

# ***Research on Enterprise Management Strategies in the Digital Era: A Case Study of Haier's "Rendanheyi" Model***

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**Abstract:** In recent years, with the continuous advancement of science and technology, emerging technologies such as artificial intelligence have led to significant breakthroughs. At the enterprise level, the digitalization of work and production processes has consequently improved. However, the increase in digitalization has brought new challenges and difficulties to enterprise management. This paper takes Haier as an example to study the challenges brought by digitalization in management organization and the ways to improve. The challenges of digitalization lie in the surge in personalized demands and the higher requirements for employees. Through an analysis of the "Rendanheyi" model, it is revealed that enterprise management models should focus on flexibility, stimulate employee initiative, and emphasize communication with customers.

**Keywords:** SWOT, Digitalization, Haier, Rendanheyi, Business Model

## **1. Introduction**

Haier's enterprise management has always been a focus of academic research. For example, Li Jiaolong's Research on Haier's Management Innovation analyzed Haier's management innovation and concluded the reasons behind Haier's success in overcoming big enterprise diseases lies in creation of models like organizational structures and process innovation [1]. Zhao Jianbo's *Management Imagery Leading Strategic Change: A Case Study of Haier's 'Rendanheyi' Win-Win Model* used case study methods to conclude that Haier promotes strategic change through the "Rendanheyi" win-win model, and the formation of management imagery and changes in organizational routines can effectively improve the efficiency of change implementation and promote the success of change through mechanism guarantees [2]. However, in the current digital context, Haier's management model presents new value, and research in this area is relatively insufficient. With the development of technology, emerging technologies such as the internet and artificial intelligence have reshaped the market landscape, making digitalization an inevitable stage for enterprise development. Digitalization brings opportunities for enterprise development while also significantly changing the overall industry landscape, posing more challenges to enterprise management. Previous studies have explored various successful enterprise management models, such as the American Total Quality Management (TQM) model and Japan's Toyotaism. However, traditional theories appear inadequate in addressing the challenges of the digital era. This paper centers on the recent developments and transformations of Haier's "Rendanheyi" model, utilizing it as a case study to explore viable pathways for enterprise management in the digital era, thereby offering a reference framework for similar enterprises.

## 2. Analysis of Challenges in the New Situation

### 2.1. Challenges of the Digital Era

The development of technology has sparked a wave of enterprise digitalization. Technologies like artificial intelligence, cloud computing, blockchain is reshaping many aspects of enterprises from production models to management models. From a production perspective, digital technologies enable enterprises to reduce costs, increase efficiency, and improve product quality. Due to the benefits of digitalization, Chinese enterprises are actively embracing digitalization. Accentures2024 China Enterprise Digital Transformation Index revealed that more Chinese enterprises has planned to increase investment in digital transformation and use technologies such as artificial intelligence for continuous transformation. According to Accentures report, nearly 60% of the surveyed enterprises indicated to increase investment in digital transformation projects in the coming year.

However, the digital transformation of production methods and the overall digital wave inevitably bring challenges. Digitalization has changed production models and the business environment, making traditional organizational and management models less adaptable. In the digital economy era, customers have access to more extensive information, because of the new media brought by digital technologies, such as short video platforms and internet TV, have become channels for enterprise promotion and marketing [3]. These changes require enterprises to use digital transformation to innovate marketing methods, enhance customer satisfaction, in order to achieve deep connections with consumers through precise data analysis and personalized customer interactions. Some scholars refer the digital era as an era of mass customization. Enterprises in the digital era need the ability to meet a large number of personalized and diversified demands. A company's innovation capability greatly influences its value, and the realization of this value is closely related to employee performance and corporate culture. Employee participation and contribution are key elements of successful digital transformation, and their innovative thinking and actions are the inexhaustible driving force for continuous enterprise innovation.

In addition, digital technologies have accelerated the pace of economy development by increasing information dissemination speed, production efficiency, and work flexibility. Various enterprises are implementing new strategies, intensifying market competition. In this context, the flexibility of company work must be improved to cope with the rapidly changing social situation.

Traditional enterprise management theories, such as the American Total Quality Management (TQM) model and Japan's Toyotaim, focus on product quality and employee participation. These traditional theories were significant for mass production but lack corresponding guidance for the promotion of digital technologies and mass customization. However, they are relatively insufficient in encouraging innovation and stimulating individuality in the digital era. Moreover, traditional theories are often based on experience and lack flexibility. Therefore, new management theories and organizational structures that adapt to the digital era are urgently needed.

### 2.2. SWOT Analysis

#### 2.2.1. Strengths

Haier's unique "Rendanheyi" model, which directly connects employees with user needs, has played an important role in digital transformation. This model is flexible, stimulates innovation within the organization, and has been improved to cope with new situations. Based on this, Haier has achieved a platform-based organizational structure—such as ecological micro-enterprises and chain group contracts breaking the traditional hierarchical system and enhancing organizational agility to meet the rapid changes of the digital era.

### 2.2.2. Weaknesses

The organizational structure is relatively decentralized, and coordination needs improvement. Additionally, during the organizational change process, some middle managers may resist due to the decentralization of power, affecting the progress of change.

### 2.2.3. Opportunities

In terms of production and organization, the maturity of technologies such as cloud computing, big data, and AI provides Haier with more efficient management tools. On the demand side, the rising demand for personalized and scenario-based services provides Haier with opportunities to optimize user experience through digital means. Furthermore, at a global level, flat and platform-based organizations have become the mainstream trend in management change. Haier's pioneering efforts in this area not only serve as a reference for other enterprises but also enhance its ability to attract top talent.

### 2.2.4. Threats

Domestic home appliance enterprises (such as Midea and Gree) are accelerating digital transformation and intensifying competitive pressure. Moreover, the exploration of cutting-edge technologies and the global economic situation also have uncertainties that may affect the transformation process.

## 3. Haier's Response to Digitalization: Rendanheyi

### 3.1. Operation and Change of the "Rendanheyi" Model

Although it has a long history, the unique "Rendanheyi" management model remains an important tool for Haier Group in facing the digital era.

Rendanheyi was first proposed in 2005. To put the Chinese word simply in English, it can be understood as Employee-Customer Integration. "Ren" refers to employees; "Dan" refers to customers, or more precisely, user needs. The model requires the firm to achieve a healthy integration of these two elements. Rendanheyi model requires employees to prioritize user needs and achieve their own value in this process, thereby increasing enterprise value and shareholder value [4]. In specific matters, this model empowers employees with the three key rights—decision-making, personnel, and financial rights—through the autonomous approach. In organizations, autonomous individuals organize themselves, leveraging their strengths to achieve "self-organization." The goal of this model is to maximize user value, with everything revolving around user needs and satisfying personalized user demands.

Based on its unique operating model, Rendanheyi has a distinct incentive mechanism compared to traditional enterprises. Employees' salaries depend on the value they create for the company and customers; the higher the value created, the higher the salary. Costs are determined by the enterprise, and salaries are distributed according to the proportion of employee contributions. Such a salary system incentivizes employees' work [5]. Haier also innovates in incentives with a compatible incentive mechanism, obtaining user evaluation information and using it as a performance evaluation standard, ensuring that employees' pursuit of personal value also promotes the maximization of enterprise value, achieving consistency between individual and overall value [6].

With the advancement of digitalization, Haier's Rendanheyi model has also been updated, proposing the 2.0 version. The main measures of the 2.0 era are the innovation and development of related concepts from 1.0. "Ren" has expanded from Haier Smart Home internal employees to all

those who can participate in business through competition, allowing market participants such as autonomous business units to participate in company business; Dan has expanded the concept of users, giving users the identity of prosumers, enabling users to have more influence on production and consumption [5]. To meet customer needs, achieve transactions with customers, and enhance customer experience, the source of product design has become the customer, and product value is continuously upgraded through the interaction between producers and users [7]. Through these changes, Rendanheyi 2.0 has become a platform ecosystem. Users, employees, suppliers, and other parties can co-create value on this platform and ultimately achieve co-creation and win-win.

Overall, since its inception, Rendanheyi has emphasized the initiative of Ren and the user value in Dan. With the advancement of change, the personal autonomy and user importance in this model have continuously increased.

### **3.2. Promotion of Digitalization by "Rendanheyi"**

Haier's unique Rendanheyi model has gained high recognition in the global management community, continuously leading enterprises in comprehensive digital transformation.

In terms of employees, the "Rendanheyi" model grants employees' significant autonomy, enabling them to use cutting-edge technologies; the unique incentive mechanism gives employees high motivation and the willingness to use these technologies. The decentralization of power also eliminates the need for reporting processes, giving Haier Group flexibility and efficiency in production and R&D work. From specific practices, the Rendanheyi model uses technologies such as the Internet of Things, Internet+, and big data to provide customers with seamless, instant, and zero-cost virtual reality experiences.

In terms of customer relationships, "Rendanheyi" also plays a crucial role. The digital era has elements of mass customization. Mass customization involves multiple interactions between customers and enterprise employees and leaders, with customers developing into long-term interactive users in the value creation process [8]. The Rendanheyi model uses new technologies to build an industrial internet platform, accurately grasping scenario needs while providing customer experiences, and also constructing a platform ecosystem, making it easier for customers to make demands and enabling all parties on the production side, including employees, to co-create value [9].

Employees' strong autonomy and appropriate communication lead to a result where products and services can be quickly iterated, adjusted, and improved based on user feedback and market changes. This rapid iteration mechanism allows innovation to be quickly implemented and validated. Haier Group's founder Zhang Ruimin once proposed: "Only what can self-evolve is an ecosystem, otherwise it is not." In Zhang Ruimin's view, just like the ever-evolving ecosystem of the Amazon rainforest, enterprise management evolution is endless. Digitalization is the obstacle Haier Group needs to overcome in its current evolution process, "Rendanheyi" is the driving force for self-evolution.

The reasonable use of Rendanheyi allows Haier to maximize its advantages in the digital era and also helps it seize potential opportunities. Facing weaknesses, Haier is enhancing coordination through the upgrade of the Rendanheyi model and the construction of a platform ecosystem. Given its direct engagement with customers, the model possesses a level of flexibility unmatched by traditional management frameworks, allowing Haier to navigate uncertainties in cutting-edge technological development and the global economy. Early start, new systems, and strong efforts also ensure that Haier does not fall behind its peers in the face of competitive pressure. As a testament to its success, Haier has been continuously selected for the "BrandZ Top 100 Most Valuable Chinese Brands" for 14 years, and Haier has been ranked as the "IoT Ecosystem Brand" for several years, reflecting the achievements in digitalization.

## 4. Conclusion

Digital transformation involves multiple aspects of society, changing the overall market landscape, demand side, production side, and company organization and management levels. For customers, the increase in digitalization means more information and richer choices, leading to more personalized demands. On the production side, changes in demand require digital means to respond, also imposing higher requirements on customization levels and innovation capabilities in production. The management model in the new context needs to meet more diversified demands and, in its own production and service processes, incentivize employees to use more advanced technological means.

In essence, the digital era is an era that values demand more and also places higher and more complex requirements on the supply side.

Facing these changes, "Rendanheyi" enlightens us in two aspects. First, to value the role of individuals, grant autonomy, and allow employees to make decisions and adjust strategies based on changes. Coupled with appropriate incentive mechanisms, this autonomy enhances motivation, increases flexibility, and aligns individual interests with organizational goals. Second, to value user value, strengthen communication in work, listen to demands, and allow customers to appropriately participate in the production process, achieving real-time direction adjustment. Additionally, it advocates for the development of a platform ecosystem that fosters co-creation and mutual benefit. These can provide enlightenment for enterprise management in the context of the digital era.

Nevertheless, this study primarily focuses on a single case, limiting the generalizability of its conclusions. Moreover, as Rendanheyi was conceptualized some time ago, certain aspects of the model may be constrained by traditional frameworks and less adaptable to contemporary challenges. Future research should incorporate a broader range of case studies to derive more comprehensive and nuanced findings.

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