AMBA 660 Case Study

Haier's North America Expansion

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Haier Group

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Reuters: *"Haier Group said it would buy General Electric Co.'s appliance business for $5.4 billion, the Chinese company's latest attempt to boost its presence in the lucrative United States market.*

Haier, which made an abortive attempt in 2008 to buy the business, has a negligible presence in the U.S. white goods market, dominated by Whirlpool Corp, Sweden's Electrolux AB and GE.

The news comes weeks after GE walked away from a deal to sell the business to Electrolux for $3.3 billion, following months of opposition from U.S. antitrust regulators.

The deal with Haier is unlikely to draw intense antitrust scrutiny, according to some antitrust experts, but may get a hard look from the Committee on Foreign Investment in the United States (CFIUS)" (Ajmera, 2016, para 1-4)

Chinese Companies Going Global

China is rising as a globally influential economic and political power. China has achieved an average growth rate of almost 10% over the past 20 years, making it one of the world's largest economies and trading powers. This rapid economic development has enhanced China's international competitiveness. Chinese blue chip companies have realized the limitations of their local market, and worked on becoming global players. Many of these companies have quietly started their own international expansion; examples include Haier, HiSense, ad Gree. And while the Chinese government encourages the global expansion of Chinese companies, it has not yet developed policies and frameworks to govern such expansion. As a result, most Chinese international expansion has been an exercise based on trial and error. The Chinese government has taken what it considers to be a "practical and flexible" stance towards the companies' international initiatives (Liu & Lee, 2002).

Haier Overview

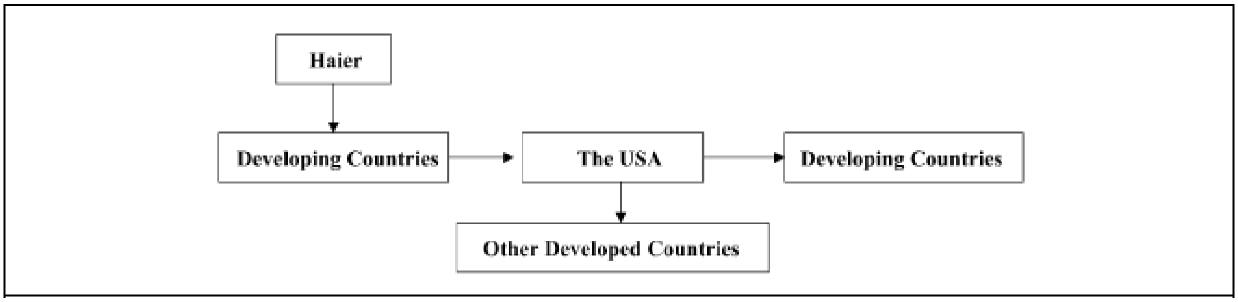
Haier is the world's largest and fastest-growing household appliances manufacturers, and is one of the largest non-state-owned Chinese companies. Haier has a global turnover of more than $ 32.3 billion, and commands around 10% of the global white goods market. Haier may perhaps, may be considered the world's most pioneering large company when it comes to how it manages, operates and organizes its activities. Haier was also described as one of the most innovative companies by Fortune and FastCompany magazines (Crainer, 2015)

Haier Group (Haier) is a privately-owned company that manufactures and markets electronic products and household appliances. Haier offers its products under the brand names Haier, Leader, Fisher, Casarte, Goodaymart, AQUA and Paykel. The company operates in Asia, Africa, Australia, the Americas, Europe, and the Middle East. Haier has different business lines: White goods, and personal and digital devices, real estate, home appliances, integrated kitchen cabinets, and bio-medical products. Haier's white goods line includes refrigerators, washing machines, water heaters, air conditioners, and kitchen electric appliances for both consumers and commercial customers. The personal devices line includes home appliances, mobile phones, and computers. In China, Haier manufactures large-screen televisions, mid-sized computer screens, as well as small screens for mobile phones. Haier's home appliances line includes personal care products, as well as over 200 kitchen appliances such as induction cookers, vacuum cleaners, microwave ovens, electric pressure cookers, water dispensers, and garment steamers (MarketLine, 2015).

Haier Electronics Company (Haier Electronics)

While Haier Group's stock is not publicly traded for it is a private company, its Hong Kong based subsidiary Haier Electronics Company is a public corporation. Haier Electronics is traded on the Hong Kong Stock Exchange (Stock code: 01169). Haier Electronics is primarily engaged in R&D, manufacturing and sale of appliances such as water heaters and washing machines under the Haier brand. The company was included in the MSCI Global Standard Index (MSCI China Index) in 2011, in recognition of its performance as a leading company in "the white goods manufacturing and integrated channel service industry by the investment community" (Haier Electronics, 2012, para. 1).

Haier's International Expansion



Path of Haier's international expansion (Liu & Lee, 2002, p. 702)

Path of Japanese companies' international expansion (Liu & Lee, 2002, p. 702)

Haier's internationalization strategy has been very successful so far (Crainer, 2015). Haier's international expansion (investment) in terms of the sequence strategy has resembled that used by Japanese companies, which pursued two types of global market expansion (see the two Figures above). Also, initially, Haier's internationalization focused on developing countries in Southeast Asia in order to build volume and gain international exposure. Indonesia was Haier's first international joint-venture in 1996. However, a major difference between Haier and Japanese companies which followed the Type I path is that the Japanese concentrated on high-tech industries such as semiconductors and computers, which were developed in Japan, while Haier focused on its traditional products such as home appliances, and tried to develop/enhance its technology in the U.S. market (Liu & Lee, 2002).

Haier's Early Exports (1986-2000)

Year	**1986**	**1993**	**1994**	**1995**	**1996**	**1997**	**1998**	**1999**	**2000**
USD	300 K	1.8 M	1.84 M	4.2 M	5.0 M	5.64 M	7.57 M	1.38 B	2.8 B

Source: Du (2003)

Haier's Early FDI (1996 – 2001)

Year	Location	Products
1996	Indonesia	Refrigerators
1996	Philippines	Refrigerators, A/C
1998	Malaysia	Refrigerators, A/C
1999	Iran	A/C
1999	USA	Refrigerators
2000	Bangladesh	Refrigerators, A/C
2000	Vietnam	Refrigerators
2001	Pakistan	Washer
2001	Italy	Refrigerators

Source: Liu and Lee (2002, p. 702)

Haier's success is based on five foundations (Crainer, 2015, pp. 27-29):

1. Change, and change again
2. Small self-managed teams.
3. Customers first
4. Creating a marketplace of ideas
5. Borrowing and adapting

Haier's ***international strategic objective (3 X 1/3)*** was to manufacture and sell one third of its total production in China, manufacture one third of its total production in China, but export it, and manufacture and sell the remaining one third outside China. The company realized that it had to go abroad to develop products design, production, and marketing networks, especially in the U.S., in order to build and enhance its brand internationally. Haier also pursued a product-focused international market entry strategy, in which it focused on marketing of a single product. Once this product picked-up and became successful, Haier followed-up with other products, capitalizing on the now successful brand name (Liu & Lee, 2002).

Haier ***localized*** human resources, culture, and capital in an effort to enhance its brand globally. Haier's sales department was located in New York, and the entire sales team, with the exception of the CFO was American. Haier also strategically established R&D centers in Germany and the U.S. to develop, acquire, and transfer needed technologies (Liu & Lee, 2002).

However, in pursuing its international strategy, Haier was faced with constraints such as (Liu & Lee, 2002):

1. Limited resources.
2. Limited R&D capabilities for core technologies
3. Unfavorable international brand recognition
4. Negative country of origin effect
5. Lack of international management/market entry experience

Haier: TIMELINE (Bloomberg, 2016, (Crainer, 2015; Hoovers, 2016; MarketLine; 2015; Reuters, 2016)

Over the years, Haier expanded both locally in China, as well as globally with improvement in quality and a wider product range.

- Founded in 1984, the Haier Group (Haier) was established in 1991, in Qingdao, through the merger of Qingdao General Refrigerator Factory and Qingdao Air Conditioner General Factory.
- In 1993, the Haier Refrigerator Company was listed on the Shanghai Stock Exchange.
- Also, in 1993, Haier started exporting refrigerators and other products to the Middle East.
- In 1994, Haier started exporting its products to the US, initially OEM (original equipment manufacturer) products, and later on under its own brand.
- In 1995, Haier launched its first top-loading washing machine and microwave oven.
- Also, in 1995, Haier acquired Qingdao Red Star Appliance Company.
- In 1997, Haier established a local assembly plant in Malaysia; the Malaysia Haier Industry (Asia) Co.
- Also, in 1997, Haier started producing dishwashers and color televisions.
- In 1998, Haier created Qingdao Lejia Electric Appliance, and branded its products as Leader.
- In 1999, Haier established America Refrigerator Corporation in South Carolina.
- Also, in 1999, Haier founded its first overseas industrial complex, Haier (America) Industrial Complex in the United States.
- In 2000, Haier founded Haier-CCT Holdings in Hong Kong and Qingdao, a joint-venture with CCT Telecom Holdings. The joint-venture started producing mobile phones in 2001.
- In 2001, Haier established its second overseas factory in Pakistan.
- Also, 2001 Haier acquired the Italian refrigerator company Meneghetti Equipment.

- In 2002, Haier launched its products in Australia and New Zealand markets.
- Also, in 2002 Haier established trading companies in Thailand and Malaysia, and founded the Sanyo-Haier Company with the Japanese company Sanyo.
- In 2003, Haier launched its Benfeng slim mobile phones in China.
- In 2004, Haier launched its home computers in the France, established its Haier Middle East Industrial Complex in Jordan, and founded Haier Electronics Middle East Company in Dubai.
- Also, in 2004, Haier teamed-up with the with the Fujitsu Hitachi Plasma Display joint venture to develop and sell plasma TVs.
- In 2005, Haier entered into a joint-venture with India's Scope Group creating Haier Telecom (India) in an effort aimed at becoming a market leader in cell phones in India.
- In 2006, Haier launched a non-detergent powder washing machine in Malaysia.
- In 2007, Haier created a joint-venture with Qingdao Dong Ao Group to build the five-star Haier Intercontinental Hotel in Qingdao.
- In 2007, Haier started selling refrigerators in France.
- In 2008, Haier founded a production facility in Thailand.
- In 2009, Haier acquired a 20% stake in New Zealand's Fisher & Paykel Appliances.
- In 2009, Haier supplied 70,000 desktop computers to schools in Macedonia.
- In 2010, Haier created Qingdao Haier Optronics Co in China (a joint-venture with AU Optronics Corp.) for the production of TFT-LCD TV panels.
- In 2011, Haier New York Life Insurance, started business in Nanjing.
- In 2012, Haier enhanced its global brand with the acquisition of the Sanyo home appliance business from Panasonic for $ 130 million, which helped extend Haier’s operations in Japan, Malaysia, Philippines, Indonesia, and Vietnam, where it developed and manufactured refrigerators and washing machines. Haier turned Sanyo’s loss-making business around within the year.
- Also, in 2012, Haier increased its stake in New Zealand's Fisher & Paykel Appliances to a controlling 92.8%.
- In 2013, Haier created a new joint venture with Fagor, a Spanish appliance manufacturer.
- Also, in 2013, Haier formed a partnership with Alibaba Group for the creation of a system for the delivery and installation of home appliances.
- In April 2015, Haier entered into a joint-venture with Alibaba to launch their second generation customizable modularized television.
- In 2016, Haier bought GE appliances for $ 5.4 billion, creating a solid foothold for the company in North America.
- Also, in 2016, Haier forged a long-term strategic partnership with GE that focuses on hi-tech manufacturing in areas such as Internet manufacturing and health care.

Haier America

Haier entered the U.S. market in 1994 through exports, and by marketing refrigerators only - mainly compact models. After it successfully secured a foothold in the market, Haier followed with their washing machine line, which required less promotion (Liu & Lee, 2002).

Haier initially sold its household products through Wal-Mart; however; it took them a year before they could secure a meeting with Walmart to discuss their products. While Haier manufactured one out of every three refrigerators sold in China, it meant little to U.S. consumers who were wary of Haier's quality, and felt more comfortable buying better known local brands (Chang, 2016).

To command higher profits, Haier realized that it had to sell its products through major U.S. retailers such as Lowe's and Sears. Haier began the production of higher-end appliances in the U.S., as it would have been too expensive to ship them from China. Eventually, the company started exporting those higher-end products to China targeting affluent customers there. Around this time, Haier developed a refrigerator with a fold-out table that targeted American university students who live in cramped dormitories. These are some examples of Haier's adaptability and flexibility in coping with market forces, and the new challenges of globalization (Duysters, Jacob, Lemmens, & Jintian, 2009).

In 1999, Haier invested $30 million in establishing a marketing center in New York, a design center in Boston, and a manufacturing facility in South Carolina; this was the largest Chinese FDI in the U.S. to that date (Liu & Lee, 2002). Haier's Industrial Park in Camden, SC was the first Chinese production facility established in the U.S. (Business News, 2015).

In 2015, Haier America announced that it will expand its Kershaw County, SC refrigerator factory, which should help support the company's continued growth, and will enable it to provide modern whole-home solutions in the United States. Haier America will invest an additional $72 million into its existing $40-million facility; which is projected to create an additional 410 jobs in South Carolina in the next five years. Construction is expected to be finished in 2018. In January 2016, Haier acquired ***GE Appliances*** - the second largest manufacturer of major household appliances in the U.S.***,*** for $ 5.4 billion. Haier's offer was 60% more than the Swedish firm Electrolux's $3.3 billion offer. The Electrolux deal was scrapped due to regulatory worries that the acquisition would create an entity with a very high market share in cooking appliances (Chang, 2016).

U.S. Household Appliance Industry (Ibis World, 2015)

- Key economic drivers

- Housing starts
- Price of household appliances
- Per capita disposable income
- Price of steel
- Price of plastic materials and resin

- Demand industries

- Home Builders
- TV & Appliance Wholesaling
- Apartment & Condominium Construction
- Commercial Building Construction
- Consumer Electronics Stores

- Key success factors

- Establishment of brand names
- Market research and understanding
- Development of new products
- Control of distribution arrangements
- Economies of scale
- Optimum capacity utilization

Haier: U.S. Main U.S. Competition (Global Figures)

2015 Key Figures	Haier	GE Appliances	Whirlpool	Electrolux
Annual Sales	$32.10B*	$ 6.30B	$ 20.89B	$14.71B
Employees	70,000	12,000	97,000	60,038
Market Cap	Private	GE Subsidiary	$ 11.34B	$13.91B

* 2014 figure

Sources: GE Appliances (2016), Haier (2016), Hoover (2016), Statista (2016)

U.S 2015 Market Performance

Company	Haier	Whirlpool[1]	Electrolux[2]	GE[3]	LG
Market Share	**1.1%**	**37.8%**	**20.6%**	**13%**	**5.1%**
Revenue	**$ 254 M**	**$ 6,819 M**	**$ 3,714 M**	**$ 2,336 M**	**$ 911 M**
Op. Income	**Private**	**$ 368 M**	**$ 78 M**	**$ 151 M**	**$ 17 M**

1. Includes Maytag, Kitchenaid, Magic Chef, Amana, Henn-Air, Admiral, and Inglis

2. Includes Electrolux, AEG-Electrolux, Eureka, and Frigidaire

3. Includes GE Monogram, GE Café, GE Hotpoint, and Ge Profile

Source: Google Finance (2016), Hoovers (2015) & Ibis World (2015)

U.S. Market Share

The U.S. Household Appliances industry has a high level of concentration. The top four industry players accounted for around 81.8% of revenue in 2015. Whirlpool dominates the market with a 37.8% share of all industry revenue. The company's dominance is derived from its wide product range, competitive pricing, and acquisition of competitors. In 2010, the top four companies claimed around 90.7% of revenue. After the recession, several companies left the industry, which allowed the big players to gain market share. As market conditions improved, the industry continued the consolidation trend as smaller manufacturers moved manufacturing abroad to low cost countries such as Mexico and China, or exited the market. However, market concentration has declined in the past five year due to low cost imports from China. This has increased China's share of the U.S. appliances market in 2015 to around 32.9% (Ibis World, 2015).

Key U.S. Competition for Haier

A. Whirlpool

Founded in 1898, Whirlpool is the world's largest manufacturer of household appliances with net sales of $ 21 billion in 2015 (Hoovers, 2016). Whirlpool has production facilities in 18 countries and employs 100,000 people worldwide. The company has a strong brand portfolio that includes Whirlpool, Maytag, Jenn-Air, Amana, Admiral, and KitchenAid. North America accounts for about 53.0% of the company's, with the remaining 47.0% of sales generated in Asia, Europe, and Latin America. Whirlpool sells its products directly to retailers such as Home Depot, Sears, Lowe's, and Best Buy. Also, a few products are sold as OEM, such as some of Sear's Kenmore products. In March 2006, Whirlpool and Maytag merged in a $2.7 billion transaction that included the assumption of debt. Whirlpool projected that the merger would provide better asset utilization, significant efficiencies, a wider range of products; and a broader customer base (Ibis World, 2015).

B. AB Electrolux

Founded in Sweden in 1901, AB Electrolux (Electrolux) is one of the world's largest producers of household appliances, selling more than 40 million products in 150 countries. Around 15.4% of its workers are in North America. The company has a strong brand portfolio that includes Electrolux, Eureka, Frigidaire and AEG-Electrolux. North America accounts for about 31% of Electrolux's net sales, and 23% of its core appliance sales (excluding vacuum cleaners). Around 75% of the company's North American sales are generated in the U.S. In the past five years, Electrolux has faced higher manufacturing costs due to volatile prices of plastics and steel. As a result, the company has shifted most of its US manufacturing facilities to Mexico. In 2011, Electrolux acquired the Egyptian Olympic Group, the leading manufacturer of appliances in the Middle East, as well as the Chilean appliance company CTI. In 2014, Electrolux made a bid to buy GE Appliances for $3.3 billion. However, the U.S. Justice Department contested the merger, claiming that it would eliminate competition that benefits consumers through lower prices and more options. Electrolux challenged the antitrust claim arguing that companies such as LG Electronics and Samsung are entering the U.S. appliances market, and thus diluting its market power (Ibis World, 2015).

C. GE Appliances

Founded in 1892, GE is one of the largest and most diversified companies in the world. GE Appliances operates in North America, Asia, South America, and Europe; however, the bulk of its appliance sales are in the U.S. GE has a good brand portfolio that includes GE Hotpoint, GE Monogram, GE Cafe, and GE Profile. GE's gas ranges, microwave ovens, and freezers are outsourced. The company produces its own dishwashers, refrigerators, electric ranges, washing machines, and dryers. In May 2008, GE announced that it was reviewing strategic options for its appliance division, including a joint-venture, sale, or spinoff. The company believed that the business needed a global reach and more investment in order to be more competitive. GE Appliances sought to integrate new technologies to enhance efficiency and profitability (Ibis World, 2015). In January 2016, GE announced that it was selling its appliances business to Haier (Reuters, 2016)

D. LG Electronics (LG)

The South Korean firm LG specializes in producing electronic and telecommunication products that are sold worldwide. The company has production facilities in 14 countries, and employs 91,000 people worldwide. LG's home appliance division produces refrigerators, washing machines, dryers, microwave ovens, and vacuum cleaners. Around 19.5% of LG's sales come from its home appliance segment, while around 23.0% of its overall revenue is generated in the U.S. In 2004, LG started to focus on the U.S. home appliances market, and by 2008 it was ranked #1 in customer satisfaction for washing machines in the J.D. Power and Associates Laundry Appliances Study. In February 2009, LG announced that it would increase its R&D expenditure to prepare its product lines for the anticipated economic recovery. Since 2009, LG has introduced several new products for the US market, such as an Internet refrigerator, and a double range. In the next five years, LG is expected to introduce new Internet-capable smart appliances that are capable of interacting with smart grids (Ibis World, 2015).

Haier Electronic Co., Ltd.: ***Income Statement*** (Google Finance, 2016)

In CNY '000 (except for per share items)	12 months ending 2015-12-31	12 months ending 2014-12-31	12 months ending 2013-12-31	12 months ending 2012-12-31
Turnover	62,826,119.00	67,133,962.00	62,263,162.00	55,615,047.00
Interest income	-	-	-	-
Interest expense	-	-	-	-
Net interest income	-	-	-	-
Net fee income	-	-	-	-
Net trading income	-	-	-	-
Other operating income	-	-	-	-
Total operating income	-	-	-	-
Net insurance claims incurred	-	-	-	-
Net operating income before loan impairment charges and provisions	-	-	-	-
Total impairment charges and provisions	-	-	-	-
Net operating income	-	-	-	-
Total operating expenses	-	-	-	-
Operating Profit	3,068,219.00	3,160,302.00	2,637,840.00	2,244,072.00
Non-operating/Exceptional items	264,053.00	5,613.00	0.00	190.00
Associates	11,714.00	0.00	0.00	0.00
Profit Before Taxation	3,343,986.00	3,165,915.00	2,637,840.00	2,244,262.00
Taxation	609,489.00	650,813.00	547,527.00	537,285.00
Profit/(loss) after taxation	-	-	-	-
Minority Interests	31,501.00	68,497.00	53,431.00	11,855.00
Preference share dividend	0.00	0.00	0.00	0.00
Net Profit	2,702,996.00	2,446,605.00	2,036,882.00	1,695,122.00
Total Dividend	280,907.00	237,191.00	200,824.00	157,480.00
Retained profit/(loss)	2,422,089.00	2,209,414.00	1,836,058.00	1,537,642.00
Gross Profit	9,992,692.00	9,841,933.00	9,137,549.00	8,941,181.00
Depreciation	235,344.00	147,213.00	114,658.00	98,941.00
Interest Paid	70,525.00	95,961.00	68,334.00	64,504.00
Interest Capitalized	0.00	0.00	0.00	0.00
Turnover Growth (%)	-6.42	7.82	11.95	11.03
Net Profit Growth (%)	10.48	20.12	20.16	20.44
Taxation Rate (%)	18.23	20.56	20.76	23.94
EPS (HKD)	1.17	1.15	1.03	0.88
Diluted EPS (HKD)	1.16	1.12	1.00	0.82

Haier Electronic Co., Ltd.: *Cash Flow Statement* (Google Finance, 2016)

CNY’000 (except for per share items)	12 months ending 2015-12-31	12 months ending 2014-12-31	12 months ending 2013-12-31	12 months ending 2012-12-31
Cash Generated from (Used in) Operations	2,852,272.00	3,566,852.00	2,958,408.00	2,096,477.00
Net Cash Flow from Operating Activities	2,529,744.00	2,902,971.00	2,210,030.00	1,740,167.00
Interest Received	270,271.00	179,127.00	79,681.00	35,854.00
Interest Paid	-15,461.00	-29,558.00	-28,907.00	-36,657.00
Dividends Received	341.00	0.00	0.00	6,733.00
Dividends Paid	-285,373.00	-232,825.00	-180,042.00	-40,057.00
Taxes (Paid) / Refunded	-581,893.00	-835,493.00	-828,059.00	-392,164.00
Additions to Fixed Assets	-999,718.00	-688,437.00	-259,374.00	-406,421.00
Increase in Investments	-1,723,112.00	-254,264.00	-30,602.00	-300.00
Disposal of Fixed Assets	9,804.00	9,372.00	1,307.00	4,473.00
Decrease in Investments	178,295.00	1,446.00	0.00	0.00
Net Cash Flow with Related Parties	-27,000.00	0.00	0.00	0.00
New Loans	945,509.00	280,812.00	348,699.00	39,800.00
Loans Repayment	-1,016,840.00	-460,444.00	-228,867.00	-25,000.00
Fixed Income/Debt Instruments	0.00	1,055,023.00	0.00	0.00
Equity Financing	745.00	1,211,260.00	172,518.00	82,948.00
Net Cash Flow with Related Parties	45,619.00	413,435.00	-2,338.00	93,891.00
Net Effect of Foreign Exchange Rate Changes / Others	25,777.00	8,199.00	-20,187.00	-8,482.00
Repayment of Fixed Income/Debt Instruments	0.00	0.00	0.00	0.00
Net Cash Flow from Financing Activities	-401,791.00	2,149,105.00	73,200.00	114,925.00
Net Cash Flow from Investing Activities	-2,372,976.00	-339,859.00	-1,654,029.00	-649,083.00
Increase(Decrease) in Cash & Cash Equivalents	-245,023.00	4,712,217.00	629,201.00	1,206,009.00
Cash & Cash Equivalents at beginning of year	10,463,738.00	5,743,322.00	5,134,308.00	3,936,781.00
Cash & Cash Equivalents at End of Year	10,244,492.00	10,463,738.00	5,743,322.00	5,134,308.00

Haier Electronic Co., Ltd.: *Balance Sheet* (Google Finance, 2016)

In Thousands of CNY (except for per share items)	As of 2015-12-31	As of 2014-12-31	As of 2013-12-31	As of 2012-12-31
Cash and short-term funds	-	-	-	-
Items in the course of collection from other banks	-	-	-	-
Placings with banks and other financial institutions	-	-	-	-
Trading bills	-	-	-	-
Certificates of deposit held	-	-	-	-
HK Government certificates of indebtedness	-	-	-	-
Trading assets	-	-	-	-
Non-trading assets	-	-	-	-
Financial assets designated at fair value	-	-	-	-
Derivatives	-	-	-	-
Loans and advances to banks	-	-	-	-
Loans and advances to customers	-	-	-	-
Available-for-sale financial assets	-	-	-	-
Financial investment	-	-	-	-
Held-to-maturity investments	-	-	-	-
Interests in associates and joint ventures	-	-	-	-
Goodwill and intangible assets	-	-	-	-
Fixed assets	3,118,800.00	2,147,625.00	1,501,599.00	1,323,529.00
Investments	1,611,037.00	2,925.00	2,925.00	2,925.00
Current Assets	23,287,625.00	23,804,981.00	19,029,897.00	16,040,609.00
Other Assets	2,279,868.00	1,559,743.00	1,346,742.00	846,203.00
Other assets	-	-	-	-
Total Assets	30,297,330.00	27,515,274.00	21,881,163.00	18,213,266.00
HK currency notes in circulation	-	-	-	-
Deposits and balances of banks and other financial institutions	-	-	-	-
Deposits from customers	-	-	-	-
Items in the course of transmission to other banks	-	-	-	-
Trading liabilities	-	-	-	-
Financial liabilities designated at fair value	-	-	-	-

In Thousands of CNY (except for per share items)	As of 2015-12-31	As of 2014-12-31	As of 2013-12-31	As of 2012-12-31
Derivatives	-	-	-	-
Debt instruments in issue	-	-	-	-
Subordinated liabilities	-	-	-	-
Other liabilities	-	-	-	-
Total Liabilities	-	-	-	-
Share capital	2,891,084.00	1,863,462.00	2,761,754.00	2,501,181.00
Share premium	-	-	-	-
Retained profits/(accumulated losses)	-	-	-	-
Other Reserves	-	-	-	-
Reserves	11,951,924.00	9,626,968.00	4,959,274.00	3,038,545.00
Shareholders' funds	14,843,008.00	11,490,430.00	7,721,028.00	5,539,726.00
Minority interests	-	-	-	-
Total Capital Resources	-	-	-	-
Total_Liab_Cap_Resources	-	-	-	-
Long Term Debt	1,124,652.00	1,800,701.00	716,835.00	699,643.00
Other Liabilities	1,327,967.00	1,103,524.00	1,012,204.00	1,052,588.00
Current Liabilities	13,001,703.00	13,120,619.00	12,431,096.00	10,921,309.00
Inventory	4,399,479.00	3,668,067.00	2,891,587.00	2,479,191.00
Cash On Hand	10,526,559.00	11,277,384.00	7,044,672.00	5,430,112.00
Short Term Debt	86,400.00	0.00	159,633.00	39,800.00
Total Debt	1,211,052.00	1,800,701.00	876,468.00	739,443.00

Assignment

A. General Instructions

1. Use UMUC's library as much as possible for research in this assignment. Look for worldwide data, and not just North American data; remember; this is a global business course!
2. Only cite scholarly publications and reliable non-scholarly sources such as The Economist, Financial Times, WSJ, NYT, Bloomberg, Reuters, Money, Forbes, and Fortune. Reliable non-scholarly sources may yield articles which are more useful for practitioners. Websites like Wikipedia, answers.com, QuickMBA and NetMBA are unacceptable for graduate level work.
3. Your analysis should be supported by a minimum of three scholarly (peer-reviewed) articles, and a minimum of three reliable non-scholarly sources. You can also use the required readings from this week to support your analysis where appropriate.
4. Your analysis should be written in an academic paper format; not a question and answer format.
5. Please include the following: A half page **Introduction,** and a half page **Lessons Learned & Conclusion** at the end of your report. Use section headings to organize your paper. An Executive Summary is **not** required.
6. All questions are to be attempted. Do not restate the information from the case study; go beyond the included information; analyze and draw your own conclusions!
7. Your report should be approximately 8 pages long, with one inch margins, 12-point font, double-spacing, and should be posted as a Word document. The cover page, references, and appendices, if any, are not part of the page count. All graphics and tables, if any, should be placed in an appendix.
8. Use the APA format for in-text citations and the reference list.

B. Case Study Questions

Support your answers using scholarly and reliable non-scholarly sources!

1. What were the factors behind Haier's decision to start production in the U.S. in 1999? Use the PESTEL (political, economic, social, technological, environmental and legal) framework to analyze the external environment pertinent to Haier's expansion plans in the U.S. in 2016-2017.
2. Do a Porter's Five Forces analysis of the U.S. white goods industry.
3. Why did Haier buy GE Appliances? What change can GE Appliances' employees expect from the change in ownership/management? Also, discuss the impact of the differences

in national and organizational cultures, and how can Haier, the new owner, overcome them?

4. What are the strategic implications of emerging Chinese multinationals such as Haier?
5. How will Haier's success in the US market support its operations and investments in other markets?

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