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NEWS FOR IMMEDIATE RELEASE

IMA Study Explores Success of China Haier Group

IMA-funded research examines how company's innovative business model transformed it from bankruptcy into a recognizable worldwide brand

Montvale, N.J., May 4, 2005 – The Institute of Management Accountants (IMA) today announced that its field study of the business strategy of China Haier Group concluded that the company's innovative business model is responsible for its unprecedented success. The study, funded by IMA's Foundation for Applied Research (FAR), found that, if implemented within the context of an organization's unique culture, Haier Group's approach can be applied successfully to companies around the world. The anchors of the Haier Group's business model are building sustainable quality from within, an intense desire by all employees to serve customers, speed, and differentiation.

Haier Group, based in Qingdao, China, was facing bankruptcy in 1984, but in 2003 the company's global sales reached \$9.7 billion with a growth rate of 70 percent during the previous 19 years. In January 2004, Haier Group was the only Chinese brand included on the World Brand Laboratory's list of the 100 most recognizable brands, ranked behind household names like Coca-Cola, McDonald's, and Nokia.

Haier Group developed three phased-in strategies to implement its business model: brand building, diversification, and globalization. During the first stage, Haier Group created and built Haier-brand products and established a quality assurance system. The second stage featured an expansion or diversification strategy within China. The third stage has focused on the globalization strategy. Haier exported its products to Germany first, then to other European countries, the United States, Southeast Asian countries, Middle Eastern countries, and India. Today Haier sells its products in 12 out of 15 European chain supermarkets and 10 chain stores in the United States.

Attesting to its speed to market, 17 hours after Haier Group's U.S. president requested a refrigerator with pullout freezer drawers for the U.S. market, a micro-freezer prototype was built. Haier exemplified its differentiation philosophy when it marketed its washing machines as versatile enough to wash both clothing and vegetables. It had discovered that customers in the rural areas of western China frequently used their machines to clean vegetables in addition to laundering clothes.

"IMA is dedicated to providing management accounting and finance professionals with the practical research and knowledge they need to build quality financial and governance practices inside organizations," said Paul Sharman, IMA's president and CEO. "Haier Group's business model and strategies do just that, and I think in this current competitive market economy many companies can learn from its approach."

The field study was conducted in 2004 by Thomas W. Lin, a professor of accounting and the Leventhal International Faculty Fellow in the Marshall School of Business at the University of Southern California in Los Angeles. Lin's complete findings will be published in the May issue of *Strategic Finance* and the Spring 2005 issue of *Management Accounting Quarterly*.

IMA's research efforts focus on developing best practices and tools for the decision-support, planning, and control functions of the management accounting and finance profession. Additional planned research includes projects on technologies and processes to improve information flow, business reporting, and decision making for internal and external needs (e.g., Sarbanes-Oxley).

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About the Institute of Management Accountants (IMA)

With a worldwide network of 70,000 professionals, IMA is the world's leading organization dedicated to empowering managerial finance and accounting professionals to participate within their organizations to create economic value. Through certification, continuing education, thought leadership, networking, and advocacy of the highest ethical and professional practices, IMA equips financial management and management accounting professionals to create value and build quality financial practices into their organizations, helping to ultimately rebalance the accountancy profession. For more information about IMA, visit www.imanet.org.

About the IMA Foundation for Applied Research (FAR)

The IMA Foundation for Applied Research (FAR) is dedicated to developing and disseminating timely management accounting and financial management research findings that can be applied to current and emerging business issues. FAR was formed in 1994 to ensure sufficient resources, both human and financial, to sustain and augment IMA's role as a valued center of research on the most important practice issues of the day while also identifying financial management trends to meet the challenges of the next millennium. Through excellence in research, IMA provides business decision makers with information of strategic importance. To date, more than 250 studies have been produced by more than 500 researchers.

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