

Hna case

[Business](#), [Industries](#)



HNA group's five blocks of business are all interrelated around the airline industry and tourism space. All business blocks compliment each other and are instrumental toward HNA group's achieving success in the "soaring plan", going forward. The strategic organization of the HNA group in terms of visible resources, organizational resources, financial resources and human resources allow it to synergize across its business blocks and derive profitability which is higher than individual players in each of these businesses.

Looking at major crises that affected the HNA Group, such as the SARS epidemic and oil price fluctuations, I believe that being in multiple blocks of business allows the group to hedge its risks against such unexpected global events. Air transport is definitely the major growth area for the HNA group, generating 78% of the group's revenue. Efficient operations and lean management allow it to derive higher margins compared to its competitors.

The group's plans in this business block are aggressive, indicated by the formation of Grand China airlines. Airports are directly complementary to the airline operations and provide an avenue to grow and expand, with the increasing Chinese government policy towards privatization of airports. The tourism block and the hotels block complement each other in addition to benefiting the air transport business. The relative industries serve a primary purpose of diversifying the Group's assets, protecting it against unexpected global fluctuations.

Looking at the HNA group's current financial distress, I believe that the HNA group could look at generating some cash immediately by disposing off some

of its high value physical assets or some of its relative industries. The group has high fixed assets amounting to \$1636 million, which include some high value properties in business districts where they face direct competition from international chains like the Marriott and the Hilton group. From 2004 to 2008, revenue from hotels increased from 3% to 4%, which is not very significant.

Also, relative industries such as department stores, property management and computer systems do not figure prominently in revenue figures for 2008. Finance and commerce look like attractive industries to enter. They are complementary to each other in several respects and generate 31% of HNA's revenue in 2008. Further expansion in these areas and ways to integrate these businesses with the primary businesses of air transport, hotels and airports is the direction that I would recommend that the HNA group should pursue.