovative and niche in the market which can never be competed by the competitors. Marketing strategies mainly focus on the uniqueness of the products.

Products lines of the company are mainly refrigerators, white manufacturing goods and black manufacturing goods like television, etc.

Company is located mainly in China where the company had its inception and now it has expanded itself to various countries of the world

Haier prices of the product are generally 15-20 percent more than that of its customers but still considered to be one of the top most companies in refrigerators manufacturing

Promotion of the company is mainly based on meeting the demands of the local customers and hence promotions are also done in the same way.

Main product marketing strategies of Haier in the international market is to follow the law of development based on the product life cycle principle (The product life cycle theory of international production and China's Enterprise Strategy Workshop, 2008). The stages of product life cycle of Haier include its loss of 47 million because of the temporary shutdown of the small scale firms to the present status of global sales of the company of 760 Billion Yuan.

Market segmentation by Haier is mainly done on the bases of the product portfolios available with the company. These product portfolios are kitchen appliances to home comfort products. In case of the home comfort products, segmentation is further done to room ACs and dehumidifiers (Haier Group's Strategy in the US Market).

In spite of the fact that prices of Haier products in the market is around 15 to 20 percent more expensive than the competitor product, Haier gets a better market response than its competitors especially in China.

Role of marketing manager in strategic management process is that he or she should always get certain market information which is required for the development of the product in a better and easier way so that reach ability of the product increases.

## IV.C.2 Finance

Financial performance: We can see from the Appendix 1 of Revenue and Net profit of the company that from the year 2002 to 2004 there has been a constant growth in

the net profit of the company and a constant growth is seen in the revenue generation of the company. This clearly indicates that the financial position of the company is really strong. There has been a constant drop in the net profit of the company 2001 to 2002 because of the entrants of more and more competitors in the market because of which company has to reduce its prices. Most of the revenue generated by the company is in the domestic region.

The Cash flow analysis of the company suggests that there has been a constant increase in the cash balance at the end of every financial year which clearly means that there is a constant increase in the net change in cash in the company which means huge assets is cumulating in the company which will increase its financial growth.

As compared to the competitors like Whirlpool and GE, the financial volume share of the company is less but is increasing at a greater speed. Ranking in the volume percentage of retail, Haier comes at the third position in the world giving a tough competition to GE at present.

Financial issues: There are some financial issues arising within the company and these issues are as follows:

Profit margin of the company is decreasing in spite the revenue of the company is constantly growing

There is a decrease in EBITDA margin and operating margin.

Main role of financial manager in strategic management process is to check all the financial issues that arise within the company and give the better solution for such issues so as to increase the financial performance of the company.

### IV.C.3 Research and Development

R&D budget: Haier invest around 5 to 7 percent of the revenue in the Research and Development of the products.

R&D Strategies: Main strategy followed by the company in R&D is to come up with a niche in the market for which a complete and vast research and meaningful analysis is needed.

Main competitive advantage of the company because of its large investment in Research and Development of products is that even if the prices of the product of Haier are 20 percent more than that of the competitors, there is better market response for Haier.

Main role of R&D Manager in strategic management process is that he or she should always come up with some really exciting research which can create a niche of the company in the market. This is what has happened with Haier. R&D team of the company is really very strong which gives it huge competitive advantage.

#### IV.C.4 Operation and Logistics

The Operation capabilities of the company can easily be judged by the increase in the sales revenue from 2003 to 2004. There was a immediate jump from 11,688 RMB Billion to 15,299 RMB Billion

This clearly suggests that the company's operation has really increased at a much higher level from 2003 to 2004.

Also the operation cost of the company has also increased from the same level. This means that model of operations in the company remained the same but the frequency of the operation or production in the company increased.

A compared to the competitors, it can be seen from the sales volume that company has a huge level of production.

Main role of Operation Manager in strategic management process is to increase the level of production in the company so as to increase the revenue and net profit of the company

#### IV.C.5 Human Resource Management

HR team of the company makes Haier a company for creating a worldwide prestige.

Main motive of the HR recruitment of the company is based on the fact that company recruits the local population more. Main reason behind this is that according to Haier, if the company wants to know about the target country, it can only be taught by the local person.

Employees in the company are satisfied with the fact that they are the only owner of the company but problem is that they do not know their ownership percentage.

Main role of HR Manager in strategic management process is to recruit the best possible employees in the company and give them every kind of benefits to make them feel better in the organization.

#### IV.C.6 Information Technology

Haier uses a E-Commerce system for the operations in the product sale. The performance of IT in the company is really not much but is used at a very high level. IT in the company is mainly used for the network management, marketing services and procures.

Qingdao Haier Qingda Software company is the mainly implication of IT in Haier. This company was established in the year 1998 which consist of high development of embedded systems, information software and integration of systems. Information Technology in the company is mainly used to develop LCD TV, Plasma TV, etc.

## Strategic Factor

### Internal Factors

Capabilities

Product

Manufacturing

Finance

Price

Promotion

Place

Personal

### External Factors

Customers

Socio-cultural change

Market place

Macroeconomic change

Technological change

Legislation

Competitive position

Globalization

## Recommended Strategies

Company has a strategy to focus on the difficult market is not at all questionable but the recommendation can be given that company can also think for the developing market in a simultaneous manner so that it can increase its revenue much more. Company has a very strong research and development team, so company should make strategies to target middle market and reduce the cost of their products to target middle income people.

## Conclusion

Haier decision to globalize its products from china was absolutely a very good strategy by the company because of the fact that it has increased the revenue of the company. Goodness of this strategy can be seen in its financial performance as well. Another reason because of which this was a good strategy was that company's Research and Development was really very good but Chinese market was not that ready for the high technology products. Hence globalization was required. From its past performances in research and development, company has shown a real growth in the market with its niche products. The same can be done for the white goods as well. Company Three Third Strategy was a wise approach because it took the company from China to the Global market and increased its revenue growth