Internationalization and Innovation

The case of Haier

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Abstract

Title: Haier internationalization by success of innovation

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Problem Statement: What are the internationalization processes of Haier in relation with its approach to innovation which facilitates its growth?

Purpose: In order to investigate Haier’s successful international process in the international market and to find out how Haier be internationalized into a large multinational enterprise with its value of innovation, which facilitates the growth of Haier Group, the main purpose of the research is to explore how innovation within the organization supports the internationalization process of Haier Group.

Method: This research is mainly based on the information gathering from the secondary data by conducting knowledge and information from library and academic website, such as MDH e-library. The searching keywords are internationalization process, innovation, Haier, and so on.

Theoretical Framework: The innovation theories was applied as tools to find out how Haier be internationalized by its value of innovation. The Uppsala model and positioning for emerging-market companies theory were applied here to fit the purpose of the study to investigate Haier’s successful international process.

Conclusion: In its process of internationalization, Haier overcomes many difficulties to expand its market, diversifies its varieties of products by technical innovation, and improve its productivity and efficiency within the organization through innovative management. In general, the spirits of innovation is the key point to compete in the international market.
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1. Introduction

In this part, the authors present the background of Haier Group, the problem statement of the thesis, and the purpose of the thesis.

After China’s accesses to the WTO, a growing number of international giants enter China’s market (Chow, 2001), while, in the area of electrical appliances, more fierce competition occurs, especially to the China’s local brands. Under such circumstances, Chinese enterprises are forced to face the reality of such competition and to deeply understand the international norms, in order to be in line with international standards as soon as possible.

The area of home appliances industry of China witnessed great change and development after the entry into WTO. Compared with the electrical appliances industry in the history and in recent years, lots of figures can illustrate such great change. In 1980, the total industrial output value of China’s household electrical appliance was only 0.13 billion USD, while it has reached 50.2 billion USD in 2003. The same observation can be made for the export value of China’s household electrical appliances that goes from only 85 million USD in 1985 to 12.5 billion USD in 2003 (He, 2008). Cai (2008) looks over the ratio of Chinese production compared to the world’s production and exportation for few home appliances product. The production of air conditioner and microwave oven accounts for 80% of the world’s production of each these two appliances. The production capacity of refrigerators and washing machines occupies 40% of that of the world, the export of air conditioners and refrigerators, respectively, take 70% and 40% of the international trade. (Cai, 2008) The increased figures of China’s growing status in the international market can be attributed to the cost advantages of Chinese products. China, consequently has occupied a large proportion of share in international market. It can be said that China has become the world’s essential household electrical appliance production base in the world (Chow, 2001).

Although the Chinese household electrical appliance enterprises are able to produce large amount of products, on the other hand, they also face great competition. With the entry of large number of foreign giants into China’s market (Chow, 2001), most of the Chinese local brands face great rivals, especially in terms of technology and the quality of the products.

Chinese home appliances enterprises manage to keep up with international technological change and standards, nevertheless, most of them can just be defined as “followers”. It means that, most of the Chinese companies just try to follow and copy
what foreign companies do, especially in terms of technology. The result is that most Chinese local brands fail in the competition with other foreign enterprises.

In this situation, Chinese home appliance enterprises have difficulties to make a breakthrough on technology which is essential on international market. However, Haier, as a Chinese local brand, catches most of consumers’ attention after its implementing of innovative strategies. More Chinese consumers choose Haier among other foreign brands. Further, Haier enters into the global market successfully, and obtain certain amount of market share in the globe. At the moment, Haier successfully has developed some foreign markets, such as USA, Asia. The reason of Haier’s success could be that it has found its innovative strategies to explore and develop innovation continuously, which is the soul in the progress of a company’s development to achieve competitive advantage and sustainable development.

1.1 Haier’s innovation and its internationalization

The Haier group is the largest producer of comprehensive home appliances in China since 1990s (Dang, 2006). Haier was founded in 1984, which, at that moment, was only a refrigerator plant, named Qingdao General Refrigerator Factory, producing single model of refrigerator, and it was on the verge of bankruptcy with a debt of 0.22 million USD (Yi & Ye, 2003). Haier Group, which is well-known domestically and globally now, was officially announced in the year of 1992, after the mergers with Qingdao Freezer Factory and Qingdao Air Conditioner Factory (Yi & Ye, 2003). In the early development, Haier under the leadership of the CEO, Zhang Ruimin, focused mostly on the refrigerator market with imported technology from Germany and paid much attention to the quality in order to beat its competitors in Chinese refrigerator markets. And also facing the new feature of economic era, Haier, using its culture of innovation, makes a series of major initiatives from the product design, product mix to the mechanism improvement. These implementations helped Haier to play a leading role in the market in the following years.

Consequently, it is not easy to neglect how Haier, depending on its innovation, developed from an enterprise which was nearly bankrupt to nowadays overseas’ recognized enterprise. In a span of 25 years, Haier, from a small enterprise with loss of 0.22 million USD, becomes a MNC of sales revenue to 17.9 billion USD, which is 70,000 times than that of the starting up (Haier, 2007).

By 2007, it has 240 subsidiaries and 8 design centers (5 overseas), 29 manufacturing plants (24 overseas), 16 industrial parks (4 overseas) and 19 overseas’ trading companies and more than 50,000 employees all over the world. The products of Haier are sold over 100 countries worldwide, moreover, the sale s of Haier’s production has reached RMB 118 billion, and it has 50,000 employees throughout the world (Haier, 2009).
In general, Haier, with its innovation spirit, be a pioneer of Chinese enterprises of globalization and embrace opportunities, establishing strategies for global marketing and brand building. Haier has developed into a large multinational company, and it continues to expand its business in China as well as abroad, like North America, Europe, Asia and Oceania.

1.2 The Choice of Topic

From the very beginning of the discussion about the topic of the research, the authors reached an agreement that we focus the scope of the thesis on internationalization and innovation. Knowing that China’s enterprises are managing to go outside to seek fortunes or to be stronger, the authors narrow the boarder of enterprises into China. The authors decide to choose a Chinese enterprise which is successful in China as well as in the globe.

After searching for several Chinese enterprises, like Lenovo, TCL, China National Offshore Oil Corporation, the authors find out that Haier is a very potential enterprise, and it is a successful innovative enterprise in terms of the international prestige; it ranks the fourth white home appliances producer in the world and one of the most valuable Chinese brands. All the facts above attract the authors’ interests to find out the process of Haier’s successful development. Especially, when the authors know that Haier originally was just a small factory with debts and near to bankrupt, with its international process and innovative spirits, Haier has established its status in the global arena, the motive to investigate Haier Group become higher. As a result, the incentive to analyze how Haier be successful and be internationalized becomes stronger which drives the authors to explore its internationalization process with its implementation of innovation.

Another reason of choosing Haier is that Haier Group is in the field of home appliances which the authors are more familiar with compared with those in IT area or automobile industries. Considering all the factors mentioned above, consequently, the topic of the research has been reached.

1.3 Problem Statement

As for the successful growth of Haier group in the international market, it has conducted several business strategies and innovative behaviors to develop, which led Haier’s leading role in its domestic country and its growing position in foreign markets as well. To analyze the growth of Haier Group, it is of great necessity to understand Haier’s success in terms of its internationalization along with its innovation.

Therefore, the statement of the research problem is:
What are the internationalization processes of Haier through its facilitating approach of innovation?

1.4 Purpose

In order to investigate Haier’s successful international process in the international market and to find out how Haier be internationalized into a large multinational enterprise with its value of innovation, which facilitates the growth of Haier Group, the main purpose of the research is to explore how innovation within the organization supports the internationalization process of Haier Group.

1.5 Target Audience

Haier, as a leading brand of China’s home appliances market, gives other enterprises in the field of home appliances lots of examples of success, the outcome of the report can be beneficial to encourage other Chinese home appliances enterprises which are willing to enter and develop in the global market and to compete with the world household appliances giants.

Additionally, the report is beneficial to enterprises in other fields, in similar situations with Haier, which would like to develop the foreign markets. As for people who are interested in the field of international business to investigate the relationships of certain strategies with the success of internationalization.

Therefore, the implication of the thesis is to provide some inspirations for Chinese local enterprises who want to be successful domestically and internationally, further to find their ways of development and finally to promote Chinese enterprises the awareness of innovation.
2. Theoretical Framework

In this part, the authors present the theories in relation to the thesis, which will be applied in the analysis of the study of Haier Group.

The conceptual framework of this thesis involves three theories which can be applied by the authors to the analysis to fulfill the purpose of the study. These three theories are the positioning for emerging-market companies, innovation theory and the internationalization theory.

The core value of an enterprise is innovation. And in terms of its entering to other markets, MNCs have strategies which can be reflected in internationalization theory which is feasible in the context of the global market. On the other hand, during the development in the international market of its internationalization process, MNCs need to find out their positioning in the context of the global market, in order to take proper strategies in relation to their position in the whole environment. Therefore, the conceptual framework figure is presented as the following:

![Figure 1. Conceptual Framework](image-url)
2.1 Innovation

With the speed of internationalization, lots of businesses are emerging into the globe. Along with this situation, to be in the leading role in the fierce competition, and to survive, it is increasingly acknowledged that innovation is of significant necessity. “Innovation has become the industrial religion of the late 20 century” (Swedberg, 2003, p.8).

Five Combinations of Innovation

Schumpeter, as the person who points out the idea of innovation, plays an important role in the following scholars to study in this area. Lots of researchers are inspired by Schumpeter. Schumpeter (1912, in Swedberg, 2003) regards entrepreneurship as innovation, which means that innovation is carried out by five means of new combinations. The five new combinations can be realized: first, by introducing a new product or new quality of products which people are not so familiar with; second, by introducing a new method of production which has not been recognized as a common way through tests of experience; third, by exploiting a new market which has not been entered before or which does not exist; fourth, by getting a new source of raw materials or half-manufactured goods; last, by establishing a new organization of certain industries. (Swedberg, 2003)

Four Characteristics of Innovation

As for the later scholars in the area of innovation, it is important to mention Moss Kanter. Innovation possesses four characteristics, as Kanter (1988) demonstrated, that is, the innovation process is uncertain, knowledge intensive, controversial and crossing boundaries (Kanter, 1988). Products innovation more likely happened in new enterprises however, process innovation commonly occurs in established large firms (Kanter, 1988). Considering these features of innovation, it is easier to let it flourish in environment which holds attributions of flexibility, quick response and effective coordination.

Four Innovation Tasks

Kanter (1988) points out four innovative tasks: idea generation, coalition building, ideal realization and transfer or diffusion (Kanter, 1988). Like flowers, innovation can grow wild and spring up luxuriantly even if in unfavorable environment. Additionally, innovation can also be cultivated in purpose. As a result, we can facilitate the growth of innovation if we have knowledge of better condition for the cultivation (Kanter, 1988). Innovation, to be generalized, cannot occur without any organizational commitment (Rixon, 2002). It is an essential concept in business community.
In short, “the generation of new ideas that activate innovation is facilitated by organizational complexity: diversity and breadth of experience, and integration across fields via intersecting territories, multiple communication links and smaller interdisciplinary business units” (Kanter, 1988, p.182).

The First Task
The first task involves generating ideas and activating innovations. Innovation, generally, is carried out by the recognition of opportunities, it begins with the realization of individuals’ sense and seize of new opportunities (Kanter, 1988). Individuals who see new opportunities should have energy and power to raise new ideas to convince other people’s thoughts (Kanter, 1988). However, instead of looking into individual’s ability in regards to innovation, it is more important to find out structural conditions which are favorable to new opportunities and ideas (Kanter, 1988).

On the one hand, organizational conditions, like the organizational structure can stimulate the process of innovation, especially when the organizational condition is organic, complex, dynamic and natural (Kanter, 1988). The more complexity exists, the more innovation can be encouraged and activated. While not all kinds of innovation would occur in the same phase of an organization, product innovations are more likely happen in new entrant organizations, process innovations, on the other hand, basically exist in large established firms (Kanter, 1988). It is known that innovative environment can be fostered and cultivated. So organizations can create favorable environment for idea generation to stimulate people in the contribution of new ideas seeking and realization (Abramson & Littman, 2002).

On the other hand, the activation of innovation is encouraged by structural integration. It is found that communication integration, that is, close interpersonal communication within an organization, is in positive relation with the degree of innovation (Rogers & Shoemaker, 1971; Tushman & Nadler, 1986, in Kanter 1988). “High-performing research and development project groups have far greater communication with organizational colleagues outside the group than low-performing teams” (Allen, 1984, in Kanter 1988, p.174).

Moreover, a broader job definition is beneficial for making new ideas, since, under such circumstances, a broad job boundary lead to the overlapping between job tasks. Therefore, staffs can obtain different perspectives of other people, more interaction between staffs can be realized and more responsibilities are shared by people (Kanter, 1988).

The Second Task
The second task of innovation-coalition building involves coalition structure and communication density. The organizational interdependency can be both technical
and political. The technological interdependency is built upon the mutual task dependence. There are several types of interdependency relationship, such as hierarchical, lateral and oblique (Kanter, 1988). Second, when communication density is high, innovation is flourished in an organization (Rogers & Shoemaker, 1971, in Kanter 1988). Open communication is essential for innovation. Under such situation, information and ideas can transfer easily and freely, ideas and different perspectives are more accessible (Kanter, 1988).

The Third Task

The third task of innovation is idea realization and innovation production, that is, to set a team to carry out the ideas to fulfill the ideas and make them to exist in reality (Kanter, 1988). It requires continuity of personnel, which is a supporting factor for the realization of innovation. Actually, innovation process is vulnerable to turnover (Kanter, 1988). It is proposed by Kanter (1988) that “creating change requires stability-continuity of people especially during the information-rich, knowledge-intensive development stage (Kanter, 1988, p. 194).” Organizational structures and cultures that favor continuity of innovation process are more likely allocate employees on a project basis rather on a time basis or rewarding basis (Kanter, 1988). Continuity can be supported through strong commitment, so that employees like to stay and to contribute more to the organization (Kanter, 1988).

Flexibility, on the other hand, is another factor affecting the realization of innovation. Actually, restructuring of organization often happen during the process of innovation, such as joint-venture, changes of responsibilities, application of new team, and changing of control (Schroeder et al., 1986, in Kanter 1988). Therefore, in organizations that allow re-planning, providing innovation teams more freedom and autonomy, further motivating people by means of rewards, more innovation can be realized (Kanter, 1988).

The Fourth Task

The last task is transfer and diffusion. It involves “the culmination of innovation production which can be transferred to others who will exploit the innovation or embedded it in ongoing organizational practice” (Kanter, 1988, p. 198). In regards to the use of innovation, it is of differences. Creation of innovation needs few resources. Nevertheless, use of innovation requires lots of factors, including people, activities, patterns and structures, which are different from the creation of innovation.

An effective transfer requires strategic decisions to allocate resources to implement innovations (Kanter, 1988). One way of diffusing innovation is to arrange a group of people to take the responsibility to make new ideas into effective use.
A variety of interface or bridging structures, actually, can reinforce the transfer or diffusion of innovations (Kanter, 1988). The bridging structure can be a transition team or parallel organization, acting as a managing team in specific tasks (Kanter, 1988).

**Summary**

Kanter (1988) defines that “innovation consists of a set of tasks carried out at the micro-level by individuals and groups of individuals within an organization; and these micro-processes are in turn stimulated, facilitated, and enhanced—or the opposite-by a set of macro-structural conditions” (Kanter, 1988, p.205).

### 2.2 Internationalization Theory

A number of studies in international business field show that the internationalization of a firm is an incremental process, that is, a firm should gradually increase its international involvement (Johanson & Vahlne, 1977). There are several theories that focus on internationalization process of a firm on “its gradual acquisition, integration and uses of knowledge about foreign markets and operations and on its successively increasing commitment to foreign markets” (Johanson & Vahlne, 1977, p.32).

Generally, the internationalization process involves the decision making process, for instance, from the decisions of exporting to a new country, establishing export channels to founding a sales subsidiary. Lots of firms choose the development through their operations in small steps instead of making large scale of foreign market investments (Johanson & Vahlne, 1977). Basically, “firms start exporting to a country via an agent, later establish a sales subsidiary, and eventually, in some cases, begin production in the host country (Johanson & Vahlne, 1977, p.33).”

The basic reason for the gradual process of a firm’s internationalization which is illustrated by Uppsala Model, involves that the shortage of knowledge can be a crucial obstacle to the development of international operation and such knowledge can be gained through operations conducted overseas (Johanson & Vahlne, 1977). So, from such perspectives, there are two directions of internationalization. One is the increasing involvement of a firm in a specific foreign market, the other is the successive establishment of operations in new markets (Johanson & Vahlne, 1977).

Moreover, knowledge can also be classified into general knowledge and market-specific knowledge. General knowledge contains current market methods and common traits of customers regardless of geographic locations (Johanson & Vahlne, 1977). While market-specific knowledge is the understanding of “characteristics of specific markets, such as business climate, cultural patterns, and structure of market system and also characteristics of individual customer forms and their personnel”, it can only be obtained through personal experience (Johanson & Vahlne, 1977, p.39).
The decision making is largely based on markets knowledge. The first is the knowledge about the opportunities and problems; and the second is the assessment of two or more choices based on knowledge about market environment (Johanson & Vahlne, 1977). There are two types of knowledge, objective knowledge and experiential knowledge. The objective knowledge can be taught from academic resources. However, the experiential knowledge can only be learned from individual’s experience which can not be easily acquired. Experiential knowledge provides consciousness of realizing and formulating opportunities, making opportunities into the reality (Johanson & Vahlne, 1977).

Another reason for the incremental commitment in the process of internationalization is related to psychic distance between the home country and the host country (Johanson & Vahlne, 1977). Enterprises facing a variety of overseas markets choosing may follow principle of psychic distance that is to choose markets have the same cultural background. Psychic distance can be explained as the concept of enterprises to choose the sequence of overseas market, which refers to the factors of hindering or interfering between enterprises and market information flow, including language, culture, political system and so on (Vahlne & Wiedersheim-Paul 1973, in Johanson & Vahlne, 2001). It is not easy to disregard that the market experience can help to reduce the psychic distance. The experience includes market specific experience and operation experience. The former refers to the conditions in a specific market which is not easily to be transferred, the latter concerns the ways of organizing and developing international business operations which can not be transferred without difficulties from market to market (Johanson & Vahlne, 2003).

In general, when decision makers lack of market resources, because of the inclination of reducing the risk, the decision of investing in overseas market falls to its lowest point. However, after a period of overseas business activities, entrepreneurs have accessed and accumulated knowledge and experience of market, through overseas operations to increase the market knowledge. Consequently, entrepreneurs are able to grasp the new opportunities for the overseas market, thereby promoting more resources into overseas market.

Therefore, it is concluded that the more market knowledge in hand, the more market commitment there is. Market commitments can be reflected from the scale of the investment in a certain market or the strength of the connections with foreign markets (Johanson & Vahlne, 2001). The concept of market commitments includes two variables, one is the amount of resources committed, and the other is the degree of commitment, which refers to the degree of difficulty in finding an alternative way of the using of resources (Johanson & Vahlne, 1977). The first factor of market commitments involves the amount of resources committed which is easy to get. It is about the size of the investment in the market. Broadly speaking, it can include the investment in marketing, organization, personnel and other areas (Johanson &
Vahlne, 1977). The second factor of market commitments is the degree of commitment. It is the degree of the usage of resources in a particular market. The higher the degree of commitments the more resources is integrated with other parts of a firm and the value can be exploited (Johanson & Vahlne, 1977).

Johanson & Vahlne (2001) believe that there are two ways which mainly reflect enterprises gradual internationalization. One is in terms of geographical scope for expanding market. Enterprises usually choose adjacent oversea market. And the second one is in regards to the evolution of entry mode, from indirectly export through intermediaries, to direct export, to set up sales subsidiaries in overseas, to manufacturing in overseas. These four steps show that the resources are increased in its overseas market and information channel controlled is gradually changed. In exporting stage, enterprises have fragmented and irregular market information in the hand and they only put little resources into market, after obtaining some experience knowledge enterprises own fixed information channels, as well as they input part of resources. When the enterprises start to establish sales subsidiaries, they can master market information and can direct access to the market knowledge and experience, and finally enterprises establish manufacturing base to be deeper involved into overseas market (Johanson & Vahlne, 2001).

Foreign direct investment refers to “the establishment of production or other facilities abroad, either through Greenfield investment (the establishment of new facilities from the ground up) or cross-broader acquisition (the purchase of an existing business in another nation)” (Ball et al., 2008). Investing abroad is driven by strategic motives to find new markets, raw materials, in order to achieve production efficiencies, to have new technologies or managerial expertise, to enhance political safety of the firm, finally to react to competitiveness or other pressures in the external environment (Ball et al., 2008).

Foreign direct investment can be regarded as a stage in international product life cycle. In order to avoid loosing market which the firm exports to, a firm is forced to invest in overseas manufacturing facilities (Ball et al., 2008). Additionally, it requires that the firm should hold competitive advantages to overcome liabilities in relation to being a foreigner, like inadequate market knowledge (Ball et al., 2008). The competitive advantages can be scale of economy, technology, and knowledge in marketing, management or finance (Ball et al., 208). Three main reasons for FDI can be proposed, the first one is the lessening of conflicts between firms in international markets; the second is the exploitation of the monopolistic advantages; and the third one which is of less importance is the risk diversification (Hymer, 1968, in Pitelis 2007). Therefore, through FDI, firms can both reduce forces of competitors and discover the monopolistic advantages (Pitelis, 2007).
2.3 Positioning for Emerging-market Companies

After the trading barriers weaken and disappear, internationalization has become a common phenomenon in the emerging global market. This has both advantages and disadvantages. For the consumers, because of more brands appearing in the market, more choices are available to them. However, on the other hand, as for local companies, they have to face intense competition with other new comers internationally who have advanced technology, assets, etc. To face and overcome the fierce competition with their multinational rivals, local companies have to adopt some strategies and tactics in the emerging international market.

In the context of international environment, Dawar and Frost (1999) conduct a long-term study of local enterprises in emerging market to put forward a matrix, which is, positioning for emerging-market companies. This matrix is formulated based on two variables, one is how assets are transferable internationally, and another is the degree of pressures on companies to be globalized (Dawar & Frost, 1999). Both of these two factors influence the way of thinking and conducting of a company.

In this matrix, four kinds of situation are illustrated. In the condition of lower requirement of internationalization, if the assets are not transferable, local companies will carry out “defender” strategy to defend themselves not be defeated by multinationals, by means of strengthening their own assets advantages which the cross-borders enterprises can not be easily to transfer, such as culture of channels and brands (Dawar & Frost, 1999) to protect their territory by pooling resources from the invasion of multinational giants. The best defense is to counter-attack. On the other hand, if the competitiveness assets of local companies possess international transferability, then the best strategy for local enterprises is to extend successful experience of home country to overseas’ markets with similar situations through their competencies possessed in the home-base market. It can be defined as “extender” strategy (Dawar & Frost, 1999).

However, under the circumstances of high demand of internationalization, companies face great and various competition and challenges. If the transferability of companies is low, what competitive strategies local companies take can be called “dodger”. It means that to avoid competitions of rivals and to maintain its current status, local companies either focus on a particular aspect of their links in the value chain or through joint venture or simply sell products to multinationals (Dawar & Frost, 1999). In the opposite side, when companies’ assets are transferable, they would like to be a contender in the global competition. They have the capabilities to rival with the multinationals and they have competitive advantages from a higher degree of standardization and economies of scale, meanwhile, they try to upgrade their capabilities and enlarge their resources. In this case, company can be called “contender” (Dawar & Frost, 1999).
The four strategies of this matrix generally help the managers of local companies find companies’ ways of existing and developing during the process of internationalization in the whole context of globalization.

3. Methods

This chapter presents the way of how the authors conduct the research by setting the scope of research, formulating the research question, choosing theoretical framework, which are relevant to and be helpful for the achievement of research question and research purpose, using of research methods to collect secondary data, afterward, data analysis is developed along with selected theories.

The following figure presents the process of the research and the way of conducting the thesis.

![Flow of conducting thesis](Adapted: Fisher, 2003)
3.1 The Choice of research

In this report, the authors mostly use the interpretative approach to analyze the case of Haier Group. As Fisher (2003) pointed out, the link between understanding and action is indirect, so it is understood that the choices of action taken are not so clear. As a result, people should use their own understanding and judgment to make choices and to take actions. Furthermore, understanding that the knowledge itself cannot clearly provide indications for actions, understanding a situation helps people use the thinking and values to arrive a better choice of action (Fisher, 2003).

“In interpretive research the links between interpretations are dialogic. That is to say, people develop their ideas through debate and conversation with themselves, in their heads, and with others” (Fisher, 2003, p.47).

In this research, the authors try to cover wide range of views and positions of people on certain subjects, to seek to understand how people make sense of the world. Meanwhile, the authors use the understanding of literatures, theories to answer the research question and to achieve the purpose of the research in the end.

3.2 The Choice of Research Methods

In this research, in terms of research methods choosing, the authors prefer to the qualitative method, Phillips and Burbules (2000, in Creswell, 2003) point out that most quantitative research starts with the test of theories, and that researchers begin with proposing the relationship among variables by means by questions and hypotheses.

However, on the other hand, qualitative researches, as Crotty (1998, in Creswell, 2003, p.9) demonstrated, are done by researchers who “seek to understand the context or the setting of the participants through visiting this context and gathering information personally”. Researchers, under such circumstances, make interpretation of what they have found with certain experiences and backgrounds (Creswell, 2003). It involves narratives phenomenologies or ethnographies, etc. (Creswell, 2003).

Considering the research question and the purpose of the research, this research is not to test relationships rather to make interpretations about phenomena, so the qualitative approach is used in this research.

3.3 The Choice of Collecting Information

As mentioned above, the research basically depends on interpretative approach. In regards to the choice of data collection, secondary data collection is decided by the
authors. If the authors conduct primary data collection, it is better to arrange an interview with senior employees or top managers of Haier Group. However, as students, because of the lack of social experience and social relationship, it is not easy to get in touch with some employees who know Haier’s internal or confidential strategies.

The reason of conducting secondary data collection contains two aspects. First, as students, the possibility of getting in touch with top managers of Haier Group is really small; and it is difficult to arrange an interview with senior managers and some employees in the organization. Second, because of the long distance from Sweden to headquarter of Haier Group, it is not easy to distribute a questionnaire to the employees.

Considering the lack of the connection with the target organization, the authors mostly take into account of the research methods of documents and databases to get secondary data from official websites and annual reports of Haier Group. From these materials, the authors can understand the procedures of Haier’s internationalization and know some significant events within the organization which drive Haier’s growth to deeply investigate the process of growth of Haier Group along with its innovative strategies.

The authors mainly manage to use secondary data to analyze the reality and the truth. In order to achieve the purpose of the research, that is, to find out the links between innovative strategies Haier conducted with the successful internationalized consequences. The authors mostly resort to secondary data collection.

With the secondary data, the authors gather lots of information and facts which are relevant to Haier’s international strategies and innovative behaviors, in order to promote the understanding of this enterprise. Basically, the authors select the academic resources, in the areas of innovation or internationalization, from books, articles and internet which are more authoritative and reliable.

As for books, the authors borrow several academic books in relation to some theories covered in this report, such as *Extending the Eclectic Paradigm in International Business* (Gray, 2003) about FDI theories, and *Innovation: Harnessing creativity for business growth* (Rixon, 2002) to understand innovation theories. For articles, the authors largely use articles learned before, such as articles about internationalization theory and innovation theory. Furthermore, the authors try to find other academic articles in the database in Malardalen University library, such as Emerald and ABI/INFORM to find more ideas of certain theories and to collect more articles involving the analysis of Haier Group.

Considering the validity of the information from the websites, the authors mostly use authoritarian literatures from official websites to obtain more knowledge about
Haier’s facts in its business enlargement. The authors get information from the more reliable websites, such as the Haier’s official websites. What’s more, the authors use data from the website, such as the figures of annual report of Haier which helps the understanding the process and the development of Haier Group.

### 3.4 Limitation

The title of this thesis is “internationalization and innovation, the case of Haier”, however, the authors do not use case study as an approach. As Fisher (2003) argues that a case study is lack of representativeness and generalisability, and in this thesis the authors are not going to exam whether internationalization process and innovation adapt company’s development, but to illustrate how Haier traces the internationalization process and innovation to expand its global market.

Basically, in this research although the first-hand primary data collection cannot be conducted, like interviewing the top manager, the authors gather more reliable information so as to know the international processes and innovative behaviors of Haier Group. However, from all the materials collected, the authors can understand deeply how Haier developed into today’s large MNC and some innovative strategies Haier carried out which facilitate its development as well.

In addition, after collecting the materials, the authors need to analyze them based on theories which are from different ideas and views of professors in some academic articles and reports, although theories in Chapter 2 are not comprehensive and critical, some of them even single authored, the authors have done their best to find the theories in regards to Haier’s development, and in Chapter 5 analysis part, all of the theories that authors chose are fully applied to analyze Haier’s internationalization and innovation.
4. Empirical findings

This part is about the facts and some important events of Haier Group in relation to innovation and internationalization in its process of growing up.

4.1 Overview of Haier

The Haier Group, which is well-known by most of Chinese people and is recognized internationally (Du, 2003)), was founded originally from QingDao General Refrigerator Factory in 1984 with the introduction of technology from a German company, Libherr Company (Haier, 2009). During the process of 20 years’ development, the enterprise has experienced substantial prosperity and, at the moment, Haier Group is a recognized multinational enterprise in the global arena (Liu & Li, 2002).

Haier Group produces a wide range of electrical home appliances. Haier possesses 96 product lines to produce 15,100 varieties of items (Haier, 2009). In addition, Haier exports its products to above 100 countries around world (Haier, 2009). In the year of 2004, Haier’s global sale amounted to 122 billion USD (Haier, 2005). Haier has established 10 manufacturing plants, and 30 producing factories aboard, 8 design centers and 58,800 sales subsidiaries all over the world (Haier, 2009).

Along with the growing international reputation, 19 of the products, such as refrigerators, air conditioners, televisions, are rated as “Top Brand” in China (Haier, 2009). In March 2008, the Financial Times listed Haier to Top 10 Chinese Global Brand Names in terms of brand perception, product and service, quality, social responsibility, leading brand, brand equity, innovation and management (FT, 2008). In May 2008, In Forbes’ Reputation Institute Report, Haier ranked 13th on Forbes Reputation Institute Global 200 (Kirdahy, 2008). All these rankings represent that in the past two decades, Haier has obviously grown from a small domestic enterprise to the current leading home appliances manufacturer in the globe.

21st century witnessed great change in global economic environment; the process of globalization is in rapid speed. Haier Group grasped the chance of the globalization, with the improvement of its technology and management concepts, it has developed into a big multinational company, which ranks the world’s 4th largest white goods manufacturer and one of China’s top 100 IT companies. Haier manufactures a broad range of home appliances, manufacturing home appliances above 15,100 different specifications in 96 product lines (Haier, 2009).

It demonstrates that Haier has strategies of aggressive internationalization along with the emergence of globalization. Faced with this set of figures, the CEO Zhang Ruimin
said that the development of Haier in international market largely depends on innovation (Haier, 2009). Haier is committed to technological innovation and management innovation, and also firmly grasps the consumers’ demand, which builds up a world-class brand.

In retrospect to the rapid growing up and development of Haier, its internationalization process can be divided into four phases along with its innovation behavior (See Figure 3).

Briefly, the first phase is from 1984 to 1991, can be called brand building and recognition phase, which was focused on the quality and technology in producing refrigerators to become a strong brand name within China’s market. The second phase is from 1992 to 1998, whose main strategy is to enlarge and diversify the range of products. So this period is viewed as expansion and diversification phase, when new 12 product categories were produced by Haier. The third phase is the internationalization period, from 1999 until 2005. Haier began to introduce its products to the world’s leading economic regions to establish overseas distributor network and after-sale service network. Haier’ brand from that moment has certain credibility and reputation. From 2006 until now, Haier is in its 4th phase-global brand building to realize its goal of becoming a global recognizable brand, trying to establish local design centers and plants in overseas markets.

As for the four phases of Haier, it does not mean that the previous phase stops, but that each phase has an emphasis. In the following part, each stages of Haier’s development are demonstrated separately.

4.2 Four development stages of Haier

The process of Haier’s stage development can be showed in the following figure:

![Figure 3. Haier’s Globalization strategy](Adapted: Haier China, 2009)
The first stage- focusing on brand building or recognition (1984-1991):

In 1984, Haier had the debt of more than 1.47 million RMB. Haier decided to start from the production of one product---refrigerators. In this stage, Haier is only confined to the Chinese market. Haier focused on the quality of the products in order to set its reputation in Chinese market. OEC management control system and Total Quality Management (TQM) were carried out within the organization.

This stage can be considered as destroy of defective refrigerators. In 1985, 76 defective refrigerators were refused by consumers and returned back to the factories. The CEO Zhang Ruimin destroyed these defective refrigerators in front of all workers to awaken the awareness of quality of all the staffs. Afterword, the branding strategy is reinforced by Zhan Ruimin. Quality became the core and the essence of business sustainability, whether at that moment or in the future. Focusing on refrigerators, Haier gained and explored lots of experience in management and marketing, which at the same time laid a foundation for its future expansion.

The second stage- focusing on expansion and diversification (1992-1998)

In this stage, Haier committed to the diversification of its products variety with the experience gathered and the reputation gained from the first stage. The “activating shock fish” strategy was introduced in the period, Haier started to expand into other products varieties, creating 12 new products categories.

From 1984 until 1998, Haier has acquired 18 companies which were running at loss. Haier activated the assets of nearly 1.55 billion RMB by means of restructuring, recapitalizing and recovering of idle assets. For instance, Qingdao Redstar Appliances Stock Co., Ltd., Laiyang General Household Appliances Plant and Hefei Yellow Mount Television Plant. Compared with that in 1984, Haier until 1998, had a number of products, from white goods to brown goods (Dang, 2006).

During this period, with its innovative spirits, Haier also began its expansion overseas. In 1990, after having stable status of the domestic market, the Haier Group proposed the "three 1 / 3" business development strategic objectives, that is, "one-third of domestic sales of domestic production, one-third of overseas sales of domestic production, and one-third of overseas sales of overseas production" (Haier, 2009).

In 1991, Haier, at the first time, exported to the United States 246 small refrigerator, however not using its own brand. In the next year, Haier exported 1000 refrigerators to U.S (Liu & Li, 2002). In 1995, Haier began to focus on the international market, declaring to start its second stage of international brand strategy (Haier, 2009). During this period, Haier’s work style had a new value---rapid response, immediate action, so as to create competitive advantages to overcome the international brands challenge.
Although there were huge gaps of capital, technology and human resources with foreign giants, Haier still entered international markets with passion and ambition.

In 1995 (see Appendix 1), Haier founded its first FDI manufacturing in Indonesia, PT. Haier Sapporo Indonesia. In August 1996, Haier Industrial Ltd. was established in Malaysia. In June, 1997, Haier LKG Electrical Appliances Ltd. was set up in Philippines, and Haier run a Yugoslavian Haier Air Conditioner Plant. Meanwhile, Haier built design departments in Tokyo, L.A., Silicon Valley, Amsterdam and Montreal successively for catching up market demands.

◆ The third Stage- focusing on internationalization (1999-2005)

The results of the diversification of Haier’s products in the international market can be illustrated by the fact of Berlin International Consumer Electronics Fair in February 27, 2001. Haier displayed 58 series of products, 218 types of products on that faire, attracting a large number of visitors (Xu et al., 2007). These products are specifically tailored for overseas markets. In contrast, in Haier's first International Consumer Electronics Fair in Cologne, Germany, Haier only displayed few varieties of products in the area 100 square meters. At the same time, participators GE, Whirlpool appliances and other international well-known enterprises occupied nearly 600 square meters displaying a large number of unique designed, different styles and a variety of home appliances. From this first experience, Haier recognized that the internationalization of the products should start from the most basic design. Therefore, Haier decided to try to localize the design and to employ local designers (Xu et al., 2007).

Still, Haier began to acknowledge that the sustainable growth in domestic market was not the ultimate objectives. Haier started to focus more on exploiting international markets. However, it requires more efficient resources control to meet consumers’ need; as a result, some innovative strategies were carried out at that moment, the new supply chain management was proposed. Moreover, Haier reengineered its processes and implemented SAP (system application and products in data processing) to develop in the fierce global arena (Haier, 2009).

At the every beginning, during the second stage, Haier exported products to U.S in other brand name. Afterward, Haier refused to help other company to build its brands. It began to build its own brand names, but the U.S. market is not favorable to Haier during the second stage. Therefore, Haier found a factory directly in US, to realize the localization of Haier in American markets. Consequently, on April 30th, 1999 (see Appendix 1), Haier laid the foundation stone of production base, establishing its industry park, the biggest FDI overseas, in Camden, South Carolina, USA. In March 2000, the refrigerators projects in this industry park have been formally put into operation, which is the largest China's investment enterprise in the United States. In March 2000, Haier’s the first US made refrigerators appeared (Haier, 2009). In April
2001, an Avenue named after the name of Haier -"Haier Blvd" was born (Haier, 2009). With establishment of the Design Center and marketing centers, Haier manufacturing center is also set up under the expectations of the people in the United States. The Trilogy of internationalization of Haier in America will continue to meet the local consumer demand of refrigerators. At present, Haier has a research and development center in Los Angeles, a trading company in New York. After the completion of the production base in South Carolina, Haier's products achieved the localization of designing, production and marketing. Similarly, in western market, to realize localization, Haier hired an Italian designer, Miro, to meet and tailor the western market’s demands.

And then, in April, 2001 (See Appendix 2), Pakistan Haier Industry Park was established. Factories to manufacture refrigerators, washing machines and other home appliances were founded in Bangladesh, Indonesia, Philippines, Malaysia, Iran and other countries. On June 19th, 2001, with the merger with an Italian refrigerator plant (see Appendix 2), Haier established a refrigerator plant in the United States (Haier, 2009).

On January 8th, 2006 (see Appendix 2), Haier Group and Sanyo Electric Co., Ltd. in Japan took joint venture to set up a new company --- "Haier Sanyo Co., Ltd. '". This company is based on both Chinese and Japanese markets and the exchange of market resources, to establish a new type of relations further to create a bigger market share. Haier’s entering into the Japanese market, shows that Haier's international strategies have developed to a new more internationally competitive stage.

The cooperation between Sanyo and Haier is related to several areas (Yi & Ye, 2003): first, establishing the joint venture Haier Sanyo Co., Ltd., tightly working with the previously established Haier Co., Ltd., sharing the responsibility for Haier products’ sale and brand promotion in Japan, being committed to provide Japanese consumers with high-quality home appliances. Secondly, the joint venture involved taking the advantages of Haier’s strong brand image and the wide range of marketing channels in China to sell Sanyo brand production in Chinese market. Third, through collaborating with suppliers, the company focused on the production of main components. Fourth, exchanging and cooperating with technology and personnel.

Within this phase, Haier also opened up China Taiwan market. On February 20th, 2002, Haier Group and Taiwan's Sampo announced joint venture (Haier, 2009). Two parties mutually agented each other brands, and conducted mutual OEM, mutual cooperation and mutual parts procurement, to start a strategic alliance and investment cooperation, achieving the purpose of mutual integration.

In the ear of e-commerce, Haier Group with innovative ideas, in March 10, 2005, began the establishment of Haier Group e-commerce Co., Ltd (Xu et al, 2007). As the first home appliance enterprise to set up e-commerce, Haier oriented to suppliers and
individual consumers, setting up B2B and B2C purchasing platform. Through the adoption of the platform, Haier was able to set co-operative relationship with suppliers. Such as online B2B platform bidding, suppliers’ self-maintenance, order status tracking and so on. In Haier's B2C platform, consumers accompanying with music, listen to the recommendations of the professional shopping guides, to evaluate items comprehensively, or to design a kind of refrigerator on the screen (Dang, 2006).

B2B and B2C, in Haier, were traditionally called B2X, that is, to produce in accordance with orders, Zhang Ruimin said: "X is the potential demand of users, I tap the potential demand for the users, and I create the new market. The market, to some extent, is like a cake. Finding potential demand is similar to making a small cake of my own. Although the cake is not big, I have it. It is equivalent to grabbing a piece of a large cake" (Dang, 2006). For example, users want to have a triangle refrigerator; Haier was also able to meet the requirement.

◆ The fourth Stage- focusing on global branding building (2006 until now):

In this stage, the goal of Haier Group is to become a global recognizable brand. Haier was engaged in integrating its resources around the world, and tried to be the local brand by establishing local design centers and setting up plants in overseas markets (Haier, 2009).

Haier is very concerned about market segment, in accordance with consumers’ significant differences of needs, desires, purchasing behaviors and habits. Haier’s R&D and marketing department divided its market as style segmentation, classification segmentation, exporting segmentation and geographical segmentation. Style segmentation contains the European style, Asian style and American style; the classification one can be divided into white-collar workers and blue-collar workers; the exporting segmentation is composed of developed countries and developing countries, and the geographical segmentation can be categorized as north and south, Urban and rural areas and so on (Liu & Mao, 2003).

4.3 Business Process Reengineering

From the production scale, Haier has more than 10,800 classifications of products. In average, Haier develops 1.3 products a day, producing 5 million products daily. Haier’s operation funds can reach RMB99.6 billion (Dang, 2006). With the globalization of business expansion, the Haier Group has nearly 1000 manufacturing squares, more than 53,000 marketing networks, 15 design centers and more than 3,000 overseas managers (Haier, 2009). In such a large business system, only relying on the traditional pyramid matrix-style management structure or model is difficult to maintain the normal operation, as a result the business process reengineering becomes imperative.
The situations are different before and after the process reengineering. Before the business process reengineering (BPR), the whole process of orders is like: the order occurs in the supply department, and then transferred from the marketing department, to the business department, to the planning department, finally get to the production factory. After planning process in factory, then the order is sent to the workshop. The whole process is so time consuming and inefficient (Dang, 2006).

However, after BPR, all of the transit points do not exist. The market demand got closer to workers. Every employee of each department is directly responsible for markets. For instance, a French dealer had ordered 3,000 energy-saving refrigerators. On that day, the order has showed on ERP system, immediately the production was arranged. Such an easy process of several hours can take up to 10 days before the reengineering (Dang, 2006).

After the BPR, the structure of management is no longer being a hierarchical management as the higher-level executive in charge of instruction. However, it was changed to mutual equal, service and contractual relations. Every business process has led services customers, leader and every employee directly face the market and customer, and each of process has a higher degree of autonomy in decision-making.

On the other hand, in the process of market chain, Haier separated the original division of product, purchase and sales, at the same time, establishing independent overseas logistic and funds department which coordinates headquarters, then to integrate the variety of external resources into a unified system (Liu & Li, 2002). The aim of this process is through the integration to enable synchronization of Haier’s producing, purchasing and selling. Under such circumstance, Haier is able to realize that the manufacturer can immediate develop products that meet consumers’ demands and create values during the research and development process.

During 5 years period of Haier’s BPR, organizational structure has broken 40 times and reconstructed 40 times according to the situation (Xu et al., 2007). Haier’s BPR is not only a structure changed, it is more of a concept of continuous knowledge restructure. There are some innovative concepts going deeply into each employee’s mind, such as the user’s problem is the main innovative issue, first to sell credibility then to sell products, only off-season thought and no off-season market (Xu et al, 2007). Therefore, in the early stage of cultural development, Haier’s idea is regulated, and now the idea is influencing everyone in the operation, that is, everything needs innovation.

At the moment, Haier’s BPR has entered into the third phase. The first phase is internal resources integration to establish the framework of a market chain, which means to put all the resources together to build a brand. The second phase is of integration of external resources, that is, to obtain orders in the market value chain framework established in the first phase. In the third phase, Haier integrated the entire
human resources to enable everyone to become entrepreneurial innovation, and to create orders of higher value (Yi & Ye, 2003).

4.4 Haier’s Management

Haier’s corporate culture handbook provides a clear reward system in order to encourage staffs to engage in technological invention and innovation. Haier awards employees, such as Haier Rewards, Rational Proposal Rewards (Liu & Mao, 2003). If the invention can apparently increase the labor productivity, the inventor’s name can be the name of product. And also each of the employees has a Rational Proposal Card, if they have any ideas, no matter in relation to the system, management, work or life, they can put forward them. If the ideas are rational and innovative, Haier will adopt and implement them.

On the other hand, Haier, through equal employment mechanism, tells everyone that they are professionals, they can go beyond themselves in their work, and that every step of the development of Haier is the result of their creative work. This, in turn, gives the employees a sense of pride and superiority, they are further inspired to be greater creative. Therefore, the enterprise is always dynamic.

Haier also carries out the strategy “SBU” which is short for “Strategic Business Unit”. Haier's approach is to encourage everyone in the enterprise as a unit where they are able to conduct their own decisions. Haier calls this thought "Everyone become a SBU" (Dang, 2006).

Further, everyone is a market, everyone has to directly face the market, which reflects the fairness of distribution in the era of market economy. Haier’s staffs now are directly facing each market profits. If the employees’ products which they participating in get loss in the market, they can not have income. They can borrow salaries from the group up to 6 months. However, if after 6 months the market profits do not raise, they will be asked to leave. Therefore, SBU transfers the marketing pressure directly to every employee.

4.5 Haier’s technical innovation

The concept of Haier corporate culture is innovation, through the concept of innovation; promote institutional innovation, technological innovation and product innovation, in order to achieve the creation of resources. Haier Group, in 1998, completes 262 new products and new technologies, and 236 of them achieve the commercialization, the commercialization rate reaches 90% (Yi & Ye, 2003).

Even after the financial crisis in Southeast Asia, Japan and South Korea are still importing this kind of washing machines in a large number. In order to have more
confidence to eat the "cake", Haier applies for 11 patents for this product, so Korea
and Japan can only import in large quantities (Yi & Ye, 2003). In this sense, Haier not
only makes a piece of cake, but also leaves imitate competitors far behind.

In the research and development, Haier strives to achieve each product be in the head
of industry, and urges all the staffs to continuously introduce innovation. In average,
Haier reports 1.8 patents everyday producing 1.5 new products daily (Haier, 2009).
Haier, from the initial plant with only one type of refrigerator, grows into the present
multinational enterprise which can produce 58 series, more than 9200 kinds of home
appliance products (Haier, 2009).

Taking the washing machine as an example of Haier’s innovation, in the past, the
washing machine is a very clear seasonal product; summer is the off-season of this
product. Haier, through deep investigation, finds that it is not hard to sell washing
machines, but the market lacks of a laundry washing machine tailoring to people’s use
in summer (Liu & Mao, 2003). Because of the weather, people need to do more
laundry, but the traditional large capacity washing machine cannot meet the demand
of washing small items of clothes. According to this situation, Haier develops a small
washing machine with capacity of 1000 grams. In accordance with habits of Shanghai
consumers, Haier pushes it into the Shanghai market. After the launch of products in
Shanghai, this kind of product receives great acceptance, and then be successful in
Chinese market, the sale of the washing machine reaches two million sets of products
(Liu & Mao, 2003).

Additionally, another fact can also demonstrate Haier’s innovative spirits. For
instance, some rural customers use washing machine to wash potatoes, so the sand
plugs the machine. Knowing this fact, Haier’s technical department designs a special
washing machine to wash potatoes. After knowing Haier’s potatoes-washing machine,
one chef from a Beijing school wrote a short letter to Haier’s technical department to
see if they can develop a machine to cut potatoes skin. Although this demand is a bit
embarrassed, in the end this kind of machine is developed and 5 kg potatoes can be
cut cleanly in a few minutes (Liu & Mao, 2003).
5. Analysis

Along with the theories selected and empirical facts presented in the previous parts, in this part, the authors would like to further investigate and analyze the case of Haier, in relation to its innovation and internationalization, and its positioning in the international market in its process of internationalization.

5.1 Innovation

Haier’s culture of innovative spirit is deeply rooted in the enterprise technology, products, management, services, ideas and day-to-day employees’ behaviors.

As a home appliance enterprise, innovation is of great importance, but research and development of new technology is also crucial for the enterprise’s progress, thereby Haier believes that invention is not innovation, and the inventor is not necessarily innovators, only those inventions which cause the transformation into economic activities and which make significant economic benefits are called innovations (Liu & Mao, 2003). The most important one in technical innovation is to have market effects, which is testing criterion for the success of technological innovation. Research and development of new technologies and the commercial results should be back to the markets, that is, the starting point of technological innovation is the market, and the end point is still the market. Haier adheres to a concept of “market designs products”. To innovate behind closed doors, innovation will lose the direction; therefore Zhang believes that the first requirement of innovation is the integration with market (Dang, 2006)

“Products innovation is more likely existing in new enterprises and process innovation commonly exists in established large firms” (Kanter, 1988). Haier’s innovation procedure can also be divided into two stages, that is, products innovation and process innovation, in the areas of market and BRP.

5.1.1 Products Innovation and Process Innovation

Asserted by Schumpeter, innovation is carried out by five combinations. Moreover, products innovation mostly happens in the early age of an organization and process innovation commonly occurs in established large firms (Kanter, 1988).

To produce new quality of products is one of the five combinations. In its very early stage, Haier focuses on the quality of the products to produce high quality of refrigerators and takes out TQM and quality control system to ensure the quality of the products. On the other hand, Haier tries to be localized and realize market demand. For instance, Haier invent the summer washing machines and peeling potato
machines under the need of consumers to occupy the markets and obtain reputation from the customers.

Exploiting a new market is also a kind of combination in innovation as claimed by Schumpeter. In the following stages, Haier tries to explore new products markets which it has not entered before. Haier diversifies its variety of products to other home appliances. Further, Haier is engaged in foreign markets seeking, to go to overseas markets when opportunities exist. Additionally, Haier takes innovative strategies to enter into new markets such as USA, founding factory directly in the USA, establishing FDI manufacturing in Indonesia, etc.

Overall, Haier largely pays attention to innovation of products to tailor the demand of the market. When Haier realizes the need of customers of certain products, it will try its best to satisfy the customers. For example, Haier develops the triangle refrigerators, the summer washing machines, the potato washing machines, which are not common in the market. When there is a need, Haier will manage to be innovative to react.

For the process innovation, Haier does not afraid to throw the old, the tradition, rather embracing restructuring of organization styles. Specifically, Haier have reorganized its structure whether in the area of management or the marketing. SBU management approach is carried out. B2B and B2C business platform are used with the pace in e-commerce era. BPR is largely implemented to let the process, from order receiving to production, be more efficient. What is more, Haier have its reengineering behaviors more than 40 times in a period of 5years.

5.1.2 Tasks of Innovation

Innovation can be cultivated in favorable environment, for instance, in terms of organizational structure (Kanter, 1988). In the process of innovation generalization, implementation, Haier Group provides staffs large beneficial conditions which can be reflected in four tasks of innovation.

As for the idea generalization which is the first task proposed by Kanter (1988), Haier encourages employees to express new ideas, and all the ideas are welcomed by the organization, SBU can be largely illustrated as an example of Haier’s favoring of innovation. This management method gives employees great space and incentive to be innovative.

In addition, the second task of building communication density and coalition structure can be illustrated by BPR. After the business process reengineering, the structure of management is not hierarchical any more. However, it is mutually equal every employee directly faces the market and customers. Each person has the right to make decisions. In such situation, coalition structure and communication density are
realized which is the second task of innovation. When communication density is high, innovation can be significantly flourished in an organization (Rogers & Shoemaker, 1971, in Kanter 1988).

It is claimed by Kanter (1988) that organizations that emphasize on the continuity of innovation process are more likely arrange employees on a project basis rather on a time basis or rewarding basis. SBU is to regard everyone as a unit where they are able to make their own decisions and take actions. "Everyone become a SBU", this thought encourage employees focus on specific project and to realize themselves during the process of business conduction so as to achieve the realization of innovation.

The essence of SBU is to regard innovation spirit as a gene to implant in employees, in order to create valuable and competitive orders. This strategy, at the same time, offers individual space of self-innovation in order to maximally inspire employees’ potential, creativity and initiative, to realize their realization of self-value. This is truly an instinct management model.

5.1.3 Market Segmentations

Market is the starting point and destination of the survival and development of enterprises. Understanding the market, adapting to the market, the developing of the market is the core of business.

Whether products can take market share depends on the creativity and innovation of enterprises. The point of how to win in the era of e-commerce among the huge competitors is to quickly meet the needs of individual users, to provide products which tailor users’ requirements.

Market segmentation, the production of differentiation is the premise of the implementation of effective marketing. Similarly, market segmentation and enhancing marketing is the result of the maturity of market competition. Haier has its marketing segmentation. Accordance to consumers’ differences of needs, desires, purchasing behaviors and habits. Haier’s marketing department divided its market into style segmentation, classification segmentation, exporting segmentation and geographical segmentation.

Market consume variability determines the inevitable existence or potential gaps in the ever-changing market, in this regard, through the scientific market segmentations, enterprises can effectively analyze and understand the various level of consumer demand and market competition as to seize market opportunities, integrate market resources, identify the potential target markets and acquire the competitive advantage (Thomas, 2007). Market segmentation is beneficial to every competitor’s strengths and weaknesses in each target market. Meanwhile, this helps enterprises to maximize favorable factors and minimize unfavorable ones, to select the right entry
mode and the main target market, in order to enhance the market competitiveness of enterprises, and to enhance the ratios of input-output. Haier’s classification and diversification of market segmentations, such as exporting segmentation, geographical segmentation, to fulfill the consumers’ needs, desires and purchasing behaviors and habits, so that it is easier to focus their target market and to choose the proper entry mode for its expansion.

5.1.4 Business Process Reengineering

By innovation spirit, Zhang Ruimin re-designed the original business process thoroughly, and changed the straight line structure into the parallel structure that cohere business process integration. Innovation, to certain extent, can be cultivated by the organization structure and environment (Kanter, 1988). The new management mechanism of Haier is through restructuring; resource mix to achieve that customer is the starting point of the entire process of management and forms the enterprise business process of all the activities around orders. In other words, in the new economic condition, Haier provides innovative space to each of employees in order to meet the personalized needs of customers.

Successful managers should learn to devalue the power, so that each of employees has the opportunity to contribute on their work. Authorized does not means to be out of control, as long as the managers has developed a clear vision of objectives and established a clear operational framework at the beginning. In this framework, each employee has opportunities to innovate so that they can become the main driving force for the enterprises.

Haier organizational structure is constantly favorable to innovation which is along with its strategic objectives and market condition changed, this change reflects a thoroughly changed traditional organizational structure of innovation, it is the inevitable result. The ultimate goal of the innovation of organizational structure is to mobilize the enthusiasm of the staffs within the organization, or to create an innovative environment for employees. In order to let the lower units have full right to be self-determinate and be responsible to the production results.

Moreover, Haier defines each employee as SUB, which means that employees are the main body of innovation. The individual value should be manifested through the process of creating value for consumers, that is, self-operating; To enterprise, if everyone become a SBU to form the core competitiveness of enterprises, this is the advantageous competitors can not imitate and copy; For users, it means loyalty to brands and enterprises. If every employee is innovative, no matter how hard the user's needs change; enterprise can catch the attention of consumers.
5.2 Internationalization process

As Zhang Ruimin said Haier’s strategy of internationalization has three steps: to go out, to go into and to go up. To go out means starting to invest abroad and to compete with other enterprises in the international market, to go into means to join the network in the overseas market; to go up means to be famous in the overseas market and try to be as localized brand (Dang, 2006).

According to the internationalization process mentioned before, there is a sequence of investing abroad. Enterprises, facing to choose overseas market, need to follow principle of psychic distance, which means to choose the similar cultural background first. Haier, under such circumstances, chooses neighboring countries as its first overseas investment. In 1995 Haier, first set up joint venture in Indonesia with local producer of refrigerators and air conditioners (See Appendix 1) as its first step of Haier’s global expansion. Continually, Haier started manufacturing in Malaysia and Joint venture in Philippines. All of these countries of the first step of internationalization are in Asia, which, to certain degree, contains similar environment with that in China.

After gaining knowledge and experience of how to conduct business overseas and how to be internationalized, Haier chose to move into US market in 1999, it established a manufacturing center in South Carolina which is the largest FDI of Chinese enterprises in US (Liu & Li, 2002). In the process of Haier’s entering into overseas markets, to enter the United States is of the most significance. As Zhang Ruimin (Dang, 2006) said Haier has three objectives. The first is through the local production to avoid U.S. import barriers and non-tariff barriers. The second is the accumulation of a global enterprise experience. The third is to improve the level of research and development. On the other hand, the three 1/3 business development strategic objective: "one-third of domestic sales of domestic production, one-third of overseas sales of domestic production, and one-third of overseas sales of overseas production” (Haier, 2009) shows Haier’s confidence to go overseas and to develop, especially to build up brand reputation in the international market.

As Johanson & Vahlne (1977) said enterprises expand its overseas market by exporting, joint venture, sales subsidiary and finally begin production in the host country. Haier commonly follows such sequence, from joint venture to manufacturing, from the near market to the market of long distance.

5.2.1 Export

Haier, through "take the hard first" strategies, exported to markets of developed countries, from the most difficult and high-quality demands markets, such as Europe and the U.S. to other markets. Under such circumstances, Haier enhanced the quality
of all aspects of the enterprise, quickly established a leading position in the domestic market and established the brand image in international market. Shortly, through exporting, Haier has developed its market position and increased its market knowledge, which on the other hand, accumulate Haier marketing experience to deeper into each oversea market.

5.2.2 Joint Venture

After exporting to the abroad, Haier accumulated knowledge and somehow resources, and after that, Haier chose Joint Venture to open the new market and penetrated the existed market. The reason of choosing Joint Venture is that both of the two parties can take globalization and internationalization strategy, they require their products to enter the global market. What is more, both sides have their respective advantages, if a comprehensive co-operation can be carried out, based on the advantages of resources and market share, they can be as much possible to play its own advantages.

In the trend of more rapid globalization, an enterprise has to carry out the development of marketing strategy, if it wants to develop. However, due to the increasing refinement of the social division of labor and the different business resources capacities, an enterprise must face many difficulties and pitfalls when entering into a new market. If the enterprise can cooperate with local companies, to take the advantages of resources, the realization of strategies can be reached. The benefits can be not only cost savings but reducing risks, and to have more opportunities.

Specifically, two countries’ markets have its unique features, it is difficult to grasp the characteristics of each other, but through the joint venture, both sides of the resources can be shared. By means of sales channels in each country, more consumers are exploited. Then based on this condition, further technical cooperation can be carried out. Therefore, by means of joint venture, two parties save the time and energy in the process of new markets opening up to achieve efficient high-speed market expansion.

In the case of joint venture with Sanyo Electric Co., Ltd. Haier is a strong home appliances enterprise, and its products have a very strong strength in designing. Similarly, Sanyo played a leading role in the manufacturing main components in Japan, such as integrated circuits. If the cooperation between these two companies is the cooperation with the strongest components and professional designing, then the product can be bound to be perfect. In such a manner of advantages complementary to provide updated products to the world is the purpose of the joint venture between Haier and Sanyo, which leads to the status of mutual benefits and mutual profits.
5.2.3 FDI and Localization

To develop the local market, is to reach the break-even point of setting up factories in local market (in the United States, a refrigerator plant’s breakeven point is about 30 million refrigerators). Before setting up factories in the United States, Haier has a distribution network there, with enough orders. Under such circumstances, with the support of the market, it greatly reduces the risk of investment.

Enterprises carrying out global marketing should also address the issue of local adaption, to construct the localization strategy, in respect to product development, pricing, distribution channels and promotion. Haier does use the local channels and distributors to sell products to fulfill the localization.

Localized manufacturer is not only the place matter, it also means bringing many business opportunities. Some successful local enterprises fail when they invest abroad. However, Haier’s internationalization process can be regarded as the process of localization, and Haier’s success of localization means the removal of the greater obstacle in promoting international strategy. Haier believes that the fact of internationalization is localization, which means using local designed products to build local brand, in order to expand market share and to cast a localization team.

Haier's first step of localization is to design the proper products to seize the consumers, as a result, Haier employs Miro, an Italy designer as their designer. The most point of hiring a foreign designer is that his design ideas will not be deviated. Actually, if the sale of the investment of a product is poor, the reason should be the product is not suitable and welcomed by customers. In another word, it is because that the market is not understood, the needs of the market are not met. Though hiring Miron, Haier can avoid such things happening. Miro said (Dang, 2006):"the European market and Asian market are very different. First of all, they are not the same in the user's needs. European countries are varied with their needs. So, as a designer in Europe, my advantage is that I can be the first one in the market to understand the needs, and then designing a product suitable for customers’ needs and to help develop the European market for Haier Group. All of these cannot be realized by Chinese designers.

In short, through the localization of products, Haier realized the FDI in foreign market, occupying the market share and seizing the market position. FDI is a crucial point in the process of internationalization.

5.2.4 Critical aspect of internationalization process

There are many critical debates about whether Haier’s direct investment overseas is successful or not. Compared with GE and Whirlpool, Haier does not have enough
competitive advantages in US market (Liu & Li, 2002). US enterprises have advantages of providing advanced technologies and disadvantages of higher labor costs. Contrarily, Chinese enterprises have advantages of lower labor costs. Therefore, Haier’s direct investment in US market does not have enough competitive advantage.

Another limitation refers to the resources, acquiring the international experience is the main factors to accelerate Haier’s speed of expansion in international market. These experiences include the service, management adaptation, local operation and so on, but these factors are still weak as a Chinese enterprises surviving in US and European market.

5.3 Exporting and FDI Positioning

The cost advantages like low-cost human resources help Chinese enterprises benefits a lot in the local competition even in the international market. However, in the WTO framework, when the Chinese market becomes an international market, the internationalization of Chinese enterprises consequently became inevitable; the cost advantages confront a growing number of challenges. In the long term, low-cost can only be transitional one rather than permanent core competitiveness. Foreign companies set up factories in China, raw materials and labor costs combined with advanced technology and management, so the strengths of foreign companies is certainly far more than state-owned enterprises.

From this perspective, the industry of Chinese electrical home appliances face multi-global challenges, like environmental challenges, competitive challenges and world-wide learning challenges. Haier Group is a good example of successfully facing challenges to compete with the global rivals. Haier dedicated to the process of internationalization.

Dawar and Frost’s (1999) positioning in the emerging market provides a profound theoretical base to analyze and evaluate Haier’s position in the global market. In this part, the authors would like to analyze Haier positioning in its process of internationalization, from two perspectives, exporting and FDI overseas.

5.3.1 Exporting Positioning

Haier Group began exporting in 1986, and in the following years, its amount of exporting has increased dramatically. In a period of 8 years-from 1992 to 2000, Haier’s total exporting avenue leaped to USD 2.8 billion, covering 160 countries and regions (See Appendix 3).

In the process of exporting, Haier Group not only exports to developed countries, but to developing countries through multiple channels.
To investigate the positioning in exporting, the authors divide the process of Haier’s exporting into three stages.

◆ The first stage (1984-1991) is in accordance to Haier’s first development phase. In this stage, Haier acts as a defender (Dawar & Frost, 1999) in exporting. Haier was engaged in the promotion of quality of products through a sophisticated quality control system. And within 7 years, Haier built up a strong brand image in China’s market.

However, in this period of time, the pressure of globalization, to some extent, was relatively weak. And Haier imported technology from Germany, so the competitive assets were not transferable enough at that time. Haier’s exporting was only limited and indirect within agents. Under such circumstances, Haier’s exporting positioning is a defender.

◆ The second stage is from the year of 1992, which is during the second phase of Haier’s development. With the experience and marketing knowledge gained from the first stage, Haier’s assets were relatively more transferable compared with the previous stage. Still, during this time globalization was more necessary. As a result, Haier took its role as a contender (Dawar & Frost, 1999) in global exporting.

Specifically, in this situation, Haier decided to export in an innovative way, which can be reflected by its view “hard first, then easier”. In 1992, with its first step in developed countries, Haier exported its high-quality products to Europe, Japan and the U.S. Because of its products’ quality, Haier gained reputation and built its renowned brand name. With its contender strategy, Haier established prestige, which is beneficial to compete with the world giants.

◆ The third stage (after 1992), Haier acted as both an extender and a dodger (Dawar & Frost, 1999), the purpose is to compete with international competitive assets. In the whole context of the global market, after successfully building its brand image in developed countries, Haier then, went to some developing and less developed countries to extend experience in developed countries. From this aspect, Haier took extender strategy to further develop in the globe.

On the other hand, Haier applied dodger strategy in Chinese market. To dodger the price competition with other Chinese home appliances enterprises, Haier oriented the consumption concepts of Chinese customers, that is, high quality, high standard. With its comprehensive international competitive assets, Haier successful maintained its position in Chinese market.
5.3.2 FDI Overseas

The first FDI step of Haier was in Indonesia in 1996, with Haier’s discovery of the potential market of Indonesia. Following that, Haier’s FDI started to develop. And with all the FDI, Haier obtained great amount of knowledge in training, management and operation. Until now, Haier’s subsidiaries cover 13 countries, with 13 design centers and 10 information centers (see Appendix 2).

The positioning of FDI in the global market of Haier can be divided into four stages, corresponding with its pressure of internationalization and its transferability of competitive assets. The four stages are in line with the four phases of Haier’s development process.

◆ The first stage (1984-1991), Haier implemented defender strategy (Dawar & Frost, 1999). With limited technology for competitive advantages, less pressure and incentive for internationalization, Haier mostly confined itself to its domestic market. Through the process of technology-learning and technical quality control, Haier focused on its brand building and further to diversify its products by acquiring small Chinese companies.

◆ The second stage (1992-1998), Haier acted as an extender (Dawar & Frost, 1999). Having established its brand name in China, with the incentive to expand world-wide, Haier started to build its international brand image. During this time, Haier possessed certain competitive advantages in brand and quality. Meanwhile, these assets were transferable. Under such condition, Haier followed the strategy of extender, with its first FDI in the U.S, extending to less developed countries, such as Asian neighbors, Middle East and East Europe.

Shortly, in this stage, Haier, with its prestige and competency accumulated in China, paid more attention to expand to overseas’ markets which are similar with home market, and then extended to developed countries with experience gained before.

◆ The third stage (1999-2001), with the pressure of internationalization, and technology, Haier conducted contender strategies (Dawar & Frost, 1999), that is, FDI in developed market. In this period, Haier set up global marketing networks, established Greenfield ventures and merged with factories in developed countries, built information centers and design centers. Along with the “trilogy” principle, Haier integrated sales, producing and designing together. Consequently, from this perspective, Haier contended with foreign giants and successfully stood on the global arena.

◆ The fourth stage (1999-2001) is after Haier’s entering and developing international markets. Through the former three stages, Haier had absorbed large
amount of useful technique and expertise from overseas’ operation. It had great
capacity to rival with the world giants with its innovative and efficient pursuit of
opportunities to create its own market. Haier has been an international brand.

However, in its home country, Haier acted as a dodger (Dawar & Frost, 1999). It
transferred its competitive assets back to avoid direct competition with rivals. In
addition, Haier built international alliances with other established companies.
6. Conclusion and Recommendation

*With the empirical data and the analysis of the facts of Haier Group, finally the research question can be answered, the conclusion of the research is gotten and the recommendation is given to the future of company and research direction.*

The globalization not only brings fierce competition in local markets but also more opportunities, especially the cooperation opportunity. Globalization, actually, can be regarded as the advantages for the survival of MNEs. Since globalization provides the environment and chances of mutual co-existence with local companies. Under such circumstances, if Chinese enterprises can keep or even promote the advantages brought by globalization, they can gain more advanced technology and further complement advantages each other in order to promote the core competitiveness.

Haier is one of the few Chinese enterprises which are engaged in venturing internationally. In the case of Haier Group, one of the challenges in its early development stage is to ensure its quality of products and the products innovation. With the development and maturity of Haier’s business scale, then Haier tries to find innovative strategies in management or processes. It can be simplified that innovation is accompanied with the development and the growth of Haier Group. Haier’s focus on quality starts quite early, under the leading of Zhang Ruimin. Before its entering into global markets, Haier carried out innovative management strategies to improve the products’ quality. It can be seen from the facts that the success of the new management model is apparent; Haier is largely accepted by consumers domestically. Haier diversifies its varieties of products and improves its productivity and efficiency within the organization along with the internationalization strategies to expand its market.

In the process of internationalization, competition is the main motive to enter into foreign markets to compete with foreign rivals, when Haier realizes more competitive and less profits in the domestic market (Du, 2003). However, facing the world giants, Haier, as a late-mover, has to overcome lots of problems, due to its lack of both technologies and foreign markets’ customer base.

To overcome such difficulties, with the reputation in terms of quality and service, and the advantages of low cost of labors in the domestic market, Haier implements its strategies of tailoring the local customers’ requirements in overseas markets. Within the organization, Haier manages to create favorable conditions for innovations, such as SBU strategy or BPR policy. All the process strategies taken by Haier Group are aimed to let the organization be organic dynamic and innovative. What is more, in its products, Haier continues to be innovative in its products designing to create its own ‘cake’ in the markets, to have its specific market share in the globe. Shortly, Haier
manages to build competitive advantages via innovation. Haier tries to overcome its disadvantages through the establishment of research centers to develop and transfer technologies in developed countries. Moreover, Haier sets up strategic alliances with established global firms, such as to have strategic alliances in technological development with foreign enterprises which have strong reputation locally. All the facts show that innovation is encouraged and embraced everywhere in the organization.

On the other hand, in its process of internationalization, Haier, to large extent, follows the internationalization theory, to develop and exploit markets in neighbor countries first, such as the Asian markets, in order to gain market knowledge and reduce psychic distance. And then go further to the far developed countries, such as the United States. In its process of internationalization, take exporting and FDI as an example, Haier finds its position in the whole global markets, and take different measures to overcome difficulties avoid loss and then increase profits.

However, Haier does not solely follow any specific rules rather than implementing its internationalization strategies flexibly and creatively. It can be reflected by the “hard first” strategies, such as setting up industry park directly in the United States. Furthermore, in the process of internationalization either through FDI or joint venture, Haier does not only confine into its traditions. Haier employs local workers in areas of designing, producing, distributing and even service. Consequently, Haier has the capability to solve problems with local staffs, avoiding the unfamiliarity of local markets so as to accelerate the speed of internationalization.

In the final analysis, Haier’s success largely depends on technical innovation which is a bottleneck of most Chinese enterprises. Haier is successful, although it still has some difficulties in overseas markets. Among its progress it has made in recent decades, Haier still has certain obstacles in terms of technology to compete with the world rivals. It, to some extent, still depends on foreign enterprises of some key components, like high performance compressors and sensors (Duysters et al., 2009).

The story of Haier demonstrates that the advantage of low labor costs is not a permanent benefit of Chinese enterprises. However, market orientation and the spirits of innovation is the key point to compete in the international market. Haier not only take full use of its available advantages but also largely dedicate to exploiting new advantages or capabilities which are of great importance in entering and adapting foreign markets in the process of internationalization.

**Recommendation**

Haier can be said as a successful Chinese enterprise in global market, the authors through analyzing all the materials that collected, give some recommendations to Haier. In global market, Haier should still continue its brand building initiatives; it
should publicize its individualized brand as that all the customers will recognize Haier as theirs localized brand. At the same time, Haier needs to keep adaptability, to improve its quality, and to accelerate its speed of technique, all of that are the key success factors to attract customers and to seize opportunity in expanding global market. In the aspect of management and leadership, Haier should deeply consider the gap of European, American and Chinese culture to be survived in these markets. In Chinese market, Haier needs to continuous to its innovation which is the competitive advantage compares to other Chinese companies, and also to publicize the quality awards that received from global competition.

Regards to the future studies, there are many aspects of Haier Group to be researched in the future; the research subjects can be broadened. First, in this thesis the authors only undertake Haier’s internationalization process with its innovative approach when it expanding its global market, but Haier’ management style in the terms of newly born Chinese management is still a problem and limit in its global development, therefore the research question can be that how long is Haier management going to last? Secondly, Haier’s management is innovative in China, thereby whether Haier’s management can be spread in Chinese companies, which is also an interesting topic.
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8. Appendix

Appendix 1. Haier milestones

Haier milestones, 1984–2005

<table>
<thead>
<tr>
<th>Year</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>1984</td>
<td>Founded as Qingdao General Refrigerator Factory under new CEO Zhang Ruimin</td>
</tr>
<tr>
<td>1991</td>
<td>Haier is China’s leading refrigerator producer; Qingdao Refrigerator Factory merged with Qingdao Air Conditioner General Factory</td>
</tr>
<tr>
<td>1992</td>
<td>Haier Industrial complex established, Qingdao</td>
</tr>
<tr>
<td>1993</td>
<td>Haier begins to produce for foreign MNEs under OEM contracts. JV with Mitsubishi Heavy Industries to produce Air-conditioners in China.</td>
</tr>
<tr>
<td>1995</td>
<td>JV in Indonesia with local producer of refrigerators and air conditioners</td>
</tr>
<tr>
<td>1996</td>
<td>Haier starts manufacturing in Malaysia</td>
</tr>
<tr>
<td>1997</td>
<td>JVs in the Philippines, with local company LKG, and Yugoslavia for manufacturing air conditioners; sales of own brand products launched in Germany</td>
</tr>
<tr>
<td>1998</td>
<td>JV with Philips of the Netherlands</td>
</tr>
<tr>
<td>1999</td>
<td>Establishes manufacturing facility in USA (Camden, North Carolina)</td>
</tr>
<tr>
<td>2001</td>
<td>JVs in Pakistan and India (Bengal); Meneghetti acquisition in Italy; establishment of Haier Middle East Trading Company in Jordan (JV with Syrian and Lebanese partners)</td>
</tr>
<tr>
<td>2002</td>
<td>Haier-Sanyo created in Japan; manufacturing JVs in Iran and Algeria</td>
</tr>
<tr>
<td>2004</td>
<td>Haier recognized as one of world’s Top 100 brands (only one from China)</td>
</tr>
<tr>
<td>2005</td>
<td>Industrial complex established in Jordan; plants opened in Algeria, Egypt, Nigeria and South Africa</td>
</tr>
<tr>
<td>2006</td>
<td>Unsuccessful bid for Maytag; JV with Sanyo to supply Japanese market and control over plant in Thailand.</td>
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</tbody>
</table>

(Source: Bonaglia et al. 2007, pp. 9-15)
Appendix 2. Overview of Haier’s Internationalization process

<table>
<thead>
<tr>
<th>Year</th>
<th>Europe</th>
<th>USA</th>
<th>Middle East</th>
<th>Asia</th>
<th>Africa</th>
</tr>
</thead>
<tbody>
<tr>
<td>1990</td>
<td></td>
<td>A</td>
<td>A</td>
<td></td>
<td></td>
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<tr>
<td>1999</td>
<td>I.P.</td>
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<tr>
<td>2000</td>
<td>M</td>
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<td></td>
<td></td>
<td>J.V.</td>
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<tr>
<td>2001</td>
<td>M</td>
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<tr>
<td>2002</td>
<td>J.V.</td>
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<td>I.P.</td>
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<td>2005</td>
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<td>I.P.</td>
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<tr>
<td>2006</td>
<td></td>
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<td></td>
<td>J.V.</td>
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<tr>
<td>2007</td>
<td></td>
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<td>M</td>
</tr>
</tbody>
</table>

A = Agent  
J.V. = Joint Venture  
M = Manufacture  
I.P. = Industry Park

(Source: Haier, 2009)

Appendix 3. Records of Haier’s exporting

<table>
<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>Amount (USD)</td>
<td>300,000</td>
<td>1,840,000</td>
<td>4,200,000</td>
<td>5,000,000</td>
<td>5,636,000</td>
<td>7,565,000</td>
<td>1.38bn</td>
<td>2.8bn</td>
<td></td>
</tr>
</tbody>
</table>

(Source: Du, 2003, p. 2)