

A Study on Supply Chain Management in the Perspective of Multinational Management: The Case of Haier Group

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Abstract: *Based on the fundamental theory of multinational management and the comprehensive application of relevant theories such as supply chain management and international business, this paper analyses and studies Haier's international market in Australia and evaluates its cross-border management strategy. Finally, the paper points out the existing problems of Haier in the Australian market and proposes specific improvement measures in conjunction with the supply chain. It is expected that the research conclusion of this paper can provide a sustainable reference for Haier Group to develop the Australian market and make contributions to the development of multinational supply chain management.*

Keywords: *Multinational Management; Supply Chain Management; Strategic Management*

1. Introduction

Currently, due to the fast pace of the information age, global enterprises and trade are undergoing transformation. Different countries' policies, cultures, and economies directly and indirectly affect transactional attributes. Cultural differences between the parent and subsidiary companies of multinational corporations with differing management philosophies and business concepts, can easily lead to cultural conflicts and management failures. In addition, national policies are also a significant factor affecting the operations of multinational corporations, with product quality standards, taxes, and logistics costs becoming the basis for measuring trade. Cross-border management plays a critical role as a bridge between enterprises, reflecting the global strategic goals of the company, facilitating the integration of the company with its environment, coordinating between departments, and unifying goals. It combines internal conditions and external environments to formulate strategies, enabling multinational corporations to have strong adaptability and resilience. Supply chain management is crucial in ensuring the smooth flow of products and services in cross-border enterprise operations. Supply chain management involves internal production and supply within the enterprise, as well as external partners, including suppliers, carriers, and retailers.

There is a close relationship between supply chain management and cross-border management, which can help companies achieve efficient global business operations. Firstly, cross-border management needs to understand the differences in culture, law, economics, and political environments of different countries, which can also affect supply chain management, including logistics and transportation regulations, customs and tax policies. Secondly, supply chain management requires enterprises to track and monitor their supply chain in real-time to identify and solve problems promptly, to ensure the efficient operation of the supply chain. It requires enterprises to establish a strong supply chain network globally and maintain close contact with external partners such as suppliers, carriers, and retailers in different countries and regions. The cross-border management team needs to coordinate and manage these partners to ensure the efficient operation of the supply chain. Finally, the success of both cross-border and supply chain management requires enterprises to have cross-cultural communication abilities to facilitate global cooperation and collaboration. It requires enterprises to establish effective cross-cultural communication mechanisms to enable good cooperation and coordination in the supply chain management process in different countries and regions. Meanwhile, enterprises must also communicate effectively and negotiate based on cultural and language differences in different countries and regions to ensure global success.

This article evaluates Haier's cross-border strategy and supply chain management against its

development in Australia. As a foreign enterprise, Haier must understand the competitive environment of the Australian market and find suitable and correct strategies to occupy market share.

2. Literature Review

With China's accession to the World Trade Organization (WTO), more and more scholars have begun to focus on the development strategies and management models of multinational enterprises. The concept of a multinational supply chain was first proposed by Michael Porter in the "Value Chain Theory", which suggests that production and business activities can be divided into different value modules and completed in different countries or regions. Building on the value chain theory and the principle of comparative advantage, Song & Wei (2016) explains that if a company wants to gain competitive advantage globally, it must pay attention to its own business processes and supply chain construction, and consider transferring specific businesses to countries and regions with comparative advantages with a focus on cost-effectiveness [1]. The different policies, environments, and cultures in these countries and regions determine the differences in production and business activities. For example, the United States has elevated its global supply chain strategy to the national strategic level and strengthened trade warnings and precautions through policy measures. Cultural differences, such as racial superiority, values, language, and communication styles, need to be addressed through effective employee incentive mechanisms, implementing localization strategies, and building internal and external communication platforms [2]. Therefore, multinational companies need a professional management team to integrate and analyze this information to adopt relative strategies. Li (2023) emphasizes the tremendous development potential of multinational companies and summarizes four decision-making methods by analyzing case companies: maintaining the status quo, establishing branch offices abroad, establishing joint ventures with foreign companies, and transferring enterprise products through licenses to foreign partners [3].

However, some scholars have pointed out that multinational management still faces many challenges, such as a need for more innovative management concepts [4], lagging information construction [5], and improper use of marketing strategies [6]. These problems have led to the inability of multinational companies to establish the correct direction in the path of production, transportation, and sales. Multinational supply chain management provides new solutions for these problems. It is a method of achieving competitive advantage and value creation by coordinating and integrating the activities and resources of various parties in the supply chain across countries. Multinational supply chain management faces challenges such as market fluctuations, policy changes, cultural differences, logistics barriers, and tax costs [7] [8]. To address these challenges, intelligent technologies and methods are needed to improve the supply chain's flexibility, transparency, sustainability, and collaboration [9] [10]. Xiao (2021) proposes that traditional international trade supply chains have been optimized through e-commerce reform in terms of participating entities, information dissemination, payment methods, logistics methods, and inventory management, thereby opening up market channels, reducing transaction costs, improving transaction efficiency, and enhancing enterprise competitiveness [11]. Presently, scholars both domestically and internationally are in the early stages of integrating research on multinational and supply chain management, and there is no clear direction yet. From the above analysis, companies still need to conduct in-depth exploration of multinational supply chains.

3. Analysis of Haier Group's International Strategic Environment

3.1 Haier Group Background

Haier Group was founded in 1984 and has established ten major R&D centers, 71 research institutes, 33 industrial parks, 133 manufacturing centers, and 230,000 sales networks worldwide, becoming China's largest home appliance company. From 1984 to 1991, Haier was in the brand strategy stage, implementing comprehensive quality management, focusing on manufacturing products, and gaining competitive market advantages. From 1992 to 1998, Haier's strategy diversified from one product to multiple products. The company's operations and scale expanded into a new area during this period. From 1998 to 2005, Haier adopted an international strategy, selling products to global markets. With an international strategy, it entered developed countries and established a localized model of "design, manufacturing, and sales." It achieved production internationalization through direct factories or overseas acquisitions. Since 2005, Haier has integrated global R&D, manufacturing, and marketing resources to create brands in 17 countries, occupying a considerable market share. In December 2021, Haier announced that it planned to increase its investment in its wholly-owned subsidiary, the Life

Appliance Company, by 3.5 billion yuan for the definition, R&D, manufacturing, and promotion of new products. At the same time, it will establish an intelligent life appliance business unit with Life Appliance Company as the main body.

According to global household appliance brand revenue statistics, Haier Smart Home's revenue is surging, ranking first with 32.1 billion US dollars in 2020, accounting for 14.7% of the global market share [12] [13]. Haier established an international trade company in Australia in 2004. In recent years, its revenue has been stable at around 3 million US dollars and is on an upward trend (Figure 1). According to Figure 2, Haier's market share in Australia is 25% (Haier acquired F&P). Haier's domestic and international market revenues are gradually approaching balance, but still rely on the Chinese market.

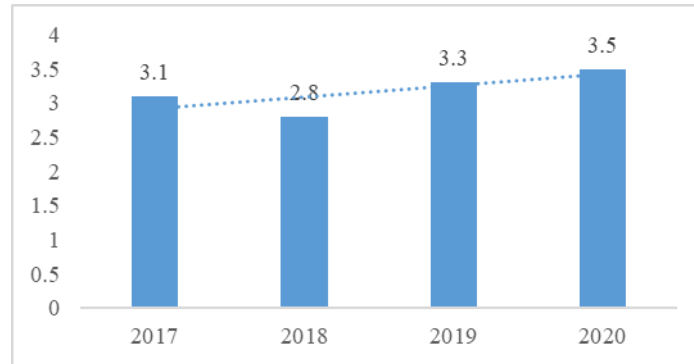


Figure 1: Haier's revenue in 2017-2020 in Australia [14]

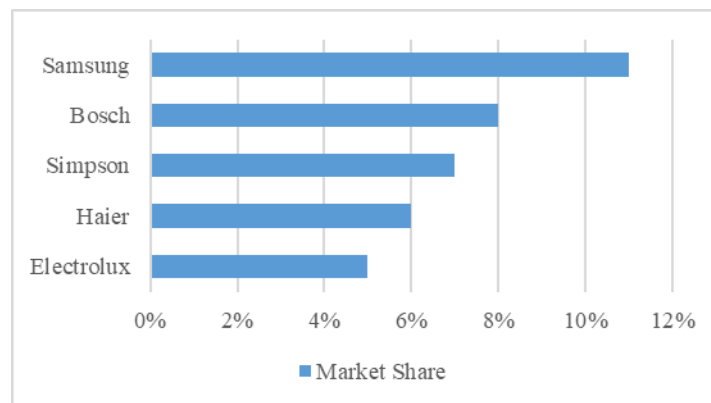


Figure 2: Brands of washing machines used by Australians [14]

3.2 Cross-border Management of Haier Group

In June 2015, China and Australia signed a Free Trade Agreement with a bilateral trade volume of 113.965 billion US dollars and zero tariff prices for 2,402 goods. Australia is a developed country with high economic and consumer sophistication. Its market economy has been established for hundreds of years and has a relatively sound competition mechanism and legal system. Due to bilateral investment and trade between China and Australia, trade barriers have also been broken. Currently, China is Australia's largest trading partner. In China's stock of outward direct investment, Australia is also ranked sixth. Haier's strategic goal for outward direct investment is to seek markets and improve its capabilities. It has established a wholly-owned subsidiary with complete control and the ability to integrate operations with its parent company. According to the strategic asset theory, Haier can obtain advanced operational and innovative capabilities through FDI in developed countries. At the same time, through FDI, Haier can break through trade barriers such as tariffs and quotas, making its design and production closer to overseas markets. Next, this paper will describe Haier's cross-border strategy for entering the Australian market.

3.2.1 Mergers and Acquisitions

Haier entered the Australian market through mergers and acquisitions. In 2004, Haier entered overseas markets with its "Green Operations" model, creating a new business that matched global organizations. In 2009, Haier announced the acquisition of a 20% stake in local Australian home appliance company Fisher & Paykel. Currently, Haier has completed this business. Fisher & Paykel's

New Zealand R&D center has become one of Haier's five global R&D centers, supporting its strategic breakthroughs and sustained innovation to maintain its global leadership position. Meanwhile, Fisher & Paykel caters to the high-end product line, with product designs that align with Australians' aesthetic preferences. Haier benefits from Fisher & Paykel's marketing resources in the high-end market, facilitating global customer needs and enhancing brand positioning.

3.2.2 Direct Export

Haier adopted a direct export strategy for market entry. It established a sales subsidiary in Australia, with all products developed and produced by its headquarters in China. Overseas companies placed orders, and the products were mainly produced in Qingdao and then transported to Australia, enabling Haier to quickly integrate into local policies and culture and understand overseas market trends.

3.2.3 Differentiation Strategy

Haier chose a differentiation strategy in competition. Australia is a Commonwealth country, with consumption habits similar to European and American countries. Australians pursue fashionable, atmospheric, and high-tech products. At the same time, Australia places great emphasis on environmental protection. Australia is one of the strictest regions in the world in terms of energy-saving and product quality requirements, with a strong awareness of environmental protection. Haier's high energy efficiency and high-quality refrigerators are the key to winning the market. Since its listing in Australia, Haier has won unanimous recognition from users with a four-star energy efficiency rating higher than other brands. It has passed Australia's energy efficiency certification, safety certification, and energy-saving effect at the highest industry level. Haier has developed differentiation strategies for its products, services, and brand image according to customer needs. For example, it launched refrigerators that fully match local cabinet sizes to solve the historical problem of traditional refrigerators occupying too much space. Australia focuses on energy efficiency, with washing machines consuming 250 kilowatt-hours per year occupying the largest market share, reaching 17.5% [15]. Therefore, Haier designed washing machines to meet local preferences. In addition, Haier has professional dispatch and maintenance personnel to provide on-site services, stabilizing its value and irreplaceability through differentiation from others.

3.2.4 Localization Strategy

Haier has adopted a localization strategy in product design, marketing, R&D, and human resources. According to residents' consumption preferences, Haier designs products different from those in China to meet individual needs. In terms of marketing, it mainly sells products through large chain stores and official websites. Haier's R&D in Australia relies on its headquarters in China and the acquired New Zealand R&D center. Combining these two factors can increase its market share domestically. Finally, localizing personnel is the most fundamental aspect. To establish themselves in foreign countries, multinational companies must be familiar with the country's politics, economy, culture, laws, and customs. Haier has local people in all departments except for the top management level. It can better adapt to local customs and habits by employing local talents, enhancing its influence and competitiveness.

4. Challenges faced by Haier Group

4.1 Blurred brand positioning

Haier chose to acquire and merge with the most prominent local home appliance company in Australia through FDI, which allowed it to enter the Australian market and implement its localization strategy quickly. However, data shows that Haier's market share in Australia is smaller than that of internationally renowned brands such as LG and Samsung, despite acquiring the largest local enterprise. Even with this acquisition, Haier still lacks the strength to compete with these enterprises. Analyzing the F&P brand, its product positioning is for high-income consumers and appeals to the Australian aesthetic. However, Haier mainly promotes mid-to-low-end products and retains Chinese habits. For example, Chinese people like to install LCD screens on air conditioners to see the machine's operating status and parameters, but Australian consumers consider this unsightly and affects sleep. Therefore, the fusion of the two will lead to blurred brand positioning and lower customer consumption desire.

4.2 Lack of core technology

Haier's differentiation strategy can establish customer loyalty and increase the company's irreplaceability, but this strategy contradicts increasing market share and always incurs high costs. It

requires extensive research, innovative product design, high-quality materials, and attentive customer service. Therefore, the prices of some products will not match Haier's low-price strategy. In this case, distributors may purchase affordable products instead of differentiated ones. Moreover, when products reach maturity, many imitations will narrow the differences. Haier's products may be replaced or even surpassed. Lastly, and most importantly, Haier needs the core technology to form product differentiation. Compared with products from companies in Japan, Germany, and other countries, the differentiated products offered by Haier still cannot dominate the primary market.

4.3 Low-price strategy leads to unprofitability

Haier hopes to adopt a low-price strategy to help channels increase sales. However, the current price competition in the home appliance industry has caused the overall industry's profitability level to be low. Even if Haier chooses to establish factories in areas with low labor costs to reduce production and manufacturing costs, it may lead to high circulation costs. Therefore, the low-price strategy is unsuitable for Haier to expand its market share in Australia.

4.4 High logistics costs

Haier has established factories in countries and regions with lower labor costs to reduce production costs. However, differences in logistics environments, high international logistics risks, the complexity of transportation mode selection, and the trend toward standardization of logistics standards will increase logistics costs. Haier's low-price strategy may need help to cover supply chain costs.

5. Application Strategies from Cross-border Supply Chain Management

Supply chain management is the network structure through which core enterprises control the flow of logistics, funds, and information, from raw material procurement to product generation and sales to consumers. In the context of international business and trade, the flow of supply chains requires greater attention to the impact of policy, economic, environmental, and technological factors. This paper will combine the above cross-border management strategies and existing problems to optimize and improve the production, logistics, and sales processes of Haier Group in Australia from the supply chain management perspective and propose application strategies.

5.1 Logistics in Cross-border Supply Chain

Haier Group has chosen a direct export strategy, with products shipped overseas for sale in Australia. The choice of different routes, transport modes, and trade terms all affect the cost. Haier must implement control over the product status in its cross-border supply chain. Haier must evaluate and confirm according to demand forecasting and order planning to ensure that material preparation and production plans are flexibly matched. Due to large fluctuations in supply plans, Haier must layout procurement and production information in advance to cope with the "bullwhip effect" and shortage problems caused by policy and environmental changes. These links should be supported by a strong cross-border management strategy to clear obstacles to the flow of the supply chain. For example, understanding price fluctuations of raw materials in different countries, product quality inspection standards under different policies, and taxes and fees in each country. The supply chain management team will reasonably formulate procurement, production, and logistics plans based on this information to control the timeliness and cost of the supply chain.

5.2 Funds Flow in Cross-border Supply Chain

Supply chain finance aims to reduce financing costs and solve the capital shortage problem at supply chain nodes. Haier's low-price strategy will prolong the accounts receivable turnover days, leading to insufficient or even interrupted cash flow supply. In order to meet the mandatory requirements of material suppliers and logistics suppliers, Haier needs to advance part or all of the funds and settle the payment a while after the goods arrive. Additionally, due to the diversity of raw materials, labor, and services caused by the cross-border nature, Haier must conduct transactions according to different exchange rates and payment terms. Complex fund flows can easily cause disruptions in the supply chain process. Therefore, supply chain finance can provide Haier with a platform for integrating fund flows. Financial companies can directly handle the payment of Haier Group's goods to multi-country procurement suppliers and

provide feedback to Haier Group. It can provide funds for cross-border enterprises and control suppliers' transaction risks in practical applications. It can also alleviate the problem of Haier Group's cash flow shortage and have sufficient confidence to occupy market share internationally.

Haier can establish joint ventures with foreign companies to achieve a stable flow of supply chain funds. Due to policy and environmental factors, supply chain links are easily restricted, while joint ventures can use local resources and production bases to supplement Haier's capital, technology, and management capabilities, and obtain tax reductions or other preferential benefits. In addition, it also helps to overcome differential treatment and legal barriers. With the above guarantees, the supply chain can operate directly between the two countries, shorten the supply cycle, and reduce costs.

5.3 Information Flow in Transnational Supply Chains

To achieve the collaborative goals of global and supply chain management, Haier can establish an information-sharing platform by combining internet and computer technology applications. This platform needs to aggregate and analyze production, sales, inventory, order, and shipment data within the group to achieve demand forecasting and data mining. It must share information directly with suppliers to control transaction costs and prevent supply chain disruption risks. Based on this data, the information management system must formulate the most cost-effective and efficient plans by combining macro and micro-environmental factors in Australia and the production site. In addition, because Haier Group adopts a differentiation strategy in Australia and has acquired local brands, it is easy to cause problems with unclear brand positioning in the decision-making process. Access to the information platform can enable the brand to display various product data clearly in the context of integration and position Haier Group's brands and products through market preferences and demand forecasting. The information flow in the Haier Group supply chain, with the help of the system, can generate different branches from the production link, which support logistics and sales channels, and are summarized at the end of the supply chain, enhancing the stability and sustainability of Haier Group in its transnational strategy.

6. Conclusion

In conclusion, the complex and changing international environment pose an urgent challenge for transnational enterprises to enhance their international competitiveness. Supply chain management is an indispensable and critical factor in achieving business success. Therefore, implementing effective transnational supply chain management based on the transnational business strategy can help stabilize the flow of products from production to sales, promote effective fund flow, and integrate and streamline supply chain information, which has significant practical significance. This paper analyzes the strategic operations of Haier Group in the Australian market and proposes relevant suggestions: (1) planning supply chain logistics based on transnational policies, economy, environment, and technology; (2) using supply chain finance and establishing joint ventures with foreign enterprises to promote fund flow and eliminate policy differences; (3) establishing an information platform to integrate transnational information and supply chains, as well as parent and subsidiary company information, to maintain the stability and sustainable development of the supply chain.

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