Haier's philosophy:
Personal values first

Zhang Ruimin is a world-renowned Chinese entrepreneur, founder of the Haier Group, Chairman of the Board of Directors and CEO of the Haier Group.

In recognition of his achievements in management innovation he has received numerous awards in the field of international management. In this interview he outlines his unique approach to management, integrating China's traditional culture with modern western management concepts

Global Focus: Can you say a few words about your early experiences in industry and commerce

When I first arrived at Haier in 1984, it was a small manufacturer of poor-quality refrigerators on the verge of bankruptcy and with almost no management. Every morning the staff just went to the factory to call the roll and left.

I got rid of the old refrigerators and introduced some basic rules for our staff, such as the "management 13 rules" to regulate workers' behaviour. At the same time, we introduced advanced production technology.

But high-quality products must be made by high-quality people. So we constantly explore new management methods such as self-management teams and Overall Every Control and Clear (OEC) to stimulate employee creativity.

All of our staff became innovators and collaborators focused on the same goal. Soon Haier became the number-one Chinese brand for household appliances. Now Haier has grown to be the world's largest white goods manufacturer (with a 10.6% retail market share, by volume).

GF: As well as great commercial success you have also been very keen to promote the idea of networked organisations. Could you expand on that a little?

In 2000 I became fascinated by the imminent arrival of the network era. So in 2005 I put forward the *Rendanheyi* model to promote the networked transformation of Haier. After nearly 13 years of exploration and practice, Haier has become a networked organisation, moving from a traditional manufacturing business into a win-win eco-enterprise.

GF: Is that linked to Haier's philosophy of personal values?

There is a thread running throughout the development of Haier, −"personal values first". Business is all about people. Management is all about leveraging resources.

Rendanheyi is a model that can realise the idea of leveraging global resources while at the same time realising personal values.

Literally, *Ren* refers to employees; *Dan* refers to user value; *HeYi* refers to the integration of employees' value realisation and users' value creation. Where there is *Dan* there is *Ren*.

For this reason, in carrying out the transformation of Haier we removed the whole middle management level. Ultimately, the enterprise will become a networked organisation where there are only three kinds of people: the platform owner; the microenterprise owner; and the maker.

GF: And how does that impact on employees?

People are no longer passive executors but self-motivated individuals who are "self-employed, self-organised and self-driven".

This model has been replicated and recognised globally because people all over the world want to realise their own values. Its achievements originate from the stimulation of personal values by the *Rendanheyi* model.

We call it a "salad culture system", which respects the cultures of every country while being unified. It's like a salad in Western food. Vegetables keep their original shape but salad dressing is a unifying factor.

GF: Another central philosophical maxim, is that successful companies always move with the times?

Haier has always believed that there is no such thing as a successful company; there are only companies that move with the times. Haier adheres to self-critical and self-denial so as to keep pace with prevalent trends

Many enterprises have a core competitiveness and have become industry leaders. But times have changed. If you cannot dynamically update the core competence, then extinction will follow. David J. Teece, the renowned US-based organisational theorist, has said that enterprises should have "dynamic capabilities", that is, the ability to update their core competitiveness.

Haier's development process embodies Professor Teece's ideas. Haier constantly changes its internal organisational structure and changes with the times.

GF: What do you see as the next big technological breakthrough?

The "Internet of Things" is the next big economic event after the internet itself. Competition among enterprises will be competition between ecospheres.

At present, ecommerce is a platform that hardly meets the personalised needs of users. The ecosystem that Haier is building is in harmony with the social, shared and experiential economies embodied in the Internet of Things. It can meet the all-round personalised needs of users. Haier will no longer be a manufacturer of home appliances but a service provider of solutions for users.

For example, our washing machine is no longer just for washing clothes. After becoming a "networked appliance", it can influence brands of detergents, clothes, industry associations and so on, jointly forming a clothing network where all related parties provide users with washing, caring, purchasing and other all-round service experiences.

Every player is no longer joining a zero-sum game but is joining a co-creating and win-win ecosystem.

With the Internet of Things we will usher in an era of "personalised customisation" or "community manufacturing". We have built an industrial networked platform, COSMOPlat, through which users can participate in the production process through the community, thus achieving "mass customisation".

In international standard organisations such as IEEE, ISO and IEC Haier is taking the lead in the development and establishment of international standard for a mass customisation model.

Although Germany and other leading countries

71%

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GF: And will management education, a key concern of EFMD, be brought along with this?

Like management, management education should also adapt to the changes in the internet age. The internet has led to a transformation from linear into non-linear management and from mass production to mass customisation in businesses. This change has brought new challenges to management education, rendering the type of programmes designed for linear management irrelevant in the context of non-linear management practices. In this new era, management education needs to encourage hands-on engagement in new management practices by students, rather than just having them learn about the success stories of the past.

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GF: Finally, do you have any advice for today's managers?

Haier's *Rendanheyi* reverses the traditional concept of the economic person and the social person and redefines employees as self-motivated people.

Rendanheyi thinks that employees can create values for customers by themselves and realise their own value at the same time. I think this is an important reason for the high recognition of this model in the academic world of global management.

As I said, the Internet of Things is the next big economic activity following the internet. Many people think that the Internet of Things is artificial intelligence (AI). But actually, we should see AI as not the end but the basis of the Internet of Things.

The supportive technology of the Internet of Things will be AI but it doesn't mean that if we have the Internet of Things we have AI. AI is just the technology supporting it.

We need "nodes" to feel users' emotions and demands. These nodes are people. No matter how the technology develops, people should always be first. But the talents in the future must not only be from enterprises – the world is my human resource department. Come to the internet and integrate the talents we need. All the talents should work together to create the best user experience and user values.

As the *I Ching (Book of Changes)* says, the only constant is change. The only thing we can do is to embrace change and move with the times.

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