

Corporate Governance and Strategic Cost Management ----- A perspective from China

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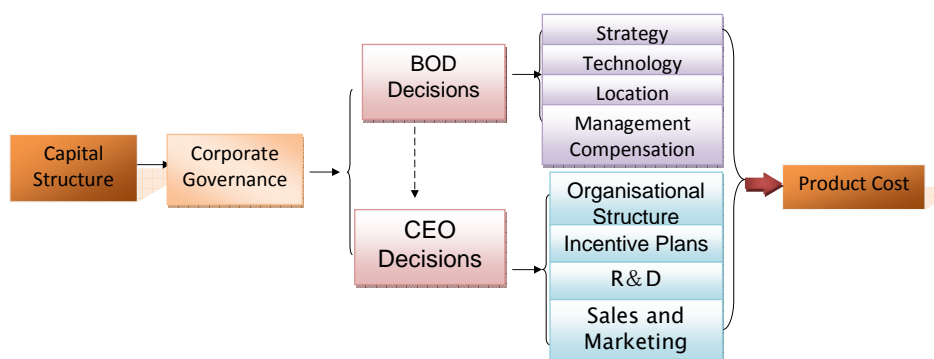
Strategic Cost Management

- ▶ Glorious past
- ▶ New Challenges
- ▶ A perspective from China

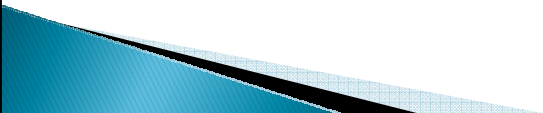
Multi-level Cost-Related Decisions

- ▶ Board of Directors and CEO Decisions

BOD and CEO Decisions



Multi-level Cost-Related Decisions

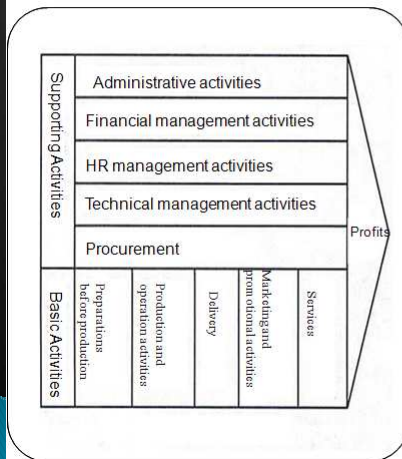
- ▶ Board of Directors and CEO Decisions
 - ▶ Department Managers' Decisions
 - ▶ Accounting Information Collection
- 

Strategy, structure and cost management

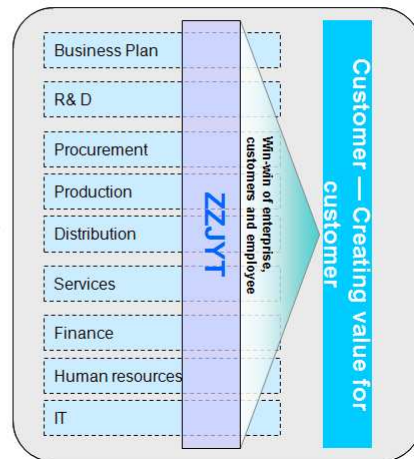
- ▶ New development in China: Haier Group
 - ▶ Introduction
 - ▶ Strategy: three stages
 - ▶ The emergence of a new organisational form
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From SBU to ZZJYT: the transformed value chain

Porter's Value Chain



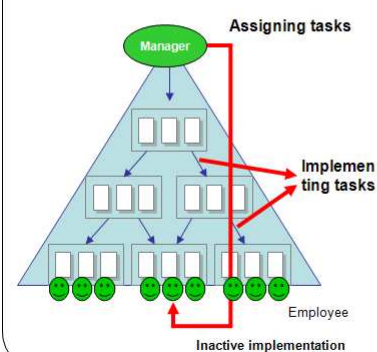
Haier Value Chain



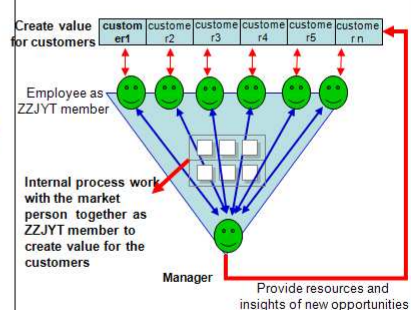
Cost Management under ZZJYT

Haier business model — On Demand Goods Delivery with zero stock
As a result, organization responding to the market quickly is a must.

In the past: pyramid organization



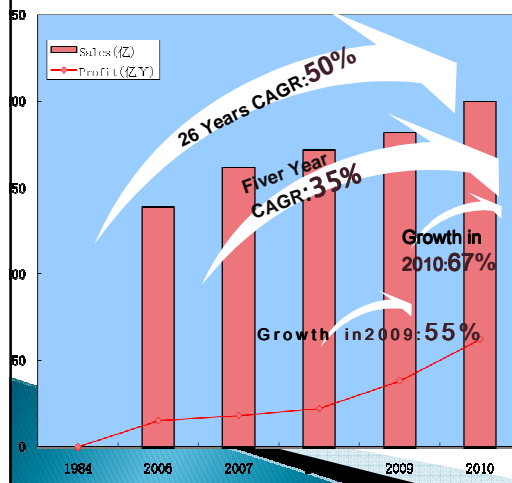
Innovation: Inverted pyramid organization



Haier Group



No.1 Home Alliance Brand



2010 Worldwide Market Share

EUROMONITOR INTERNATIONAL

1	Haier	6.1%
2	Whirlpool	4.9%
3	LG	4.8%

According to Sales

New Organisation Structure

Inventory turnover : 5Days

Receivables Turnover : 4Days

CCC : -10Days

Gree Electric Appliances

- Introduction
- Leadership, Sales Model and Cost Management

Gree's Financial Indicators

	Year 2008	Year 2009	Industrial average
Gross Profit	18.88%	23.78%	16.6%
Sales and Marketing	10.47%	13.66%	6.78%
Overhead	3.02%	3.69%	7.3%
Interests	0.20%	-0.23%	
Net Profit	5.54%	6.98%	4.78%
Inventory Turnover	64.12	59.80	120.02
Receivable turnover	7.79	8.34	85.85
Payable turnover	92.55	113.18	115.07
CCC	-20.64	-45.04	90.8

Thank You!