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貿易學碩士 學位論文

Globalization Strategy of Emerging
Chinese MNCs
- A Case Study of Haier Group

신흥 중국 다국적 기업의 글로벌 전략
- 하이얼 사례 연구



指導教授 兪日善

2012 년 7 월
韓國海洋大學校 大學院
貿易學科
王娟娟

本 論文을 王娟娟의 貿易學碩士
學位論文으로 認准함.

委員長 羅 昊 洙 (인)

委 員 鄭 鴻 悅 (인)

委 員 兪 日 善 (인)



韓國海洋大學校 大學院
貿易學科

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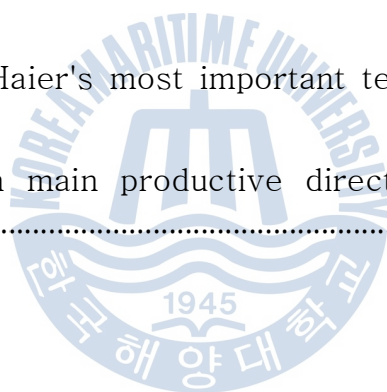


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Abstract

In recent years, the rise of emerging market multinational corporations (MNCs) has captured much attention in the field of international business. After China entering into the World Trade Organization (WTO), Chinese multinational corporations (MNCs) are trying to build their globalization strategies to meet the challenges.

This paper is summarized as follows. The first chapter gives an overview of the paper including the purpose and the methodology used in the paper. This paper aims at analyzing the globalization strategies taken by emerging Chinese multinational corporations (MNCs), especially the global branding strategy. Haier Group, China's largest home appliance brand and one of the world's leading white goods home appliance manufacturers, is taken as the case study.

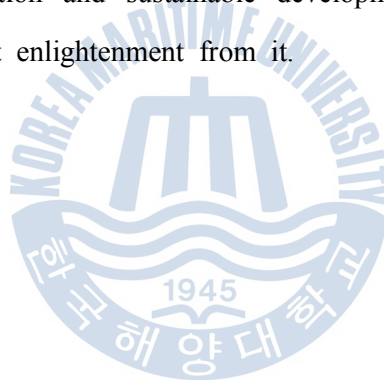
The second chapter firstly shows the rise of Chinese multinational corporations (MNCs) in the world marketplace. Taking the chance of entering the World Trade Organization (WTO), more and more Chinese multinational corporations (MNCs) are making their way on the world stage. Then the motive and development models of globalization strategy for Chinese multinational corporations (MNCs) are analyzed. New market, raw material and advanced technology are the main motive of globalization for Chinese multinational corporations (MNCs). The original equipment manufacturer (OEM)/ joint venture (JV), acquisition and green-field investment are the main globalization routes taken by Chinese firms.

The third chapter analyzing the globalization strategy of Haier Group is the main part of this paper. In this part, Haier's four strategic phases basing on analyzing its development situation and the changes of market is shown in the first. Then the internal and external forces driving Haier Group puts its globalization strategy into operation are shown. At last we can see the core international marketing strategies of Haier Group including its brand management, global Research and Development (R&D) and foreign investment overseas. Haier, Casarte and Leader are the three big brand of Haier Group, which expand its brand influence and spread its brand belief and value all over the

world. To take its global Research and Development (R&D) into practice, Haier Group builds up a global technical cooperation network including wholly independent labs, Research and Development(R&D) unit and cooperative Research and Development(R&D) with universities and research institutes. Establishing joint venture (JV) and merger & acquisition (M&A) overseas is the representative way of Haier Group's foreign investment.

In the forth chapter, through analyzing the strength , weakness, opportunity and threats (SWOT) of Haier Group, what the tendency of Haier's globalization strategy will be is discussed.

The last part is the conclusion of this paper. Globalization phase will be full of challenges for Chinese multinational corporations (MNCs). Haier's globalization strategy has achieved global recognition and sustainable development. Chinese firms having a willing to go abroad will get enlightenment from it.



<國文抄錄>

王娟娟

韓國海洋大學校 大學院

貿易學科

최근 세계경제에서 국제기업들의 활동이 활발히 이루어지고 있다. 중국이 WTO에 가입 후 중국의 국제기업은 이런 도전에 직면해서 세계화전략을 추진하고 있다.

이런 배경 하에서 이 논문은 다음과 같이 정리된다. 제1장은 중국 국제기업의 세계화전략 분석하는데 필요한 목적과 방법론을 포함하여 논문을 전체적으로 살펴본다. 국제기업의 세계화전략을 분석하기 위해, 중국의 대표적인 국제기업인 하이얼 주식회사-중국의 대표적인 가전업체이며 세계시장에서도 저가전략으로 일정 시장점유율을 점하고 있는 기업-를 선정하여 이 회사의 세계화전략에 사례분석 한다.

제2장에서는 세계시장에서 중국 국제기업의 활동 현황에 대해서 살펴본다. 또한 중국 국제기업의 세계화 전략의 동기와 발전모형에 대해 분석한다. 신시장개척, 원자재획득과 첨단기술흡수가 중국 국제기업 세계화전략의 중요한 동기였다. 주문자생산, 합작투자와 M&A가 중국 국제기업이 선택한 주요 전략이다.

제3장은 하이얼그룹의 4가지 세계화전략을 소개한다. 첫째 브랜드전략이다. 처음에서 하이얼 그룹이 생산한 제품의 브랜드 영향력을 확대한다. 세계시장에서 브랜드가 어느 정도 인지되었다고 판단되면 다음 단계인 연구개발단계로 전환한다. 연구개발단계에서는 독립된 R&D센터를 설립하는 문제와 독립 R&D간의 네트워크를 형성하는 것이다. 이런 네트워크는 대학교 연구센터와 다른 국가 연구센터도 포함된다. 다음 단계는 합자투자로 나아간다. 이것이 어느 정도 성숙되면 M&A를 실현하면서 세계로 투자를 확대한다.

제4장에서 하이얼 기업의 SWOT분석을 통해서 앞으로 하이얼 세계화전략에서 대해서 논의된다. 이런 단계를 통해서 하이얼 기업은 세계시장에서 인지도를 높였고 지속적인 발전을 거듭하고 있다.

Chapter 1: Introduction

1.1 The background and purpose

1.1.1 The background

Multinational corporations (MNCs) are one of the most visible facets of contemporary globalization. As corporations grow larger and international competitiveness strengthens, central government of China puts forward "going out" strategy in later 20th century, which makes Chinese economy transfers from attracting foreign investments to balancing foreign capital absorption and overseas foreign investments. Along with their increasing involvement in global competition, Chinese multinational corporations (MNCs) have begun to set up globalization strategy for its expansion in the world.

1.1.2 The purpose

In this paper the thesis aims at investigating and observing how spotlighted Chinese multinational corporations (MNCs) are promoting their globalization strategies, what their motive is, and what limitations their globalization strategies have.

1.2 Methodology

The main methodology applied in this paper is the case study. Globalization strategy implemented by Haier company is taken as the case study of this paper. By investigating the strategy of Haier, we can see the motive, features and limitations of most Chinese multinational corporations' (MNCs) globalization strategy.

Chapter 2: Development of Chinese MNCs

These years the emergence of a "second wave" which has been developing country multinational corporations (MNCs) in a variety of industries becomes one of the characterizing features of globalization. Chinese multinational corporations (MNCs) in the global marketplace are fast emerging as an issue of equal importance.

2.1 The rise of Chinese MNCs in the global marketplace.

(1) Background

The reform and open policy since 1978 plays a vital role in boosting the use of foreign capital, improving technical level and promoting economic development. China has worked hard to attract foreign investment in Research and Development (R&D) to enhance the technology capabilities of Chinese companies.

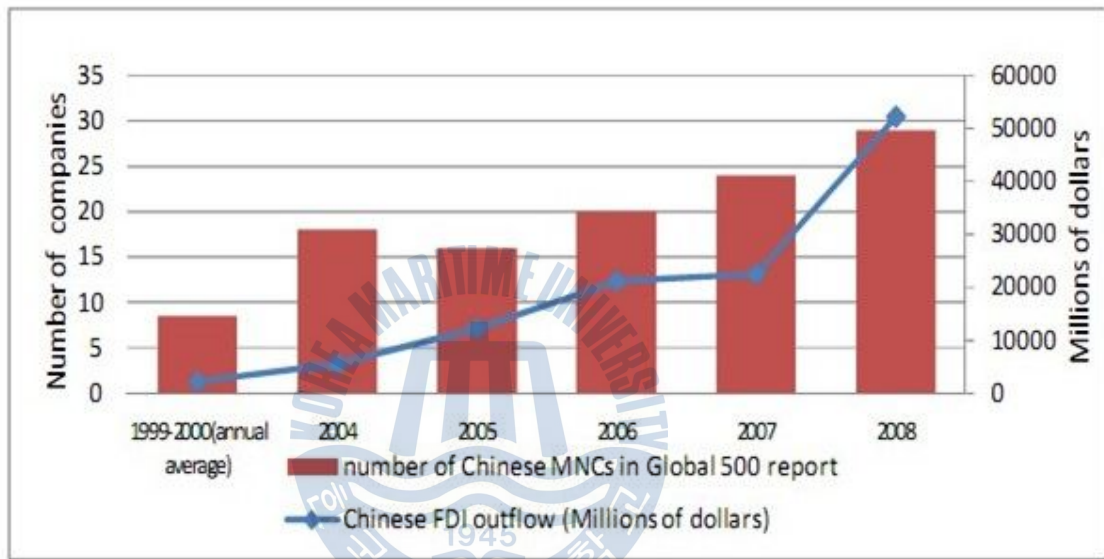
On the other hand, Chinese government enforced the "going out" strategy since 1999. The main purpose of "going out" strategy is to encourage and help various relatively competitive enterprises to carry out international economic activities including international economic cooperation, boost exports of products and services through overseas investments, foreign project contracts and cooperation on labor service, and push overall national economy to a new level and establishing a series of transnational enterprises and famous brands by making full use of both domestic and foreign markets and resources. Along with their increasing involvement in global competition Chinese multinational corporations (MNCs) have also begun to expand overseas, especially since the mid-1990s. Globalization of Chinese economy owes much to the "going out" strategy. Therefore, the "going out" strategy is one of the international optimizations of capital, technology, management, raw materials, markets, human resources and requirements of enterprises when developed to a certain stage.

Taking the chance of entering World Trade Organization (WTO) at the beginning

of 21st century, and under the boost of "going out" strategy, China is having more emerging multinational corporations (MNCs) overseas.

(2) Emerging Chinese MNCs

Figure 1: Chinese FDI outflows and the number of Chinese MNCs in top 500 global companies.



Source: Our elaboration of UNCTAD, WIR 2008 (<http://www.unctad.org>) and Global 500 reports (<http://money.cnn.com/magazines/fortune/global500>).

As of 2005, the National People's Congress of China reported more than 30,000 Chinese corporations involved with multinational operations from multiple industries. Of the world's 500 largest multinational corporations (MNCs), 32 were from emerging economies in 2001 and 16 of these were multinational corporations (MNCs) from China.

Chinese corporations such as Haier, Lenovo, Shanghai Automotive Industry Corporation, and now Chinese National Offshore Oil Corporation (CNOOC) have captured much attention recently for what appears to be an unprecedented rapid surge into world markets. Now it is widely predicted that a growing number of such corporations will become household names before long. There are a number of other Chinese corporations making their way on the world stage, including Kelon (fridges),

Galanx (microwaves), Guangdong Donlim (kettles), GD Midea Holding (rice cookers), TCL (TVs and DVDs) and Hisense (TVs).

Table 1 : UNCTAD¹⁾'s List of 12 Largest Transnational Corporation from China, 2002.

| Rank | Corporation | Assets (US \$ million) | | Sales (US\$ million) | | Employment(No.) | |
|------|--|------------------------|---------------|----------------------|---------------|-----------------|---------------|
| | | Foreign Total | Foreign Total | Foreign Total | Foreign Total | Foreign Total | Foreign Total |
| 1 | China Ocean Shipping Company (COSCO) | 9382 | 16926 | 2149 | 6757 | 4124 | 74669 |
| 2 | China National Offshore Oil Corporation(CNOOC) | 4814 | 8635 | 976 | 3669 | 13 | 24406 |
| 3 | China State Construction Engineering Corporation | 3739 | 8099 | 1818 | 5790 | 6833 | 236464 |
| 4 | China National Cereal, Oils and Foodstuff Import &Export Corporation (COFOC) | 3707 | 5014 | 6446 | 13004 | 359 | 25000 |

1) The United Nations Conference on Trade and Development (UNCTAD) was established in 1964 as a permanent intergovernmental body. It is the principal organ of the United Nations General Assembly dealing with trade, investment and development issues.

| | | | | | | | |
|----|--|------|-------|------|-------|------|---------|
| | | | | | | | |
| 5 | China National Petroleum Corporation (CNPC) | 3350 | 83254 | 1600 | 41089 | 4400 | 1167129 |
| 6 | China National Chemicals Import & Export Corporation (Sino-chem) | 2788 | 4928 | 9148 | 16011 | 350 | 7950 |
| 7 | Shougang Group | 969 | 6678 | 467 | 4401 | 2086 | 179997 |
| 8 | China National Metals and Minerals Import & Export Corporation | 729 | 2797 | 998 | 4277 | 570 | 7145 |
| 9 | China Harbour Engineering Company | 520 | 3271 | 6579 | 17826 | 812 | 70160 |
| 10 | Shanghai Baosteel Group Corporation | 383 | 19389 | 1211 | 8643 | 50 | 113896 |
| 11 | Haier Group Corporation | 328 | 3188 | 976 | 7260 | 803 | 31281 |
| 12 | Zhongxing Telecom | 17 | 1205 | 206 | 1685 | 120 | 12961 |

| | | | | | | | |
|--|----------------------------------|--|--|--|--|--|--|
| | communications (ZTE Corporation) | | | | | | |
|--|----------------------------------|--|--|--|--|--|--|

Source: <http://www.unctad.org/statistics>.

On the other hand, in the mid-1990s China was already the largest outward investor among developing countries and the eighth largest foreign direct investment (FDI) outflow country in the world.

According to the recent data from Chinese Ministry of Commerce, Chinese companies are doing aggressive business by the support of the government, reaching 8 billion dollars of investment in foreign company acquisition & collaboration and overseas branch foundation for the recent 5 years.

2.2 Motive of globalization for Chinese MNCs.

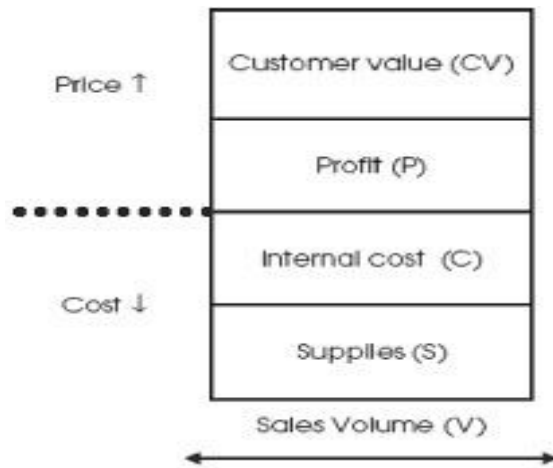
(1) What can be created by globalization ?

Globalization is the inexorable integration of markets, transportation systems, and communication systems to a degree which is never witnessed before – in a way that is enabling multinational corporations (MNCs) to reach around the world farther, faster, deeper, and cheaper than ever before.

Globalization enables the procurement of low-cost, high-quality raw materials, and helps multinational corporations (MNCs) to realize scale effects in negotiations with suppliers. Globalization is the combination of market-seeking and outsourcing.

- Expands target markets where companies sell products and services.
- Expands the possible countries where companies produce and source the factors of production for their enterprises. Globalization means finding the best places to locate manufacturing, operations, marketing and services.

Figure 2: Value Creation through Globalization



Source: " China and multinational corporations (MNCs) and globalization", *Wanfang Data*, 2008.

(2) Globalization for Chinese MNCs

The transformations in the world marketplace have been made extensively and, in many cases, rapidly. Local industries which has been operating in protected national economies are challenged by integrated global markets contested by global players. National borders are becoming increasingly irrelevant as liberalization and privatization take place. This has then led to such phenomena as the growing scale and mobility of the world's capital markets and many companies' ability to leverage knowledge and talent across borders.²⁾

In order to adapt to the trend of integrated global economy, Chinese firms begin to go abroad.

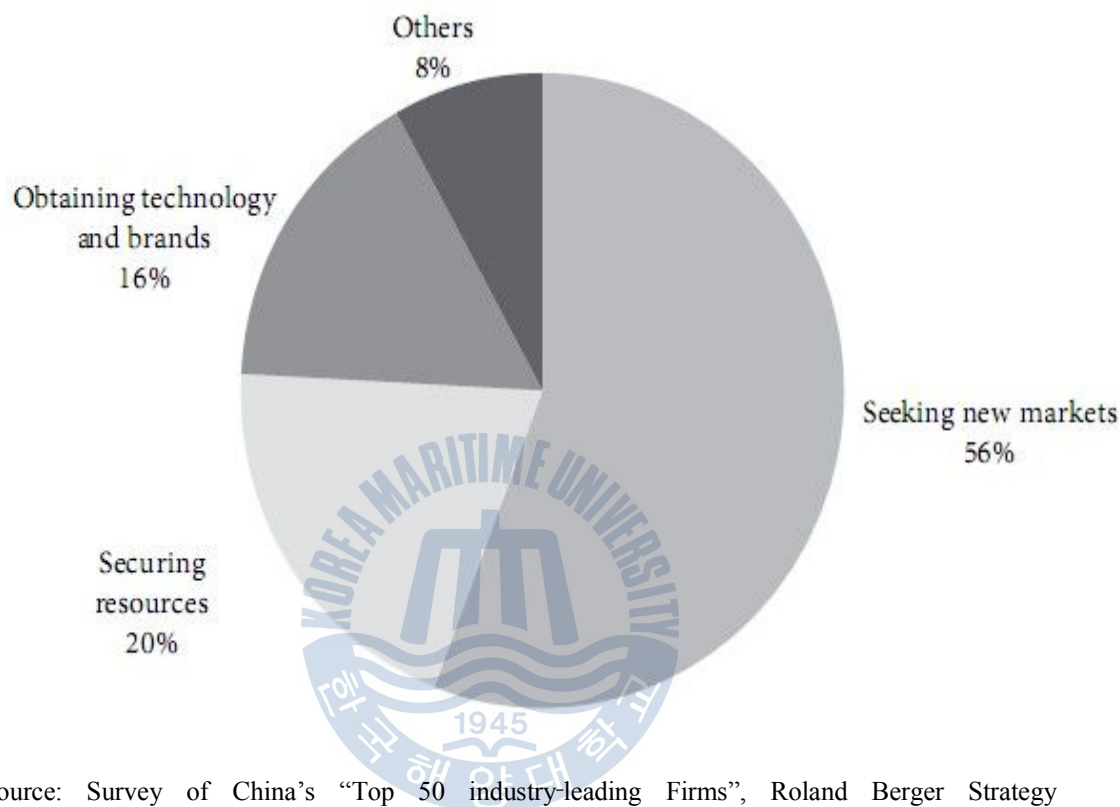
Through Figure 3 we can summary the motives of globalization of Chinese multinational corporations (MNCs) as follows:

(1) To establish local sales and distribution networks in host countries, particular in industries with excess production capacity and diminishing domestic demand at home.

²⁾ Kearney 2000,3; Fraser & Oppenheim 1997, 168-179.

(2) To support exports and open up new markets. A company can go abroad for a larger market in hopes of increased sales.

Figure 3: Motivations of globalization of Chinese firms



Source: Survey of China's "Top 50 industry-leading Firms", Roland Berger Strategy Consultants, 2003.

(3) To secure access to raw materials and natural resources.

(4) To acquire advanced technology, cutting-edge manufacturing know-how, or global brands.

For some Chinese MNCs such as Lenovo, Haier, and TCL, one of their key motives in globalization is to expand markets abroad and to establish sales channels, service system and brand awareness.

2.3 Modes of globalization of Chinese MNCs.

A multinational corporation (MNC) does not mature over night. Chinese firms

follow a general pattern where they change their role and become more active players in international business. During the entire 1990s and after entering the new century, especially from 2003, Chinese multinational corporations (MNCs) adjust their operations to facilitate their internationalization and participate in global competition

As a latecomer in the global knowledge economy, China can obtain the critical resources and capabilities to move from the position of late-follower to the position of rapid-follower or even leader through different globalization routes.

The following describes three globalization routes taken by Chinese companies:

(1) the original equipment manufacturer/ joint ventures (OEM/JVs) route: many mainland Chinese companies choose to cooperate with foreign multinational corporations (MNCs) through joint ventures (JVs), original equipment manufacturer (OEM) or technology licensing. They gradually get the technologies or capabilities they need and move up the value chain.

(2) the acquisition route: acquisition can not only facilitate the process to secure raw material/natural resource supplies, but also accelerate the process to "gain access to technology". to "secure research and development skills", and to "acquire international brands", Overseas mergers and acquisitions offer the fastest path for such companies to establish their sales and marketing presence in the key US and European markets.

(3) the green-field investment : an international expansion which aims not only at technology exploitation to satisfy the needs of the local market and gain global brand recognition, but also at better managerial control and global integration.

Table 2 : Various Chinese MNCs growth modes

(1) Category one: Having existing advantage, then go abroad.

| | |
|--|--|
| (1)Technology dominating type | Huawei, Jincheng |
| (2)Scale of economy \low cost type | Haier, Hisense, BOE (jing dong fang), Holley, Wanxiang |
| (3)Scope of economy\ diversified business group type | CWGC, Haier |

(2)Category Two: First go abroad, then acquiring advantage.

| | |
|---|--|
| (1)Technology resource-seeking | TCL, Lenovo, Shanghai Electronic, Wanxiang |
| (2)Sales-seeking\market resource-seeking type | TCL, Lenovo |
| (3)Natural resource-seeking type | CNPC, CNOOC, Shougang, Baosteel, CNMC |

Source: "Understanding the growth models of Chinese multinational corporations", Yuping Du, Rongping Kang, Yinbin Ke,2009.

Chapter 3 : Globalization strategy of Haier

In 1997, an article entitled "Information, Trends and Challenges" (1995-1996) was published in the Appliance Magazine , placing Haier on the top of the list of the world's most respected companies. In 1998, Haier ranked 7th among the most respected company in the Asia-Pacific Rim by the Financial Time. In 2000, Haier, as the only company from the Asia-Pacific Rim, was listed among the most respected companies by the American Kearney Consultation and Fortune USA. In 2001, Haier was placed the ninth in the list of outstanding global household appliance manufacturers published in the Appliance Manufacturers 2/2001.

Haier's achievements have been obtained from the company's advantages in the international competition, and from the strategy of systematic business management, operational network and especially globalized production and promotion.

3.1 Haier's strategic phases .

As the typical case of the globalization of Chinese multinational corporations (MNCs), Haier developed out its special expansion methods based on market power and brand power constructed in the Chinese market.

Globalization is an evolutionary process , so companies have to learn to be patient. This gradual process will enable them to accumulate experience and reduce the level of risk inherent in entering unfamiliar markets.

Chinese companies should heed such advice and deepen their involvement in the globalization process by accumulating experience and know-how through experimentation and learning. The approach adopted by Haier Group provides a good reference in this regard.

Creative globalization strategy of Haier, covering the five areas of concept, strategy, organization, technology and marketing, will surely lead the company to success in the competition.

Haier also changes its developing strategy as the changes appearing in the market and customers.

Figure 4: shows us Haier's four strategy phases basing on analyzing its development situation and the changes of market.



Source: "The internationalization steps of Haier Group", Research in Economics and Business,2004.

(1) The phase of Brand building strategy (1984-1991): Always aiming at the top position.

In the 1980s, the beginning of reform and opening-up, many enterprises, including Haier, introduced advanced foreign technology and equipment in refrigerators. At that time, demand exceeded supply in the home appliance market, and many enterprises sought economies of scale, focusing on output while neglecting quality. Haier did not

seek high output blindly. Instead, it was very strict with the quality of its products, and implemented comprehensive quality management. It valued the concept of "Always aiming at the top position". When supply exceeded demand in the home appliance market, Haier won competitive advantage through superior quality. In this phase, Haier devoted itself to the manufacturing of refrigerators and developed a set of implantable models in management, technique, talent, capital and corporate culture.

(2) The phase of Diversification strategy (1991-1998): culture activated "shocked fish"³⁾.

In the 1990s, the state encourages mergers and acquisitions. After merging and restructuring, some enterprises could not develop, or considered specialization rather than diversification. The creation of Haier was the merging of eighteen domestic enterprises with the thought of "Haier culture activated shocked fish", and Haier entered into an era of vast development space in diversified business and expansion. At that time, there was fierce competition in the home appliance market and quality had become a basic requirement for consumers. Haier took the lead to provide the star service system. While home appliance manufacturers focused on price wars, Haier won competitive advantage through superior quality. In this phase, Haier began to implement the Overall Every Control and Clear (OEC)⁴⁾ management approach, i.e, everyone shall conduct overall control of and clear every thing that needs to be done every day, with the aim to "accomplish what's planned each day; evaluate and improve what's accomplished each day". This management approach also became the cornerstone of Haier's innovation.

3) A "shocked fish" is a company with good tangible assets but which has been managed poorly and faces bankruptcy. During Haier's diversification development phase, company management proposed the concept of "Activate Shocked Fish".

4) The OEC model implies that everything should be controlled and cleared within the specific time frame that was set. Today's tasks must be finished today and the problems showing up during the work process must be dealt with immediately and improved at once, after finding out the reasons and responsibility.

(3) The phase of Internationalization strategy (1998-2005): Go abroad and export to create a famous brand.

In the late 1990s, with China's entry into WTO, many enterprises went abroad at the call of the state. But they found it was difficult to develop overseas, so they returned while continuing with licensing agreements. Haier thought that going abroad did not just mean earning foreign exchange. Instead, enterprises should create China's own brands. Therefore, Haier proposed the "three steps strategy" of "Get in, Move into mainstream, Leadership". Haier put forward the thought of "difficult first, easy later" and created a famous brand in developed countries. After the brand was established, Haier entered the markets of developing countries, and created the localization mode of "three in one", i.e, combining design, manufacturing and sales into one. In this phase, Haier implemented "Market Chain" management. Such a management system was based on computer information systems and centered on order information flow to improve the logistics and capital flow and to rebuild the business process. This innovation management system facilitated information flow within the enterprise, and encouraged employees to align their value orientation with the needs of users.

(4) The phase of Global brand strategy: Consolidating global resources and creating a global brand.

The Internet era brings segmentation of the market, and the mode of traditional enterprises featuring "production-storing-selling" can no longer satisfy the tailored needs of users. The enterprises must shift from the enterprise-centric sale of products to the user-centric sale of services. That is, they should shift to the "demand manufacturing and delivery" mode. The Internet also brings integration of the global economy, and the relationship between internationalization and globalization is one of logical improvement. Internationalization means creating international brands with the own resources of the enterprises, while globalization means making use of global resources to create localized mainstream brands. They are quite different. Therefore, Haier consolidates the global resources in Research and Development (R&D), manufacturing, and marketing to create a global brand. In this phase, the business mode created by Haier to develop consumers

in the Internet era is a "Win-win Mode of Individual Goal Combination".

3.2 Motive of Haier's globalization strategy.

Globalization reflects a business orientation based on the belief that the world is becoming more homogeneous and that distinctions between national markets are not only fading but, for some products, will eventually disappear. As a result, companies need to globalize their international strategy by formulating it across market to take advantage of underlying market, cost, environment and competitive factors.

There were many factors leading to the globalization of Haier's business, including internal and external driving forces.

(1) Internal Driving Forces

It is Zhang Ruimin who has led the company, from near bankruptcy, to stand up and grow from strength to strength. He has firmly established his leadership within the company. Therefore, his aspiration to compete globally and become one of the Global 500 has played a vital role in Haier's active pursuit of globalization

As it became increasingly successful in China, Haier set its ultimate objective as joining Global 500. To achieve this, in 1998, two consulting companies, including the BCG, were commissioned to carry out a project on Haier's strategy for entering Global 500. One of the major conclusions was that trans-regional transactions of white home appliances had decreased and would continue to decrease. The main reason was that too high a shipping cost would make the price of home appliances uncompetitive because of their bulky sizes. Thus, exporting its products from China would not help Haier achieve its objective. Having a regional manufacturing presence was a necessity for Haier to become a major international competitor.

Why should Haier move to the USA while seemingly it has neither technological nor cost advantage? It appears that it has gained location advantage by setting up plants overseas to avoid tariffs and reduce transportation cost. Internalization advantage has

been attained through controlling services and marketing/distribution, and ownership advantage has been achieved by developing design and Research and Development (R&D) capabilities through utilizing high quality local human resources.

(2) External Driving Forces

A number of external factors have had a major influence on Haier's internationalization activity. The saturation of Chinese home appliances markets, with intensifying competition, has been a major impetus. After the mid 90s, price wars broke out one after another in various home appliance markets. At the end of 2000, Haier's market shares of refrigerators, freezers, air conditioners, and washing machines had reached 33, 42, 31 and 31 per cent, respectively. The potential for further development in the domestic market was therefore limited. However, its excellent performance in China allowed it to expand overseas. The entry of global home appliance manufacturers into the Chinese market forced Haier to seek international expansion. In particular, since China joined the World Trade Organization (WTO), almost all the international competitors have invested in China, establishing wholly-owned companies. The best defensive strategy for Haier would be to have a presence in its competitors' home markets.

Haier's initiative in globalization is encouraged and supported by the Chinese government. Being an international player gained Haier some special conditions that other Chinese companies could not obtain. For instance, Haier had already been approved to establish a financial company, to be the majority shareholder of a regional commercial bank, and to form a joint venture with an American insurance company. Without its active pursuit of internationalization as well as a dominant position in home appliance sectors, it would normally be impossible for a manufacturer to get approval to enter the financial sector.

Haier's key motives in globalization is to expand markets abroad and to establish sales channels, service system and brand awareness.

3.3 International marketing of Haier

Haier carries out its globalization strategy according to a "three one-third" principle that is one-third of its products are produced and sold in its own country, one-third of the products are produced in its own country and sold overseas, and one-third of the products are produced and sold overseas.

3.3.1 Brand management

(1)The importance of brand effecton

The brand as the major enduring asset of a company, outlasting the company's specific products and facilities. Scope of Haier is technology research, product development and manufacturing, trade and financial services. The key products are refrigerators, commercial air-conditioners, microwave ovens, washing machines, dishwashers, televisions, mobile phones and computers, etc.

Though "Chinese price" is known to all and terrifies Western companies, global Chinese brands are unknown and certainly not feared. Nobel Prize laureate John Nash was quoted as saying : "We know Chinese products, but no Chinese brands." Building a global brand will be the key mission of Chinese firms pursuing globalization.

Samsung stands out as an excellent example of an effective branding strategy. It made its presence known in the Interbrand Best Global Brands in 1999, ranking ninety-sixty. After the Asian financial crisis, CEO Lee Kun-Hee asked the company to "promote the core strengths- the intangible asset and brand value- the source of competitiveness to the world standard" and regard the brand as "key driver of business growth."

High brand equity provides a company with many competitive advantages. A powerful brand enjoys a high level of consumer brand awareness and loyalty. Brand image is at the core of business identity and strategy.

(2) The definition of global brand.

Global brand is defined as the worldwide use of a name, term, sign, symbol, design or combination thereof intended to identify goods or services of one seller and to differentiate them from those of competitors.

(3) Haier's global branding strategy

Haier tries to expand its brand influence and spread its brand belief and value based on benefits level. On the benefit and value level, Haier tries to make it as a life leader that leads the fashion life trends and make consumers benefit from its high quality products, good service, good-looking and convenient function. Haier , Casarte⁵⁾ and Leader⁶⁾ are the three big brand of Haier Group.

(1) Haier

Practical Innovation

Creative, lateral thinkers, smart, advanced, helpful. Innovating with our customers' needs firmly in mind, ensuring that their creativity is channeled toward practical and actionable output. Smart, lateral thinking, looking at customers problems from all angles, developing solutions that are unexpected but elegant. Constantly seeking to advance the real life quality of our customers.

Sustainability

Responsible, Caring, Forward Thinking, Purposeful, Committed, Leadership Being forward-thinking and purposeful, making responsible caring, decisions which take into account society as a whole. Examining our actions in light of how they will affect the sustainability of our world's resources.

5) Casarte ,founded in 2002, is the luxury standard brand of Haier Group. Casarte is a premium brand fashioned after Italian elegance, and its core product lines include consumer electric appliances and integrated kitchenware.

6) Leader ,founded in 1998, is a customized appliance brand under Haier Group. Its appliances are targeted at young consumers and those who intend for a simple lifestyle.

Consumer First

Insightful, Responsive, Sincere, Empathetic, Approachable, Putting our consumer first, realizing that he or she is, when all is said and done, our reason for existence. Listening to the consumer attentively and with sincere respect. Trying to put ourselves in the consumer's shoes, understand their issues at a visceral level, so that we can be of the most help.

Holistic Solutions

Complete, Integrated, Expertise, Customization, "360°" thinking. Looking at the world as an interconnected whole where value increasingly comes from integrated solutions, rather than individual products or services. The principle of "360°" thinking, understanding the consumer drivers, decisions and uses of products and services through their entire life-cycle, rather than just at the point-of-sale.

With its established philosophy of entrepreneurial spirit, Haier is not confined by the existing boundaries of home appliance. Rather, Haier relentlessly strives for innovations and changes, hoping to lead the future life styles and improve environment performance with all-new concepts, technologies, products and services in their unique way. Actively taking social responsibilities, Haier is committed to "Green Concept" throughout the whole value chain from concept, manufacturing, servicing to logistics and recycling, and involves consumers, partners and even industries in environmental protection.

(2) Casarte

Living up to the brand slogan "Refined Living", the design principle for Casarte is to draw inspiration from exquisite living to create everlasting artistic quality.

Every piece of Casarte consumer appliance characterizes artistic living and is dedicated to creating an exquisite life for the urban elite. The "Creative Appliance for Stylish Life" positioning of Casarte interprets what the brand stands for – "Create a Stylish life with elite who cherishes a love for life with human-oriented artistic appliance and integrated kitchen appliance on the basis of Italian heritage and global design & manufacturing resources."

With a name derived from Italian, Casarte focuses on home, the eternal theme. For

Casarte, art is a tradition. Constant quest for the essences of life and home art constitutes the cornerstones of Casarte.

(3) Leader

The Leader brand is a brand for electric appliances of Haier Group. The technical excellency of the Haier products, advantages in the three networks provided by the Ri Ri Shun distribution channel, a simple business model, and unique design functions all these make Leader a new brand that better meets consumer demands!

First, as an electric appliance brand of Haier Group, Leader is the sub-brand launched by Haier with the highest cost performance.

Second, the Leader brand advocates pragmatism for appliance products and a practical and real lifestyle. Leader positions its products in the appliance market with practical design and functions, sound quality and service as well as high cost performances. As a result, the Leader brand may meet demands from most users.

Third, more than 2 million users have chosen Haier's Leader refrigerators since the series was launched in 1998, and the products have achieved a relatively high reputation among users across China. Now, Haier Group plans to promote the Leader appliances as its third brand and plans to extend it to a full range of products, including washers, freezers, air conditioners and color TV sets.

Fourth, Haier chose Mr. Tang Guoqiang, a famous actor in China, to act as the image spokesperson for the Leader brand, in a bid to establish an practicability-valued and reliable image among common people. In addition, Haier has staged a series of brand-promoting events with CCTV.

As a brand for household appliances of Haier Group, the Leader brand provides tailor-made household appliances in the Internet age. Consumers are designers for Leader products, the ones manufactured completely based on consumers' demands. Excellent quality is the key for the full range of the Leader household appliances to occupy the market. The Leader refrigerator was initially launched as early as in 1998. Then excellent quality and functional design satisfying consumer demands made it a star in the refrigerator market. Till today, a total of more than 2 million consumers have become its loyal users. Fueled by its sound reputation among consumers, Haier

initiated the Leader brand and expanded it from refrigerators to washers, freezers, air conditioners and color TV sets, covering a full range of appliances, so as to meet consumers' demands to the greatest extent.

3.3.2 Global R&D

Research and Development (R&D) is a process comprising creative work undertaken on a systematic basis in order to increase the stock of knowledge of man, culture and society and the use of this stock of knowledge to devise new applications. The term Research and Development (R&D) covers three activities: basic research, applied research and experimental development. The objective of Research and Development (R&D) is to develop the technical knowledge, skills and technologies that will go into forming the company's own stock of knowledge (its future core competencies) and to exploit the available stock of knowledge and technologies as well as the innovation process in order to develop new products.

(1) What is global R&D?

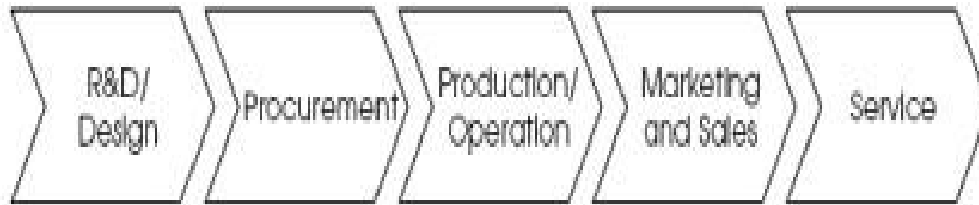
Global Research and Development (R&D) is seen as a process of distributing Research and Development (R&D) labs in different countries in order to leverage the technical resources of each facility or country to further the company's overall technological capabilities and increase its global operating profits.

An global Research and Development (R&D) structure should be designed of fulfill three main tasks: constituent technology development, product development, and technical support to other functions.

(2) Motive of global R&D.

① The importance of global R&D.

Figure 5: Value Chain of Business Operation Activities.



Source: "The core competence of the corporation", Harvard Business Review,1990.

Through Figure 5 we can see Research and Development (R&D) and product design are the core department of business operation activities.

Increasingly, multinational corporations face simultaneous pressures for global integration and local responsiveness. Both management theorists and managers believe that to respond to this challenge, the international company should be managed as a coordinated network. This insists on the relevance of an international innovation network and global management of technology.

The recent growth of international competition and the globalization of scientific and technological operations have forced companies to disperse their Research and Development (R&D) operations in different countries and to design, put in place and manage an Research and Development (R&D) infrastructure globally, so as to improve their capacity for technological innovation. Companies that adopt the purely global model generally concentrate their operations in one or more countries. Through global Research and Development (R&D) corporations can speed up the company's learning process through more rapid and effective communication and, on the other hand, reduce the costs of development and achieve economies of scale

The growing specialization of knowledge, skills and technical capabilities required for managing technology-based innovation is leading to an international division of labor in the production of knowledge.

② The possibility of global R&D.

In a decentralized and more open multinational corporations (MNCs) structure, the

organization has plenty of opportunities to learn and change through interaction with a variety of networks. This is increasingly seen as one of the main motives to decentralize global Research and Development (R&D).

③ The necessity of global R&D

In order to keep competitive advantages, companies have to build global Research and Development (R&D) network for both new knowledge accessing and product commercialization.

As latecomers, Chinese companies have technological disadvantage when they step into global competition even though they've already cultivated a certain degree of competitive advantage in the domestic market. The current contribution of Haier to global marketplace especially the Western market is still that of providing low-cost imitations. In order to offset technological weakness at the early stage of globalization, global Research and Development (R&D) strategy has become the best choice.

(3) Development of Haier's R&D strategy.

Haier spends around 6% of its sales amount in Research and Development (R&D) - the portion is significantly large for a Chinese corporation. Correlation between Research and Development (R&D), production and marketing is one of the most important elements of Haier's operation.

Haier's Research and Development (R&D) is an integration of a horizontal system and a vertical system. The horizontal system includes Basic Research Department, Research and Development (R&D) Center, Technology Center and Engineering Center, which are correlative with each other by sharing information, ideas, knowledge, etc.

The vertical system is an Research and Development (R&D) system that provides core technology and technological standards applicable to all Haier products. Haier's financial operation is more Research and Development (R&D) oriented than that of any other company.

Research and Development (R&D) organization at Haier has evolved through three major changes in the past two decades.

In the first stage of its evolution, there was merely one single technology department dealing with one single model of refrigerator, which was also the only product sold by the company at the time.

The second stage of the Research and Development (R&D) organization started when microwave and washing machine were added to Haier's production line, and the technological department was divided into three sections.

As the company's business became global with larger production capacity , the Research and Development (R&D) organization was in its third stage with the technology department growing complex with intellectual property right (IPR) and other technology sections.

Table 3: Haier's investment in R&D

| | 1997 | 1998 | 1999 | 2000 |
|--|------|------|------|------|
| Investments in Research and Development (Million RMB Yuan) | 480 | 780 | 1030 | 1949 |
| Percentage of Sales (%) | 4 | 4.6 | 4.8 | 4.8 |

Source: "Haier's success", Market modernization, Cheng Baofu,2009.

In accordance of its Research and Development (R&D) strategy, Haier produces goods of the current generation while developing and researching those of the next generation and conceiving those of a generation further ahead.

(4) Global R&D system of Haier

In a globalized economy, the companies' knowledge creation processes have become increasingly global. International Research and Development (R&D) has risen from "a by-product of business internationalization to a quite important and far-reaching phenomenon". Technological innovation and Research and Development (R&D) are becoming one of the main driving forces of the international operations of multinational corporations. multinational corporations (MNCs), as "producer of technical knowledge", change their centralized Research and Development (R&D) layout and shift to decentralized but integrated knowledge networks through technology-related foreign direct investment. Such an Research and Development (R&D) expansion of multinational corporations (MNCs) is no longer restricted to developed countries but has spread to emerging and developing countries since the mid-1980s. As an important international strategy to maintain and build competitive advantages, technical innovation is adopted by more and more multinational corporations (MNCs) from emerging and developing countries although the phenomenon is newly emerged.

A company's global R&D infrastructure is made up by three networks: development of constituent technologies, product development and technical support.

Haier has built up its external technical co-operation network. Haier incorporates technology and designs from external sources. With these patent rights Haier has become one of the most competitive and prosperous corporations in China and in the world.

Establishing research and design centers both domestically and internationally. To date 15 have been set up, with six of them in developed countries: USA, Canada, Japan, France, and The Netherlands. The main responsibility of these foreign centers is to help the head office develop home appliances that meet the needs and wants of local consumers

(1) Wholly independent R&D labs

The Haier Central Research Institute was established on December 26, 1993 and located in the Haier Industrial Zone, Qingdao High-tech Industrial Park.

The Haier Central Research Institute is devoted to the independent Research and Development (R&D) and the mission to provide the core technology support to the Haier Group for its creation of global famous brands. Its main duty is tracking, analyzing, researching and developing technologies 5-10 years ahead of time and closely related with the development of the Haier Group and simultaneously promoting the industrialization of these technologies into the work so as to form new high-tech industries.

The Haier Central Research Institute is a key technical institution of the Haier Group and is a comprehensive base of the Haier Group established through technical cooperation.

The Central Research Institute is focused at present on the independent Research and Development (R&D) and innovation of the technologies in following field:

Refrigeration technology, network appliances technology, control technology, integrated circuits, environmental protection, energy-saving technologies, smart home integrated technology, new materials, industrial design, etc.

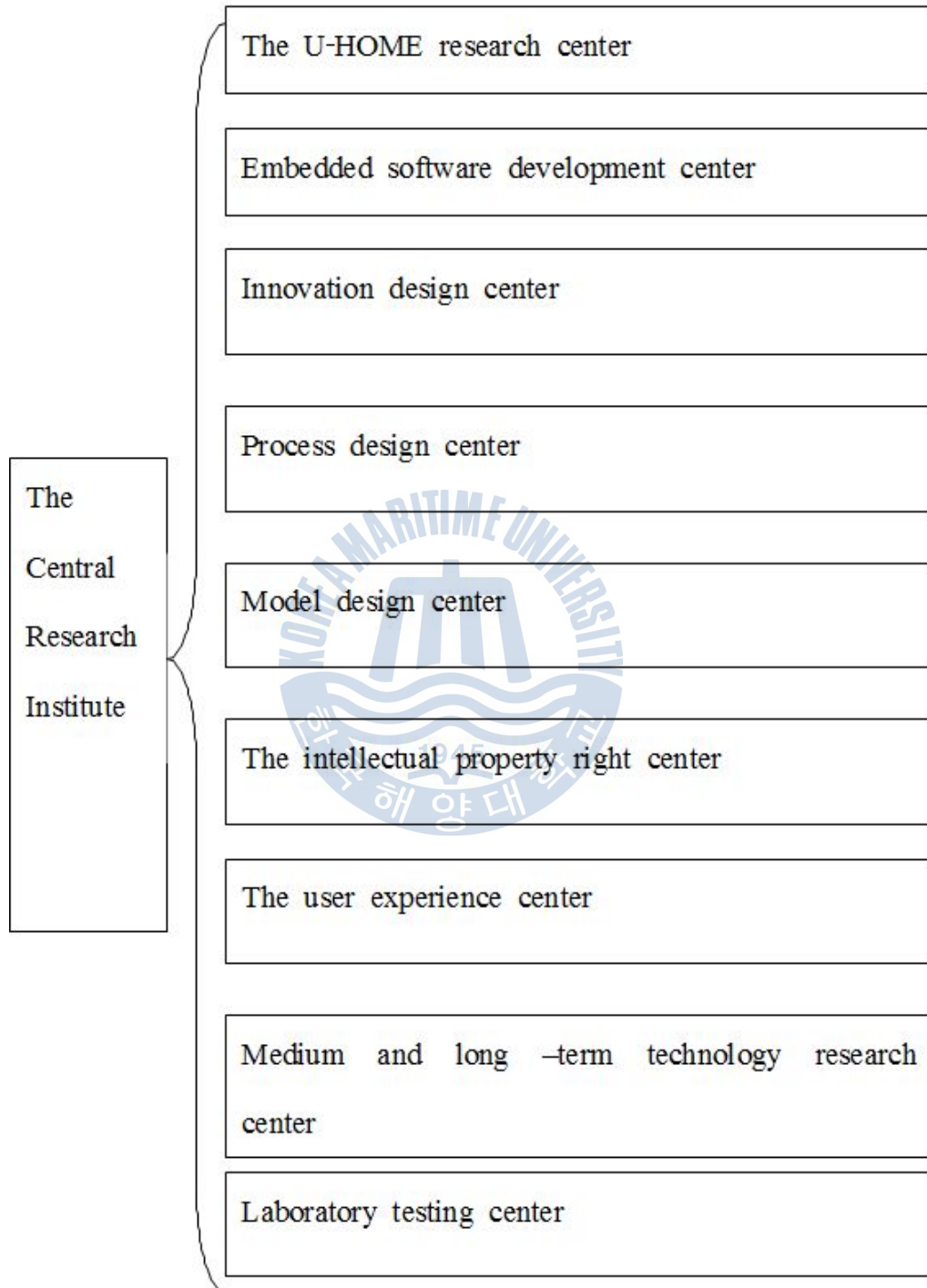
The goal and mission of Haier Central Research Institute is to build the world's advanced level of technical Research and Development (R&D) institutions and superior resource integration center to integrate the use of the global superior resources so as to serve the global development of the Haier Group.

Main work tasks of the Haier Central Research Institute:

- It has integrated global sci-tech resources and achieved the commercialization of advanced technology projects so as to provide incessant technology support to the Haier Group for its international development.

- It has integrated the software resources, enhance the added value of the Haier products and reduced their cost.

Figure 6: show the structure of the central research institute of Haier.



Source: The official website of Haier Group, ([http:// www.haier.com/R&D](http://www.haier.com/R&D))

- It has presided over the formulation of and implemented the technology standards, become the owner of technology standards of Haier and China and enhanced the technical strength of home appliances products of Haier and China.

- It has provided Research and Development (R&D) capability and technology support to the global manufacturing, purchasing and service departments of the Haier Group.

- It has dynamically tracked, collected and analyzed the global economic, market and technology dynamics to provide decision-making bases for the Haier Group.

(2) R&D unit within a branch in the host country.

Figure 7 : Global R&D network of Haier



Source: The official website of Haier Group, ([www.haier.com/ R&D](http://www.haier.com/R&D))

Through the global Research and Development (R&D) network, we can see Haier is improving to be the integrated global laboratories. Until now, Haier has built design centers, manufacturing based and trade companies in 30 countries and regions, like USA, Japan, German.

Table 4: Global research, design and information centers of Haier in the world

| | |
|---------------------------|---|
| Research Center | Qingdao, Beijing, Seoul, Tokyo, Milan, Los Angeles |
| Global Design Center | Seoul, Osaka, Los Angeles, South Carolina, Copenhagen, Amsterdam, Munich, Milan |
| Global Information Center | Asia: Hong Kong, FR-net2, Taiwan, Singapore, Pakistan North America: New York, Montreal South America: Brazil, Argentina Europe: London, Paris, Frankfurt, Milan Oceania: Sydney Africa: Tunisia, Cape Town East: Middle East |

Source: The official website of Haier Group, (www.haier.com/ R&D)

Speeding the pace of product development is one of the main objectives for global manufacturer Haier. Eight of Haier Group's product lines are using product life cycle management (PLM)⁷⁾ technology from Siemens product life cycle management (PLM) Software, a global division of Siemens Automation and Drives, to support innovation and speed time to market. Haier is also using the product life cycle management (PLM) system to improve new product development process efficiency and to support global design collaboration and supply-chain operations.

(3)Co-operative R&D with Chinese universities or research institutes.

Technology alliance is the other special part of Haier's global R&D. Table 5 shows

7) Product lifecycle management (PLM) is the process of managing the entire lifecycle of a product from its conception, through design and manufacture, to service and disposal.

Haier's important technology alliances in the world.

Table 5: Selection of Haier's most important technology alliances

| Year | Partner | Cooperative target |
|------|---|---|
| 1993 | Merlonic Company (Italy) | Produces automatic roll-washers |
| 1993 | Mitsubishi Heavy Industry, LTD (Japan) | Produced air-conditioners |
| 1994 | GK Design Company (Japan) | Engaged in the cooperative design of new products |
| 1997 | Philips (NL) and Metz (Germany) | Produced color TV set |
| 1998 | Beihang University (China) and C-Mold (USA) | Software development |
| 1999 | Toshiba (Japan) | Produced MRV inverter series of commercial air-conditioners |
| 2001 | Ericsson | Produced internet-ready (using Bluetooth technology) appliances |
| 2002 | Sanyo (Japan) and SAMPO (Taiwan) R&D | marketing agreements |

Source: "Haier, going out", Ouyang, 2003; and Zeng and Zhong, 2003; www.haier.com.

3.3.3 Foreign investment overseas

In 1992, Haier became a qualified international supplier when Haier products passed

ISO9001. Since then, it has been exporting its products, starting with the Indonesian market, under original equipment manufacturer (OEM) contracts. Haier products were noted for their quality and design so many manufacturers in other East Asian countries began to be interested in joint production ventures with Haier.

The first such venture was in 1996 with the Sapporo group of Indonesia. The joint venture produces refrigerators, washing machines, air-conditioners, microwave ovens, and hot bathing equipments. By 2000, Haier freezers had a share of 28% of the Indonesian market. Joint venture with local companies continued to be Haier's preferred means of establishing production units across most of the less developed world.

By the early 2000s Haier established joint venture with local partners in Philippines, Dubai, Iran, Algeria, Jordan, Pakistan, and Bangladesh.

Like in Asia, Haier first entered the Western markets as an original equipment manufacturer (OEM) exporter. Haier's first manufacturing plant in Europe was in Yugoslavia resulting from a joint venture with a local company. The joint venture (JV) produced multitasking air-conditioners with the Haier brand name. In the year 2000, Haier Europe was established in Varese, Italy, to coordinate sales and marketing efforts of Haier products across 13 European countries.

And in 1994, for the first time Haier sold its products in the US market under its own brand name through a joint venture with Michael Jemal.

Examples abound when it comes to Haier's emphasis on making products that accommodate the characteristics of the local market. In China, Haier developed a washing machine model that serves the purpose of not just washing clothes but also washing vegetables. In Indonesia, on account of the country's power shortages and voltage fluctuations, Haier introduced energy saving, flexible-voltage appliances. In the United States, Haier developed a refrigerator model with a fold-out table aimed at students; this was after product designers who visited cramped dormitory rooms discovered that students put boards across two refrigerators to create a make-shift desk.

Table 6: A sum-up on main productive direct investments by Haier Group.

| Year | Country | Activity |
|---------|-------------|---|
| 1996.8 | Indonesia | Established the first joint venture factory overseas. This company mainly produces refrigerators. |
| 1997.6 | Philippines | Established a joint venture consumer electrical company with LKG ⁸⁾ . This company mainly produces refrigerators, air conditioners and washing machines. |
| 1997.8 | Malaysia | Established a joint venture factory mainly produces washing machines. |
| 1999.4 | USA | Established a wholly-owned industrial park. |
| 1999.9 | Iran | Established a joint venture factory, entered the market of Iran. |
| 2000.8 | Vietnam | Established a wholly-owned factory to produce big refrigerators. |
| 2001.4 | Pakistan | Established a joint venture industrial park, mainly produce refrigerator, washing machine and air conditioners. |
| 2001.4 | Bangladesh | Established a joint venture factory to produce refrigerators and air conditioners. |
| 2001.6 | Italy | Invest 7 million US dollars to acquire an Italian company. |
| 2001.12 | Jordan | Establish a joint venture industrial park, mainly produce refrigerator, washing machine, air conditioner, TV. |

Source: " Haier development", Qing Hua University Press, Bai Chi, 2005.

8) LKG Group is a international purchaser company from Indonesia. It maintains extensive holdings in the areas of construction, manufacturing, real estate, wholesale, trading, general merchandising, social services and education.

Merger and acquisition is another important route to invest overseas for Haier Group. On March 30, Haier Group Corporation ,the world's no.1 white goods manufacturer, and Sanyo Electric Co., Ltd held a closing ceremony in Singapore to officially mark the completion of Haier's acquisition of Sanyo's Electric's refrigerator, washing machine and other consumer electric appliances business in Japan, Indonesia, Malaysia, the Philippines and Vietnam. 9)

According to the agreement, Haier will buy Sanyo's washing machine and refrigerator operations in Japan and home appliance businesses in four other countries in Southeast Asia. In addition, Haier will be allowed to sell washing machines, consumer refrigerators, televisions and air-conditioners under the Sanyo brand in Vietnam, Indonesia, the Philippines and Malaysia.



9) Li Lin, Singapore, March 30,2012. PRNewswire-Asia. www.prnasia.com.

Chapter 4: Challenges and prospects for Haier

4.1 SWOT analysis of Haier

(1) Strengths

Technology strength

Haier has been widely recognized as the leader of 9 products in terms of domestic market shares and the top 3 player of 3 products in the world market and world-class company in the fields of home integration, network appliances, digital and large scale integrated circuits and new materials. Up to 2008, Haier has obtained 8795 patented technology certificates and 856 software intellectual property rights. Haier has hosted and taken part in the modification of about 100 technological standards.

Innovation strength

Haier really recognizes this point, whether in product, business management or in the after-sales services, Haier always pursue innovations. Haier has long attached significance to innovation in satisfying the demands of worldwide consumers and realizing a win-win performance between Haier and its clients. Products like sage care water heater, dual drive washing machine, smart air conditioner, four temperature zones refrigerator and comfort-eye computer are all innovation-reflections of Haier. In management innovation, Haier's unique Over Every Control and Clear (OEC), "Market-chain" and "Strategic Business Unit" (SBU) management methods have been recognized worldwide, especially in many foreign educational institutes, including Harvard University, University of Southern California, Lausanne Management College, the European Business College and Kobe University.

Corporate culture strength

Haier corporate culture has been widely recognized by Haier's employees as innovative value created by Haier senior management. Innovation is the core of Haier's corporate culture, Haier's unique cultural system cultivated and developed over the past 20 years. Haier's corporate culture is guided and developed by an advanced concept

,innovation strategy, efficient organization, creative technology and market orientation, which have enabled Haier to grow swiftly with business expansion from China to the outside world. Haier's corporate culture features the recognition and participation of all employees. Today, Haier is ambitious to gain worldwide recognition. To achieve this magnificent goal, Haier has had all its employees involved in realizing Haier's ideal to be a globally recognized brand.

Other strengths

High quality, good service and Top 1 market share in China. "High standard, fine, zero defects" is Haier's pursuit goal in quality. In product quality competition with world's class brands, Haier probably will not lose and can even win the game. The service objective of Haier is the customer is always right. The core competence of Haier in the outstanding ability to obtain customer and user resources. For that reason, Haier tries to satisfy what customers want and create some unique and special services, like "1+5 service, no dust installing, follow-up service", which have made Haier earn a good reputation and recognition.

(2) Weakness

Low level of Core Technology

Although many technologies of Haier have been the world level, Haier still heavily depends on several world famous companies who provide core components and core accessories for Haier. Like in high-level television industry, the chips Haier used are made by Philips, which improves the quality of TVs. Mitsubishi provides the excellent compressors for Haier's air-conditioner. Having less core competencies will limit Haier's global expansion.

Small Location Network and Brand Influence

Till now, Haier only has design centers, plants and trade companies in 30 countries; to have all over the world covered with them it still requires a lot of time and effort. Haier has a lower market share in the rest of the world compared to those international home appliance and digital giants. Because of the small location network, Haier has a lower brand influence all over the world. In these 30 countries where Haier has been, Haier may have won a good recognition and brand reputation, but out of

these countries, Haier is still an unknown brand.

Low Corporation Operation Competition

The operation competition can be concluded as logistic, capital flow and information flow. These three flows Haier have done very well in China; but to the international competition, Haier still has a big gap compare with giants. In logistic aspect, Haier doesn't have a complete network. In many countries, Haier is not able to deliver the products to retailers and still needs to rent a warehouse for storing its products, which increase its cost. In capital flow, Haier cannot achieve the spot cash with retailers because of its small influential brand.

(3) Opportunity

Government Support

In 2006, the Chinese government released a national strategy of "Going out Strategy", which encourages famous and competitive Chinese brands to go abroad. And Haier is included on the list.

Global Economic Integration

Global economic integration is not only a challenge but also an opportunity for Haier. Through global economic integration, Haier can procure the best raw material from all over the world, recruit the international talents, and explore more international markets. Haier should make full use of the international resources and catch this opportunity to accelerate its process of globalization.

Advantages in Domestic Market

It is the strong backing for Haier to enter the international markets as Haier owns more than 26.2% of the total Chinese home appliance market. And it especially occupies more than 30% in the high-level market domain.

(4) Threats

Global economic integration

After China takes part in the World Trade Organization (WTO), many world famous giants enter the Chinese market, and they build design and manufacturing centers and even some giants move their headquarter to China. Competition between Haier and these giants in the Chinese market becomes more intensive. In the

international market, Haier is still a weak player and has to avoid risks to occupy a certain position.

Strong rivals

In the home appliance domain, there are world's famous brands like Panasonic, LG and Philips; Samsung has the second cell phone market share in the world following Nokia; Samsung and Sony also have strong competitiveness in the PC industry. In addition, these strong rivals have the unique marketing network and quality of international competition which Haier lacks.

Country image

The country image has a big influence on the product image, and then will lead to the positive or negative behavior of consumers. However, the most obvious image China left to consumers all over the world is that China is a "world factory" with low quality and low prices, which will bring Haier a big problem to deal with.

And Haier is also limited to several factors, including lacks of brand power, Research and Development (R&D) capacity, product innovation and diversification, and international business experiences and marketing strategies.

4.2 Tendency of Haier's globalization strategy

As with any multinational corporation (MNC), entry into new overseas markets is not an easy task.

Haier is on the way to implement its globalization strategy. Even though it is a phase full of challenges, Haier will have to go through it if wants to occupy a certain position in international competition. To achieve the globalization, Haier needs the global marketing and brand building strategies with an aim to achieve global recognition and sustainable development.

Chapter 5: Conclusion

In general, many Western multinational corporations (MNCs) have sufficient management resources and establish sustainable competitive positions. Asian multinational corporations (MNCs), on the contrary, are not so secure in their competitive strengths simply because they arrived somewhat late in the global stage. In many ways, for some big Chinese multinational corporations, globalization strategy becomes one of the countermeasures .

In the past 20 years, Haier regarded initiative spirit as its guidance, established its own brand under variable external environment and heat competition, and realized a great leap from a common brand to one of the global top 100 famous brands.

In order to adapt to the trend of integrated global economy, and to manage its world-wide brand, Haier Group stepped into the global brand strategy phase from 2010. Haier is a pioneer of Chinese enterprises globalization and focuses upon establishing a system for global wide marketing and brand building.¹⁰⁾ With the aim of building an international brand name, Haier has 62 distributors and more than 30,000 outlets around the world now. In this process, Haier conducted a significant global branding strategy including its brand management and global Research and Development (R&D) system. Haier revamped its own in house Research and Development (R&D) efforts and set up a global network of Research and Development (R&D) and information centers. And Haier is also taking other routes such as partnership with foreign firms to cut into advanced markets. This shows that the combination of Research and Development (R&D) acquired overseas and low home costs can bring major competitive advantages.

After entering World Trade Organization (WTO), Chinese companies try to seek opportunities overseas to leverage their domination of the world's largest market into global advantage. " All of competitors are very powerful, all we can rely on is our speed."¹¹⁾ Since then Haier Group began to expand its foreign investment by joint

10) Dr. John Caslione, expert of global sales strategy, is quoted as saying while being interviewed by media.

11) Ruimin Zhang , the CEO of Haier Group, March 20, 2010.

venture (JV) and merger & acquisition (M&A).

Even now, Haier is on the way to implement its globalization strategy. Even though it is a phase full of challenges, Haier will have to go through it if wants to occupy a certain position in international competition.

As a latecomer in the global knowledge economy, Chinese multinational corporations (MNCs) can obtain the critical resources and capabilities to move from the position of late-follower to the position of rapid-follower or even leader through different globalization routes. Chinese enterprises having a willing to go abroad will get enlightenment from Haier's globalization strategy.



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