White Goods

Li Dongsheng

TCL Corp

If the so-called mixed ownership reform, introduced by the State Council in 2014, is to bring in private-sector ownership to stimulate the productivity of state firms, Li Dongsheng should be considered a pioneer.

The Party boss of TCL Group has transformed a state-owned enterprise into a unique entity that is partly owned by himself.

Getting started

Born in Guangdong in 1957, Li Dongsheng became a technician with TTK Corp, a state-owned factory in Weizhou. In 1985 TTK was renamed TCL and initially Li's main career goal was to become the supervisor of his production team.

But then he was sent to visit Philips headquarters in Europe. He was shocked to see that the Dutch firm's R&D department had more than 10,000 people. TCL had just 12. Determined to change this Li rose through the ranks and in 1996 he became chairman and CEO (plus Party boss) of TCL Group.

Big break

Till then Li was just another SOE boss on the government's payroll. That changed in 1996 when the local government signed a ground-breaking agreement with TCL. The deal valued TCL at Rmb300 million and agreed that for a five-year period, Li and his managers' salary would be cut by half should the value of TCL's assets climb by less than 10%. However, if Li could enhance TCL's value, he would be rewarded with shares in the state firm on an incremental basis.

With these market incentives, TCL's revenue tripled in those five years to Rmb10 billion from Rmb3 billion in 1996. It became the leading TV maker in China. In 1999 TCL even began exporting TVs to Vietnam. Later Li began acquiring abroad too: buying Thomson of France – another TV maker – and Alcatel's mobile phone handset business.

Taking control, slowly

When TCL went public in Shenzhen in 2004 (prior to that it had a couple of business units listed in Hong Kong), the Weizhou government's stake stood at 40%. That has since declined to below 10%. A Rmb5.7 billion fundraising in 2015 saw Li raising his stake in TCL to 5.2%. Adding that to the stake held by TCL's employee share scheme – whose votes he controls – Li finally became the single most influential shareholder in TCL (albeit taking 18 years to reach this point).

Perhaps more importantly, all stakeholders said they were happy with what Li has achieved including the Weizhou government. TCL has grown into a company with an annual revenues of more than Rmb100 billion.

As he seeks to grow in international markets and make its brand better known, he has entered into sponsorships, perhaps the best known being TCL buying the naming rights to Hollywood's iconic Chinese Theatre.

Photo Source: Imagine China

TCL bought the naming rights to Hollywood's iconic Chinese Theatre

Key info
Hurun has estimated his net worth at Rmb4 billion but his legacy is far richer than that.

Year born
1957

White Goods

He Xiangjian

Midea

He Xiangjian was born in 1942 in Shunde in Guangdong – an area now well known for its electrical appliance factories. He worked as a farmer, before becoming an apprentice in a factory. In 1968 he and 23 other Shunde residents raised Rmb5,000 to start a factory making plastic medicine bottles.

Getting started

By 1980 He's factory had diversified into producing fan parts for a state-owned firm. He then launched the firm's first electric fan, called the Pearl. In 1981 he purchased the Midea trademark, and renamed his firm.
In 1984 Midea started producing a plastic box fan which it exported successfully to Hong Kong. It also sent a team to Japan to study production technologies.

Big Break

By 1985 it had begun to produce air-conditioners, and in 1993 it ranked third in China's air-con market. In the same year it listed in Shenzhen.

Competition in the air-con business then saw Midea's market share slip. So in 1997 He decided to introduce a 'divisional' structure modelled on Panasonic. Five divisions were created, each dedicated to a product area such as air-con, home appliances and compressors. This decentralised the decisionmaking process and led to improved results.

Midea is focused on the white goods market and has avoided the temptation to diversify into 'black' goods such as mobile phones and TVs. But He reckons too that there is more than enough growth potential in the "great cake" of the domestic home appliance market to keep his shareholders interested. To this end he has been acquiring other brands such as Little Swan to make washing machines and refrigerators. In late 2011, an investment unit of ICBC and private equity firm CDH Investments bought a combined stake of 15.3% in Midea Group (the parent company of the appliance maker). The deal helped smooth the way for that entity to list. It went public in Shenzhen via a backdoor listing.

As of September 2016 it had a market capitalisation more than Rmb176 billion. CBN ranks Chinese tycoons based on the value of their A-share holdings and it ranked He as China's richest man with a net worth of Rmb63 billion as of September 2016.

The firm's expansion continues – the focus now overseas and in industrial robotics. In 2016 Midea launched a $5 billion buyout offer for leading German robot maker Kuka.

Need to know

In late 2009 He handed over company control to professional managers and to his groomed successor, Fang Hongbo, who replaced him as chairman. Contemporary Manager magazine says that this is an unusual step for old-school entrepreneurs, and that He has set an interesting example.

Photo Source: Imagine China

He was named China's richest man in CBN's wealth ranking in September 2016

Key info
He was China's richest man, according to CBN's A-share wealth ranking, with a net worth of Rmb63 billion as of September 2016.

Year born
1942

White Goods

Dong Mingzhu

Gree Electronic Appliances

Dong Mingzhu was born in 1954. After getting a master's degree from the Chinese Academy of Social Sciences, she became an academic in Nanjing. In 1990 she quit her post and went with her eight year-old son to Zhuhai, where she obtained a job as a salesperson with an air-conditioning factory.

She told China Entrepreneur magazine that she would not have taken such a radical step had it not been for the death of her husband – he would never have permitted her to go to Zhuhai.

Getting started

Dong quickly discovered that a key job for a salesperson was to make certain that distributors paid up, as defaulting was then almost standard business practice.

Dong pulled off a coup when she recovered Rmb420,000 of accounts receivable, and caught the attention of a rival air-con maker, Gree, which hired her that year.

Big break

In her first year her sales reached Rmb16 million. She was transferred back to Nanjing – a city known as one of the 'furnaces' of China for its climate – and her sales jumped again to Rmb36.5 million.

In 1996 she was made deputy general manager and guided Gree successfully through a damaging price war.

When Dong joined Gree it made just 20,000 units per year. By 2009, its sales had reached Rmb50 billion and it had become the world's biggest air-con maker. Around 10% of its sales now come from office air-con units – where the technology requirements tend to be higher. In 2016 Gree expanded into the production of batteries for electric cars by acquiring a domestic lithium battery maker for Rmb13 billion.

Dong – who is currently the state-owned firm's president and chairman – says the success of the Gree model is based on the way it manages its relationship with its distributors. In an industry first, she even persuaded local partners to pay before delivery (her competitors had deemed it impossible). The UK's Daily Telegraph calls Dong "one of the leading icons of China's economic revolution".

Need to know

"Where Dong walks past, no grass grows" and "When she chews you up, she doesn't even spit out the bones" are two judgments by male competitors widely quoted in the Chinese media.

Gree was not regarded as a high tech company but through its recent acquisition of Yinlong New Energy it has signalled its intent to diversify from white goods and become a major player in the manufacture of electric cars. In 2017 it will also release its second generation Gree smartphone and says it will be technically comparable to Apple's iPhone.

Photo Source: Imagine China

Male rivals say she "doesn't even spit out the bones when she chews you up"

Key info
Gree had a market value of Rmb128 billion as of September 2016.

Year born
1954

White Goods

Zhang Ruimin

Haier

From a young age Zhang Ruimin showed engineering talent: he had a penchant for dismantling the family radio and reassembling it. Born in 1949, he says he always wanted to make China proud.
In 1968 he joined a metal work factory but went to university in the evenings. In 1984 he became a director at Qingdao Refrigerator. The situation did not look promising. The firm was insolvent, and workers were using the wood in the factory windows for firewood.

Getting started

During the early days, Zhang was extremely frugal. When travelling, he would stay in a hostel instead of a hotel, cycle rather than catch taxis, and stand on the train rather than paying for a bed.

But that didn't stop Zhang from caring for his employees: he once drove through the mountains in foul weather to find a lender that would supply the money to be used as a bonus for the factory's workers.

Big Break

During an early tour of the factory's warehouse, Zhang discovered that many of the refrigerators had minor defects. The staff suggested that they should be sold at a discount to employees. But Zhang replied that if he did that, it would only motivate the workers to keep turning out shoddy products.

Instead he had them smashed to scrap with sledgehammers – employees were shocked (a fridge cost two years salary at the time). The incident has become famous in Chinese management textbooks. And the company – whose name was soon to be changed to Haier – would go on to earn a reputation for quality.

Going global

Haier has become a truly international firm: it has 29 manufacturing plants, 19 overseas trading companies, and more than 60,000 employees worldwide. The company manufactures products in more than 15,000 specifications and 96 different categories.
In 2010, Euromonitor Intelligence ranked Haier – by then the world's leading appliance maker by sales volume – as the number one major appliance brand globally for the second year running.

The company plans to expand in Europe by acquiring or building production facilities that will bring it closer to EU consumers. In 2011, Haier took over Japanese firm Sanyo's entire white goods products business division in an acquisition reportedly valued at $130 million. In 2016 it also acquired General Electric's appliance business for $5.4 billion.

And to relax

Zhang loves reading, and will get through several books on a flight. The avid bookworm will be pleased to learn that his company is not only the subject of a book, *The Haier Way*, but also 30 business school case studies.

Photo Source: Imagine China

"My dream is to give our motherland a world famous brand"

Key info
Haier's market value stood at Rmb65 billion as of September 2016.

Year born
1949

White Goods

Liang Qingde

Galanz Electric

Photo Source: Imagine China

His firm has a 50% global market share

Getting started

Liang Qingde was born in 1937 in Shunde in Guangdong. He began his career in a local printing plant, but then resigned in 1978 to set up his own business where he made dusters from duck feathers. He soon twigged that there was a big foreign market for down feathers and made his first fortune with the Guizhou Eider Down Factory.

Big break

Liang realised that the market for down was becoming saturated and in September 1992 started Galanz Electric. He'd conducted a nationwide survey and hit on the idea of making microwave ovens. He signed a technical cooperation agreement with Toshiba and spent $4 million to introduce an advanced automatic production line. He produced his first oven within two months and by the end of 1994 had sold over 100,000 units. Thanks to a massive marketing and PR campaign in 1995 he made Galanz the market leader. To raise funds for expansion, Liang sold his eiderdown firm for Rmb80 million. He then launched a massive price-cutting strategy, lopping 40% off microwave sticker prices. By 1996 he had over half of the market in China for microwave oven sales.

His policy from then on became: cut the price, win market share, reduce costs, and then cut prices further. This earned him the nickname 'The Price Butcher'.

Growth

When his South Korean competitors were hamstrung by the Asian financial crisis, Liang decided to capture US market share. He spent $20 million on an American R&D facility and headhunted local professionals. He expanded the range of microwaves he sold in the US and Europe. He also followed an OEM strategy where he persuaded foreign manufacturers that he could produce for them at a third of the cost. He'd soon brokered deals with 200 foreign firms and expanded his production capacity. To avoid antitrust issues he decided to cap his own-brand exports at 50% of his capacity and use the remaining half to produce for the likes of Panasonic.

Hurun's China Rich List put his net worth at Rmb18.5 billion.

Need to know

Among the tens of thousands of manufacturers in China, Galanz occupies a unique position: it has a 70% domestic market share and a 50% global market share.
The company has also expanded its product offerings to include other white goods such as rice cookers, pressure cookers and soymilk makers. Liang told reporters in 2012 that his goal was to reach Rmb100 billion in sales by 2015, but that target was missed which may be one reason why Midea's planned IPO has yet to occur. His firm's 2015 sales were actually Rmb26 billion.

Key info
Galanz Electric makes more than half of China's microwave ovens.

Year born
1937