# Haier: The Rendanheyi Revolution

How a 40,000-Person Manufacturer Dismantled Hierarchy and Reorganized into 4,000+ Autonomous Micro-enterprises

## Executive Summary

Haier, the Chinese appliance manufacturer, provides perhaps the most radical example of post-project organization. Under CEO Zhang Ruimin, Haier dismantled its traditional hierarchy and restructured into over 4,000 micro-enterprises, each operating as an autonomous unit. The transformation began in 2005 when Zhang, frustrated with Haier's bureaucratic sluggishness, asked a fundamental question: What if every employee were an entrepreneur?

## The Rendanheyi Model

The model is called 'Rendanheyi'—a Chinese term that roughly translates to 'alignment between the value created for users and the value received by employees.' It's not just a management philosophy; it's an entirely new organizational architecture.

### Micro-enterprises Replace Departments

Instead of functional departments reporting through hierarchies, Haier organized into small units of 10-15 people, each responsible for a specific customer outcome. A micro-enterprise might own a product line, a customer segment, or a capability that other micro-enterprises need.

### Internal Markets Replace Management Approval

When a micro-enterprise needs resources—engineering support, manufacturing capacity, marketing help—they don't submit requests through a hierarchy. They contract with other micro-enterprises in an internal market, negotiating scope and price. Market mechanisms coordinate what managers used to coordinate.

### Transparent Metrics Replace Status Reports

Every micro-enterprise's performance is visible to the entire organization—not through reports filed by managers, but through real-time dashboards showing customer outcomes, financial results, and operational metrics. Anyone can see how anyone else is doing.

### *Profit Sharing Replaces Salary*

Compensation is tied to the micro-enterprise's performance. If your unit creates value for customers, you share in that value. This alignment eliminates the need for managers to motivate and monitor—the incentive structure does it automatically.

## Results

There are no project managers in this model because there are no projects to manage. Instead, there are ongoing value streams—relationships with customers that teams continuously serve and optimize. Coordination happens through market mechanisms and shared platforms, not through hierarchical reporting.

• Haier has grown from a struggling state-owned enterprise to one of the world's largest appliance manufacturers

• Revenue increased from $18 billion to $35 billion since the Rendanheyi transformation began

• New product development time decreased by 70%

• Employee engagement scores are among the highest in Chinese manufacturing

What observers consistently report about Haier isn't the technology—it's the absence of the coordination overhead that characterizes Western enterprises. There are no status meetings filling calendars. No approval chains to navigate. No project managers coordinating between teams. The micro-enterprises simply coordinate themselves, using market mechanisms and shared information.

## Key Insights

Critics note that the model isn't easily replicated—it emerged from a specific cultural context and reflects decades of patient development. That's true. But it proves something important: coordination at scale doesn't require coordinators. Given the right structure, thousands of autonomous units can align their efforts without a middle management layer telling them what to do.

## Lessons for Other Organizations

• Market mechanisms can replace hierarchical coordination—internal markets align incentives automatically

• Transparency enables self-coordination—when everyone can see performance, coordination happens naturally

• Small autonomous units can scale—4,000+ micro-enterprises coordinate without central management

• Profit alignment eliminates need for monitoring—when compensation ties to outcomes, motivation is built-in

• Structure matters, but culture and context are essential—Haier's model reflects decades of development