

Letter to the Editor

Haier's Management Model of *Rendanheyi*: From Sea to Iceberg

Dear Editor-in-Chief,

The Internet era embraces disruptive dynamics of both organizational and management models. Management scholars and entrepreneurs worldwide are exploring new management theories and business models such as the management model of *Rendanheyi* (人单合一 in Chinese, translated as 'Maker-Customer Integration') that has been evolving for 12 years since it was initiated by Haier in 2005. This model has successfully transformed Haier, and has also drawn much attention from the world with its salient implications for a new management paradigm (Cao, 2014; Fischer, Lago, & Liu, 2013).

Recently, Haier completed the Global Center for Innovation Model Research, *Haier Coastal Building*, which is named as the *Tip of Iceberg* by CEO Zhang Ruimin. It is a metaphor for Haier in the Internet era. The tip of the iceberg above the sea surface constitutes only a small fraction of its total size. Similarly, the size of Haier itself has not expanded much after being transformed into an entrepreneurial platform (the meso-level ecosystem), but the number of its cultivated startups has increased dramatically in this meso-level ecosystem of Haier, while the formally enrolled employees in Haier have decreased by 32% (as compared with the peak employment of 78,000 in 2014). New jobs created by the Haier ecosystem have exceeded more than 1.6 million. As the macro-level ecosystem with unlimited and open resources for all icebergs, the ocean has no fixed boundaries, so is the case with Haier with its current and future customers and other stakeholders as the ocean-like macro-level ecosystem for Haier.

As for the metaphor of the iceberg, Mr. Zhang has identified three key features. First, the metaphor of iceberg implies unlimited resources. The world is the R&D department of Haier, and also the on demand human resources department. A micro-level entrepreneurial start-up specializing in refrigerator design seized the business opportunity for double-door refrigerator. To design a refrigerator meeting the diverse demands from customers in Asia, Europe, and America, they adopted the platform of coordinated R&D by combining and recombining multiple R&D

teams across the world. Given the principle of *Rendanheyi*, the unlimited resources in society as a whole are available on the open platform or ecosystem initiated and coordinated by Haier.

Second, the metaphor of iceberg also implies self-organization. All Haier's micro-level entrepreneurial start-ups have no organizational boundaries. It is still difficult for small- and medium-sized companies to rent a warehouse, and even harder to find an advanced one. Many firms have tried to build a warehousing platform at the national level, but few if any have succeeded. However, an entrepreneurial start-up has emerged out of the Haier entrepreneurial platform, successfully raising venture capital within four months and bringing in one of the biggest players in that industry. Like a cocoon transforming into a butterfly, a growing number of innovative startups on the Haier platform have emerged out of the newly created customer needs.

Third, the metaphor of iceberg finally implies forming and dissolving a micro-level entrepreneurial startup in accordance with the unique and dynamic customer need as a special business opportunity. In 2008, a sales executive from a major competitor with Haier in Europe jumped ship to work in one of Haier's small entrepreneurial start-ups in Russia in the challenging context of financial crisis, and built his sales team. Soon after, ten local employees of the team attracted about forty thousand US dollars as the follow-up investment for VAM (value adjustment mechanism). This is not an exception in Haier.

The future can be traced in the history. If we find the future in history, we find the truth. True knowledge starts with good practice. The cross-national implementation of *Rendanheyi* has recently received positive feedback (Cao, 2014; Fischer et al., 2013). The universality of *Rendanheyi* has been reflected in the successful practices in medical care and the agriculture industry; its global applicability has been tested by the successes in Australia, New Zealand, Japan, South Asia, India, and Europe, among other locations. 'Haier's *Rendanheyi* could not only be the next business model, but also the next social model', so 'the innovative model of *Rendanheyi* can be expected to take roots across the world, and burst into blossoms and bear good fruits'.

Mr. Zhang once said, '*we do not aspire to be No. 1, but we crave to be a unique firm*'. All specific icebergs will melt, but the phenomenon of icebergs will exist forever. The ocean has witnessed countless icebergs come and go. There are many firms running into an inevitable meltdown regardless of scale, but Haier is determined to stand firm by virtue of its unyielding drive for innovation.

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