

〈Research Article〉

The Key Success Factor of Haier: A Focus on the Strategic Thinking and Leadership of Ruimin Zhang

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Abstract

Since its establishment in 1984, Haier has witnessed the history of over 35 years and undergone five strategic development stages. It has grown from an insolvent factory on the verge of closure into a super brand enjoying reputation worldwide. The excellent achievements of Haier cannot be done without a person -- Zhang Ruimin. Zhang Ruimin is not only the pioneer, president of Board of Directors and CEO of Haier Group, but also one of the 50 thinkers in the world and an enterprise management scholar enjoying reputation worldwide. He sticks to the idea that "man's value is the first". Both employees and users are precious resources of Haier. The paper analyzes Zhang Ruimin's essence and innovation contents of Haier's enterprise management by restating the five strategies of its development course, and explores the foresight and superiority of his theory and execution. By combining the successful implementation of Haier strategy, to analyze the positive enlightenment of Zhang Ruimin's management method theories to other enterprises may provide the referable success strategies for the development of other enterprises.

Keywords: Ruimin Zhang, business strategy, diversification, `ren-dan-he-yi`

1. Overview

1.1 Research Background

In 1995, the formal commercial use of the Internet symbolized the start of the network development of China's economy. The development of the information age has promoted the rise of the new economic form. The effective and convenient communication mode also subverts the global consumption and production modes, brings tremendous impact on the traditional industrial production mode and economic rules, as well as huge competitive pressure to the traditional production and management enterprises. To rapidly assess the situation and cope with the reform in front of severe challenges is a huge test to the leadership of enterprise leaders. Can the highly praised "Scientific Management Theory" of Taylor continue to be applied to the streamline of the new era; can the

"Bureaucracy Theory" of Max Weber continue to maintain the advantages of efficient management in the context of the new era; can the "General Management Theory" of Fayol continue to maintain the rebalance of internal function? All these issues are the common severe issues for all enterprises in the background of enterprise management in the new era.

1.2 Research Significance

1.2.1 Theoretical Significance

Mr. Zhang Ruimin, President of Board of Directors and CEO of Haier Group firstly proposed the brand creation mode of IoT. The theory opens a new chapter for brand construction worldwide, and leads the transformation development of traditional enterprises. In 2016, Zhang Ruimin won the award of Best Idea Practice of Thinkers 50. ¹This was the first time for the award to the Chinese entrepreneur. In March 2017, Fortune awarded him with the title of the greatest 50 leaders in the world. Meanwhile, the successful development cases of Haier and the advanced strategic idea of Zhang Ruimin were also listed into the teaching materials of top universities, such as Harvard University in the U.S. and International Institute for Management Development in Switzerland.

1.2.2 Practical Significance

Since its establishment in 1984, Haier has witnessed the history of over 35 years and undergone five strategic development stages. It has grown from an insolvent factory on the verge of closure into a super brand enjoying reputation worldwide. The excellent achievements of Haier cannot be done without a person -- Zhang Ruimin. Zhang Ruimin is not only the pioneer, president of Board of Directors and CEO of Haier Group, but also one of the 50 thinkers in the world and an enterprise management scholar enjoying reputation worldwide. He sticks to the idea that "man's value is the first". Both employees and users are precious resources of Haier.

The paper analyzes Zhang Ruimin's essence and innovation contents of Haier's enterprise management by restating the five strategies of its development course, and explores the foresight and superiority of his theory and execution. By combining the successful implementation of Haier strategy, to analyze the positive enlightenment of Zhang Ruimin's management method theories to other enterprises may provide the referable success strategies for the development of other enterprises.



Figure 1 Five strategies of Haier and timeline

1.3 Domestic and Foreign Research Status

1.3.1 Foreign Research Status

Alsaaty asserted in 2007 that strategic thinking is a risky behavior of creating a brand-new business. Through research, De Bono draws a universal conclusion: thinking is the necessary human resource in the process of changing a knowledge form to a better one. Hamel&Prahalad,(1994) held that the strategic thinking is systematic, for it is established on the connections among different components and forms prospect of the future. Ibrahim Olaniyi & Elumah Lucas made a questionnaire in Nigeria on entrepreneurship, strategic thinking and business ecology. He drew the conclusion through the method of cross variable. Schlegelmilch et al pointed out that the innovation of business model is a strategic behavior of enterprises, which reconstructs the existing commercial mode and market of the enterprise by subverting the existing rules and changing the competitive nature. While greatly improving customer value in a large scale, it realizes the high-speed growth of the enterprise itself.

1.3.2 Domestic Research Status

²Ma Jingchen held that in the internet era, the traditional production mode in large size and large mass has satisfied the demands of most users in the world. With the strengthening of users' individualized demands, the interaction result of differentiated demands and low-cost production is that the market turns from the common seller's market to the buyer's market. Zhang Mingshan (2002) held that concept innovation is the biggest problem for enterprise development.

Chen Tongyang, Liu Danning and Ma Hongwei (2017) used the case research method, took the timeline of Haier as the clue and used the detailed analysis of five strategic stages of Haier to draw the organizational structure of Haier's reform, implement the novel innovation of business model, and create the talent view that highlights the staff's value chain node effect.

1.4 Research Contents and Research Method

1.4.1 Research Contents

The paper focuses on the timeline of Haier's enterprise development and studies the innovative management strategy and the management strategy of new forms proposed by Zhang Ruimin by analyzing the superiority of Haier's five strategies.

1.4.2 Research Method

(1) Method of Literature Research

By analyzing the literature research results and related theories, it illustrates the theoretical support for the successful application of five strategies of Haier, the foresight and superiority of the special strategic development.

(2) Method of Case Analysis

By connecting the corporate strategy development theory, according to related data, such as Haier's development course and chronicle of events, this paper adopts the case analysis method to find a way of combining theory with practice,, specifically analyzes the milestone cases of corporate development, finds the innovation characteristics, studies the innovation contents, and summarizes the innovation model.

2. Analysis of Haier's Brand Name Strategy

2.1 Haier's Brand Name Strategy

Haier is a recognized Chinese enterprise that successfully implements the brand strategy. In the view of Haier Company, the market reputation is not the market popularity. The products are generally divided into three levels: The first one is visibility. As long as it is willing to spend money, it may create the market reputation. The second one is credibility. In terms of aftersales, Haier Company guarantees ten-year warranty and it will achieve it. The third one is reputation. To make the highly praised brand to satisfy users' potential demands. Only by ensuring the three points can it be called the real brand. From a refrigerator main workshop in Qingdao that lost 1.47 million in 1984 to a big enterprise with 30 manufacturing bases overseas, with the global turnover of over 100 billion, which still maintains good development momentum, Haier can be deemed as a miracle of the Chinese electrical apparatus industry. Haier was the earliest one that realized the famous brand strategy, which was also the most careful and persistent in the implementation process.

Haier's idea of creating famous brand is different from other enterprises. Its first objective is to create the international famous brand. Use one famous brand to create a series of brands, and jointly gain the

world-famous brand. Haier holds that if one enterprise does not regard creation of the international famous brand as the export objective and merely sells products without any famous brand awareness, its products will be hard to sell. Therefore, Haier formulates the strategy of creating brand in developed countries and expanding brand in developing countries. It adopts two ways to have an impact on the international market: to export the product to the developed countries to influence the market; to establish factories and the sales network and create the brand in the developing countries, which adopts its good points and avoid his shortcomings.

2.2 Extended Strategy of Haier Brand

The brand extension strategy of Haier mainly follows three principles: First of all, brand extension must be based on certain brand advantages; Second, the extended product is highly related to the original product in terms of technology, sales and product category; Third, the extended product must have good market development prospects. When it reaches a certain scale, it is leading compared with products of the same type. Much experience of international brand operation has indicated that the road of "brand merger" is feasible. Through his keen perception of the market, Zhang Ruimin has formulated the strategy policy of merging some deficit enterprises to expand the production size. The merger plan of Haier Group is done by following its unique theory of "eating the shock fish". Fish has four eating methods; Haier's merging and reorganization procedure mainly has four forms: The first one is overall merger; the second is investment holding; the third is brand operation; the fourth is virtual operating. The expansion and merger of Haier does not depend on the large-sized capital injection; instead, it depends on the rigorous management mode and invisible assets of Haier. It implements the virtual operation of the famous brand, and extends from the famous brand of Haier refrigerator to various household appliance industries, including white, black and beige household appliances. The measure lays an important foundation for the extension of Haier's famous brand. Haier Group has carried out a series of mergers and acquisitions in these four ways, the purpose is to strive for strength, development and brand-name creation, rather than simply to become bigger, Therefore, Haier must merge one and make one succeed, so it should optimize the resource allocation to the greatest extent.

2.3 Haier's Strategy of Export Brand Creation

Haier sticks to the internationalization strategy with the international brand as the orientation, and its international influence keeps increasing. Since 1990, Haier has formulated the export strategy of "first difficult and then easy" and firstly exported products to the developed countries. When products gain certain market in the market of the developed countries, create the reputation and famous brand, export the products to developing countries, so that the product is easier to be accepted by the consumption group of developing countries, and then it creates the international famous brand. While keeping

exporting products to the world, Haier also outputs the Haier brand and its idea of pursuing quality and serving sincerely to foreign countries. Haier Group provides the training of star-level service ideas and service modes for overseas dealers in stages and batches, so as to improve their understanding of Haier enterprise and products. The export strategy formulated by Zhang Ruimin is not only to earn money in hard currency, but also to create the brand.

3. Analysis of Haier's diversification strategy

3.1 Develop diversification strategy facing with economic transition

The so-called diversification strategy refers to firstly horizontal diversification, which means the development of related products or markets based on the original level of operation, and is called innovation at the level of operation. The second is vertical diversification, which can be divided into forward and backward expansion of business models. The former refers to the development of the next link of supply chain, such as the direction change of sales or service industry, while the latter refers to the development of enterprises to the last link of supply chain, such as producers. Thirdly, the compound diversification is a mixed strategy, which refers to the combination of developing new products and entering new markets.

In 1991, Haier entered the stage of diversification strategy. Haier took the opportunity of Comrade Deng Xiaoping's South Tour Speech to annex 18 loss-making enterprises, and began to develop diversified appliances, including washing machines, air conditioners and water heaters, from only one product of refrigerators. At that time, the public opinion said that "Haier has embarked on an irregular road", and the industry also thought that enterprises should be specialized rather than be "department stores", while Haier thought that their refrigerators had achieved the first, and had a portable model in management, corporate culture and so on. In addition, no matter specialization or diversification, the essence is whether there is a high-quality product and service system.

3.2 Clear strategic objectives and improve strategic management system

When Ruimin Zhang determined the objectives of relevant diversification strategies, he first defined the key objectives, and then pursued other goals on the premise of achieving the key objectives. Only when the internal and external environment changes dramatically, affecting the development of enterprises, he made adjustments.

Ruimin Zhang's diversified strategic thinking first clarified the strategic thinking of enterprises. Correct strategy must be based on correct strategic thinking and can only be successful in a relatively perfect strategic management system. The strategic thinking of an enterprise must be systematic, and all employees should be encouraged to strive for their goals while having clear objectives. The

transformation of Haier's strategic thinking promoted Haier's leading position. From the strategic transformation of smashing 76 unqualified refrigerators to "service than profit", Haier still had a competitive advantage when facing the huge impact of the overseas market in the mid-and late 1990s. Secondly, according to the current economic environment and the situation of the enterprise itself, the strategic objectives and priorities of the enterprise are formulated and the strategic adjustment is made in time. Clarifying strategic objectives is the core of the strategies. Self-construction, mergers and acquisitions and strategic alliances constitute a diversified market strategy. Self-construction requires enterprises to have abundant production resources and business management capabilities. Mergers and acquisitions require enterprises not only to have sufficient funds but also to have effective control over funds. Strategic alliances require alliance partners to know and manage each other's financial situation, conditions, guiding ideology and management ability. Therefore, enterprises should choose appropriate self-development mode according to their own operating conditions and strategic objectives.

3.3 Grasp the opportunity and find the right entry point

In the process of diversification, Ruimin Zhang made a comprehensive analysis of Haier's internal environment and the external environment of China's market development, in order to seize the opportunity and identify the entry point for enterprises. In order to grasp the opportunity of diversification, Ruimin Zhang analyzed the competitive structure and industrial production cycle of large household appliance industry. The most important thing is to identify the strengths and weaknesses of Haier. Enterprises can use SWOT as an analysis tool to identify opportunities and diversify the development of the system. SWOT clearly shows the strengths and weaknesses of the enterprise development, and combines the internal and external market environment to analyze the risks and opportunities faced by enterprises at this stage. Through the exploration of the current market environment and the analysis of its own characteristics, they can find the right time and the best entry point for the diversification. Haier Group was facing both opportunities and challenges. Faced with the current situation of its own enterprises, Ruimin Zhang grasped the rapid development of China's market economy, made use of his excellent technological advantages, took the products with the most competitive advantages as the entry point, made in-depth development and research, reduced the production cost of products, and improved the scientific and technological content of products and technical level. Forming the dual competitiveness in technology and cost is so as to gain market leading position.

3.4 Improve the Technical System and master the Core Technology

The technological system of an enterprise is often supported by one or several key technologies, and those technologies reflect the technological advantages of the enterprise. Through the sharp market insight, Ruimin Zhang improved the competitiveness of enterprises by developing and effectively

utilizing these core technologies and improving the construction of technology system. According to Haier Group's own situation, before the formation of its own complete competitive advantage system, the key technology is also an important means of success, because the core competitiveness of enterprises is difficult for the competitors to surpass. The acquisition of key technologies can be achieved either through its own development and research or through direct external purchasing. Enterprises should protect the acquired key technologies and avoid theft and outflow of core technologies. Application for patent protection is the most effective protection measure, and the core technology of enterprises can be effectively protected by national law.

3.5 Activating the "shock fish" mode to achieve a win-win situation of related diversification

Ruimin Zhang did not directly inject a large amount of capital into the merger, but chose the way to activate the "shock fish". Take Haier's merger of the original Qingdao Hongxing Electrical Appliance Factory as an example. After the merger came into effect, Ruimin Zhang dispatched the first batch of people not from the ministry of finance, but from the corporate culture center. Corporate culture is a concept recognized and respected by all employees. No matter what problems the enterprise encounters, employees will give priority to the implementation of this concept. It integrates many aspects of enterprise content and is a comprehensive reflection of enterprise operation and management. So, the first thing they integrate into is not Haier's capital, but Haier's corporate culture and Ruimin Zhang's management thought. The revenue situation on the books is not the focus of Haier's merger work. The long-term development goal of the enterprise is the foothold of Haier's merger. The "Shock fish" refers that the fish body is not rotten, but in a state of shock, which means that the supporting facilities of enterprises are good, but the lack of excellent business management ideas and management concepts, which leads the enterprises lack of vitality and stopped developing. Such enterprises, once integrated with excellent management ideas and business philosophy, will soon be activated. Ruimin Zhang analyzed that the reasons for the failure of Red Star Electric Appliances were not technology or capital, but the improper management of enterprises, the lack of cohesion and centripetal force of enterprises, and the lack of effective combination of existing production factors. Haier Group has formed a unique corporate culture in the process of its development for many years. Its core idea is the open innovation of "the world is our research and development center". Its essence is the zero-distance interaction and continuous innovation of global users, innovators and innovative resources. Its goal is to establish the innovative ecosystem that the global resources and users participate, to put out Index Technological Products continuously. Haier culture takes concept innovation as the guide, strategic innovation as the direction, organizational innovation as the guarantee, technological innovation as the means, and market innovation as the goal, accompanying Haier from scratch, from small to large, from big to strong, and from China to the world. Haier culture itself is constantly innovating and developing. At the same time,

Haier's corporate culture also includes its core value system and development concept. So Ruimin Zhang is very confident in Haier's corporate culture, so the first step of the merger is to implant Haier's management ideas and management concepts into Red Star Electric Appliance Factory.

4. Analysis of Haier's Internationalization Strategy

4.1 "Hard First, Easy Later" Market Entry Strategy

Haier chose the strategy of "difficult first, easy later" to enter the international market, that is to say, conquer the markets of developed countries in Europe and the United States first, and conquer the markets of developing countries when the brand gains a certain popularity later. Haier Group has formulated this international development strategy through careful evaluation and analysis of foreign market conditions. Although the threshold for leading the way into developed countries is high, it can also fully stimulate the creativity of enterprises and produce higher quality and higher-level international products. At the same time, it also lays a good foundation for Haier to conquer the markets of other developing countries. Haier's internationalization strategy, in Germany's authoritative quality inspection agency, Haier's refrigerators obtained eight "+", which became the highest quality of the refrigerators tested by random inspection, and successfully entered Germany, which had the highest level of refrigerators in the world at that time. It quickly opened the Germany market, and many distributors of household appliances were competing to sell Haier's refrigerators. When entering the U.S. market, Haier first adopted the OEM method and achieved stage success, then began to build its own brand, gained a certain brand popularity, began to invest in the U.S. and set up factories and localized marketing center. Haier has successfully entered the market of high-standard developed countries and occupied a considerable market share.

4.2 "Trinity" localization strategy

4.2.1 Product localization

Because of the differences in culture and customs in overseas markets, consumers in different countries have different demands for products. Ruimin Zhang attaches great importance to the differences in product demand in different regions. Through in-depth analysis and field investigation of the market, he put forward the idea of innovative design of personalized household appliances for different market needs. In the United States, the family has a large living area and a large average number of families. So, Haier has developed a super-large space and variable temperature refrigerator to facilitate American consumers to store cakes, turkeys and other foods. From this we can see that product individualization is the core of product localization, which requires enterprise leaders to

conduct detailed research on overseas markets and understand local customs and cultural habits, in order to design individualized products for different consumer needs and gain advantages in competition.

4.2.2 Localized production

Ruimin Zhang chose to set up factories in overseas markets to produce localized products, which saved the economic and time costs of transporting products to overseas markets, and made full use of local production technology to produce personalized products that meet the needs of local consumers. In addition, Haier's direct investment in overseas markets increases the local employment rate and creates tax revenue for the local government, so it is more welcomed by the local government and residents.

4.2.3 Research and development localization

On the road of internationalization, Ruimin Zhang makes full use of local talents and technology in overseas markets to produce and research, and provides important technical support for enterprises to open up the localized market, which is particularly fully reflected in the American market. Haier's marketing center is located in Los Angeles, where not only gathers a large number of well-known university research talents, but also has Silicon Valley, which is at the forefront of technology research and development. This gathering effect of geographical advantage of talent and technology provides Haier with tremendous support to successfully occupy the market share of the United States.

4.2.4 Localized Management

Different countries have different levels of economic development and social and cultural customs, which leads to many differences with corporate culture and business philosophy in different countries. In order to prevent the negative impact of these differences on enterprise management, Ruiming Zhang resolutely adopted the strategy of management localization in overseas markets. Haier has successfully established a localized management model by employing local executives and employees to carry out enterprise management work. Based on Haier's original corporate culture and combining the differences of social customs and habits in different regions, Haier has made relevant adjustments and successfully established localized management.

5. Strategy Analysis of Haier's Global Brand

5.1 Three-step Strategy for overseas business expansion makes Haier grounded in the whole world

At the 21st Anniversary of Haier's establishment and Haier's Global Brand Strategy Seminar at the end of 2015, Ruimin Zhang announced that Haier would launch a new global brand strategy. The global brand strategy refers to Haier's expansion to the world market with China as its center, aiming to form its own brand and build its own teams in each country. Haier is not in a rush for quick results in the wave of globalization. Instead, it has formed a "three-step" strategy of "the stage of developing cognition in localization", "the stage of taking root in localization" and "the stage of building famous brand in localization". Haier has abandoned the short-sighted idea of export products only to earn foreign exchange, but insisted on the stable, long-term strategy of taking root overseas, cultivating the market carefully, harvesting the profits after working hard, so that Haier can form its own brand in the local area. The idea of localization has also made Haier's overseas business develop robustly. For example, Haier has become a successful model of global success in the United States. Haier, USA has become a partner of Haier from a standard distributor by expanding its market and localizing its distribution. With Haier's contribution, they jointly established the United States Haier Trading Co., Ltd. Later the design center was established in Boston and the marketing center in New York; a production base was established in South Carolina, USA. Haier has gained a firm foothold overseas through four core ideas: 1. insist on having a market first, then building a factory; 2. make full use of local resources. We insist on employing local talents to participate in management. Haier China has only sent a team of over 10 people to give corresponding support and implement the localization strategy. 3. Use of funds: Haier only makes one-time investment, and its working capital is acquired by local financing and foreign trade development fund. 4. The transmission of Haier culture: Instead of forcing corporate culture into overseas enterprises, Haier lets overseas personnel identify with Haier culture from the bottom of their hearts through a subtle way.

5.2 "Ren Dan He Yi" Model Wins Global Market Quickly

With experience economy and the wide application of Internet, users' discourse power is enlarged. Ruimin Zhang changed his thinking in time and created a new mode centered on external market objectives to strengthen internal management. Ruimin Zhang believes that being market-oriented and customer order-centric is the fundamental factor for entrepreneurial success. On September 20, 2005, Ruimin Zhang creatively put forward the management mode of "Ren Dan He Yi" in the world. "Ren Dan He Yi" is a subversive and systematic dynamic change in strategic positioning, organizational structure, operation process and resource allocation from three dimensions of enterprises, employees and users, in line with the characteristics of "zero distance", "de-centralization" and "de-intermediation" in the Internet era. ³

5.2.1 Strategic positioning of "Ren Dan He Yi"

"Ren Dan He Yi" links employees and consumers from the business model, so that each employee can realize his own value through the needs of users, and users can meet their own needs through the work of employees, thus achieving a win-win situation. Haier's strategic subversion is not only confined to the enterprise itself, but also the ideological change of employees. The enterprise used to be responsible for users, but now they become employees' responsibilities. The salary of employees is dependent on users' feedback and pay, thus creating a closed-loop of "person-bill-pay".

5.2.2 "Ren Dan He Yi" organizational structure

If the strategy is the human brain, then the organizational structure is the human body. Only when they complement each other can they coordinate. The traditional hierarchical structure is still the management mode that most modern enterprises use. Although vertical management has been optimized, today, this pyramid structure still has the drawbacks of formalism and departmentalism. Ruimin Zhang subversively transformed Haier's "positive triangle" organizational form into a flat network. Haier integrates user needs into the whole product process by creating a self-management entity. Every self-management entity is not only an independent individual, but also a flowing resource pool. It needs to share information and resources, build a community of shared destiny and resource ecosystem.

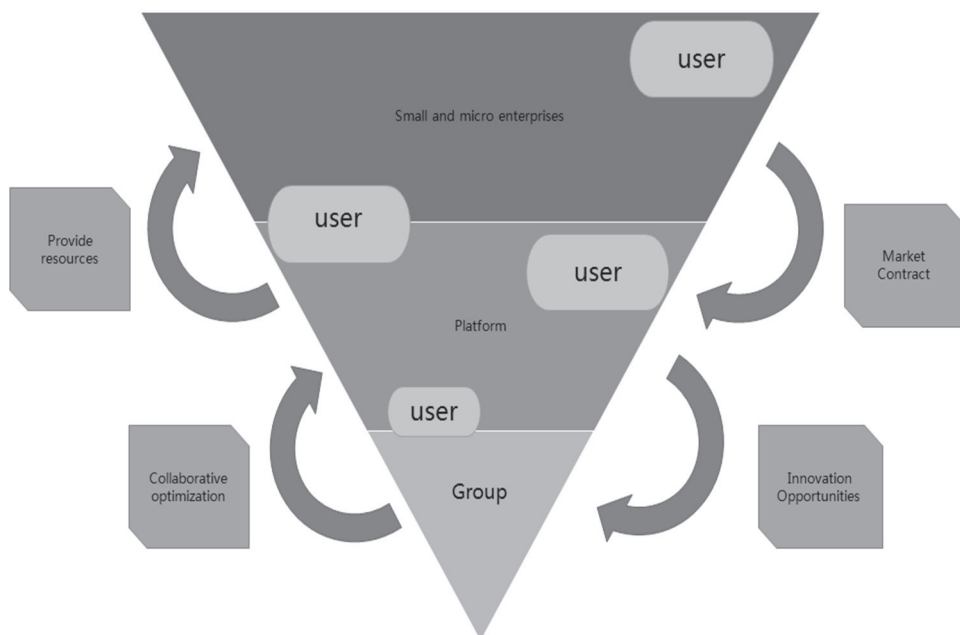


Figure 2Haier's "Inverted Pyramid" Structure

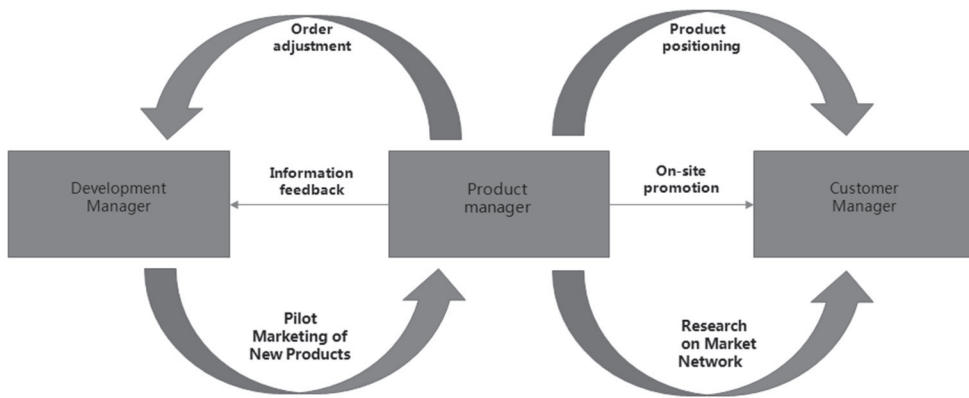


Figure 3Haier Networked Order Procedure

5.2.3 “Ren Dan He Yi” Operational process

For example, in terms of the company's operation structure, Ruimin Zhang has reorganized the original purchasing, sales and financial business into commodity circulation, logistics flow and capital flow departments. By taking the order information flow as the center, combining the "first-class three networks" of the global supply chain resource network and the computer information network of the global user resource network with the back-end user order information chain, a complete business processing platform of "one front-end network, one back-end chain" is constructed, which provides hardware for the "Ren Dan He Yi" mode. This consolidated its foundation.

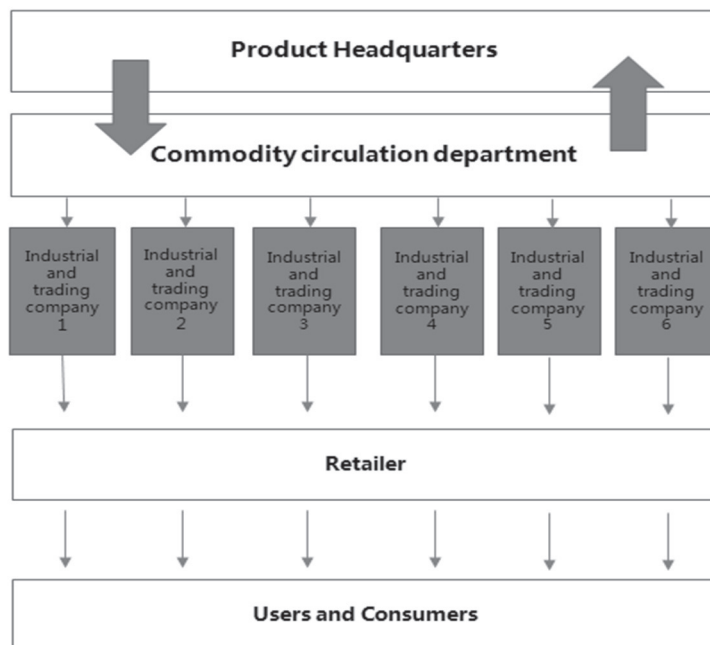


Figure 4 Operational Structure of Haier



Figure 4 Haier order process

When fulfilling the order, Haier is opposite to the traditional process, instead, Haier starts with customers' needs. Each node and department face the needs of users together. Users' needs are involved in the design, production, logistics, sales and other links until the end of sales. The company will also deconstruct a large order into an order in the charge of an employee, and transform the company resources into user resources which the employees are responsible for. Transforming company assets into liabilities of each employee forms a driving force for employees to increase appreciation from unpaid possession of enterprise assets to paid liabilities.

5.2.4 Resource allocation for “Ren Dan He Yi”

The concept of "everyone is CEO" helps promote “Ren Dan He Yi” model, and enables everyone to have corresponding autonomy over resources. For example, traditional enterprises will set standards for travel expenses, so as to control operating costs. In Haier, thanks to the advanced management model of “Ren Dan He Yi”, all travel expenses will affect the benefits of all employees in the order process. Therefore, this "all employees are contracted" management model can reduce unnecessary travel expenditure from the source.

5.3 Unique Strategic income Statement can Reasonably Reflect the Value of Employees

The value of employees is expressed by users, and the needs of users are met by employees. According to the characteristics of this model, Haier has made a strategic income statement which can directly reflect the value of employees. This table consists of four quadrants: user resources, human resources, process, and closed-loop optimization.

The first quadrant of user resources refers to the productivity led by interacting with users through a value-oriented strategy. At present, Haier will explore users' needs through community and other ways, and directly reflect users' demands from the design link, so that users become an essential part of enterprise management. In this way, Haier makes sure that the product meets user's demand, achieving the goal of "cut overcapacity, cut excess inventory", thus reduces the operating cost of enterprises, and weakens the business risk.

The second quadrant is human resources, that is, Haier's self-management enterprise. Every employee creates value for Haier's operation and is responsible for users. Haier establishes independent business

entities by subdivision, and lets each independent business entity formulate its own strategic plan according to its own users' needs, so as to meet users' needs, and complete the transformation from demand to order and then to revenue.

The third quadrant is the process, which is also the process of creating user value in order to achieve the purpose of Yu Shi Ling Cha (daily work matches with predications). Haier's unique "daily checkup" system requires that today's work mustn't be left for tomorrow, thus maximizing work efficiency and improving user satisfaction. In addition, Ruimin Zhang also put forward the "three zero" principles - "zero inventory, zero required signature, zero redundant personnel". Zero inventory principle requires that all design and production should proceed from the needs of users. Zero signature principle requires the removal of excessive authorization and unnecessary applications; thus, the independent operators can have more powers. In this way, the overall operational efficiency can be improved, and the time required to meet clients' needs after they put forward their needs can be shortened; Zero redundant personnel principle requires everyone to have their own users, and employees who have users can realize their self-worth.

The fourth quadrant is the closed-loop optimization, which is also the closed-loop of "person-order-pay". "Ren Dan He Yi" emphasizes that users will eventually pay for salaries, and that employees will be valuable only after creating user value. Through the self-promotion of individual, employees can meet the needs of users, employee salary is given by user evaluation, and employee is attracted with salary to continue to meet the needs of users through closed-loop development.

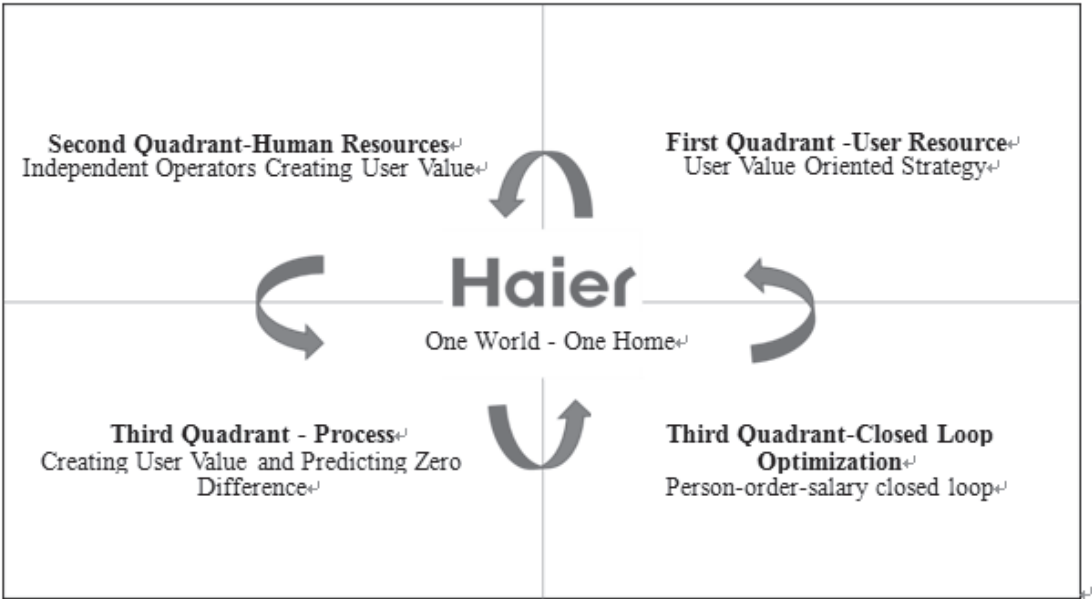


Figure 5Haier strategic income statement

6. Analysis of Haier’s Network Strategy

6.1 Evolution from Traditional Manufacturing Enterprises to Internet Enterprises

Haier strived to transform itself from a traditional household appliance manufacturing enterprise to an Internet incubation platform for the whole society. Ruimin Zhang pointed out that if we want to become an Internet enterprise, it is necessary to break the barriers of traditional enterprises and extend outward to reach all kinds of resources. Therefore, Haier has built a networked management structure based on the global brand strategy, strengthened the embodiment of user value, and constructed a win-win Internet ecosystem.

For the construction of the Internet ecosystem, Haier has transformed and upgraded from six modules: strategy, organization, staff, users, salary and management.

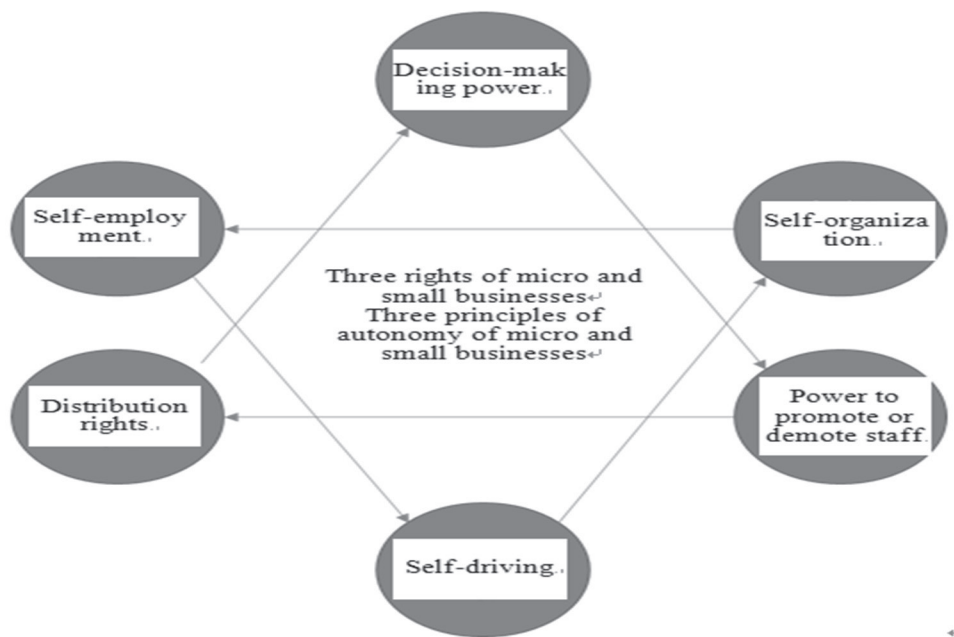


Figure 6Haier’s mode of “three rights of micro and small business” and “three principles of autonomy of micro and small business”

Strategy and organization are two key variables that determine the growth of enterprises. Strategically, we should establish a win-win ecosystem centered on users and realize the win-win and appreciation of all stakeholders in the ecosystem. Organizationally, we should change the traditional self-closeness to open Internet nodes and transform bureaucracy into a network organization. In this process, employees change from employers and executives to entrepreneurs and dynamic partners. The purpose is to build the best experience ecosystem of the community and meet the personalized needs of users. Ruimin

Zhang pointed out that the strategy of creating a win-win ecosystem is an Internet maker incubation platform for the whole society, which attributes high-quality external resources to Haier, in order to enhance Haier's innovation ability, help it to achieve the goal of first-grade competitiveness and overcome the bottleneck of innovation. Haier University is set up for the catalyst of maker incubation to provide soft environment and resource support. By supporting and developing makers, the ability of innovation and development is accelerated to empower the future of Haier.

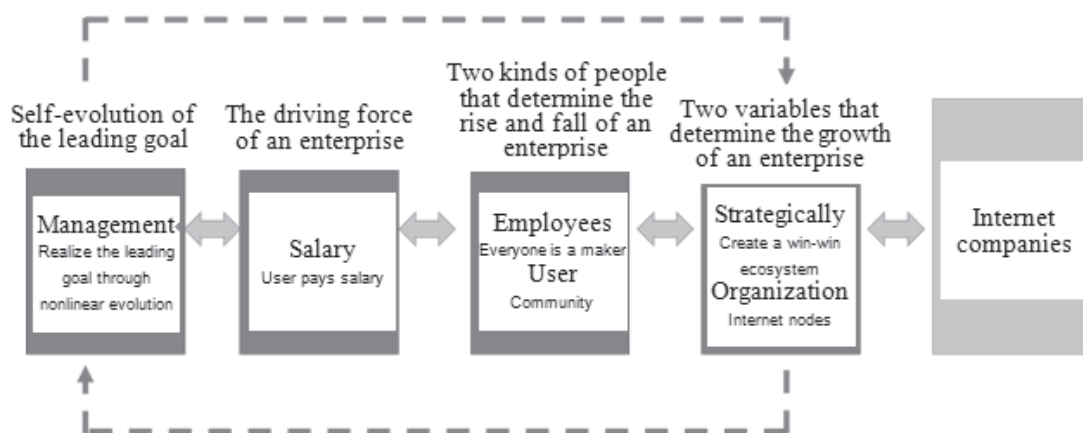


Figure 8 7Haier management model

6.2 Light the Internet of Things eco-brand with chain groups

In May 2018, Ruimin Zhang proposed the creation of eco-brand in the era of Internet of Things in the world. The “Three Eco System” is the essence and lifeline of Haier’s eco-brand creation model. “Three Eco System” - ecosystem, eco-income and eco-brand.

6.3 Five ecosystems co-create Haier’s eco-brand

Smart home customized ecosystem: Build smart factories in Haier, and submit the user demand to smart factories via the background business chain of the “Ren Dan He Yi” Model. Haier has established U + Smart Life Cloud Service Platform and provided users with AI life service via the Internet. The human-computer interaction is put on the fingertip to complete the whole-process service of demand, product delivery and product use.

Contact iteration ecosystem: Haier has created its new private brand, RRS.com, thus a 3-3-2 ecosystem support platform is realized. Haier ecological network is created with the help of three types of contact networks, three new industries and two incubation platforms.

Three types of contact networks: RRS Logistics, RRS Lejia and RRS Lenong connect three scenarios of logistics, urban community and rural community to provide platform protection for the development

of the ecosystem.

Three new industries: Smart home, water and baby. Based on Haier home, smart home industry is aimed at creating an IoT home integration and customization interactive community; Based on water heaters and purification, create a smart water integration solution eco-platform in the IoT mode.

Two platforms: Hai Chuanghui (HCH) and Haier Global Business. The two platforms are committed to supporting the development of SMEs and providing them with catalysts from incubation, growth to transformation. More than 3,000 projects and more than 1,300 investment institutions have settled in the HCH SME Incubation Platform with the venture capital fund of more than RMB 12 billion. Haier Global Business helps SMEs with transformation in overseas countries through the cross-border integrity sharing community.

Chain Sharing Ecosystem: Build a Haier Financial Holdings IoT Financial Platform, create “Wanlian Rongtong” financial eco-brand and “Yingkang life” life eco-brand, and empower modern agriculture, intelligent manufacturing, green and environmental protection, health care, medical innovation and other fields. Adhere to the concept of “co-create and share based on industry”, integrate the model of “integration of industry and finance” and the concept of “Ren Dan He Yi” into the industry, connect technology with risk control, and link finance with industry to build a new ecology of industry-finance co-creation and promote the transformation and upgrading of modern agriculture, intelligent manufacturing, green and environmental protection and other industrial ecological chains.

Industry-City Integration Ecosystem: Based on the IoT strategy, Haier House has transformed from a traditional real estate development enterprise into IoT community ecology of co-creation and win-win. Empower urban development in five major fields: Industrial New City, Smart Home, IoT Business, Smart Community, “Yuxiang+” (Education, Sports, Health Care), lead the new trend of transformation and upgrading, and help realize the great Chinese dream.

Cultural Industry Ecosystem: Haier has created smart IP with the image of Haier Brothers in 1995. Based on the IoT ecosystem, it actively explores the industrial layout of kids’ education, animation, film and television, performing arts and entertainment, theme parks and derivatives, etc., builds an interactive ecosystem of innovative education for kids, and creates user value with high quality content and scenario interaction to inspire the imagination and creativity of kids and promote the long-term development of the cultural cause for kids in China.

6.4 Build HOPE to promote innovation

Innovation is the core of Haier’s corporate culture. The key to Haier’s success is innovation, and the spirit of innovation is also deeply rooted in the heart of Haier people. In the Internet era, the cost of information acquisition by the user is reduced. This also makes the user demand diversified, personalized and fragmented. “Personalized users”, “accelerated product iteration and update” and

industry disruption force open innovation of enterprises. In this context, HPOE has emerged as the times require. HOPE is the medium and carrier of Open Innovation and an ecological community where innovators gather. It links a vast resource network across the world to build a one-stop service platform that supports product innovation. Through resource integration, HOPE is committed to addressing the problem of source of innovation for enterprises and individuals and resource allocation in the process of innovation transformation in order to realize the four core advantages, that is, “Technology Strategy”, “Resource Allocation”, “Innovation Incubation” and “Innovation Empowerment”.

6.5 COSMOPlat empowers industrial intelligent manufacturing

In the context of the fourth global industrial revolution, Haier transplants the management concepts from internal management to innovation in the industrial production mode based on the management concept of “Ren Dan He Yi”. COSMOPlat has made a breakthrough in the two global value chain driven modes (producer-driven and buyer-driven) to create a unique hybrid driving mode through community interaction and connected users and network appliances. The hybrid driving mode benefits from modular production and procurement. As for production, various products are split into the corresponding technical modules, and a technical support platform with independent intellectual property rights is established to link global technical resources, break the original R & D bottleneck, shorten the iteration cycle of products, and meet the user demand for customization. As for procurement, modular procurement is also adopted. Haidayuan Global Procurement Platform is built to eliminate the information barriers between parts manufacturers and module buyers and realize the efficient mode that parts manufacturers can produce on demand and module buyers can order on demand. In addition, the procurement evaluation system and transformation and upgrading services of Haidayuan also provide a solid guarantee for the construction of SMEs procurement system and the control of procurement costs.

In addition to industrial production, COSMOPlat has explored marketing, R & D and design, warehousing and logistics, user service and other fields, covering a number of modules, such as Business Management, Smart Life Scheme, Industrial Internet of Things and Industrial Safety. Based on resources of the entire platform, it has also provided professional solutions to industries, such as intelligent manufacturing of household appliances, smart agriculture, etc., and fields, such as intelligent molds, smart energy, smart parks, etc., and provided technical support for the transformation of SMEs, resource allocation and quality and efficiency improvement.

6.6 Enlightenment from Haier Networking Strategy

In the development of Haier Networking Strategy, Ruimin Zhang has transformed linear management into reticular management in accordance with the changed circumstances, which has avoided the disadvantage that enterprises lose their own development goals as they are confined to process execution

during traditional linear management. The development from traditional business to the Internet is an inevitable choice of history. Forward-looking reform wins the opportunity for an enterprise to take the lead in developing itself. The original market demand, users, business resources and models will change during reform. However, the development strategy centered on users is always the right choice. Innovation has always been the essence of Haier's corporate culture of more than 30 years, which is deeply rooted in the heart of Haier people. Thanks to this spirit of innovation deeply rooted in the business philosophy, Haier's transformation has been implemented and applied. By complying with the development trend of the Internet, Haier has boldly reformed the traditional management mode and subverted the previous management philosophy to build an IoT ecological platform. The establishment of the platform has solved the contradiction between internal resources and external supply and demand, and introduced external resources to activate the inner potential of Haier. With the development of the Internet, user demand and occupation of Internet resources will become an important weapon in the business game of enterprises. How to introduce excellent external resources and meet the personalized needs of users will be an important issue for enterprises to win the market.

7. Conclusion and Outlook

7.1 Case overview

The background of the times has an important impact on the development of enterprises. At the same time, the development of an enterprise also needs to be guided by the user demand in society and driven by the requirements of the enterprise's own development. In the era of traditional economy, the user demand is often guided by the production of enterprises. Under the leadership of Ruimin Zhang, Haier has set up a catch-up business growth model and realized the rapid development and scale expansion of the enterprise by introducing high-end equipment and advanced production technology. In the new economy era of the Internet, as Haier is the first brand of global household appliances, Ruimin Zhang realized that it was very hard to achieve the new growth in the market share by depending solely on the introduction of technology and equipment to drive economic development. Therefore, it is the most important task to find a new direction to make breakthroughs in order to realize the strategic transformation of Haier. With the constant development of the Internet economy, Ruimin Zhang put forward the concept of platform-based strategic transformation. As the power of end users to make decisions and have a say in the Internet era is too scattered, it's difficult to provide effective feedback for the market demand. Centered on the user demand, Haier achieves strategic transformation, gathers global quality resources, and transforms the enterprise into an open platform through the entrepreneurship and innovation of staffs, so that it will fully reflect the user demand and allow users to enjoy greater value and better experience.

7.2 Value of strategic transformation

By looking back on the theory of strategic transformation and studying the platform-based strategic transformation of Haier, we can know that Haier's platform-based strategic transformation is an excellent representative of enterprise transformation, which has high practical reference value. To be specific, firstly, it actively responds to the national policies, builds an enterprise platform in the context of the Internet era, and interprets the new mechanism of innovation and entrepreneurship; Secondly, it has explored a road to innovation in enterprise transformation in the context of the Internet. Making use of the Internet advantages, Haier has fully understood the user demand and built a solution platform, which has provided important enlightenment for the transformation of other enterprises in the Internet environment. Thirdly, Haier has changed the traditional business model, created an innovative service platform, altered the method and concept of manufacturing of traditional factories, built communication and service platforms, and improved the business value of the brand; Fourthly, Haier redefines the identity of users, employees and partners, turns the traditional trading model into an interactive model, and enhances product communication between enterprises and users, so that the business environment is more open, fair and efficient. Its employees carry out active guidance to attract partner resources and create more satisfactory user experience. In this way, all parties maximize interests in system exchange and realize win-win.

As Haier's transformation is a successful result of IOT, the strategic thinking of Ruimin Zhang has brought new opportunities for Haier's development, provided the driving force for employees to start their own businesses and great experience for users, and established new goals for the development of other traditional enterprises. However, any enterprise will encounter some problems in transformation, and Haier is no exception. From the analysis of external and internal factors during the transformation of Haier, Haier has been faced with the following problems, such as inaccurate user needs, unreasonable job responsibilities, imperfect new management system and failure of part of the system, dysfunction in business management risk control, etc. As for the reason, fierce external horizontal competition will weaken Haier's competitive advantages, while poor internal management, human resources policies and unfair resource allocation will affect the enthusiasm of employees. Based on the comprehensive analysis of the advantages and disadvantages of Haier's strategic transformation, we have proposed three feasible suggestions for Haier's strategic transformation: 1. Organically integrate corporate culture and enterprise transformation strategy, and avoid the disconnection between culture and management; 2. Take employee benefits as the starting point, and optimize management structure, performance management, process system, etc.; 3. Active guidance, implementation and transformation of the concept of strategic transformation of all employees.

Compared with other emerging Internet enterprises, Haier started late in business management, organizational innovation, etc. and had a lot to reform. Based on successful cases of Haier transformation,

it can be seen that most domestic enterprises encounter difficulties in management strategy, etc. and take preliminary enlightenment from the value of Haier transformation for application. It mainly includes the enlightenment value for goal management, innovation and reform, people management and platform mode.

The transformation of an enterprise is the process of continuous self-renewal with the tide of the times, and the operation of an enterprise is like climbing a mountain. Every enterprise will reach its peak at a certain stage. However, this peak is only one of the innumerable peaks, and it's impossible to predict the next one reaching the top. However, only innovation is the problem that exists at every stage. Only by adjusting the strategy according to the actual situation of an enterprise can this enterprise always be energetic and its own strength enhanced.

Note

¹ <https://thinkers50.com/t50-ranking/>

² Analysis of the role and practice of strategy management in enterprise management, Wang Yefeng

³ Ruimin Zhang: Making breakthroughs in classic management, Haier's "Rendanheyi" Model has become a world-class IoT model

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