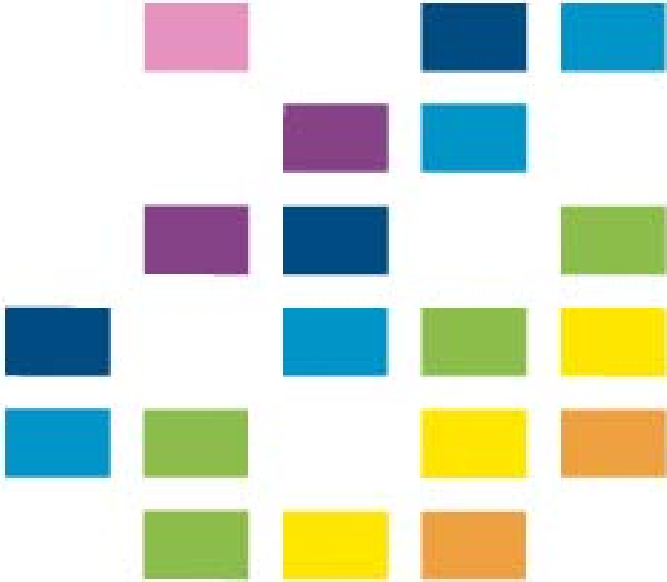


Strategic Plan for Genesi: China

With increased competition and hurdles of ever-growing operation expenses, we are finding it challenging to stay afloat in this competitive world. The financial resources to make capital improvements to our firm are nowhere near feasible. The ability to manage our customers, human capital, and supply chain has been a struggle with the current use of our rigid and conventional IT solutions. It is important that the flow of information is instant, where our users and decision makers can access it with ease in order to leverage the information at its optimal level. But as of now, there is no uniformity to our processes.

With Genesi's economical and wide-range offering of flexible cloud computer devices, we are better able to manage our increasing needs for efficiency, mobility, and interconnected communication. By harnessing the cloud technology, we can now flawlessly perform several important business processes that our previous conventional systems could not provide. Moreover, we have been able to strategically reduce the size of our overall IT administrative expenses. The additional mobility of having such a portable cloud-enabled device has allowed our field technicians, as well as our sales representatives, to access real-time information. Furthermore, with the comprehensive and easily customizable ERP/CRM system, we have eliminated the silo effect within our entire organization. These solutions have not only exceeded our expectations, but they have also set us apart from other competitors. We look forward to continued innovations and tools.

Strategic Business Plan



Team Members

- Bobby Draughn
- Yong-Yong Huang
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II. Executive Summary

As one of the largest-sized business markets in the world, China is certainly very enticing for any company wishing to expand its operations. Not only is China's overall economy booming, but its demand for technology and new innovations is becoming virtually limitless. Even in view of this strong potential for growth and success, however, companies should be wary about entering the market too strongly at the very beginning. With the country's strong business competition, value of building relationships, and strict corporate governance, commencing operations in China can be challenging. As a result, smaller companies should strongly consider building a substantial, yet cautious, base of operations, with the intention of gradually expanding thereafter.

Before making a significant entrance into a new and unfamiliar marketplace, Genesi should focus relentlessly on its core competencies and avoid trying to expand its operations beyond them. We believe that technological innovation and efficiency defines what Genesi does best. The company's irreplaceable connections with outside collaborators, coupled with its own strong internal technical knowledge have been the driving forces behind its success. At the same time, we also recognize that manufacturing, marketing, and distribution are not Genesi's strongest areas and should probably be outsourced to others.

Considering these above points, we recommend that Genesi enter the Chinese market through a strict licensing agreement with an existing native company. In particular, we have identified ECS Holdings Limited as a well-suited partner. ECS has already developed a strong reputation and relationship with many small to mid-sized businesses, through its IT consulting efforts. Smaller businesses currently have a stronger need for efficient cloud computing devices than the general public, making them our superior target market. Under our proposed plan, Genesi would allow ECS to order and sell an unlimited number of smartbooks, smarttops, and tablets to smaller start-up or established companies. In return, Genesi would

receive 12% of the revenue. The potential return could be even higher if Genesi went into cooperation with a low-cost Chinese manufacturer, such as Kingdel Technologies Limited. By virtue of its close location, ability to avoid tariffs, and technological prowess, Kingdel can create Genesi's products for much less than most other alternatives. As a result, ECS can reduce the price of Genesi's hardware, stimulating demand among the marketplace. Another way to increase purchases, while improving client satisfaction, is to offer an option for financing through GE Capital. Through this opportunity, businesses could choose to pay for their products in installments, as opposed to up-front. Because ECS does not usually deal with credit, it would not be involved with this affiliation. However, the products, under this method of payment, would be sold at a premium to cover GE's financing cost.

Small and start-up businesses are always looking for new technological ways to run their operations more smoothly and efficiently. Consequently, many such companies are turning their attention to enterprise resource planning (ERP). This comprehensive solution allows companies to capture and control all aspects of their business through one central location. To harness this lucrative industry, we support a partnership with a current ERP vendor, Compiere. Such an agreement would allow Genesi to provide access to this system on its own hardware for the use of any subscriber. In addition, Genesi would earn a return of 5-10% on all subscription revenue. Currently, the ERP vendor offers four web-based versions from which to choose. They range from free and open-source to \$995 and all-inclusive. This kind of flexibility in ERP offerings gives businesses the ability to meet their unique needs and to optimize their particular operations.

While our proposed plan may seem simple, it does give Genesi a solid foundation in the Chinese market for future expansion. From a financial standpoint, it gives the company steady capital to fund further research and development, so that it can continue to exploit its core competencies. In fact, the company should be able completely recoup its initial investment by the beginning of the second year. In addition, utilizing a license agreement to maintain only

a limited involvement in this unfamiliar market gives Genesi the added advantage of avoiding many risks and costs due to liability of foreignness. Most importantly, however, our proposal provides Genesi with the relationships, customer-base, and experience to reach its ultimate goal of making computing available to the masses.

III. Vision & Mission

Small and mid-sized businesses in China have a need to overcome excessive IT spending. Genesi will be able to meet this need by providing affordable cloud computing devices equipped with ERP-CRM solutions. This will help the small and mid-sized businesses by reducing both their upfront and continuous IT costs while also providing flexibility and efficiency through low cost, powerful hardware and an easy to use ERP-CRM tool.

Vision

Genesi China strives to become a leading technological solutions provider, while bringing computing to the masses.

Mission

Genesi China is based on the model of creativity and change. The core purpose of our organization is to become a leader in helping businesses overcome upfront and continuous IT costs, while providing flexibility and efficiency to their infrastructure. We strive to meet and foresee customers' needs by providing sustainable cloud devices and solutions.

IV. External Analysis

GENERAL ENVIRONMENT

Demographic

According to the Wall Street Journal, there are over 10 million small businesses in China. The majority of these businesses are clustered around the major cities; therefore, Genesi China plans to target these major cities that already possess a solid connectivity and IT infrastructure. During the first year, we plan on marketing our products to the cities of Shenzhen, Beijing, and Shanghai. These cities are also 3G capable, satisfying businesses that are in need of mobility devices. Each city has a unique cluster of certain industries.

Shenzhen is the largest hub to the most successful high-tech companies and e-commerce companies, including but not limited to Huawei and Baidu. A number of foreign IT companies as well as manufacturing plants have established facilities within this city. Shenzhen has invested heavily into zones to cater to particular industries. For example, in the Shenzhen Hi-tech Industrial Park, this compound holds an array of sectors, including pharmaceutical, electronics, and medical equipment supplies.

Shanghai and Beijing follow a very similar business demographic as Shenzhen. According to Hong Kong Trade Development Council, the three largest service industries in Shanghai are financial services, retail, and real estate. The manufacturing sector in Shanghai accounted for 40 percent of the total output. Beijing is increasingly becoming known for its innovative entrepreneurs and high-growth start-ups. New start-ups are supported by Chinese and foreign venture capital firms, such as Sequoia Capital. Though Shanghai is seen as the economic center of China, this is typically based on the numerous large corporations based there, rather than as a center for Chinese entrepreneurship.

Economic

Over the last three decades the economy of China has seen a major shift in its philosophy. The new economy includes the international community and is more market-oriented. The private sector was a major reason the economy saw innovation and creativity. In 2009 China became the second largest economy in the world behind the United States. Even with the explosion of the expanding economy the Chinese still have a lower-middle income society. Researching China's economy we believe that Genesi will succeed in this new market. Genesi's products not only save a lot of space in offices, they also save energy consumption. China is projected to be the strongest energy consumer in the future. The country's energy import dependency already amounts to 50% of its total consumed energy. By using Genesi's products China will be able to save some of its highly demanded resources. China is already in the process of coming up with a strategy to limit the amount of energy it uses. Understanding that China is trying to find ways to reduce its energy consumption illustrates that Genesi has the potential to succeed in the market.

Political/Legal

The political environment in China has changed significantly over the past few decades. China's government has lessened its control over the economy by implementing policies and regulations to put privately owned companies on the same footing as state-owned enterprises. In fact, in 2007 the Chinese government passed a property law recognizing and protecting the rights of all market participants equally. The central government in China can be expected to continue the trend of lessening its control on private enterprises; however, it is important to note that local governments in China may not support the central government's commitments to protecting the private sector.

Even though the Chinese government is lessening its grip on Chinese businesses, it still has more of an influence on the businesses than the businesses have on policies and regulations. In fact, many businesses look to the government before making decisions about adopting new technology. This is important to note especially in light of cloud computing adoption. As Accenture's research shows, many Chinese business executives are hesitant to adopt the technology because the Chinese government's policies on cloud computing are still unclear. These executives want to be assured by the Chinese government that cloud computing is secure and reliable. As noted in our other sections, research suggests that cloud computing in China will become popular despite this fact; however, it is important to realize the impact the Chinese government has on executives' decisions. Also it is important to understand that Genesi cannot expect to have any significant influence on the Chinese government and the laws that it passes.

While the political environment in China might not be ideal, it is not as controlled as one may think. There is enough freedom for foreign and domestic companies to operate profitably in China. Genesi should be aware of the Chinese laws, but there is no need to believe that investment in China will be impossible because of legal restrictions. The Chinese government is continuously placing an emphasis on promoting technological development and will continue this trend in the future, creating opportunities for Genesi. Also, the trend of the central Chinese government to become less involved in industries can be expected to continue and one can expect that the local governments will follow this trend in the future.

Sociocultural

Entering into the Chinese marketplace as a foreign company has historically been challenging, primarily due to the complexity of the Chinese business culture. Building relationships is seen as being key to success in this type of collectivist environment. In fact, the

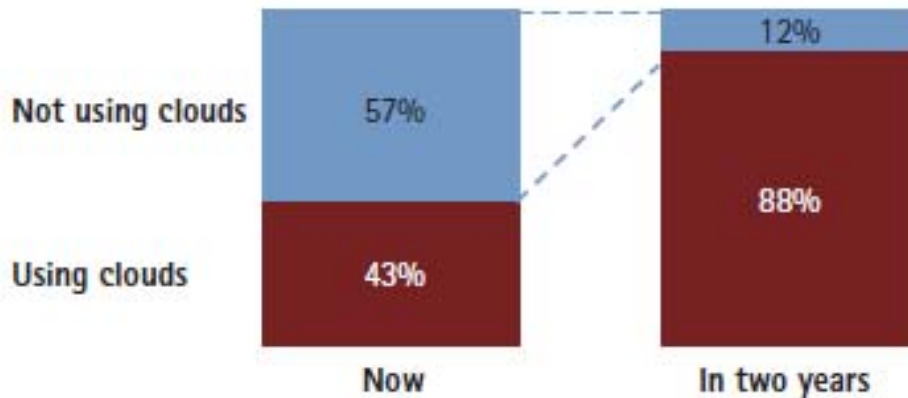
unique Chinese term *Guanxi*, or personal connections, is often used to describe this critical aspect of commerce. These connections must be cultivated and maintained with customers, suppliers, distributors, partners, employees, and every other stakeholder involved with any business process. Companies who fail to do so struggle to gain the support and respect of the industry and the public as a whole needed to generate desired results. In addition, the fracturing of one single relationship can destroy their entire *Guanxi* network. Because solid intimate relationships can only usually be grown through gifts, partnerships, past actions, and reputation, they often take years to develop. As a result, most foreign companies find partnering with existing Chinese firms as being the best way to enter the Chinese marketplace. Native businesses have already contributed substantial efforts to sustaining a positive image in the country. Thus, overseas companies need only to focus on building strong ties with their one concrete partner, instead of with the entire Chinese society. This allows them to concentrate more heavily on other more fundamental areas of their company's expansion.

The current Chinese economic landscape finds most companies following a somewhat conservative strategy of development. While many organizations realize the need for continuous innovation and growth, some are timid to strictly follow this path. They find the thought of excessive risk-taking and enlargement as being detrimental and almost certain to lead to failure. In addition, many are acutely concerned with security issues and possible disruptions with their existing professional business relationships. As a result, the majority of Chinese firms are focusing more on reducing costs, improving efficiencies, and enhancing their overall operations. Consequently, products targeting these particular areas seem to be having the most success in the Asian market. As the level of competition continues to dramatically increase in China, organizations are continuously seeking any way to give their processes an upper hand.

Technological

Due in part to their sizeable population, China has become one of the fastest growing technology markets in the world. Already, they are the world's largest wireless phone and Internet user. For some reason, however, the nation continues to lag behind other developed countries in many other technology categories. In most cases, the country has the capabilities and infrastructure for new technological innovations. The only problem is that the Chinese people remain skeptical about the value and safety of some of these new inventions. For instance, considering the growing area of cloud computing, many Chinese companies are reluctant to make the switch. A large number of executives say that they are excited and eager to try the new technology, but they are too concerned about data security, system failures, and costs of conversion. As is typical in the centrally-controlled country, many cite the need for government regulation and protection before they consider changes to their networks. Nonetheless, public opinion on this subject seems to be shifting. In fact, Accenture predicts that in just two years, the number of businesses who are involved with cloud computing will double to 88%. The report notes that one issue hindering development is that Internet speeds remain too slow for the technology to be maximized. However, they believe that with increased demand, network providers will quickly work to ensure that their infrastructure can handle this need. After all, China has proven that they are capable of adopting new technologies swiftly when the market is ready.

In two years, many more large Chinese organizations will start to use cloud computing...



A second area of interest is the potential movement from the 2.5G to the 3G mobile telecommunications standard. For a while now, demand for this new technology has remained sluggish. Many are content with the cheaper 2.5G network and are not particularly eager to make a switch. Recently, however, several experts have started to believe that the situation is changing. China's top three telecommunication firms have rapidly responded to this improved outlook by ensuring 3G coverage in almost 350 cities. While 2.5G networks continue to serve more than ten times the number of users, as compared to 3G, that ratio has been steadily falling. Even though the rate of market growth in 3G has not met the projected forecasts, it is still believed by many that the country will soon make the switch. Accordingly, companies who have pre-developed hardware in place to serve the new network could soon have a significant competitive advantage.

Finally, one other notable type of business technology that looks to be particularly lucrative within China in the near future is Enterprise Resource Planning (ERP) systems. The comprehensive systems aid companies in managing all aspects of their business. Following in the footsteps of other more developed countries, demand for ERP systems in China is expected

to rise considerably in the next few years. In fact, Technavio predicts that the market will have an annual growth rate of 15.9% per year through 2014. They note that the main source of this increasing demand is from small to mid-sized businesses. Currently, these of smaller organizations account for more than half of the total demand in China. As with other types of technology in the country, the only element preventing an explosion in demand is management uncertainty. Many are leery of the long implementation period and significant costs. Nonetheless, with the help of the Chinese government, a large number of firms are starting to shift their attitudes and mindsets toward the new technology. As a result, experts believe the market could be quite profitable at a very soon time. Moreover, based on executive responses, any vendor who can supply ERP systems quickly and easily for a relatively inexpensive price will have a significant advantage in the Chinese business sector.

Overall, Chinese businesses are quickly becoming more reliant on technology and increasingly advanced in their functionality. While management has been historically slow to adopt new innovations, the Chinese market remains highly penetrable. The primary reason is that businesses are always receptive to any product that can fulfill their low-cost, efficiency, and reliability needs. As long as the type and performance of the technology meets executives' basic requirements, these sorts of goods will constantly create a strong demand. In addition, once the Chinese society becomes more accepting of newer technologies, more and more products will fit under this category. As a result, technology firms are excited about the future of cloud computing, 3G, and ERP systems for businesses. They believe that once the cautious Chinese executives start to realize that the benefits of decreased expenses, improved efficiencies, and enhanced operations outweigh the financial and security risks, the markets will be booming.

INDUSTRY ENVIRONMENT

Five Forces Model: The five forces of competition are the threat of new entrants, bargaining power of suppliers, bargaining power of buyers, threat of substitute products, and rivalry among firms. We examine each below.

Threat of new entrants

The threat of new entrants is based primarily on barriers to entry and expected retaliation of current competitors. Further, barriers to entry are created by companies having economies of scale, product differentiation, high capital requirements to enter the industry, consumer switching costs, access to distribution channels, cost disadvantages independent of scale, and government policy. An attractive industry has high entry barriers; however, these barriers do need to be low enough for Genesi to enter the market.

In the Chinese computer hardware industry, the barriers to entry could create both disadvantages and advantages for Genesi. For example, many large firms such as Acer have developed economies of scale allowing them to mass-produce computer hardware at a cost advantage, which creates a barrier to entry. On the other hand, product differentiation in the computer hardware industry is low. This is actually an advantage to Genesi because Genesi offers a unique, energy-efficient product in an industry currently swamped by seemingly identical products. Capital requirements could be a problem for Genesi when entering China because the Chinese government requires that all foreign companies register a certain amount of capital, as start-up funds. The minimum requirements generally fall in the \$200,000 to \$800,000 range, but the actual amounts can be much higher for some industries. This can be overcome by the proposed relationship with ECS Holdings. Unlike capital requirements, consumer switching costs in the computer hardware industry are low, which will initially benefit Genesi as it moves into the Chinese market, but will later make the industry less attractive as

consumers will be able to switch products easily. Genesi's current relationship with its manufacturing plant located in China, gives Genesi a viable distribution channel to utilize.

Government policy in China has traditionally served as a barrier to entry as it limited private companies as they try to compete with government controlled competitors. However, trends suggest that the Chinese government is becoming less involved in business.

While there are both positive and negative aspects affecting the barriers to entry to the Chinese computer hardware industry; overall, if personal relationships are established, Genesi's ability to enter the market successfully seems promising. Also, because there are barriers to entry that are less significant to Genesi than the average company (access to distribution channels and product differentiation), the industry is an attractive one for Genesi to enter.

Bargaining power of suppliers

In this market the bargaining power of the supplier is very low. With all the manufacturers already in the region, buyers have many opportunities to find a better priced and quality product elsewhere.

Bargaining power of buyers

In the Chinese market there is a lot of competition in the technology sector. With many manufacturers being in the region buyers have many choices and opportunities to find a better-priced product. Since so many similar products are available buyers can be very cost and quality oriented when shopping and know that they will still be able to find the product they are looking for.

Threat of substitute products

Substitute products we face for the netbook as well as the smarttop are primarily smart phones and tablet PC's. With wireless and 3G capabilities, Internet, chat, and e-mail can be performed on these devices with ease. Depending on the business, however, these substitute

goods may not be acquired by the company. Since we are targeting start-ups and mid-sized businesses in China, we believe that the smarttop will be the optimal choice for these companies to adopt. For companies that are very mobile, the netbook would be an even better choice.

Rivalry among firms

Although our competitors are in the business of mass-producing similar products to Genesi, we believe that Genesi is the market leader in the customized open source hardware, operating with barely any energy. However, the rivalry will ultimately depend on what the end user will require from the product. If the end user requires a product with software loaded (including but not limited to Windows) on the hardware, then we face the threat of substitutes such as Apple's iPad, Asus, Acer, and Lenovo. But if end users are seeking products that operate on a cloud system then clearly Genesi will not experience as many threats and rivalry will be less intense.

COMPETITOR ENVIRONMENT

With the direct sales of cloud computing hardware, Genesi's direct competitor is a partnership of IBM, Canonical, and Simmtronics. All three of these companies have announced that they will release a cloud netbook, known as the Simmbook. This netbook will directly target the emerging market; however, the units will be available at a price of \$190 USD. The Simmbook is preloaded with various IBM solutions, including IBM Lotus Symphony, access to IBM Lotus Live cloud collaboration services, and choice of adding other IBM Lotus collaboration software like Lotus Notes and Lotus Sametime.

Simmtronics' Simmbook runs Ubuntu and comes preloaded with IBM Client for Smart Work, IBM and Canonical's complete desktop package that's open, easy to use, and offers a

security-rich alternative to costly, proprietary PC software, such as Microsoft Windows. IBM Lotus Symphony is a full suite of applications for creating documents, spreadsheets and presentations, and is estimated to have over 13 million users worldwide. IBM Lotus Live also provides integrated, Cloud-based email, web conferencing, instant messaging, file sharing, relationship management and project tracking, with over 18 million users in 99 countries. IBM Lotus Notes/Domino provides enterprise-grade email and collaboration capabilities and is used by more than half of the largest global 100 corporations. It is available for a wide variety of Web devices.

Although there is direct competition within our industry such as Google and Simmtronics, businesses in China may continue to opt for personal computers because of familiarity and ease of software compatibility. Our top four competitors that retain significant market share in China are Lenovo, Dell, HP, and Acer. Chinese businesses and start-ups are already facing high operational expenses.

With the slow adoption of cloud computing technologies in China, Genesi has the opportunity to leave a footprint in the Chinese cloud computing market. Genesi possesses the flexibility and nimbleness, that allows it to develop variety in its competitive actions while IBM, Simmtronics, and Ubuntu tend to limit the types of competitive actions used. Genesi is also flexible enough to cater to any type of enterprise.

V. Internal Analysis

Genesi possesses several tangible and intangible resources that other competitors lack. One tangible resource that Genesi has is its Chinese-based manufacturer. The manufacturing plant being located in China gives Genesi the potential to reduce prices in the Chinese market due to the avoidance of high freight costs. Using the VRIN model we have determined that this resource does not produce a sustainable competitive advantage. While the resource is valuable, it is neither rare nor costly to imitate. Therefore, the location of the manufacturer results in a competitive parity and Genesi can expect only average returns.

Intangible resources Genesi possesses are proprietary knowledge, skills and innovative capabilities. Although Genesi may appear as a small firm compared to Simmtronics, Lenovo, and HP, suffice to say, Genesi is an innovative powerhouse with the flexibility to adapt to any change in the environment. Bureaucracy is common in large firms, but with the size of Genesi, this is not an issue. When paired together, these resources create valuable capabilities for Genesi that many competitors do not have. The free flow of instant information, exchanged within the family of passionate innovators, gives Genesi the opportunity to leverage additional knowledge to produce improved products. Human capital and the acquisition of new knowledge and expertise are valuable, rare, and costly to imitate. This in turn, provides Genesi with a sustainable competitive advantage, leading to above average returns.

Another resource Genesi has over other competing companies is its collaboration with Freescale. Having this privileged proprietary data is a very big advantage over its competitors. The capability to deliver powerful management features and higher performance to devices that other competitors cannot exactly emulate makes Genesi stand out from the crowd.

While Genesi possess valuable resources, it needs to acquire more resources. To succeed in the Chinese market, we believe Genesi needs to develop financial, organizational, technological, innovation and reputational resources. Although acquiring these resources will

take time, once acquired they will provide Genesi with huge advantages. One significant resource Genesi will need to acquire over time is a network of recognized partners as well as positive brand equity. Genesi can work to build its brand through consistent innovations, quality products, constant monitoring of changes in the environment, and meeting as well as foreseeing customer demands. By integrating these resources and capabilities, Genesi will produce core competencies that are considered “crown jewels of a company.”

Employee talent, technological skills, and innovation are three strong points for Genesi’s core competency. With the long-term collaboration with ECS, valuable capabilities are discovered through this strategic partnership, allowing Genesi to exploit opportunities and neutralize threats in its external environment against Simmtronics and Google. Genesi also possess the proprietary technology, “Aura.” Competitors like IBM have worked diligently and spent substantial amounts of time and capital to replicate Aura. However, until this date, they have not been able to succeed in that endeavor.

Genesi will continue to pursue a differentiation strategy, engaging in a broad market scope with unique competencies. Customers will perceive Genesi products as being very different in ways that are important to them. These features include flash compatibility, 3G capabilities, cloud adaptability, ultra portability, proprietary optimization firmware, and much more. With the Auras optimization process firmware as well as innovative layering process within the unit, the smartbook and netbook will be able to functionally compete against its competitors for the fraction of the competitor’s retail price.

Value Chain Analysis

Genesi's support activities consist of a solid and diverse human capital including product and technology development. While Pegatron is based out of Taiwan, subcontracting of assembly and packaging can actually be done on the mainland. As well, assembly facilities on the mainland near ECS's distribution center will further reduce freight costs.

In partnership with ECS and the manufacture, logistics will be simplified when all operations are done on the mainland. Genesi feels confident that ECS will be able to acquire sales with its offices strategically placed throughout China. In order to address warranty and service issues, ECS will have the resources to offer service plans that will cover technical support and servicing to the client.

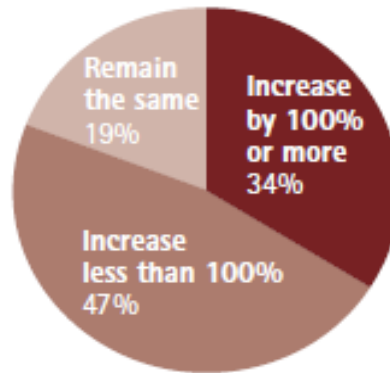
VI. Business-Level Strategy

There is no doubt that cloud computing will be the main disruptor to the IT world and will alter how investors view technology in China. Chinese companies face huge struggles when it comes to operational expenses, especially with a continuing rise in IT spending. Recently, companies have been adopting cloud computing not only to reduce upfront IT costs, but also to operate their businesses flexibly and effectively. There is a high demand for cloud computing, less competition in cloud devices, a solid infrastructure in the major cities, and government encouragement. Because of these fundamental factors, Genesi will seize the opportunity to help small-mid-sized businesses every step of the way in overcoming egregious IT spending and by making them flexible and efficient through the sale of cloud devices and ERP-CRM solutions.

In May 2010, Accenture and the Chinese Institute of Electronics reported that 43% of businesses in China are already using some form of cloud computing. By 2012, 88% of businesses will be using clouds. Businesses are already facing high operational expenses, including an increased spending in IT. Companies are adopting the cloud to overcome upfront IT costs. In the Accenture and CIE survey, saving money is certainly a main driver of Chinese interest in clouds. Reducing upfront IT costs is the most important reason respondents say they start to explore or use the technology. Reducing or avoiding the cost of maintaining IT infrastructure also ranks high.

At the same time, the country is already building a city sized cloud computing and office complex (6.2 million square feet). With less competition in the cloud computing hardware sector and a solid infrastructure in the major cities, the opportunity to provide cloud devices and an ERP-CRM to the business market is a must. Of the companies that are now using, testing or investigating cloud computing, over 80 percent of respondents say they will increase spending on cloud computing in the next two years, and a third say spending will increase by 100 percent or more.

Change in cloud spending in China during next 12 months



For the best interest and for long-term growth, Genesi will collaborate with ECS Holdings through a distribution partnership program. ECS will have license to sell the whole product line of cloud devices offered by Genesi. By working together, Genesi and ECS will segment the target market toward new and existing small/ mid-sized businesses. Industries that will be focused on include distribution, manufacturing, retail, and e-commerce companies. Reported by the Wall Street Journal, in 2010, there were 10 million small businesses in China, accounting for 60% of the economy and 80% of jobs.

What we have identified is that although there is a surge in start-ups, many of these businesses have shut down due to high operational costs and limited funding, as reported by China Times. By providing an all-inclusive cloud computing hardware and ERP-CRM, Genesi will be able to establish a competitive advantage for these businesses through IT infrastructure efficiency and the reduction of operational expenses.

As previously mentioned, in order to penetrate the Chinese market, Genesi will partner up with ECS Holdings, an IT Hub, specializing in Enterprise Systems, IT Services & Support, and Distribution. ECS has more than 23,000 active channel partners across China, Thailand, Malaysia, Singapore, Indonesia and the Philippines. Particularly for our case, ECS has offices in Shanghai, Chengdu, Hong Kong, Guangzhou, Shenyang, Shenzhen, Wuhan, and

Xi' an. There is no doubt that ECS is well positioned to be a regional partner of choice in order for Genesi to tap into Asia Pacific's growth.

Although China is perceived to be a price sensitive market, Zhang Zhengfeng, a senior vice president of a multinational investment research firm, reports, "an increasing prosperity among the Chinese populace is creating a new market for Western retailers who previously envisioned China solely as a supplier of goods." The burgeoning Chinese middle class also creates opportunities for Western financial services providers and insurance companies, automobile manufacturers, and affordable luxury goods producers. Our devices will be priced at \$119 for the smarttop and \$184 for both, the smartbook and tablet. Even though our products are priced at a low competitive rate, in order to increase sales and support the mission of "tech for the masses," ECS will offer low flexible monthly payments with simple interest in partnership with GE Capital of China.

While Genesi licenses its products to ECS, all customer relationship management as well as technological support, sales and marketing, will be handled by ECS. The company has support and sales staff throughout all the satellite offices in China. All business transactions are performed by inside and outside sales executives. Inside sales executives will handle all inbound leads while making a certain amount of outbound calls for prospecting purposes. Business prospects that call into ECS and are in need of a new IT infrastructure/solution will be presented with hardware as well as partnered cloud services offered by ECS.

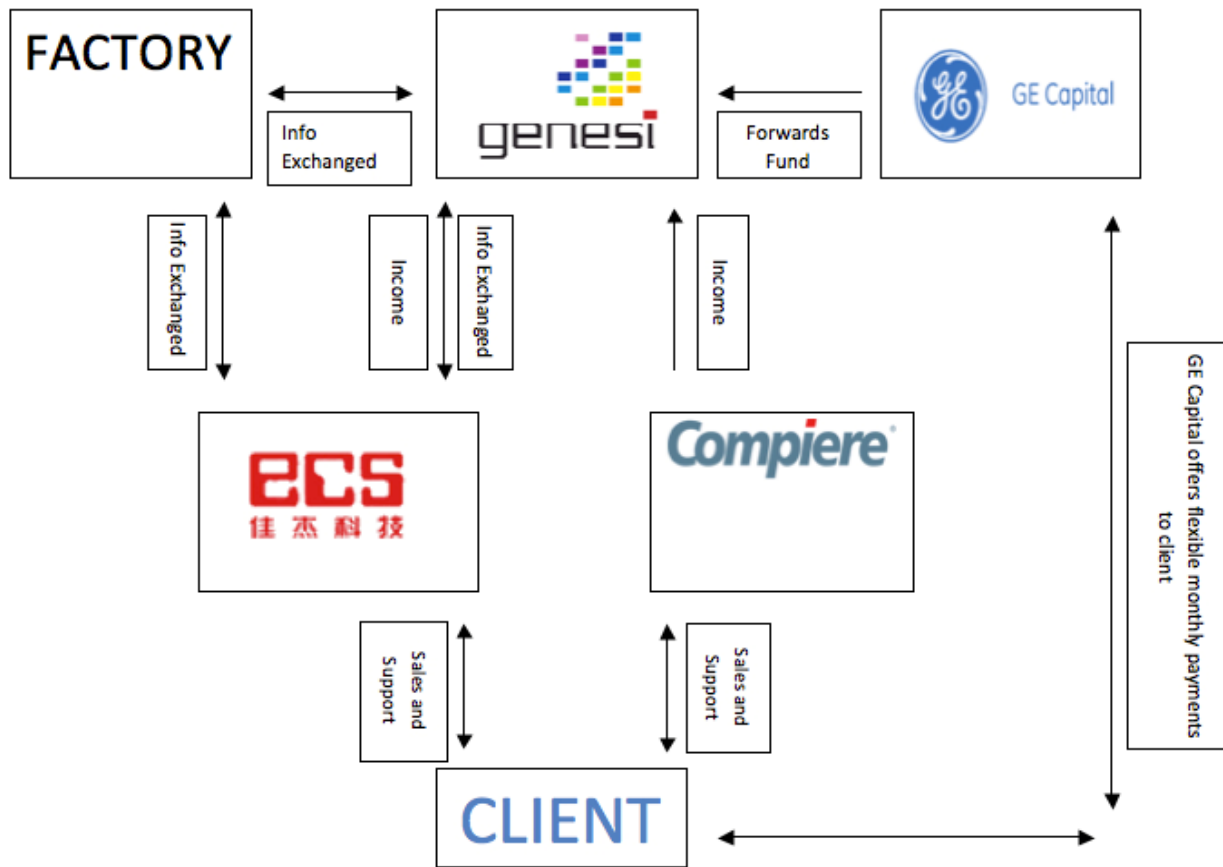
As well as offering low cost cloud computing hardware, all hardware will be preinstalled with an open source enterprise resource planning software from Compiere. Compiere is an integrated open source and CRM business solution, which gives companies the ultimate flexibility to run their business their way. Growing businesses often need software that they never planned for. Businesses then find themselves sitting on a pile of business systems and battling creeping IT costs. By offering the ERP platform from Compiere, Genesi will be able to disrupt the traditional cost structure of acquiring, deploying, and

maintaining ERP systems for companies. With an affiliate partnership with Compiere, Genesi will be able to have an additional income opportunity by retaining a monthly commission on the customers' subscription plan.

Compiere is available without up-front license fees, and can dramatically lower annual operating costs, saving up to 80% in total cost of ownership for the companies. One of the critical reasons why we have partnered with Compiere is its flexibility to global integration. Compiere's ERP-CRM can be easily customized to the companies need, by organization, currencies, accounting standards, languages, and tax laws. Companies in China will have several options in which ERP they want to use.

Four editions of Compiere's ERP-CRM application are catered to businesses from less than three employees to more than one hundred including the free community edition, standard, professional, and enterprise edition. For the exception of the free community edition, monthly rates start at \$33.33 per user. The applications can also be catered to industries, including distribution, retail, manufacturing, publishing, healthcare, pharmaceutical, government, and non-profit. While offering sustainable hardware and ERP solutions to companies, Genesi possess a couple of strong competencies.

Genesi will continue to pursue a differentiation strategy, engaging in a broad market scope with unique competencies. Customers will perceive our product as being very different in ways that are important to them. These features include flash compatibility, 3G capabilities, cloud adaptability, ultra portability, proprietary optimization firmware, and much more. With the Aura optimization process firmware as well as innovative layering process within the unit, the smartbook and netbook will be able to functionally compete against its competitors for the fraction of the competitor's retail price.



VII. Competitive Dynamics

In terms of low-cost cloud computing hardware, China's competitive landscape is almost nonexistent. Lagging behind many of the developed nations, China's cloud computing industry remains in its infant stage. As a result, no current products sufficiently target the low cost, high efficiency needs of Chinese companies involved with this new technology. Instead, businesses fitting in this category have only a few extreme options of hardware from which to choose. For one, firms can purchase high-end portable computing devices from top brands, such as Acer, Lenovo, or Hewlett-Packard. These machines are usually equipped with popular software, such as Microsoft Windows and Office. While these corporations may, indeed, have a limited market commonality with Genesi in the Chinese business setting, these organizations focus more heavily on selling to very large to mid-sized firms, who can more easily afford the accompanying significantly higher prices. At the other extreme, Chinese firms, especially smaller ones, can also choose from some very inexpensive locally-made portable computers. Many such machines sell for under \$100. Some even come supplied with Microsoft Windows and other recognizable programs. These low-cost devices, however, are notoriously known for their deficient quality, slow response times, and lack of reliability. As a result, these computers are not appropriate for most businesses that require higher performance and durability. Nonetheless, some smaller organizations do end up purchasing these low-end items, leading to some slight market commonality between the local brands and Genesi. While Genesi may find itself competing against these different computer sellers at times, it really serves a different overall niche. The major corporations primarily sell to large organizations, whereas the local Chinese companies target mainly consumers and extremely small firms. On the other hand, Genesi's products appeal to every business in between. What's more, Genesi has almost no resource similarities with the above-mentioned organizations, as its products are tailored very differently than competitors' products. In summary, Genesi is the only company in the Chinese market that currently has the ability to sell the kinds of low-cost, reasonable-performance hardware that many small and mid-sized businesses strongly desire.

Even though the Chinese market presently has relatively few noteworthy players in the cloud-computing hardware industry, Genesi may potentially face competition from outside the country in the near future. One such example to watch is the partnership of IBM, Simmtronics, and Canonical. The firms have recently joined together to create efficient, Linux-based netbooks for the African business market. Similarly to Genesi, they are targeting small business start-ups in this developing region. The companies plan on selling the new product for the reasonable price of \$190. While the computers do use the Ubuntu operating system, they also provide other features, such as IBM's Lotus suite of applications and cloud computing technology. Although they are strictly focused on Africa, they could soon expand and eventually become a competitive rival in China. After all, they claim that their product is aimed at smaller businesses in emerging markets, which would obviously strongly relate to China. Thus, Genesi could have some market commonality with these companies in the near future. Nevertheless, they still do not have a significant amount of resource similarity. Genesi has strong partnerships with groups, such as Freescale, and also differentiates itself with the Aura firmware. What's more, the company has gained core competencies in the areas of performance, energy-efficiency, and customizability that cannot be matched by others. So while Genesi and this partnership may soon be competing in the Chinese market, they both have very different resources and abilities to rely upon.

As previously mentioned, if Genesi entered the Chinese market, it would have no real competitive rivalry with any other firm. However, if one of the Chinese or outside sellers takes the strategic action of moving into Genesi's small-business market, the company would have to quickly respond. An appropriate strategic response may be to form more partnerships with Chinese resellers, add some additional significant differentiating features to its products, or transition from a licensor to a more "hands-on" role, such as beginning a subsidiary in the China region. Once this has been accomplished, the company would also have the capabilities to

respond to smaller tactical actions. For example, Genesi may be able to lower its prices or incrementally enhance its hardware if it is presented with a competitive threat. Because Genesi operates in the fast-moving world of technology, it may eventually experience some fierce rivals with opponents. However, if the company can remain focused on its core competencies, it should be able to maintain a competitive advantage. No other company currently has access to the human resources or possesses the technical capabilities that Genesi does. Thus, the lack of resource similarity among firms, may prevent such a strong rivalry from ever occurring.

If Genesi finds success selling to the small- to middle-sized business market, it may be strategically attacked by a competitor. In one scenario, the local sellers of cheap hardware may try to move up the quality scale and enter Genesi's area of the marketplace. With their small size and close relationships, they would likely have the flexibility and agility to make quick strategic actions. Given their ability to swiftly introduce a wide-assortment of innovations, recognizing and reacting to small competitors' attacks is often difficult. Genesi would need to be able to counter with an equally speedy response, if it felt that its competitive livelihood was at stake. Conversely, Genesi could face eventual attack from the large computer corporations in China, such as Acer, or from other large outside firms. Moves from these kinds of organizations have a different set of traits than those from smaller players. Large companies do not have the flexibility to make quick actions. Rather, they use their massive resources to pressure competitors. For instance, they may try to take advantage of their considerable economies of scale by slashing prices or they may try to use their massive bargaining power to steal customers. Responding to such strategic actions may be difficult, because the large firms have built solid competitive advantages. Similar to dealing with small firms, Genesi simply needs to rely on its own core competencies in such a situation. Even though large corporations have many resources at their discretion, they still may not have the ability to lower their prices to Genesi's level or make their computers as energy-efficient or adaptable. In any situation,

success in a particular market will always spawn some attacks from competitors. Thus, Genesi should be prepared to respond by continuously focusing on what it does best.

Additionally, if Genesi can generate high enough demand, it may be able to expand and start selling to larger firms. This movement would likely spark a strong response from competitors operating in this niche. If Genesi is ever able to take such an action, it will likely have already established a fairly strong reputation in the industry. Research shows that competitors make a strong effort to respond to attacks from such reputable firms. Another factor leading to the likelihood of response is the competitors' strong dependence of the market. The large corporations' products are priced out of the range for most small and mid-sized businesses. Thus, larger companies are their only source of business. Firms selling to such a focused customer base must respond swiftly to attacks, so they can protect their niche. Failure to do so would lead to a probable loss of their competitive advantages. However, if Genesi were able to take some large strategic actions during its expansion, such as developing some major product feature differences, it may be able to prevent a strong response. Firms are less likely to respond to strategic actions, because they require the use of more resources and commitment. Thus, if this were the case, Genesi would be in a sheltered position to earn higher returns, with little backlash from competitors.

Despite the fact that technology is normally very fast moving, the current cloud computing hardware industry in China would most appropriately be classified as a standard-cycle market. Creating such low-cost, light-weight, and efficient computers takes a moderate amount of financial and R&D investment. At this time, most technical firms do not have the capabilities to produce such a product. In addition, Genesi has locked its firmware from outside inspection, making it more difficult for competitors to imitate it through reverse engineering. Genesi does need to make a legitimate effort of staying ahead of the field through added improvements, but in the current type of marketplace, these innovations can be more incremental in nature and occur on a semi-regular basis. Once cloud computing gains more

momentum in the Chinese market, however, this industry will likely quickly shift to a fast-cycle market. Increased demand will persuade companies to make the needed investment and learn the new technology. Consequently, many new competitors would probably enter the marketplace, creating a very competitive atmosphere. In this type of environment, Genesi would have to constantly try to differentiate its products to gain some type of advantage. Constant research and development would be imperative. In addition, the company should realize that in this type setting, new innovations will likely be imitated very quickly. Accordingly, Genesi should try to build solid core competencies and a strong competitive advantage now, so that it will be in a better position when increased competition causes the industry to become more erratic.

VII. Corporate-Level Strategy

Genesi will pursue a transnational strategy and a single-business diversification strategy. It is important for Genesi to focus on each market it enters while maintaining global coordination. This will enable Genesi to adequately serve the markets in each geographical area without becoming completely decentralized.

Markets in different geographical locations have different needs. For example, in China small and mid-sized businesses have an unmet need for integrated technological systems at an economical cost, while consumers have countless options for inexpensive computing hardware that meet their limited needs. In other countries, however, consumers, rather than businesses, have unmet needs. Therefore, depending on the country, Genesi will need to adopt different strategies.

Although we do not recommend that Genesi follow a uniform corporate strategy when entering different geographical markets, we do believe it is important not to diversify into different product markets. By focusing on its core products and services, Genesi will be able to stay innovative and flexible.

Currently, we do not believe that Genesi should pursue a single large deal. Rather, we believe that through agreements, such as the one with ECS, Genesi will create a steady stream of income. Through these smaller deals, Genesi will become profitable and gain the resources necessary to support the company if it chooses to go after large endeavors in the future.

VIII. International Considerations

Opportunity Incentives

The largest opportunity that exists in the Chinese Market is that cloud computing will continue to be an emerging technology. The increased market size is a huge draw; in 2010 there were around 420 million Internet users in China. As previously mentioned, in 2010 43% of Chinese businesses were in some way testing or using cloud computing and within two years that number is expected to grow to 88% of all companies. As there is not a total commitment from companies to the technology yet this is a great time to enter the market while there is still time to target companies before they use any other products.

Entry Modes and Liability of Foreignness

The entry mode we have chosen to pursue is through licensing our product to ECS Holdings Limited. Through licensing we will be able to avoid many of the problems associated with being a foreign company. ECS will offer the opportunity to not only go into the Chinese market, but also to enter many other markets that it is already setup in.

Competitive Outcomes

We believe companies such as Acer and Lenovo will begin to invest more into cloud computing technologies. As the technology is laid out in China, other companies that have not moved in to the market may begin to shift their focus to target this large market. Also, companies such as Huawei will begin to push their cloud computing capabilities into the public view.

Risks

Overall the risks are relatively low. However there are some political and governmental risks as previously stated in section IV. External Analysis. Another risk is that businesses already face high operational expenses and they do not want to raise those expenses. To combat this we will offer flexible financing.

IX. Project Wrap

Simple Financial Plan

By setting up operations in China, not only does Genesi penetrate one of the largest business markets in the world, but it also gains access to some of the cheapest manufacturing and labor available. As a result, the cost of goods can decrease substantially. In fact, we found a reputable technology hardware manufacturer called Kingdel Technology Limited, who can produce the smarttop for \$60 and the smartbook for \$135. After taking into consideration some potential quantity discounts, these numbers can fall to \$55 and \$125, respectively. The cost for the tablet, which we plan on introducing in year 2 (2013) will be equivalent to that of the smartbook. Even though Genesi is not responsible for manufacturing costs under our licensing plan, such a reduction will allow ECS to sell the product for a cheaper price, which should significantly increase demand. In particular, the appropriate selling prices we have calculated would be \$119 for the smarttop and \$184 for the smartbook and tablet. These numbers reflect the decreased manufacturing costs, maintenance of the current absolute margins, and a small write-up for revenue sharing between ECS and Genesi. The exact calculations are detailed below.

COSTS

	Smarttop	Smartbook	Tablet
Original Cost	\$70	\$150	\$150
Manufacturer Cost Reduction	<u>(10)</u>	<u>(15)</u>	<u>(15)</u>
Gross Individual Cost	60	135	135
Quantity Discount	<u>(5)</u>	<u>(10)</u>	<u>(10)</u>
New Cost	<u>\$55</u>	<u>\$125</u>	<u>\$125</u>
Net Change in Cost	<u>(\$15)</u>	<u>(\$25)</u>	<u>(\$25)</u>

PRICES

	Smarttop	Smartbook	Tablet
Original Price	\$129	\$199	\$199
Net Manufacturer Cost Reduction	<u>(15)</u>	<u>(25)</u>	<u>(25)</u>
Gross Price	114	174	174
Write-Up for Revenue Sharing	<u>5</u>	<u>10</u>	<u>10</u>
New Price	<u>\$119</u>	<u>\$184</u>	<u>\$184</u>
Net Change in Price	<u>(\$10)</u>	<u>(\$15)</u>	<u>(\$15)</u>

With the help of the decreased manufacturing costs and ECS's large presence in China, we believe that Genesi should be able to sell a substantial number of units. However, as a conservative first-year estimate, we purposely keep these numbers relatively low. For instance, we project sales of 7,000 smarttops and 5,000 smartbooks in year 1. In our estimation, the smarttops would be the higher seller (60% of all products produced in year 1), due to their lower cost and higher usefulness in a permanent office environment. Because small businesses typically do less traveling than larger ones, we feel that the mobile smartbook would only amount to 40% of our first-year unit sales. In addition, we predict that the tablet, which is planned to be introduced in 2013, will be a very popular product amongst small to midsized businesses, because of its flexibility, mobility, and technological sophistication. Nonetheless, because it is a brand new product in its first year of use, we once again estimate a conservative sales total of 4,500 tablets for that year. At this same time, we also expect sales for the other two devices to receive a boost, as overall demand for cloud computing equipment becomes more popular and as our product becomes more well-known. For all of these sales, we believe that Genesi can negotiate a 12% licensing fee. In other words, Genesi would receive 12% of all revenue earned from the sale of its hardware.

Partnering with the open-source entity relationship planning (ERP) software company, Compiere, to place its technology on our computers, should also prove to be a beneficial venture. Due to the high demand for this business technology in China, especially among smaller companies, we feel that roughly 40% of our sold computers in year 1 will have the software utilized and 47% in year 2. The benefit of this particular vendor is that its products are priced at individual levels, depending on their overall functionality. For example, we believe that 27% of the ERP users will take advantage of the free version of the software, which has a limited grouping of modules. Moving up the scale, we believe that 38% will use the tier-2 version (\$450 per user, per year), 28% will use the tier-3 version (\$750 per user, per year), and 7% will use the most advanced version (\$995 per user, per year). Under our proposed agreement, Genesi would receive 5% of the revenue from the top 3 versions in year 1, 7% in

year 2, and eventually 10% in the years after that, as long as it can maintain a consistent subscription base for Compiere. In addition, Genesi will also obtain a one-time \$1 return for each initial use of the free edition. Considering that the large majority of first-year users of the ERP system will continue to exploit it in year 2, the subscriber base should grow fairly large by the end of our timeline.

A hidden aspect of our plan that is not directly shown in the financials is that we will have financing available for our products. Because ECS normally does not offer such a payment service, they will not be involved in this operation. Instead we would put GE Capital in charge of this operation, in coordination with Genesi. Our purpose in providing delayed payment is strictly to increase product demand, boost customer satisfaction, and widen our market share. We would not wish to make any direct profit from this strategy. Normally, GE charges a financing rate of about 13%. Therefore, we would increase the overall price of our product by that same percentage for customers who wish to pay through this method. That would make the new adjusted prices \$135 for the smarttop and \$208 for the smartbook and tablet. Once again, neither Genesi nor ECS would profit from this offering. Rather, the financing is available only for the convenience of the company, solely at its discretion.

The simplicity of our proposed strategy leads to very few significant expenses for Genesi. As with most projects, however, there will be some minor start-up costs. For one, the company would experience some development costs in the first year to prepare the system for business use and to optimize the smarttop and smartbook for running Compiere's ERP software. Similarly, Genesi will need to go through this same process for the tablet in year 2. We estimated these expenses based on the hourly wages for additional employees hired to complete this matter. Also, the company will take on some additional one-time expenses negotiating with the partners, traveling to China, and planning its overall strategy. We factored in travel costs and hourly wages as we formulated our projected numbers for this phase. By the

second year, however, most of these expenses will not exist, allowing these funds to fall directly to a more profitable bottom line.

One of the best parts about licensing products to an outside reseller is that, unlike its constant revenue stream, Genesi will incur very few continuous expenses. There will need to be some level of costs, though, to maintain the operations. For example, each quarter, Genesi will need to audit ECS's sales information to ensure it is receiving its proper proportion of revenue. At the same time, Genesi should also inspect the goods manufactured by Kingdel Technology to make certain that its computers are continuously being produced at the optimum quality level. Another type of expense that the company will likely always capture is the wages for two additional employees hired to provide technology support for ECS and Compiere. These experts will not have any contact with the end user, but will, rather, answer any questions specific to Genesi's hardware that its partners' support teams cannot figure out. Finally, Genesi will also probably have to make periodic trips to China to keep constant negotiations with its partners and to maintain their overall relationships.

The final two main components of income that we have taken into consideration are taxes and currency differences. As far as taxes are concerned, the United States-China tax treaty of 1987 limits royalty taxes charged by the Asian nation to only 10%. Of course, Genesi will also still be liable for its share of corporate income taxes rated at 39%. Differences in U.S. and Chinese currency will also have an impact on the financials. The Chinese Renminbi has been gaining strength over the U.S. dollar for a sustained period of time. Experts believe this trend is likely to continue in the future. We pegged the projected conversion rate as falling from 6.40 Chinese Renminbi for each U.S. Dollar at the beginning of year 1 to 6.30 at the end of year 2. Because the prices for Genesi's products will not change in the Chinese market, the company will receive more and more Dollars for each item sold, as the Renminbi continues to strengthen. Below is a structured income summary of our planned operations, separated into years 1 and 2.

Income Summary

	Year 1 (2012)	Year 2 (2013)
Revenue		
Smarttop	\$99,960	\$199,920
Smartbook	110,400	165,600
Tablet (Introduced in Year 2)	0	88,320
ERP	<u>104,892</u>	<u>443,561</u>
Total Revenue	315,252	897,401
Less: Expenses		
Development	57,600	57,600
Negotiation/Planning	50,000	14,000
Inspections/Audits	18,000	18,000
Support	<u>81,120</u>	<u>81,120</u>
Total Expenses	206,720	170,720
Earnings Before Taxes	108,532	726,681
Less: Royalty Tax	<u>10,853</u>	<u>72,668</u>
Earnings Before U.S. Taxes	97,679	654,013
Currency Conversion	3,907	26,161
Less: Income Tax	<u>38,095</u>	<u>255,065</u>
Net Profit	<u>\$63,491</u>	<u>\$425,109</u>

We predict that this endeavor will have steady long-term success. After year 2, development costs will decrease significantly, sales should show a steady upward trend, and the ERP subscription base will continue to grow. Therefore, in five years, we believe Genesi's profit could be around \$1 million. The initial investment toward development, planning, and negotiations is \$107,600. We believe that Genesi can earn a 3500% return on this figure. When examining this number, however, one must consider that Genesi's yearly expenses will almost be equivalent to its initial outlay, due to the minimal investment needed to begin a licensing agreement. Using this same line of thinking, Genesi should reach the breakeven point by the second quarter of year 2.

While the overall rate of return may not be as high as utilizing other entry strategies, this method is a safe and effective way to commence operations in this foreign territory. By simply licensing its products, Genesi can earn a steady return with limited overall costs and effort. This will allow the company to spend the majority of its time focusing on what it does best—developing new efficient technology. In addition, this plan mitigates many of the risks and liabilities of foreignness. The Chinese market is becoming quite expansive, competitive, and fast-moving. As a result, companies that attempt to make too large of a push and investment into the country at the very beginning will likely experience extensive financial losses and failure. Considering the critical need for building relationships, establishing a strong reputation, and discovering clients' requirements, a cautious entrance, coupled with gradual expansion, seems to be the safest and most reliable path to long-term success. In addition, it gives Genesi a solid source of capital for further technological development, future expansion in the Chinese and global markets, and compensation to impatient investors. With this stable revenue stream, Genesi will be in a better financial and knowledgeable position to meet its ultimate goal of making its technology available to the masses.

Risks and Mitigation Plans

Our plan is based on agreements with both ECS and Compiere. Genesi is dependent on these companies to enter the Chinese market and to provide the services businesses in China need. Therefore, our biggest risks involve relationships with these companies. For our plan to succeed, it is imperative that Genesi establishes good relationships with ECS and Compiere. If the company culture of Genesi does not fit well with the cultures of ECS and Compiere, then a viable working relationship will not thrive. To mitigate this risk, Genesi will perform the necessary due diligence to understand that there are cultural differences between itself and ECS and Compiere. It would be helpful to have someone on staff that is familiar with the cultures.

Another risk Genesi faces is counterfeit products. The Chinese market is already heavily infiltrated with knock-off products; therefore, if Genesi is successful there is a chance someone will attempt to copy Genesi's products. Although disposable income and the need for quality products has generously risen since 2005, Genesi will take proper steps to prevent replication of its products and the use of its logo/ brand. By working and building rapport with the Hong Kong Customs & Excise Department, China Customs, as well as other government agencies including the US Customs and Border Protection, Genesi can not only slow the flow and inflow of replicated Genesi products, but shut down the sources of these counterfeit products. Furthermore, Genesi and ECS need to make it clear to businesses that ECS is the only company selling real Genesi products.

Genesi also faces risks because of the geographical distance between itself and ECS. ECS is selling Genesi's products; therefore, Genesi has to trust and rely on ECS to be accurate and forthcoming in all information that relates to Genesi's products. By working to build a good relationship with ECS, Genesi will reduce these risks.

Any problems that ECS may encounter could be a risk for Genesi, seeing as Genesi is so dependent on ECS to make the arrangements with the small businesses. To mitigate this risk Genesi can diversify and join other partners at some point in time.

There are risks associated with the way manufacturing employees are perceived to be treated. If unethical treatment of employees occurs or if an employee is injured on the job, the Genesi brand could be damaged. To avoid such an occurrence, Genesi should manage its relationship with its manufacturing plant to ensure strict standards are being followed in factories. Other measures will be taken, including random audits of the facility, analysis of employee time cards and monitoring of hours of work an employee puts in.

Measurement of Success

Measuring a company's success solely on profit is not the only measure of success. We believe that a growing customer base, customer satisfaction, employee satisfaction, and management satisfaction are key components to our measurement of success. With ECS's sophisticated CRM and support staff, we will be able to identify if we have become a successful provider by observing if the businesses' current needs have been met as well as by detecting the businesses' future needs. Genesi China will harness a customer centric model and will know the consumers' needs have been met if the number of units sold continues to grow at a steady or increasing pace. Positive feedback from consumers will also indicate that we are achieving the desired success.

Customer service and technical support between the client, ECS, and Genesi is a critical need that indicates success. If complaints arise and continuously grow in regards to product defect, customer service and technical support, corrective action must be taken in order to ensure future success. A repository of customer feedback will be established to continuously make added improvement to the service and product offered. Sales and technical staff at ECS will be monitored monthly to gauge their satisfaction with the company. Tools that will be

utilized includes but are not limited to whether or not employee payroll and bonuses are paid on time, the amount of hours employee put in a week for their work, and the customers feedback in regards to their experience with an ECS staff.

Last but not least, an indicator of success is the management and owners' satisfaction with the company performance. Dissatisfaction in performance can be very contagious. If management is not happy with the business, it won't be until the dissatisfaction begins to affect the employees and even the customers. By identifying the sources of dissatisfaction and making the appropriate changes, we hope the dissatisfaction will be mitigated.

X. Appendices

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