

## Completed Case Studies

### **Aliloan: Small Businesses' "Credit Card"**

*Professor Chen Long and case writer Yang Guchuan*

Financing difficulties for SMEs are particularly prominent in China. However, under the influence of internet technology, this problem is being taken up as a new business idea by a number of internet companies. Alibaba began as an electronics supplier, but in 2010 and 2011, established two small loans firms. Aimed at SMEs and individual sellers within Alibaba's electronics supply chain, loans were offered without collateral to firms in need of credit. Step by step, how did Alibaba develop a small loans model as an Internet-based service? What advantages has Alibaba had over traditional credit lenders? What challenges does Aliloans face going forward?

### **Shang Xia Brand**

*Professor Zhu Rui and case researcher Cui Huanping*

In 2008, Hermes founded the Chinese high end lifestyle brand Shang Xia, which is the first of its kind for Hermes and its peers, and the first time a global luxury brand has committed to producing a Chinese high end brand catering for the Chinese market. Six years on, Shang Xia is still making a loss, but with reference to Shanghai Tang, a Chinese luxury brand which sold itself to world number two luxury group, Richemont, after six years, Shang Xia is a more unique offering. What are Hermes' developmental strategies for Shang Xia, and how can it help the brand become sustainable in the long run?

### **CITIC Credit Card Customer Services: Internet Spirit for Human Resource Management**

*Professor Wang Yijiang and case researcher Cui Huanping*

Since 2008, the rise of the credit card industry has begun to show problems. CITIC credit card service center has faced two major bottlenecks: high staff attrition rates and heavy operating pressures. To ease these pressures, the CITIC service center has sought innovative solutions: employing data analysis, an internet mindset and fine-tuning its use of marketing technology, to turn from being a cost-center to a profit-center. There is an early warning system to catch people before they quit and provide intervention to look after staff needs thereby lengthening the average employee service life. This case considers the hiring process and analyses the ratio of interviews to recruitment as well as turnover rates. A best practice interview and recruitment process is described in a bid to provide CITIC with a way to curb staff turnover in its credit card service department.

### **Lenovo's Acquisition of IBM PCs – Part Two: How the "Chinese snake" digested the "American elephant."**

*Dean Xiang Bing and case researchers Zhou Yi and Yang Guchuan*

In 2005, Lenovo bought the PC business of US technology giant IBM. It began its integration efforts in the midst of disputes over leadership. The new group was originally headed up by a foreign CEO until senior Chinese managers returned following the financial crisis and regained core management positions. This change of leadership has been behind IBM's ability to shake off its loss-making position. Why did Lenovo undergo these strategic twists and turns? How does Lenovo summarize the path taken and the lessons learnt? What can other Chinese firms undergoing their own M&A integration phases learn from Lenovo's experience?

### **Are Mortgage-backed Securities "Angels" or "Devils"?**

*Professors Ouyang Hui and Erica Li, and case researcher Yang Yan*

When the financial crisis swept the world in 2008, the securities industry's regular diet of mortgage-backed securities (MBS) abruptly became everybody's target – blamed for being a powerful tool in the financial industry, and for risking heavy damage to the system. The giants in the business, Lehman Brothers, Bear Stearns, Merrill Lynch, AIG, either went bankrupt or were acquired or were "nationalized." For MBS, as the first asset-backed securitization financial product on the market, the assessment has been mixed, as MBS did indeed bring the market with unprecedented liquidity and vitality. How was the MBS born and what were its original merits? How could the MBS-related crisis sweep the world like a plague? What roles did government agencies, the private sector and the US have in the history of the MBS? At a time when China's financial reform is shaping up, what lessons can China draw from the history of the MBS?

## Current Case Studies

### **Employee Stock Ownership Plan (ESOP) – Huawei's Double Edged Sword**

*Dean Xiang Bing and case researcher Yang Yan*

The Employee Stock Ownership Plan (ESOP) has had a very positive influence on the history of Huawei, but has also been subject to public suspicion at every turn. Employee benefits have been accrued alongside Huawei's impressive development and have generated huge amounts of human capital. However, with ESOP's continual expansion, the diminishing space for such a scheme, and the changing market environment, the risks

and drawbacks of ESOP have been slowly exposed. How exactly do these drawbacks threaten a drop in performance? Will ESOP act as CEO Ren's fetters despite its contribution to the Huawei success story? What should Huawei do next? List on the stock market?

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## **Xiaomi – Sales in a State of Dominance**

*Professor Teng Bingsheng and case researcher Yang Yan*

In the three years since its founding in April 2010, mobile phone maker Xiaomi has reached 31 billion RMB in sales, and in August 2013, gained a valuation of 10 billion USD. This kind of growth is out of reach for the majority of companies, and has led many to consider Xiaomi an industry miracle. Xiaomi's "Internet mindset" has been integral to its success, and is seen as an example of the mobile phone industry's best practice. But when sales settle down, how can Xiaomi optimize its supply chain to drive competitiveness? This case looks in detail at the Xiaomi method to find out how the company makes its Internet mindset central to its strategy. What challenges does Xiaomi face given its unique business model?

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## **Wanda's Acquisition of AMC Cinemas**

*Dean Xiang Bing and case researcher Cui Huanping*

May 2012, Wanda Group announced a plan to spend 2.6 billion USD to acquire 100% stake in the second largest U.S. cinema chain AMC. During the two year acquisition process, Wanda had to both negotiate with AMC's five biggest investors to sell their shares and with AMC's creditors regarding its high debt level (18.9 billion USD). Upon completion of the acquisition in December 2013, AMC successfully listed on the NYSE. Wanda Group has a market value of about 1.46 billion USD, more than Wanda's consideration for the acquisition of AMC which was worth 700 million USD in equity. Two issues stand out at this point in the story. Firstly, with a complex pattern of interests among AMC investment bank shareholders and creditors, how can Wanda use its Chinese experience to win a very American game? Secondly, facing a high debt ratio and three years of consecutive post-acquisition losses, how can Wanda reverse its downward trajectory?

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## **Yixin's P2P Model**

*Professor Jennifer Huang and case researcher Cui Huanping*

As a representative of the domestic P2P model, Yixin created a debt transfer model which is not only a remarkable innovation but also gives rise to controversy because of the blurred boundaries created by illegal fund-raising and information opacity. In addition, unlike the online model normally adopted in P2P industry, Yixin uses the offline model instead to achieve a massive scale expansion, but this brings about an increase in

personnel costs and other risks that come with expansion. So compared with international P2P companies, what is Yixin's unique offering? Taking into account different historical backgrounds and industries, what are the similarities and differences between Yixin's risk control mechanism and those of other P2P companies?

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## **Tencent's Open Platform**

*Professor Zhu Rui and case researcher Yang Yan*

From chief enemy of the tech industry to becoming an open platform to the outside world, the massive Tencent has made a complete volte face in terms of its capabilities and financial acumen. Tencent gives across a very different impression from three years ago. From being very closed minded, why has Tencent decided to take the open road instead? How does the Tencent open platform work in practice? How will the firm establish an ecology around its platform? Where risks are involved in changing users' habits from the PC to the phone terminal? What ideas do Tencent have about shifting to a mobile platform?

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## **Professionalizing Chinese NGOs**

*Professor Zhu Rui and case researcher Heather Mowbray*

The 2008 Sichuan earthquake response and the 2011 Red Cross scandal have left their marks on the philanthropy sector. Awareness and trust are returning to the sector just as NGOs are increasingly relied upon by the State to help solve complex social issues. Many NGOs are small private charities charged with specific targets. Others are partnered with large overseas organizations such as United Way, or government agencies (GONGOs) such as the Shanghai Charity Foundation. How can NGOs learn from best practice to navigate their way towards greater professionalism and efficiency, thus increasing recognition and trust among donors? This case will consider the issue of migrant education and how NGOs work towards improving opportunity for all.

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## **China's Interest Rate Market**

*Professor Li Wei and case researcher Gu Chongqing*

Yu'er Bao, Alibaba's online financing product appears to have upset the balance of power in China's finance sector. With an overflow of bank deposits, bank financing costs have risen, and the interest rate market has grown significantly. For years, China has been providing low-cost financing for firms merely by imposing financial repression, while the banks have played their part by offering a stable spread. Now, the situation is changing. What kind of impact will the interest rate market have on the Chinese economy? In the next few years, China's economy and financial markets will have to pay considerable attention to addressing this issue.