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HOW TO SUCCEED IN E-BUSINESS BY TAKING THE HAIER ROAD: FORMULATING E-BUSINESS STRATEGY THROUGH NETWORK BUILDING

By Tung-lung Steven Chang and Peter
Ping Li

INTRODUCTION

Legendary Chinese firms have employed e-business strategies to strengthen their competitive positions in China for market expansion since the late 1990s. E-business practices have *resulted from the convergence of digital technology, intellectual property and customer supremacy*. Such convergence is transforming the "old" industrial economy, which was built primarily on tangible assets, standardization, and stand-alone players, into a "new and virtual" economy, which is being based primarily on intangible assets, customization, and connected players. E-business requires an integrated alignment of technology, operation, strategy, structure, and human interaction in a continuously expanding network. Consequently, e-business facilitates a new system--the Paradigm of Network Capitalism, which removes the boundaries of space, time, organization and individuals, and creates virtual communities of stakeholders with new demands for product/service and shared interest and cooperation.

A review of China's e-business environment reveals that China is not ready yet for across-the-board e-business practices because of the lack of technical

infrastructure, consumer acceptance, management commitment, and legal protection (Rosen, 1999). Despite its disappointing status, China has great potentials for e-business in the future. This optimism is based on China's successful economic reforms.

In this paper, we discuss the theoretical foundation of e-business and its paradoxical nature, a network model for e-business, and the content of e-business strategies. We then adopt this framework to study e-business practices in China, both by examining the e-business environment in China and by conducting a case study on the Haier Group, a pioneer multinational firm in the household appliances industry in China. Our findings indicate that Haier has made some strategic shifts since 1999 by the use of enterprise resource planning (ERP) and business process reengineering (BRP) in order to cope with the adverse e-business environment in China. Haier has also constructed alliances and collaborations with local and foreign companies for the implementation of a unique B2B2C e-business model. Based on the case study, we integrate the concepts of network form and strategy content, and suggest propositions for developing e-business strategy. Strategic implications are addressed.

THEORETICAL FOUNDATION OF E-BUSINESS

The global economy has undergone a paradigm shift *because of the convergence of digital technology, intellectual property and customer supremacy*. Such a paradigm shift can be characterized as follows (Kelly, 1998; Meyer and Davis, 1998; US Department of Commerce, 2000):

1. It is a shift in emphasis from physical assets and products to intellectual assets and services.
2. It is a shift in emphasis from monetary capital ownership by shareholders to human capital ownership by employees.
3. It is a shift in emphasis from mass standardization to mass customization.
4. It is a shift in emphasis from stand-alone competition to cooperative competition within an ecosystem of partnerships.
5. It is a shift in emphasis from stable continuity to disruptive change.
6. It is a shift from a trend of inflationary growth to that of deflationary growth due to high productivity growth, transparent information, increasing returns, and network effect.

The "new" economy is, therefore, undergoing a paradigm shift from a physical, supply-driven, and disconnected world to an intellectual, demand-driven, and interconnected one. Four key developments occurred in the past decade, which have made e-business the core component and the primary driver of this "new" economy. *First*, after improving in speed, power, and convenience since 1969, the **Internet** has burst onto the economic scene and begun to change business strategies and investments. *Second*, the advanced economy has become so efficient at producing physical goods that most of the workforce has been freed up to offer services or produce **intellectual properties**, such as information, software, news, entertainment, and advertising. Information, knowledge and technology have become increasingly important to the economy. *Third*, **consumers** have been gaining market power and they are in the driver's seat as to the direction and pace of economic growth. Customized mass production as a new mode of manufacturing

has been replacing the traditional mode of mass standardization. In addition, consumers have concentrated on the reduced cycle time. *Fourth*, global economy has been enjoying a remarkable resurgence because of **productivity** growth, one of the most important indicators of economic health. If productivity growth in the U.S. had remained at the previous level (1.4%) for the last four years (2.8% during 1995-1999), non-farm output would have been \$300 billion lower in 1999, the equivalent of about \$1,100 in lost output for every person in the country. Evidence is mounting that the four phenomena are not coincidental but closely interrelated. The first three elements can be viewed as the *antecedents* of e-business, while the last element can be viewed as the *consequence* of e-business.

The concept of **e-business** refers to *a business phenomenon in which digital technology, intellectual property and customer supremacy are seamlessly integrated with business activities, which alters, and often replaces, the conventional business paradigm at both industrial and corporate levels*. Put differently, e-business is about the commitment and capability of companies in various industries to utilize digital technology (particularly the Internet), emphasize intellectual property, and enhance customer satisfaction across the business functions, thus changing the way of doing business from a traditional company-centric stand-alone paradigm to a new network-leveraged synchronized paradigm. Thus, the Internet-enabled and Internet-transformed companies and industries will become e-companies and e-industries. An e-company or e-industry can exchange values (e.g., money, goods, services, information and idea) via the Internet-enabled network in an efficient, transparent, real-time, interactive, and

interdependent process (Bresnahan, Brynjolfsson and Hitt, 2001; Rayport and Jaworski, 2001; U.S. Department of Commerce, 2000).

In the context of e-business and the new economy, the boundaries of space and time will be increasingly elastic in responding to market changes. Further, small players, partners, customers and employees are all empowered to innovate in their use of e-business, so network cooperation and intellectual capital become the focus of value creation. E-business will lead to more competition, thus creating a long-term deflationary trend in terms of both price and profit. As a sub-set of e-business, e-commerce is *any transaction completed over a computer-mediated network that involves the transfer of ownership or rights to use goods or services*. **B2B** (business-to-business) and **B2C** (business-to-consumer) spaces are the two basic segments of e-commerce.

PARADOXICAL NATURE OF E-BUSINESS

It is critical to recognize the paradoxical nature of e-business. Paradox refers to a situation in which two contradictory elements have to co-exist to constitute a whole entity. For e-business, there are several key paradoxes.

Competition vs. Cooperation

One of the most interesting and perplexing effects of e-business is that e-business will increase the level of competition, but it will also increase the level of cooperation. Competition is both the cause (e.g., as a means to obtain new advantages) and effect (e.g., as the result of transparency of information) of e-business,

while cooperation is also both the cause (e.g., as a means to exchange information) and effect (e.g., as the result of network structure) of e-business. For instance, the pure players have learned that they must seek partnerships with legacy companies that can offer presence, validation, credibility and availability. Companies have to leverage strengths, and merge or consolidate wherever they see fit. This paradox is closely related to the *paradox of core and non-core* (i.e., the approach to keep the core functions in house, and to outsource the non-core functions).

Flexibility vs. Continuity

E-business dictates fast and flexible response to increasingly dynamic market changes, but it also requires stable and enduring relationships between companies and employees as well as between companies and partners. For instance, while the trend is that more freelance workers jump from job to job like hired guns, companies still want to have a core of careerists to provide continuity, so as to preserve corporate culture and institutional expertise. The paradox is that e-business requires that companies have more enduring relationships with their employees at the time when more and more employees want to be freelance professionals. Just as they want to hang onto a core of permanent employees, companies have to retain several key business functions in-house, though the trend is to outsource almost everything to strategic partners. Further, when e-business requires companies to cultivate closer relationships with their partners and customers, it also requires them to remain flexible in changing these relationships so as to be able to respond freely to market changes. This paradox is closely related to the *paradox of control and trust* (i.e., the approach to tightly

control the core functions and to loosen the non-core functions).

Brick vs. Click

While we have to credit the dot-com startups with pioneering new approaches and new business models, the established firms have some inherent advantages in customer relationships, brand recognition, distribution and financial capital. These edges outweigh the disadvantages as legacy systems and channel conflict. The new brick-and-click model is now recognized as the winning formula. Pure players are strong in anything "digital" but weak in anything "physical," while legacy players are just the opposite, thus perfect for strategic partnership. This paradox is closely related to the *paradox of spin-off and integration* (i.e., the approach to let online units grow freely, and to leverage the strengths of both click and brick functions).

A MODEL OF NETWORK FORM FOR E-BUSINESS

According to Li (1998a), a model of network form for e-business can be applied. In this model, we seek to address the two central questions for the theory of the firm: (1) why firms exist, and (2) what determines their scale and scope. When a firm is flexibly connected to a stable web of versatile companies, *network form* provides this firm with a unique ability to coordinate both internal and external transactions because of the trust engendered by the highly shared interest and paradoxical balance between competition and cooperation, and between exploration and exploitation. Network form benefits simultaneously from speciality (internalising core asset and resource) and versatility (externalising complementary

activity and resource) as well as from flexibility (freely choosing options across the network) and stability (relying on trustworthy partners across the network).

A fluid form, network is like a multi-layered spider web that spins from the inner core to the outer edge; the closer to the web's centre, the closer the relationship. The closeness in relationship is based on the level of rational trust, moral trust, and affective trust. Changes in status from core to non-core or vice versa often occur. Ideally, all transactions should be coordinated with trust, but it is extremely difficult to build a trustworthy relationship with every partner in the network. As different transactions under different conditions require different levels of trust, plural forms may be utilized. For core transactions among core partners, trust is needed even if it might have different mixes of rational, moral and affective elements. For non-core transactions among non-core partners, price and authority may be used, at least temporarily, before trust is developed. As a result, each network form is unique in its own specific shape, though all network forms share some universal principles.

Based upon previous discussion, we can predict and prescribe the ideal type of network form. Such a network form should allow a well-focused firm (a specialist) to function in a highly versatile and flexible web composed of all other well-focused companies (other specialists), who coordinate both their internal and external transactions via a high-level trust for a highly shared-interest. Early prototypes of the ideal form are most likely to be found in high-tech or knowledge-intensive businesses, particularly at the early stages of an industry's life cycle, and in cultures that foster competitive cooperation.

Building network form is a complex process. This process may be delineated by three issues: (1) prior conditions (i.e., the

prerequisites required before the process can be initiated), (2) basic strategies (i.e., the ways to build network), and (3) core stages (i.e., the stages of network building). Three pre-conditions are critical: (1) existence of high uncertainties that render price and authority ineffective, (2) existence of shared-interest, and (3) existence of goodwill. After the three pre-conditions are in place, a strategy is required to start the process of network building. Two strategies are essential: (1) fusion strategy (i.e., to tie previously separate firms as strategic alliances); and (2) fission strategy (i.e., to spin previously integrated firms off as strategic alliances). Three stages of network building are important: (1) initiation (i.e., to evaluate and select tasks and partners); (2) development (i.e., to build network by fusion and fission); and (3) adjustment (i.e., to re-evaluate and reshape the existing relationships).

THE CASE STUDY OF HAIER GROUP FROM CHINA

We chose Haier for our case study of e-business in China for the following reasons: First, Haier is one of the most successful companies in China. Second, Haier is ready for e-business. Third, Haier has successfully formulated and implemented an e-business strategy. Fourth, Haier has a clear strategic intent of internationalizing itself, which is closely related to its e-business strategy.

Foreign multinationals and domestic companies have aggressively launched various strategies to strengthen their competitive positions in China after China joined WTO. We will first discuss the e-business environment in China and then examine the e-strategy of Haier in order to understand the main thrusts of a newly

emerged Chinese multinational company in such a dynamic market. The secondary data we used in this study are from corporate brochures, corporate annual reports, books, newspaper/magazine reports, previous case studies, corporate websites, and public information websites. Only the data that were corroborated from multiple sources were used here. In the literature, such an in-depth longitudinal case study has long been used for advancing our knowledge of strategy formulation process (Eisenhardt, 1989; Numagami, 1998).

The prevailing view is that China is not ready yet for across-the-board e-business because of the lack of technical infrastructure, consumer acceptance, management commitment, and legal protection in China (Rosen, 1999). The cultural preference for personal face-to-face contacts in China does not help China in developing e-business there. There is no online payment system available in China because of the lack of personal and institutional credit systems in that country. Most of the legacy firms in China do not have adequate computer information systems in house. As a result, the online sales were only 0.018 of China's retail sales in 2000, compared to that of 1.4 in the U.S. (CNNIC, 2001; U.S. Department of Commerce, 2000).

A recent survey (China Business Times, 2000) reveals that 74 of large state-owned enterprises have launched Web sites or home pages, but only 28 of them are satisfactory. Although 63 of the firms have plans to install ERP systems, the core of e-commerce, only 2.9 have working ERP systems. About 70 of the firms recognize that their investment in information technology is inadequate, accounting for a mere 0.3 of their total assets, far below the ratio of 8 to 10 by the large firms in developed countries. Also, 62 of the firms

say they lack information technology professionals. About half of medium- and small-sized enterprises, which constitute 99 of China's total number of businesses, have no computers at all. Another survey by the China Statistics Bureau (China Information News, 2000) shows that China ranks very low in terms of national information-processing capacity, as compared to the other 27 countries including the US, South Korea and Brazil. And will have disappointing status, China has great potential for e-business .

Rapid Growth of Haier's Business Expansion

Restructured in 1985 as a small manufacturer of refrigerators burdened by a debt of 1.47 million RMB, the Haier Group has not only survived a series of radical reforms, but also turned out to be one of the most successful companies in China. The Harvard Business School has written its story as a case study. Now Haier has become an international organization that generated close to 43 billion RMB (US\$5.18 billion) in sales in 2000. In 1985, Haier had only one product and a staff of 800. Today more than 20,000 employees are producing a full line of electronic household appliances, including refrigerators, air-conditioners, washing machines, freezers, TV sets, computers, cellular phones, furnishing equipment and many others in 42 main categories with more than 9,000 models. Haier ranks No. 1 in China's household appliance industry as measured by brand recognition and sales revenues.

According to a survey by *The Manager*, a Chinese magazine, at the end of 1999, Haier ranked No. 1 as measured by innovation, quality, customer service, brand and international achievement. Haier has gained an international reputation by

exporting to over 100 countries. In a global survey by *Appliance*, an American trade magazine, Haier ranked as the fastest-growing household appliance maker in the U.S. market. *Financial Times* places Haier seventh, the only Chinese company among the top ten, among the outstanding Asian multinational companies. Haier has achieved a hyper growth for 16 consecutive years with an annual average growth rate of 51.5; it even grew by more than 80 in 2000.

There have been three key phases in Haier's development:

1. Brand-building phase (1984--1991): It took Haier seven years to build a strong brand in refrigerators through a well-planned TQM (total quality management) program.
2. Diversification phase (1992--1998): It took Haier another seven years to diversify and broaden its product offerings.
3. Internationalization phase (since 1998): Haier is currently undergoing a program to internationalize the company. It has about 62 distributors and more than 30,000 outlets around the world. The company's strategic intent is to become one of the Global Top 500.

Haier's Preparation for e-Business

Haier's vision is to be one of the top 500 companies in the world. Haier views an effective e-business strategy as the most important means with which to achieve its goal of joining the Global 500 Club. The compelling reasons for Haier to develop its competitive position in e-business result from the following business trends in the household appliance industry:

1. *The competition is intensifying, so each firm has to be creative in sustaining existing competitive advantages and developing new ones.*

2. *There is an increasing demand for customization.*
3. There is an increasing demand for reduced cycle time for reaching the market.
4. There is an increasing demand for value-added services, which is a current competitive advantage of Haier.
5. Global presence is increasingly imperative, particularly the Chinese firms experiencing Chinese's entry into the World Trade Organization.
6. There is an increasing need for cost reduction along the whole value chain.

Haier has laid a solid foundation for e-business with the implementation of two critical programs. The first is Enterprise Resource Planning (ERP) for building the technical infrastructure for information collecting and processing. Digital information on various business functions is shared by all parties. This is also a condition essential for a firm to adapt to the volatile market place and survive in the era of e-business revolution. The second is Business Process Reengineering (BPR). As e-business is not just a matter of setting up a website or an information system, firms have to readjust their traditional business processes so as to meet the requirements of e-business.

Haier has been ready for e-business since it launched the above-mentioned programs. In addition, the top management of Haier has a strong commitment to the development of e-business. Haier's leadership is fully aware of the imperatives of e-business in the new economy. Mr. Zhang Ruimin, the CEO of Haier, points out that Haier's future growth depends upon effective e-business strategy which is critical for the development of Haier's competitive edge. In its e-business model, Haier has focused on customization, value-added service, global market access, reduced cycle

time, and cost reduction.

According to Mr. Zhang Ruimin, responsiveness is the core of e-business practice. Firms have to respond quickly to the dynamic changes in the global marketplace. He suggests that companies should concentrate on crucial issues according to their various growth stages. Haier's focus in the 1980's was quality, in 1990's it was structure reengineering, and in the 2000's, it is responsiveness. The speed with which Haier acquires necessary information and responds to the market is crucial for developing its competitive edge. In addition, employees are encouraged to be innovative. Haier tends to give its employees enough space to create new ideas. Haier considers its human capital (employees) the major source of its competitive advantages.

e-Business Practice of Haier

In order to capitalize on the e-business opportunities in the global marketplace, Haier has made three strategic shifts since April 1999. The first one is to reengineer its entire business operation, in order to readjust its organizational structure for implementing supply chain management in Haier's B2B e-business. Haier's business operations have been reorganized accordingly. For example, Haier has readjusted its information, materials and transaction flows in its management systems, and has set up independent units to handle logistics, finance and marketing internationally. Meanwhile, through its continuous improvements in management efficiency, Haier has reshaped such units as profit centers, fully supporting its e-business platform.

The second shift is to break the boundary of its current market segments, and change its marketing strategy from

domestic-oriented to global-oriented. As a result, Haier's exports have increased considerably. The third shift is to realize its B2C e-business by selling products online directly to consumers. At the same time, Haier has claimed that it will shift from being manufacturing-oriented enterprise to being a service-oriented in the near future.

Haier's external B2B network is based on iHaier.com. It is an international supply chain. With this platform, Haier can find the best suppliers, set up close partner relationships with those suppliers, and reduce the purchase cost while improving product quality. Haier plans to use this system not only for itself but also for other related companies. This platform includes the functions of ordering, automated stock replenishment, payment processing, and production-related control and processes. This platform is an open one, where information is fully shared. Haier has not been a member of any neutral e-marketplaces as yet. Further, up to now, iHaier.com has focused only on the household appliance industry. Finally, Haier's platform supports only Haier's own procurement, although Haier states that it will also host third party procurement in the future.

Haier's B2C external network is based on eHaier.com. This website has the function of taking online orders, but online payment is limited to selective cities only (most consumers pay at the time of delivery). However, Haier's B2C platform is still only for Haier's own products. It will be changed to carry other manufacturers' products in the future. To support its B2C platform, Haier has built one of the best distribution networks in China. Haier has more than 30 call centers in major cities, and more than 10 thousand distributors who reach more than 60 thousand rural areas. Further, Haier's B2C

platform is able to process customized orders.

What is really unique about Haier's e-business practice is its creative adaptation of B2C model to China's special situations. Since many individual Chinese consumers do not have direct access to the Internet at home, Haier has adopted a new B2B2C model (i.e., Haier-to-distributors/retailers-to-consumers). Haier is trying to leverage its established distribution systems with its website system. Haier has asked its distributors and retailers to provide Internet access for its consumers. As a result, in addition to being the point of delivery, service, and payment collection, Haier's distributors and retailers also serve as a source for providing product information, offering consultation or advice, and taking orders from the consumers who do not have internet access or do not feel comfortable placing online orders by themselves. This B2B2C platform is the basis of Haier's Customer Relationship Management (CRM) system.

As discussed earlier, Haier has implemented an internal ERP system, which serves as a basis for its e-business strategy. The current problem of Haier's ERP system is that its internal logistic flows, capital flows and information flows are still separately handled by different internal systems. This is because of the difference in the times when various parts of the information systems were adopted. Haier will have to work hard to improve its internal ERP system. Haier has worked with many IT partners (e.g., Lucent and SAP) and some consulting firms (e.g., McKinsey) for technical and business advice. In a promising market with various entry barriers, such complementary alliances and collaborations between local and foreign multinationals are critical to the

success of their market expansion (Chang, Chuang and Jan, 1998).

Haier has also restructured its organization and managerial process toward an e-management system. With a shift from traditional function structure to a flat market-chain structure, Haier is trying to instill a new culture into the company. In the past, employees were responsible only for their bosses rather than for the market. Now every employee in Haier has to be responsive to the market because each employee is a market. This is the famous Haier's Market Chain Management.

According to the Market Chain Management, the customer is the focus of the company. The capital flows, material flows and information flows constitute a continuous and information-rich market chain. Haier has built its new workflow centers, commerce-flow centers, capital-flow centers, and overseas headquarters out of original functional departments. Separate from the functional departments, these independent logistic, financial and international marketing units are granted the status of profit centers with full responsibilities of their own.

The entry mode of Haier's e-business strategy is one of brick-and-click integration. Haier did not spin off the click portion of its e-business operation, although Haier had established an e-business unit, Haier E-Business Co., with a staff of 45 as of early 2001. The e-business unit is responsible for e-business plans and initiations within the company.

In summary, Haier's previous efforts and successes have resulted in a two-fold competitive edge: worldwide brand image, and customer loyalty. Haier has developed a full set of strategies through its e-business networking platform. It has continued its way along the "e-road" (consisting of e-Management, e-Marketing,

e-Service, e-Purchasing, e-Production and e-Distribution). All of the above, together with the company's traditional distribution channels, have made a solid foundation for Haier's e-business practice.

Factor Content of Haier's e-Business Strategy

According to Li (1994, 1998b), a four-factor typology can be used to measure strategy content, which is applicable to e-business strategy formulation. The four factors are strategic target, strategic thrust, strategic posture and strategic mode. Specifically, strategic target is the means to achieve a firm's ultimate intent (i.e., to maximize volume size and/or margin rate). Strategic thrust is the means to achieve ultimate intent and strategic target (i.e., to lower cost and/or improve value). Strategic posture is the means to achieve ultimate intent, strategic target and strategic thrust (i.e., to configure broad and/or narrow scope of markets, functions and locations). Strategic mode is the means to achieve ultimate intent, strategic target, strategic thrust and strategic posture (i.e., to coordinate business relationships both within and outside the firm with tight and/or loose control as well as with aggressive and/or conservative style regarding market entry timing—first-movers or second-followers). By using this typology, based on previous discussion, the factor contents of Haier's e-business strategy can be described as the following:

e-Target

The primary strategic targets for Haier's e-business are the revenue size, market share and revenue growth rate. These targets are based on Haier's long-term intent and vision of global brand. However, Haier seems to pay much less

attention to profit growth and profit margin.

e-Thrust

With the above strategic target in mind, Haier has identified its strategic thrust as a simultaneous pursuit of both low cost and high value. Haier wants to provide value-added services along with superior products at the lowest cost. Haier wants to reduce its total working inventory and, hence, the associated working capital cost. It also wants to reduce the cost of transaction, by streamlining the commercial interface between business partners so as to share information. Further, Haier wants to improve the value of its products with enhanced services and customization.

e-Posture

To accomplish its e-thrust, Haier chooses both broad and narrow coverage as its configuration of business portfolio. Within its core business of the household appliance sector, Haier produces 42 types of household appliances, and it has even expanded into computer and hand phone areas. However, it still operates around its core business, and the new business areas are related to its core business. In addition, Haier has reached a certain level of vertical integration with the assistance of its extensive supply chains.

e-Mode

The strategic mode of Haier's e-business is its e-business platform. This e-business platform is composed of four key elements. The first is its supply chain management, including distributor management, supplier management and other corporate partnership management. The second is its customer relationship management (CRM), including institutional and individual consumers. The third is its

enterprise resource planning (ERP) system. The fourth is its organizational restructuring. The first two elements are the B2B and B2C external networks, while the last two are the typical internal networks. These four elements constitute Haier's integrated e-business platform or e-business strategy mode.

PROPOSITIONS FOR DEVELOPING E-BUSINESS STRATEGY

Based on the literature review and the case study of Haier Group (Li, 2001; The Economist, 1999, 2000a, 2000c), we have integrated the concepts of network form and strategy content. In this section, we suggest the following propositions that can help firms to develop their e-business strategies to capitalize on the newly emerged e-commerce opportunities:

Proposition 1: The strategic target for e-business is a concurrent pursuit of volume size and margin rate, with the focus of core business on margin rate and the focus of non-core business on volume size.

Proposition 2: The strategic thrust for e-business is a concurrent pursuit of low cost and high value, with the focus of core business on high value and the focus of non-core business on low cost.

Proposition 3: The strategic posture for e-business is a concurrent coverage of narrow and broad scopes of markets, functions and locations, with the focus of core business as in-house specialist at the firm level and the focus of non-core business as outsourcing generalist at the network level.

Proposition 4: The strategic mode for e-business is a concurrent application of tight and loose control, with tight

control over the core business and loose control over the non-core business; the mode is also a concurrent application of conservative and aggressive styles in entry timing, with aggressive style for non-core business and conservative style for core business.

Proposition 5: The proper brick-and-click model should be the one where the bricks focus on the physical elements and the clicks focus on the virtual elements: they exist as two spin-offs and work as an integrated team.

Proposition 6: The proper relationship between supply-chain and e-marketplace should be one where supply-chain is company-centric for core business and e-marketplace is community-based for non-core business.

IMPLICATIONS AND CONCLUSION

This paper suggests that e-business is revolutionary in the sense that it reinvents new rules of competition. E-business emphasizes information technology, intellectual properties, customer supremacy, cooperative competition, creative change, productivity growth, and long-term economic boom. The case of Haier reveals that companies can be creative in their e-business strategies to overcome the market barriers to e-business (such as is the case in China). The success of Haier's e-business practices shows the importance and imperative of e-business strategy. In addition, the case evidence of Haier implies several lessons for other companies. First, it is a must for legacy firms to plunge into e-business. Second, it is imperative for legacy firms to collaborate with IT firms (i.e., the brick-

and-click model). Third, e-business is an effective approach for a company to globalize its business. Fourth, the most critical feature of e-business is its unique capacity for business customization. Fifth, another critical feature of e-business is that the sharing of open information along supply chains is based on mutual trust. Sixth, e-business has to be built upon a solid basis of sound business practices rather than on building a castle in the sand.

The case study of Haier also suggests that multinational companies focus on core competency and profit margin when pursuing their e-business strategies. In a promising market with various entry barriers, both complementary alliances and competitive collaborations between local firms and foreign multinationals are critical to successful market expansion. In order to strengthen their competitive position in China, such alliances and collaborations are necessary for local and foreign multinationals to develop their e-business strategies with strategic target, thrust, posture and mode. It is obvious that further research, both conceptual and empirical, is needed to advance our understanding of e-business strategy formulation of multinational corporations.

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