

Haier's Rendanheyi 2.0: An ecosystem revolution

Haier in 1984 was a small, local firm on the verge of collapse, with poor-quality products and low morale. Within 30 years, it was transformed by Zhang Ruimin, who took over as CEO, into one of the worlds' leading white-goods manufacturers, with a reputation for quality and innovation and an increasing global scope and footprint, including GE's iconic white-goods unit in the US and Candy in Europe. This transformation was driven by a series of disciplined managerial innovations, inspired not only by Zhang's reading of management guru Peter Drucker and a relentless focus on execution, but also by experimentation. This increasingly gave power to entrepreneurs within the firm, driven by Zhang's philosophy of 'Rendanheyi' ('ren' means employees, 'dan' means user value and 'heyi' means alignment), loosely translated as the integration of people and goals. The aim was to achieve "zero distance to the customer" by restructuring the whole organisation towards identifying and serving customer needs, which was achieved through the introduction of company-wide IT systems that allowed the firm to be restructured first into business units and then into small, self-managed teams, each responsible for their own profit and loss, called *zi zhu jing ying ti* (ZZJYT), which means 'independent operating unit'. The goal was to reduce the distance to customers and this 'inversion of the pyramid' underpinned significant growth. Yet, while by 2014 Haier had become a success story, the sector was facing structural change due to the internet and ecommerce and the growth of digital platforms and ecosystems.¹ Zhang was happy with the success so far, but mindful of the fact that one never stops. The question was: what could he do to change the dial?

Zhang's answer to increasing competition and consolidation was to radically transform Haier, once again. Rendanheyi 1.0 would be evolved into a new, upgraded version 2.0. The networked Haier could be summed up as "borderless, leaderless and scale-free".²

This would involve moving the ZZJYTs and the corporate functions into a very different organisational structure. Culture, mindset and behaviours would evolve further along the user-focused, entrepreneurial approach. Decision-making processes would also be pushed to where they could better address changing needs. Zhang said:

*We at Haier often say there is no such thing as successful companies – there are only companies that are in sync with the changing times. The so-called success is merely being in sync with the rhythm of the current era or doing the right thing at the right time. The problem is that ... it's impossible to find that rhythm at all times – one day we will miss a beat.*³

Would the evolution be enough to retain Haier's competitive advantage?

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