

**The formation mechanism of entrepreneur strategy from
the viewpoint of organizational evolution:
Case studies of Ruimin Zhang and Jack Ma**

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**Josai International University Graduate School of
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Du Lina

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Contributors: Du Lina

Contact address: Tokyo minato-ku higashi shin-bashi 1-9-2, Shiodome Sumitomo
Building 16F

E-mail: dulina1226@hotmail.com

The introduction of author:

Du Lina

RSK Corporation, President.

Beijing Winhoo Group Co., LTD, CFO.

Josai International University, Graduate School of Management and Information Science,

Special Research Student in 2018.

Area of expertise: Finance

Abstract

With the continuous development of socialist economy in China, gradual acceleration of global economic globalization and upgrading of high-tech, enterprises are facing an increasingly complex and changing “super competition” environment. In the dynamic environment of rapid changes in the market, enterprises that seize the opportunity can quickly establish a competitive advantage in the emerging niche market, but may also be defeated by the latecomers who are better at using the opportunity in the extreme time. In the complex and changeable dynamic environment, the unchanging enterprises will be eliminated by the times eventually. Only by continuously adapting to the market environment and adjusting the strategic evolution of the enterprise, can the enterprise maintain its own sustainable development advantages and realize the considerable development of the company. With the development of enterprises, the environment of economy and market competition is also changing. The organizational and strategic objectives are constantly shifting. The roles of their leaders are starting to gain public attention. As the promoters of enterprise evolution, how to make enterprise organizations avoid the risks brought by uncertainty, and finally achieve the success of organization evolution, and obtain positive benefits, that is, to ensure the quality of organization evolution has become the most concerned topic.

The strategic choices of an enterprise reflect the values and cognition of its executive officers and play an important role in the construction of corporate management model, organizational performance and competitive strength. The leadership in organizational management affects the ideology of each participant in the organization and finally the development of the organization. The internet means much for corporate development. In the future, the development of enterprises will be inevitably correlated with network. In the internet industry full of competitions, Alibaba and Haier maintain a leading position in the Chinese market and have a certain status and influence in the international market. Alibaba group, as the representative of Internet enterprises, has a representative and typical development process, and its strategic layout has risen to the height of national strategy. Haier Group, as the

representative of household electrical appliances manufacturing enterprises, has a representative and typical development process, and its strategic layout also has a lot to learn. Jack Ma is the leader who arranges the strategies of Alibaba. His cognition is reflected in the strategies of the Group. Also, he is an “innovator of digital economy”. His ideas are highly praised by entrepreneurs, and he is a typical representative of Chinese entrepreneurs. At the same time, the success of Alibaba group founded by Jack Ma is a good model for the evolution of modern enterprise strategy. Zhang Ruimin is a strategic planner of Haier Group. His cognition is reflected in the strategies of the Group. He is not only the founder, chairman of the board of directors and chief executive officer of Haier Group, but also one of the top 50 thinkers in the world. He is a world-renowned enterprise management expert and a typical representative of Chinese enterprises. This paper takes the leadership of Alibaba and its leader Jack Ma and the leadership of Haier Group and its leader Zhang Ruimin as the research object, mainly analyzes the organizational evolution process of Haier Group over the years from the perspective of strategic leadership measurement and organizational evolution. There are many factors involved in the success of organization evolution. Nowadays, the concept of strategic leadership has been introduced into high-tech enterprises. How strategic leadership plays a decision-making role in organizational evolution has also attracted attention. In this paper, the theory and evolution of strategic leadership are briefly reviewed. In the process of organizational evolution, the process of organizational evolution is emphasized. In the theory of strategic leadership, the concept and evaluation criteria of strategic leadership are briefly introduced.

Using the case study method, this paper studies Haier, an outstanding representative of China's white household appliance industry, and Alibaba, an excellent representative of the internet industry. By collecting the typical cases of Haier and Alibaba, this paper describes the main evolution phases of both enterprises in different periods, studies the general process and growth mechanism of enterprises' strategic evolution, summarizes the driving factors and typical characteristics of the strategic evolution, probes into the issues that may occur in different phases and the behavior characteristics and strategies of strategic leaders. Also, it

makes a comparative analysis on the strategic evolution of Alibaba, an emerging enterprise that grows out of e-commerce, and Haier, a representative of traditional enterprises. Through comparisons, this paper seeks the common points of strategic evolution for both enterprises and those of behavior characteristics for both leaders so as to provide more enterprises with the universal experience that can be drawn for the implementation of strategic development.

Through the above analysis, the strategic leadership and organizational evolution model is proposed and is interpreted from two aspects.

This paper aims to find the application contexts of the western strategic leadership theory in China through case study of Chinese enterprises and creatively proposes the models of strategic leadership, organizational evolution and transformation.

Keywords: organizational evolution, organizational variation, strategic leadership, Haier, Zhang Ruimin, Alibaba, Jack Ma

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Abstract

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different phases and the behavior characteristics and strategies of strategic leaders. Also, it makes a comparative analysis on the strategic evolution of Alibaba, an emerging enterprise that grows out of e-commerce, and Haier, a representative of traditional enterprises. Through comparisons, this paper seeks the common points of strategic evolution for both enterprises and those of behavior characteristics for both leaders so as to provide more enterprises with the universal experience that can be drawn for the implementation of strategic development.

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Keywords: organizational evolution, organizational variation, strategic leadership, Haier, Zhang Ruimin, Alibaba, Jack Ma

1 Introduction

1.1 Background

Since the start of the new century, technology has led the rapid growth of society. Economic globalization and information diversification are bringing about unprecedented changes to us. However, as people increasingly rely on networking and digitalization in their life, subtle changes occur to both internal and external environments of enterprises. Also, as a double-edged sword, globalization causes serious threats to enterprises while providing opportunities to them. In such a fierce competition environment, Haier remains able to have a presence in global competition market and to maintain its reputation as an international brand. It has become one of the few companies that kept stood up till now. In 2012, Haier became the only enterprise that was selected by *Global Entrepreneurs* as a “China Best-performing enterprise” and ranked 2nd with its 31.3% return on assets in the sub-list of Best Asset Returns, which fully demonstrates the outstanding leadership management capability of the Group.

Haier’s success cannot be achieved without the strategies it has created and the changes of these strategies are mainly reflected in the following two aspects: first, corporate leaders’ capacity to sensitively capture the changes of the existing environment and to formulate the corresponding strategies based on their outstanding insights; second, the influence of environmental changes on the selection of strategies.

Since the 1990s, with the accelerating development of global economic integration, the various new technologies have developed rapidly, the new business models have emerged, and the information transfer process has undergone tremendous changes. As a result, the entire market environment is full of uncertainty, dynamics and complexity, which is completely different from the past competitive environment and is called by scholars "HyperCompetition". In this highly dynamic new environment, the diversification of users' needs is deepening, the speed of product renewal is obviously accelerating, and the frequency of replacement of old and new

technologies is faster. Therefore, enterprises seizing the opportunity may quickly establish the competitive advantages, but at the same time, may be defeated by latecomers in a very short time.

E-commerce, as an emerging industry, is in a typical "super-competitive" market environment. "The only thing that is unchanged is change" is a true portrayal of the development process of such enterprises. With the continuous changes of the market environment and the rapid development of information technology, the e-commerce enterprises have to face huge uncertainty, fuzziness and complexity, and the competition among enterprises is particularly fierce. Therefore, many enterprises disappeared in just a few years, but at the same time, there have been successful examples, including Alibaba and other enterprises, which created a different business model from the traditional industry.

The success of Alibaba Group depends on the correct strategic thinking and strategic choice of Jack Ma, the founder of Alibaba Group. Faced with a complex, ever-changing and uncertain market environment, only with a firm, effective and scientific strategic thinking, can we obtain sustained competitive advantage in the dynamic market environment. In an audio session, Jack Ma shared his enterprise development strategy - "Three Axes" (literally Sanbanfu), proposing mission, vision, values for strategy and talent, organization, and KPI for tactics. Mission is the meaning of the existence of an enterprise, vision is the stage goal of the enterprise, and values determine the system construction. The strategy should be supported by tactical measures, such as absorbing talents, adjusting organization and setting scientific and effective KPI according to the situation. Only by the perfect combination of strategy and tactics, enterprises can grow and develop continually.¹ Jack Ma emphasizes that the choice, change and development of enterprise strategy should be made after you think about three questions: what do you have, what do you want, and what can you give up. When Ali was founded, Jack Ma had two visions: Ali would run for 102 years and become one of the top 10 websites in the

¹ Liang Yue. Enterprise strategic management based on Balanced Scorecard [D]. University of foreign economic and trade, 2006

world.² Driven by the visions, with the rigorous and scientific strategic thinking, and under the guidance of tactics, Jack Ma always adheres to the direction of his own enterprise development. Facing the complex and ever-changing market, he constantly adjusts his strategy to restructure, renew, reconstruct and rebuild the resources and capabilities, actively develops various new opportunities and avoids market risks, in order to adapt to the changes of external environment and ensure the sustainable development of enterprises.

When Alibaba Group was founded, there were only RMB500 thousand of investment and 18 people who had nothing. Compared with the staff in other enterprises, they were only very sensitive to the subtle changes in the market, and could observe and get know the ever-changing market and make effective market strategy adapting to the dynamic environment. Most of the companies that fail to keep pace with the times, stick to convention, and don't make the right choices based on the reality, have been largely overwhelmed by historical floods, while Ali has emerged as a huge group that has changed the way people live. Therefore, how enterprises can ensure their long-term survival and development in a dynamic environment through strategic evolution has become an urgent problem to be solved in the field of strategic management.

The traditional strategic management theory is limited to the former background, and it overemphasizes the strategic analysis of how to maintain the competitive advantage of enterprises and ignores the problem of how to obtain and maintain competitive advantage in high-speed changing environments. At present, more and more scholars are aware of the shortcomings of the existing theories. They put forward the mode of enterprises to obtain sustainable competitive advantages in the dynamic environment, emphasize that enterprises should focus on cultivating "the ability to integrate, construct or reset the internal and external competitiveness to adapt to the ever-changing environment", thus forming a dynamic capability theory. The theory is still in the stage of theoretical construction and has not yet

² Chen Mengjun. Corporate governance under dual ownership structure [D]. Jiangxi University of Finance and economics, 2019

formed a unified theoretical system, but it provides a new perspective for the study of evolution process of enterprise strategy.

This paper probes into Haier's choices on strategic leadership strategies from the perspective of organizational evolution, introduces Alibaba, established by Jack Ma, for benchmarking analysis, finds an effective mechanism through which leadership acts on enterprises' strategic choices by analyzing the strategic changes of innovative and traditional enterprises in the changing market environment and provides a useful perspective of strategic leadership for the Chinese enterprises that are making explorations in the market and gradually expanding their development space.

1.2 Purposes and Significance of the Study

1.2.1 Purposes

In a stable environment, the management theory is mainly based on industrial economics. Traditional strategic decision-making focuses on how enterprises maintain their competitive strength and leaders make strategic decisions mainly based on their previous experience. With the development of technology and in-depth integration of global economy, enterprises are faced with complex and changing environment and there exists higher requirements for leaders. Leaders must predict the environment of their enterprises, follow the trend of the environment, make strategic decisions, and occupy the commanding height of strategies so as to fully grasp opportunities, exploit advantages, respond to threats and promote the gradual development of their enterprises. This paper mainly analyzes the influence of strategic leadership strategies on the development of enterprises in their evolution; reveals how strategic leaders interact with each other, make final decisions among choices and shift strategic decisions in response to changes in the context of organizational evolution and among external or internal environment changes; and finally pass the testing of the environment.

1.2.2 Theoretical significance

This study deepens the connotation of management cognition. Based on the previous researches, it analyzes the influence of strategic leadership strategies on the development of enterprises in their evolution, reveals how strategic leaders interact with each other, make final decisions among choices and shift strategic decisions in response to changes in the context of organizational evolution and among external or internal environment changes and finally pass the testing of the environment, and demonstrates the model for the interaction between strategic leadership styles and organizational evolution so as to further promote the in-depth integration of strategic decisions into management.

Leaders formulate strategies mainly based on their cognition of environment. It is of practical significance for exploring the acting mechanism of leaders' cognition and strategy formulation. That cannot only interpret why an enterprise gains success but also guide its leaders to conduct strategic management based on their specific cognitive logic. In the future, there would be undoubtedly various relationships between corporate business development and the internet. Thus, Alibaba, a representative internet enterprise, and Haier, a household appliance manufacturer, are studied. To explore the strategic cognition and decision-making mechanism of Jack Ma, the "innovator of digital economy" for the 40th anniversary of China's reform and opening up and the leader of Alibaba, and the strategic decisions of Zhang Ruimin, the leader of Haier, is of important implications and reference significance for other enterprises and leaders. The existing strategy management theory mainly introduces the formulation process of corporate strategies but studies less on the resources, competence and dynamic capabilities during enterprises' strategic evolution in the dynamic environment. Thus, the study on the strategies of Zhang Ruimin and Jack Ma fills the gap of theories to certain content and also finds the contexts of strategic leadership theories of the West in Chinese enterprises so as to demonstrate the feasibility of the western strategic leadership theory and the organizational

evolution theory in China.³

1.2.3 Practical significance

Currently, enterprises are facing a complex and erratic economic environment. Many enterprises become bankrupt as they are unable to withstand the testing of economic environment. Especially, small- and medium-enterprises survive within a short duration. A survey shows that about 1 million enterprises become bankrupt each year, two enterprises every minute on average. More than 80 million small- and medium-enterprises only have an average life cycle of 2.9 years. Not more than 7% of these enterprises survive for five years or longer and not more than 2% ten years or above. Besides, few enterprises can grow big and strong. Basically, small- and medium-sized enterprises experience the vicious circle of creation in the first year, earning profits in the second year and becoming bankrupt in the third year. Nevertheless, why some enterprises can gain a rapid growth and contribute their strength to China's economic construction in the adverse economic environment and what are the differences between the survived and bankrupt enterprises arouse our attention. The failure of enterprises is normally caused by their errors in decision-making. Essentially, the selection of different development directions by different enterprises is the result of leaders' decision-making.

Organizational evolution reflects leaders' strategic decision-making. To explore leaders' strategic decisions may help to essentially find the major factors for an enterprise's success and to provide guidance and reference for its management to formulate corporate strategic decisions in a complex and erratic environment.

Leaders are the ones who conduct management and make decisions. They exercise respective rights and duties and have certain management capabilities. Leaders and their skills play a decisive role in the operation of their organizations. Leaders' thinking is generally the direction

³ Zhang Sensen. Strategic leadership strategy research based on organizational evolution theory [D]. University of Electronic Science and technology, 2016

of corporate development. The leader of a competitive enterprise is not only a good manager but also an entrepreneur with entrepreneurial spirit. In a culture-focused enterprise, a culture would be established to increase the core competitiveness of the enterprise. Leaders' entrepreneurial spirit is the symbol of corporate culture and culture is the soil where organizational elements develop.⁴ So, leaders' entrepreneurial spirit just reflects their cognition and plays a vital role in management.

Based on the above analysis, it can be concluded that the entrepreneurial spirit of a successful leader in an enterprise can assist other leaders of the enterprise to make better decisions, better develop corporate culture and create a favorable environment for the survival of the enterprise.

1.3 Content of the Study

The theories of strategic leadership and organizational evolution are described. Based on the theories, the model for the interaction between strategic leadership and organizational evolution is established. According to Haier's phases of organizational evolution, the specific issues encountered by leaders in environmental changes and organizational evolution are analyzed; and the personal characteristics and leadership styles of strategic leaders in the organizational evolution of specific enterprises are refined. Finally, the effect and influence of strategic leaders' strategies in organizational evolution are summarized.

Key issues solved:

First, this study finds the contexts of strategic leadership theories of the West in Chinese enterprises so as to demonstrate the feasibility of the strategic leadership theory in the West and the organizational evolution theory in China.

Second, under the backgrounds of Haier's organizational reform process for five times and Alibaba's four key historical periods, this study analyzes how Zhang Ruimin and Jack Ma,

⁴ Li Yutong. Analysis of the current situation and Countermeasures of Chinese entrepreneurship [J]. Chinese market, 2017 (35): 164-165

two strategic leaders, adjusted their strategic decisions or management contexts and finally completed organizational evolution in the rapidly changing environment.

1.4 Methodologies and Sampling

1.4.1 Methodologies

The study direction of this paper was determined through study and analysis of Chinese and international situation. Relevant data for Jack Ma's strategic decisions on the development of Alibaba and Zhang Ruimin's strategic decisions on the development of Haier were obtained through books, new media and other forms. The theories of strategic leadership and organizational evolution are described. Also, based on the theories, a model for interaction between strategic leadership and organizational evolution are established. The methodologies adopted in this paper are as follows:

Literature review: This paper initially proposes the acting model of strategic leaders on the organizational evolution process by reviewing a large number of data and literatures on the theories of strategic leadership and organizational evolution and adopting scientific ideas of study and framework structure. The information was mainly collected from online resources, newspapers, magazines, books and specialized literatures, etc.

Case study: As two Chinese enterprises that are famous in the world, Haier and Alibaba are highly representative in the development of each stage, from which the cycle of enterprises' organizational evolution can be discovered. Different from leaders of other enterprises, Zhang Ruimin and Jack Ma, leaders of Haier and Alibaba, are typical strategic leaders. Based on the above reasons, this paper studies Haier and Alibaba as well as their leaders Zhang Ruimin and Jack Ma, which is of practical value for the strategy selection of strategic leaders based on organizational evolution cycle. By introducing the reform stages of Haier and Alibaba, this

paper probes into the management styles and characteristics of Zhang Ruimin in different stages of Haier, as well as the strategy selection of Zhang as a strategic leader and his influence during the organizational evolution process.

Combination of theory and practice: In terms of theory, this paper sorts and summarizes the literatures regarding the theories of strategic leadership and organizational evolution and proposes the topics of study in this paper based on relevant available data and literatures collected. In terms of practice, by focusing on the conditions of Haier and Alibaba and combining the management experience, this paper analyzes leaders' strategies from the perspective of corporate managers. In terms of data collection, most data were derived from the second-hand data that was directly collected or obtained through summarization and analysis. The data was collected from corporate websites and financial statements of listed companies, which is true and reliable and provide support for the results of this study.

1.4.2 Sampling

This paper studies Haier, an outstanding enterprise and even leader of the white household appliance in China, and Alibaba, a representative internet enterprise. Haier is a company that benefits from reform and the contribution of Zhang Ruimin, its CEO, to the success of Haier cannot go unnoticed. Many of his management concepts and methods have been studied by Harvard University as cases. As CEO of Haier, Zhang Ruimin is different from traditional transformational leaders. He is able to adopt different reform strategies at different times and produce different results that adapt to environmental changes. Alibaba is a representative of internet enterprises. It cannot rise successfully without the correct strategic thinking and strategy selection of its founder Jack Ma. Under the complex, erratic and uncertain market environment, only the firm, effective and scientific strategic thinking can contribute to the sustained competitive strength in the dynamic market environment.

In this paper, Haier and Alibaba are selected as cases for discussion. Generally, three aspects are mainly measured. First, Haier and Alibaba are typical in organizational reform and each

reform has detailed data for reference and analysis. Second, Zhang Ruimin and Jack Ma, leaders of Haier and Alibaba, are strategic leaders with outstanding personalities. The different strategies adopted by them in different phases of the organization can be used to verify the influence of strategy selection and application methods of strategic leaders under the context of organizational evolution. Third, the enterprises founded for ten years or above are selected as samples. During such period, the leaders' strategic decisions were stable. Also, it is required in the case study that sample enterprises are typically representative. Based on the above, this paper studies Alibaba and Haier. There has been no major change that occurred to the leaders of Alibaba and Haier since their founding and the strategic decision-making are highly continuous.

1.5 Architecture of this Paper

The analytical framework may be divided according to the following steps: from theories to cases, model proposing and case study, and into five chapters:

Chapter I: introduction. This chapter will propose the topics of study, select samples and introduce the background of topic selection as well as significance, content and method of study, etc.

Chapter II: literature review. This chapter will introduce the theories of strategic leadership and organizational evolution based on related literatures. For strategic leadership, the measuring models of Makri and Scandum are mainly described. And in the theories of organizational evolution and reform, the motivations for organizational evolution and context changes, as well as the routes for organizations' inertial search are mainly described.

Chapter III: This chapter will propose leadership styles and the organizational evolution model, and make explanations by reviewing theories.

Chapter IV: Cases and their analysis and summarization. This chapter will systematically

describe the development history of Haier. By describing the performance of leaders in different organizational evolution stages, this paper analyzes the strategies of Zhang Ruimin, as a strategic leader, in different organizational evolution stages and their influence.

Chapter V: Summary and prospect. This chapter will give a brief overview of the main purpose and points out the issues and directions for further research.

2. Literature Review

2.1 Review of Strategic Leadership Researches

2.1.1 Concept and characteristics of strategic leadership

2.1.1.1 Concept of strategic leadership

The concept of strategic leadership originates from leadership theories. In the early days, most leadership theories, such as management grid theory, contingency theory of leadership, are classified into the supervisory leadership theory. This kind of theory is mainly centered on the interpersonal relationship or task orientation of leadership. Its main purpose is to offer help in work and emotion, including guidance, support and feedback. For example, leaders need to give guidance and support to their subordinates in work and emotion and receive corresponding feedbacks⁵.

In 1984, Hambrick and Mason proposed the high-order theory. According to the research results, the business performance of an enterprise fully reflects the values and cognition of its corporate managers. The characteristics of leaders of an enterprise are closely correlated with

⁵ Yukl. Leadership in organizations. Gary A. Yukl. (1998).

the business results of the enterprise (Hambrick and Mason, 1984)⁶. Since then, researchers have started to associate the executive officers of enterprises and their behaviors with the business results of these enterprises for empirical research.

Effective strategic leadership determines an organization's strategic aim and mission, which in turns determines the formulation and implementation of strategies and other strategic actions. Strategic actions determine strategic performance, which is the specificity of strategic aim.⁷ In other words, the leaders they understand are strategic decision makers and strategists.

From the perspective of leadership, there must be strategic leaders where there is leadership. Through in-depth analysis, a strategic leader is a top leader who is responsible for determining the development directions and long-term development objectives and promoting the realization of the objectives of an organization⁸.

Initially, researchers defined strategic leaders (corporate directors or CEOs) by using their characteristics, described and interpreted strategic leadership by using the personal characteristics of strategic leaders. However, with the further advancement of research, the focus of strategic leadership was shifted to the functions and characteristics of influence over strategic decisions in the late 20th century. And the most recognized definition was proposed by Ireland and Hitt in 1995⁹.

The definitions of strategic leadership for different stages are listed as follows:

Year	Researcher	Definition
1996	Finkelstein&Hambrick	The strategic leader and executive officer team can be described from the perspective of organizational operation.

⁶ Hambrick, Donald C., and Phyllis A. Mason. "Upper echelons: The organizations as a reflection of its top managers." *Academy of management review* 9.2 (1984): 193-206.

⁷ Hitt, Ireland, Hoskisson. *Strategic Management: Competitiveness and Globalization*

⁸ Leadership Topic Team of the Chinese Academy of Sciences, Huang Guoqing, Miao Jianming. "Research on Strategic Leadership Models." *Leadership Science*, 3(2009): 4-7.

⁹ Ireland, R. Duane, and Michael A. Hitt. "Achieving and maintaining strategic competitiveness in the 21st century: The role of strategic leadership." *The Academy of Management Executive* 13.1 (1999): 43:57.

1997	House&Aditya	Goals, significance and guidance are the aspects strategic leaders need to develop.
1999	Ireland&Hitt	A strategic leader accurately predicts market changes, proposes vision and makes strategic considerations outside the company and may unite employees to launch
2000	Boal&Hooigberg	The organizational evolution process requires the continuous attention and active promotion of goals by strategic leaders.

Table 2-1-1 Strategic leadership definition list

Source: W.Glenn Rowc (2001)

2.1.1.2 Characteristics of strategic leaders

In an organization, strategic leadership is not only the pure management capacity but also strategic decision-making capability and influence over persons.

First, from the perspective of managers' capabilities, the research on strategic leadership mainly focuses on how the personal characteristics, strategic leaders (or executive officers of an organization, such as CEO, directors and so on), ways and content of act influence the organization's output (Fredrickson & Mitchel, 1984)¹⁰. The objects of research may be in diversified, such as CEO, executive officers or groups like Board of Directors (Hambrick, 1989).

In the strategic management field, the strategies of an organization and their effectiveness are mainly integrated from techno-economics factors. And the flow of information and decisions are considered as main factors for strategic management and is separated from the personnel who participate in strategic management.

Also, the leadership characteristics of a strategic leader are mainly reflected in his/her responsibility for the operation of the entire organization¹¹. A leader must make fast strategic decisions and develop suitable organizational structure and control system in response to the

¹⁰ Frederickson, James W., and Terence R. Mitchell. "Strategic decision processes: Comprehensiveness and performance in an industry with an unstable environment." *Academy of Management journal* 27.2 (1984): 399-423.

¹¹Hambrick, Donald C., and Phyllis A. Mason. "Upper echelons: The organization as a reflection of its top managers." *Academy of management review* 9.2 (1984): 193-206.

complex internal and external environments. That means that leadership should go beyond the leadership work in a simple sense and be considered in a corporate environment. Different leadership styles are exhibited through internal and external active communications. It is important to develop the strategic decisions of different leadership styles.

Second, in terms of the influence of a leader, the leader may urge his/her employees to complete work more effectively so as to guarantee the long-term capacity of the enterprise to survive and gain profits (Rowe, 2001) ¹².

<ul style="list-style-type: none"> ● Combine the characteristics of management and visionary leaders
<ul style="list-style-type: none"> ● Make value-based decisions while emphasizing behavioral ethics V assume the responsibilities of daily supervision and management as well as long-term strategy formulation
<ul style="list-style-type: none"> ● Formulate and implement strategies in response to short-term impacts; establish long-term goals so as to promote the survival, development and long-term vitality of companies V obtain strong and positive expectations towards work performance from their supervisors, colleagues and subordinates and themselves V apply strategic and financial control, especially strategic control
<ul style="list-style-type: none"> ● Use and exchange implicit and explicit knowledge and combine linear and non-linear thinking modes between individuals and organizations
<ul style="list-style-type: none"> ● Strategic decisions shall be resolutely implemented once made.
<ul style="list-style-type: none"> ● Combine the characteristics of management and visionary leaders
<ul style="list-style-type: none"> ● Make value-based decisions while emphasizing behavioral ethics V assume the responsibilities of daily supervision and management as well as long-term strategy formulation
<ul style="list-style-type: none"> ● Formulate and implement strategies in response to short-term impacts; establish long-term goals so as to promote the survival, development and long-term vitality of companies V obtain strong and positive expectations towards work performance from their supervisors, colleagues and subordinates and themselves V apply strategic and financial control, especially strategic control
<ul style="list-style-type: none"> ● Use and exchange implicit and explicit knowledge and combine linear and non-linear thinking modes between individuals and organizations

Source: W.Glenn Rowe (2001)

Table 2-1-2 Characteristics of strategic leaders

¹² Rowe, W. Glenn. "Creating wealth in organizations: The role of strategic leadership." The Academy of Management Executive 15.1 (2001): 81-94.

The opinions of some other leaders on strategic leadership are also listed in Table 2-1-3:

Year	Researcher	Opinion
1981	Hambrick	The leadership rights of strategic leaders will increase as they continuously deal with the major links to be responded to in the context of environmental changes.
1994	Heller	Strategic leadership is reflected not only in the research on innovative products but also the ability to establish a good, organic and decentralized organizational
1995	Arnott	A strategic leader seeks to determine the development direction for the organization in a timely manner
1996	Zaccaro	A strategic leader formulates decisions for the future of the organization and exchanges ideas with peers
1999	Ireland&Hitt	A strategic leader is able to establish a grand vision for the organization and lead members of the organization to realize the vision.
2001	Boal&Hooijberg	A strategic leader develops organizational goals and strategies, develop the organizational structure and work flow, and build the core competence of the
2002	Cogliser	The tasks of CEO and executive officers are to develop and implement strategic decisions and then to motivate the managers and common employees at the
2006	Wang Hui	The characteristics and behaviors of Chinese strategic leaders are: sensitivity to the environment, motivator, analyst, interpersonal relationship, charm, creativity

Table 2-1-3 Opinions of some other leaders on strategic leadership

Source: W. Glenn Rowe (2001)¹³

2.1.2 Researches and measurement regarding strategic leadership

2.1.2.1 Researches regarding strategic leadership

During the 1970s and 1980s, scholars held different opinions on the relationship between corporate performance and leadership behavior. Those who support leadership theory believed that the quality of organizational performance was mainly derived from leaders (Child, 1972; Day & Loul, 1988; Thomas, 1988). And those who doubt about organizational sociology believed that organizational performance was mainly derived from environmental and

¹³ Rowe, W. Glenn. "Creating wealth in organizations: The role of strategic leadership." The Academy of Management Executive 15.1 (2001): 81-94.

organizational factors and the influence of leaders on the performance was far from enough (Harman & Freeman, 1977)¹⁴. Meindl, Ehrlich & Dukerich (1985)¹⁵ even believed that the proposition that corporate performance was affected by leadership was not tenable because no research conclusions can evidence and support the opinion. In order to refute the doubts about the opinion of leadership, scholars put forward the concept of strategic leadership. Hambrick targeted the research objects at senior executives of companies by using the demographic method, which is called "high-order management leadership" theory. The theory insists on that enterprises are faced with quite complicated situation and a lot of information requires decision-makers to choose in it. The resources and opportunities in the environment are no longer part of the organizational structure and strategy to some extent but depend on the ability of decision-makers to recognize environmental changes. Eventually, the organization's external environment characteristics and organizational values can be reflected from the behavior and output of the organization and reflect the personal characteristics of strategic leaders in the organization more¹⁶.

A large number of new leadership theories have been derived from the high-order theory. It is not difficult to find according to the definition of strategic leadership given by Ireland & Hitt that strategic leadership focuses more on the importance of vision, which causes influence over the structure and performance of the organization. Thus, the research on visionary leadership has been generated. In this research, leadership is defined as an ability to obtain the cooperation from others. It is believed that a corporate manager should establish a shared inspiring vision in order to respond to environmental changes¹⁷. The new leadership theory emphasizes the vision and its impact on organizational process and result and believes that leaders can confer the meaning of work to their subordinates by means of freedom and self-

¹⁴ Hannan, Michael T., and John Freeman. "The population ecology of organizations." *American journal of sociology* (1977): 929-964.

¹⁵ Meindl, James R., Sanford B. Ehrlich, and Janet M. Dukerich. "The romance of leadership." *Administrative science quarterly* (1985): 78-102.

¹⁶ Wang Hui et al. "Strategic Leadership Behaviors and Organizational Operation Effect: Intermediary Role of Organizational Culture." *Management World*, 9 (2011): 93-104

¹⁷ Bennis, W. G., and B. Nanus. "Leaders." (1985).

realization, etc. By obtaining effective information with in-house employees, strategic leaders create the future development prospect of companies based on the above and finally formulate the strategic goals and directions of companies so as to enhance their advantages and respond to the flexible market and technical environment. The role and effect of vision in strategic leadership requires a further systematic analysis.

In addition to the company's grand vision and strategy, leadership shall also be accompanied by subordinates' behaviors. A leader should have a unique way of attracting subordinates so that subordinates maximize their due capabilities. On such basis, a number of scholars that were represented by House made research on the charismatic leadership theory around 1976. They believed that the influence of these leaders on the behaviors of subordinates was mainly derived from personal charisma. A charismatic leader should have great power, confidence, force to dominate, conviction and firm ethics in order to ensure subordinates' follow-up; be good at proposing imaginative grand goals and expressing his/her firm value with himself/herself as example (Wu Min, 2005) ¹⁸.

In his book on strategic leadership, Burns divides the behaviors of strategic leadership into transformational and transactional behaviors. A transformational leader tends to pay more attention to the personal interests of his/her subordinates, which is mainly derived from the theory of social exchange. And a transactional leadership tends to inspire his/her subordinates by various means more. The roles of both leaders have been demonstrated in quite many researches.

There are two important factors that constitute transactional leadership: 1) establishing a perfect reward system and inspiring subordinates through immediate exchange; 2) clear leadership: a leader should, as practically as possible, try to meet employees' needs, arrange detailed tasks and directors for subordinates, urge employees' work progress and represent the exchange between task orientation and employees' demands. If subordinates fail to satisfy

¹⁸ Wu Min et al. "Comparative Research on Transactional Leadership, Transformational Leadership and Parental Leadership Behaviors." *Science Research Management*, 28.3 (2007): 268-176

expected standards, the leader will take remedial measures (Bass, 1998)¹⁹.

Transformational leadership continuously motivates employees through ideals and moral values so that employees seek more corporate benefits for the company while improving their values and employees and the company may witness a win-win scenario (Burns, 1978)²⁰. With the in-depth of research, researchers found that transformational leadership helps to plan and organize a good vision in a visionary way and continuously inspire employees to increase their potential by describing vision for employees and help the organization to gain benefits (Burns, 1997)²¹.

2.1.2.2 Measurement of strategic leadership

The traditional strategic leadership scale is mainly derived from the research of Bass (1988)²². In fact, there are not many empirical researches on strategic leadership in the current period. Most of these researches are based on the multi-factor leadership questionnaire (MLQ) and measure strategic leadership by using the transformational leadership or transactional leadership scale (Chen Lu, Yang Baiyin, Jing Runtian, 2015)²³.

The characteristics of transformational leadership cover four dimensions, namely idealized influence, motivational incentives, intellectual stimulation and personal care, and are measured by using 12 questions. The four dimensions are explained in details as follows:

Idealized influence: A leader has strong capabilities and powerful influence, which can increase employees' confidence in him/her and enable employees to follow him/her willingly.

¹⁹ Bass, Bernard M. Transformational leadership: industrial, military, and educational impact. Lawrence Erlbaum Associations, 1998.

²⁰ Seligman, Lester G. "Leadership. By Burns, James MacGregor. (New York: Harper and Row, 1978. "American Political Science Review 74(1980).

²¹ Burns, Robert Bounds. Introduction to research methods. Addison Wesley Longman, 1997.

²² Hater, John J., and Bernard M. Bass. "Superiors' evaluations and subordinates' perceptions of transformational and transactional leadership." Journal of Applied psychology 73.4 (1988): 695.

²³ Chen Lu, Yang Baiyin, Jing Runtian. "Strategic Leadership and Creativity of Executive Team Members: High-tech Enterprise-based Empirical Analysis." Business Review, 3 (2015).

Motivational incentives: A leader has firm ideals and beliefs. His/her confidence and beauty can influence employees, confer employees challenging work and skills, and inspire the internal motivations of subordinates so that employees serve their organization better.

Intellectual stimulation: A leader encourages employees' innovation, establishes a quality innovative enterprise culture and is ready to propose reform insights after obtaining a further understanding of the organization. Employees' self-enthusiasm is greatly encouraged. The leader takes a positive attitude towards the feedbacks from employees and focuses on the improvement of employees' ability to analyze and solve problems.

Personal care: A leader can coach, promote and support employees according to their differences in capabilities and needs, and focuses on the personalized needs and capacity development of employees, such as helping employees to review and improve work flow and improving the sense of fulfillment (Liu Hui, 2013).

The characteristics of transactional leadership cover two dimensions, namely contingent reward and exception management and are measured by using six questions (see Table 2-1-4).

The two dimensions are explained in details as follows:

Contingent reward: trust of leaders on employees, commitment of cash bonus and provision of more opportunities and space for promotion.

Exception management: A leader gets active involvement in organizing employees' tasks, seeks deviations against organizational rules and standards and takes measures before or after the events for positive corrections.

Variable	MLQ dimension	Index
Transformational leadership	Idealized influence	CL1: The persons around him/her are passionate about the tasks that he/she is allocated; CL2: I totally trust him/her, my leader; CL3: The employee X is encouraged to express his/her ideas and views.
	Motivational incentives	IM1: He/she motivates, inspires and encourages us; IM2: He/she can stimulate and win the loyalty from his/her subordinates; IM3: He/she can stimulate the loyalty of employees towards the company.
	Intelligent stimulation	IS1: His/her ideas have forced me to reconsider some of my views and have never been challenged by me before; IS2: He/she is able to inspire me to consider some previous problems by using some new methods; IS3: He/she provides new methods for me to view things, about which I have initially felt puzzled.
	Personal care	IC1: He/she has noticed the employees who have seemed to be ignored by us and given personal care; IC2: He/she can sense what I need and try his/her efforts to help me get it; IC3: When you complete a task quite well, you may expect praise from him/her.
Transactional leadership	Contingent reward	CR1: If I want remunerations from him with my efforts, he/she will tell me what to do; CR2: My efforts and contributions to the teamwork are closely correlated with the remunerations and rewards I gain; CR3: Whenever I am, I can negotiate with him/her on remunerations according to the content of tasks I finish.
	Exception management	MBE1: He/she just intends to learn from me about the information that absolutely relates to work without asking other information. MBE2: It doesn't matter if I take active initiatives but he/she does not encourage me to do so. MBE3: He/she just tells me what I need know when I do my work.
	Permissive management	

Table 2-1-4 Traditional strategic leadership scale

Source: Bass (1985,1998)

Although MLQ reflects the characteristics of strategic leadership to some extent indeed, it is greatly challenged under the current social conditions.

On the one hand, the innovative value chain plays an increasingly important role as the society develops. But MLQ is unable to capture the behavior characteristics of CEO in this dimension; on the other hand, the utility of the MLQ scale is also greatly challenged (Tejeda, Scandura, & Pillai, 2001)²⁴. That is because its effectiveness of judgment is not shown in a series of researches. Thus, none of the MLQ theories is applicable to a CEO, especially the measuring criteria for the CEO of a high-tech enterprise.

To respond to the doubts about the measuring method, Makri and Scandura introduced two leadership concepts, namely creative leadership and operational leadership.

Creative leadership reflects the ability of a CEO (executive team) to build a new knowledge system, commercialize the original knowledge and gain benefits therefrom. And operational leadership reflects the ability of a CEO to explore new growth paths and develop the existing routes by redefining and expanding the borders of its company so as to produce new products or market segments (Makri & Scandura, 2010)²⁵. There are six questions for the measuring criteria, three questions for operational leadership and three questions for creative leadership (see Table 2-1-5).

Variable	Dimension	Index
Strategic leadership	Operational leadership	CEO focuses on the opportunities of the company in terms of technology, policy, economy, social culture, population and law.
		CEO pursues diversified business operations through various methods
		CEO focuses on the impacts of communication ability on the external environment (media, consultant, government, supplier, alliance)
	Creative leadership	CEO encourages risk bearing and non-traditional behaviors
		CEO mainly focuses on human capital

²⁴ Tejeda, Manuel J., Terri A. Scandura, and Rajnandini Pillai. "The MLQ revisited: Psychometric properties and recommendations." *The Leadership Quarterly* 12.1 (2001): 31-52.

²⁵ Makri, Marianna, and Terri A. Scandura. "Exploring the effects of creative CEO leadership on innovation in high-technology firms." *The Leadership Quarterly* 12.1 (2010): 75-88.

		CEO focuses on the development of social capital, such as the widespread network of interpersonal relationship.
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Table 2-1-5 Strategic leadership measuring indexes

2.2 Organizational Evolution Theory

2.2.1 Concept and characteristics of organizational evolution

The organizational evolution theory is a comprehensive theory about mutual reference and learning of various disciplines. It is mainly used to study how to form organizational variations by taking corresponding strategies and actions in response to the opportunities and threats of internal and external environments so as to increase the survival rate of organizations. In the early 1960s, the view of "adaptation" for organizational evolution was proposed. The view emphasizes that an enterprise is able to actively adapt to external environmental changes and adopt corresponding strategies and actions. The theory mainly focuses on the characteristics of organization founders. With the deepening of research, especially in the 1970s, when the perspectives of sociology and economics were introduced, the contradictory "selection" view emerged. The view emphasizes the mechanism of organization selection by the environment. It is believed that an organization has a strong structural inertia; it is difficult to make active changes due to the constraints of internal and external factors; and its evolution depends purely on the environment selection in market competitions. Although the first two theories are often described as two completely opposite theories, experts have tended to integrate both theories in recent years. So, the new view of co-evolution has emerged. It is believed that it is impossible that both adaptation and selection act separately during the process of organizational evolution but jointly act on the new organizational form that is applicable to external environmental changes and internal competition changes.

2.2.1.1 "Adaptation" view for organizational evolution

Established in the early 1960s, the organizational evolution theory is mainly based on the perspective of adaptation. It is believed that organizations can actively gain insights of external

environmental changes and adopt appropriate strategies and actions. Scholars have created different theories from different perspectives.

The contingency theory believes that an organizational structure should match the environment; different environments should correspond to different organizational structures; and the environment features rapid changes and uncertainties, etc, which can create limitations and opportunities for organizational evolution. An organization should finish matching at least from two perspectives: first, the sub-unit structure characteristics of the organization should be consistent with particular environmental needs; second, the overall model of the organization should be consistent with the overall conditions of the environment. A successful organizational form depends on the understanding, attitude and behavior of executive officers towards the environment and their adoption of suitable organizational forms so as to match the corresponding environmental characteristics.

However, according to the resource endowment theory, it is believed why organizations are different lie in the special nature of the resources owned by organizations, especially the external uncertainties caused by important and rare resources. It is required that organizations should solve the problems of origins and uncertainties of external resources through merger, acquisition and cooperation so as to adapt to the changes of external environments²⁶.

Joseph Schumpeter proposed the theory of entrepreneurial spirit and emphasized the important role of entrepreneurs for organizational evolution. He believed that the self-confidence and foresight of entrepreneurs could enable them to make clam and outstanding analysis and judgments in response to the current competition situation and environmental changes and make history under the adverse environment²⁷.

The focus on organizational environment should not be placed on the surface of technical

²⁶ Gao Rui. Suggestions on the Development Strategy Research Policies Based on the Resource Endowment Theory [J]. Management & Technology of SME (Issue for the First Ten Days), 2009 (02): 77.

²⁷Liu Zhiming, Wang Di. Transformation of Joseph Schumpeter's Entrepreneurial Spirit [J]. Review of Evolutionary Economics and Economics of Innovation, 2017 (01): 33-41

environment but also on institutional environments more, or the social fact that the legal system, cultural expectation, social norm, perceptions and system, etc. are widely accepted by the public. The organizational evolution theory based on such perspective is also called institutional theory²⁸.

Organizational learning theory holds that organizational learning is the repetition and modification of organizational practices. In case an organization is at a disadvantage in market competitions, it must change the existing inertia to adapt to the pressure from market competitions (Liu Yongai, 1999)²⁹. Organizational learning can be divided into forward search and backward search according to the time when the organizational practices are searched. Forward search mainly relates to the cognition of leaders and requires the provision of adaptive space for search and guidance on procedural knowledge; and backward search relates to experience-based search and mainly seeks solutions based on the data that previously emerged in history (Zhang Huanyong, 2007)³⁰.

2.2.1.2 "Selection" view for organizational evolution

Different from the "adaptation" view for organizational evolution, the "selection" view for organizational evolution does not recognize that simulation and conscious learning can reduce the probability of failure and death of organizations. The organizational ecology theory based on the perspective of sociology and the evolutionary economics theory based on the perspective of economics illustrate completely opposite opinions from other perspectives.

(1) Organizational ecology theory

By referring to the laws, characteristics and rules of Darwin's species evolution in the nature,

²⁸ Wei Wenchuan. Research on the Resources Configuration Process and Strategy Formulation Routes of Chinese Enterprises [D]. Huazhong University of Science and Technology, 2008.

²⁹ Liu Yongai. "A Brief Analysis of Enterprise Innovation from the Perspective of Economic Changes." Journal of Xi'an Shiyou University: Natural Science Edition, 3 (1999): 47-49.

³⁰ Zhang Huanyong. Research on the Relationship between Entrepreneurs' Competence and Growth [D]. Fudan University, 2007.

Hannan and Freeman explained in 1977 the differences of organizations from the perspective of organization groups. They believed why an organization could survive is due to the fact the organization is mutually adaptive to the environment where it survives³¹. The organizational form is affected by market competition and different environment and resource forms attract organizations to change together with them. Environmental selection becomes the ultimate force to cause organizational changes by replacing the adaptive adjustment inside organizations.

Under the theoretical scenario above, the evolution of a corporate organization mainly depends on two basic elements. First, the organization has evolutionary variation factors. For example, the organization may change due to the demand for change, i.e. finding new profit-earning points in the market. Second, there are also factors of change in the environment. In addition to the consequence of environmental effect, the influence of the organization on the environment shall also be taken into account. There are three dominating mechanisms in Darwin's natural selection theory, namely selection mechanism, genetic mechanism and mutation mechanism, all of which are perfectly incorporated into the theory of organizational evolution.

Organizational evolution does not refer to a local adaptive process, it refers to the process of substitution of one organizational form for another. Organizational evolution can be roughly divided into two means in terms of the pace of change, namely organizational structure mutation and gradual organizational change. The former mainly refers to the mandatory replacement of organizational structure. Those that exhibit gradual evolutionary changes are gradual organizational changes. In most changes, the evolution of organizational structure is a discontinuous mutation. No matter what kind of change, it's the result of the environment's demands on the organization³².

³¹ Hannan, Michael T., and John Freeman. "The population ecology of organizations." *American journal of sociology* (1977): 929-964.

³² Hannan, Michael T., and John Freeman. "The population ecology of organizations." *American journal of sociology* (1977): 929-964.

(2) Evolutional economics theory

The evolutionary economics theory does not answer the motivations for organizational evolution but elaborates in detail the development mechanism of organizational innovation. The core of the theory is usual corporate behaviors. According to Nelson and Winter (1982)³³, usual corporate behaviors play the same role as the genes in biological evolution do. They are of certain stability and heredity. The evolution of an organization means continuous interactive growth on the basis of the previous result. Any usual practice that satisfies the leader can continue; otherwise, new inertial search is required. It is optional to replicate current usual practices. Appropriate daily usual practices can provide more stable organizational behaviors. The usual practices that are wrongly selected show variations. Leaders must seek new usual practices, which are generally derived from conscious search. And there are two ways for conscious search, namely innovation and imitation.

McKelvey (1982)³⁴ considered the organizational evolution process as “variation-selection-retention and dissemination”. The evolution relates to the “replication” and “mutation” in natural selection. On the one hand, organization leaders are supposed to introduce organizational changes at the right time; on the other hand, the limited rationality of organization leaders, the ways in which they perceive the adaptation problems and the corresponding search for solutions. In natural selection and adaptive learning, if the existing organizational form fails to be optimized through the replication of usual practices, mutation will occur, which is the so-called organizational innovation process.

2.2.1.3 View of integration between adaptation and selection in organizational evolution

In recent years, many scholars have gradually realized that the environment in which an organization is located is in the process of co evolution, and can not only consider the causal relationship between environmental changes and organizational behavior changes. In recent

³³ Nelson, Richard, and Sidney Winter. “An evolutionary theory of organizational change.” Cambridge, MA (1982).

³⁴ McKelvey, Bill. Organizational systematics—taxonomy, evolution, classification. Univ of California Press, 1982

years, many scholars have realized that the environments in which organizations are located are jointly evolving and it is incomplete to consider the cause-effect relationship between environmental changes and organizational behavior changes. Baum (1996)³⁵ further demonstrated how selection and adaptation jointly act on organizational evolution. Based on the research, some other scholars made further theoretical researches.

By conducting a research on enterprises based on the organizational ecology theory, Carroll (1994)³⁶ found that in a developed organization, it is difficult for the organization's mutation due to its constraint by usual practices but a new enterprise would not be disturbed by the constraint and be able to adapt to the new environment. Burgelman & Hansen (1996)³⁷ concluded by combining the organizational ecology and learning theories that market competitions would promote organizations to learn from each other and their mutual learning would in turn interact with each other, thus aggravating competitions.

Lewin and Volberda (1999)³⁸ believed that the view of organization "selection" focuses on the variation, selection and retention of groups from a macro perspective while the view of organization "adaptation" excessively emphasizes the behaviors and performance of individual organizations. The theoretical and empirical researches of the latter mainly focus on how an individual organization adapt to the environment. By fully integrating the two views, the two scholars proposed the view of co-evolution of organization and environment. It is held in the view that organizational evolution is the result of the joint influence of management strategies and environmental systems. The strategy and adaptation of organizations will evolve with environmental, organizational group and form changes and new organizational forms will emerge out of the existing organizational groups.

³⁵ Baum, S.F., and T.L. Rost. "Root apical organization in *Arabidopsis thaliana*. 1. Root cap and protoderm." *Protoplasma* 192.3-4 (1996): 178-188.

³⁶ Williams, Jim A., et al. "Organization of wing formation and induction of a wing-patterning gene at the dorsal/ventral compartment boundary." (1994): 299-305.

³⁷ Barnett, William P., and Robert A. Burgelman. "Evolutionary perspectives on strategy." *Strategic Management Journal* 17.S1 (1996): 5-19.

³⁸ Lewin, Arie Y., and Henk W. Volberda. "Prolegomena on coevolution: A framework for research on strategy and new organizational forms." *Organization science* 10.5 (1999): 519-534.

2.2.1.4 Organizational evolution process

McKelvey (1982)³⁹ considers the organizational evolution process as a process of “variation-selection-retention and dissemination.” When changes occur to both internal and external environments of an enterprise, the organization must try all efforts to organize the searches regarding management, search and apply effective strategies to ensure their reasonable development. As shown in Fig. 2-2-1-4, usual practices of an organization can be divided into forward and backward searches according to the time status. Forward search mainly relates to the ability of leaders to perceive. The adaptive space for search and procedural knowledge guidance is required to be provided. Backward search relates to empirical search and mainly seeks solutions according to the previous data in history (Zhang Huanyong, 2007)⁴⁰.

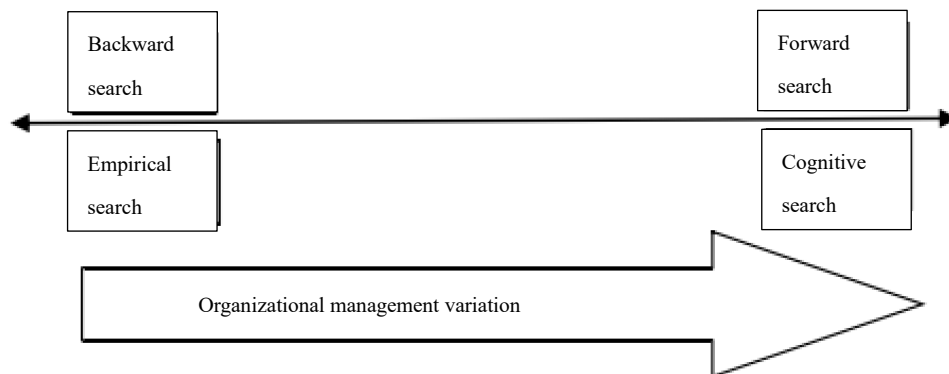


Fig. 2-2-1-4 Search means in usual organization practices

According to the organizational evolution theory, it is supposed that, when people encounter a new problem to be solved, they are able to consider whether there was any problem of identical type in the past. If there was any, they would consider how to successfully solve the new one. If not, they will consider if other economic participants have similar experiences. Only when they fail to gain help from the previous experiences or others, will they explore a new path to

³⁹ McKelvey, Bill. Organizational systematics—taxonomy, evolution, classification. Univ of California Press, 1982

⁴⁰Zhang Huanyong. Research on the Relationship between Entrepreneurs' Competence and Growth [D]. Fudan University, 2007.

solutions under guidance.

Backward search refers to search the solutions from the previous success experience to respond to new environmental changes. When an enterprise fails to find the solutions in response to new environmental changes in backward search, the creativity and imagination of entrepreneurs will be required. All in all, backward search is to find solutions from the known and forward search is to create the usual practices that did not exist originally through consideration, research and innovation.

Enterprises may, by the following two approaches, replicate the form of an organization and the operating mechanism it carries. The first approach is to fix a new organization by establishing a formal system so that the new organization can continue within a certain period. And the second approach is through organizational learning (Wang Zhaobin, 2006) ⁴¹.

The spreading of organizational variation or innovation refers to the ability of a new organizational structure to survive after experiencing environmental selection and to be successfully replicated and applied in the population ecology of other enterprises, finally contributing a universal organizational structure model that is accepted by all. In conclusion, the organizational evolution process of an enterprise is actually the process of creating a new organization and follows the process of search, selection, retention and dissemination.

2.2.1.5 Punctuated equilibrium theory

During the organizational evolution, either adaptive evolution or the practices that emphasize transformational change is different. Another widely accepted view is that more attention should be paid to the result caused by the mutual interaction between incremental changes and transformational changes. Most scholars believe that organizations are ever evolving, “In a relatively long period of time, the basic models of their activities are stable (equilibrium cycle);

⁴¹ Wang Zhaobin, Kang Hui, Li Zhiqiang. “An Analysis of Evolution of Corporate Organization Conclusions Based on the Hyper-cycle Theory”, *Business World*, 5 (2006): 20-31.

and in a relatively short period of time, the equilibrium would be broken by important reforms (revolutionary reform cycle)." The theory is called punctuated equilibrium theory⁴².

By analyzing the changes of these systems, Miller and Friesen (1982) believed that companies consist of connected parts of systems. They supposed and found in practice that quantitative changes (changes in many aspects within a short period of time) are much better than the performance exhibited among gradual changes⁴³. Following the thinking mode, Tushman and Romanelli (1985) proposed that the companies that follow the development route may be described by the punctuated equilibrium model of organizational evolution: in most historical periods, companies undergo incremental changes but experience relatively radical and fundamental changes in rare cases (Gersick, 1991) ⁴⁴.

2.2.2 Review of the organizational evolution theory

Currently, there are generally two viewpoints regarding the research on the organizational evolution process: First, the scholars represented by Aldrich (1979), Hannan and Freeman held that organizational evolution is passively selected and enterprises have to adapt to the driving force of natural selection of the environment and the law of the survival of the fittest. Second, the scholars represented by Lawrence & Lorsch (1967) and Nelson & Winter (1982) believed that organizational evolution is of higher active adaptability; and that each organization and compilation of an enterprise can be inherited and the factor that plays a decisive role is not environmental selection but its capabilities. Thus, they focused on how the adaptation of an enterprise to the environment by playing its active enthusiasm affects the selection process. Based on the two views above, Lewin and Volberda (1999) developed the entirely new integrated theory. It is believed that organizational evolution is never a theory solely based on

⁴² Romanelli, Elaine, and Michael L. Tushman. "Organizational transformation as punctuated equilibrium: An empirical test." *Academy of Management journal* 37.5 (1994): 1141-1166.

⁴³ Miller, Danny, and Peter H. Friesen. "Innovation in conservative and entrepreneurial firms: Two models of strategic momentum." *Strategic management journal* 3.1 (1982): 1-25.

⁴⁴ Tushman, Michael L., Beverly Virany, and Elaine Romanelli. "Executive succession, strategic reorientations, and organization evolution: The minicomputer industry as a case in point." *Technology in Society* 7.2 (1985): 297-313.

adaptation or selection but the consequence of evolution under the joint effect of the two.

It can be seen that the evolution of an organization is both objective and necessary. There are two systems and mechanisms that drive the evolution of the organization. On the first hand, the organization forms a self-adaptive variation choice in order to adapt to external environmental changes. On the other hand, enterprises interact with other organizations in market competitions, which causes the organization to form an evolution mechanism that adapts to environmental development and is internally driven.

Second, the evolution of an organization is affected by heredity (retention) and variation mechanisms. On the one hand, the heredity mechanism is of the conduction function of learning, replication and gene selection, which promotes the organization to develop into a new and more advanced organizational form; on the other hand, the heredity mechanism determines the innovation ability of an organization. When no evolution can occur to the existing organization with the aid of the existing inertia, the organization form that adapts to the current situation more can be generated through variation.

Finally, as a complex comprehensive theory, the organizational evolution theory absorbs a lot of nutrients from other disciplines. The influencing factors for the evolution process are not single. All explanations, no matter what they are, are of limitations.

2.3 Summary

This chapter sorts and summarizes the reviews on the researches on the evolution and strategic leadership of organizations. First, the theories and researches on strategic leadership are further illustrated, including formation and development of the theory, cultural origins, current research findings, further research directions. Second, based on the theory of organizational evolution, the organization is defined as a specific organization formed in which its members learn (innovate and simulate) and make selection (the selections of leader and market in an organization). The evolution of the organization is the result of mutual interaction between the

two.

Zhong Xingde (2013)⁴⁵, a domestic scholar, conducted the theoretical analysis on and theoretical derivation of the strategies of the e-commerce enterprises and domestic and foreign enterprise strategies, with Tmall as a typical case, and combined his work experience in Alibaba group and relevant internal e-commerce materials. Then he put forward the user-oriented super competitive strategy, which would be the strategic development direction of e-commerce enterprises in the future. Furthermore, he suggested that e-commerce enterprises should take appropriate competitive strategy and implementation measures based on their own realities: general e-commerce enterprises, especially B2C, can adopt differentiated strategy and supply chain strategy in terms of competitive strategy, in practice, they focused on targeting clients to innovate business services and building interconnected strategic alliance. At the same time, he analyzed Jack Ma's successful strategic decision-making while his analysis on Jack Ma's strategic thinking was not profound enough.

Li Jiaolong (2006)⁴⁶, a domestic scholar, analyzed and discussed Zhang Ruimin's innovation in management, pointing out that it took Haier 20 years to develop from a domestic brand to a global brand. This process is a new catch-up model, the core of which is comprehensive innovation. It can be seen that Haier's catch-up strategy is innovation. Meanwhile, it points out that Zhang Ruimin's corporate strategy can be defined as: knowing market, combining with its own resources, setting up the vision and goal through analysis, evaluation, prediction, and conducting the overall and guiding plan for the development against time. It defines the mission, business scope, vision and goal, development direction, business mode, and states the business policy and action guide of Haier. However, the analysis of Zhang Ruimin's strategic thinking is not deep enough. Although dynamic analysis is also used, it lacks case comparison, so it is not persuasive.

⁴⁵ Zhong Xingde, research on competitive strategy of e-commerce enterprises [D], Zhejiang University of Technology, 2013.

⁴⁶ Li Jiaolong. Research on Haier's management innovation [D]. University of International Business and Economics, 2006.

In contract, the research object of this paper is Haier Group and its leader Zhang Ruimin, Alibaba and its leader Jack Ma. The value for the application of western strategic leadership theory in Chinese enterprises is justified. For organizational evolution, we only focused on the impact of external environment in the past, but ignored the decision-makers in the search and selection stage of evolution and change. The author focuses on the impact of strategic leaders on organizational evolution, and tries to find out the role of strategic leaders in organizational evolution and change. In this paper are included five strategic stages of Haier Group and three development stages of Alibaba Group. Such stages are used to discuss the impact of strategic leaders on organizational evolution and change, especially the ability to search for measures against environmental changes.

On the one hand, this paper makes a literature review of the relationship between management theory and practice, the theoretical value of leading enterprise practice, the practice-oriented management research, and related research on theoretical construction, so as to establish a preliminary basis for researchers to build theoretical construction based on Chinese enterprise practice in the near future. On the other hand, in response to the management scholars' initiative to face up to China's management practice, this paper supplements and improves a series of previous studies. On the basis of in-depth study of relevant literature, the author uses SWOT and Five Force Model to study the management practice of China's leading enterprises innovative, which is relatively innovative and complementary to the previous studies.

3 Selection Strategy Model for Strategic Leadership in the Organizational Evolution Theory

3.1 Model I

In the part Literature Review, we have reviewed the characteristics and measuring criteria of

strategic leadership as well as the development history of the organizational evolution theory. First, according to the “high-order theory”, it is believed that enterprises are faced with complicated situation in reality and decision makers are required to analyze and make choices in most cases.⁴⁷The resources and opportunities in the environment are no longer part of the organizational structure and strategies, which depends on the ability of leaders and decision makers to perceive external environment changes.

The strategic leadership theory is derived from the high-order theory. It focuses on the individuals that lead strategic objectives. In the changeable technical and market competition environments, a set of feasible and effective strategies is required in order to maintain the original strength or expand the new profit growth points of an organization. And strategic leaderships are just the persons who create the future prospect of companies and exchange with company members, and finally set the strategic goals and direction of the company.

In this article, the Makri and Scandura scales are adopted. The characteristics of strategic leadership are divided into two dimensions, namely creative leadership and operational leadership for analysis. And strategic leaders' decision-making process is studied under the predictable and unpredictable external environments.⁴⁸

During the process of organizational evolution, both Darwin's evolution view that emphasizes gradual changes and the evolution view of Lamarckism that emphasizes unnecessarily continuous evolution of organizations essentially explain the “adaptation” and “selection” process of organizational evolution. From the perspective of adaptation, Schumpeter held that both social and economic development and organizational process are derived from the knowledge and self-confidence of entrepreneurs (leaders) and the spirit of entrepreneurs (leaders) would encourage them to adopt correct management strategies in response to

⁴⁷ Li mi. Research on the relationship between policy support, entrepreneurship and innovation performance [D]. Shanghai Foreign Studies University, 2020.

⁴⁸ Chen Lu, Yang Baiyin, Jing Runtian. Strategic leadership and executive team members' Creativity: An Empirical Analysis Based on high-tech enterprises [J]. Management review, 2015, 27 (03): 142-152 + 121

environmental changes.

However, the "adaptation" view reveals the process of organizational evolution in a single-sided and subjective manner. According to the research and findings of later scholars, the relationship between environment and organization is not a simple decisive relationship but a co-evolutionary relationship. Environmental changes promote organization leaders to initiate proactive changes while organizational changes act on the environment in turns. With the changes of competition environment, the survival of organizations is selected and screened. First, organization leaders may rationally analyze the situation of the current environment, predict the possible changes and grasp the opportunities brought by the environment through active variation of organizations. Second, enterprises may obtain natural choices through random variations in response to the unpredictable environmental changes in fact.

The evolutionary economics theory answers the process of organizational evolution from the perspective of mechanism and provides the judging criteria for the result after organizational evolution.⁴⁹

We establish the following model according to the three parts including strategic leadership strategies, environmental selection and evolution process, which is used to explain the strategy selection process and characteristics of strategic leaders in a corporate organization during the entire process of organizational evolution.

⁴⁹ Lu Jin. Study on the evolution of industrial organization [D]. Fudan University, 2005

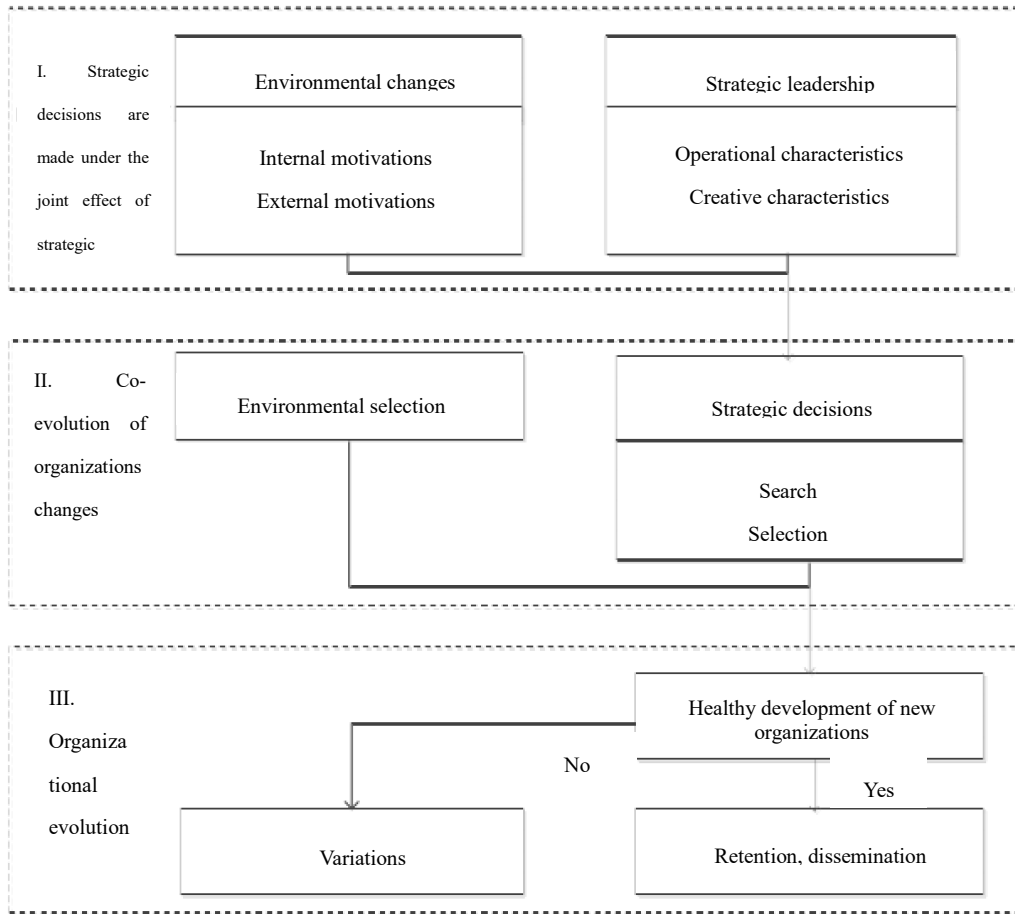


Fig. 3-1-1 Strategic leadership strategy model in the organizational evolution theory

3.1.1 Interpretation on Model II

(1) Environmental changes

Viewed from the perspective of corporate organization evolution, the evolution of an enterprise reflects the cognitive advantage of enterprise leaders and their understanding of the dynamic adaptation of organization.⁵⁰ Thus, the enterprise's evolution is essentially their learning or knowledge adjustment process, namely knowledge dynamics.

However, people rather than other entities make final decisions in enterprises. So, the

⁵⁰ Deng Xiangrong. An analysis of the theory of enterprise organization evolution [J]. Economic trends, 2004 (08): 108-111.

connectors of internal and external information cannot estimate the roles of leaders. The management strategies formulated by organizations are not only impacted by the environment but also by leaders and their behaviors in most cases. The result of strategic decision-making is the joint effect of leaders and environmental changes.

Regarding environmental changes faced by enterprises, we may analyze from the perspectives of intrinsic and extrinsic motivations the variations that promote organizational inertia when enterprises suffer from defeats in gambling (as shown in Fig. 3-2 Motivations for corporate evolution (changes)). It is believed in this paper that the reason for the long-term continuous development of an enterprise directly relates to the changes in both internal and external environments. These changes include organization changes, changes in internal and external resources, market changes as the enterprise would continuously meet different competitors, as well as government policies changes (including released and enhanced control). All these will affect the long-term development of the enterprise.



Fig. 3-1-2 Motivations for organizational evolution (changes)

The environmental changes caused by intrinsic motivations may be deemed as a self-evolving factor in companies that is driven by interests and attempts to increase profit growth approaches. They are the result of active business interactions and of competitions among enterprises and other organizations. The result enables the enterprises to produce endogenous variation choices or triggers them to generate innovation demands, from low to high, in order to realize its pursuit of seeking profits. And the environmental changes caused by extrinsic

motivations are the changes of the corporate factors that affect the corporate environment. They are the result of the interactions between enterprises and the external environment. That means environmental changes raise higher requirements for the original organizational form and force the enterprises to pursue further innovation and evolution. Environmental changes and enterprises are in a relative state of gambling and competition. Under such state, enterprises may suffer from losses. When they encounter losses and incur losses to a certain extent, they will generate a sense of defeat, thus promoting their variations or search for usual organizational practices.

It is just due to the combination of intrinsic and extrinsic motivations that causes environmental changes. Business leaders can change the existing organizational forms by adopting some strategies to adapt to environmental changes.

(2) Search process and results of management strategies

In the evolution theory, enterprises call the process of being guided by and changing usual practices as search.

According to the organizational evolution theory, it is supposed that, when people encounter a new problem to be solved, they are able to consider whether there is any problem of identical type. If there is any, they would consider how to successfully solve the new one. If not, they will consider if other economic participants have similar experiences. Only when they fail to gain help from the previous experiences or others will they explore a new path to solutions under guidance.

Backward search refers to the search from the previous success experience the solutions to respond to new environmental changes. When an enterprise fails to find solutions in response to new environmental changes in backward search, the creativity and imagination of

entrepreneurs will be required.⁵¹ All in all, backward search is to find solutions from the known experience and forward search is to create practices that have not existed originally through consideration and research.

In this paper, the Makri and Scandura scales are adopted. The characteristics of strategic leadership are segmented into two dimensions, namely creative leadership and operational leadership. Creative leadership reflects the ability of a CEO (executive team) to build a new knowledge system, commercialize the original knowledge and gain benefits therefrom, which means inertial forward (empirical) search in organizational evolution. And forward search is to create practices that have not existed through consideration and research.

Operational leadership reflects the ability of a CEO (executive team) to explore new growth paths and develop the existing routes by redefining and expanding the borders of its company so as to produce new products or market segments (Makri & Scandura, 2010), which means inertial backward (empirical) search or the search of proper path from the existing usual practices for satisfaction of the current needs of the company.

In the context of organizational evolution, the interactions between strategic leaders and environmental changes cause the results of search and decision-making during the organization process and different effects and roles of the implementation methods.

(3) Organizational co-evolution under management strategies and environmental selection

If the strategic decisions made by leaders are the results of "adaptation" to organizational evolution, the environment will be adjusted and changed when an enterprise takes the initiative to make adjustments and adapt to environmental changes, which will in turn promote the adjustment and change of the enterprise. However, mankind is not absolutely rational. So, even if active variations are made on the organization, whether it can adapt to the environment still

⁵¹ Wu Guangbiao. Analysis of enterprise development: an evolutionary view based on convention [D]. Fudan University, 2003

depends on environmental selection.

The adaptation result and environmental selection should interact with and influence each other. For dynamic organizational variation, if the enterprise maintains healthy development, its organizational form may be retained and disseminated; and if the enterprise is unable to adapt to environmental selection, a new organizational variation may be used to adapt to environmental changes and selection. The variation process required repeated selection, retention, dissemination, etc.

(4) Strategic leadership strategy analysis process

The evolution process of an enterprise can be summarized as variation, retention and dissemination. The process of strategic decision-making can be deemed as the result of decision makers' search and selection and is mainly led by strategic leaders. The model framework is established based on the process of organizational evolution. The behavior characteristics of strategic leaders and the strategies they select are analyzed in each organization phase. We may understand the external environment characteristics and values of an organization through the individual characteristics of strategic leaders in an organization. Through leaders' strategy selection, their leadership characteristics during the search and selection of strategic decisions and evolution are fully exhibited under the theoretical framework of organizational evolution.

3.2 Model II

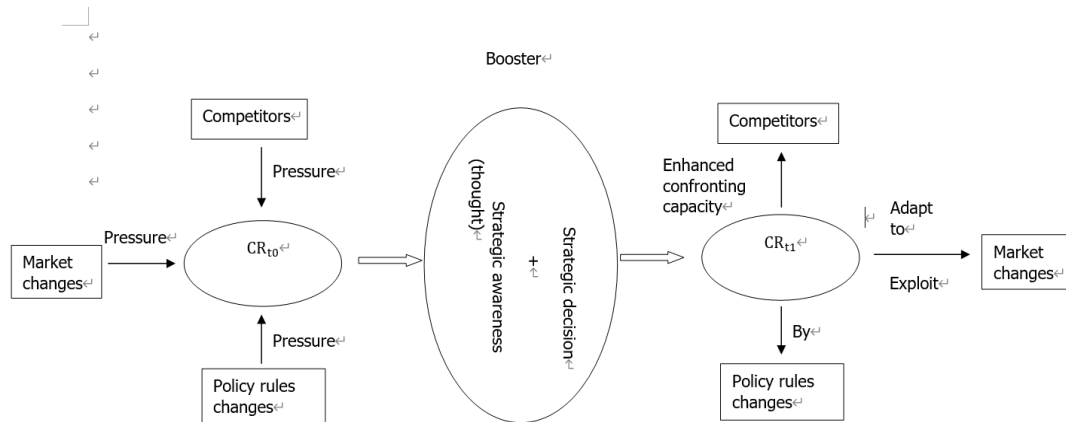


Fig. 3-2-1 Strategic leadership strategy model of a corporate organization

3.2.1 Interpretation on Model II

The environmental changes caused by intrinsic motivations can be called internal changes of an organization. The self-evolution factors of organizations that attempt to solve their limitations include the bureaucratization of the organization and its lack of internal resources. This is the result of unavoidable business interactions and that of internal competitions. The result causes the organization to produce endogenous variation choices and also the enterprise to generate the demand for innovation, from low to high, in order to solve the intrinsic problem of internal limitations. And the environmental changes caused by extrinsic motivations mainly refer to the changes that affect the organizational factors of the enterprise in the environment. They are the results of interaction between an enterprise and the external environment. Specifically, environmental changes propose higher requirements for the original organizational form and force the organization to realize further innovation and evolution, including changes in competitors in terms of both quantity and capability, in market needs and in government rules under the macro economy. Environmental changes and enterprises are at a relatively gambling state at all times. Under this status, the enterprise may suffer from losses. If so and the losses are accumulated to some extent, the enterprise would have a sense of defeat,

thus enabling the enterprise to vary or search the organizational practice.⁵²

It is due to the combination of intrinsic and extrinsic motivations that promote environmental changes. A business leader may change its existing organizational form through some strategies so as to meet the needs of adapting to environmental changes.

3.3 Model III

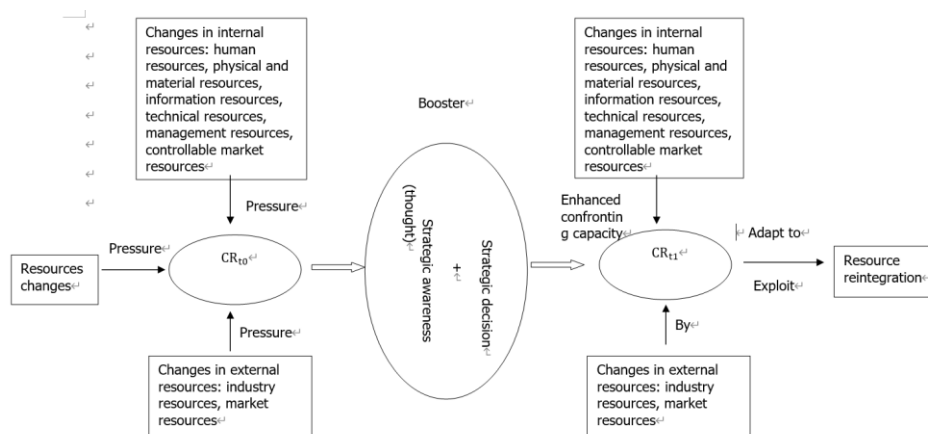


Fig. 3-3-3 Strategic leadership strategy model of an enterprise (resources version)

3.3.1 Interpretation on Model III

As the resource version of Model II, Model III makes a focused analysis of the changes in internal and external resources of an organization, which would also cause the changes in the strategic thought and idea of business leaders to some extent. The changes in internal resources mentioned here include human resources, physical and material resources, information resources, technical resources, management resources, controllable market resources, internal environment resources of an enterprise. And external resources of an enterprise include industry resources, market resources, external environment resources, etc. When changes

⁵² Zhang Wenhui, Wang Hui. The ternary model of strategic leadership in Chinese enterprises [J]. Management world, 2013 (07): 94-112

occur to the strategic thought and decisions of business leaders, both internal and external resources of enterprises will be integrated again.

3.4 Model IV

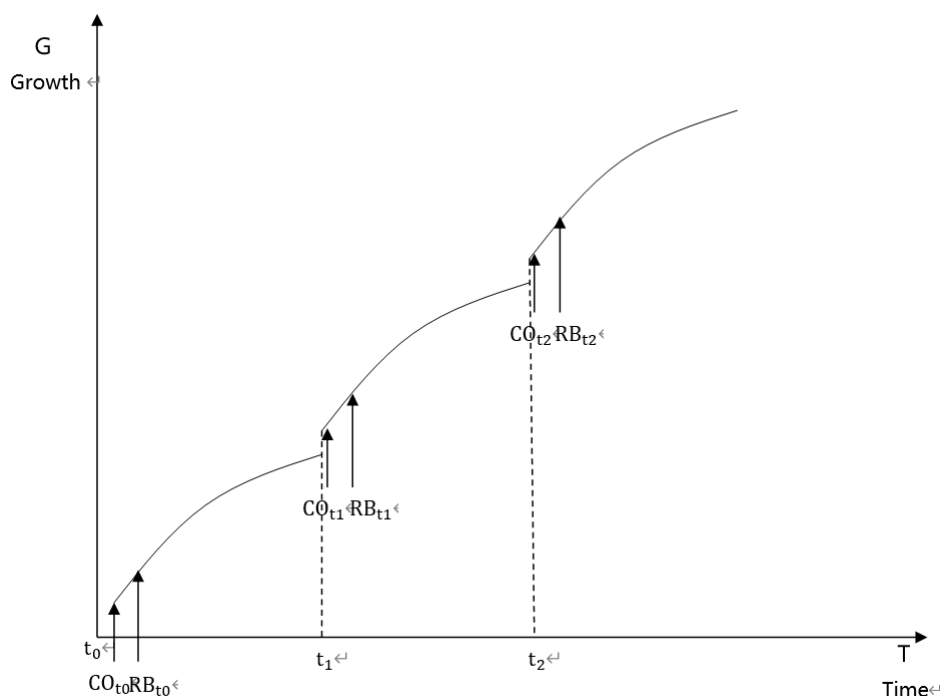


Fig. 3-4-1 Growth cycle model of an enterprise

3.4.1 Interpretation on Model IV

The growth cycle of an enterprise is a dynamic trajectory of its growth and development, including periods such as development, growth, maturity and decline. The purpose of the research on the growth cycle of an enterprise is to try to find a specific organizational form that can adapt to the characters of the enterprise in different development cycle stages and continuously facilitate its development and continuation. As a result, in terms of in-house management, the enterprise can find a relative superior model to maintain its development capacity and brings its unique strength during each development cycle into full play, thus extending the life cycle of the enterprise and helping it attain sustainable development. In this paper, the period t_0-t_1 is determined as the start-up period, during which the enterprise

mainly focuses on survival and mainly aims to create products and seek for survival in the market. Thus, the strategic decisions of an entrepreneur during the start-up period focus on resources accumulation and scale expansion.⁵³ The period of t_1-t_2 is identified in this paper as the growth period of an enterprise. During this period, the strategic decisions of business leaders will focus on diversified and internationalized development and also aim to expand and acquire enterprises through merger. The period from t_2 is identified in this paper as a mature period for corporate development, during which the focus of strategic decisions of business leaders will be shifted from products and operation to capital operation. Thus, during each period of corporate development, the enterprise would improve on the whole with the aid of new strategic thought and prompt strategic decisions.

3.5 Summary

This chapter combines the organizational evolution process of enterprises and the behavior theories of strategic leaders, discusses the selection of strategic leadership behaviors in enterprises during the change and evolution phases, and establishes a universal framework of analysis model.

The model is based on the theory of enterprises' organizational evolution process. First, the process of strategic leaders' decision making on environmental changes is analyzed. Second business managers' selection of strategic leadership behaviors is analyzed in combination with the evolution of enterprises' organizational forms upon environmental changes. Thirdly, in combination with the theory of environmental selection, the process and result of organizational evolution are fully described.

⁵³ Zhang Qi, Cheng Peipei. Research on enterprise life cycle model based on enterprise growth [J]. Market modernization, 2014 (22): 121-122

4 Development Cases and Analysis of Haier

4.1 About Haier

This article will introduce Haier in two parts. First, the overall development of Haier, including its predecessor, development history, organizational structure, corporate culture and values. Second, Zhang Ruimin's personal background and entrepreneurial experience.

4.1.1 About Haier

Founded in 1984, Haier started with the production of refrigerators. Up to now, it has expanded from a single product to various major fields, becoming a solution provider for all-dimensional high-quality life.

Just in 2015, Haier's global turnover reached 188.7 billion yuan, a significant decrease compared with the 200.7 billion yuan in 2014, but the total profits increased from 15 billion in 2014 to 18 billion yuan, with a year-on-year growth of 20%.⁵⁴

Haier's overseas market strategy has always followed localized R&D, manufacturing and marketing. The products are deeply loved by consumers around the world because of its localization. At present, Haier has a large number of users in more than 100 countries and regions in the world, and has five R&D centers worldwide.

As a deep-rooted corporate culture of Haier, innovation promotes Haier's continuous improvement, and helps it to build a more modernized enterprise platform and operate a more advanced management model. It transforms a manufacturing-centered enterprise into a maker platform. Today, on Qingdao Haier and Haier Household Appliance, two major platforms, gather a large number of makers and small and micro businesses, and Haier's ecosystem resources have helped makers grow on its open platforms. While providing the platform, Haier

⁵⁴ Zhang Sensen. Strategic leadership strategy research based on organizational evolution theory [D]. University of Electronic Science and technology, 2016

has also developed a large number of user resources. At the same time of providing platform, it has accumulated a large number of user resources. In 2015, Haier Group successfully established more than 100 small and micro enterprises under the network strategy, with an annual revenue of more than 100 million, including 22 small and micro enterprises that have obtained venture capital and 12 small and micro enterprises with a valuation of over 100 million.

In the Internet era, Haier has shifted its development focus to the user experience. From the original value interaction platform with Haier Electrical Appliance as main part, Haier has gradually turned to the new model of manufacturing and service, and transformed the original logistics and distribution links into an open platform that features user interaction and value adding.

At the same time, Haier is committed to building an innovation and investment platform, allowing employees to fully utilize their creativity and become entrepreneurs on the innovation platform. Then, employees can realize their own value while creating value for users.

4.1.2 About the leader of Haier

Born in Laizhou, Shandong Province on January 5, 1949, Zhang Ruimin is the founder of the "Ren Dan He Yi" model and one of the top 50 management thinkers in the world. He founded Haier, the first white goods brand in the world. Because of his continuous innovation of management mode, he has been concerned and praised by the domestic and foreign management circles. Gary Hamel, a world-class strategist, has rated Zhang Ruimin as the representative of CEOs in the Internet era.⁵⁵ Zhang has been elected as an alternate member of the 16th, 17th and 18th Central Committee of China.⁵⁶ He is currently the secretary of the Party Committee, chairman of the Board of Directors and CEO of Haier.

⁵⁵ Zhang Ruimin. Haier's problem is the tolerance of trial and error [J]. It times, 2015 (11): 12

⁵⁶Zhang Ruimin. Integrity is the foundation of enterprises [J]. Chinese small and medium enterprises, 2014 (09): 56-57

In November 2015, Zhang was invited to London to participate in the awarding ceremony for the most influential “top 50 management thinkers” in the world. He was granted the “Ideas into Practice” for the Outstanding Achievement Award of Thinkers 50 and was the only and also the first Chinese entrepreneur who had won the prize.⁵⁷ Also, Zhang was included into the “List of Thinkers 50 in 2015”. He was the only Chinese entrepreneur who had won both awards at the same time. At the Guoshi Forum held on November 24, 2016, Zhang delivered a keynote speech titled *Haier’s Transformation Exploration and Practice in the Internet Era*, focusing on Haier’s practice of transformation from a large-scale enterprise to an internet enterprise in the internet era and his experience. On December 18, 2018, the Party Central Committee and the State Council granted Comrade Zhang Ruimin the title of Reform Pioneer, the Reform Pioneer Award and the title of Outstanding Entrepreneur Focusing on Business Management Innovation.⁵⁸ On September 25, 2019, he was granted the honorary title of “The Most Beautiful Struggler”. At the Forbes China Leadership Summit 2019 held on October 19, 2019, Zhang won the “Forbes China Lifetime Achievement Award 2019” and became the cover figure in the latest *Forbes* (Chinese version). [6] On October 19, 2019, he was included in the List of Multinational Business Leaders among Forbes Businessman of the Year 2019.

Zhang assumed the post of head of the state-owned Qingdao Refrigerator Factory, then on the verge of bankruptcy, in 1984. Over 32 years of unremitting efforts, he has led the sustainable development of Haier with his creativity and highly forward-looking concept. In 2015, Haier ranked first in the global household appliance retail industry for the seventh consecutive time. All will not be achieved without Zhang's excellent management style. It is obvious that he has perfectly integrated the essence of Chinese culture with western modernization into one. He advocated the ideas of learning from each other, combining the current situation and forming a style of its own, which was highly rated by the global management field. Under the leadership of Zhang, Haier has continued to update its management model through innovations.

⁵⁷ Wang Zhen, Haier, Zhang Ruimin: Internet eliminates the distance between you and users [J]. *China small and medium enterprises*, 2015 (12): 26-27

⁵⁸ Huang Shuyue. Research on the teaching concept of Chinese reading of "that generation" and "this generation" [D]. Guangxi Normal University, 2019

Its most famous case of "Haier Culture Helps the Stunned Fish Survive" has become a teaching case of Harvard University, and made Zhang become the first Chinese entrepreneur who went on the stage of Harvard Pulpit

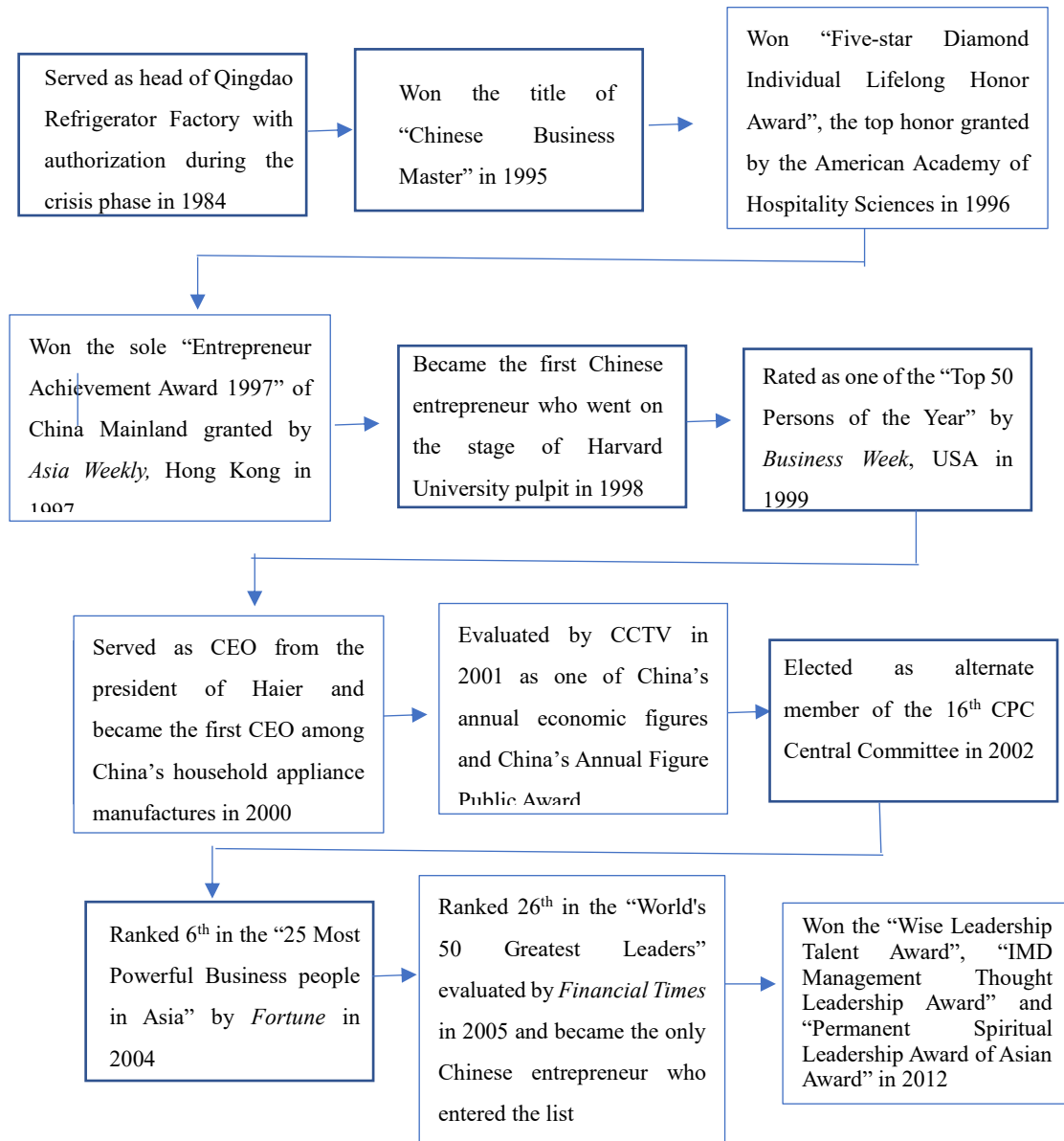


Fig. 4-1-1 Resume of Zhang Ruimin

Zhang Ruimin believed that enterprises that can adapt to the times are capacity of development and competitiveness. In the internet era, Zhang has bravely broken through traditional thought and developed the business development model that conformed to the characteristics of

internet era, starting a strategic stage in the new internet era.

4.2 Development Stages of Haier

Since its founding, Haier has experienced five stages of development, from the initial famous brand strategy stage (1984-1991), to the subsequent diversification strategy development stage (1992-1998), then to the internationalization strategy stage (1999-2007) and finally to the global brand strategy stage (2006-2013). Haier successively established a powerful international brand image. In late 2012, Haier started the fifth development stage, network strategy stage (2013-2019), as shown in Fig. 4-2-1.



Fig. 4-2-1 Five stages of Haier's strategic development

4.2.1 Famous brand strategy stage of Haier

The corporate famous brand strategy refers to the strategy of driving an enterprise to develop towards sustainable, stable and healthy directions, with creating and maintaining a famous

brand as the core.⁵⁹ An enterprise must vigorously implement its famous brand strategy in order to enhance its competitiveness and pursue sustainable development. The famous brand strategy should consist of three parts, namely core strategy, auxiliary strategy and maintenance strategy. When implementing its famous brand strategy, the enterprise must correctly understand the relationships among the three; identify priorities and implement them in an orderly manner.⁶⁰

Core strategy. The most fundamental reason why customers trust and pursue famous brands is that they can better satisfy people's needs. Thus, the core strategy of an enterprise to create its famous brand is to design and develop the products or services that satisfy market demands, which is the basis for famous brand building. The core strategy covers the following aspects:⁶¹

Selection of target market and corporate resources. Due to the limitation of target market and corporate resources, it is impossible for an enterprise to provide services for all market segments. As market segments differ in scale, demand and competition condition, not all market segments are suitable for the enterprise to enter. Thus, the enterprise must make investigations according to the characteristics of its resources and select the market segments that can exploit its advantages of resources and have proper business scale and optimistic future. Only by identifying the reasonable width, depth and correlation of product combinations can the enterprise maintain its strength in competitions, provide better products and services for customers and lay a solid basis for famous brand building. A correct selection of target market is a pre-condition for famous brand building.

Strategy planning

An enterprise formulates a feasible plan for famous brand strategy by analyzing external

⁵⁹ Ma Lijuan. Analysis of the problems existing in the implementation of the famous brand strategy by Chinese enterprises and the implementation countermeasures [J]. Management and technology of small and medium-sized enterprises (last ten issues), 2013 (02): 21-23

⁶⁰ Chen Yongrui. Analysis of famous brand management strategy of enterprises [J]. Architectural design management, 2006 (02): 36-37

⁶¹ Pan Qi. Research on differentiated competition strategy of Haier household appliances [D]. Ocean University of China, 2008

environment and internal conditions. Specifically, a famous brand strategy plan includes the following aspects:

(1) Product development and design. An enterprise must develop and design products that conform to the characteristics of famous brand in order to build a famous brand. The development and design as well as brand products must have two characteristics: excellent quality and perfect design. As the source for survival of brands, product quality plays an important role during the process of famous brand building. Quality products can bring about greater benefits and satisfaction to customers and reduce their purchase risks and costs. Thus, excellent product quality is the most fundamental means for an enterprise to open the door of and have access to the market and gradually expand and maintain market coverage. Also, with the gradual improvement of customers' income level, their consumption concept will transfer from cost-effective products to beautiful, elegant, original and unconventional products. In this case, it seems hard for the traditional competition means to touch customers. Thus, product design has become a main link and means for an enterprise to create a famous brand and increase its competitiveness and economic efficiency. The structural and visual creation integrates modern science, technology and social culture. It pursues not only cost-effectiveness but also convenience, flexibility, elegance and uniqueness of products. Also, it can extend the life cycle of products, guide consumption and create market. Thus, it plays a huge role in improving economic efficiency and market competition as well as building brand image.

(2) Price. Famous brand is a value itself but high prices don't necessarily create a famous brand. Price is a powerful weapon in market competitions and also a useful means to build brand image. An enterprise should consider the following factors when pricing:

① There are three points that determine product price, namely product value, costs and supply-demand status.⁶²

⁶² Fan Xian. Theory of core competitiveness of enterprises: a new interpretation of the global model [D]. Fudan University, 2004

②Pricing strategies and methods should be changed based on profitability but also take into account the brand image of the enterprise, which means the enterprise should have a long-term strategic goal without considering temporary gains and losses.

③The pricing strategy is one of the tools to win customers and build a famous brand image. An enterprise may select the following strategies according to the actual contexts when flexibly applying the pricing art and skills: psychological pricing, discount pricing, price difference, phased pricing and product qualification.⁶³

(3) Distribution. Distribution means design selection and management of sales channels. The best sales channel is affected by products, customers, enterprise, brokers, economic environment and other factors. When implementing the famous brand strategy, an enterprise should, based on trade-off analysis, identify the space of distribution channel and try to reach the maximum market coverage at the lowest costs. To establish and maintain the marketing network for the products of an enterprise is the basic foothold for serving customers and create a new brand.

(4) Promotion is the core task of famous brand strategy and also the most flexible marketing strategy.

An enterprise should pay attention to the following aspects when implementing its famous brand strategy by means of promotion:

①The selection of proper promotion combination, public relations, business promotion and personnel selling constitutes promotion strategy combinations. The enterprise should comprehensively apply various promotion means and take into account target, products, market and other influencing factors.

②Public relations and business promotion are also important footholds for the implementation

⁶³ Zhai Hongmin. On the composition and significance of famous brand strategy of enterprises [J]. Market modernization, 2008 (01): 202-203

of famous brand strategy and important means to build an enterprise's good image in society.

③In case of personnel selling, it is necessary to establish and manage the sales team of an enterprise, and gradually improve the promotion skills and overall accomplishments of promotion personnel by training.

Enhancing management in the human-oriented principle. The implementation of famous brand standardization management is one of the footholds for an enterprise to implement its famous brand strategy. When building its famous brand, an enterprise should not only manage hardware indexes such as quantity, technology, equipment but also gradually improve its "soft strength" necessary for corporate management such as belief and dream so as to facilitate the overall improvement of the management level of the enterprise.⁶⁴ Essentially, both hardware and "soft strength" require the development and management of human resources in the enterprise. The enterprise should, when releasing its famous brand, insist on the principle of "human-orientation" to promote the overall improvement of its management level. Personnel are the foundation to improve product quality, enhance management, provide better services and even shape corporate image. The management fundamental of an enterprise is "human orientation". To achieve that, business operators and managers are required to continuously build the risk awareness, reform awareness and innovation spirit. Just with such strong awareness, a famous brand enterprise can continuously promote corporate innovation and promote the management to a new level with the successful and advanced management experience both at home and abroad.

Quality services. Brand products must match brand services. First, quality services can promote product sales so as to increase the reputation of the enterprise and its brand. Second, quality and perfect services can reduce impulsive purchases and improper use of customers, properly handle and solve various problems in time so as to reduce customers' risks and losses and maintain the reputation of the enterprise and its brand. Third, quality and perfect services

⁶⁴ Li Fumei. Discussion on famous brand management strategy [J]. Forum on industry and science and technology, 2006 (03): 28-29

can increase customers' benefits so as to facilitate the improvement of the image of enterprise and its brand. Then, the image of the enterprise and its brand will be rooted in the minds of customers and be gradually improved and strengthened.

Auxiliary strategy

Excellent product quality, simplified product design, scientific management as well as quality and perfect services lay a solid foundation for an enterprise to establish its famous brand. However, to create a real famous brand, the enterprise also requires the support and cooperation of auxiliary strategy. The auxiliary strategy is the process during which an enterprise plans, designs and implements auxiliary tasks in order to create a famous brand. Auxiliary tasks mainly include brand design, package design and external publicity. They aim to show and convey the excellent quality and unique charm of the enterprise's products and services, increase the popularity of brand and build the brand image.

(1) Brand design

Brand means famous brand. Brand plays an important role in the marketing activities of enterprises. It can not only facilitate customers to identify products and protect the interests of customers and enterprises, but also facilitate enterprises to publicize advertisements and expand business segments.⁶⁵ Thus, an enterprise that wants to create a famous brand should not only produce high-quality and exquisite products and provide perfect services but also design and own brands that enjoy high taste and corporate and product characteristics.

(2) Package design

Product package not only plays a role of protecting products and facilitating storage and shipment but also constitutes an important factor that affects the competitiveness of products.⁶⁶

⁶⁵ Wang Chaosheng. Strategy and mode selection of transnational operation of Chinese enterprises [D]. University of foreign economic and trade, 2003

⁶⁶ Gao Tao. Discussion on enterprise brand strategy [J]. Gansu science and technology, 2008,24 (20): 104-106 + 103

Excellent product package can beautify products, improve product level, catch one's attraction and facilitate the building of corporate and brand image. Thus, an enterprise should emphasize package design and consider it as a powerful weapon for building its brand image. The package of brand products should satisfy the following requirements: protecting products, facilitating storage, shipment and usage; reflecting the inner value of products; showing originality, elegance and good appearance; conformity with regulations and customs.

(3) Advertising

In the modern society, enterprises are faced with the external economic environment that features massive competitors and broad market space. In such environment, it is hard for an enterprise to change a brand into a famous one only by the promotion means such as personnel selling, business promotion and public relations. Advertising features fast information transmission, wide coverage and repeated publicity and can rapidly and effectively increase the popularity of brand. Advertising is also capable of expression. On such basis, the enterprise can not only convey excellent product quality, exquisite product design, perfect services and other information to a large number of consumers but also shape a unique brand image and improve brand reputation so as to greatly facilitate product sales and increase coverage rate in the market. Advertising plays a huge role in creating a famous brand. However, in order to play its real role, it is necessary to meticulously plan and design advertisements, make the advertisements have original and unique creativity and great attractiveness and properly select advertising media and time.

Maintenance strategy

After making efforts to create a famous brand, an enterprise shall not relax but carefully maintain the famous brand; otherwise, the brand will decline fast and disappear in the surging business tide. As for the reason, there are two aspects. First, the enterprise destroys itself. The enterprise does not focus on the protection of its brand, thus leaving loopholes for others. Thus, the enterprise that has built a famous brand must pay attention to the maintenance of its brand

and formulate and implement the brand maintenance strategy so as to ensure the brand enduring and young for forever. Through analysis of the reasons for the decline of brand, the brand maintenance strategy is to enhance business management, pursue innovation, provide a solid foundation for brand and apply legal weapons and other means to protect the brand from infringement.⁶⁷

Famous brand strategy is of important significance and role for an enterprise. Core strategy, auxiliary strategy and maintenance strategy are three indispensable parts of brand strategy. Without core strategy, the whole famous brand strategy will lose its foundation. If core strategy is highlighted but auxiliary strategy is ignored, it is hard for the achievement of core strategy to be recognized by the market. Without the maintenance strategy, it would be difficult for a famous brand to last forever. Thus, the enterprise that implements the famous brand strategy should correctly understand and balance the relationships among the three and promote the strategy in a planned and step-by-step manner.

4.2.1.1 Famous brand strategy of Haier

Haier is recognized as a successful enterprise that has implemented the famous brand strategy in China. According to Haier, market reputation is not market recognition. Haier's products are generally divided into three levels: First, popularity. Haier can create market visibility as long as it is willing to spend money on it. Second, credibility. It is about after-sales service, Haier must provide ten-year warranty service if it has committed to do so. Third, reputation. Haier should make itself a brand that is well known and praised by everyone and is able to satisfy users' potential demand. Haier will become a real famous brand as long as it satisfies the three requirements above. Haier has developed from Qingdao Refrigerator Factory, with a total loss of 1.47 million yuan in 1984, to a large enterprise with 30 manufacturing bases overseas and global turnover exceeding 100 billion in the world. It has continued to maintain a good trend of development. We have to say that it is a miracle in the development of China's

⁶⁷ Xiao Ye. Famous brand strategic management of enterprises [J]. Sichuan metallurgy, 2010,32 (06): 62-65

electrical appliance industry. Haier is the earliest that has understood the famous brand strategy and implemented it in a most serious and sustained way during the process of implementation.

On December 26, 1984, Zhang Ruimin served as head of Qingdao Refrigerator Factory. Product economy dominated in China in the era without internet. At that time, there were more than 100 refrigerator manufacturers in China. For a time, China's household appliance market had experienced a state of temporary saturation and the competition became increasingly fierce. In response to the market situation with fierce competitions, leaders of the enterprise made a comprehensive analysis of the market. The factory must build a famous refrigerator brand with its excellent products and services if it wants to gain some proportion and long-run development in the market. Only by this can it break the pattern that more than one hundred refrigerator brands share the market that has a large number of refrigerators with uneven quality. So, in the initial stage of Haier's development, the strategic goal of creating a famous brand has been identified. Even in the present internet era, many enterprises remain to think that they should create their own brands after they have bigger scale. And Haier is the earliest that has realized that an enterprise should not engage in famous brand strategy only after it grows big but make the enterprise bigger and stronger by using the famous brand strategy.

In the era without internet, Haier created and built its famous brand strategy. Especially, it focused on the use of various marketing activities and publicity efforts, fully highlighted the design and slogan of Haier trademarks and made full use of the advertising effect of TVs and magazines. During the period of economic downturn, Zhang had a forward-looking outlook for the market. In 1985, a Haier refrigerator user said to Haier that there was quality problem with the refrigerators produced by the factory. Zhang, then CEO of the factory, made a sudden inspection of the warehouse and found that there were still 76 unqualified refrigerators in the warehouse. When studying the solutions, many mid-level cadres of Haier made their comments that these refrigerators may be sold at lower prices to employees of the factory as welfare. Just when many employees felt hesitated, Zhang made a decision that was against common sense. He decided to hold a meeting for all employees on site and smashed all the 76

refrigerators in public. Moreover, the employees who manufactured the refrigerators would be asked to smash them. On hearing the words, many old workers shed tears on site as it was difficult even to purchase inferior refrigerators in the era with scarce materials, let alone authentic products. But Zhang understood that if these products were released, quality awareness would not be built, thus no palliative practice would be adopted. With his action, he wanted to tell employees of the company that they shall not produce those defective refrigerators. So, smashing must be compulsorily implemented so as to produce a shocking effect. And Zhang kept his original intention unchanged. By smashing refrigerators, Zhang built the quality awareness of enterprise employees and made Haier recognized by customers.

In 1995, Haier and Beijing Hongye Computer Animation Technology Co., Ltd. jointly invested more than 60 million yuan to create an animated cartoon titled *Haier Brothers*, which is an animated cartoon with scientific knowledge as its core. It taught us something in an interesting way, with some puzzles about nature hidden. It seemed that it had nothing to do with Haier's selling electrical appliances, but the Group had actually invested tens of millions of yuan. And few people knew the reason for that. In fact, it was a smart investment of Haier. At that time, considering the decoration of refrigerators, the mascot "Haier Graphics" symbolizing children of China and Germany was designed. Haier's cartoon mascot logo design means China's Haier and Liebherr and the cooperation between China and Germany is as energetic and promising as these two children.⁶⁸ The protagonists in *Haier Brothers* were just the image of two figures in Haier's logo. Although this cartoon has never mentioned a line about Haier from beginning to end, it has been deeply rooted in the minds of people so that Haier's trademark is well known to a majority of households. Also, people would soon associate with Haier's commitment, "being sincerity forever".

It plays a very important role in improving the reputation of Haier Company and shaping Haier's brand image. Establishing a good brand image is the process of creating the unique

⁶⁸ Wu Yue. Research on umbrella brand management strategy from an international perspective [D]. Harbin Normal University, 2019

identity for the product. It not only increases consumers' familiarity, but also improves consumers' trust. It refers to the customary purchase we often mention. The more successful the brand image is, the more it will attract consumers, and the occupied market share will be subsequently improved. Through the famous brand strategy, Haier Company has successfully built the brand popularity and good brand image, and stood out in the market with multiple refrigerator brands. Haier trademark has become "one of the top ten famous trademarks in China". Haier Company has set up a realistic model for the entire Chinese electrical apparatus industry.

Many successful Chinese and foreign enterprises make full use of people's psychology of worshipping the celebrity, and invite celebrities to participate in the advertising publicity, so as to improve the brand awareness, so as to achieve sales purposes. For example, Coca Cola invited Liu Xiang and Reebok invited Yao Ming. It can be seen that to promote popularity with celebrity plays an important role in the famous brand strategy, but each person deems themselves as the individualized person with the self-image. So, when selecting the spokesperson, advertising image and consumer expectation must be consistent.

Haier Group is very cautious in terms of advertising and does not frequently invite stars as the brand spokespersons.⁶⁹ Only individual products need to select the spokesperson, which is related to the corporate culture of Haier. Haier Group holds that product is the best spokesperson of the enterprise. Someone may hold that Haier Company does not need any spokesperson. However, Haier's spokespersons not only have characteristics, but also have absolutely high visibility. For example, by spending much capital, manpower and material resources, Haier Company became the sponsor of 2008 Beijing Olympics that is stronger than any other spokesperson. When the world's attention is focused on the 2008 Beijing Olympic Games, Haier's brand promotion effect is better than ever before.

Haier's idea of creating famous brand is different from other enterprises. Its first objective is

⁶⁹ Liu Ming. Analysis of Haier's famous brand strategy [J]. Modern economic information, 2009 (17): 43 + 46

to create the international famous brand. Use one famous brand to create a series of brands, and jointly gain the world-famous brand. Haier holds that if one enterprise does not regard creation of the international famous brand as the export objective and merely sells products without any famous brand awareness, its products will be hard to sell. Therefore, Haier formulates the strategy of creating brand in developed countries and expanding brand in developing countries. It adopts two ways to have an impact on the international market, to export the product to the developed countries to influence the market, to establish factories and the sales network and create the brand in the developing countries, which adopts its good points and avoid his shortcomings.

4.2.1.2 Extended Strategy of Haier Brand

A good brand image plays an important role in expanding the re-operation of the enterprise, and meanwhile plays a boosting role in the cross-industry competition of the enterprise. Haier brand is deeply rooted in people's mind, so compared with a new brand, consumers are more willing to select the familiar brand Haier and it is easier for them to accept the new product produced by Haier. Haier turns refrigerator into a famous brand familiar to the nationals. Haier brand has gradually penetrated into other electrical fields, such as other cooling household appliance products like freezers and air conditioners. At present, Haier Group has over 10,800 varieties in its household appliance group, including black household appliance, beige household appliance and white household appliance, which almost cover all the household appliance products. Zhang Ruimin summarizes the concept into "the east shines and then the west shines". It is exactly the famous brand competitiveness that provides powerful guarantee for Haier Company to promote other products. In order to gain more space for development and profit, Haier extends the brand through the high reputation and good brand image, and thus enters a new field. Haier successfully applies the sub-brand marketing makes full use of Haier brand resources, saves costs, highlights the personality of different products, and

maintains a new position.⁷⁰

The brand extension strategy of Haier mainly follows three principles: First of all, brand extension must be based on certain brand advantages; Second, the extended product is highly related to the original product in terms of technology, sales and product category; Third, the extended product must have good market development prospects. When it reaches a certain scale, it is leading compared with products of the same type. Much experience of international brand operation has indicated that the road of "brand merger" is feasible. Through his keen perception of the market, Zhang Ruimin has formulated the strategy policy of merging some deficit enterprises to expand the production size. The merger plan of Haier Group is done by following its unique theory of "eating the shock fish". Fish has four eating methods; Haier's merging and reorganization procedure mainly has four forms: The first one is overall merger; the second is investment holding; the third is brand operation; the fourth is virtual operating. The expansion and merger of Haier does not depend on the large-sized capital injection; instead, it depends on the rigorous management mode and invisible assets of Haier. It implements the virtual operation of the famous brand, and extends from the famous brand of Haier refrigerator to various household appliance industries, including white, black and beige household appliances. The measure lays an important foundation for the extension of Haier's famous brand. Haier Group has carried out a series of mergers and acquisitions in these four ways, the purpose is to strive for strength, development and brand-name creation, rather than simply to become bigger, Therefore, Haier must merge one and make one succeed, so it should optimize the resource allocation to the greatest extent.

The brand extension strategy gains a greater development space for Haier Group and gains greater profit. Out of the high reputation and good image of Haier brand, Haier enters a new field through brand extension, so as to expand the production size and gain a greater profit space. Haier brand's reputation is further improved. Haier Group becomes one of the dominant

⁷⁰ Zhang Lili. Analysis of Haier's famous brand strategy[J].Modern economic information,2015 (10):139

enterprises of the industry.

4.2.1.3 Haier's Strategy of Export Brand Creation

Haier adheres to the international strategy guided by international brands, and its international influence is increasing day by day. Since 1990, Haier has formulated the export strategy of "Difficult first and then easy". It exports products to developed countries first, and then exports products to developing countries after gaining a place in the developed countries' markets. In this way, products and brands are more easily accepted by consumers in developing countries. When Haier sells its products all over the world, it also imports Haier's brand and the concept of pursuing quality and sincere service into foreign countries.

Haier Group conducts training on star service concept and service mode for overseas dealers by stages and batches to improve their understanding of Haier enterprises and products.⁷¹

Zhang Ruimin's export strategy is not only to earn foreign exchange, but also to create brand.

Facing the coming of the Internet era, the internationalization of domestic enterprises has become a realistic issue. Zhang Ruimin holds that internationalization means localization. Haier, as the pioneer of internationalization of Chinese enterprises, the implementation measure of Haier's "internationalization means localization" is "local design, local manufacturing, local sales, local financing, and local integrated wisdom".⁷² At present, Haier has developed over 30 Haier franchise stores and over 5500 operation points in the key markets, including North America, European Community and Middle East, so as to keep improving Haier's share and international reputation in the international market and obtain good market effects. With the rising labor price in China's market, Zhang Ruimin resolutely decided to reduce the production cost by making full use of the labor force market of Southeast Asia. Haier has established factories in the Philippines and Malaysia. Meanwhile, it has established

⁷¹ Lu Qiang, tea gold science. Discussion on the thinking mode of enterprise development [J]. Jiangxi social science, 2001 (12): 127-129

⁷² Shang Qingmei. A study on the localization strategy of transnational operation of Chinese enterprises [D]. Guangxi University, 2004

the information stations in some developed countries, such as the U.S, France, Germany and Japan. It also designs products according to the local consumption habits and styles, so as to meet local demands and break the regional restrictions of Haier products. These measures enable Haier products to be deeply favored by overseas consumers. The localization measures solve domestic enterprises' problems of entering the international market. The first one is consumers' resistance to foreign products.⁷³ The second one is the nontariff trade barrier of the export country, so that Haier products smoothly enter the international market.

4.2.1.4 Haier's Strategy of Brand Maintenance

Aspect of Brand Culture

To set up a brand is a long process. Enterprises have to keep injecting capital and time to well maintain the brand. After the brand is established, it still requires constant brand management. Only the good enterprise brand image and brand's sense of freshness can keep attracting consumers, which is also related to the enterprise life. The success of Haier's brand strategy is that it pays great attention to improving the internal quality of product, and maintaining the brand image of Haier. Zhang Ruimin deeply realizes that the competition of brand not only stays in the technical aspect, but also depends on the profound cultural connotation of the brand, which seems very important to the brand maintenance. The brand marketing and publicity planning of Haier is also combined with the brand culture. Such as the "smashing the refrigerator", Zhang Ruimin makes consumers to know Haier's product quality idea: The product with defect is unqualified product. Therefore, Haier's brand image has achieved a combination of internal and external. As the image of Haier brothers shows, "being sincerity forever" Haier commitment is more deeply rooted in people's hearts, greatly improving the brand image and popularity of Haier enterprises.

Product quality and aftersales service constitute two foundations of the market

⁷³ Zhang Ruimin. Haier's innovative development mode to build a global brand [J]. Chinese and foreign management, 2005 (12): 30-34

competitiveness of Haier brand. With the increasingly fierce competition in the household appliances market, other household appliance brands in the market also begin to pay attention to the product quality. At that time, Zhang Ruimin made an important decision to shift the focus to the service. This is because that in the case that the product's demand exceeds supply, quality is the main connotation of the famous brand and the service becomes a very important factor in the supply and demand relationship. But in terms of product service, Haier not only emphasizes aftersales service, but also stresses presale service and mid-sale service. Up to now, it has all realized the international star-level service. Most enterprises merely emphasize the product maintenance. However, in the opinion of Zhang Ruimin, services not only include maintenance and installation, but also know about consumers' opinions and demands, so as to re-develop and re-improve the product. Zhang Ruimin sticks to the idea that "users' problem is our topic" and regards users' problem as the subject of Haier. Haier sticks to user-friendly design and simple use. "User-friendly design" takes the producer, the consumer, and the living person as the subject. Haier better grasps the three stages. By targeting at users' service, Haier not only timely knows about consumers' demands, and their problems and troubles, but also provides free extra services. Haier investigates users' satisfaction and even buys users' opinions with high price. In order to maintain and cultivate consumers' loyalty to Haier, Haier has done much work. For example, in terms of product development, they analyze the market demands, keep developing new products and update current products. At present, Haier develops one new product on average per day and applies for two patents one day, which improves the freshness of Haier brand and the attraction of Haier brand.

Aspect of Product Service

The era of shortage economy of electronic products has been past. In face of the oversupply market environment in the current stage, the success of the famous brand strategy proposed by Zhang Ruimin is that he emphasizes improving the product quality and service quality. Electronic products will inevitably produce a series of problems through long-term use, and the solution to this problem has become a crucial part. Only by improving products' service

quality can establish good corporate reputation in consumers' mind, and make Haier image more profound. The high-quality information of products will be transmitted to consumers through various ways, and the high-quality brand image of Haier in the hearts of consumers will be established. We should increase publicity in terms of product features and additional functions, and pass ISO9001 international quality assurance system certification, which can improve the credibility of publicity and make consumers easily accept Haier's publicity.

To set up users' loyalty of Haier brand, enterprises should firstly be loyal to users. Zhang Ruimin sticks to the idea that "users are always right". According to the idea, Haier forms the strong slogan "being sincerity forever", and the new idea of "all-in-one international star-level service", so that Haier brand and users set up a close relationship. In presales, mid-sales, post-sales and revisit, Haier keeps improving users' satisfaction beyond expectation. At present, it has formally set up the brand-new service system of "whole-process steward 365", so that users have no complaints when using Haier products. The brand idea of Zhang Ruimin has won praise from the consumption group. The sincere services of Haier wins praise of users, and also vigorously improves the reputation of Haier brand, and sets up a good brand image. This is the invisible wealth of Haier, and the source of power of Haier. "To sell credit is not to sell product". Users' loyalty of the enterprise is the invaluable asset of the enterprise. Only by being responsible for users and treasuring the reputation can it retain them. "A ministrant Haier" makes the Haier's service objective like this: Haier's service content is as much as the user's requirements, and its service scope is as large as the market. Haier's tenet of "being sincerity forever" makes Haier staff firmly believe that there may not be perfect products in the world, but customers can be satisfied with 100% service. The after-sales service system built under this service concept is well-known throughout the country, and at the same time has become Haier's full gold brand.

Aspect of Corporate Culture

Haier Group decided to convey the excellent corporate culture to the society through effective integration, which is not only very useful in the process of corporate marketing, but also very

conducive to establishing a good corporate image. The core element of concept culture urges every Haier employee to keep the enterprise values and spirit in mind all the time. Zhang Ruimin's corporate culture is deeply rooted in every employee's ideology, which plays a positive role in brand strategy maintenance and greatly improves the cultural connotation of the enterprise.

4.2.1.5 The Enlightenment of Haier's Famous Brand Strategy

Today, more and more enterprises realize the importance of the brand, but the formation and maintenance of the brand is a long-term process. Some enterprises often only realize the importance of the brand, too eager for quick success and instant benefit, floating on the surface. Simply think that registered trademark is to have a brand, a number of advertising media exposure can be deeply rooted in the hearts of the people. As a result, more advertising albums are on the market, and more celebrity advertisements are put on the market to prove that they are strong brands. But Haier's success is not accidental, nor is it the result of advertising. It took Haier 20 years of intentional management to build the first brand of household appliances in China. Zhang Ruimin pointed out that product quality is the first task to establish Haier brand. From diversified management to the establishment of brand system, as well as five-star service, the concept of "being sincerity forever" justifies Haier's reputation.

(1) Ensure the high quality of Haier products

Haier's grasp of quality is also deep and detailed, since 1985, Haier has adopted the unique "OEC management method" in China. "OEC management method" implements the quality of products to each individual employee. Employees need to fill in a "three E card" after the end of their daily work. And wages will be linked to this card, thorough implementation of management, improve product quality better. Product quality is not only concerned about consumers' purchasing intentions, but also an important part of building famous brand products. Only by strictly controlling the quality, Haier can establish a brand image in the minds of consumers. Quality is an important foundation for building famous brand enterprises.

(2) Be well prepared for long-term Brand Strategic Goals and Planning

The establishment of enterprise brand is a long process. No matter what the market environment is, we should be down-to-earth, seriously control the quality of products, improve the service ability of the enterprise, take the product deeply into the hearts of the people, and grasp the market opportunity. Only by improving the quality and service can we better seize the market opportunity, and the enterprise can get rapid and effective development.

(3) Focus on the Core Value of Famous Brands

Zhang Ruimin deeply rooted the slogan "Being sincerity forever" in the corporate culture. For consumers, the word "Sincerity" is particularly important. Sincerity can not only win the trust and love from consumers, but also invisible wealth for enterprises. Consumers' pursuit of the brand reflects the result of heart-to-heart exchange between enterprises and consumers, and the core value of the brand is perfectly reflected.

(4) Develop the brand in a down-to-earth way

Brand building can never be accomplished overnight. It shall go through a long period of brand accumulation. Looking back at the establishment of Haier brand, it took 20 years. Therefore, it can be seen that any enterprise that wants to expand its brand scale and internationalize its brand should be down-to-earth and build its own brand strategic plan according to its own corporate culture. Establish long-term development goals. Only by establishing a long-term brand culture strategy can the enterprise go further in the road of being a famous brand.

(5) Create Brand Personality

Nowadays, as the market is getting mature, more and more enterprises adopt the strategy of product homogeneity. Although the functions, packaging and appearance of products can be identical, only the brand of enterprises is unique and can not be duplicated. Brand also has a certain impact on consumer choice. Consumers often choose goods through brand recognition.

The brand culture that Haier established can not be easily surpassed by other enterprises. When consumers see the cartoon image of Haier Brothers, they will associate it with the advertisement of "being sincerity forever" and recall Haier's quality assurance.

4.2.2 Analysis of Haier's diversification strategy

Haier's good image in the refrigerator field has deeply rooted in our hearts. Haier decided to start with refrigerator products and develop household appliance products in various fields. For such purpose, Haier formulated the diversification strategy

The diversification strategy, also called multi-perspective strategy, refers to the development strategy in which an enterprise simultaneously operates more than two types of products or services with different basic economic purposes.⁷⁴ The strategy is relative to the professional operation of enterprises and includes product diversification, market diversification, diversification of investment areas and capital diversification. Its major strategy models include:

Horizontal diversification

Horizontal diversification refers to the extension of business field horizontally, with the existing product market as the core. It is also called horizontal or professional diversification. Horizontal diversification includes three types:

- (1) Market development type: Developing new market based on the existing products.
- (2) Product development type: Developing the products that are of the same categories with the existing products, with the existing market as main object.
- (3) Product and market development type: Developing new products, with the newly

⁷⁴ Chen Chao. Analysis of the relationship between enterprise diversification and core competence [J]. Market modernization, 2013 (07): 119

developed market as major object.

The change of this strategy is based on the original market and products. The change is closely related to the development, production and sales technology, but not to the management. This strategy is more suitable for the original products with high reputation, wide market and great development potential of large enterprises.

Multi-direction diversification

That means although there are some relationships with the existing products and market segments, the business field is diversified by developing completely heterogeneous products and markets. This multi-directional diversity consists of three types:

(1) Diversification of technical relationships. It refers to the development of heterogeneous products for heterogeneous markets based on research or production technologies in the existing business areas. Because this kind of diversification makes use of the similarity of research and development ability, the commonality of raw materials, and the similarity of equipment, it can obtain the technical multiplication effect, which is conducive to mass production and competitive in product quality and production cost. Moreover, the more different the usage of various products is, the more obvious the effect of diversification will be. However, in the case of technology diversification, sales channels and promotion methods are generally different. That is not good for marketing competition. This type of diversification is generally suitable for large enterprises in the industries with high technology density.

(2) Diversification of marketing relationships. It is based on marketing activities in the existing market segments and is driven into different product markets. The marketing diversification uses the common sales channel, the common customer, the common promotion method, the common enterprise image and the popularity, its sales effect can multiply. However, due to the lack of production technology, equipment and raw materials, the diversification of marketing relationship is not easy to adapt to the changes of enterprises, nor to cope with the risk of all

products aging at the same time. This type of diversification is suitable for enterprises with low technology density and strong marketing ability.

(3) Diversification of resources. It is based on the material basis of the existing business, and it is used to enter heterogeneous products and market sectors, and to make full use of resources.

Compound diversification

This is a strategy to seek growth opportunities from products and markets that have no obvious relationships with the existing business fields. That is, the new business developed by an enterprise has nothing to do with the original products and markets, and the required technology, business methods, and sales channels must be re-obtained. Compound diversification can be divided into the following four types:

(1) Diversification of financial relationships. It refers to the fact that the capital exchange units of the general relationship have risen to cooperative units with the development of the capital financed or added.

(2) Diversification of talent relationships. When it is found that there are patents or special talents within an enterprise, it uses this patent or technology to develop into a new business.

(3) Diversification of credit relationships. It refers the rebuilding of the enterprises that are on the verge of bankruptcy due to capital loss or other not-well-managed business under the authorization of financial authorities.

(4) Diversification of combination. It refers to diversified operations by means of capital pooling in order to exit from the current business field or develop into a large-scale business.

4.2.2.1 Diversification strategy of Haier

Before an enterprise gets engaged in a particular industry, it should make an all-round evaluation and analysis of the current status of the industry. It should consider that industry

competitions are just market competitions and how many small, medium and large enterprises, mature enterprises, even state-owned or foreign enterprises get engaged in such industry. It should fully understand the development environment of the industry both at home and abroad, and identify the competitions faced by the enterprise in the industry. Generally, the internal competition index of an industry is inversely proportional to the threshold and directly proportional to monopoly. It should, based on its characters, identify its advantages and disadvantages, grasp opportunities and face challenges. Second, based on the upstream-downstream relationship, the suppression from upstream suppliers should be taken into account. Generally, more upstream suppliers mean more fierce competitions and higher tendency towards buyers' market. More perfect cooperation shows lower suppression from upstream suppliers but less perfect cooperation indicates more fierce competitions. Third, the policy environment of the industry and whether there is policy support or limitation should also be taken into consideration. Fourth, the constituents, regional distribution, business scale and structures of major enterprises should also be considered. Also, the demand of customers and industry competition trend should be explored in an all-round way and the supply-demand relationship in the market should be fully understood. Just as the saying goes, "If you know the enemy and yourself, you can fight a hundred battles with no danger of defeat."⁷⁵

(1) Started to enter other refrigeration household appliance industries. During the seven years from the 1984 to the late 1991, Haier only produced one product, refrigerator. It was a professional enterprise. In 1991, Haier had total sales revenues of 724 million yuan and total profits of 31.18 million yuan. That year, the Haier refrigerator became the first Chinese gold medal in the refrigerator history of China and the only renowned trademark in China then. The refrigerators passed the US UL certification and were exported to European and American countries. Also, the OEC Management Law of Haier was basically formed and a nationwide sales and service network was initially established. On December 20, 1991, with Qingdao Refrigerator Factory are the core, Haier merged Qingdao Freezer Factory and Qingdao Air-

⁷⁵ Xie Yunyan. Research on diversification strategy of Haier Group [D]. Jiangxi Normal University, 2009

conditioner Factory into Haier Group Company and the segments it operated expanded from refrigerators to freezers and air-conditioners. Before July 1995, Haier mainly produced the above refrigeration household appliance products. Haier spent three years in entering the refrigerator and air-conditioner industry. The Group has successfully developed into a Chinese famous brand. In 1994, Haier had sales revenues of 2.56 billion yuan and profits of 200 million-yuan, ranking 2nd and 12th in the light industry of China.

(2) Started to get engaged in the white household industry, including refrigeration household appliance, washing machine, and microwave oven and water heater. In July 1995, Haier acquired Qingdao Red Star Household Appliance Co., Ltd., among the top three washing machine factories in China, entered the washing machine industry in a large scale. Then, Haier started to produce microwave ovens, water heaters and other products. In August 1997, Laiyang Haier Household Appliance Co., Ltd. was established through the joint venture of Haier and Laiyang Household Appliance Factory and entered the small household appliance industry to produce products such as electric irons. By then, the business areas of Haier had expanded to all white household appliance industries in two years.

(3) Started to get engaged in the entire household appliance industry including white and black household appliance segments. In September 1997, Hangzhou Haier Household Appliance was established through the joint venture of Haier and Hangzhou West Lake Electronics Group to produce products such as color TVs and VCDs and entered the black household appliance field. Till then, Haier had almost covered the entire household appliance industry and became an enterprise with the most coverage of household appliance products and total revenues exceeding 10 billion yuan in China's household appliance industry. At the same time, Haier also controlled Qingdao Third Pharmaceutical Factory and entered the Pharmaceutical industry. The Group launched integrated kitchen and toilet products in the market and entered the home equipment industry.

(4) Started to enter the knowledge industry. In January 1998, Haier and the Institute of Chemistry of Chinese Academy of Sciences (CAS) to establish Haier Chemical Engineering

Plastics Research Center Co., Ltd., which was engaged in plastics technology and new product development through joint investments. On April 25, Haier and the Academy of Broadcasting Science, NRTA established Haier Guangke Digital Technology Development Co., Ltd. by means of joint venture to develop and apply digital technologies. On June 20, Haier, Beihang University and C-MOLD (USA) established Beihang Haier Software Co., Ltd. to engage in CAS/CAM/CAE software development. That indicates Haier started to enter the knowledge industry and the products of the above knowledge industry are necessary for its future development, with the relationship of integration.

4.2.2.2 Cultivate the Core Competence of Enterprises

The long-term development of an enterprise depends entirely on its core competence. Only with the excellent core competence can be invincible in the increasingly fierce market competition. The establishment of the core competence is not only acting on the domestic market, but also particularly important under the impact of the wave of the world market. Before the advent of diversification, many domestic household appliance enterprises began to introduce advanced production technology and high-quality production equipment from abroad, which triggered an upsurge of purchasing household appliances. Household purchase prompted the sales of household appliances to remain high, but there were also some companies to expand purely the scale of production and operation. By reducing the quality of products to reduce production costs, such practices gradually reduced consumer satisfaction with the product. But Haier decided to adopt its own brand strategy, that was to build up quality awareness. Haier would not save money at the expense of reducing product quality. On the contrary, Haier invested a large amount of money to improve product quality and technological content. It took seven years to optimize quality and service, and only focused on a core product of refrigerator. Facts have proved that Haier's decision is correct. Companies that reduced production costs by reducing product quality have gradually lost the trust of consumers, lost their original position in the industry, and eventually been eliminated by the market. Zhang Ruimin 's key decision established Haier Group's position in the whole household appliance

industry. It also strengthened its industry barriers and made Haier's core competitiveness stronger and stronger. Through quality control and patent application technology, Zhang Ruimin created the reputation of international brand and further improved the product technology system with Haier's characteristics.

The establishment of core value system helps to enhance the cohesion of enterprises. Haier's core competence not only contributes to its own development, but also invisibly provides value-added services for customers. Customer satisfaction also brings an unsurpassed competitive advantage for enterprises. The core competitiveness is rooted in the enterprise, which has the potential of sustained growth in the future development of the enterprise. Therefore, for enterprises, cultivating and strengthening the core competitiveness of enterprises is of great significance to the implementation of relevant diversification strategies. Haier expands its market business horizontally and vertically on the basis of maintaining the competitive advantage of its core business.

4.2.2.3 Improve the Technical System and master the Core Technology

The technological system of an enterprise is often supported by one or several key technologies, and those technologies reflect the technological advantages of the enterprise. Through the sharp market insight, Zhang Ruimin improved the competitiveness of enterprises by developing and effectively utilizing these core technologies and improving the construction of technology system. According to Haier Group's own situation, before the formation of its own complete competitive advantage system, the key technology is also an important means of success, because the core competitiveness of enterprises is difficult for the competitors to surpass. The acquisition of key technologies can be achieved either through its own development and research or through direct external purchasing. Enterprises should protect the acquired key technologies and avoid theft and outflow of core technologies. Application for patent protection is the most effective protection measure, and the core technology of enterprises can be effectively protected by national law.

Zhang Ruimin is committed to improving after-sales service. He believes that satisfactory after-sales service is an effective way to shape the brand and the reputation of enterprises, and it is also an important tool to maintain customer loyalty. According to the principle of marketing, 20% of the 80% profits of enterprises is created by loyal customers. Therefore, it is imperative to improve the quality of after-sales service for Haier. Zhang Ruimin also deeply realized that in today's market competition, the product quality differences were gradually narrowing, pre-sale and after-sale services became the top priority in the market competition.

4.2.2.4 Strengthen the reserve of talents

Firstly, Haier adopts the school-enterprise cooperation mechanism to establish a reserve talent pool. Excellent college graduates usually have solid professional knowledge and innovative ability. After certain pre-job training and practical exercise, they can quickly take up their posts, provide fresh blood for enterprises, and become rare talent resources. In the cooperative mechanism, a graduate practice base should be established. During the practice period, college students can receive corresponding training and practice, combining theoretical teaching with practical operation.

Zhang Ruimin chooses excellent employees with rich experience in the enterprise to carry out training courses for college graduates, training the college graduates in turns. Teachers with rich management experience are responsible for formulating theoretical courses of enterprise culture, enterprise positioning and enterprise development. Teachers with rich production technology are responsible for formulating practical courses of practical operation and technology application. Haier also establishes a professional talent database, regularly collating and filing, to ensure the accuracy and validity of talent database data.

Secondly, establish staff training centers. The talent reserve of enterprises is a long-term and uninterrupted process. Therefore, the large and medium-sized enterprises should establish their own talent training centers, based on the development of their own situation, according to the actual situation of on-the-job and reserve personnel training. The establishment of "Haier

University" is a successful case of staff training. Haier provides corresponding software and hardware facilities, conduct comprehensive training for the staff to provide Haier with a continuous stream of excellent talents.⁷⁶

The implementation of "long bench plan" has become a strong support for professional reserve force. According to the group development strategy, Zhang Ruimin has formulated a special training plan to train talents in the key positions, covering production, sales, supply chain, etc. The training project is divided into two modes: off-job and on-the-job. The off-job mode is that employees leave their original positions, conduct all-round training, and re-engage after passing the examination. On-the-job mode provides training for employees who are not divorced from their original posts, and after passing the training assessment, they are qualified to compete for other related posts.

The talent reserve of enterprises is a long-term and uninterrupted process. This requires enterprises especially the large household appliance enterprises should establish their own talent training centers, based on the development of their own situation, according to the actual situation of on-the-job and reserve personnel training. The staff training center of Haier "Haier University" is very successful. It has corresponding software and hardware facilities to form a perfect training center, conduct comprehensive training for the staff to provide Haier with a continuous stream of excellent talents.

Haier's "long bench plan" helps build a professional reserve force. According to the strategic development of Haier Group, Haier University has developed a special training plan to train talents in the key positions, covering production, sales, supply chain, etc.

⁷⁶ Shuai Xiaolin. Difficulties encountered by large household electrical appliances enterprises in implementing related diversification strategies and Their Countermeasures -- Taking Haier Group as an example [J]. Social Sciences, 2014,29 (08): 42-45

4.2.2.5 Activating the "shock fish" mode to achieve a win-win situation of related diversification

Habitually, cooperate mergers are compared to "big fish eats little fish". Internationally, corporate mergers are divided into three phases: (1) "big fish eats the little fish" or big enterprise merges little enterprise.; (2) "fast fish eats slow fish" or capital moves towards technology and new-tech enterprise merges traditional industry; (3) "shark eats shark" or mega merger. Members of Haier believe that what Haier eats is neither little fish nor slow fish nor shark but "shock fish". For "shock fish", Zhang ruimin explains that the body of fish does not become rotted, which means the hardware facilities of the enterprise is in good condition. However, fish is in a state of shock, which means that there are problems in the thoughts and concepts of enterprises, which leads to stagnation of enterprises. Once this kind of enterprise infuses the new management thought, has a set of effective management method, soon can be activated. The theory of "eating shock fish" provides a practical basis for Haier to choose the target of merger.⁷⁷ Haier's focus is not on the existing assets of the target company, but on the potential market, potential vitality and potential benefits. Among 15 merger cases of Haier, 14 cases follow the model of "eating shock fish". Among 14 cases of the merged, the total profits reached 550 million yuan and the assets finally activated 1.42 billion yuan, which successfully achieved the low-cost expansion goal of "1+14>15."

The merger and reorganization practice of Haier mainly adopts four forms: **First**, integrated merger or corporate merger based on the administrative allocation of the government. Qingdao Red Star Household Appliance Co., Ltd. was once one of the three largest washing machine manufacturers in China. It manufactured more than 700,000 washing machines and owned more than 3,500 employees. However, due to the poor management, the enterprise had total losses of more than 100 million yuan. In July 1995, Qingdao government decided to allocate Red Star Household Appliance Co., Ltd. and its five subsidiaries to Haier. Just three months

⁷⁷ Wu Yuemiao. Research on corporate culture integration mode in M & A -- Taking Haier's activation of "shock fish" culture as an example [J]. China Securities and futures, 2013 (09): 85-86

after the merger, the enterprise changed its situation of loss and gained total profits of 1.51 million yuan half a year later. **Second**, investment holding. Integrated mergers mostly occur in the mergers in the same region and the same industry and cross-region and cross-industry mergers are mainly realized in the form of investment holding. The former is administrative behavior and the latter is economic behavior.⁷⁸ In December 1995, Haier acquired 60% shares of Wuhan Freezer Factory, making the first move of cross-region business operation. In March 1997, Haier, which contributed 60% shares, and Guangdong Aide Group Company established Shunde Haier Household Appliance Co., Ltd. by means of joint venture and built the Haier speed featuring “production was started in the first month, batch production was realized in the second month and listing was realized in the third month.” **Third**, brand operation. That is the means by which intangible assets are regulated and tangible assets are activated. The “Shuangjing” brand electric irons manufactured by Shandong Laiyang Household Appliance Factory were listed as one of the three famous brands in the industry. In January 1997, Haier and Laiyang Household Appliance Factory joined hands to launch Haier “little squirrel” electric iron series by means of “brand manufacture”. In August, Laiyang Haier Electrical Appliance Co., Ltd. was further incorporated. For the first time, Haier converted intangible assets and invested them into the joint venture, thus opening up new approaches for low-cost expansion. **Fourth**, virtual business operation. It is not only an advanced form of brand operation but also the specific embodiment of the business concept of “first market, then factory”. The reorganization form has gone beyond the model of “eating shock fish” but makes both organizations complement to each other through “mega merger” and creates a live fish. The cooperation with Hangzhou West Lake Electronics Group is just a successful attempt of Haier’s virtual business operation. In such sense, color TV, the pathfinder of Haier, is not only a pathfinder of market but also a pathfinder to expand new reorganization forms.

The four merger forms reflect the three phases during Haier's development. The Integrated merger has obvious characteristics of planned economy and belongs to the stage of product

⁷⁸ Yudi. Haier culture activates "shock fish" -- Haier merges the former Qingdao Hongxing Electrical Appliance Factory [J]. China business, 1999 (01): 44-47 + 5

operation. The investment holding is a standard behavior under the condition of market economy and belongs to the stage of capital operation. Brand operation and virtual operation have entered the advanced form of capital operation, belonging to the stage of brand operation.

"It is necessary that the sum is larger than constituting parts" is a basic principle for Haier's mergers and expansion. It reflects the aim of Haier's expansion, i.e. to get stronger not only bigger. So, Haier must successfully merger others once it does it, maximize the optimization of resources configuration and explore the potential upon corporate re-organization. The process of Haier's mergers is actually a process of Haier's self-reproduction or "copying Haier fish."

Zhang believed that whether a merger is successful depends on the merging enterprise has a robust business model. In the implementation of related diversification, the external mergers and acquisitions have certain risks, because each enterprise has different management methods, corporate culture, values and so on, so it is inevitable that the merged enterprises can not be integrated with the acquisition enterprises. In contrast, Zhang Ruimin did not directly inject a large amount of capital into the merger, but chose the way to activate the "shock fish". Take Haier's merger of the original Qingdao Hongxing Electrical Appliance Factory as an example. After the merger came into effect, Zhang Ruimin dispatched the first batch of people not from the ministry of finance, but from the corporate culture center. Corporate culture is a concept recognized and respected by all employees. No matter what problems the enterprise encounters, employees will give priority to the implementation of this concept. It integrates many aspects of enterprise content and is a comprehensive reflection of enterprise operation and management. Haier's corporate culture is divided into three aspects, first of all, spiritual culture, that is, every decision of the enterprise contains both collective wisdom and personal choice. Every employee of Haier can really feel every step of the development of the enterprise here, and every employee has a strong sense of responsibility and achievement. It is clear that the rise and fall of enterprises are related to everyone, and personal interests are closely related to the interests of enterprises. Secondly, institutional culture, such as the leadership system,

organizational structure and management system of enterprises, enables enterprises to operate normally within the fixed scope. The third one is material culture, which also belongs to the surface culture, including products and services provided by enterprises, as well as the working and living environment of enterprises. So, the first thing they integrate into is not Haier's capital, but Haier's corporate culture and Zhang Ruimin 's management thought. The revenue situation on the books is not the focus of Haier's merger work. The long-term development goal of the enterprise is the foothold of Haier's merger. The "Shock fish" refers that the fish body is not rotten, but in a state of shock, which means that the supporting facilities of enterprises are good, but the lack of excellent business management ideas and management concepts, which leads the enterprises lack of vitality and stopped developing. Such enterprises, once integrated with excellent management ideas and business philosophy, will soon be activated. As long as the dispatched personnel truly understand the essence of Haier spirit, it will have the gene of Haier and then transplant the gene to the new enterprise. Then, the merger will succeed and whatever difficulties can be conquered. Experts held that the highest form of the contemporary business competition is just the completion of corporate culture. Haier members thought that Haier's expansion is actually the expansion of Haier spirit and culture. Zhang Ruimin analyzed that the reasons for the failure of Red Star Electric Appliances were not technology or capital, but the improper management of enterprises, the lack of cohesion and centripetal force of enterprises, and the lack of effective combination of existing production factors. Haier Group has formed a unique corporate culture in the process of its development for many years. Its core idea is the open innovation of "the world is our research and development center". Its essence is the zero-distance interaction and continuous innovation of global users, innovators and innovative resources. Its goal is to establish the innovative ecosystem that the global resources and users participate, to put out Index Technological Products continuously. Haier culture takes concept innovation as the guide, strategic innovation as the direction, organizational innovation as the guarantee, technological innovation as the means, and market innovation as the goal, accompanying Haier from scratch, from small to large, from big to strong, and from China to the world. Haier culture itself is

constantly innovating and developing. At the same time, Haier's corporate culture also includes its core value system and development concept. So, Zhang Ruimin is very confident in Haier's corporate culture, so the first step of the merger is to implant Haier's management ideas and management concepts into Red Star Electric Appliance Factory.

Strategic alliance is a good choice for large household appliance enterprises to implement diversification strategy. Enterprises can share the technology, equipment and other resources of alliance partners without a lot of investment. At the same time, enterprises also improve their brand effect.⁷⁹

In the traditional market competition, in order to gain more self-interest and market share, enterprises often take inappropriate means of competition. Competitors, at all costs, use various ways to kill each other. Strategic measures of alliance with rivals are extremely rare. While Zhang Ruimin chose to activate the "shock fish" and acquire strategic alliance by means of enterprise mergers. The strategic alliance of sharing resources and mutual development has changed from pure competition mechanism to win-win cooperation. This mechanism has also become the mainstream strategy and represents the trend of future strategy. Price war is the main form of competition in large-scale household appliance market in China. On the basis of relevant diversification strategy, Haier strengthens its strategic alliance, strives to win in technology and cost, and avoids pushing Haier into the quagmire of price war.

4.2.2.6 Characteristics of Haier's diversification strategy

(1) Controlling the pace of diversified according to corporate capabilities

There are two meanings behind it. First, the enterprise's ability is in line with the pace of diversification. When the ability is general, the pace is slower. When the ability is high, the pace is fast. Second, with the improvement of corporate capabilities, the pace of

⁷⁹ Dai zewei, Zhang Zhengyong. Analysis of Haier's cost strategy from the perspective of strategic alliance [J]. Finance and accounting (Financial Edition), 2010 (11): 25-27

diversification will be gradually accelerated. With seven years of specialized business operation, Haier has competitive corporate capabilities in management, brand, sales service and other aspects. Based on these capabilities, Haier started to enter the freezer and air-conditioner industries in 1992 for diversified business operation. In July, 1995, just three and a half years after Haier operates in the refrigeration household refrigerator industry, Haier entered the washing machine industry in a large scale. Within three and a half years, Haier extended the corporate capabilities built in the refrigerator industry to the entire refrigeration household appliance industry and obtained great improvement. On such basis, Haier entered industries such as washing machine, water heater, small household appliance, microwave oven and dish-washing machine and its business areas, which cover almost all white electrical appliance products. In September 1997, just two years after the operation of the white household appliance industry, Haier entered the black household appliance industry to manufacture color TVs, VCDs, faxes, telephones and other products. Also, Haier launched to the market integrated kitchen and toilet products and entered the home equipment industry. The year 1997 was the year when Haier entered the most industries. In addition to color TV, VCD and home equipment, Haier also entered the biomedicine industry.⁸⁰ The fast pace was based on the corporate capabilities formed by Haier during the 13 years from 1984 to 1996. In the first half year of 1998, Haier entered the knowledge industry in a large scale. Haier is mainly engaged in the new technology and product development necessary for the Group. As a vertical and integrated mode, it will vigorously improve the overall technical capabilities of Haier.

It can be seen that Haier maintains a stable pace when entering new industries. Basically, it acts according to its capabilities and expands as it goes along. The core foundation is Haier's gradual improvement of corporate management, brand and sales service capabilities.

(2) Entering a new industry according to industry correlation degree

⁸⁰ Guo Lina. Research on the strategy of diversified operation of Chinese enterprises [D]. Jiangxi University of Finance and economics, 2001

The success rate of diversified business operation is positively correlated with traditional and new industries. Higher correlation degree means higher success rate and lower correlation degree means lower success rate. In terms of diversification, Haier develops from high correlation to medium correlation and then to low correlation according to the degree of industry correlation. The freezer and air-conditioner industry Haier entered in 1992 is highly correlated with the refrigerator industry it operated before 1992: ① the core technology is the same, refrigeration technology, and other production technologies are also highly correlated.⁸¹ ② The sales channel and user type are the same, but installation services are needed for air-conditioner products, and the users of commercial freezers were slightly different. The washing machine industry Haier entered in 1995 is highly correlated with the previous refrigeration household appliance industry: ① technologies are moderately correlated, but the washing machine production technology is at lower level than refrigeration appliances; thus, the technical synergy effect is more obvious. ② As for the market, resources such as brands and sales networks can be fully shared and are highly relevant. The color and other black appliance industry Haier entered in 1997 and the previously operating white goods industry are moderately correlated: ① In terms of technical aspects, the key technology of white household appliances is design and adaptive products are designed according to different regional market requirements; while most black appliances are based on electronic technology. So, the technical correlation between the two is low. ② In terms of market, brand and sales resources are highly correlated. The home equipment industry Haier entered in 1997 and the household appliance industry are moderately correlated: ① In terms of technology, in addition to the use of home appliance technology, some other technologies are also needed. So, they are poorly correlated. ② In terms of market, the sales service network of household appliances can be used and the installation services are added. So, they are highly relevant. The pharmaceutical industry Haier entered in 1997 and the household appliance industry are

⁸¹ Wang Yali. Research on merger and acquisition motivation and integration strategy of Haier Group [D]. Beijing Jiaotong University, 2009

not correlated in terms of technology and market.⁸² This may be a strategic preparation for Haier to enter the bioengineering field in the future.

(3) Adopting different entry methods to enter new industries in response to different situations

There are generally three different ways to enter new industries. First, internal development, which mainly depends on the company's operating resources to enter the new industry. Second, external mergers and acquisitions that entry into the new industry through mergers and acquisitions of other companies. Third, establishment of a strategic alliance by means of joint venture, and entry into the new industry through strategic alliance in the form of joint venture and cooperation with other companies. The three ways have different scopes, conditions, strengths and weaknesses, and also different effects on the narrowing of the management resource gaps.

Haier has entered new industries in a comprehensive way, by selecting suitable methods according to different conditions. For example, Haier adopts the internal development mode to enter the new industry, which is mainly the household equipment industry as the industry technologies were complex, Haier accumulated much in the constituting technologies and the sales resources could be shared. Thus, internal development was suitable. Through external merger and acquisition means, Haier entered industries such as air-conditioner, freezer, washing machine, microwave oven, etc., in which administrative factors played some role. However, due to Haier's own high management ability, brand value and good sales service network, the business operation after the merger and acquisition has also been successful. Haier adopts the joint venture mode to enter into new industries, mainly including small household appliances, color TV, knowledge industry, etc., which makes use of the advantages of the business resources of the partners, and reduces the gap of business resources entering the new industry.

⁸² Peng Wei, Yu Yingchuan. Diversification and Haier's growth strategy [J]. Chinese and foreign management guide, 2001 (11): 16-18

(4) Strive to be the top three in the same industry in China after entering an industry

Refrigerator is the prime industry of Haier and remains the largest industry of Haier. In 1997, refrigerator contributed to 40% of the total sales revenues. After 1992, Haier started its diversified business operation and insisted on the expansion of the sales and production scale of the refrigerator industry (the average growth speed of refrigerator output was 131% during 1984 and 1997). In addition to expanding its production in Haier Industrial Park, Haier also established a joint venture named Guizhou Haier Electrical Appliance Co., Ltd. with Guizhou Aerospace Group to produce refrigerators in the late 1997. In the rest of the world, Haier also established a joint venture-based factory in Indonesia and the Philippines in 1996 and produced and sold products such as refrigerators in the local. Refrigerator and air-conditioner are the industries Haier entered in the initial period of its diversification strategy phase. In order to expand its production and sales scale, Haier conducted cross-regional operation for the first time in December 1995, purchased 60% shares of Wuhan Lanbo Xidao Company and produced refrigerators and air-conditioners. Also, Haier also established a joint venture with Mitsubishi Heavy Industries, Japan to produce air-conditioners in Qingdao and exported the products to other countries. In 1997, Haier air-conditioners were ranked first together with Gree and Chunlan in terms of production and sales output in China. Washing machine represents one of the pillar industries of Haier. In March 1997, shortly after Haier transformed Red Star Household Appliance and went on the track of business operation, Haier established Shunde Haier Electrical Appliance Co., Ltd. through joint venture with Guangdong Aide Group. Haier held 60% shares by means of lending and mainly produced washing machines. Also, in 1996, Haier also set up a factory in Malaysia to produce and sell washing machines in the local. Color TV was a later industry that Haier entered. Haier entered the industry by means of joint venture and launched to the market rapidly "Pathfinder" TV sets by using the production lines of Hangzhou West Lake Electronics Group. Its market coverage in Beijing has been up to 35% for a time. In the following four months, Haier purchased Hefei Huangshan Electronics Group to further expand the production scale of Haier color TV sets. In 1997, the products of four categories made by Haier ranked among the top three in the same industries

of the world, namely: refrigerator, 30.28%; freezer: 42.10%; air-conditioner, 24.11% and washing machine, 27.68%. There are the result of the National Bureau of statistics investigation and statistics on the sales of major home appliance brands in 600 large and medium-sized shopping malls in China.

Also, in order to grasp the diversification opportunities, Zhang analyzed the competition structure and production cycle of large-scale household appliance industry, especially identifying the strength and weakness of Haier. The enterprise may use the SWOT tool to identify opportunities and develop diversification in a systematic manner. SWOT clearly lists the strength and weakness shown in corporate management, combines internal and external environments in the market and analyzes the risks and opportunities faced by the enterprise in the current stage. By exploring the current market environment and analyzing its own characters, the enterprise can identify diversified opportunities and the best starting point. Haier faces both opportunities and challenges. In face of current conditions, Zhang grasped the opportunity of market economy during China's rapid development, started with the most competitive products relying on Haier's good technical strength, made further development and research, reduced production costs and increased technology content and level of products so as to form dual competitiveness in technology and costs and gained a leading position in the market.

4.2.2.7 Enlightenment from the Success of Haier Group's Diversification Strategy

(1) Taking the road of diversification is the inevitable result

In the current trend of globalization, Chinese enterprises should not only take a leading position in professional fields with advantages, but also break the geographical and time zone restrictions to develop multi-field and diversified operations. After all, the top 500 enterprises in the world are implementing diversified development strategy, striving for a longer-term development for enterprises, and the success achieved by Haier also reflects that after the accumulation of time, technology and capital, enterprises can indirectly accelerate the pace of

development of enterprises through the development of cross-industry operations. Therefore, the implementation of diversification strategy is an inevitable trend for enterprises to enter the global market.

(2) The core competence of enterprises is the fundamental condition for their development

The core competence of an enterprise is the general term of all kinds of culture and skills that are indestructible and cooperative among various functional departments and members. It is formed by the development of an enterprise for many years. It contains the essence of an enterprise. It is the unique competitive ability of an enterprise, supporting the enterprises' past, present and future competitive advantages, and enabling the enterprise to compete in a competitive environment. It can acquire core competence of initiative for a long time. There is no absolute evaluation standard system for enterprise's strategic decision-making. As long as it can improve the core strength of the enterprise, establish a solid barrier for enterprise competition, and support the enterprise to go further on the road of diversification strategy in the future, it can be defined as a good decision-making for the enterprise. Therefore, the core competitiveness of enterprises is the fundamental condition for diversification strategy.

(3) Avoid the "trap" of diversification

At present, many enterprises in our country have a lot of cognitive deviations in the development of diversification strategy. They always make a single development decision, which inevitably leads to the situation of neglecting other development decisions. Therefore, this is a wrong concept of development. In this regard, Zhang Ruimin explored the corresponding new ideas through deep thinking. Firstly, we should do a good job in product quality and service in the field of specialization where we have absolute advantages to ensure the core competitiveness of enterprises. Secondly, when facing the new market, we should first develop related products, and then expand our business to other industries after attaining a certain scale and occupying a certain market share. Through this gradual development, we can avoid the "trap" of diversification.

This section analysis the Haier Group's background of implementing diversification strategy, the reasons for its success and the experience and enlightenment brought by it. This section draws the conclusion that diversification is the only way for enterprises to expand their scale operation, to occupy more market share and to have better development prospects. Enterprises should also combine their own development situation to stabilize the core competitiveness in the field. Enterprises should have absolute advantage, seize the opportunity to make the development of enterprises more stable and long-lasting. The enterprise will fall into a more dangerous situation if it loses its original faith just for the sake of purely gaining more benefits.

4.2.3 Analysis of Haier's Internationalization Strategy

After China joined WTO, its economic strength has been greatly improved. However, as international mature multinational companies have taken over the Chinese market, international brands have occupied important advantages in some categories. Under the circumstance that Chinese enterprises are still unfamiliar with transnational marketing, Zhang Ruimin has taken a unique step to expand overseas, laying a solid foundation for Haier's road to the world. At the end of 1997, Zhang Ruimin, Haier CEO announced that the group had entered the stage of internationalization strategy. On the road of internationalization, Haier grasped the international market situation, studied the laws of market changes, worked out one by one advanced and accurate strategic decisions, and successfully opened the door to the international market.⁸³

4.2.3.1 International Market Development Strategy

(1) "Difficult first and then easy" strategy

If an enterprise does not have its own unique strategy that is in line with the market, it will not be able to achieve sustainable development. In order to open up the international market, a well-off enterprise must have an international strategy with accurate positioning. "Difficult

⁸³ Ji Jinxia. Research on Haier's internationalization strategy [D]. University of foreign economic and trade, 2006

first and then easy" is one of Haier Group's strategic decisions for its internationalization strategy stage, and it is also an embodiment of CEO Zhang Ruimin's overall strategic thinking. For most rich enterprises, there are two ways to enter the international market, one is gradual, and the other is synchronous global start-up, that is, difficult first and then easy. Facing the situation of relative saturation of the domestic market and integration of the international market, Haier has formulated a new strategy different from the traditional, in order to occupy the world market for goods and services after investigation and careful analysis of the international market.

"Difficult first and then easy" means that when enterprises enter the international market for the first time, they choose a country that will be the pickiest about product quality and service to carry out market development, and then move to other product consumer markets.

After continuous market research and analysis, Haier company aims its development direction at developed countries such as Europe and the United States. Haier hopes that through high-level and strict quality control, high-demand after-sales service and fierce competition in these countries, Haier can exercise itself to meet the requirements of these markets and consumers for product quality and service, and hope to obtain market from these difficult markets. Relevant experience and leading technology to improve its competitive advantage in other countries.⁸⁴ As far as the world market is concerned, the strictest market is the consumer market in Europe, America and other countries. Consumers in these countries have very high requirements for the quality of related products. And because of hidden trade barriers, Haier faces higher market access. Facing the high threshold requirements, Haier believes that the harsh international market is the touchstone for testing product quality. In order to enter the European and American markets, in addition to the most basic international product quality, more importantly, the quality, testing and brand verification are in line with international standards. In order to successfully enter foreign markets, Haier Company has spent huge

⁸⁴ Wang Tingting. Analysis of Haier's corporate strategy from the perspective of corporate strategic management [J]. Modern marketing (next ten issues), 2015 (04): 6

financial, human and material resources to improve its technical level. In just a few years, Haier has successively passed the international certifications of UL in the United States, S-MART in Japan, VDE and GS in Germany, CE in the European Union and other 15 categories and 48 countries. This means Haier has got a pass to enter the markets of developed countries. In addition, Haier Company has obtained relevant certifications and authorizations from several economically developed countries. In this way, Haier's design, research and development, and time to market have been greatly shortened. In addition, Haier has formed a technical cooperation alliance with NETSCREEN, Maze and other large companies. Through this way, Haier can realize the integration of resources and promote the progress of Haier's science and technology as well as the enhancement of its market competitiveness. Since 1992, Haier's refrigerators, washing machines and air conditioners have passed ISO9001 quality system certification and ISO14001 environmental system certification successively, greatly promoting Haier's exports to Europe and America.

(2) Localization strategy

The localization strategy means that the enterprise takes itself as an inherent member of the target market and integrates local culture that can obtain greater development space. From the point of view, localization has rich connotation. Human resources, research and development, and business strategies need to be localized in a certain way.⁸⁵ The localization has the following advantages: ① Make full use of local plant equipment, quantity of workers and advanced technology, thus reducing production costs and improving the technological competitiveness of products. ② As the employees are locals in the target market, they can give full play to their knowledge of the laws, religions and cultures of their own country. ③ To set up factories overseas, the most important thing is to effectively avoid non-tariff barriers in international trade.

In the process of internationalization, Haier adopted the localization strategy of "Trinity" and

⁸⁵ Tang Jie, Zhang Yu. Analysis of Haier's international competitive strategy [J]. Science and technology horizon, 2014 (12): 188 + 202

"Three Integration and One Creation".⁸⁶ Through the localization of "Trinity", it achieves brand development, and improves the honor of the international market. In the consolidation phase, Haier's reputation in the international market will be realized through "Three Integration and One Creation". The 2 approaches will eventually achieve Haier's goal, stabilizing the international market.

"Trinity" means localization of products in R & D, production and sales ① Localization of development and research. Haier will develop and study what types of products the market needs. In the research and development of products, we should not only vigorously introduce excellent technical personnel, but also reduce the production cost through various ways. The research and development of products must be closely combined with the market sales of products, so that our own products can adapt to a new consumer market in a short time.② Localization of product manufacturing. When making products, customers' needs must be taken into consideration to make the products produced by the enterprises adapt to the personalized requirements of consumers. At the same time, the price of products cannot be higher than the average market price. Through the use of such management methods, Haier can produce according to the needs of consumers when designing production. ③ Localization of marketing methods. At the beginning of its business, the biggest difficulty for Haier's investment was that it did not find marketing channels. Therefore, Haier focused its development on the construction of various marketing channels. Haier has formed its marketing network in four years. At first, US Haier was Haier's general customer, then developed into Haier's own distributor and finally became Haier's joint venture partner. In addition, Haier also obtained the sales channels of foreign brands through skillful cooperation with local famous large enterprises. For example, Haier signed a contract with Sanyo to use its mature network to enter Japan in order to open up the Japanese market, and formulated a swap strategy with it. In order to do a good job in marketing that is more suitable for local culture, Haier has also offered many marketing courses to retailers and marketers of the

⁸⁶ Guo Lanjun. Research on differentiated competitive strategy in the process of brand internationalization of Chinese enterprises [D]. Southeast University, 2016

enterprise, and has also formed partnership with some distributors.

In April 1999, the successful construction of Haier's production and manufacturing base in the United States was the successful embodiment of Haier's first "Trinity localization" overseas. Haier Company has set up its marketing center in New York and its design center in Los Angeles to fully absorb local talents and technicians. It has set up its production center in South Carolina because the local land and labor are relatively cheap compared with other places. In addition, the local state government has also formulated many policies to attract foreign investment. Haier in the United States has been completely localized, and most of its employees are genuine Americans.

"Three Integration and One Creation" refers to local financing, local intelligence and integration of local culture to create Haier's world-famous brand.⁸⁷

① Localization of human resources. The general manager of Haier's US Trading Company is a genuine American. Compared with the Chinese, he has many advantages, such as the understanding of the traditional American culture, the interpretation of American laws and the consumption needs and habits of Americans, which are incomparable to the Chinese in Haier's headquarters. Through his leadership, the US trading company has achieved fruitful results under the condition of "know the enemy and know yourself, and win every battle". However, the localization of talents also has certain risks. The great differences between countries and regions make it difficult for foreigners to understand and accept Haier's values. This requires our management to conduct cultural training and cultural infiltration for overseas employees before they take up their posts. They basically accept Haier's values.

② Brand localization. Haier's brand localization mainly uses local unique media forms and celebrities with halo effect to carry out and strengthen the promotion of the brand. The localization of the brand is conducive to local consumers to quickly accumulate familiarity

⁸⁷ Yang Wei. Experience and Enlightenment of internationalization strategy -- Taking Haier as an example [J]. Shandong economy, 2010,26 (04): 44-47

and friendliness with the brand. Through this strategy, Haier quickly won a piece of sky in foreign markets. The successful development of Haier's overseas market is due to its localization development strategy, which makes Haier really becomes an international brand.

4.2.3.2 International Brand Strategy

Brand is a symbol of the quality of an enterprise's products or services. A multinational enterprise that has a place in the international market must possess not only excellent and advanced core technologies, but also its own well-known brands. Hilary·Wright, president of the American Brand Value Association, said this sentence: "The key to the future international market is the competition between brands. Both investors and enterprises should have a profound understanding of the significance of product brands. Owning a successful market is much more successful than owning a factory. One of the ways to quickly open up the market is to own a brand that most consumers are loyal to. "

However, owning a well-known brand is far from enough for a well-off enterprise that wants to make international direct investment. Before entering the international target market, it is necessary to formulate a brand strategy that conforms to the enterprise's own situation. The reasons are: First, establish a good corporate image. For an enterprise, a good corporate image is a kind of intangible asset which can play a decisive role in the competition. Secondly, the improvement of centripetal force of employees. Thirdly, with brand strategy, it has strong competitiveness. Haier's brand strategy is scientific and systematic, which virtually increases the competitiveness of enterprises.

Before opening up the international market, enterprises must decide whether to use the brand or which brand is used to enter the international market. Brand selection is the first step. Haier has long proposed the idea of "creating a brand through exports rather than earning foreign exchange through exports." Zhang Ruimin, Haier President, believes that if Haier does not have its own independent international brand, its role will always be OEM. Therefore, Haier decided to set up its own brand when it entered the internationalization strategy stage in 1998.

Haier's own brand is used in all countries and all products. More and more "Haier" products have entered the vision of foreign consumers, which has greatly promoted the popularity of Haier.

Brand protection awareness is an important manifestation of Haier's brand awareness. In the competition of products, Haier Company has carried out a comprehensive registration of relevant name and trademark, in order to avoid being registered by other people.

Haier entered the international market with the pinyin "Haier" brand, skillfully making the pronunciation of the brand similar to the pronunciation of the English word "Higher". This brand interpretation not only shows Haier's pursuit of high-quality products, but also embodies Haier's concept of striving for high quality and better service. Haier makes use of the images of two lovely Haier brothers that are easy to recognize and accept to publicize, which is conducive to "Haier" going to the world.⁸⁸

The rise of a brand cannot be separated from the media. The brand needs to let consumers know clearly the meaning and function of the brand through the media. In the process of internationalization, Haier has made a lot of efforts and invested a lot of money in brand promotion in order to promote the brand to the whole world. In all European and American countries and regions, billboards are set up in conspicuous places. Many of Haier's advertisements stand on a par with other household appliances in the world. Its design slogan is very characteristic, such as "Haier and Higher". In TV programs, Haier's advertisements can be seen everywhere, and its prominent advertising slogans can be seen in busy streets and other public places.

Haier's production field is very diversified, involving several important industries such as household appliances and communications, but when developing the international market, its focus is still on the household appliance market. Up to now, Haier has covered more than

⁸⁸ Yang Bin. Historical stages and phased characteristics of cross-cultural communication of Chinese brands [J]. News spring and autumn, 2016 (02): 78-86

20,000 household electrical appliances of nearly 100 varieties. When entering the markets of various countries, Haier has chosen the most competitive products. For example, when opening the markets in Indonesia, Germany and the United States, the preferred product is refrigerator. When opening markets in Pakistan, Iran and Tunisia, their preferred product is washing machine. After the selected products have gained a certain degree of reputation and popularity in the market, they will be extended to other products of Haier Company, making their listed products serialized and differentiated to meet different consumer needs.

For Haier, innovation makes it fully meet the needs of users. In order to obtain strong competitiveness in the market, it is essential to have innovative spirit. The main competitive aspect of market competitiveness is to meet the needs of consumers. Haier must rely on continuous innovation to improve its brand and reputation. In the global market competition, Haier must speed up the pace of innovation to compete with large companies and highlight its own competitive advantages. Haier's researchers had spent less than seven hours developing Mike's freezer based on the ideas of the president of the trading company. Because of innovation, Haier Company has gained a brand-new product market. This refrigerator, which can be opened on both sides, has won a patent for invention and design under the Global Patent Cooperation Treaty (PCT) due to its practical appearance and unique functional design. US chain store S underwrote this product, and chain store S is well-known throughout the country for introducing creative products. In spite of this, Chinese enterprises still have a certain gap in technology level, capital scale or comprehensive level compared with such large household electrical appliance enterprises as General Electric and Whirlpool. Therefore, in order to win the competition, Haier competes with its competitors in terms of its own advantages. Haier has chosen to make a detailed analysis of the characteristics of the relevant markets and to combine the company's advantages and characteristics. In the process of innovation, consumers' needs should be taken into account. Only in this way can the products produced occupy the market. For example, when designing and producing related computer tables and refrigerators, the habits of American college students should be fully considered. The design and production of "retro refrigerator" and "personal laundry room" should meet the needs of

single Japanese women. When designing and producing wine cabinets for European and American families, environmental factors such as the indoor area of these families should also be considered. Because families with a large population have great demand for refrigerators and washing machines with large capacity, these products have received great welcome as soon as they enter the Middle East market. Haier Company pays close attention to cooperation. Many world-renowned companies have jointly developed new and high technologies, improving their own technological content. The competitive advantages gained in this way have increased the market share of their products.

In order to further meet the needs of customers, Haier emphasizes the localization of its products. Localization of products can alleviate the three problems faced by products in the international market. The three problems include, consumers resist the entry of foreign brands, shortage of management and sales personnel, green barriers and other non-trade tariff barriers. For example, the "Trinity" of the U.S. market is to carry out relevant product development and research in Los Angeles, product manufacturing in South Carolina, and marketing center in the international metropolis of New York.⁸⁹ After receiving the order, Haier will research and develop the products in Los Angeles according to the requirements of consumers, and then deliver the research and development results directly to the national sales service point. The manufacturing plants in South Carolina will produce the new products according to the requirements of the order, and then transport them to all sales outlets in the United States. This approach to the consumer market, as well as access to consumer information and local production and sales makes Haier more competitive in the market. "Three Integration and One Creation" refers to the realization of local integration of intelligence, financing and culture, as well as the integration of culture, and absorption of local talents. Enterprises use their familiarity with local consumption habits, close to consumers, master the first-hand information on market changes, sort out and analyze market change information, adjust sales plans in time to get consumers' recognition, and make consumers feel dependent on products.

⁸⁹ Zhu Zhiwen. Keeping success and innovation of strategic competitiveness -- case study based on Haier [J]. Journal of Yancheng Institute of Technology (Social Science Edition), 2008 (02): 21-27

"Trinity" and "Three Integration and One Creation" have laid a solid foundation for Haier to successfully open up the US market. To this end, Haier Company has realized the strategic goal of internationalization of the market.

4.2.3.3 Strategic Alliance

For Haier, there are two ways to establish a strategic alliance: one is to realize vertical alliance, for example, to cooperate with Emerson, the world's largest electrical enterprise, or Haier to cooperate with its upstream suppliers. Emerson not only supplies Haier with clicks, but also adds some innovative designs. Other form of strategic alliance is horizontal alliance. In this way, multinational enterprises usually choose to combine with their competitors, exchange some market resources in their hands, learn from each other's technologies within the allowable range, and achieve complementary advantages to realize the ultimate development goal of the enterprise. In 2002, Haier and Japan Electric Co., Ltd. jointly established "Sanyo Haier Co., Ltd." which is a typical horizontal cooperation.

(1) Strategic Alliance Centered on Technology Introduction

In the 1980s, the technology development did not meet the market demand for technology. At the same time, there was not enough time for research and development of new products. For the company, alliance was the best way. After in-depth analysis and research on the market, Haier finally chose to cooperate with Liebherr of Germany. They also signed an agreement on technology import. Haier has sent more than 40 key technicians to Germany to take part in relevant technical training. They have initially mastered the key technologies of refrigerators and trained skilled technicians. In the learning process, Haier has strengthened its technological innovation ability and optimized the allocation of resources. With the development of Haier, the strategic alliance between Haier and Liebherr has gradually changed into strategic alliances. Mitsubishi Heavy Industries' air conditioning technology was imported from Japan and drum washing machine technology was imported from Merloni. Haier quickly improved its international competitiveness by establishing strategic alliances with different

types of enterprises to acquire the required technology and talents, share the high research and development costs, and spread risks.

(2) Strategic alliances focused on capital cooperation

After long-term development, Haier Company has acquired a certain degree of scientific and technological and capital strength. While paying attention to exchanging technology with different types of enterprises, they also began to pay attention to the integration and application of their respective network resources.

In 1996, Haier Shapalo Co., Ltd, controlled by Haier, was formally established in Indonesia. This alliance of technology-exporting enterprises helped Haier break through trade barriers and expand its market share. In 2002, Obeid and Haier established the "Ouhai Project". Haier Company realized the advantage competition in the logistics market through the resources of Obeid and promoted its competitiveness in the logistics field.

The advantages of forming such a strategic alliance are: (1) Both enterprises can learn advanced technologies in the alliance to enhance their international competitiveness. (2) Strategic alliance can unite the two sides of the alliance to jointly prevent strong rivals from impacting the domestic market and protect the domestic market share. (3) Different enterprises can establish strategic alliances to reduce and disperse risks and share huge development costs while acquiring resources and advanced technologies. (4) Technology-exporting enterprise alliances help to overcome trade barriers and improve investment returns.

4.2.3.4 Enlightenment of Haier's Internationalization Strategy

(1) Lay foundation on domestic market first, then develop international market

From the process of Haier's internationalization and Zhang Ruimin 's strategic choice, we can see that Haier's internationalization path is based on Haier's leading position in the domestic market. Zhang Ruimin fully realized the importance of domestic market. First of all, he

developed a perfect production chain and sales chain in China to make the brand "Haier, Sincerity Forever" enjoy a good reputation in the minds of domestic consumers. Then he expanded overseas business and made the company bigger and stronger.

(2) The shaping and promotion of enterprise brand

Haier's OEM approach is only the way for Haier to enter the overseas market. Haier soon began to establish its own brand. However, many enterprises also choose OEM to develop the international market. Unlike Haier, some enterprises failed to establish their own brand, even after they break away from OEM, their products become unsalable. This shows the importance of building self-owned brand for enterprise development. Zhang Ruimin regards increasing the promotion of brand as an important way to internationalize brand. Through various media and advertising, as well as long-term accumulation of good reputation of products, he has established the image of sincerity forever for Haier brand. Zhang Ruimin 's strategic policy of creating independent brand in overseas market is also worth learning by Chinese enterprises as references.

□3□ Grasp market demand and create differentiated products

"Trinity" is the core of Zhang Ruimin 's internationalization strategy. Because of the combination of local customs and culture in the products, Haier rapidly occupied the overseas market share. The inspiration for other enterprises is: Firstly, enterprises should analyze the advantages and disadvantages of themselves and their competitors, and formulate overseas market strategies to avoid their own disadvantages and fully use their own advantages. Secondly, it is necessary to conduct in-depth investigation and analysis of the resource situation of the target market and the local cultural traditions, and produce personalized products that cater to the needs of local consumers.

4.2.4 Strategy Analysis of Haier's Global Brand

The success of Haier's internationalization plan strategy did not stop Haier from doing so.

Haier did not want its brand to move from China to the world in a single image, but wanted to create its own brand locally in the world, so the global brand strategy came into being.

4.2.4.1 Three-step Strategy for overseas business expansion makes Haier grounded in the whole world

At the 21st Anniversary of Haier's establishment and Haier's Global Brand Strategy Seminar at the end of 2015, Zhang Ruimin announced that Haier would launch a new global brand strategy. The global brand strategy refers to Haier's expansion to the world market with China as its center, aiming to form its own brand and build its own teams in each country. Haier is not in a rush for quick results in the wave of globalization. Instead, it has formed a "three-step" strategy of "the stage of developing cognition in localization", "the stage of taking root in localization" and "the stage of building famous brand in localization". Haier has abandoned the short-sighted idea of export products only to earn foreign exchange, but insisted on the stable, long-term strategy of taking root overseas, cultivating the market carefully, harvesting the profits after working hard, so that Haier can form its own brand in the local area. The idea of localization has also made Haier's overseas business develop robustly. For example, Haier has become a successful model of global success in the United States. Through market expansion and localized distribution, Haier in the United States has become a partner of Haier from an initial ordinary dealer. Later, Haier invested to establish Haier Trading Co., Ltd., design center in Boston, marketing center in New York and production base in South Carolina. Haier has established its foothold overseas through four core ideas: 1. insist on having a market first, then building a factory; 2. make full use of local resources. We insist on employing local talents to participate in management. Haier China has only sent a team of over 10 people to give corresponding support and implement the localization strategy. 3. Use of funds: Haier only makes one-time investment, and its working capital is acquired by local financing and foreign trade development fund. 4. The transmission of Haier culture: Instead of forcing corporate culture into overseas enterprises, Haier lets overseas personnel identify with Haier

culture from the bottom of their hearts through a subtle way.⁹⁰

By 2019, Haier has established five R&D centers, 21 production bases and 66 marketing centers around the world. From Sanyo in Japan to Fischer & Paykel in New Zealand and GE in the United States, Haier's footprint has spread all over the world and taken root in the world. It's proven that Haier's overseas brand-building and localization strategy can withstand the test of practice.⁹¹

Product differentiation is one of the main strategies for Haier to compete with global competitive brands. Through Market Research and other means, Haier has analyzed the existing global dominant brand models in the local market, understood the consumption level of target consumers, and carried out targeted R&D and design of products according to different target markets, fully catering to the local market demand. At the same time, Haier has successfully entered the foreign market with the help of niche products and the flexible and efficient production and operation mode. For example, Haier has successfully seized the American market by creating a compact refrigerator with low power consumption and high cost performance for students and white-collars in the American market. This successful has also been successfully replicated in the Japanese market.

4.2.4.2 "Ren Dan He Yi" Model Wins Global Market Quickly

In the background of experience economy and the wide application of Internet, users' discourse power is enlarged. Zhang Ruimin changed his thinking in time and created a new mode centered on external market objectives to strengthen internal management. Zhang Ruimin believes that being market-oriented and customer order-centric is the fundamental factor for entrepreneurial success. On September 20, 2005, Zhang Ruimin creatively put forward the management mode of "Ren Dan He Yi" in the world. "Ren Dan He Yi" is a subversive and

⁹⁰ Haier launched the global brand strategy and built the world's first Competitiveness -- the 21st anniversary of Haier Group's entrepreneurship and Haier global brand strategy seminar was held in Beijing [J]. *Commodities and quality*, 2006 (03): 12-13

⁹¹ Kang Xueqin. Haier's experience and Enlightenment in promoting global brand strategy [J]. *Foreign trade practice*, 2016 (02): 72-75

systematic dynamic change in strategic positioning, organizational structure, operation process and resource allocation from three dimensions of enterprises, employees and users, in line with the characteristics of "zero distance", "de-centralization" and "de-intermediation" in the Internet era.⁹²

(1) Strategic positioning of "Ren Dan He Yi"

"Ren Dan He Yi" links employees and consumers from the business model, so that each employee can realize his own value through the needs of users, and the needs of users are met through the work of employees. This mode can achieve a win-win situation. Haier's strategic subversion is not only from the enterprise, but also from the ideological transformation of employees. In the past, the idea that users were in the charge of enterprises and users' income was in the charge of enterprises was changed into that users were in the charge of employees. Employees' compensation was realized through the form of user evaluation and user payment. It finally created a closed-loop of "person-order-pay" that means to build a close relationship with users, employees and Employees' compensation.

□2□ "Ren Dan He Yi" organizational structure

If the strategy is the human brain, then the organizational structure is the human body. The traditional hierarchical structure is still the management mode that most modern enterprises use. Although vertical management has been optimized, today, this pyramid structure still has the drawbacks of formalism and departmentalism. Zhang Ruimin subversively transformed Haier's "positive triangle" organizational form into a flat network. Haier integrates user needs into the whole product process by creating a self-management entity. Every self-management entity is not only an independent individual, but also a flowing resource pool. It needs to share information and resources, build a community of shared destiny and resource ecosystem.

⁹² Wang Dagang, Xi Youmin, Zhou Yunjie. Haier global brand strategy: Ren Dan He Yi [J]. Science and technology management, 2006 (10): 142-146

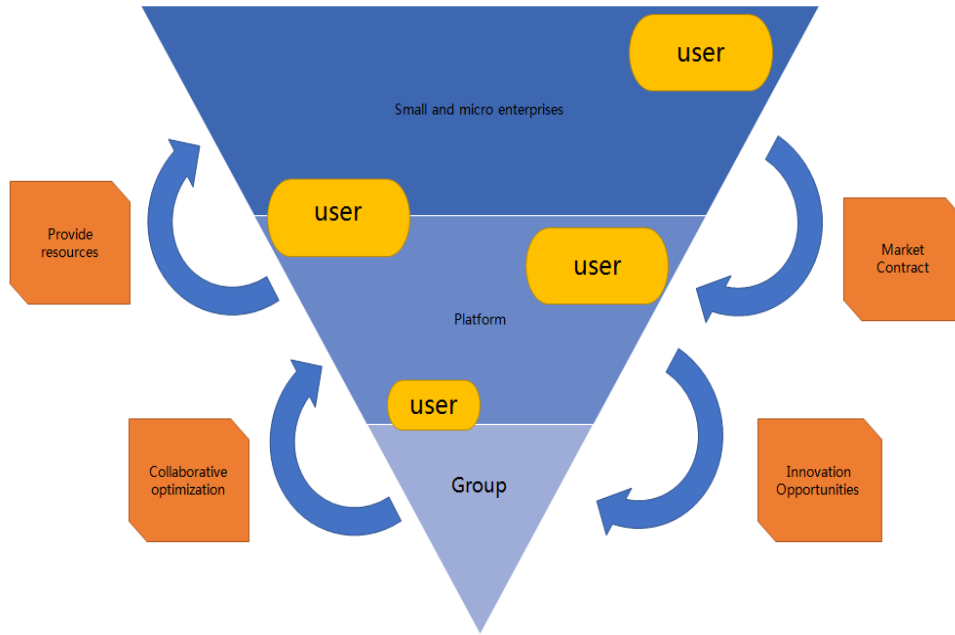


Fig.4-2-3 Haier's "Inverted Pyramid" Structure

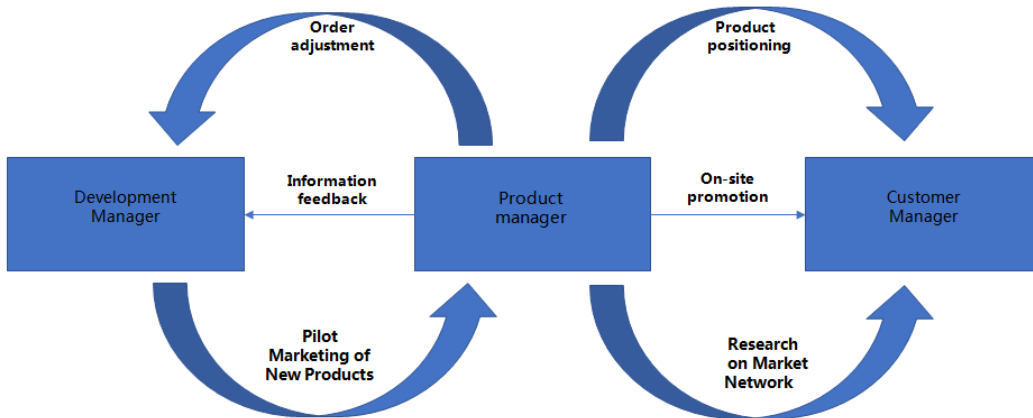


Fig.4-2-4 Haier Networked Order Procedure

□3□ "Ren Dan He Yi" Operational process

For example, in terms of the company's operation structure, Zhang Ruimin reorganized into the business promotion department, logistics promotion department and capital flow promotion department by dismantling the original procurement, sales and financial businesses. The strategy of "one chain - three networks" is based on the global supply chain resource network, global user resource network, computer information network and the combination of

background user order information chain. With the order information flow as the center, Haier has built a complete business processing platform through the "one chain - three networks" strategy and the combination of the back-end user order information chain, which providing the implementation conditions for the "Ren Dan He Yi" model. The "first-class three networks" strategy is

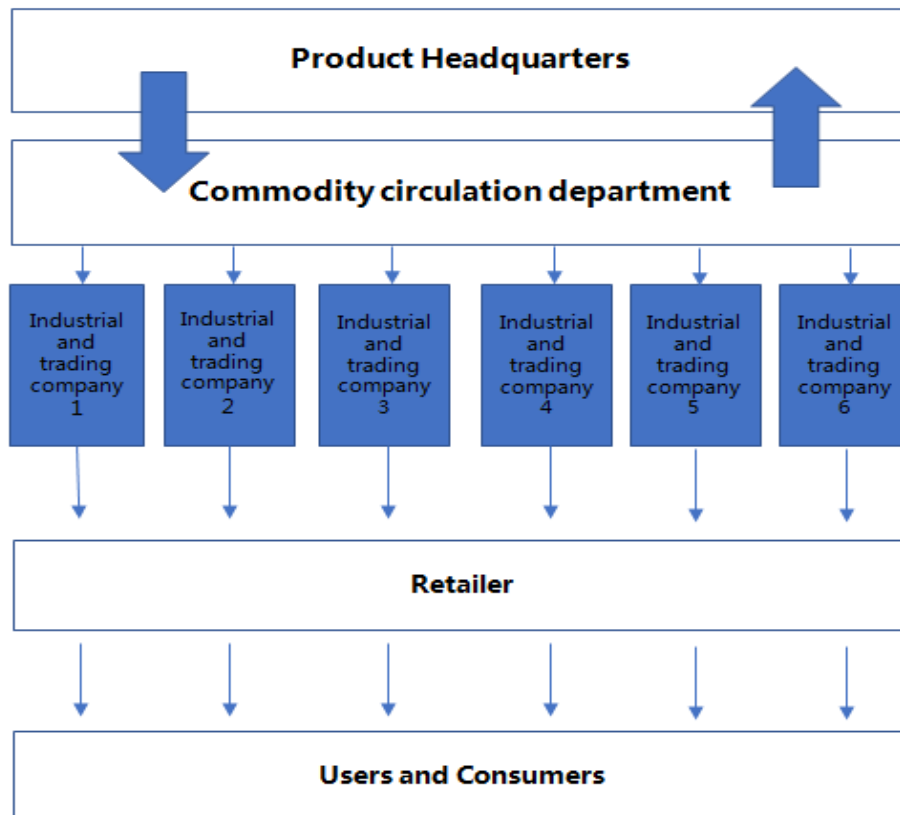


Fig.4-2-5 Operational Structure of Haier

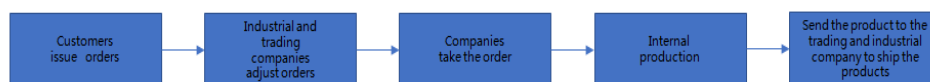


Fig.4-2-6 Haier order process

Haier's order fulfillment process is the opposite of the traditional process. Haier's order realization process starts from the guidance of customer demand, and each node and department face the user's demand together. The user's demand is involved in design, production, logistics, sales and other aspects until the end of sales. The company will also

deconstruct a large order into an order in the charge of an employee, and transform the company resources into user resources which the employees are responsible for. Transforming company assets into liabilities of each employee forms a driving force for employees to increase appreciation from unpaid possession of enterprise assets to paid liabilities.

□4□Resource allocation for “Ren Dan He Yi”

The concept of "everyone is CEO" helps promote “Ren Dan He Yi” model, and enables everyone to have corresponding autonomy over resources. For example, traditional enterprises will set standards for travel expenses, so as to control operating costs. In Haier, thanks to the advanced management model of “Ren Dan He Yi”, all travel expenses will affect the benefits of all employees in the order process. Therefore, this "all employees are contracted" management model can reduce unnecessary travel expenditure from the source.

4.2.4.3 The unique strategic income Statement can reasonably reflect the value of employees

The value of employees is expressed by users, and the needs of users are met by employees. According to the characteristics of this model, Haier has made a strategic income statement which can directly reflect the value of employees. This table consists of four quadrants: user resources, human resources, process, and closed-loop optimization.

The first quadrant of user resources refers to the productivity led by interacting with users through a value-oriented strategy. At present, Haier will explore users' needs through community and other ways, and directly reflect users' demands from the design link, so that users become an essential part of enterprise management. In this way, Haier makes sure that the product meets user's demand, achieving the goal of "cut overcapacity, cut excess inventory", thus reduces the operating cost of enterprises, and weakens the business risk.

The second quadrant is human resources, that is, Human resources are Haier's self-employed individuals. Every employee creates value for Haier's operation and is responsible for users. Haier establishes independent business entities by subdivision, and lets each independent

business entity formulate its own strategic plan according to its own users' needs, so as to meet users' needs, and complete the transformation from demand to order and then to revenue.

The third quadrant is the process, which is also the process of creating user value in order to achieve the purpose of Yu Shi Ling Cha (daily work matches with predications). Haier's unique "daily checkup" system requires that today's work mustn't be left for tomorrow, thus maximizing work efficiency and improving user satisfaction. In addition, Zhang Ruimin also put forward the "three zero" principles - "zero inventory, zero required signature, zero redundant personnel". Zero inventory principle requires that all design and production should proceed from the needs of users. Zero signature principle requires the removal of excessive authorization and unnecessary applications; thus, the independent operators can have more powers. In this way, the overall operational efficiency can be improved, and the time required to meet clients' needs after they put forward their needs can be shortened; Zero redundant personnel principle requires everyone to have their own users, and employees who have users can realize their self-worth.

The fourth quadrant is the closed-loop optimization, which is also the closed-loop of "person-order-pay". "Ren Dan He Yi" emphasizes that users will eventually pay for salaries, and that employees will be valuable only after creating user value. Through the self-promotion of individual, employees can meet the needs of users, employee salary is given by user evaluation, and employee is attracted with salary to continue to meet the needs of users through closed-loop development.

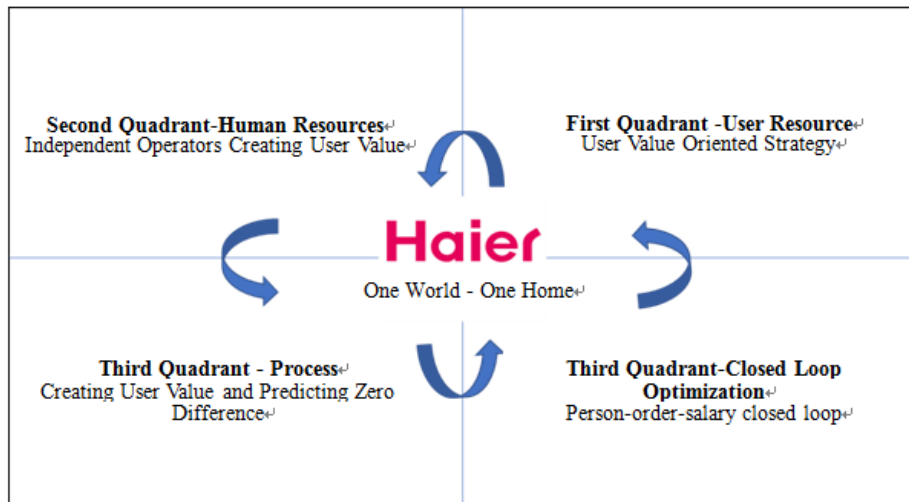


Fig.4-2-7 Haier strategic income statement

4.2.4.4“Three-no enterprise” is Haier’s development goal

“Three-no enterprise” means an enterprise with no boundary, no leader in management and no scale in supply chain.

Enterprise with no boundary means that the enterprise is not confined to its own internal resources, but uses the Internet to seamlessly link the external resources and convert the external resources into internal resources. For example, the crowdsourcing mode can transform abundant and diverse external resources into internal resources through replacement, and this mode has the advantages of high efficiency and strong pertinence.

Management without leadership is to subvert the traditional hierarchical management mode. By using the win-win mode of "Ren Dan He Yi", the inefficient pyramid management mode is transformed into an efficient network mode, and the vertical and flat management is realized.

The scale-free supply chain refers to the individualized customization industry chain oriented by user needs. Under the circumstance of experience economy, Haier meets the needs of users through design, manufacturing, distribution and after-sales multi-links using ecological supply chain diversification.

In the process of reform led by Zhang Ruimin, Haier establishes a unique management image, analyzes the user's needs under the circumstance of experience economy, breaks the barriers of traditional hierarchical management, splits the pyramid structure into design, production and resources, reconstructs the network management structure of "Ren Dan He Yi" and forms micro self-management entities, which is vertically efficient in meeting user needs, and rapidly converts demand into revenue. At the same time, Haier fully mobilizes internal and external resources to form complementary advantages. Haier would give more authority to the self-management body, form a closed loop of "person-order-pay" to create a good ecological development and create a community of Haier interests.

4.2.4.5 "Ren Dan He Yi" becomes the endogenous motive force of Haier's global brand strategy

After being put forward and implemented, the concept of "Ren Dan He Yi" has greatly improved the efficiency of Haier's internal work. "Ren Dan He Yi" is to solve the problem of internal management and external market expansion. It is to strengthen internal management centered on external market objectives. "Ren Dan He Yi" enables everyone to become SBU in the face of the market. Leaders and employees listen to customers, form a network organization system, and actively create user needs. Customers from more than 160 countries and regions all over the world and experts from world-class scientific research institutes dock with five R&D centers of Haier, are forming Haier's innovation ecosystem and making Haier the source of instant innovation.⁹³

4.2.4.6 The inspiration of Haier's Global Brand Strategy

(1) The entrepreneurship with a global competitive pattern is the premise of accurately positioning and promoting global brand strategy

⁹³ Li Jing. Research on Financial Sharing innovation of Haier Group under the "Ren Dan He Yi" mode [D]. Hubei University of economics, 2019

The overseas investment of Chinese companies is the advancement of management level. Through Haier's successful development in the global market, we can see that it is necessary for Chinese enterprises to develop themselves and deal with vested interests in a high-pressure way in order to catch up with the superior companies in developed countries. For Chinese companies in the established global market situation, the concept of win-win is particularly important. Only when clients and consumers obtain services that exceed their own needs will they start to pay Chinese multinational companies for services from multinational companies with global brands. This requires not only the excellent quality of Chinese companies, but also the synergy and complementarity of our software and hardware technology for local clients and consumers. This requires Chinese enterprises to achieve differentiated services, with advanced management capabilities and excellent corporate culture. Haier's idea of establishing overseas brand management is worthy of reference for Chinese enterprises in the future development of overseas markets.

(2) Enhance the transfer ability of advanced corporate culture, the integration ability of world resources and the soft power of brand international competition

Soft power, such as corporate culture and development strategy, is the solid foundation for using advanced technology, such as advanced production technology and advanced equipment. In the practice of enterprises, timely summarizing and sorting out management experience and forming a systematic management concept not only ensure the implementation of enterprise strategy, but also help form a unique corporate culture. Innovation, the core of Haier culture, enables Haier to achieve product differentiation, service differentiation and management differentiation in overseas markets, thus occupying a place in the international market. The cohesion of Haier's corporate culture reduces the difficulty of integration of Haier's cross-cultural management in overseas markets. The excellent performance of Chinese corporate culture abroad also demonstrates the superiority of Chinese business management concept.

(3) Dynamic Management of Internal Organizational Structure of Enterprises Guarantees Steady implementation of Brand Globalization Strategy

From Haier's overseas success, it can be seen that Chinese enterprises have limitations in their business philosophy, management methods and product design at the initial stage of overseas expansion. At this stage, Chinese enterprises should conduct targeted research on overseas markets, find product positioning, adjust business management methods, and corporate culture connotations according to the environment of overseas markets. In the process of development, China's management ideas should not be rigidly copied, but should be flexible and timely adjusted. When Haier expands its overseas market, it mainly adopts the strategy of creating a brand locally, and takes root overseas in the form of joint ventures and investment attraction.

4.2.5 Analysis of Haier's Network Strategy

Facing the declining profit margin of the traditional household appliance industry and the catch-up of competitors, Haier realized that the mature household appliance industry has entered the era of low profits. The successful case of IBM service transformation in the 1990s has given Haier profound enlightenment. Timely transformation is Haier's historical necessity in the new era of change.

4.2.5.1 Evolution from Traditional Manufacturing Enterprises to Internet Enterprises

In 2016, based on the global brand strategy and the "Ren Dan He Yi" operation and management model, Zhang Ruimin proposed the "co creation and win-win ecosystem model", which raised the people in "Ren Dan He Yi" theory from employees to relevant parties, from user value to user resources, and from the "co creation" vision to the "win-win" vision, aiming to achieve win-win value-added for all parties in the ecosystem.

Haier strived to transform itself from a traditional household appliance manufacturing enterprise to an Internet incubation platform for the whole society. Zhang Ruimin pointed out that if we want to become an Internet enterprise, it is necessary to break the barriers of traditional enterprises and extend outward to reach all kinds of resources. Therefore, Haier has built a networked management structure based on the global brand strategy, strengthened the

embodiment of user value, and constructed a win-win Internet ecosystem.

For the construction of the Internet ecosystem, Haier has transformed and upgraded from six modules: strategy, organization, staff, users, salary and management.

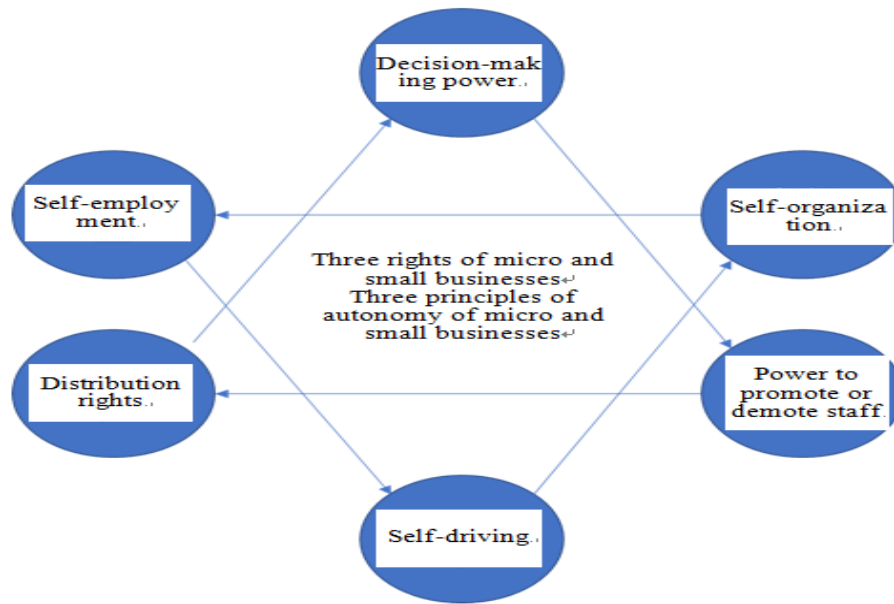


Fig.4-2-8 Haier's mode of "three rights of micro and small business" and "three principles of autonomy of micro and small business"

Strategy and organization are two key variables that determine the growth of enterprises. Strategically, we should establish a win-win ecosystem centered on users and realize the win-win and appreciation of all stakeholders in the ecosystem. Organizationally, we should change the traditional self-closeness to open Internet nodes and transform bureaucracy into a network organization. In this process, employees change from employers and executives to entrepreneurs and dynamic partners. The purpose is to build the best experience ecosystem of the community and meet the personalized needs of users. Zhang Ruimin pointed out that the strategy of creating a win-win ecosystem is an Internet maker incubation platform for the whole society, which attributes high-quality external resources to Haier, in order to enhance Haier's innovation ability, help it to achieve the goal of first-grade competitiveness and overcome the bottleneck of innovation. Haier University is set up for the catalyst of maker incubation to provide soft environment and resource support. By supporting and developing

makers, the ability of innovation and development is accelerated to empower the future of Haier.

Employees and users are the two parts that determine the rise and fall of an enterprise. Zhang Ruimin always believes that “people’s value comes first”. Users and employees are the most important part in the organizational structure of Haier. The “Ren Dan He Yi” Model has subverted the traditional reticular structure. The model makes sure that employees directly contacting with users, understanding users’s needs and exploring users’s value, which realize their own value. In the construction of Internet ecosystem, “people” in the “Ren Dan He Yi” Model evolve from employees, customers, etc. to various stakeholders in Haier eco-chain in a broad sense. In a narrow sense, “people” will gradually evolve into “platform owners”, “SMEs” and “makers” in the Internet incubation platform of Haier. Through the drive of salary, we can fully explore the value of "human".

In terms of salary mechanism, combined with the benefit closed-loop of "person-order-pay" in the win-win model of "Ren Dan He Yi", under the background of network strategy, "enterprise pay" is changed into "user pay", which drives employees to transform into real entrepreneurs and realize their own value while creating value for users.

Management is the self-evolution of the leading goal. As for management innovation, Zhang Ruimin has finally achieved the self-evolution of the leading goal by exploring nonlinear management and building networking organizations.

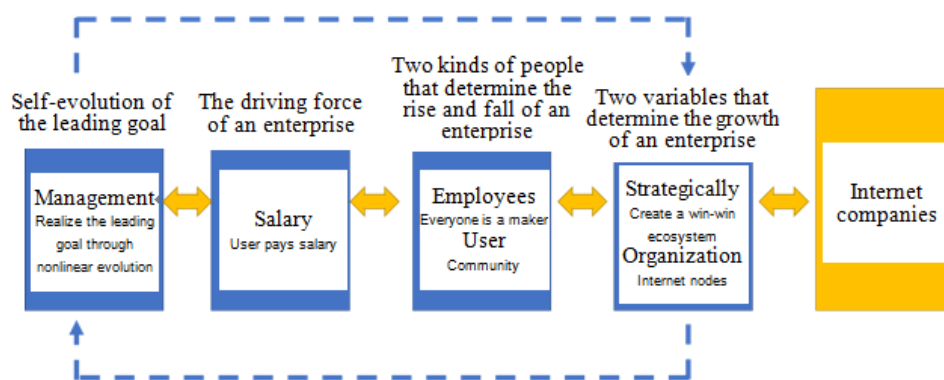


Fig.4-2-9 Haier management model

4.2.5.2 Light the Internet of Things eco-brand with chain groups

In May 2018, Zhang Ruimin proposed the creation of eco-brand in the era of Internet of Things in the world. The “Three Eco System” is the essence and lifeline of Haier’s eco-brand creation model. “Three Eco System” includes ecosystem, eco-income and eco-brand.

Ecosystem is the intuitive representation of an ecological form. Different from the e-commerce platform or online trading platform in the Internet era, ecosystem is the community ecology that continuously interacts. In the ecosystem centered on user demand and value, platform owners, SMEs and makers precisely integrate resources through community to meet the user demand through cooperation and realize their own value.

Eco-income is the driving force of ecological stability. Eco-income has transformed the traditional single income model. The user demand is collected through community and resources are integrated through the ecosystem to provide customized services and obtain service value and appreciation.

Eco-brand is the ultimate goal of an ecological form. The creation of eco-brand no longer depends on the participation of enterprises. Instead, the eco-brand is co-created by various links in the ecosystem.

4.2.5.3 Five ecosystems create Haier’s eco-brand

Smart home customized ecosystem: Build smart factories in Haier, and submit the user demand to smart factories via the background business chain of the “Ren Dan He Yi” Model. Haier has established U + Smart Life Cloud Service Platform and provided users with AI life service via the Internet. The human-computer interaction is put on the fingertip to complete the whole-process service of demand, product delivery and product use.

Contact iteration ecosystem: Haier has created its new private brand, RRS.com, thus a 3-3-2 ecosystem support platform is realized. Haier ecological network is created with the help of

three types of contact networks, three new industries and two incubation platforms.

Three types of logistics network: RRS Logistics, RRS Lejia and RRS Lenong connect three scenarios of logistics, urban community and rural community to provide platform protection for the development of the ecosystem.

Three new industries: Smart home, water and baby. The smart home industry creates the Internet of things home integration and customization interactive community with two lines of Haier home and Haier whole house. Based on the two fields of water heater and water purification, the water industry aims to build an ecological platform for intelligent water use integrated solutions under the Internet of things mode.

Two platforms: Hai Chuanghui (HCH) and Haier Global Business. The two platforms are committed to supporting the development of SMEs and providing them with catalysts from incubation, growth to transformation. More than 3,000 projects and more than 1,300 investment institutions have settled in the HCH SME Incubation Platform with the venture capital fund of more than RMB 12 billion. Haier Global Business helps SMEs with transformation in overseas countries through the cross-border integrity sharing community.

Wan chain sharing ecosystem: it is to build the Internet of things financial platform of Haier financial holding, create Wan chain financial ecological brand and "Yingkang life" life ecological brand, that makes better on modern agriculture, intelligent manufacturing, green environmental protection, health care, medical innovation and other fields. Adhere to the concept of "industry-based, co-creation and sharing", integrate the mode of "combination of industry and finance" and the idea of "Ren Dan He Yi" into the industry, integrate technology and risk control, link finance and industry, build a new ecology of ten thousand chains co-created by industry and finance, and promote the transformation and upgrading of modern agriculture, intelligent manufacturing, green environmental protection and other industrial ecological chains.

Industry-City Integration Ecosystem: Based on the IoT strategy, Haier has transformed from a traditional real estate development enterprise into IoT community ecology of co-creation and win-win. Empower urban development in five major fields: Industrial New City, Smart Home, IoT Business, Smart Community, “Yuexiang+” (Education, Sports, Health Care), lead the new trend of transformation and upgrading, and help realize the great Chinese dream.

Cultural Industry Ecosystem: Haier has created smart IP with the image of Haier Brothers in 1995. Based on the IoT ecosystem, it actively explores the industrial layout of kids’ education, animation, film and television, performing arts and entertainment, theme parks and derivatives, etc., builds an interactive ecosystem of innovative education for kids, and creates user value with high quality content and scenario interaction to inspire the imagination and creativity of kids and promote the long-term development of the cultural cause for kids in China.

4.2.5.4 Build HOPE platform to promote innovation

Innovation is the core of Haier’s corporate culture. The key to Haier’s success is innovation, and the spirit of innovation is also deeply rooted in the heart of Haier people. In the Internet era, the cost of information acquisition by the user is reduced. This also makes the user demand diversified, personalized and fragmented. “Personalized users”, “accelerated product iteration and update” and industry disruption force open innovation of enterprises. HOPE has emerged as the times require. HOPE is the medium and carrier of Open Innovation and an ecological community where innovators gather. It links a vast resource network across the world to build a one-stop service platform that supports product innovation. Through resource integration, HOPE is committed to addressing the problem of source of innovation for enterprises and individuals and resource allocation in the process of innovation transformation in order to realize the four core advantages, that is, “Technology Strategy”, “Resource Allocation”, “Innovation Incubation” and “Innovation Empowerment”.

4.2.5.5 COSMOPlat empowers industrial intelligent manufacturing

In background of the fourth global industrial revolution, Haier transplants the management concepts from internal management to innovation in the industrial production mode based on the management concept of “Ren Dan He Yi”. COSMOPlat has made a breakthrough in the two global value chain driven modes (producer-driven and buyer-driven) to create a unique hybrid driving mode through community interaction and connected users and network appliances. The hybrid driving mode benefits from modular production and procurement. As for production, various products are split into the corresponding technical modules, and a technical support platform with independent intellectual property rights is established to link global technical resources, break the original R & D bottleneck, shorten the iteration cycle of products, and meet the user demand for customization. As for procurement, modular procurement is also adopted. Haidayuan Global Procurement Platform is built to eliminate the information barriers between parts manufacturers and module buyers and realize the efficient mode that parts manufacturers can produce on demand and module buyers can order on demand. In addition, the procurement evaluation system and transformation and upgrading services of Haidayuan also provide a solid guarantee for the construction of SMEs procurement system and the control of procurement costs.

In addition to industrial production, COSMOPlat has explored marketing, R & D and design, warehousing and logistics, user service and other fields. The Plat covers a number of modules, such as Business Management, Smart Life Scheme, Industrial Internet of Things and Industrial Safety. Based on resources of the entire platform, it has also provided professional solutions to industries, such as intelligent manufacturing of household appliances, smart agriculture, etc., and fields, such as intelligent molds, smart energy, smart parks, etc., and provided technical support for the transformation of SMEs, resource allocation and quality and efficiency improvement.

4.2.5.6 Enlightenment from Haier Networking Strategy

In the development of Haier Networking Strategy, Zhang Ruimin has transformed linear management into reticular management in accordance with the changed circumstances, which has avoided the disadvantage that enterprises lose their own development goals as they are confined to process execution during traditional linear management. The development from traditional business to the Internet is an inevitable choice of history. Forward-looking reform wins the opportunity for an enterprise to take the lead in developing itself. The original market demand, users, business resources and models will change during reform. However, the development strategy centered on users is always the right choice. Innovation has always been the essence of Haier's corporate culture of more than 30 years, which is deeply rooted in the heart of Haier people. Thanks to this spirit of innovation deeply rooted in the business philosophy, Haier's transformation has been implemented and applied. By complying with the development trend of the Internet, Haier has boldly reformed the traditional management mode and subverted the previous management philosophy to build an IoT ecological platform. The establishment of the platform has solved the contradiction between internal resources and external supply and demand, and introduced external resources to activate the inner potential of Haier. With the development of the Internet, user demand and occupation of Internet resources will become an important weapon in the business game of enterprises. How to introduce excellent external resources and meet the personalized needs of users will be an important issue for enterprises to win the market.

4.3 Behavior Characteristics of Haier Leaders in Different Evolution Stages

According to the theory of organizational evolution, every strategic transformation of Haier has gone through the process of active adaptation and passive selection of the organization. According to the different development stages of Haier Group, Haier Group leader Zhang Ruimin has made different leadership behaviors. Below we will discuss the leadership style of

Haier Group leader Zhang Ruimin in managing the enterprise at different stages.

4.3.1 Behavior Characteristics of Leaders under Famous Brand Strategy Stage

At this stage, Haier Group successfully established a high-quality brand image in the world and summed up a set of portable management modes. The introduction of international advanced quality management standards has fundamentally changed the quality concepts of company's employees and has taken the lead in passing many international certifications in the same industry in China.

Pay attention to the research and development of products

Zhang Ruimin knows that to reform; we must learn first. In the initial stage of the reform, Zhang Ruimin introduced advanced foreign technology and created famous brands by occupying the commanding heights of technology and excellent product quality. In order to further improve the labor efficiency, reduce the consumption of raw materials, and thus improve the effective operation efficiency of equipment, Zhang Ruimin proposed to Haier's scientific researchers that they must constantly deny their past in order to remain invincible in the market, in order to improve the quality of famous brands and the market's bearing capacity.

Using Modern Marketing Management Strategies

While paying attention to the development of product technology, Zhang Ruimin subdivided a large market into several sub-markets according to the principle of market segmentation. In order to adapt to different consumer groups, Haier has designed refrigerators with various functions according to their respective characteristics, such as large freezing capacity, wide climatic zone and frost-free refrigerator. In the process of integrating Haier Group with the international market, Zhang Ruimin proposed Haier International Star Service to provide one-stop service. From the product research and development stage to the product manufacturing, pre-sale, in-sale and after-sale service, the information fed back by market users was applied to the product research and development work, and a circular chain centering on service was

established.

Advertising

In addition to excellent product quality and modern marketing management strategies, strong publicity and promotion are also essential. The establishment of a brand cannot be separated from the publicity of advertisements. The first task of building a brand is advertising. Haier has designed the same brand image Haier's Logo or the image of two children, giving people the impression of "Haier brand" instantly.

“OEC” management

Haier has always adopted advanced management concepts in the management of human resources. At this stage, Zhang Ruimin founded the “OEC” management. The leading task of Haier's famous brand strategy is comprehensive quality management. Since 1989, Haier has officially implemented OEC management. The requirement of OEC management for Haier employees is not only to finish today's work, but also to improve it than yesterday. On this basis, Zhang Ruimin has established an evaluation system with quality as its value system, linking the income of employees with the quality of products. With this human resource management scheme, Haier has successfully promoted its branding strategy.

We summarized Zhang Ruimin's leadership behavior and style in Haier's famous brand strategy period reflected in the above events in Table 4-3-1 below.

Variable	Dimensions	Specific Indicators	Examples of Famous Brand Strategy Stage Events
Strategic leadership	Operational leadership	CEO focuses on the company's technological, policy, economic, social and cultural, demographic and legal opportunities.	Introduce foreign advanced technology

		CEO Focuses on Communicative Competence Environmental Impact (Media, Consultants, Government, Suppliers, Alliance)	Spend money to broadcast advertisements on well-known radio stations such as CCTV
	Creative leadership	CEO pays attention to the development of human capital for managers and employees, such as personal ability, knowledge, skills and work experience, etc.	"OEC" Management Mode
		CEO pays attention to the development of social capital, such as interpersonal networks throughout the organization.	According to the needs of consumers, the overall product market is divided into several sub-markets to create new markets.

Table 4-3-1 Behavioral Dimensions of Leaders in Famous Brand Strategy Stage and Examples of Events

4.3.2 Behavior Characteristics of Leaders under Diversification Strategy Stage

Since 1992, Haier has expanded its products from a single product to a variety of products and has fully deployed a diversified strategy. The main way is to combine the strong and help the weak to form a joint venture. From Qingdao to Shandong Province, and finally to the whole country, Southeast Asia, Europe, America and Japan.

Good corporate culture

Zhang Ruimin realized the importance of corporate culture in diversified business. Its diversified business groups must have a high degree of control and cohesion of corporate culture, so that every employee can feel that their own interests are closely related to those of Haier Group, thus stimulating employees' enthusiasm for work and reducing operating costs.

In the course of Haier's development, Zhang Ruimin has solidified and deposited a high-quality, deep and rich corporate culture, and has created a good environment for the implementation of its diversified business strategy. Haier Group in "Focus on innovation; Pay attention to quality; Haier corporate culture established on the basis of the core values of respecting individuals and taking customers as the center" has played a great role in its leapfrog development (Xie Yunyan, 2009).

Integration of internal human resources

The strategy of human resources is still the most important thing at this stage.

Haier is different from other companies in selecting talents through external recruitment. Instead, It promotes the talents through the integration of internal human resources that makes the best use of all talents and resources. The talent policy greatly reduces the recruitment costs in the external market, can more accurately grasp the information of candidates and makes a correct assessment of their competence.

Make a correct assessment.

In order to prevent a person from doing the same kind of work for a long time, the way of thinking and the knowledge structure are solidified, Zhang Ruimin proposed "position change in turn". For this reason, Zhang Ruimin set the longest working life for each position, and at the same time defined the post system, relying on the powerful education and training institutions within Haier Group to train a large number of practical talents for it.

Innovative Enterprise Merger Strategy

With a good corporate culture and appropriate human resources policies, Zhang Ruimin has made a distinction between different situations in the aspect of enterprise merger: merging some small enterprises with enterprises with relatively strong assets, called Big Fish eat small fish; It is called "fast fish eat slow fish" to merge enterprises with stronger technical strength with enterprises with weaker technical strength. The two companies are both very powerful and can be called sharks eating sharks.

On the issue of enterprise merger, Zhang Ruimin believes that the purpose of enterprise merger is to obtain a huge enterprise scale effect with a small amount of capital investment, and to use the existing brands, that is, their own intangible assets. In short, this theory is to copy Haier's model into the merged enterprise. This management model can be vividly called the method

of eating the shock fish.

Diversification of operational risks

In order to spread management risks, Zhang Ruimin has also explored a theory of "the east shines and then the west shines". This set of theories provides enterprises with a detailed path of dependence from the original industry to the emerging industry. First of all, we will strengthen and expand the industry we are most familiar with and expand it to the products of related industries on this basis. Second, to enter a new industry, we must scale up our products and be at the forefront of this new industry. From 1984 to 1991, Haier Group's goal was to make refrigerators the best in the country, and then develop refrigerator-related products to achieve a comprehensive and diversified product line and make these products the best quality products in the country. Haier Group first developed its main products, and then gradually developed other products with smaller correlation coefficients. It has always been the best household appliance from being the best refrigerator. With its leading edge in the household appliance industry, Haier Group has financed the development of other industries through capital operation and other means. This set of theories clearly demonstrates Zhang Ruimin's concept of diversified management of diversified risks.

We summarize Zhang Ruimin's leadership behavior and style in Haier's diversification strategy period as reflected in the above events in Table 4-3-2 below.

Variable	Dimensions	Specific Indicators	Examples of Events in Diversification Strategy Stage
Strategic leadership	Operational leadership	CEO focuses on diversification through strategic alliances, acquisitions or joint ventures	Haier Group's Purchase Strategy of Eating Shock Fish
	Creative leadership	CEO pays attention to the development of human capital for managers and employees	Through the education and training mechanism within the enterprise, the internal human resources are integrated to promote the flow of talents within

			the enterprise and cultivate excellent practical talents.
		CEO pays attention to the development of social capital, such as interpersonal networks throughout the organization.	Strengthen the "One Whole" management idea and the cooperative management consciousness, and deepen the enterprise culture

Table 4-3-2 Behavioral Dimensions of Leaders in Diversification Strategy Stage and Examples of Events

From the summary in the above table, it can be seen that in the stage of diversification strategy, besides implementing strategic alliances, acquisitions or joint ventures to carry out diversified operations, Zhang Ruimin has changed his original focus on the company's scientific and technological, policy, economic, social and cultural, demographic and legal opportunities to more creative management. He placed more emphasis on corporate culture at this stage. All the centers of diversification are based on corporate culture promoted by Zhang Ruimin. In the development of human capital of employees, Zhang Ruimin led the implementation of acquisition strategies such as activating Shock Fish. At the same time, he continued to emphasize the importance of brands and showed strong strategic continuity.

4.3.3 Behavior Characteristics of Leaders in the Stage of Internationalization Strategy

In China, Haier is one of the earliest enterprises to implement the internationalization strategy, and has been making unremitting development on the road of internationalization exploration and attempt. Haier Group led by Zhang Ruimin formulated and implemented strategies around the goal of internationalizing the brand, first ensuring the advantages of the domestic market, and then realizing the localization strategy of the brand abroad.

Internationalization of corporate culture

Due to the cultural differences between the East and the West, Zhang Ruimin found that Haier's

existing corporate culture is difficult to be recognized by foreign enterprises and employees. The existing corporate culture will be disobedient to foreign countries, so it is necessary to design a number of effective management strategies that can be applied to different national cultures. For example, Haier Group's corporate culture includes management by objectives, dismissal of personnel and dynamic change of personnel, which are difficult to accept in many western countries. For example, Haier's management by objectives concept links employees' salary with their work tasks, which is not accepted overseas. As long as overseas employees are in their positions, the company must support the corresponding salary. Another example is the system of public self-criticism of employees, which is regarded as a normal phenomenon in domestic enterprises, which is regarded as an act damaging employees' personality abroad. Under the leadership of Zhang Ruimin, Haier Group has gradually transformed from the original domestic single corporate culture into a multi-cultural integration, cross-country and cross-regional multi-ethnic corporate culture development model.

Build factories overseas

In order to establish Haier's brand image in the world, Haier insisted on making exports in the early 1990s.

Use Haier's own brand. And in the mid-1990s, the concept of "having a market first and then building a factory" was actively promoted with a view to establishing its own overseas production base and sales network. Regarding Haier's establishment, Zhang Ruimin believes that China's home appliance enterprises are facing great challenges from the international community. It faces the problems of anti-dumping and raising non-tariff trade barriers. For example, the mature European Union market will charge up to 40% of anti-dumping duties, while the household appliances sold in the US market will encounter strict technical indicators. The energy consumption standard will be raised once every two years. For Haier, it is necessary to work hard to establish a brand. In order to avoid the above situation, Zhang Ruimin has resolutely targeted the 10 largest economic cooperation regions in the world to set up local factories, avoiding high tariffs and trade barriers, and absorbing the most advanced

local technologies.

Absorb local talents

Enterprise culture and overseas construction have solved the problem of acclimatization, but whether an enterprise develops well or not is still a human problem. Haier's successful entry into the US home appliance market is largely due to the fact that Zhang Ruimin has employed local people to manage the company, employed local people from both the market and marketing, and implemented a localization strategy for talents. It is also because Haier has adopted a localized talent strategy. Compared with Panasonic, which is also a US appliance giant, Haier's first product took much faster to reach 30% market share. This fully shows that the benefits brought by localization are real.

Integration of various resources

With the deepening of Haier's internationalization strategy, the competitive relationship between Haier and related international enterprises is also slowly changing. Zhang Ruimin put forward the strategy of symbiosis and win-win. For example, when Haier chose to enter the Japanese market, which has advanced technology, high level of product refinement and extremely harsh consumer attitudes, Zhang Ruimin adopted a strategy of strategic cooperation and reached a strategic alliance with Japanese appliance giant Sanyo in 2002. Haier and Sanyo shared the market and sales channels owned by both parties. Under such a competition and competition game, they successfully entered the Japanese market. The same case was also made in the same year with Taiwan Sampo Group. Such integration provided Haier with strong support.

The Change of Thinking in Cross-border Mergers and Acquisitions

Zhang Ruimin successfully merged dozens of domestic enterprises with his original theory of "eating shock fish". However, Zhang Ruimin has not applied it to the international nuclear strategy. With China's accession to the WTO, Zhang Ruimin suddenly realized that merging

foreign enterprises is one of the best ways for Chinese enterprises to realize internationalization. Haier's Mattel merger in July 2005 can reflect the adjustment of Zhang Ruimin's strategy in implementing internationalization strategy. Although the merger ended in failure, it is enough to see Haier's determination to boast about cross-border mergers and acquisitions.

Get policy support

In addition to having clear ideas and measures, enterprises need to consider the factors of national policies in the process of implementing the internationalization strategy. Compared with some excellent overseas enterprises, we still have a big gap in technology, management and international talents. In order to reduce the risks of internationalization, enterprises can seek national policy support.

Haier did not have rich revenue in the early days of internationalization, but strong support based on national policies and Haier's huge domestic sales revenue provided it with sufficient financial support in international brands. In August 1997, Haier was designated by the State Economic and Trade Commission as one of the six enterprises that have hit the world's top 500. By September 2004, Haier Group and Export-Import Bank of China signed a buyer's credit agreement of up to 1.5 billion US dollars to jointly develop the international market. At the end of the same year, the Export-Import Bank of China cumulatively provided Haier with a credit business of up to 3.4 billion US dollars.

With the support of China's Ministry of Commerce, Haier Group was also receiving the help of free policies and economic resources from many countries. For example, Pakistan hoped that China's Ministry of Commerce could assist and help their country to establish a home appliance enterprise park, and signed a memorandum of understanding between the two countries in this regard. According to Pakistan's request, apart from the establishment of a home appliance industrial park in Pakistan, the national home appliance standards were also formulated by Haier, etc. These undoubtedly increased Haier's chances of winning the

international strategy.

We summarize Zhang Ruimin's leadership behavior and style in Haier's internationalization strategy period reflected in the above events in Table 4-3-3 below.

Variable	Dimensions	Specific Indicators	Examples of Events in the Stage of Internationalization Strategy
Strategic leadership	Operational leadership	CEO focuses on the company's technological, policy, economic, social and cultural, demographic and legal opportunities.	Relying on Haier's domestic sales revenue and profits, free political and economic resources
		CEO focuses on diversification through strategic alliances, acquisitions or joint ventures	July 2005 Haier Operations Merger of Mattel
		CEO focuses on the influence of communication ability on the external environment (media, consultants, government, suppliers, alliances)	Cooperate with competitors to swap markets
	Creative leadership	CEO pays attention to the development of human capital for managers and employees, such as personal ability, knowledge, skills and work experience etc.	Hire local talents and attach importance to the ability of local talents.
		CEO pays attention to the development of social capital, such as interpersonal networks throughout the organization.	Enterprise Culture Suits Local Conditions

Table 4-3-3 Behavioral Dimensions and Examples of Events of Leaders in the Stage of Internationalization Strategy

From the summary in the above table, it can be seen that in the internationalization strategy stage, Zhang Ruimin followed the operation strategy in the previous stage, further deepened Haier's existing enterprise status. At this stage, he has further adapted the corporate culture to the changes of the environment. He also focuses on employing local talents for the development of human capital for managers and employees. It can be said that the overseas

culture is the core of Zhang Ruimin's decision-making at this stage.

4.3.4 Behavior Characteristics of Leaders in the Strategic Stage of Globalization

After going through the previous nationalization stage, Haier has already acquired a certain international reputation. Zhang Ruimin announced that Haier has entered the stage of global brand strategy. In this stage, Haier will devote itself to improving the competitiveness of products and the operating power of enterprises, transforming the original single enterprise culture into a multi-enterprise culture, realizing the sustainable development of the group in a real sense and creating a world-class global Haier brand.

Reform of organizational structure

At this stage, Haier Group is no longer a small enterprise with less than 300 employees and on the verge of bankruptcy. It has now developed into an international large enterprise with nearly 50,000 employees. In order to adapt to the ever-expanding organizational scale of Haier Group, Haier Group's organizational structure has undergone many reforms. As can be seen from the evolution process of its organizational structure (Figure 4-2-1), Haier Group has undergone a transformation from a small organizational scale to a large organizational scale, and its business operation has also developed from the original domestic business to a transnational business.

At the present stage, through the transformation of the market chain process, Zhang Ruimin has respectively set up a business flow promotion headquarters in the group to be responsible for the marketing of all products, and has also set up a regional manager in the region to be responsible for the sales of all products (Wang Dihua, 2008). In addition, Haier Group has also set up the Logistics Promotion Headquarters, which mainly agrees to manage the material resources plan of all products of Haier Group through ERP system.

Customer-oriented process transformation

In order to provide better service for customers, Zhang Ruimin has turned the original pyramid structure of "regular triangle" into an "inverted triangle" structure, from subordinate employees obeying superior leaders to leaders and employees obeying users' demands together. Leaders only provide all kinds of resources for employees to meet the needs of users and the same goal of creating value for customers. This model has changed the slow response of enterprises to the market under the traditional economy.

On this basis, Zhang Ruimin has implemented the strategy of "Ren Dan He Yi", that makes all personnel must obtain orders to meet the needs of users.

Build a competitive platform

Apart from external recruitment, Haier Group is most unique in its open internal recruitment. Zhang Ruimin regards human resources as capital. At the beginning of each month, the Human Resources Center will make public the required vacant positions, terms and conditions of employment, duties and contents of work, and every employee can participate in the competition. Haier's concept of human resources is not a simple training and promotion, but a policy that fully promotes the development of employees' own potential.

In addition to the internal competition platform, Zhang Ruimin also classifies employees into fixed workers, contract workers and probationary workers. These three types of workers exist together and change dynamically on a regular basis. According to the specific technical requirements of managers, professionals and workers, Haier Group has also designed different career paths. At the same time, in order to ensure the knowledge diversification of cadres, the company requires regular rotation and change of posts.

We summarize Zhang Ruimin's leadership behavior and style in Haier's global brand strategy period as reflected in the above events in Table 4-3-4 below.

Variable	Dimensions	Specific Indicators	Examples of Events in Network Strategy Stage
Strategic leadership	Operational leadership	CEO focuses on the company's technological, policy, economic, social and cultural, demographic and legal opportunities	Operational characteristics that last several stages
		CEO focuses on diversification through strategic alliances, acquisitions or joint ventures	
		CEO focuses on the influence of communication ability on the external environment (media, consultants, government, suppliers, alliances)	
	Creative leadership	CEO encourages risk-taking and unconventional behavior	Through the whole enterprise's management activities in the way of market value chain creation
		CEO pays attention to the development of human capital for managers and employees, such as personal ability, knowledge, skills and work experience, etc.	The incentive system of "three jobs coexisting and dynamic transformation" The cadre monitoring mechanism of "In office to be controlled, promotion depends on competition, the expiration of the rotation"
		CEO pays attention to the development of social capital, such as interpersonal networks throughout the organization	Customer-oriented Process Transformation

Table 4-3-4 Behavioral Dimensions and Examples of Events of Leaders in the Strategic Stage of Globalization

From the summary of the above table, it can be seen that in the strategic stage of globalization, Zhang Ruimin has put the reform center of this stage on the development of human resources and organizational changes for employees to adapt to the changes in the value chain of the

market. At this stage, Zhang Ruimin has changed the organizational structure of the original traditional enterprise. In order to make the enterprise adapt to the complex competitive environment of rapid change, Haier Company, after combing the existing process, has reformed the process, making the enterprise and internal employees face the different requirements of the market and customers at all times.

4.3.5 Behavior Characteristics of Leaders in the Stage of Networking Strategy

Under the background of the new Internet era, consumer demand is becoming increasingly personalized and fragmented, which brings great challenges to the traditional manufacturing industry. The traditional enterprise organization development model cannot adapt to this rapidly changing era. In order to be closer to the needs of users, Zhang Ruimin led Haier Group into the strategic stage of networking.

The Combination of Virtual and Real Networks at Zero Distance

The combination of virtual and real networks at zero distance was proposed by Zhang Ruimin to cope with the changes of consumer demand in the Internet age. The virtual network, that is, the Internet, is combined with the real network, including sales, service and logistics networks. The Internet is not only an e-commerce platform, but also an interactive platform with zero distance contact with users, which can deeply tap the personalized needs of users. Haier has gradually attached importance to social communication methods such as Microblog and WeChat, communicating and interacting with users and consumers through social media platforms, and trying to carry out marketing activities.

Further organizational changes

At the end of 2014, Haier began to innovate its organizational form, which is mainly reflected in the establishment of small and micro organizations, transforming the organizational relationship of the company into the relationship between the platform and small and micro organizations. Members of the company's organizational structure are classified as platform

owners, small and micro owners, and small and micro members. Small and micro businesses have become independent operators and responsible for users, fully enjoying the rights of decision-making, appointment and removal of talents and distribution. Their remuneration comes from the value created by users. The remuneration of the platform comes from small and micro members. The so-called market settlement relationship is the relationship between small and micro members and the platform.

In a sense, small and micro companies are a mechanism to stimulate employees' innovation. They are not only creators of small and micro companies, but also employees of Haier.

We summarized Zhang Ruimin's leadership behavior and style in Haier's networking strategy period reflected in the above events in Table 4-3-5 below:

Variable	Dimensions	Specific Indicators	Examples of Events in Network Strategy Stage
Strategic leadership	Operational leadership	CEO focuses on the company's technological, policy, economic, social and cultural, demographic and legal opportunities	Operational characteristics that last several stages
		CEO focuses on diversification through strategic alliances, acquisitions or joint ventures	
		CEO focuses on the influence of communication ability on the external environment (media, consultants, government, suppliers, alliances)	
	Creative leadership	CEO encourages risk-taking and unconventional behavior	Small and micro organization form
		CEO pays attention to the development of human capital for managers and employees, such as personal ability, knowledge, skills	"Raytheon" Products

		and work experience, etc.	
		CEO pays attention to the development of social capital, such as interpersonal networks throughout the organization	"Haier's Love" Internet Campaign

Table 4-3-5 Behavioral Dimensions and Examples of Events of Leaders in Network Strategy Stage

4.4 Haier Enterprise Strategic Leadership Behavior Selection Strategy

Environmental changes are often the most original driving force for the active evolution of enterprises' organizations. The continuous evolution of organizations makes the intermittent equilibrium theory of organizational evolution answer that the evolution of organizations has phased characteristics, and at the same time provides theoretical basis for our research and analysis of Haier's phased strategic management strategies. At each stage of development, Haier Group's organization has undergone tremendous changes. This paper uses the theory of strategic leadership to analyze, so the "adaptation" evolution and development of the organization are attributed to the leader's strategic management strategy. Next, we will discuss from the two directions of strategic leader's operational leadership and creative leadership what kind of leadership mode Haier Group leader Zhang Ruimin adopts to manage the enterprise under different environmental changes.

4.4.1 Famous Brand Strategy Stage

(1) Environmental changes

China's home appliance market was basically in the seller's market from 1984 to 1991. Most manufacturers pursued output but ignored the improvement of product quality. Haier just came out of the brink of bankruptcy. At that time, the market was full of nearly 100 refrigerators of

various brands. Some products even reached high quality and had certain influence in the market. At the same time, Japanese refrigerators have also entered the domestic market, occupying a large share. Objectively, Haier Group was in a backward state. Without a good strategic policy, it was very difficult to survive in the fierce refrigerator market.

(2) The process of Zhang Ruimin's leadership strategy (search and selection)

Changes in the environment have provided Haier with the basic motivation for the variation of organizational practices, and have also provided Haier with opportunities. During this period Haier was on the verge of bankruptcy. The original organizational production model could not adapt to the new market demand. Environmental choices led to the organization's variation.

In Zhang Ruimin's view, although there were many brands of refrigerators and some so-called star products in the market at that time, there were no real famous brands. The difference between similar products is not very obvious. At this time, market needs a product with excellent quality, guidance and consumption guiding function.

As the leader of enterprise organization, Zhang Ruimin believes the importance of product quality. He believes that products only with high quality can have reasonable competitiveness. Under the guarantee of high quality, Haier Group can realize scale operation and occupy greater competitiveness.

In the process of searching for variations in organizational practices, brand strategy is nothing more than the best choice. The successful brand strategy in history is that the company organization takes brand as its core competitiveness and all focuses on establishing and creating well-known brands and commodities in order to obtain high returns.

Zhang Ruimin just proposes to Haier that the core of "famous brand strategy" is the high quality of products. The high quality here must be adapted to the market demand, guided by consumers, and not only conform to the standards set by factories or the state. "Brand strategy"

is not Haier's original creation, so to some extent, it is a backward experience search.

Environmental choice

"Brand strategy" has transformed Haier from a company on the verge of bankruptcy to a company that pays attention to product quality and quality service. Next, Haier established the status of China's first brand of household appliances by producing high-quality products that satisfy consumers through "brand strategy".

Haier participated in the competition rationally in this stage, so it made remarkable achievements in the transition period from the planned economy era to the market economy era. Haier has experienced the choice of environment, and survived successfully, keeping the basic form of the enterprise.

The initial stage of enterprise organization was in a state of disorder with no leading products, no benefits and chaotic management. Four years after Zhang Ruimin adopted the scientific management method, "Haier" refrigerator won the first national excellent gold medal in the history of Chinese refrigerators. After successfully improving management methods, Haier shifted the strategic focus of the company's organization to control product quality. In the following two years, Haier Company experienced economic downturn, but its sales volume was still satisfactory, is becoming a famous brand in refrigerators and a leader in the industry.

Summary of organizational evolution results

With quality as guarantee, Haier has established a strong advantage of winning by famous brand and is favored by consumers. The implementation of brand strategy has achieved great success in this stage. However, with the change of time, the pattern of home appliance market has also changed dramatically. The enterprise organization needs organizational variation while retaining the brand strategy.

4.4.2 Diversification Stage

Changes in the environment

After 1992, China's home appliance market began to enter the buyer's market, Just buying a product is no longer enough to meet the needs of Chinese consumers. Consumers are no longer satisfied with a single product or a simple series of products, they need to seek more possibilities.

During this period, China's economic openness is deepening constantly and the integration of the world economy is developing constantly. If a company wants to compete with large multinational companies, it must greatly increase the sales volume and market share of its own products.

At this time, the competition in the domestic market is intensifying and the market share is saturated. Haier needs to explore new markets to meet the continuous growth of its profits. In addition, with the development of science and technology, the technical threshold of the household electrical appliance industry was gradually lowered and the competition became white-hot, but at the same time many new industries emerged, such as communication technology, marine technology and so on.

In terms of national policies, a new round of industrial restructuring has been carried out in favor of developing new industries.

Performance of Zhang Ruimin's Strategic Decisions (Search and Selection)

Starting from the internal causes of changes in the enterprise's organizational environment, the white-hot competition in the domestic household appliance market drives Haier Group to find new profit growth points to maintain its competitive leading edge. Secondly, the external causes of environmental changes are also showing great delicacy at this stage. With the rise of buyer's market, consumers begin to seek variety of products to meet their increasing demands.

These changes have forced Zhang Ruimin to search for certain variations in existing organizations to find new development points for the development of enterprise organizations. "Diversification strategy" is undoubtedly the wisest choice at this stage. However, the so-called diversification strategy is not original by Haier, but mainly refers to the continuous expansion of enterprises through different products, and the use of the original technological advantages of enterprises achieves complementary resources and scope economy (Zhang Yushuang; Shao Yashen, 2012). Diversified business activities of enterprises began in the United States and other advanced countries in the 1920s and 1940s. In the 1960s and 1970s, diversified business was brewing and fermenting all over the world and a wave of cross-industry mergers was set off in the world.

According to its own characteristics, Haier Group, led by Zhang Ruimin, consolidated its successful experience in the original branding stage and embarked on a path of specialization, related diversified development and unrelated diversified expansion.

Specialization stage. From 1984 to 1991, Haier was in the initial stage of specialization. Haier was single-minded in making only refrigerators, and placed high quality in the top priority of enterprise development. With high quality, it has opened the door of the German market and took this opportunity to open up the European and even global markets. At this stage, Zhang Ruimin established a national sales and service network through the well-established OEC management law.

Related diversification stage. In 1991, Haier Group no longer satisfied with the original refrigerator production line, gradually extended its tentacles into other related household appliance industries, and at the same time smoothly extended the brand advantages it had established.

Non-related diversification stage. In 1999, Haier Group began to involve in completely different fields from the household appliance industry and implemented the so-called unrelated diversified expansion strategy.

At this stage, Zhang Ruimin, as a strategic leader, has greatly demonstrated the characteristics of its operational leadership, focusing on diversification through strategic alliances, acquisitions or joint ventures.

Environmental selection

At this stage, Zhang Ruimin adopted the "eating shock fish" method to carry out mergers and acquisitions. In a few short years, it has merged 15 enterprises, revitalized RMB 1.5 billion of assets and spent less than 70 million yuan of investment. This has enabled Haier to grow and develop rapidly.

While Haier has made remarkable achievements in diversification and internationalization, the voice of doubt has also begun to spread in the industry. Haier, as a well-known household appliance enterprise in China, has been successful. However, due to its complicated business fields, Haier's core power and resources have been weakened, which is extremely unfavorable to Haier's long-term development. Its implementation of unrelated diversification was a failure. After all, the resources of an enterprise are not unlimited. If too many resources are invested in other non-core competitive industries, the original core competitive power may even be offset. Secondly, diversification strategy will inevitably disperse the resources of enterprises and weaken the results of main businesses.

Therefore, after the choice of environment, the diversification of related businesses has been preserved and spread. However, the diversification of non-related industries needs to be stripped because it is not suitable for the choice of the environment.

Summary of Organizational Evolution Results

Diversified development has brought rapid development to Haier Group. In particular, the strategy of "eating shock fish" put forward by Zhang Ruimin at this stage successfully activated Qingdao Haier with total assets of RMB 400 million, total liabilities of more than RMB 500 million, insolvency of RMB 133 million and debt ratio of 140%. The subsequent

strategy of "copying shock fish" has provided Haier with tools for successful mergers and acquisitions of other enterprises and created a magical Haier speed.

However, excessive diversification has also brought pressure to Haier Group. Organizations can selectively retain existing strategies, related diversities and peel off unrelated diversities. In addition, changes in the environment have prompted new challenges. With China's accession to the WTO, the original competition pattern has been broken and new variation needs have emerged in the organization.

4.4.3 Internationalization stage

Changes in the environment

After the famous brand strategy in the 1980s and the diversification strategy in the 1990s, it has already established itself in the industry. The organization of the enterprise presents well-known domestic production enterprises with diversified product lines.

However, with the acceleration of the process of global economic integration, nearly 80% of the global economy of local production and consumption has been internationalized. The connection between domestic and foreign markets is particularly important, especially after China joined the WTO in 2001. How to make up for China's lack of core technologies, and how to carry out competition and cooperation with foreign high-quality enterprises to protect foreign export markets have become an important topic for Chinese enterprises to learn. Chinese enterprises must seize the opportunity, study hard, and try to get more resources and experience to change the backward situation.

Secondly, because foreign multinational enterprises regard China as a new target market, fierce competition in the domestic market is accelerated. Chinese enterprises have no choice but to participate in the competition with foreign enterprises. Therefore, Chinese enterprises must overcome all kinds of difficulties and fully improve their own strength to meet the challenges of foreign similar high-quality enterprises.

Performance of Zhang Ruimin's Strategic Decisions (Search and Selection)

The changes in the general economic environment have prompted Haier Group to consider establishing an international image and popularity, creating a brand of its own belonging to the Chinese people, and responding to national policies to sell its products to major economic regions and large and medium-sized cities in the world.

However, there is no corresponding experience of internationalized enterprises in China. Based on the existing brand strategy in China, Zhang Ruimin has explored a brand-new way of internationalizing strategy through forward searching organization variation practices. Haier Group regards overseas companies as the base of localization. It not only finances, melts wisdom and culture locally, but also place the design, manufacture and marketing of products locally. In order to better serve local users and further improve Haier's international reputation, Haier has also established its own overseas distributors and after-sales service centers in these regions.

At this stage, Zhang Ruimin, on the one hand, pays attention to the existing domestic market operation and first consolidates the domestic market. Secondly, Zhang Ruimin put forward Haier's "three steps" aiming at realizing international brand, namely localization cognition stage, localization rooted stage and localization famous brand stage, according to the different situation at that time, that is, innovative strategy.

In the process of internationalization, Haier Group needs to pay attention to the company's scientific and technological, policy, economic, social and cultural, demographic and legal opportunities, and also needs to pay attention to the development of human capital for managers and employees.

Environmental selection

With the implementation of Haier's internationalization strategy, Haier was selected as one of the 100 most influential brands in the world at that time, ranking 95th, and the overseas income

brought by Haier also kept rising. It is worth mentioning that the results of a survey at the end of 2003 show that Haier Group is currently the fifth largest white goods manufacturer in the world in terms of company sales statistics, while Haier Group is still the second largest white goods brand in the world in terms of brand sales statistics.

It is for sure that Haier's blindness in the last stage of diversification has also been highlighted in the stage of globalization. When it comes to multinational companies, many multinational companies will choose to invest and set up factories in regions with extremely low labor costs, such as China or Southeast Asia, in order to reduce labor costs and obtain cheap raw materials. Haier did the opposite. Haier Group chose to build factories in Europe, a place where labor costs are expensive. Although it could reduce trade barriers, it increased the cost of the company. However, Haier has experienced the test of this period through a series of methods such as localization of production, recruitment of talents and establishment of systems, and has successfully changed the company's status. Therefore, international strategic decisions are absorbed by the company and learned from all aspects.

Summary of organizational evolution results

Although the internationalization strategy has achieved fruitful results, it ignores the negative impact of the rise in operating costs on enterprise organizations. The rapid development of the logistics industry and the low cost of labor in China and Southeast Asia have attracted a large number of multinational enterprises to set up factories in these places. Haier's choice is very uneconomical. The maturity of supply chain management will definitely force Haier Group to choose more convenient and lower-cost strategic strategies.

4.4.4 Global Brand Stage

(1) Environmental changes

After China's entry into WTO, if we look at the market, all the markets have become international markets. The rise of the Internet has forced the traditional sales mode to change.

More and more consumers can understand and buy goods through the Internet. The border restrictions of enterprises have been further weakened.

Performance of Zhang Ruimin's Strategic Decisions (Search and Selection)

In the internationalization strategy, Haier Group has taken root in China and made good achievements in radiating its products and brands to the world based on its own country. If more profits are needed for enterprises, the international market can no longer satisfy Haier Group. How to fully improve Haier's efficiency and build a world-class Haier brand and create the world's first competitiveness have become the top priority for Zhang Ruimin.

It can be seen from the changes in the environment that the implementation of the global brand strategy is a strategy forced by the situation. Under such circumstances, Zhang Ruimin made a decisive decision and announced that Haier would launch a new development strategy. In the internationalization strategy, Haier Group takes root in China and radiates its products and brands to the world based on its own country, while the globalization brand strategy localizes Haier's brand and forms its own brand. The global brand strategy is based on the internationalization strategy, but this stage is not only an expansion of a simple internationalization strategy. Judging from the external competitive environment, the global market is constantly merging, which makes the brand cannot be limited to the original country, but must be integrated with the global brand. Traditionally, developing countries with cheap labor bear the processing and manufacturing process, while developed countries mainly bear the export of brand value. Haier has already established a good brand reputation and advantages in the previous stage and laid a foundation for a good local operation advantage in this stage.

In view of the strategy different from the global brand, Haier has created a unique development mode of "Ren Dan He Yi". At this stage, Zhang Ruimin, as a strategic leader, has not only continued to maintain the characteristics of the three dimensions of operational leadership, but also fully played the human capital development of creative leadership to managers and

employees, such as personal ability, knowledge, skills and work experience.

Environmental selection

Haier has achieved international certification at this stage, obtaining not only market access permits from more than 160 countries, but also quality certification from international authoritative organizations. According to Euromonitor International's statistics in 2010, Haier won the first place in the world for white goods brands with a global market share of 6.1%. Localized Haier enterprises are not only born in the United States and Europe, but are spreading all over the world. The evolution and change at this stage established Haier's international brand after environmental choices.

Summary of Organizational Evolution Results

Haier's globalization strategy focuses not only on Haier Group's products but also on service satisfaction. To some extent, Haier's products have been popularized in the world. In order to achieve the goal of global sales, Haier has adopted a 10-year warranty and timely on-site service to response service, but it has neglected the cultivation of customer loyalty.

4.4.5 Networking Stage

Changes in the environment

As modern marketing methods are greatly influenced by the development of the Internet. With the popularization of mobile Internet, users' needs begin to show personalized features. Consumers are no longer satisfied with choosing from limited product categories. The mode of production has changed from the original mass production to the mass customization production. Enterprises arrange production according to the different needs of consumers. Technological innovation is also full of uncertainty during this period. Breakthrough innovations continue to appear, which have caused great impact on existing technologies.

Performance of Zhang Ruimin's Strategic Decisions (Search and Selection)

Under the change of this environment, Haier Group has to find a way to fit its own product marketing channel.

Therefore, Haier has implemented a network strategy.

Zhang Ruimin believes that the supply-side and demand-side influences must be taken into account in the implementation of the network strategy change.

First of all, from the demand side, the demands of consumers are diversified. Due to the popularization of Internet technology, the formation of users' needs has begun to highlight their own individual needs and users can have more positive choices. In this case, enterprises must effectively allocate organizational resources to keep up with the diverse needs of consumers. Second, the supply side: changes in the organization of resources. With the support of modern digital commercial facilities, enterprises can make rapid response and adjustment to the needs of users in order to meet the needs of mass customization, which involves changes in the organization of resources such as manufacturing, research and development, supply chain and market within and between enterprises.

Environmental selection and results

The reorganization and integration of Haier Group have played a positive role in the implementation of the network strategy in the company, but the problems were soon exposed. From the positive triangle organization structure to the reverse triangle organization structure, then to the independent management body, the profit community and finally to the platform of the organization, Haier turned every employee into a resource interface and an entrepreneur. Such reforms have occurred in some small and medium-sized enterprises that are not particularly large in scale, but there has never been a leading large enterprise such as Haier, which has a compound annual growth rate of more than 20%, a turnover of nearly RMB 200 billion and a global market. Therefore, the specific future development also depends on whether Haier's reform is suitable for the environment.

4.5 Summary

This chapter will take Haier Group as an example, divide the enterprise into five stages of evolution and development, analyze the behavior characteristics of Zhang Ruimin, the leader of the enterprise in different stages of development, and then analyze and refine the strategy of strategic leadership behavior.

First of all, the growth process and entrepreneurial background of Haier Group and Zhang Ruimin are introduced. Secondly, Haier's strategic stage is divided into five stages according to the development status of Haier Group. Thirdly, the behavior characteristics of Haier leader Zhang Ruimin at different stages of development are analyzed by showing the specific management events and decisions in Zhang Ruimin's enterprise management. Finally, it provides selection strategies and suggestions for Haier's strategic leadership behavior.

The strategic choice of Haier Group in each stage bears Zhang Ruimin's personal mark. Zhang Ruimin's thinking and behavior characteristics have a profound impact on Haier Group in each stage.

First of all, Zhang Ruimin is confident and decisive. Zhang Ruimin put forward that "it's meaningless to argue about whether to set up a factory in the United States or not, because arguing cannot come to results without acting. As Drucker said, the essence of management does not lie in knowledge but action, not in logic but result. Your logic is right, my result is right, your logic has no meaning. " On April 30, 1999, Haier established Haier Industrial Park in South Carolina, the United States. It was put into production in March 2000. Before that, Haier's annual sales in the United States was less than 30 million US dollars. Driven by the project, its annual sales in the United States saw an eight-fold increase to 250 million US dollars in three years, eight times greater.

Secondly, Zhang Ruimin is conscientious and sedate. Let's recall the "Refrigerator smashing incident". One day in December 1985, Zhang Ruimin, then the director of Qingdao Haier

Refrigerator Factory, received a letter from the user, reflecting that the refrigerator produced by the factory had quality problems. Zhang Ruimin led the management and inspected the warehouse, finding out that 76 of the 400 refrigerators in the warehouse were unqualified. Zhang Ruimin immediately called all the staff to the warehouse for a site meeting, and swung the sledgehammer for the first hit on the unqualified products by himself. Many workers shed tears when they had to smash those refrigerators. In the next months, Zhang Ruimin launched and presided over one meeting after another, with main subject summarized as: "How to improve product quality by starting from yourself". Three years later, Haier won the first national gold award in China's refrigerator industry. Zhang Ruimin said: "for a long time, we have an absurd concept that products are divided into qualified products, second-class products, third-class products and substandard products. Good products are sold to foreigners while inferior ones are sold on domestic market. Are we born inferior to foreigners, who are supposed to use only defective products? Such notion encourages the growth of our inferiority, laziness and irresponsibility. No wonder foreigners look down on us. From now on, Haier's products are no longer graded. Defective products are waste products to be smashed. Only when smashing waste products costs us an arm and leg, can we remember the importance of quality!"

Thirdly, Zhang Ruimin is delicate in thinking and rigorous in working. Zhang Ruimin pointed out aiming at that cadres must be subject to supervision and restriction: the so-called theory of "completely trusting the people employed" is a reactionary under the condition of market economy, which constitutes the theoretical basis for cadres to indulge themselves.

Fourthly, Zhang Ruimin is good at motivating and encouraging people. Zhang Ruimin said, "I can offer you the venue of the contest, help you to define the goal of the contest, and make the rules of the contest public. But whoever can run ahead depends on yourself." "Everyone can participate in the preliminaries, semifinals, and finals, but whoever enters new fields must take part in the corresponding preliminaries."

Fifthly, Zhang Ruimin is imaginative and creative. "Every soldier can become talents when they are cultivated by their generals. Zhang Ruimin believes that the task of corporate leaders

is not to discover talents, but to develop a mechanism by which talents are fostered and presented with the same opportunities. As a leader, you may not know the weaknesses of your subordinates, but you must know their strengths. "

5. Development Cases and Analysis of Alibaba Group

5.1 Introduction of Alibaba Group Profile

5.1.1 Introduction to Alibaba Group

Established in 1999, Alibaba has grown into the world's largest retail trading platform from the original 18-person entrepreneurial team through nearly 20 years of development. There are more than 100,000 brands trading on Alibaba's platform, and the platform offers nearly 500 million mobile monthly active users seamless online and offline experience. The big data mining and application of Alibaba, the largest e-commerce platform in China is among the best in China and even in the world. In addition to Taobao, Tmall, Juhuasuan, AliExpress, Alibaba.com and 1688 that are mainly engaged in the wholesale and retail and well known to the public, Alibaba's business areas also include Alimama, a marketing technology platform; Aliyun, a cloud computing and data management platform; Ant Financial focusing on serving small and micro enterprises and consumers, and Cainiao Network, a logistics data platform.

Alibaba's rapid development benefits from the corporate culture that Alibaba respects. We can understand its corporate culture from four aspects:

1. Brand identity. E-commerce is a global business, so the group is named after "Alibaba", a name well-known across the world. On the other hand, Alibaba also means that it is an enterprise opening the door to wealth for SMEs.

2. Mission. Alibaba takes "creating a world without difficult business" as its mission.

3. Alibaba's vision is to build the future business ecosystem allowing customers to meet, work and live in Alibaba, and make the enterprise continuously develop for at least 102 years⁹⁴.

4. Alibaba has established the values from six aspects, namely customers first, teamwork, changing, integrity, passion and dedication. Through the following analysis, we have found that the corporate culture is consistent with Jack Ma's cognition in many ways. The corporate culture is the soil for nurturing organizational elements. Jack Ma is the founder of Alibaba, so Alibaba's development will be consequentially influenced by his thoughts.

5.1.2 Introduction to Jack Ma, the Leader of Alibaba Group

Jack Ma, the main founder of Alibaba Group, was born on September 10, 1964 in Hangzhou, Zhejiang Province. He is currently a director of Softbank, Chairman of China Council of the Nature Conservancy and a member of the global board of directors of the same organization, a director of Huayi Brothers, a director of the Life Science Breakthrough Prize Foundation, and Co-chairman of the Board of Directors and Co-chairman of the High-level Panel on the Digital Cooperation of the United Nations.

Jack Ma graduated from the Foreign Languages Department of Hangzhou Teachers College in 1988 and worked in Hangzhou Institute of Electronic Engineering as the English and International Trade Teacher the same year. In 1995, he created "China Yellow Pages", which was China's first Internet business information publishing website. Later he became General Manager of Cofortune Information Technology Co., Ltd, China International Electronic Commerce Center in 1998. The next year, Jack Ma established Alibaba and served as CEO of Ali Group and Chairman of the Board of Directors of the same group.

In 2013, Jack Ma resigned from CEO of Alibaba Group and continued to serve as Chairman of the Board of Directors of the same group on May 10 and was elected as Co-chairman of the

⁹⁴ On February 21, 1999, Alibaba held its first staff conference. Jack Ma proposed the vision of Alibaba, namely making Alibaba be a company continuously developing for 80 years, and later the 80 years was changed to 102 years, because it is expected to span three centuries from 1999 to 2101.

Global Internet Governance Alliance Council on June 30. On September 10, 2019, he stepped down as Chairman of the Board of Directors of Alibaba Group but continued to be a member of the same board.

On December 15, 2017, Jack Ma was awarded as the 2017 Annual Education Person of “Influential China”. On September 10, 2018, he issued an open letter announcing that he would step down as Chairman of the Board of Directors of the Group on September 10, 2019 with CEO Zhang Yong taking his place. On December 18, 2018, the Party Central Committee and the State Council awarded Jack Ma the title of Reform Pioneer and a medal for the same. In March 2019, Jack Ma ranked 21st in the 2019 Forbes Global Billionaires list with the wealth of \$37.3 billion. On May 10, 2019, along with other 16 global standouts, Jack Ma was appointed by Guterres, the UN Secretary-General, as the new advocates for sustainable development goals. He ranked third in 2019 Forbes China Charity List. In October 2019, Jack Ma won the Forbes Lifetime Achievement Award was involved into a list of Transnational Operation Business Leaders for the Business Persons of Forbes 2019 on October, 19.

5.2 Development Stages of Alibaba Group

After drawing lessons from the general division method of the Theory of Corporate Life-cycle⁹⁵, a division standard for case enterprise strategy/evolution process is determined, namely, at the start-up stage, an entrepreneur establishes an enterprise and develops an innovative business in a niche market and eventually establishes the leading position in the market, while in the growth stage, the organizational structure expands rapidly and enters a large number of related business areas and thus eventually forming the unique core business segments. During the maturation period, the organizational structure is adjusted for several times and the business ecosystem begins to be built on the basis of the core businesses. According to the above division standards, the author has classified all kinds of data collected

⁹⁵ Li Qiyao and Zhang Shengyi. Financial Strategy Selection Based on Different Stages of Product Life Cycle [J]. Journal of Suihua University. 2019,39(08):22-24.

into all stages of case enterprise development and then taken them as the basis for case analysis. With the event observation method, this chapter conducts a longitudinal study on Alibaba cases during Jack Ma's entrepreneurship. The study scope in terms of time span begins with the establishment of the enterprise and ends on December 31, 2018. During this window period, the whole period is staged into the initial stage, the growth stage and the maturity stage from the perspective of the enterprise life cycle. Based on the study logic of this paper, the author first details each event based on the data, then explores the strategy evolution law and related affecting factors to develop a list of corresponding evidences, and finally draws a conclusion.

5.2.1 Start-up Period (1999-2003)

At the beginning of 1999, Jack Ma, who did not make a big achievement in Beijing's Internet industry, returned to Hangzhou to establish Alibaba with more than a dozen young people and RMB 500 thousand of venture capital. Some of these people were his partners who had gone north with him from Hangzhou to start their own businesses, and some of them were from Beijing. But it was this seemingly "mob" of young people who drew an e-commerce pie in their own way in Hangzhou, which looked entirely different from the Beijing-style "skyscraper pie". Simply put, what Alibaba wants to do is a platform that uses the power of the Internet to reduce business costs and broker deals. Alibaba takes a share of the reduced business costs of all enterprises and makes it a source of revenue and profits. With this development goal, Alibaba and Taobao came into being.

5.2.1.1 Key Event A—Establishment of Alibaba

(1) Event description

After completing the website development work of the e-commerce center of the Ministry of China and Foreign Trade and Economic Cooperation, in February 1999, Jack Ma led a venture team with 17 members, including Sun Tongyu, Jin Jianhang, Cai Chongxin, Peng Lei and Zhang Ying to set up Alibaba in their apartment in Hangzhou. Their goal is to set up a B2B

(Business to Business) platform for small and medium-sized enterprises (SMEs) in China to participate in global trade via the Internet. Before that, they have already started Haibo.com.cn, China Telecom Yellow Pages and designed websites for Ministry of Foreign Trade and Economic cooperation. On April 15, 1999, alibaba.com, the company's first global wholesale trade market, was launched.⁹⁶ In the same year, Alibaba followed the market changes and withdrew from the domestic wholesale trade market in China-1688.com. B2B e-commerce platform has taken shape.⁹⁷ From 1999 to 2000, due to the free use of B2B platform, it attracted users. The company, showing a tight cash flow, successively raised USD25 million from Goldman Sachs, SoftBank and other investment institutions, which meant it began to open the way for external financing. By December 2001, B2B platform users exceeded 1 million. Alibaba in the B2B segment of the e-commerce market has achieved rapid expansion. At the same time, Alibaba has also found its own characteristic profit model and launched two value-added services, "China Supplier" and "Trust Pass". And it achieved a positive cash flow at the end of 2002.

By March 2019, Alibaba has 101,958 employees, and Alibaba's full-year revenue is RMB250,266 billion, up 58% from a year earlier, and it made the fastest pace since its IPO. In the three years from FY2015 to FY2017, the annual revenue growth was 45%, 32.7%, and 56%, respectively, compared with 58% in the most recent period. In FY2018, Alibaba's core e-commerce business revenue was RMB214.02 billion, up 60% from the previous year, which also indicated the highest annual growth since its IPO.

Annually	Q1		Q2		Q3		Q4	
	Total revenue	Net profit	Total revenue	Net profit	Total revenue	Net profit	Total revenue	
2019	934.98	258.3	1149.24	212.52				
2018	619.32	66.41	809.20	76.50	851.48	182.41	1172.78	

⁹⁶ Zhang Fa. Platform Ecosystem Research Based on consumption capitalization theory [D]. Beijing Jiaotong University, 2017

⁹⁷ Wang Mengya. Research on the motivation of IPO of Chinese Internet companies in the United States [D]. Hunan University, 2016

2017	385.79	98.52	501.84	140.3	551.22	174.0	830.28	233.3
2016	241.84	53.14	321.54	71.42	342.92	70.75	532.48	171.5
2015	174.25	28.69	202.45	308.16	221.71	227.03	345.43	124.56
2014	Listed on September 19				168.29	30.30	261.79	59.83

Table 5-2-1 Alibaba Revenue Statistics (*Alibaba Group 2018 Financial Year Results Report*) (Unit: RMB100 million)

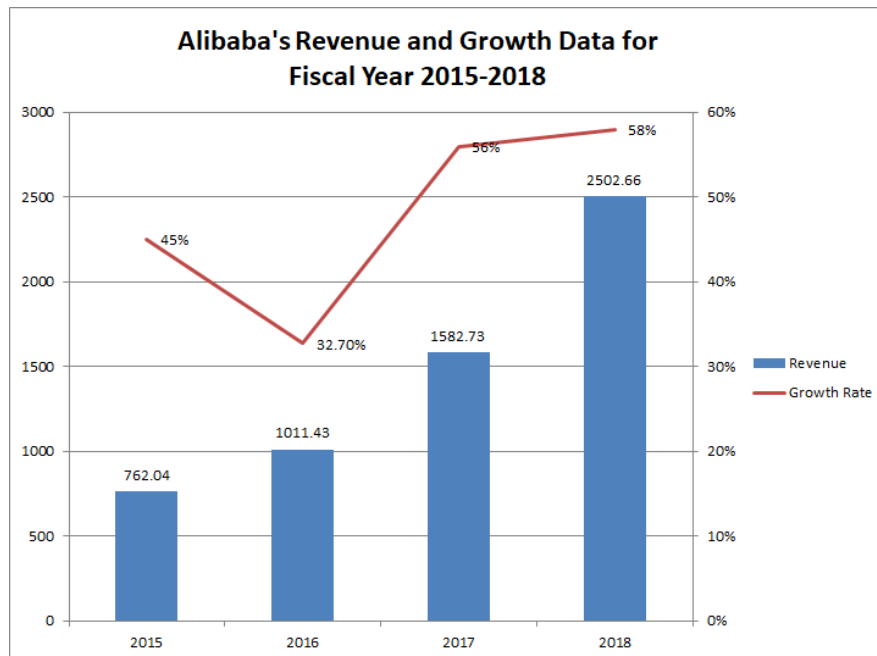


Figure 5-2-1 Alibaba's Revenue and Growth Data for Fiscal Year 2015-2018 (*Alibaba Group 2018 Financial Year Results Report*)

At the beginning of the venture, Alibaba was not always smooth strategically. In 2000, after securing external financing, Alibaba decided to set up an international headquarters in the US and relocate its Chinese headquarters to Shanghai to expand globally. The implementation of this decision has directly contributed to the high operating costs of the company, with Alibaba's bank account balance of less than USD10 million by January 2001. Faced with operating difficulties, Jack Ma and his venture team decided to close their overseas offices and lay off workers, and three months later the company's monthly operating expenses fell to USD500 thousand, and they passed the crisis.

(2) Analysis and rule summary of elements of strategic evolution

As far as the external environment is concerned: on the one hand, in 1995, the first Internet company in China was founded and Internet, a new thing, entered China formally, triggering a wave of Internet upsurge. China has the basic conditions for the implementation of e-commerce; on the other hand, a large number of trading opportunities were occupied by large enterprises in China at that time. The majority of small and medium-sized enterprises were struggling to find sales channels, and B2B platform just could solve this problem. Before the establishment of Alibaba, Jack Ma and his venture team had rich experience in Internet industry, and they have already started Haibo.com.cn, China Telecom Yellow Pages and designed websites for Ministry of Foreign Trade and Economic cooperation.

In April 1995, 31-year-old Jack Ma founded "Haibo.com.cn". Since then, "Haibo.com.cn" has become one of the earliest Internet companies in China, and the product is "China Telecom Yellow Pages". In 1996, 32-year-old Jack Ma struggled to promote China Telecom Yellow Pages. In 1996, the turnover incredibly achieved 7 million! In this year, the Internet has gradually been popularized. In March 1996, due to the competition from Hangzhou Telecom, Jack Ma had to cooperate with Hangzhou Telecom. The assets of China Telecom Yellow Pages were converted into RMB600 thousand, accounting for 30% of the shares, and Hangzhou Telecom invested RMB1.4 million, accounting for 70% of the shares. Later, due to different business concepts, Jack Ma and Hangzhou Telecom parted ways. He gave up China Telecom Yellow Pages and gave all of his 21% shares to the employees who started the business together. By using their previous experience, they were acutely aware of the business opportunities in the B2B market and focused their attention on the establishment of a B2B platform for SMEs, a segment of the market. This was an opportunity identification behavior based on one's own resource endowment, and the knowledge resources accumulated by the team were the basis of this opportunity identification (Cai Li, Liu Qing, 2010).

In the process of opportunity development, Alibaba has attracted a large number of small and medium-sized domestic enterprises and foreign buyers to participate in the platform

transaction by establishing a B2B platform and adopting a free subsidy strategy. This is an effective strategy based on two-sided marketplaces. After attracting the first batch of buyers and sellers, the increase in the number of either side will attract an increase in the number of the other side, which forms a two-way enhanced positive feedback loop to help enterprises to cultivate an initial customer base. At the same time, because of the existence of network externality, the rapidly growing number of platform users will provide more use value for the existing users on the platform, which improves the total value of the entire platform, and further accelerates the growth rate of platform users. Under the joint effect of bilateral market and network externality, Alibaba's platform free strategy accumulated a large amount of user resources for Alibaba in the initial stage and quickly occupied the B2B market segment, which realized the rapid development of enterprise. However, with the existence of Matthew Effect of "The Strong Get Stronger, the Weak Get Weaker" in the condition of cyber economy (Hu Chun, 2010)⁹⁸, large-scale user resources have become a kind of extremely valuable strategic resources, which possess value, scarcity and organizational usability and can bring competitive advantage for enterprises (Barney, 2001).

Due to the implementation of the free strategy, enterprises lack of income sources and need to bring in external investment. Macmillan (1931) put forward the Finance Gap Theory by studying the financing demand of enterprises. The Finance Gap Theory holds that the small and medium-sized enterprises are faced with the problem of "financing gap", and the initial capital of start-ups is often not enough to support all sorts of entrepreneurial activities. However, the lack of credit record of start-ups leads to their inadequacy in financing in the public capital market. Therefore, the financing capacity has become the core ability that new enterprises must cultivate in the process of development.⁹⁹ According to the case study, Alibaba has nurtured the financing capacity since its inception. Unique business model and

⁹⁸ Fu Xiaofan, Yang Hailong, Hu Chun. Mode selection and management of reverse logistics in e-commerce B2C market [J]. Journal of Beijing University of Posts and Telecommunications (Social Science Edition), 2006 (04): 14-18

⁹⁹ Dong Baobao, Yu Dongming, Wang Kan. The impact of resource heterogeneity and dynamic capabilities on the competitive advantage of new enterprises [J]. Technology economy and management research, 2015 (09): 53-57

market share are important indicators for venture capital in project evaluation.¹⁰⁰ Based on the case study, this paper argues that Alibaba's unique B2B platform model and rapid growth of user resources contribute to the formation of this capability. The main reason for expansion strategy of Alibaba in the initial stage of its foundation was that the venture team mistakenly selected the opportunity that did not match its own conditions in the subsequent opportunity identification process after obtaining the financing, and invested the resources obtained externally into the business field that was opposite to the current goal of the company, which caused great difficulty for the operations of the company. From this we can see that Alibaba at this time does not have the ability to carry out the integration of opportunity resources.

Conclusion 1: The foundation of Alibaba is an entrepreneur-oriented process of opportunity identification, which mainly comes from the accumulation of knowledge and experience within the venture team.

Conclusion 2: In the process of exploiting entrepreneurial opportunity, the implementation of platform strategy and free strategy has accumulated customer base and cultivated user resources for Alibaba.

Conclusion 3: Financing capacity is the core capability of Alibaba in its start-up period, and its formation is positively affected by unique business model (B2B platform) and user resources.

Conclusion 4: Alibaba does not yet have the opportunity to integrate resources.

5.1.1.2 Key Event B - Establish Taobao to enter the C2C market

(1) Event Description

In 2003, the SARS epidemic raged, people were forced to live at home. This closed

¹⁰⁰ Ling Xiaodong, Zhou Lihui, Wang Xinyu. Research on risk investment project evaluation system [J]. Shanghai enterprise, 2011 (05): 64-65

environment unintentionally facilitated China's e-commerce market. With increasing people began to use the Internet for shopping, C2C e-commerce model that directly oriented to ordinary consumers was sought after.¹⁰¹ In March 2002, eBay, a C2C e-commerce provider from the United States, invested USD30 million in Eachnet, a domestic shopping website, and entered into strategic cooperation, which marked eBay formally entering the Chinese market. After conducting market research and judgment, Alibaba realized that eBay was going to do a lot of business in China. They would start with retail and then move on to competing with Alibaba for large wholesale businesses.¹⁰² At the same time, Jack Ma said in an interview, "There are 100 million Internet users in China, but less than 5 million people are really trying to shop online, and 95 million people have not been online, which is a huge potential market."

¹⁰³ (China Management Case Sharing Center Library)

Based on such a judgment of the external environment, Jack Ma selected a group of technically competent employees from the Alibaba team, led by Sun Yutong, the founder of the venture team, and began to prepare for the establishment of its own C2C platform, Taobao in April 2003. Sun Yutong, once one of Alibaba Group's 18 pioneers, who companied with Jack Ma from the China Telecom Yellow Pages to Alibaba, at that time can be said to be the second person outside the Jack Ma. When preparing for the establishment of Taobao, he was responsible for the operation of the entire team, and defeated eBay with a large scale at that time with his superb ability. Sun Yutong was just an ordinary office worker. It was Jack Ma who knew how to make good use of talents and invited him to his team, as a result Sun became the founder of Alibaba. The success of Alibaba's strategic development is due in large part to the recruitment of talents in the "three axes" of Jack Ma's stratagem. Jack Ma has always been able to acutely tap talents in the enterprise management and clearly know what kind of people and talents are needed in the development process of his own enterprise so as to maximize the

¹⁰¹ LAN maoxun. Case 2: the movement of "making market by taking advantage of potential" - Alibaba [J]. Successful marketing, 2003 (06): 21-22

¹⁰² Song Lijie. Research on Alibaba's insider control [D]. Capital University of economics and trade, 2017

¹⁰³ Cao Mei. "SARS" impacts on traditional B2B transactions and suddenly heats up [J]. E-commerce world, 2003 (06): 54-55

benefit of his team.

On May 10, 2003, Taobao came into service. Taobao is a large online retail and business circle in the Asia-Pacific region, founded by Alibaba Group in May 2003. Up to 2018, Taobao's annual active consumers were 552 million. For the full year of 2018, Alibaba Group's platform turnover topped 4 trillion yuan to RMB4.82 trillion, which was no smaller than the GDP of major developed countries in Europe and the United States for the whole year. Meanwhile, Alibaba has become the world's largest mobile economy with 617 million monthly active users. While announcing the birth of Taobao, Jack Ma also announced a three-year no-profit policy for Taobao, and continued to implement its free-of-charge strategy, which has proved the success of B2B platforms, and stressed that Alibaba's existing profitability and cash reserves were sufficient to support Taobao's development.

In addition to the free use measures, Taobao also launched a number of characteristic services according to the features of the Chinese market. It shapes their own brand characteristics by forming a clear differentiation with eBay in customer positioning, product development, pricing mechanisms, customer service. In February 2004, Alibaba held a press conference to announce that it had secured a total of \$82 million in venture capital from Softbank, Fidelity and other institutions, of which \$60 million was injected separately into Taobao to support its competition with eBay. By the end of 2004, Taobao's market share had reached 41%, while eBay's had fallen to 53%.

(2) Analysis and Summary of Elements of Strategic Evolution

The sudden outbreak of SARS in 2003 has brought about a new trend of online shopping in China, which initially cultivated the online shopping habits of Chinese netizens, and the time for the development of C2C e-commerce platform was gradually ripe. On the other hand, foreign e-commerce companies have begun to enter the Chinese market, threatening Alibaba's original niche market. Opportunities and threats emerged at the same time at this stage and were perceived by Jack Ma and his venture team in a timely manner. As to Alibaba, it has won

most of the market shares in the domestic B2B market and achieved significant competitive advantages, as well as realized the accumulation of users, talents, capital and other resources. At the same time, it also attracted a number of world-renowned venture capital institutions, and established a good cooperative relationship with Japan's Softbank Investment Group. Venture investors represented by Softbank have brought Alibaba rich financial support and management experience as well as relationship resources, which makes Alibaba's financing ability further enhanced and makes it the core competence in its development process.

Changes in the external environment and the threat of new entrants have brought Alibaba new development opportunities and challenges. While the renewal of resources and capabilities, as well as the accumulation of experience in the B2B field (King & Tucci, 2002), provide Alibaba with the basis to expand into neighboring niche markets. Alibaba's creation of Taobao is an integrated process from the perception of opportunity/threat to the identification of its own resources. The introduction of Softbank and other strategic investments in early 2004 represents the interaction between opportunity identification and resource access behavior, and also shows that the introduction of external resources becomes increasingly important in the process of rapid expansion of enterprises. On the strategy implementation level, the establishment of Taobao continued to adhere to the free strategy to seize market share and accumulate initial users. At the same time, in order to deal with such a strong competitor as eBay, Taobao has made corresponding innovation in customer positioning, product development, customer service and other aspects according to the characteristics of the Chinese market, molded a differentiated competitive strategy, and achieved competitive advantage. As a result of the implementation of the strategy, on the one hand, Alibaba successfully attracted high-quality merchants on the B2B platform to Taobao to help them achieve the domestic sales of commodities; On the other hand, with the help of the new C2C platform, the accumulation of individual users was realized and their own user resources were enriched. These strategic initiatives have objectively helped Alibaba form the platform encirclement strategy (Eisenmann, 2011), expanding the value of its own e-commerce

platform and making it an important strategic resource for enterprises.¹⁰⁴

Conclusion 1: The establishment of Taobao embodies the dynamic matching between opportunity/threat identification and internal resource identification, and is the performance of the integration of opportunity identification and resource identification.

Conclusion 2: In the process of creating Taobao, Alibaba continued to implement the free strategy, and further realized the differentiation strategy and platform encirclement strategy.

Conclusion 3: In the development of new opportunities, Alibaba began to have stable financing capacity.

5.2.1.3 Summary

Through the analysis of two key events in Alibaba's start-up stage, we can roughly sum up the development of enterprises in this period. Looking back on the whole development process of Alibaba in its start-up stage, the Company has always adhered to the strategic policy of rapid development at the strategic level from the platform strategic evolution to the platform encirclement strategy, and puts forward the development goal of "Meet at Alibaba": First of all, expand market share rapidly based on niche market (SMEs B2B), transform first-mover advantage into a competitive advantage, and form monopoly in a short time. After accumulating of initial resources (users, funds), it entered the adjacent market (C2C) quickly, started a new opportunity development process by competing with foreign mature businesses to maintain their leading position in the China market. Specific to the business (competition) strategic level, it performed as the evolution from free strategy to differentiation strategy.¹⁰⁵

As a destructive innovation strategy, free strategy is an important means of its early growth

¹⁰⁴ Xie Zhuoheng. Thinking on the development of enterprises and the timing of listing -- Taking Alibaba group as an example [J]. *Economist*, 2013 (09): 84-86

¹⁰⁵ Tian champion. Research on dynamic strategic cost management [D]. Southwest University of Finance and economics, 2007

through the successful implementation of B2B and Taobao.

The entrepreneurial stage of an enterprise is often a process in which the entrepreneurs realize their own ideas through an actual enterprise and complete the conception, start-up, and preliminary trial operation stages. During this stage, “innovation” and “courage” are the core connotations of entrepreneurship. For this point, the case of Jack Ma is the best interpretation. In the 1990s, just at that time, the “iron rice bowl” was the first choice for most university graduates, so it took great courage for Jack Ma to resign his job as a university teacher while he had already been a minor celebrity in the field of English translation in Hangzhou. The establishment of the Hangzhou Hope Translation Agency may be the first entrepreneurial attempt of Jack Ma with his own advantages, however, its operation was not successful, for survival, he had to sell flowers, gifts and medicines, but such encounter did not defeat his belief in starting his own business. The entry into the Internet industry is the best proof for Jack Ma’s innovation and courage. As one of the first batch of pioneers in the Internet industry at the time, Jack Ma went abroad for learning experience and borrowed money to open a company, which reflected that he could grasp the forefront of the times and innovative ideas, and that he had the entrepreneurial spirit of facing risks and striding forward.

5.2.2 Growth Period (2004-2007)

Alibaba entered into the profitable period as it broke the break-even line in December 2001. With the product line continued to enrich, Alibaba moved successfully from the start-up phase to the growth period. In the growth period, Alibaba has improved relevant services and adjusted its organizational structure to ensure its sustainable development.

5.2.2.1 Key Event C—Launch of Alipay, Improving the Service

(1) Event Description

The birth of Alipay is closely related to the development of Taobao. With the swift growth of the transaction volume on Taobao platform, the traditional payment method has become an

important factor hindering its further expansion. At that time, Taobao was a shopping intermediary, and Online shopping required buyers to go to the bank and put the money into Taobao's ICBC account. After receiving confirmation of arrival, Taobao put the money into the seller's bank account, which is equivalent to the current stage of Alipay. At that time, Taobao did not establish an effective credit mechanism, and the payment was only through manual means and bank manual transfer. In those days, neither bank remittance nor cash on delivery could solve the trust problem effectively between buyers and sellers. Without the guarantee of a third-party platform, it was difficult for buyers and sellers to build trust in the platform. Therefore, in 2003, Taobao formally launched Alipay, which built a "secured transactions" model of online shopping, allowing buyers to confirm that the product was satisfied with the circumstances of payment to sellers, which greatly reduced the risk of transactions. The existence of Alipay is equivalent to a third-party guarantee platform. The "full compensation" payment service was launched by Alipay in 2005, with the promise of "you dare to use, I dare to compensate", greatly enhanced consumer confidence and accumulated the first batch of loyal users at this stage.¹⁰⁶

At the end of 2004, the management of Alibaba realized that Alipay should not be just an application tool.¹⁰⁷ In December of the same year, Alipay was split from Taobao and operated as a separate company, starting formally to develop into an independent payment platform.¹⁰⁸

At the same time, with its growing business, Jack Ma and his team began to seek the support of major banks. During the following year, Alipay successively reached cooperation agreements with more than 10 banking and financial institutions, including Agricultural Bank of China, China Merchants Bank, Shanghai Pudong Development Bank, Minsheng Bank, and so on, to jointly explore the Chinese e-commerce payment market. After basically meeting the daily transaction needs of Taobao, Alipay team expanded its business to other areas. The first

¹⁰⁶ Shen Jianguo, Shen Jiakun. Research on the development process of Internet Finance -- Taking Alibaba as an example [J]. China market, 2018 (22): 188-189

¹⁰⁷ Liu Tong. Research on the application and risk control of e-commerce fund payment platform [D]. Capital University of economics and trade, 2017

¹⁰⁸ Wang Zhirong. Analysis of the impact of third-party payment on the intermediary business of commercial banks [D]. Anhui University of Finance and economics, 2018

involved with the online game recharge services and air ticket purchase business, and then with the B2C e-commerce market.

Alipay was founded in 2004, with "credit" as the core of products and services. It not only needs to guarantee the security for users' online payment, but also to establish mutual trust on the network through PayPal users. In the same year, Alipay put forward the idea of "building trust to simplify the innovation". As of August 2008, the number of Alipay users exceeded 100 million, and the annual transaction volume was over RMB 130 billion. In December 2009, the Alipay transaction volume exceeded RMB 12 billion, and the average number of daily transactions reached 5 million yuan. It should be noted that the mobile Internet at that time was not as popular as it is today, and the coverage rate was only 200 million people. Domestic users had no mobile payment habits at that time, and various payment means such as online payment, mobile payment, NFC payment, and SMS payment coexisted. Therefore, Alipay, which had 40% market share, basically occupied half of mobile payment and became China's largest third-party payment platform.

(2) Analysis and Summary of Elements of Strategic Evolution

The emergence of Alipay was to solve the problem of payment trust in the process of Taobao transactions, during which there were two opportunity identification process. The first opportunity identification was to develop Alipay as a guarantee tool based on its own Taobao platform resources to meet the development needs of Taobao, which belonged to the integration of opportunity identification and resource identification. The second opportunity identification came from the management 's re-understanding of Alipay' s positioning, and hoped to develop it into an independent third-party payment platform, which belonged to the re-recognition process of opportunity based on the conditions of enterprises. In the second opportunity identification process, isolated opportunity identification behavior could not directly bring about the use of opportunities. As a third-party payment platform, Alipay connected users and commercial banks at both ends. The platform survival depended on the number of users and the degree of cooperation with commercial banks. Due to the guiding role

of Taobao, Alipay has obtained numerous potential users in the initial stage, the scale of platform transactions continues to expand, forming a certain amount of in-transit capital accumulation. This kind of stable cash flow had a great attraction to the commercial banks who could earn procedure fee and commission from it, so Alipay became the high-quality customer of the bank, and cooperated with many banks on e-commerce payment smoothly. Therefore, Alibaba began to use its own resources to obtain unique, scarce, difficult to imitate and available external resources (banking channels) in the process of identifying the opportunity of third-party payment platform, which integrated opportunity identification and resource access. In terms of strategic resources, Alipay's rapid development has further strengthened Alibaba's control over user resources, expanded the user base and enhanced users' trust in its e-commerce platform. In addition, Alipay, as a third-party payment platform, not only for Alibaba B2B and Taobao users, but initially achieved the goal of serving the entire e-commerce market through extensive cooperation to help Alibaba complete the online payment process layout, and became an important core asset of Alibaba, and then it has formed a differentiated service capability.

At the point of Alipay's emergence, Alibaba's core businesses, B2B and Taobao, have taken the lead in the market, thanks to the growing number of corporate and individual users. Jack Ma and its venture team were beginning to face the problem of how to retain and develop their customers as core users and how to turn their dominant market share into profitability. In 2004, at the fifth anniversary celebration of Alibaba, Jack Ma put forward that the company strategy would be changed from "Meet at Alibaba" to "Work at Alibaba", and the business scope would be expanded from the original information flow service to capital flow and logistics, in an effort to realize the main business links of the enterprise networked, and the diversification strategy around the needs of small and medium-sized enterprise users would be implemented. Alipay, as an important product innovation, solved the trust problem of enterprises and individual users in the online transaction process, which was the first step of Alibaba's diversification strategy.

Conclusion 1: During the establishment of Alipay, opportunity identification and external resource access began to play an integrated role.

Conclusion 2: Alibaba's strategy surrounded by platform has turned to small and medium-sized enterprises demand-centered diversification strategy.

Conclusion 3: Alipay, as Alibaba's new core asset, strengthens and expands its existing strategic resources, that is, user resources.

5.2.2.2 Key Event D - Acquisition of Yahoo China, strategic cooperation with Yahoo

(1) Event description

In 2005, Taobao's market share reached 59%, surpassing rival eBay for the first time. Alipay, an emerging business, started to operate independently, with rapid growth in both the number of users and the size of transactions. At that time, Alibaba had established competitive advantages in B2B, C2C and third-party payment platforms, and the diversification strategy of "Work at Alibaba" had taken shape. With the rapid growth of new business, Alibaba B2B, as the sole profit center at that time, was unable to provide sufficient cash flow for the development of the whole group. Alibaba urgently needed to introduce new external financing to help the company achieve its diversified strategic development goals.

On the other hand, at that time, the habits of Chinese Internet users changed, and the search engine had become the main channel for people to get information on the Internet, and it was an important traffic entrance of e-commerce. Layout search had become an important part of Alibaba's diversification strategy. Search technique was also becoming more and more important for the development of e-commerce platform business. In August 2005, Alibaba announced a strategic partnership with Yahoo.¹⁰⁹

¹⁰⁹ Zhang Mei. Enlightenment of introducing venture capital into innovative enterprises in China -- venture capital and Alibaba's growth [J]. Accounting learning, 2007 (12): 63-66

Yahoo is a famous Internet portal in the United States, one of the creators of the Internet miracle at the end of the 20th century. Since the launch of Yahoo China in 1999, it became China's largest portal website and one of the most widely used websites on the Internet. At the search engine, users can search all kinds of information from all over the world, and it is the main platform for Internet users to obtain and publish information. It can be said as the strategic cooperation decision between Jack Ma and Yahoo. In that year, it was equivalent to install an accelerator for the development of Alibaba, making Alibaba's user scale grow geometrically.

One of the most common mistakes in the development of an enterprise is that it expands too many businesses that are not their own specialties under the temptation of growth. Such businesses may be little associated with other businesses, and become an isolated point in the enterprise, or sometimes they even harm the normal relationship between other businesses. With the development of the enterprise, therefore, such businesses gradually become a huge burden on the way of the enterprise's growth. In this case, it is undoubtedly a wise choice to lose the huge burden at the appropriate time.

In 2003, Yahoo China got interested in the resources of SMEs in the hand of 3721 Hong Kong, and resolutely acquired it at the price of \$120 million. In 2005, 3721 became the apple in Jack Ma's hand after Alibaba acquired Yahoo China. When Alibaba merged with Yahoo China, Yahoo China's revenue was mainly divided into three parts: the original 3721's network real name, SMS, and portal advertising. Among them, 70% of Yahoo China's revenue came from the 3721's network real name. In January 2006, in order to develop the mission business, Jack Ma renamed "3721 Network Real Name" of Yahoo China as "Alibaba Network Real Name", which covered full lines of products of the original real name system, namely the network real name, real name website and real name search. This was another milestone event after Alibaba acquired Yahoo China, and was the first comprehensive integration of specific business of Alibaba and Yahoo China after the former acquired the latter in August 2005.

Yahoo was a major shareholder in Alibaba, with 40% shares and 35% voting rights.¹¹⁰ Alibaba acquired all of Yahoo China's assets through the sale of its shares and received USD 1 billion in strategic investment from Yahoo. Yahoo China's assets included Yahoo's portal, search engine and so on. Through the deal, Alibaba's business chain expanded into search, portals and instant messaging. After Yahoo China merged with Alibaba Group, Jack Ma and the management began to integrate it with other business. On the one hand, it was to integrate Yahoo China's human resources and technical resources, so as to apply Yahoo's technical capabilities to the e-commerce business. After acquiring Yahoo China, Alibaba launched value-added services such as competitive search ranking, zhitongche.taobao.com and keyword search on Taobao and B2B platforms, exploring new profit models and enhancing the company's profitability.¹¹¹ Subsequent new business such as Alimama.com (marketing platform), Alibaba Cloud (cloud computing) and Etao.com (e-commerce search) also received talent and technical support from Yahoo China. On the other hand, it was about Yahoo China's follow-up operation, and Jack Ma first proposed to focus on search and then turned to entertainment and social networking. But a competitive edge was not gained in the search market, so the market share continued to decline.

Jack Ma said that from the business point of view, all the products of Alibaba and the original 3721 system under the Alibaba system focus on SMEs, and the customer bases of the products are highly coincident, except specific levels. The businesses of the two areas can naturally form a complete product line with high, medium and low levels. Jack Ma believes that it is better to integrate the two for larger and greater development than separate promotion.

(2) Analysis and summary of elements of strategic evolution

Alibaba's strategic partnership with Yahoo represented the use of its ability to integrate opportunity identification and resource access. At the opportunity level, the promoting effect

¹¹⁰ Yin Chunsheng. Yahoo's localization strategy in China [J]. Enterprise reform and management, 2006 (01): 40-41

¹¹¹ Zhang Sujuan. Who is the winner of Alibaba Yahoo alliance? [J]. China e-commerce, 2005 (09): 12-14

of search on e-commerce became more and more obvious. At that level of resource access, Alibaba successfully cooperated with Yahoo by virtue of its advantageous position in the field of e-commerce in China. Alibaba acquired all Yahoo China's assets and USD 1 billion of capital through the sale of equity, while meeting the company's search business and development funding needs, opportunity identification and external resource access integrated.

This cooperation with Yahoo makes the entire transaction structure became very large: Alibaba acquired USD1 billion in strategic investment and all of assets of Yahoo China through the sale of its shares. It also phased out early venture capitalists, simplifying its equity structure and preserving control of the company by Jack Ma and its venture team. The process reflected not just Alibaba's financing capacity, but also its capital operation ability to swap equity in physical assets to simplify its equity structure. Good capital operation ability was the basic premise for enterprises to obtain external scarce resources. Merger and acquisition of Yahoo China made Alibaba successfully enter the field of search, and introduced search technique, which was a scarce resource. The huge strategic investment provided a powerful guarantee for Alibaba to further realize its diversification strategy. Therefore, the capital operation ability was a new core ability formed on the basis of Alibaba's financing capacity.

Through the strategic merger and acquisition of Yahoo China, Alibaba grasped the important e-commerce traffic entrance, and became the first Internet enterprise integrating e-commerce, commercial search and portal websites in the world. The diversification strategy was preliminarily realized. On the other hand, Taobao and Alipay can have the basic conditions to continue to adhere to the free strategy through capital resources brought by cooperation, and through the absorption and transformation of search technique, which also laid a good foundation for future profits.

From the following Yahoo China related business adjustments and operations, Alibaba obtained the search and portal business did not gain a leading market position in the Chinese market, but the market share continued to decline, and ultimately lost its role as the main e-commerce traffic entrance. There were two main reasons for this result: First, the cooperation

between the original Yahoo China team and the Alibaba venture team failed. At that time, Yahoo China CEO Zhou Hongyi and many key employees left the company, which directly led to a decrease in business capacity. Second, after Alibaba took over Yahoo China, it lacked a clear market positioning, and its focus shifted frequently between search and portal website, resulting in the loss of many loyal users. From these phenomena, we can see that Alibaba lacked the ability to integrate external resources.

Conclusion 1: Alibaba and Yahoo's strategic cooperation reflected Alibaba's opportunity identification and resource access integration capabilities.

Conclusion 2: Alibaba initially realized the diversification strategy through cooperation with Yahoo.

Conclusion 3: Alibaba formed a new core ability-capital operation ability on the basis of financing capacity.

Conclusion 4: Alibaba still lacked the ability of integrating external resources after opportunity identification.

5.2.2.3 Key Event E – Adjustment of the organizational structure to build platform service capability

(1) Event Description

Alibaba's net profit rose 340 percent from RMB 219.9 million in 2006 to RMB 967.8 million in 2007.¹¹² Alibaba's main business, such as B2B, Taobao and Alipay, were expanding their leading position in the Chinese market. In 2006, some people commented on B2B's Alibaba.com: "It traded more than the combination from the second to the tenth places," with 20 million corporate users. However, Alibaba was still only a giant within the industry at that

¹¹² Lu Jianjun, Wang Honghong. The development of C2C in China from taobao.com [J]. Science and technology economic market, 2007 (04): 128-129

time, did not yet achieve its "Work at Alibaba" strategic vision.

Alibaba that insists on a comprehensive platform in recent years has also begun to be challenged from the emerging vertical industry (B2C) sites, and how to use its existing advantages to build barriers to entry has become an urgent problem. With the connection of Alibaba and Taobao in business, users and other aspects, Alibaba's network has produced a significant aggregation effect on small and medium-sized enterprise users, more and more resources began to take the initiative to close to Alibaba. Therefore, effective integration of internal and external resources has become the key to solve the problem.

At the strategy meeting in mid-2006, Alibaba executives decided to change the linear development trend of each business sector in the past, and began to make an inventory of the existing resources and break up several businesses with obvious division of labor into independent companies. At the same time, they also decided to establish Alisoft, and enter the software market of small and medium-sized enterprises. Against this backdrop, Alibaba voluntarily completed what Jack Ma called as "the largest ever split." In October 2006, Alibaba announced a major restructuring of the Group, which was basically split in March 2017.

The split Alibaba Group has five wholly-owned subsidiaries, including Alibaba.com and Alisoft in the B to B division, as well as Taobao, Alipay and Yahoo China in the B to C division. Wei Zhe, Wang Tao, Sun Tongyu, Lu Zhaoxi and Zeng Ming served as the presidents of the five companies respectively, and also served as senior and executive vice presidents of the Group. (Source: Internet)

Figures	Title	Management Capability
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Wei Zhe	Executive Vice President of Alibaba Group and President of E-commerce at Alibaba Enterprise (B2B)	Wei Zhe has an outstanding sales promotion and retail management experience, and he brings the professional operation method that is needed to run a company into Alibaba. Wei Zhe is a rare professional at present. He has both excellent traditional management experience and Internet spirit
Wang Tao	Senior Vice President of Alibaba Group, Chairman of Alisoft	He served as a senior executive in Microsoft, Skyworth, Kingsoft and Alibaba, with over 20 years of experience in IT, Internet, sci-tech and healthcare
Sun Tongyu	In the spring of 1996, he joined China Telecom Yellow Pages, and in April 2003, he led Taobao venture team to start a new business	Under the leadership of Sun Tongyu, Taobao won the honor of "Top 10 Best Investments in China" selected by China Business Post and SOHU in 2003 for its rapid development and unique culture in the field of personal transactions.
Lu Zhaoxi	On August 22, 2016, Alibaba Group announced President Jing Xiandong of Ant Financial Group would hold the post of chairman replacing Lu Zhaoxi from September 1.	Lu Zhaoxi not only loves and is familiar with the group's business, participates in the cultural and organizational construction of Alibaba, trains many talents, but also has his own unique leadership style and charm. His ability to appreciate and learn new things and to judge and decide on key issues, and his strong executive force are impressive
Zeng Ming	Senior Vice President of the staff division in Alibaba Group	Dr. Zeng has been devoted to the development of Chinese enterprises for many years. He has maintained close cooperation with leading Chinese companies, including Haier and Lenovo

Table 5-2-2 Competence Analysis of the Principals of Alibaba's Wholly-owned Subsidiaries

The five companies are customer-oriented, restructured into divisions in varying degrees, with

Alibaba Group Vice Presidents as the heads of the divisions. Subsequently, five companies set up a board of directors, and Jack Ma served as the chairman of the five subsidiaries and the chairman of the group's board of directors, and also as the group's CEO.

The spin-off was accompanied by, but reversed to, access to Alibaba's internal resources, including standardization of product systems and sharing of users, data, funds and technology across business. Notable changes included:

First, Alisoft unified "Taobao Wangwang" and "Tradelink", two instant messaging tools previously owned by Taobao and Alibaba, into "Alitalk". On this basis, Alisoft President Wang Tao also presided over the launch of Alisoft online store version, domestic trade version, and foreign trade version.

Secondly, Alibaba Group broke through the integrity records and certification of users of its "Alipay", "TrustPass" and "China Suppliers", helping users of its platforms to achieve mutual integration.

(2) Analysis and summary of elements of strategic evolution

After this large-scale adjustment of the organizational structure, Alibaba fully integrated its superior resources. The standardization of organization and products and the sharing of resources among the member companies were realized, and the industrial chain, including platform market, payment, search and software, was constructed, so that the main links of business activities can be realized on the network, the relevant diversification around the users of small and medium-sized enterprises was completed, and the strong access barriers were established. In terms of core competence, through the efficient integration of its rich resources, Alibaba had the ability to provide one-stop e-commerce services to small and medium-sized enterprises, including the whole process from finding customers to completing payment. This platform service capability with reusability, added value enhanced and non-imitation, was Alibaba's core capabilities.

As for strategic resources, firstly, the diversified business system with e-commerce platform as its core assets was the basis for Alibaba to provide differentiated services to its customers and obtain excessive profits, which belonged to the category of strategic resources; Secondly, through the accumulation of core users, including small and medium-sized enterprises and individual users, users' business activities within Alibaba's platform system generated a large amount of data resources. Alibaba began to use this resource to create value, for example, the sharing of user integrity records between the platforms can bring Alibaba user authentication cost saving, while Alipay also began to issue small loans to customers based on their credit data, and data resources were reflecting an increasing number of strategic resource characteristics.

Conclusion 1: Alibaba's organizational restructuring was an internal resource integration process.

Conclusion 2: Through the adjustment, the Company finally realized the related diversification strategy of "Work at Alibaba".

Conclusion 3: Through the integration of internal resources, Alibaba formed a new core capability-platform service capability.

Conclusion 4: Diversified business systems with the e-commerce platform as the core were the strategic resources of Alibaba's development, and data resources began to reflect the characteristics of strategic resources.

5.2.2.4 Summary

Through the analysis of three key events in Alibaba's growth period, we can roughly sum up the general situation of the development of Alibaba's enterprises in this period, and sum up the strategic track of Alibaba in the growth period. During this period, Alibaba adhered to the development concept of "Work at Alibaba" at the enterprise level, and tried to let the customers of small and medium-sized enterprises obtain comprehensive e-commerce services on its

platform. The diversification strategy based on the needs of small and medium-sized enterprises was the way to achieve this goal. At the business level, product innovation, capital operation and organizational adjustment were the main means to implement diversification. From the analysis of the three key events in the case, it can be concluded that the realization of Alibaba's platform strategy to diversification strategy was a gradual process, accompanied by changes in strategic resources, core competencies and dynamic capabilities.

During the growth of an enterprise, the rapid changes in the market environment may cause many uncertainties, which require the entrepreneur changes his/her market-grasping ability and insight as appropriate. As far as Jack Ma is concerned, the establishment of Alibaba and the financing of some investment institutions indicate that the enterprise has good development potential. However, how to make it grow fast and achieve more significant success in the growth stage is the biggest problem that Jack Ma was facing. During the operation, Jack Ma found that making up the gap in the industry and gaining the famous brand effect are the two necessary ways to get success in Internet. Therefore, he actively learned from senior experts in the same industry, seized opportunities on the basis of imitation, and created a new Internet system based on China's national conditions and consumer habits. To open the enterprise market, Jack Ma held a network business conference, at which he developed Alitalk software and launched Alipay business.

5.2.3 Maturity Period (2008-present)

Alibaba has become unique in the field of e-commerce through continuous exploration in its infancy and growth period, but Alibaba has not stopped there. Through the update of technical, marketing and industrial structure, the mature Alibaba has provided continuous blood transfusion to ensure its diversification and sustainable development.

5.2.3.1 Key Event F – Establishment of Alibaba Cloud Computing, and Layout of Cloud Computing and Big Data Business

(1) Event Description

In September 2009, Alibaba established Alibaba Cloud Computing Co., Ltd., with the goal of providing complete Internet computing services. From 2010, Alibaba Cloud began to drive the entire Alibaba Group to "IOE", referring to three traditional information systems service companies, namely IBM, Oracle and EMC, among which IBM is a server provider. With the geometric growth of Alibaba users and the continuous application of cloud computing, "IOE" system was no longer adapted to the horizontal expansion of the company's cloud services, and maintenance costs continued to rise, so Alibaba needed new large-scale distributed computing capabilities. The Alibaba Cloud team first integrated the Hadoop (an open-source distributed architecture) cluster built by the companies themselves, developed the Cloud Ladder 1 distributed platform, and realized the management and sharing of all data throughout the group.¹¹³

At the same time, Alibaba Cloud also independently developed a large-scale distributed computing system with its own intellectual property rights-"Apsara", on the basis of which it built the Cloud Ladder 2 distributed platform. In August 2010, Apsara System became the common platform for Alibaba Group's internal four major applications (search, email, small file storage, Ali Finance). On May 17, 2013, Alibaba Group's last IBM minicomputer went offline at Alipay, and on July 10, 2013, Taobao's last Oracle database went offline.¹¹⁴ This marked Alibaba officially established a new technology system with cloud computing as its core, and getting rid of "IOE" won an initial success.

With the update of the data technology architecture represented by cloud computing, Alibaba

¹¹³ Wang Zhuoming. Alicloud bullet loading [J]. China's private technology and economy, 2011 (07): 38-40

¹¹⁴ Zhang Shiqin, Guo Yue. Study on the strategy of operators going to IOE [J]. Telecom Engineering Technology and standardization, 2016,29 (08): 26-30

began to have the ability to mine and produce the data accumulated on various platforms within the organization. In early 2010, Taobao launched the "Data Rubik's Cube", which opened the global market data to the outside world for the first time and was pursued by the platform sellers. After that, Taobao data team has launched several data products such as "live event room", "seller cloud picture" and "page click". In 2011, data expert Che Pinjue joined Alipay and launched "observatory" and "seismograph" for Alipay's business; he also launched "golden strategy" and "limitless magic needle" for Taobao. Since then, the development of Alibaba's internal data product has gradually accelerated, and the value of the data began to be effectively discovered.

In July 2012, Alibaba carried out a new organizational restructuring. Alibaba Cloud was split up and operated independently, while Alibaba's databases and large-scale computing resources were integrated into a "Data Platform Business Division."¹¹⁵ After this adjustment, Alibaba Cloud has focused on building storage and computing platforms, while the Data Platform Business Division has been responsible for data mining. In September 2012, Jack Ma announced at the Internet Merchants Conference: Alibaba will transform itself into a company with 3 kinds of major business-platform, finance and data, and the use of data resources will be elevated to a strategic height. Alibaba announced the establishment of a Data Committee and a Chief Data Officer at the group management level in December 2012. Che Pinjue, the head of Taobao's Business and Intelligence Department, served as its first president, in charge of developing data-related strategies.

(2) Analysis and summary of elements of strategic evolution

After a long period of diversified development, Alibaba has already had a number of e-commerce platforms and related complex e-commerce service systems. The traditional information service companies such as IBM, Oracle couldn't provide perfect integrated IT solutions for it. The management team of Alibaba turned to the burgeoning cloud computing

¹¹⁵ Liu Jiang. Alibaba cloud: global cloud computing [J]. Chinese brands, 2015 (07): 26-27

technology, and realized that "just as electric power is the basis of an industrial society, the cloud computing will also replace traditional IT devices to become the basis of the Internet world". Therefore, the team established the strategies to develop cloud computing.

The first step was the establishment of the Alibaba Cloud Computing Co., Ltd. Alibaba firstly formed a diverse technical team whose members came from various subsidiaries, and absorbed numerous external high-quality talents such as Wang Jian and Che Pinjue. In the process of technology development, the strategy of "walking on two legs" was advocated. On the one hand, Alibaba used the Hadoop cluster that already built by the subsidiaries to integrate the Cloud Ladder I platform, and then formed the cloud computing capability with a considerable scale in a short period. On the other hand, Alibaba insisted on independent research and development, and built the Cloud Ladder 2 platform which was more in line with Alibaba's business requirements through the Apsara System, forming the long-term and differentiated cloud computing capability. In order to cooperate with the strategies of cloud computing and big data and adapt to the new technology system, Alibaba also adjusted its organizational structure. From the staff organization, the technology development, to the formation of a complete cloud computing technology system, they all belonged to the process of utilizing new technology. In this process, Alibaba organically integrated its internal talents, equipment, funds and other resources with the talents and technology introduced from outside, realizing the mutual matching of personnel, technology and organizational structure. In the end, it formed a differentiated cloud computing capability, completed the innovation of IT system, and integrated the utilization of opportunities with the integration of resources.

The cloud computing platform is the core foundation of the big data applications (Meng Xiaofeng 2013), providing basic data storage and computing services. On this basis, Alibaba began to process the massive, multi-dimensional user data accumulated on the e-commerce platform, and gradually formed the capabilities to find and analyze data. It also launched a series of data products to help itself and a lot of SMEs on the platform to better develop business opportunities.

Therefore, we believe that Alibaba has formed a new core capability- data application capability- through the development of new opportunities and resource integration at this stage, which is a complex capability including cloud computing capability, data mining capability and data analysis capability. With the gradual maturity of Alibaba's data application capabilities, the importance of data resources in the entire business system began to emerge. Alibaba, as an e-commerce platform company, has accumulated a large amount of data resources within the organization, but it has been lacking of the necessary capacity to develop them. Through the technology transfer from the traditional IT system to the cloud computing system, Alibaba has completed the construction of its own advanced information system and realized the datamation of its business. All of these provided the basis for the potential value of the data development. In the process of data business, Alibaba has relied on its powerful data application ability to constantly develop new data products to meet the needs of itself and the members on the platform, to help enterprises improve operational efficiency, reduce operating costs and insight into user needs, to begin using data directly to find and create value. At present, the development and utilization of data resources have been elevated to a strategic height by Alibaba Group, and data resources have become strategic resources in Alibaba's business system.

Conclusion 1: Through the integration of opportunity utilization and resource integration, Alibaba has formed a new core capability - data application.

Conclusion 2: With the help of data application capability, data resources begin to become new strategic resources.

5.2.3.2 Key Event G - From "Big Taobao" to "Big Alibaba", Establishment of China's E-commerce Infrastructure

(1) Event Description

In 2007, Alibaba's B2B business was successfully listed in Hong Kong, with USD 1.69 billion

in financing. Because of this, Alibaba earned sufficient development funding to shift its corporate strategy from "Work at Alibaba" to "Live at Alibaba". Its goal is to make Alibaba a provider of e-commerce infrastructure in China, providing the great environment for the survival and growth of e-commerce companies and building a business ecosystem with Alibaba at its core.

In 2008, Alibaba officially launched its "Big Taobao" strategy, and announced an investment of RMB 5 billion over the next five years to upgrade the existing e-commerce service system around Taobao.com, provide basic services related to water, electricity and coal for all e-commerce participants, let all users (including merchants and consumers) complete all the e-commerce activities such as payment, marketing, logistics on the platform of "Big Taobao", and gradually establish an e-commerce ecosystem around the consumers. The first step of the Big Taobao strategy is to integrate the internal resources with Taobao.com as the core to form a B2B2C business chain: In April 2008, Taobao integrated high-quality brand merchants on the platform to form the Taobao Mall. In September 2008, Taobao and Alimama.com merged, and the B2B platform of Alibaba and Taobao.com began to fully open.

The second step is to issue the Taobao Partner Program, bringing together e-commerce outsourcing providers from all parties to provide personalized products and services for SMEs. In September 2009, Shopex and HiChina Zhicheng Technology Ltd. became the first batch of partners of Taobao. By the end of 2010, Taobao had had more than 120 partners. The types of services include IT, market research, customer service, commercial applications and other aspects.¹¹⁶

Nowadays, the SMEs are speeding up their transformation and consumers' demand are becoming more personalized and professional. After more than three years of attempts, Alibaba came up with measures to avoid the "imperial" development trend of Taobao, and to better implement the idea of building an ecosystem. In June 2011, Alibaba announced to

¹¹⁶ Li Sisi. Research on the third-party logistics operation mode in the e-commerce environment [D]. Fudan University, 2011

upgrade its "Big Taobao" strategy to "Big Alibaba" strategy, transform itself from a consumer-centric online shopping ecosystem into a win-win consumption platform for both supply and demand.

In order to promote the "Big Alibaba" strategy, Alibaba firstly integrated the platform system of the Big Taobao. Taobao was divided into three companies--Taobao, Taobao Mall and Etao to plan the e-commerce search. In October 2011, Alibaba further split Juhuasuan business from Taobao to make it an independent group purchase platform. So far, Alibaba has set up the CBBS (Consumer to Business to Service partners) integrated e-commerce market, which can provide comprehensive information flow services.

With the comprehensive improvement of Alibaba cloud computing and big data technology, all the data processing of Alipay, the data warehouse of Taobao, the small loan business of Alibaba and other core business have been technically supported by the Apsara System. In December 2015, Alibaba built a strong central platform to integrate the product technology and data capabilities of Alibaba, forming an organizational and business system based on the principle of "large central platform, small front platform". With the help of the powerful central platform, Alibaba's data business platform has integrated all the data of Alibaba Group, realized the intercommunication with the data of Ant Financial and Cainiao, and initially established the e-commerce infrastructure system relying on data interchange.

(2) Analysis and Summary of Elements of Strategic Evolution

The process of building an e-commerce infrastructure can be seen as the first step of the Alibaba's business ecosystem strategy. In the process of ecological strategy evolution from "Big Taobao" to "Big Alibaba", Alibaba formed an e-commerce infrastructure system with cloud computing and big data as its core, which covered the information flow, capital flow and logistics in the elements of e-commerce (Xue Wanxin, 2010), creating a basic environment suitable for the survival and development of other enterprises. At that stage, Alibaba tried to continually improve China's e-commerce environment by adhering to the concept of "openness,

synergy and prosperity" as well as constructing e-commerce infrastructure, to attract enterprises to enter Alibaba's ecosystem, creating new ecological advantages on the basis of enterprises' original competitive advantages (Liao Jianwen, 2016).

From the perspective of opportunity-resource integration, Jack Ma and his venture team recognize, with the knowledge and experience accumulated over the years in the field of e-commerce in China, that the country's e-commerce infrastructure is still far from perfect and that "the systems of credit, payment and logistics are not very good". However, the inadequacy may be a great opportunity for Alibaba to improve the business system and establish the business ecosystem by building infrastructure. Guided by its business ecosystem strategy, to take advantage of new opportunities, Alibaba integrates resources in three ways: 1. Further upgrade the original e-commerce platforms and payment platforms into a more efficient e-commerce platform system through splitting and restructuring; 2. Solve the problem of capital flow and logistics in the e-commerce ecosystem by integrating internal and external resources into the field of Internet finance and traditional logistics; 3. Build a middle-level organization platform with powerful technology and resource reserve relying on abundant data resources, strong service capability and data application capability, and connect the various sections under the group to realize the rapid development of various business. It can be seen that the integration of opportunity utilization and resource reassignment has taken place several times during this period.

In this period, with the gradual improvement of e-commerce infrastructure, the role of data resources has become increasingly critical. "After 15 years of development, Alibaba has accumulated a huge amount of consumer data, merchant data and commodity data." These resources are gradually incorporated into the company's business system and start to create new values. On the one hand, using the advantages of data resources, Alibaba continues to integrate and upgrade its e-commerce platform to further enrich its own data sources. On the other hand, Alibaba has successfully entered the field of Internet finance and logistics and formed a complete chain of e-commerce infrastructure with the help of high-quality data

provided by e-commerce platforms and gradually improved cloud computing technology. Data resources have become a new "energy" that links and drives Alibaba's business.

Conclusion 1: Alibaba begins to implement the business ecosystem strategy, building its own core e-commerce infrastructure system.

Conclusion 2: At this stage, dynamic capability is mainly embodied in the integration of opportunity utilization and resource reassignment.

Conclusion 3: Data resources are the strategic resources in the implementation of business ecosystem strategy.

5.2.3.3 Key Event H - Investment, M&A, Cooperation, and Layout of Alibaba Ecosphere

(1) Event Description

In mid-2008, based on its previous investment division, Alibaba established Alibaba Capital. With the aim of matching with Alibaba's ecosystem strategy and bringing new members into the ecosystem, it took the focus on investment, M&A, and business development.

(2) Analysis and Summary of Elements of Strategic Evolution

As the core enterprise in the business ecosystem (Moore, 1996), Alibaba has formed an e-commerce infrastructure system that can be used by many enterprises through the complex activities of integration of internal and external resources and opportunity utilization. It has grasped the basis and the key of the business ecosystem (Stacey, 1995), and started to expand the boundaries of the business ecosystem with this advantage as the core. Through combing Alibaba's entire investment and M&A event set, the author finds that there are three main points in Alibaba's behavior logic. First, through a series of investment activities, Alibaba has brought new business entities (such as new suppliers and service providers) into its business ecosystem and enabled them to create synergy values around its core business system (Moore, 1993). Investments in Eleme, Suning and Sina Weibo fall into this category. Second, as a

pioneer of innovation in the business ecosystem, Alibaba has upgraded its core business and entered new industries through M&A, and constantly updated itself to avoid obsolescence (Barney Tang, 2009). M&A of Wanwang, UC and cultural entertainment related companies all fall into this category. Third, as the keystone of the business ecosystem, Alibaba occupies the central position of the system, helping other enterprises in the system enhance their capabilities through direct intervention or provision of tools and interfaces to promote their capacity development, and provide shared resources (such as funds, data, users) to other members, thus promoting the continuous innovation and development of the ecosystem (Stacey, 1995). Cooperation with Eleme, Sina Weibo, Suning, DDCoupon in data, payment and other areas fall into this category. Following the above three logics, Alibaba has completed the construction of business ecosystem and initially realized the "Big Alibaba Strategy" through a series of integration activities including internal and external resource integration and opportunity utilization (mainly in the form of investment, M&A and cooperation).

Alibaba's previously accumulated core competencies of capital operation and data application have played a critical role in its investment, M&A and cooperation. As the keystone of the business ecosystem, Alibaba must coordinate the entire ecosystem in real time and bring in enterprises that can enhance the overall value of the system (Feng Jiaping, 2010). Through investment or M&A, Alibaba will continue to bring in enterprises that meet the requirements of the system and integrate the business and resources of the two sides, which embodies its ability to operate capital. As the business ecosystem is centered in data, Alibaba's capital operation has been around the acquisition and sharing of data resources. At present, it has formed an ecosystem of data collection and aggregation covering daily life, business and social activities of users, including comprehensive needs of food, clothing, housing, transportation and use, which shows Alibaba's data application capability. An important feature of business ecosystems is the sharing of resources within the system. As the largest e-commerce platform in China, after years of e-commerce infrastructure construction, Alibaba now can provide its clients (both vendors and consumers) with comprehensive solutions including trading platforms, finance and logistics, becoming the first company realizing the sharing of e-

commerce infrastructure. As the new resource, data resource has the characteristics of high fixed cost, low marginal cost, reproducibility and functional diversity (Yang Shanlin, 2015), making itself an ideal shared resource. Relying on its platform advantages, Alibaba has established a multi-dimensional data resource library with a wide range of sources, and continuously invested in cloud computing and big data related technologies. It has already owned a wealth of data resources and application capability. In the process of introducing new enterprises to the business ecosystem, Alibaba has established a wide range of data partnerships with various enterprises. On the one hand, Alibaba has opened its data platform to partners to help enterprises improve efficiency and reduce costs; On the other hand, Alibaba also obtains new data resources from its partners' business systems and upgrades its data resource structure to create more value. Data resources have become a new "energy" in Alibaba's business ecosystem.

Conclusion 1: Alibaba has realized its business ecosystem strategy by integrating opportunity utilization and resource reassignment;

Conclusion 2: Capital operation and data application capabilities have played a key role in Alibaba's introduction of eco-members;

Conclusion 3: E-commerce infrastructure has become a strategic resource for attracting enterprises to join the ecosystem.

Conclusion 4: Data resources are important shared resources in Alibaba's business ecosystem.

5.2.3.4 Summary

After both the start-up and the growth stages, the development direction of an enterprise is basically determined, and accordingly, its scale, service and market also become mature. At this time, how to maintain a higher market share and corporate social status is a problem needing an entrepreneur to consider. At this stage, entrepreneurship is more often endowed with the abilities of allocating resources and professionalism. In the face of the great success

of Alibaba, Jack Ma did not continue walking in the old steps and seclude himself; on the contrary, he made further strategic adjustments which are more suitable for the market according to the business scope, that is, to refine the business and to spin off Taobao into three companies of Eto, Taobao and Taobao Mall. In this way, it will not only be able to segment the market, but also infiltrate the enterprise culture into the consumers. Jack Ma not only made significant changes in corporate strategies, but also carried out considerable adjustments in terms of personnel level. In 2013, Jack Ma officially stepped down as CEO of Alibaba Group, and Lu Zhaoxi took his place, this not only embodies an open mind of Jack Ma, but also reflects his professionalism in his career. To better give full play to the maximum economic and social value, an entrepreneur needs to own a long-term strategic vision from a macroscopic angle; moreover, those mature enterprises are in face of timely adjustments, at the moment, an entrepreneur needs strong professionalism correspondingly.

5.3 Characteristics of Jack Ma's Actions at Different Stages of Evolution

After the analysis on three key events in Alibaba's maturity period, we find that Alibaba Group has shifted its strategy from "Work at Alibaba" to "Live at Alibaba" in that time, building an e-commerce ecosystem with its own business as the core in three ways. First, being keenly aware of importance of technology, the management team actively updates the IT system and turns to cloud computing and big data technology exploration. As a result, the data application ability is formed, laying the capacity foundation for building a data-centric business ecosystem; Secondly, after recognizing the inadequacy of China's e-commerce infrastructure, the company actively integrates all the resources accumulated within the enterprises, and constructs the e-commerce infrastructure with itself as the core, forming the resource base of the business ecosystem. Thirdly, the company realizes that the form of competition in China's e-commerce market is changing toward ecological competition. By means of investment, mergers and acquisitions, and cooperation, it introduces the matching enterprise population into its business

ecosystem. By sharing data resources and opening infrastructure, the members can achieve deep cooperation and integration, completing the construction of the business ecosystem finally.

Through the summary of the database, this paper extracts eight key events in the development process of Alibaba, and classifies them according to different stages of the enterprise life cycle. Here, the author first tries to sort out the conclusion of Alibaba's key events at different stages of development, gets the overview of Alibaba's strategy evolution process as well as the action mechanism of related affecting factors and strategies and then further analyzes key features in the process of strategy evolution on this basis. (as shown in Fig. 5-3-1)

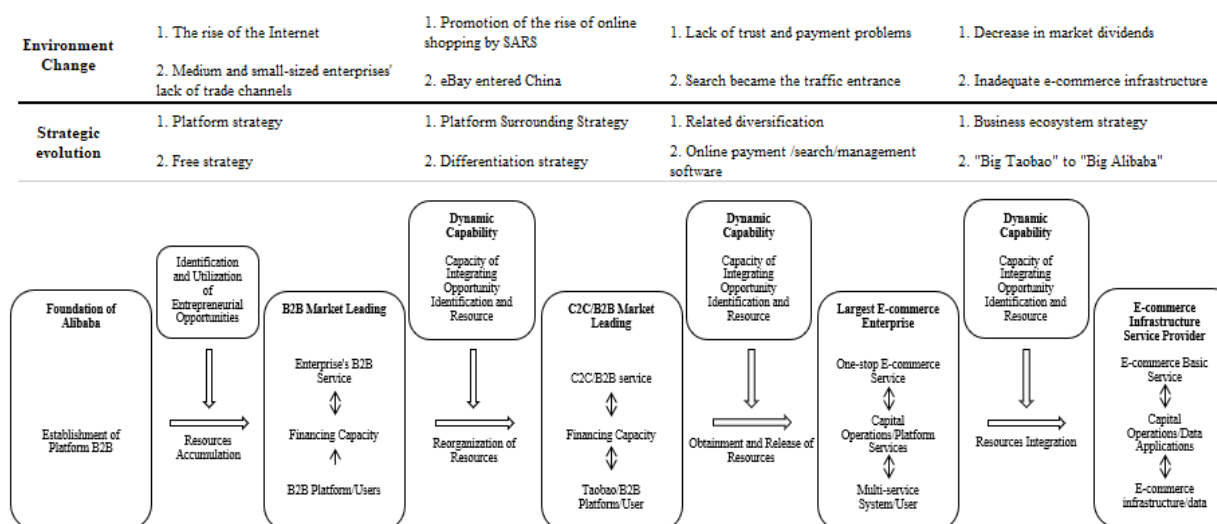


Fig. 5-3-1 Process of Alibaba's Strategic Evolution

By teasing out examples of Alibaba's strategic evolution, we can easily find that its founder Jack Ma's thought and personality play an important role in Alibaba Group's strategy direction. Pregnant and postnatal role models play an important part in guiding and influencing the formation of characteristics of animals' behavior (Zhang Huili, 2009). Jack Ma is of great significance to Alibaba, and a large part of Alibaba's strategic evolution is reflected in the organizational culture and behavior characteristics endowed by the Jack Ma.

In its early days, Jack Ma summoned starters who were later praised as the "eighteen Arhats" to meet at his home and promoted his entrepreneurial ideas. His speech was brilliant and passionate. The core content included three points: the first is to be a company that will continue to develop for 80 years in the future, the second is to become one of the top 10 websites in the world, and the third is to make people use Alibaba as long as they are businessmen. The three points became the long-term goal of founding their company (Liu Shiyong, Peng Zheng, 2006). Jack Ma's slogan to become the dream of Alibaba team in its early days is a simple and effective value that guides the organization's direction. As Peng Lei (Alibaba's chief human resources officer and one of the 18 founders) put it: "Indeed, we 18 are all attracted by Jack Ma's personal charm." As the founder of Alibaba, Jack Ma's personal thoughts and cognitive characteristics constitute the orientation of Alibaba in its early days, and its development and strategic evolution comes from the influence of the founders.

Jack Ma was exposed to the Internet early and very interested in it. He intended to put up a BBS for small and medium-sized enterprises while establishing Alibaba. However, the idea of Alibaba was formed mainly after he left the China Telecom Yellow Pages to the Ministry of Foreign Trade and Economic Cooperation as general manager of EDI information department. He together with his team successfully built websites there such as Cofortune and the China Commodity Information Exchange. The model of the website was simply to show the information of small and medium-sized enterprises and commodity trading markets on the Internet. Jack Ma once said frankly: "I was just a small businessman in Hangzhou before. After working for our country this time, I have known its future direction and learned to think at a macro level. I am no longer a frog in the well." (Liu Shiyong, Peng Zheng, 2006: 50) Jack Ma learned to judge the direction of our country's macro economy during his 14-month stay in Beijing, which became an important motivator of his determination to establish Alibaba. As he put it in 2001 at a member meeting in Xiamen: "At the end of 1998, there was a qualitative change. The tide of interconnection was getting hotter and hotter. My ideal was not to be a government official but to build a good company within 10 years, so I decided to leave."

This process is not only the development and maturity of Jack Ma's own thoughts, but also the incubation of the initial form of Alibaba. The unique experience of the founders and the personalized thinking that results therefrom are often the core motivations for the organization's foundation (Valentin & Jensen, 2007), which coincides with the findings observed in different industries by Baum (2000), Milanov, and Fernhaber (2009). Therefore, Jack Ma's experience and thinking contributed to the formation of Alibaba's enterprise organization and strategic evolution.

Alibaba's strategic choice in each period bears Jack Ma's imprint, and Jack Ma's personal influence makes great sense to Alibaba in each period.

First of all, Jack Ma has the traits of integrity in this character. When he graduated, the principal of the Hangzhou Normal University talked to him at the gate of university and requested him to work there for at least five years. If he rejected this offer, his younger fellows would not be granted the chance to teach in this university. Accordingly, Jack Ma agreed and became a teacher at that university for six and a half years.

Secondly, Jack Ma has the traits of perseverance in this character. In the process of starting a business, he encountered countless difficulties. Insufficient fund almost disabled him from starting up a company. Although he had achieved success in the previous efforts, he had to forgo what he had acquired. Nevertheless, he never gave up and continuously worked hard in difficult times. His motto was "one needs to know how to use his left hand to warm his right hand"

Thirdly, Jack Ma is optimistic: he has been peaceful and sanguine in everyday life during both the hard start-up and successful operation of his business and never judged his financial status based on the possession of money. As he put it, "If you have dreams, you will be rich."

Fourthly, Jack Ma has a calm personality. After several twists and turns in his career, he took his team from Beijing back to Hangzhou for start-over in 1999 when the IT industry was

flourishing, some of his team members were ecstatic about making his company listed in the stock market as soon as possible. They hoped that the company could go public in 8 months or even in 8 weeks so that they could earn quick money and withdraw. However, Jack Ma dissuaded them with resolve. In response, he said in a fit of pique that he wanted to build a company that could exist for 80 years. If anyone wanted the company to go public within 8 months, it was better for him/her to leave immediately. A few years later, he modified the figure 80 to 102 because the company was founded in 1999 and existed for one year in the 20th century. He hoped that it would exist for 100 years in the 21st century and then at least for one year in the 22nd century. In this case, the company would span three centuries.

Fifthly, Jack Ma is fairly confident. He has never been wavering that what undertaking he engages in is promising and beneficial to the society. He believes that his judgment was correct, China was bound to join WTO in the next couple of years for a sound integration into world economy in all respects, and internet would fully and profoundly change every aspects of people's lives. He also believes that he could fling a sprat to catch a herring and outperform the transnational corporations in market competition in China. He said that "I can not find any competitors at sight even with the binoculars in hand", "I would be invincible as long as I have a strong mind".

6 Analysis of the Michael Porter's Five Forces Model

The industrial environment is where an enterprise and its competitors are interdependent, and it is also the key in the investigation of the external environment. At this stage, it is the Five Forces Model that has the highest efficiency for the investigation of the industrial competition environment.¹¹⁷ The comprehensive investigation of the industrial environment in which the enterprise is operated, is conducive to understanding the competition environment, thereby providing the support for the proposed reasonable strategies of the enterprise.

¹¹⁷ Yang Zhaoming. The evolution of Alibaba and the coordination and construction of its business ecosystem [D]. Southwest Jiaotong University, 2017

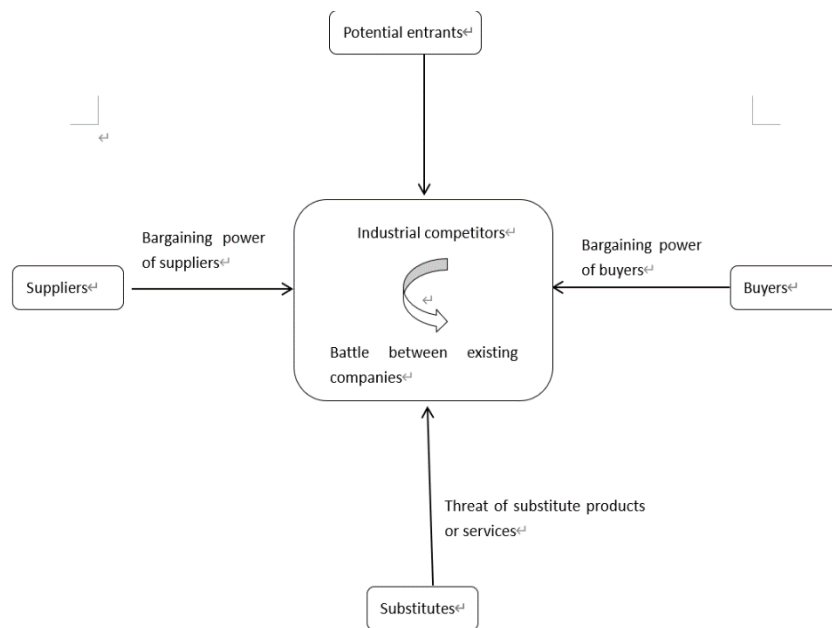


Fig. 6-1 Michael Porter's Five Forces Model

6.1 Michael Porter's Five Forces Model Analysis of Haier Group

(1) Bargaining Power of Suppliers

Suppliers influence the profitability and product competitiveness of existing enterprises in the industry mainly through their ability to increase the price of input factors and reduce the quality corresponding to the unit value.¹¹⁸ The power of suppliers depends on the input factors provided to buyers by their Michael Porter's Five Forces Model. When the value of the input factors provided by suppliers' accounts for a large proportion in the total cost of, or is very important for, or seriously affects the quality of buyers' products, the potential bargaining power of suppliers relative to buyers will be greatly enhanced. Generally speaking, the supplier groups meeting the following conditions have a high bargaining power: 1. The supplier's industry is controlled by the enterprises that hold a relatively-stable market position, are not plagued by the fierce market competition, and their products have so many buyers that it is impossible for each individual buyer to become an important customer of a certain supplier. 2. The supplier's products are so distinctive that it is difficult for buyers to achieve conversion

¹¹⁸ Fang Fang, Research on development strategy of ZY Company [D]. Shanghai Jiaotong University, 2016

or the conversion cost is too high, or the substitutes comparable to the supplier's products are difficult to find. 3. The supplier can achieve the forward union or integration, while it is difficult for the buyer to achieve the same.¹¹⁹ With Haier air conditioners as an example, the main raw materials are steel, compressors, etc... After the beginning of the 21st century, the price of steel is gradually rising under the promotion of the real estate market, and even tends to further rise.¹²⁰ However, there is relatively less compressor manufacturers in China, most of which operate in the form of joint ventures. Foreign enterprise occupies a major position in this market. The compressors for most domestic enterprises are from the joint venture of Taiwan RECHI and Magic. Regarding the entire air-conditioning production industry in the domestic market, the bargaining powers among the different enterprises are quite different. Haier Group has long adopted a zero-inventory production model, and it has neither air conditioner-related production lines nor corresponding inventory, so its suppliers have a high bargaining power, which poses serious impact on the price advantage for the expansion of Haier air-conditioners in the domestic market.

(2) Bargaining Power of Buyers

Buyers influence the profitability of existing enterprises in the industry mainly through their ability to force price down and require high-quality products or services.¹²¹ In general, the buyers meeting the following conditions may have a high bargaining power: The total number of buyers is small, and each buyer has a large purchase volume accounting for a large proportion in the seller's sales. From the purchase volume, major manufacturers have different market positioning, so the price positioning is different as well. No uniform market retail price is implemented in the household appliance market. For domestic consumers, their terminal sales bargaining power is relatively weak, while for retailers and chain stores in the household

¹¹⁹ Zhang CHENLEI. Study on the marketing strategy of personal financial services of the contractor bank [D]. Inner Mongolia University of technology, 2019

¹²⁰ Yang Yuanhang. Research on marketing strategy of Haier air conditioning products in Ukraine market [D]. East China University of science and technology, 2013

¹²¹ Zhang Qin. Research on enterprise financial strategic management based on value management [D]. Lanzhou University, 2011

appliance market, they have a relatively-high bargaining power because of their large-scale procurement. From the sales patterns of major manufacturers, most manufacturers use discounts for major customers, and implement year-end return for customers with large orders. Haier has always implemented the channel sales pattern proved to be successful in the household appliance market, instead of directly selling its household appliances to end consumers. Such channels include household appliance chain shops, retailers with a large purchase volume, such as middlemen. Therefore, the bargaining power of Haier Group is relatively weak, while that of the buyers is relatively strong. From the acquisition of new information in the market, the modern communication technology is increasingly developed, and the competition of house appliances is directly reflected in the fact that major manufacturers carry out marketing by making full use of advertising media to establish the corporate image; that consumers have many channels to access to information under modern information networks; that many household appliances are advertised through television, online communities and radios; and all major manufacturers also post all product information on their official website. With the continuous development of the economy, the needs of consumers are gradually growing. They always obtain information about the products they need from various aspects based on their own needs. However, information always has certain asymmetry, so the bargaining information they have mastered is still relatively little, and is less likely to form a price impact to Haier Group. The household appliances circulating in the domestic market are relatively homogeneous, and the difference in after-sales service standards is also small, which has weakened the bargaining power of Haier Group to a certain extent. From the choice of household appliance brands, there are a large number of brands in the household market, so consumers have a wider choice range, with a low conversion cost for choosing different brands, and can freely choose among various products, which enable them to have a high bargaining power. Besides, major appliance manufacturers implement price strategies in the competition, which provides a large number of opportunities for customers. From consumers to quality and performance of products, the more the importance attached by consumers to the quality or performance of products, the lower their sensitivity to the product

price changes will be, and they will be more willing to pay a higher price for the products with higher quality. From the domestic market, residents' living standards are getting higher and higher, and there is a large difference in the technical level of different brands, which greatly reduces the bargaining power of Haier Group to a large extent.

(3) Threat from New Entrants

China's household appliance industry has developed for more than 30 years, the industrial structure is getting perfect, and the overall market is becoming mature, plus the influence of the continuous price war, it has basically entered the low-profit competition times. In this case, the enterprises without enough strength dare not get involved in this industry before careful consideration. However, it is more common that existing manufacturers permeate into other product areas and develop the diversified operation, such as the acquisition of product divisions between Toshiba, Hisense and Midea. The enterprises in the small household appliance industry are more likely to face the threat from new entrants because of the features of low entry barriers, few standard restrictions, low investment, short production and construction cycles, and high profits of this industry.¹²²

(4) Threat from Substitute Products

Enterprises in different industries may become competitive to each other because their respective products are mutual substitutes. This competition from substitutes will affect the competitive strategies of existing enterprises in the industry in various forms.¹²³ First, the rise of the selling price and the profit potential of existing enterprises' products may be limited due to the existence of substitutes that are easy to accept for users; Second, facing the intrusion of substitutes producers, existing enterprises have to improve the product quality, or reduce the selling price by lowering production cost, or make their products distinctive, otherwise it may

¹²² Hu Jiandong. Research on marketing strategy of Feilong Appliance Group [D]. Changsha University of technology, 2013

¹²³ Wang Qing'an. Research on marketing strategy of FLP Blu ray DVD player [D]. Nanchang University, 2012

be difficult to achieve their goals in sales and profit growth;¹²⁴ Third, the intensity of competition from producers of substitute products is affected by the cost of conversion of product buyers. In short, the substitutes with lower price, better quality and lower user conversion cost, will generate stronger competitive stress. The strength of this competitive stress from substitute producers can be described by investigating the sales growth rate of the substitutes, the producers' production capacity of such substitutes as well as their profit and expansion. According to the analysis from consumers' needs, the main purpose of using household appliances is to replace personal labor, thereby reducing the labor burden of people or improving the living environment and the living standards of consumers.

The possible substitute products for household appliances will be the products that are more user-friendly, intelligentized and informationalized. Currently, the consumption level of Chinese consumers is generally low, and the product upgrading speed is relatively slow. However, Haier Group started to make their product components to meet the world's energy and environmental protection requirements a few years ago. Therefore, in terms of the current situation, the threats are from the products that can meet the increasingly advanced needs of consumers, and can meet the world's energy and environmental protection requirements. In some household appliances areas with relatively mature and stable technologies, the product marketing threat from the substitute products is not significant, but there is a large threat from the substitutes in such areas like heating equipment including heating installations, washing machines that may be substituted by the laundry room, and TVs that may be substituted by mobile phones and computers.

(5) Degree of Competition among Industrial Competitors

In most industries, the interests of different enterprises are closely correlated. Their overall strategy and business strategy are both established to make the enterprise because of the competitive advantages' superior to their competitors. Therefore, conflicts and confrontations

¹²⁴ Sun Lei. Research on development strategy of s secondary vocational school [D]. Lanzhou University, 2010

will inevitably occur in the in the implementation of such strategies. These conflicts and confrontations constitute the competition among the existing enterprises, which is often reflected in price, advertising, product introduction, after-sales service, etc. The degree of the competition is related to many factors.¹²⁵ Generally speaking, it means the competition among the existing enterprises in the industry is getting intensive when the following circumstances appear: the entry barriers of the industry are low, there are more competitors with the neck and neck competitiveness in the industry, and the competitions are from a wide range of areas; the market is getting mature, the product demands grow slowly; competitors attempt to promote the sales by reducing the price or other means; competitors provide almost the same products or services, and the user conversion cost is very low; if a strategic decision is successful, its income is considerable; powerful external enterprises take offensive actions after incorporating the enterprises with weak strength in the industry, so that the newly-incorporated enterprises become the main competitors in the market; the withdrawal barriers are high, so the enterprise will cost more when withdrawing from the competition than going on participating in the competition. The said withdrawal barriers are mainly influenced by the considerations in terms of economic, strategic decision-making, feelings, and social and political relations, including: the specificity of assets, the fixed cost of withdrawal, mutual strategic restraints, difficulty in emotional acceptance, various restrictions from government and society and so on. Each of the enterprises in the industry has to respond to the threats from the above aspects, while the customers must face the actions of enterprises participating in the competition of the industry. Unless it is considered necessary and beneficial to make a positive confrontation, for example, an enterprise struggle to acquire a large market share, otherwise, customers can protect themselves by setting barriers against entry, including differentiation and conversion costs.¹²⁶ When a customer determines its strengths and weaknesses, it must be positioned to take advantage of the situation rather than being damaged by the expected change in the environmental factors, such as product life cycle, industrial growth rate, etc., and

¹²⁵ Yingchengzao. Research on differentiation strategy of Lingkun company [D]. Suzhou University, 2017

¹²⁶ Fang Maodong. Research on development strategy of private automobile enterprises [D]. Tianjin University, 2005

then it should protect itself and make preparation to respond effectively to the actions of other enterprises.¹²⁷

Based on the above discussion of the five competition forces, an enterprise can respond these five competition forces by making efforts to separate its operation from the competition forces, striving to influence the industry's competition rules from its own interests, occupying the favorable market position first and then launching offensive competition actions, thereby enhancing its own market position and competitiveness. From the household appliance brands in the domestic market, there are many types of products, among which the brands like Midea, Gree and LG have a relatively-large market share, and this situation will last for a period.¹²⁸ From the capacity and growth rate of the household appliance market, according to the law of market development, if the competitors believe that the scale of the market is rising, they will invest more in market development and product development, to meet the needs of customers in a better way. In an imperfect market, the enterprises would like develop potential customers instead of competing for customers. With the continuous improvement of the market, however, the number of customers that can be obtained by major enterprises is decreasing. Then, they will implement some marketing strategies to attract more customers, which will cause the increasingly fierce market competition. As a result, the profit margin of the entire industry is narrowed. The development of the domestic household appliance market is stable and the market capacity is relatively stable as well. However, as the economic situation gets better, such market capacity will inevitably be expanded. On the contrast, the more rational consumption of the people, and the slump of tourism, culture, real estate and other industries will also pose certain obstruction to the market development of Haier Group.

¹²⁷ Yu Xingyuan. Strategic research on power supply enterprises in Zhungeer Road New Area [D]. North China Electric Power University (Beijing), 2010

¹²⁸ Yang Yuanhang. Research on marketing strategy of Haier air conditioning products in Ukraine market [D]. East China University of science and technology, 2013

6.2 Michael Porter's Five Forces Model Analysis of Alibaba Group

(1) Bargaining Power of Suppliers

Many competition methods and business models have changed with the development of e-commerce. However, the relationship between supply and demand seems to be unchangeable. A good social supply chain system must hide the certain business rules, namely "demand resulting in supply, supply resulting in demand".¹²⁹ Therefore, the bargaining force in the industry is actually a dynamic bargaining relationship.¹³⁰

Enterprises mainly influence the profitability and product competitiveness of existing enterprises in the industry through their ability to rise the price of input factors and reduce the unit value of the products that have the same quality with the competitors' products. In an e-commerce environment, the dependence of an enterprise on its suppliers has decreased. In the traditional industrial era, an enterprise generally maintained a relatively stable relationship with its specific suppliers in order to ensure the stable production. In this case, the suppliers might increase their price when the supply and demand relationship changed, such as the enterprise's backward integration or price rise of substitute products, which might pose a threat to the enterprise's supply chain, while the trans-regional characteristic of e-commerce reduces this potential threat.¹³¹ Under the e-commerce pattern, the enterprise can find new suppliers through the Internet, thus the procurement cost is greatly reduced, which avoids its dependence on the existing suppliers. Besides, the new procurement patterns like bidding and auction in virtual procurement are all conducive to the reduction of the enterprise's procurement cost and dependence on the original suppliers. Facing the bargaining power of suppliers and consumers, the enterprise must strengthen its innovation to maintain a high profitability. One

¹²⁹ Yang long. Business ideas and e-commerce of enterprises in the era of economic globalization [J]. China market, 2013 (06): 40-41

¹³⁰ Tang Jianwei. Research on strategic risk prevention of enterprise restructuring [D]. Guangdong University of technology, 2001

¹³¹ Liu Dan, Yi Dongfeng. E-commerce, industrial competition structure and profit model [J]. Science and technology information, 2009 (33): 521 + 482

the one hand, it needs to improve the quality of the products, and on the other hand, it should make efforts in terms of product differentiation, to stimulate consumers' personal demand pattern from different levels and aspects, expand the space and channels of profit, thus improving the enterprise's product pricing power.

In the traditional offline market, the larger the scale and brand effect of the enterprise is, the higher its bargaining power relative to the suppliers' products will be, such as Wal-Mart supermarkets and Lenovo. For SMEs, the bargaining power is relatively weak.

The e-commerce B2C has two operating patterns. One is the platform B2C represented by Taobao, and the other is Self-operation B2C represented by JD. For the platform B2C, the suppliers are the merchant enterprises relying on it, and it itself does not sell the goods, so its pricing control on the product price of the merchant enterprises is limited. However, for the B2C with a large transaction scale and influence, such as Taobao, it has a certain influence on the pricing of suppliers, such as the annual double 11 promotion activities. For Self-operation B2C enterprises, the bargaining power of the suppliers is directly reflected in the transaction scale of the website. The larger the transaction scale is, the higher the pricing power of the suppliers will be. On the contrary, the suppliers' pricing power is weak. In general, the Self-operation B2C has a slightly higher bargaining power over suppliers than the platform B2C.

Website	B2C operation pattern	Bargaining Power over Suppliers
Alibaba	Platform type	Medium-high
Jingdong	Self-operation type	High
Pinduoduo	Platform type	Medium
Suning E-commerce	Self-operation type	High
Vipshop	Self-operation type	Medium-high
Gome	Self-operation type	Medium
Amazon China	Self-operation type	Medium
No. 1 Shop	Self-operation type	Medium
Dangdang	Self-operation type	Medium
Jumei	Self-operation type	Medium

Table. 6-2 Bargaining Power of the TOP10 B2C Websites over Suppliers in 2018

(2) Bargaining Power of Buyers

Buyers influence the profitability of existing enterprises in the industry mainly through their ability to force price down and require high-quality products or services. The popularity of e-commerce undoubtedly increases the bargaining power of consumers, which is reflected in the following aspects:

1. Buyers have mastered more information. Professor Porter believes that buyers have a higher power to bargain when they fully understand the needs, market prices, and even corporate costs than when they have less such information.¹³² The popularity of e-commerce has greatly reduced the cost of obtaining information for consumers. Buyers can not only compare the prices of the same product across the world, but also obtain information about the cost and service of the product, which enhances the bargaining chip of buyers. As a result, the profit margin of enterprises will be narrowed.

2. Group purchase or joint purchase is achieved. Buyers can organically organize the same types of buyers on the Internet surrounding a certain interest goal, to form an exact network-based virtual purchase organization through the convenient communication and communication platform provided by e-commerce. The organization can conduct purchase negotiation with the identity of a customer purchase group. Since having a large purchase volume and often containing professional negotiators and sufficient product information, it can obtain lower prices and better services through negotiations with sellers.¹³³ With the quick development of e-commerce, this type of group purchase organization is growing rapidly.

3. The status of buyers has been improved. In the e-commerce environment, the choice range for buyers is gradually widened. Enterprises have stopped the use of production cost-based pricing strategy in the traditional production and started the implementation of the pricing

¹³² Liu Dan, Li AI. The influence of e-commerce on Porter's five forces model [J]. Science and technology information, 2010 (01): 495 + 579

¹³³ Yi Dong Feng, Liu Dan. The impact of e-commerce on industrial competitive structure [J]. Special Economic Zone, 2006 (07): 261-262

strategy with costs acceptable to consumers, in order to better meet the consumers' needs. Due to the interactivity of the e-commerce platform, consumers can negotiate with enterprises in terms of the product price, and enterprises can also set the corresponding price according to the different demands of consumers for the products and services.¹³⁴

Either in the branded B2C or in the self-operation B2C, its merchant enterprises generally adopt a fixed price, while bargaining is effective for consumers on this basis. With the emergence of shopping comparison websites such as Pinduoduo, customers can compare product information among different B2C malls easily, involving product specifications, performance, quality and price, etc. With more and more information exchange between users, consumers are more and more rational in the choice of price and service.

With Tmall platform under Alibaba as an example, there are more and more users pre-ordering and buying the same product since the launch of customized products in 2011, and the price will be reduced upon the increase of purchase volume. This pattern not only offers users discounted prices as per certain promotion rules, but also allows users to enjoy the customizing service of the products. With the establishment of the customer information alliance, Tmall needs to strictly control the pricing mechanism of its merchants in the promotion activities, especially during the Double Eleven. If the price of the same commodity of the same merchant is higher than that before the activity, consumers can spread the case across online media, which will then affect the reputation of the platform. Therefore, in the past two years, Tmall has formulated some mechanisms and specifications in the merchant price strategy, in order to ensure the integrity and better experience for users in terms of commodity prices.

(3) Threat of New Entrants

In the business patterns of the E-Commerce Times, many new industries have emerged rapidly

¹³⁴ He Zhen. Network marketing and its function and influence [J]. Journal of Harbin Business University (SOCIAL SCIENCE EDITION), 2002 (02): 40-42

with the quick development and advancement of technology. New entrants hope to occupy a place in the market that has been shared by existing enterprises, while bringing new resources and new production capacity to the industry, which may result in the competition with existing companies in terms of raw materials and market share.¹³⁵ The entry barriers for them include the scale economy, conversion cost, product differentiation, development of sales channels, capital needs, government actions and policies, and cost disadvantages not depending on the scale. The influence of e-commerce on potential entrants is mainly reflected in the following aspects:

1. The scale economy barrier is weakened. Under the traditional economic conditions, the competition among enterprises is mainly the scale benefit competition.¹³⁶ Once the scale advantage is established, it will be difficult for other companies to challenge it. Due to the unsmooth information dissemination, even if the scaled enterprises have advantages superior to large enterprises in some aspects, they can still not occupy the market and then develop and grow stronger within a short time. The emergence of e-commerce has broken this competition model. An enterprise that can respond quickly to market demands and meet the personal needs of consumers is most likely to seize market opportunities and obtain excessive profits even if it cannot achieve the scale economy.¹³⁷ Therefore, with the introduction of e-commerce, the role of enterprise scale in improving the competitiveness of enterprises has declined significantly.

2. The branding of products is more significant. Online shopping has developed for a short time in China, so consumers generally have less trust on enterprises during their shopping online. Therefore, they usually tend to prefer the branded enterprises with a good reputation in the industry while selecting the purchase or cooperation objects. To overcome the disadvantages caused by this, the new entrants have to pay cost a lot, especially for those in

¹³⁵ Feng Chen. Lean production application research based on new PDCA ring [D]. Nanjing University of technology, 2007

¹³⁶ Chen Qinglan. On the combination of low cost and differentiation strategies in the network economy [J]. Reform and strategy, 2007 (01): 45-48

¹³⁷ Liu Dan, Li AI. The influence of e-commerce on Porter's five forces model [J]. Science and technology information, 2010 (01): 495 + 579

the clothing, cosmetics, food, pharmaceutical and similar industries.

3. The sales channel has been expanded. When the core sales channels of an industry have been occupied by existing enterprises, the new entrants have to convert such channels by investing a large amount of advertising and cooperation costs, which will in turn affect the profit of these new entrants. In the E-commerce Times, more and more enterprises carry out e-commerce business and access to online direct sales channels through a low threshold, so that they can directly interact and communicate with consumers on the Internet, and have achieved advantages for the market competition.

With Tmall online shopping platform under Alibaba as an example, the barriers in the comprehensive B2C online shopping industry built by Tmall relying on the resources of Alibaba Group is getting higher and higher, and the threshold for the new entrants is getting higher and higher as well, but they will also face the threat from world-class physical retailers. For example, Wal-Mart in the United States, as the largest and most well-known retail giant among the world's top 500, its brand is namely its passport, and its integrity is its amulet, both distributors and other logistics and transportation partners will give it the greatest convenience and space. In addition, Wal-Mart has operated in China for more than 20 years, and accumulated a large number of high-quality customers. It is not difficult for the company to develop these loyal customers into online consumers. Besides, it may also encroach on the users of other online shopping platforms, including Tmall. On the other hand, Jingdong Mall under the self-operation B2C, is gradually transforming toward a platform B2C. Therefore, Alibaba needs to develop corresponding response strategies and plans in advance to respond to such threats.

(4) Threat of Substitutes

The traditional business service patterns have a high cost, a small coverage, and low information transmission efficiency, though they are more "real" than e-commerce.¹³⁸ With

¹³⁸ Gao Lei. Research on the development strategy of Alibaba Group [D]. Heilongjiang University, 2012

the continuous improvement of the e-commerce market, however, more enterprises and consumers will gradually accept the e-commerce services, so the traditional business patterns will be gradually substituted by e-commerce.¹³⁹ For the e-commerce area, its substitute products are mainly from traditional enterprises in the same industry, and people can obtain similar products and services not through the business means. For two enterprises that are in the same industry or in different industries, their products may be mutually substituted. Therefore, the competition forms between the two. The substitutes set the upper limit for the profits of the enterprises in the industry, which limits the potential benefits of an industry.¹⁴⁰ Under traditional economic conditions, the stress from substitute products is somewhat limited by region, while in the e-commerce environment, the free time of people's eyes has been used by the network to the limit, and it also changes people's work and living habits. Consumers can easily find the substitutes in the market through e-commerce web search engines, and compare the substitutes and existing products in detail in terms of functions, prices, services and other aspects, which increases the stress on the substitute products. However, it is undeniable that traditional business patterns are still the main form of trade in current commodity trade. Compared with online shopping, traditional shopping patterns are simpler, more direct, and more realistic to a certain extent, and buyers are subject to less purchase risks. Besides, they can obtain important information such as the texture, color and taste of the products by touching, viewing and tasting to decide whether to purchase the products, without being subject to unnecessary damage due to large difference caused by unreal pictures and text descriptions in online shopping. In addition, illegal financial activities such as money laundering, illegal cash withdrawal and fraud can be avoided in this pattern.

In recent years, TV direct sale, as an effective direct sales pattern, has maintained growth under the powerful advertising effects of traditional media and the scaled operational effects. It is actually a form of virtual shopping like online shopping, as well as shopping through

¹³⁹ Ling Na. Strategic choice of e-commerce enterprises [J]. Science and technology information (Academic Research), 2007 (14): 181-182

¹⁴⁰ Li Na. Research on competitive strategy of Qingdao Dongjia Textile Machinery Group [D]. Ocean University of China, 2010

newspapers, magazines and other means, but relatively speaking, the former can promote products or services in a 3D mode through the use of rich video images, supported by simple telephone ordering as well as perfect and safe supporting measures, so the customer groups are relatively stable.¹⁴¹

The substitutes to the platform B2C online shopping of Alibaba mainly include: traditional physical sales industries and self-operation B2C network retail. In 2004, Alipay was launched, and the use of it enhances the trust between buyers and sellers during online shopping. Due to the financial security protection provided by Alipay, customers became dependent on Tmall Mall, plus the convenience multi-service guarantee and variety of products in the online shopping, consumers are more willing to shop online, in this case the threat of being substituted by traditional transactions is significantly decreased.

In the self-operation B2C website, the independent purchase and sales operation is carried out, customers can choose the commodity with more reliable quality and brand. In terms of logistics services, the funds are continuously invested to establish the free storage and logistics system. As online shopping develops rapidly, with a high market tempting, once the giant enterprises with huge offline resources enter the self-operation B2C in the future, they will also bring certain threats to Alibaba. However, since there will be restrictions on the types of commodities in the self-operation pattern, the scope of self-built logistics services will also be restricted. Therefore, the threat to Alibaba will not be too large, but local threats will be formed. Furthermore, this competition may be transformed into a labor division-based cooperation.

(5) Industrial Competition Analysis

The emergence of e-commerce has broken traditional time and space boundaries, making the competition expand to a larger area from a small area, so that the traditional competition area is expanded to the whole Internet again. The enterprises in most industries are closely related to each other in terms of interests. The goal of competitive strategy of each enterprise is to

¹⁴¹ Gao Lei. Research on the development strategy of Alibaba Group [D]. Heilongjiang University, 2012

make its own enterprises obtain the advantages over competitors. Therefore, it is inevitable that conflicts and confrontations appear during the implementation of such strategies. Such conflicts and confrontations constitute the competition between existing enterprises. In the e-commerce environment, the competition among enterprises will become fiercer, the main reasons for which are as follows:

1. There is no regional restriction. Because of the globality of the Internet, the enterprises around the world have no difference in distance. Not only the enterprises in an industry will compete with those in the local region, but also consumers can easily compare the prices and services of the enterprises in different regions through e-commerce, which results in that the enterprises in the same industry across the world compete with each other. With the increase in the number of competitors, the intensity of the competition will certainly increase gradually.
2. The difficulty in maintaining the customer loyalty increases. The traditional customer loyalty still plays a role in the e-commerce environment. However, consumers can easily shift and select different business pages, which makes it is more difficult for enterprises to change their customers from buyers to promoters.

In the past 20 years, Alibaba Group has developed from nothing as a small enterprise, during which, it has cultivated China's e-commerce market and become the biggest winner in this market. However, it also has competitors consisting of both old Internet giants like Tencent and Baidu, as well as B2C e-commerce upstarts such as Jingdong and Suning. With the resurgence of the e-commerce boom in 2010, Alibaba Group has encountered fierce competition in almost each link of the e-commerce industry chain, and its competitors have never been so numerous.

The B2C market has developed rapidly in China. After the beginning of 2010, it has experienced explosive growth. Since 2012, the online shopping market has gradually entered a mature period and continues to develop rapidly.¹⁴² With the gradual increase of the online

¹⁴² Wang Limin. Research on the application of e-commerce in China's traditional retail industry [J]. Foreign trade and

shopping popularizing rate, both the platform B2C and the self-operation B2C websites will get involved in the direct competition, with serious homogenization. According to the 2018 (first half) China Online Retail Market Data Monitoring Report released by the China E-business Research Center, the domestic online retail market transaction volume reached RMB 4081 billion in the first half of 2018, with a year-on-year increase of 30.1%.¹⁴³ In the first half of the year, the total volume of retail sales of consumer goods in China was RMB 18001.8 billion. That means the online retail market accounted for 22% of the total retail sales of social consumer goods, indicating that, RMB 22 of RMB 100 retail consumption was spent on online shopping. Through decades of market competition, the basic pattern of the domestic e-commerce market has been fixed. Tmall and Jingdong will take the leadership in the B2C market for a long period in the future.

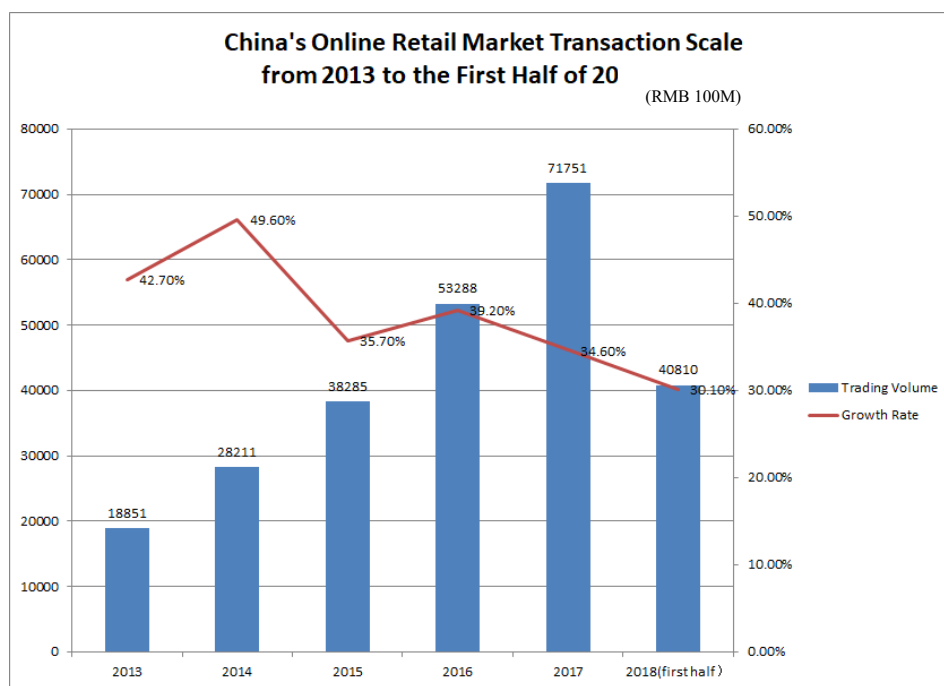


Fig. 6-2-1 China's Online Retail Market Transaction Scale from 2013 to the First Half of 2018

Data Source: China E-business Research Center

Tmall and Jingdong Mall are in the first group. Tmall keeps the leading position with 55% market share, and Jingdong Mall ranks second with the market share of 25.20%. Pinduoduo,

economic cooperation, 2013 (06): 65-66 + 99

¹⁴³ Li cunchao. Research on the influence mechanism of e-commerce platform service quality on brand equity [D]. Shandong University, 2014

Suning E-commerce and Vipshop are included in the second group of the B2C market. Gome Electrical Appliances, Amazon China, Dangdang, and yhd.com are in the third group of the B2C market.

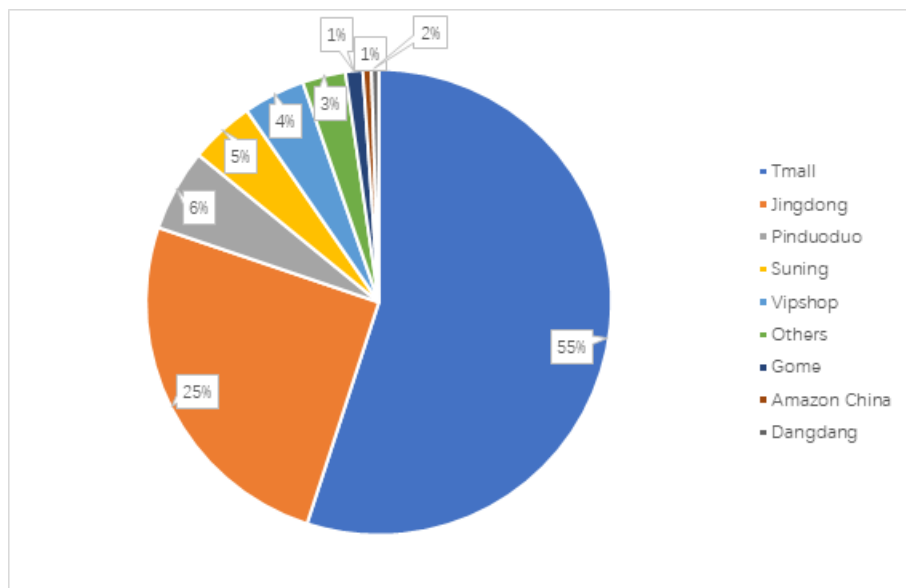


Fig. 6-2-2 Online Sales B2C Market Transaction Share in the First Half of 2011

Data Source: China E-business Research Center

6.3 Summary

The industrial environment is where an enterprise and its competitive enterprises are interdependent, and it is also the key in the investigation of the external environment. At this stage, it is the Five Forces Model that has the highest efficiency for the investigation of the industrial competition environment. According to the analysis with the Michael Porter's Five Forces Model, the comprehensive investigation of the industrial environment in which the enterprise is operated, is conducive to understanding the competition environment of Haier Group and Alibaba Group, as well as the balance relationship of the five forces of the two groups in terms of suppliers, consumer groups and competitors in the same industry, improving the feasibility analysis on the strategic decisions made by the leaders of the two groups, and combining the theory with the actual situation of the competition environment so that the strategic decisions for Haier Group and Alibaba Group are deeply studied.

The results of analysis show that Haier fares unsatisfactorily in price bargaining. As a conventional appliance manufacturer, it adopts the zero-inventory mode of production. Without the self-built or self-owned production base for compressor and essential production goods, Haier was prone to be deprived of the price-bargaining initiative because the supply price of production goods was changing along with the fluctuation of market price. In comparison, Alibaba, a leading global E-commerce platform, adopts the mode of B2B and B2C. In addition to its global clients, those features make it stand out in price bargaining. Secondly, as a buyer, Haier also fares unsatisfactorily in price bargaining. Stiff competition in domestic home appliance market is the result of both price war among conventional domestic manufacturers and the entry of internet companies such as Xiaomi. Foreign companies build factories in China to lower their costs and increase its price competitiveness. Alibaba is a E-commerce platform exercising final price policy. During large-scale promotion, its price keeps fixed discount amounts. In this way its price bargaining edges are maintained. Thirdly, these two companies perform differently in terms of threat from alternative products or services. In the traditional home appliance market, although Haier has certain advantages in its field, the catch-up of R & D, production and sales models by manufacturers in the same category makes it inferior in alternative products. As China's first batch of world-leading e-commerce platforms, Alibaba has demonstrated its advantages in the field of e-commerce during the special period of SARS in China. With the growth in its size and accumulation of its user groups, as well as the adoption of excellent marketing model, user's loyalty has been significant improved. Although there are still rivalry platforms such as JD, Suning, Vipshop, etc., its large supplier system and diversified user groups makes the threat of its alternative services smaller. Fourthly, in terms of potential entrants, the two still perform differently. As a manufacturer of traditional home appliances, Haier faces greater threats from potential entrants. With the rapid development of Internet services in China and the world, O2O model is widely used, and its traditional products are easily replaced by the customized services in O2O model as well as the integrated online and offline services. The e-commerce platform represented by Alibaba is in the leading stage of development. Its integrated online and offline service model,

such as Eleme, FreshHema and other derivatives, takes the inherent advantage of its Internet, making its potential entrant threat smaller. Finally, as technologies in the traditional home appliance manufacturing industry are increasingly homogenizing, Haier's zero-inventory production model has led to its weaker capabilities in innovating core technology and core parts, and made its industry's competitiveness less noticeable. Alibaba, as an e-commerce platform, also faces fierce competition due to its global service. However, at present, users' loyalty to and brand awareness of e-commerce platforms have become the main cornerstone of its competition. Brands and word-of-mouth have won a good reputation for it and won the trust of users. Although the competition in the industry is severe, it still has certain advantages.

7 SWOT Analysis

7.1 Concept of SWOT Analysis Method

The SWOT analysis method is a method by which a comprehensive evaluation is made on both internal and external environment of the object studied.¹⁴⁴ The internal strength, weakness, external opportunity and threat of the current status for the object studied are listed in the SWOT matrix analysis framework by means of survey research, theoretical analysis and other methods. Also, appropriate evaluation and analysis is made in order to obtain an intuitive strategic improvement direction. The SWOT analysis can help us to obtain a more intuitive understanding of the current overall status of an enterprise and a more direct grasp of its existing strength, weakness, opportunity and threat. The SWOT feasibility analysis can reflect in a more objective and fair manner and fit more closely the actual strategic improvement direction of the enterprise.

	Strength (S)	Weakness (W)
Opportunity (O)	(SO strategy) grasping opportunity, exploiting	(WO strategy) grasping

¹⁴⁴ Xie Haiyang. Study on financial risk management of international EPC project of J company [D]. Shihezi University, 2016

	strength	opportunity, conquering weakness
Threat (T)	(ST strategy) grasping opportunity, avoiding threat	(WT strategy) conquering weakness, avoiding threat

Table 7-1-1 SWOT analysis

SWOT analysis is a three-dimensional analysis of an enterprise. It does not only analyze the internal strength and weakness of the enterprise but also puts the enterprise in the macro environment. Then, this method makes an analysis of the opportunity and threat of the macro market. Thus, the market analysis made by using this model will help the enterprise to obtain a correct market orientation so as to formulate a strategy suitable for industry development. As a corporate strategy analysis method, SWOT makes analysis according to the existing internal conditions of the enterprise and finds out its strength, weakness and core competitiveness. As for SWOT, S means strength. W means weakness. O means opportunity and T means threat. Among them, S and W are internal factors and O and T are external factors. According to the complete concept of corporate competition strategy, strategy should be an organic combination of what an enterprise is able to do (that is, strength and weakness of the enterprise) and what an enterprise is possibly able to do (that is, opportunity and threat of the environment).¹⁴⁵ This model can help to analyze and judge the internal factors of an enterprise, make a correct analysis of its external environment so as to form a combination of both internal and external environment. By this way, the opportunity or risk of an enterprise can be identified, these opportunities and risks can be combined with strength and weakness of the enterprise so as to form different strategic measures for corporate cost control.¹⁴⁶ Through SWOT analysis, this paper can help us to clearly understand how the strategic awareness and development decisions of Zhang Ruimin and Jack Ma, two well-known entrepreneurs, have impacted the overall development of their enterprises and how they plan the future development directions of their enterprises in a targeted way and accurately work out of their marketing strategies and

¹⁴⁵ Shi Liping. Research on development strategy of hydropower enterprises under State Grid [D]. Chongqing University, 2011

¹⁴⁶ Zeng Tao. Research on marketing strategies of smart phone manufacturers in the context of mobile Internet development [D]. East China University of science and technology, 2014

channels to be adopted in the future market by analyzing the opportunity and threat in the market from a macro perspective.

7.2 SWOT Analysis of Haier Group in the Start-up Period

7.2.1 Strength (S)

In the 1980s, many enterprises, including Haier, introduced refrigerator technology and equipment from abroad. During that period, home appliances were short of supply. Many enterprises made continuously efforts to expand capacity but highlighted only output rather than quality. However, Zhang Ruimin put forward the slogan "I don't settle for anything but the best." He attached great importance to product quality and conducted comprehensive quality management rather than blindly sought for product quantity. When the supply in the home appliance market exceeds demand, Haier gains a competitive advantage by virtue of differential quality.¹⁴⁷ In 1984, Zhang became head of Qingdao Refrigerator General Factory and established the "brand strategy", the first development strategy of Haier Group. Haier is the earliest home appliance manufacturer in the Chinese market. The formulation of his brand strategy has made the brand concept deeply rooted in people's mind. Additionally, Haier's highlight on quality has left a deep impression on consumers and laid a solid foundation for its development.

7.2.2 Weakness (W)

In the initial development of Haier Group, Zhang excessively highlighted indicators, allocated indicators to each person and paid too much attention to the realization of individualism.¹⁴⁸

¹⁴⁷ Xu min. analysis on marketing strategy of Haier home appliances in the United States [D]. Ocean University of China, 2012

¹⁴⁸ Lu Qing. Research on the application of SWOT analysis in the formulation of patent strategy [D]. Huazhong University of science and technology, 2006

Within Haier Group, each post and each employee were correlated with specific indicators. The posts without indicator assessment were unnecessary and the employees not subject to indicator assessment were also unnecessary. Also, during the start-up period, most technologies were introduced, which was Haier's born strength, and there were not many basic patents.

7.2.3 Opportunity (O)

Since 1985, China has successively established economic development zones in the Yangtze River Delta, Pearl River Delta, Southeast Fujian and Bohai Rim. By seizing this opportunity, Haier obtained development in Qindao, Shandong. Also, at that time, reform and opening up was adopted in the country and the economy of each industry started to witness a vigorous development. Haier just embraced development by seizing the opportunity. Stable domestic politics, stable international political environment, gradually increasing national income per capita as well as robust government financial policies, monetary policies and foreign economic policies all benefited the development of enterprises. With the improvement of the living standards per capita, the demand for home appliances has also gradually increased. Zhang just seized this opportunity.

7.2.4. Threat (T)

In the era without the internet, product economy dominated in China. At that time, the number of the refrigerator manufacturers in China amounted to over 100. Buyers gained an advantage in the home appliance industry. And China's home appliance market also experienced a short period of saturation and the competition in the market became increasingly fierce. Additionally, the internal risks and the internal price of the home appliance industry made corporate profits gradually cut. Meanwhile, competitors both at home and abroad were developing new technologies. It seemed that the technical strength of Haier disappeared the moment it appeared.

So, in the initial development of Haier, Zhang set foot in the market by adopting the brand strategy and then adopted the diversification strategy to gradually expand market scale by grasping opportunity. Even facing multiple domestic competitors, Zhang led the enterprise to overcome production difficulties and set foot in the market with his superior product quality and perspective leadership thought, which laid a solid foundation for the future development of the enterprise.

	Strength	Weakness
	<p>1. Selected the target market and laid a foundation for establishing brand.</p> <p>Strengthened management by putting People first</p> <p>2. Quality service</p> <p>3. Comprehensive quality management</p> <p>4. Created and maintained the brand, making Haier deeply rooted in people's mind</p>	<p>1. Excessively seeking indicators</p> <p>2. Excessively focusing on individualism</p> <p>3. Getting started by introducing technologies</p> <p>4. Not many fundamental patents</p>
Internal		
External		
Opportunity	SO	WO
<p>1. China has successively established economic development zones in the Yangtze River Delta, Pearl River Delta, Southeast Fujian and Bohai Rim</p> <p>2. Stable domestic politics, stable international political environment</p> <p>3. Robust government financial policies,</p>	<p>1. Brand awareness was built inside the enterprise</p> <p>2. The goal of superior quality was established in the company</p> <p>3. The Haier spirit was established through the brand culture</p>	<p>1. The living standards per capita were improved</p> <p>2. The demand for domestic home appliance was increased</p>

monetary policies and foreign economic policies		
Threat	ST	WT
<p>1. Product economy dominated in China</p> <p>2. At that time, the number of the refrigerator manufacturers in China amounted to over 100</p> <p>3. Buyers gained an advantage in the home appliance industry</p> <p>4. The home appliance market in China witnessed a temporary status of saturation</p>	<p>1. Zhang Ruimin's perspective leadership thought</p> <p>2. Differentiated quality advantage</p> <p>3. Grasped opportunities, adopted the diversification strategy</p> <p>4. Increased the market share</p>	<p>1. Increase home appliance varieties</p> <p>2. Improve the quality of home appliances</p> <p>3. Increase the technology content in home appliances</p>

Table 7-2-1 SWOT analysis

7.3 SWOT Analysis of Haier Group in the Growth Stag

7.3.1 Strength (St)

When entering the international market, Zhang led Haier to formulate the internationalization strategy that featured "difficult first and then easy". Haier first reached developed countries and regions such as Europe and the USA. After gaining a global brand status, Haier improved its global competitiveness. Then, the enterprise entered developing countries and regions and

proposed the use of Haier brand as the prerequisite for export.¹⁴⁹ Haier has a "three-step" strategy in the overseas market, namely going global, going in and going up. As early as 2005, Zhang clearly identified the global brand strategy of never acting as OEM and holding high hit.

At Haier, nine types of products rank the top in the industry in terms of coverage in the Chinese market and three types of products rank the 3rd in the industry in terms of coverage in the world market. Haier stays at the world's leading level in the technical fields such as intelligent home integration, network appliances, digitalization, large-scale integrated circuits, new materials, and demonstrates its development strength in the international market.¹⁵⁰ The "innovation-driven" Haier Group is committed to providing global consumers with the solutions that meet their needs, thus achieving a win-win scenario between enterprises and users. As of 2007, Haier applied for a total of 7,883 patents (including 1,736 patents of invention). Just in the year 2007 alone, Haier applied for 875 patents (including 502 patents of invention), two patents of invention every business day on average.¹⁵¹ On the basis of independent intellectual property rights, Haier has also organized or participated in the preparation and revision of nearly 100 Chinese standards. Among them, Haier's water heater electric protection wall technology and washing machine dual power technology have also been included in the IEC international standard proposal. That proves that Haier's innovation Capability has reached the world class. In the practice of innovation, the "OEC" management model, "market chain" management, and "Ren Dan He Yi" development model explored and implemented by Zhang have drawn great attention from the international management community. At present, there are already Harvard University and University of Southern California in the USA, IMD School of International Management in Switzerland, European Business School Paris in France, Kobe University in Japan and other business schools that

¹⁴⁹Lu Jing, Li Yuan. An analysis of the internationalization strategy of Chinese enterprises based on SWOT analysis [J]. Management engineer, 2014,19 (01): 9-11

¹⁵⁰ Cao Xinming. The failure of Chengye intellectual property right to intellectual property right [J]. China high tech Zone, 2008 (01): 93-94

¹⁵¹ Zhang Wei. Research on leadership of enterprise strategy implementation [D]. Xiangtan University, 2008

specialize in case studies in this respect. Haier's "market chain" management has also been included in the EU case library.¹⁵² Haier's "Ren Dan He Yi" development model proposed by Zhang provides innovative thinking for solving the issues of global business inventory and overdue receivables, and has been recognized by the international management community as the "understanding global business pace" management model. Haier's advantages also include: long-term development of corporate culture; relatively high quality of employees; a fairly good foundation laid in years of standardized management; it is rare for an executive to be able to analyze the information technology so thoroughly and elaborately by regarding information technology as No. 1 program; concept changes first and process rebuilds later, the two of which complement each other and go ahead. Since the time when Zhang Ruimin smashed inferior refrigerators, Haier's concept change has been initiated. Since then, Haier has gradually developed into the current one, etc... Compared with foreign enterprises, Haier's information technology has a robust advantage as a late comer. The environments where DELL was in 2001 and 1995 were quite different. Under the situation of widespread popularity of the internet in the world and the overall expansion of the information technology of large international enterprises, Haier is certainly easier to make progress based on the successful experience of international enterprises. Haier gains and maintains a sustainable competitive advantage through its product differentiation strategy, which is specifically reflected in the following aspects: product characteristics, "high standards, refinement, and zero defects"; product portfolio, Haier Group's integrated kitchen products; contact with other companies; contact among functional departments; the firm belief that brand is the lifeline of an enterprise; the adoption of distribution channel; service and support. Especially, in terms of after-sales service, one of Haier's corporate cultures is "Haier is water, sincerity forever" Haier always insists that "users are always right" and emphasizes the high-quality service of products. Haier's service platform has become the No. 1 in the world and many companies need Haier's service platform.¹⁵³ Zhang uses differentiated products and emotional service to occupy the

¹⁵² Jin Xin. Research on knowledge sharing mechanism for Distributed Innovation [D]. Zhejiang University, 2009

¹⁵³ Wang Huiqing, Yin Shaohua. SWOT analysis of Haier enterprises [J]. The second half of entrepreneur world (Theory Edition), 2008 (11): 55-56

market.

7.3.2 Weakness (W)

The patents applied by Haier are mainly utility models. The lack of core technologies would lead to a lack of core competitiveness. Failure to understand core technologies and to participate in the formulation of industry standards cause the failure to enter the high-end product market. Meanwhile, the lack of cross-cultural and international management talents causes the enterprise to show deficiencies in many aspects such as communication, management, public relations, etc. The issue of talents will also become an obstacle for Haier to further go global. In addition, Zhang is not good enough at communication and public relations skills, which makes it difficult to acquire companies in China. The reason is largely due to that Haier has some problems in employment mechanism, only focusing on the inspection of technology and knowledge and neglecting the inspection on personal capabilities. Haier has developed so fast over the years that we have no doubt about its internationalization.

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Currently, information technology is in full swing. The internal information technology is developing fast. The external information technology, especially the electronic data exchange with domestic suppliers and distributors, has always been in a dilemma. It remains difficult to completely reduce the procurement and distribution costs.¹⁵⁵ Despite Haier's wish that the information technology of its suppliers and distributors can keep up with that of Haier itself, the actual situation is quite different from expected. No one can keep up with Haier's pace. So, what enterprises can order products from Haier online? Is the a la carte order for individual users a news stunt? Due to the limitation of national reality, flexible methods must be adopted. As a result, Haier will return to its original flow of booking orders by phone and fax and

¹⁵⁴ Tan Xiaolong. Research on customer relationship management of Haier company [D]. Southwest University of Finance and economics, 2010

¹⁵⁵ Wang Huiqing, Yin Shaohua. SWOT analysis of Haier enterprises [J]. The second half of entrepreneur world (Theory Edition), 2008 (11): 55-56

information technology would become useless. The unmatched and unsynchronized external environment is the important reason for Haier's unsuccessful informatization. That may not have been expected by Haier. However, even if you know the result, you have to move ahead. Zhang is just the one who always to be the first!

7.3.3 Opportunity (O)

Why Haier could achieve a big success is largely due to the leadership thought of Zhang Ruimin: Starting from scratch—Haier' cultural view; Everyone is a talent, select talents through competition— Haier' talent outlook; considering situation first, then profits—Zhang Ruimin's strategic view (Enterprises can be found everywhere, just like balls on a slope. And market space is available to every enterprise.) ; brand is the sail and user is the teacher—Haier's brand marketing; Users are the soil for the survival of an enterprise—Haier's service; Going global, going in and going up—The essence of Haier management is not "knowledge" but "action"- Zhang Ruimin's management Philosophy. In order to achieve a great development in the future, Haier must continue to be based on its corporate culture. At the same time, it must pay attention to scientific and technological innovation so as to achieve enterprise informatization. Meanwhile, following the growing international trend, Haier is facing huge opportunities and challenges. It should advance with the times and pursue continuous innovation. Haier's future development mainly depends on the shifting for three times. The first is the shifting of internal organizational structure. The second is the shifting from domestic market to international market, which does not refer to product export but building factories and enterprises overseas. The third is the shifting from the manufacturing industry to the service industry. It is necessary to conduct front-end design and back-end service.

7.3.4. Threat (T)

In the growth period, Haier still faced many threats. With the continuous rise of home appliance manufacturers and continuous improvement of technology, Haier must continuously

improve the level of scientific and technological innovation, and then improve its own advantages. In addition, it should develop towards multiple industries so as to improve its competitiveness. In the face of Haier's informatization, domestic peers acted as onlookers of Haier's external informatization while stepping up their own internal informatization. This was the threat that Haier faced. The competitors' vision has made Haier feel them as a thorn in the back. The person who strived to be the first may be hero but is not necessarily a winner. The stagnation of Haier's external informatization has also given the domestic information industry a head-on blow. It is foreseeable that once the opportunity of external informatization arrives, from a technical point of view, no one will be much slower than anyone else. If Haier's brand propaganda effect for years is beyond mention, the growth of Haier's competitors' external informatization is just a matter of time.

<div style="display: flex; justify-content: space-between; align-items: center;"> Internal External </div>	Strength	Weakness
	<ol style="list-style-type: none"> 1. Internationalization strategy that "difficult first and then easy" 2. Increasing the number of patents 3. Insisted on that customers are always right 4. Employees' quality was gradually improved 5. Regulated management 6. Differentiated products, emotional service 	<ol style="list-style-type: none"> 1. The lack of core technologies led to the lack of core competitiveness 2. The lack of cross-cultural and international management talents 3. External informatization developed slowly
Opportunity	SO	WO
<ol style="list-style-type: none"> 1. Increasingly trend of internationalization 2. Gradually increasing informatization speed and 	<ol style="list-style-type: none"> 1. Starting from scratch—Haier' cultural view 2. Everyone is a talent, select talents through competition— Haier' talent 	<ol style="list-style-type: none"> 1. Shifting of internal organizational structure 2. The shifting from domestic market to international market does not refer to

degree	<p>outlook</p> <p>3. Considering situation first, then profits— Zhang Ruimin's strategic view</p> <p>4. Brand is the sail and user is the teacher— Haier's brand marketing</p> <p>5. Users are the soil for the survival of an enterprise—Haier's service</p> <p>6. Going global, going in and going up— Haier's internationalization</p> <p>7. he essence of Haier management is not just "knowledge" but "action"</p>	<p>product export but building factories and enterprises overseas</p> <p>3. In order to make a shift from the manufacturing industry to the service industry, it is necessary to conduct front-end design and back-end service.</p>
Threat	ST	WT
<p>1. Gradually emerging home appliance manufacturers</p> <p>2. Gradually improved home appliance technologies</p> <p>3. Stagnant external informatization</p>	<p>1. Continuously improved the innovation level of science and technology</p> <p>2. Developed towards multiple industry direction</p> <p>3. Enhanced the promotion of the informatization inside</p>	<p>1. Promoted the strategy of internationalization</p> <p>2. Expanded the coverage rate of international market</p> <p>3. Enhanced the enterprise's core technology development</p> <p>4. Accelerated information technology development</p>

Table 7-3-1 SWOT analysis

7.4 SWOT Analysis of Haier Group in the Maturity Period

7.4.1 Internal strength of Haier in the network development strategy

In the internet era, Zhang Ruimin formulated the development form of an "'co-creation and win-win ecosystem model" based on the "Ren Dan He Yi" in the strategic period of Haier's

network development. Haier is also striving to transform itself from a traditional home appliance manufacturer to an IoT ecological platform enterprise that faces the whole society.

(1) In the network development strategy proposed by Zhang, a user-centered and user-driven chain shaped flow was proposed. This business strategy accurately solves the pain points that the traditional large-scale production mode fails to meet the individual needs of users under the background of experience economy.

(2) Under the strategy of "Ren Dan He Yi", there is a one-to-one correspondence between employees, their group and users. Such an architecture and flow will help to clearly identify employees' responsibilities and objectives, i.e. to meet users' needs and reduce unnecessary waste of labor resources.

(3) In the system of "Ren Dan He Yi", it is emphasized that employees can obtain value through the establishment of a strategic closed loop "person-order-pay" that combines personnel, orders and remunerations after user value is created. Through the self-promotion of personnel and orders, employees can satisfy users' needs, employees' remunerations are conferred through users' evaluation, and remunerations are used to attract employees to continue the closed-loop development of satisfying users' needs.

(4) By building an ecosystem, Haier introduces external resources through the adoption of the IoT ecosystem. It may save capital and time costs in terms of R&D by introducing excellent resources.

7.4.2 Internal weakness of Haier in the network development strategy

In 2012, Haier entered a period of network strategy. At that period, Haier transformed itself from an executive to a startup partner and experienced a fundamental change in operation. The initial establishment of "co-creation and win-win ecosystem model" also brought some difficulties for Haier's development.

1. The implementation of Haier's new strategy remains at an early period. It is evitable that the implementation of new concepts would consume time and capital, which will cause an impact on Haier's accelerated development. It is unavoidable that the publicity on operation mode will deviate. If employees of grassroots organization resist new policies in mentality and behavior due to their poor understanding, the substantial impact would be caused to the implementation of the network strategy.

2. The network strategy overturns the traditional section-level management architecture and implements the user-centered network management structure. Behind efficient flow is Haier's weakened management of personnel and business flow. There are risks that are unable to be controlled in the early development process, including violated business operation.

3. In the network strategy, since each user corresponds to one SBU, the communication costs among a large number of SBUs will be sure to increase in the business management practice.

4. In the new strategy, Haier's transformation into an incubation platform would weaken the business operation of the original free brand of Haier and reduce its brand value in the traditional home appliance manufacturing field.

7.4.3 Haier's external strength in network development strategy

1. As the domestic and international markets become gradually clear about the IoT industry and enthusiastic about the participation in the IoT industry, Haier, as the leader of the IoT ecosystem, would greatly improve its brand value in the society and the IoT industry.

2. In recent years, China has gradually improved its comprehensive strength; people's livelihood has become more prosperous; and the transformation of users' needs from the satisfaction of basic needs to of individualized needs has enabled Haier to embrace new opportunities in the network development strategy period. Currently, consumers highlight more on intelligent consumption. By taking this opportunity, Haier takes a differentiated and personalized product line strategy.

7.4.4 External weakness of Haier in the network development strategy

1. China's diplomatic relations may create trade barriers in some countries and produce impacts on Haier's global operations. For example, in the Sino-US trade war, the USA imposed an additional tariff on the 60 billion US dollars imported from China, and limits Chinese enterprises in merger, acquisition and investment on USA enterprises.

2. Due to the transformation of new strategy and the network distribution of the management structure, Haier has an urgent need for talents. External professionals cannot meet Haier's internal needs to some extent. Graduates and cross-disciplinary talents need to consume more training costs.

3. The suppression from competitors is also an urgent threat that Haier needs to face. For example, Xiaomi, a nascent Chinese internet enterprise, has also entered the lot field and achieved outstanding results. Xiaomi Group announced in 2018 that it had built the largest consumption level lot platform in the world; that the platform had connected more than 100 million IoT devices, with 1.7% market share in the world, far exceeding Apple, Amazon and other international giants.

<div style="display: flex; justify-content: space-between; align-items: center;"> Internal External </div>	Strength	Weakness
	1. User centered; user demand driven 2. Broke the traditional section system structure, established the correspondence between employees and users, identified responsibility objectives Stakeholders can reflect their values	1. The failure in updating the vision of all employees hampered the overall implementation of the strategy 2. The power was out of control during the process of

	<p>3. Effectively utilized external resources, reduced unnecessary costs and expenditure</p>	<p>revitalization</p> <p>3. New strategies added to operating costs and high communication costs</p> <p>4. The new model "de-Haier" led to the slowed increase in brand premium</p>
Opportunity	SO	WO
<p>1. The rise of the IoT industry both at home and abroad activated the market participation</p> <p>2. Upgraded consumption contributed to the development of market towards lower levels</p> <p>3. Consumption tended to be differentiated and customized</p>	<p>1. Insisted on the ecological layout of IoT</p> <p>2. Developed the market in third- and forth-tier cities and villages based on ecological strength</p> <p>3. Customized products according to the needs under special contexts</p>	<p>1. Increased the efforts to publicize and implement corporate strategies</p> <p>2. Increased supervision mechanism in the model of "Ren Den He Yi"</p> <p>3. Publicized relevant learning content via Haier University, etc.</p> <p>4. Made investment and mergers in term of the existing status of ecosystem and maker brand market based on the current varieties</p>
Threat	ST	WT
<p>1. China's foreign relations may create unpredictable trade barriers</p> <p>2. External talents were unable to satisfy the strategic requirements</p> <p>3. Compression from competitors</p>	<p>1. Insisted on the strategy creating local brands in other countries</p> <p>2. Formulated the preferential policy of talent introduction, enhanced the development of the exiting personnel and strengthened university-enterprise cooperation</p>	<p>1. Created Haier's business ecosystem, realized diversified industry development</p> <p>2. Planned HR development strategies, formulated personnel incentive policies</p>

	3. Increased the efforts to support IoT maker platforms and provided guidance together with organizations such as government	3. Insisted on the strategy of making the brand stronger, continued to build the Haier brand
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Table 7-4-1 SWOT analysis

7.5 SWOT Analysis of Alibaba in the Start-up Period

7.5.1 Strength (S)

The founding of Alibaba is a process during which the entrepreneur-oriented opportunity is identified. The opportunity was identified mainly based on the knowledge and experience accumulated within the start-up team. This was an opportunity identification behavior based on its resource endowment. The knowledge resources accumulated by the team were the basis for identifying this opportunity. Jack Ma is a knowledgeable and forward-looking entrepreneur. He used his previous experience to identify the business opportunities in the B2B market. During the process of identifying opportunities, Jack attracted a large number of domestic small- and medium-sized enterprises and foreign buyers to get involved in the platform transaction activities by establishing a B2B platform and adopting the strategy of free subsidies. Under the conditions of network economy, a large number of user resources have become valuable strategic resources and feature value, scarcity and organizational availability. Alibaba's strong financing capability can bring competitive strength to enterprises.

7.5.2 Weakness (W)

As Jack Ma was an entrepreneur with an adventurous spirit, the start-up team incorrectly chose an opportunity that did not match its own conditions after financing during the subsequent process of opportunity identification. They invested the resources obtained from outside into the business fields that the company targeted at then. That is, during the early period of Alibaba's establishment, Jack chose the expansion strategy, which resulted in the business

difficulty of the enterprise. It demonstrated that Alibaba was not unable to integrate opportunity resources during the start-up period.

7.5.3 Opportunity (O)

In 2003, the SARS epidemic raged and forced people to stay at home. This closed environment accidentally contributed to China's e-commerce market. More and more people started to go shopping online. And the C2C e-commerce model that directly targeted at common consumers became popular. Meanwhile, Alibaba attracted several venture capital institutions that were famous in the world by relying on its competitive strength in the B2B market and established a good cooperation relationship with Japan's SoftBank Investment Group. That improved Alibaba's financing capabilities and offered an even greater opportunity for Alibaba's development.

7.5.4 Threat (T)

In 2003, e-Bay, a C2C e-merchant from the USA, made an investment of 30 million dollars in eBay China, a domestic shopping site, concluded a strategic cooperation with the site, and formally entered the Chinese market. Ebay planned to start from retails and then turned to compete against Alibaba in bulk goods wholesales business. The entry of foreign e-commerce enterprises became the largest threat for Alibaba's niche market.

The changes in the external environment and the threat from new comers brought new development opportunities and challenges for Alibaba. Based on Alibaba's strength, Jack led his start-up team in winning most market share in the Chinese B2B market and attracting several global renowned venture capital investment institutions, thus further enhancing the financing capability of Alibaba. During that period, in the face of the strong competitor of eBay, Jack led his team to make innovations in terms of customer orientation, product development, customer service and other aspects with the characters of Chinese market, shape the differentiated competition strategy and obtained a competitive strength by utilizing his

uniquely creative leadership thought.

Internal	Strength	Weakness
	<ol style="list-style-type: none"> 1. Jack Ma is a knowledgeable and forward-looking entrepreneur 2. Attracted a large number of domestic small- and medium-sized enterprises and foreign buyers to get involved in the platform transaction activities by establishing a B2B platform and adopting the strategy of free subsidies 3. Alibaba's robust financing capability 	<ol style="list-style-type: none"> 1. Excessively selected the expansion strategy 2. Failed to know well about itself 3. Rising internet industry 4. Fierce market competition
External		
Opportunity	SO	WO
<ol style="list-style-type: none"> 1. The raging SARS epidemic in 2003 created an opportunity for online purchase 2. The internet developed fast 	<ol style="list-style-type: none"> 1. Alibaba occupied an advantage in the B2B market 2. Improved financing capability 	<ol style="list-style-type: none"> 1. Online shopping became popular 2. Established a good cooperation relationship with Japan's SoftBank Investment Group
Threat	ST	WT
<ol style="list-style-type: none"> 1. Changes in the external environment 2. Threat from newcomers 	<ol style="list-style-type: none"> 1. Jack Ma's innovative leadership thought 2. Made innovations in terms of customer orientation, product development, customer service and other aspects with the characters of Chinese market 	<ol style="list-style-type: none"> 1. Entry of eBay into China 2. Improved its own awareness 3. Expanded market share

Table 7-5-1 SWOT analysis

7.6 SWOT Analysis of Alibaba in the Growth Period

7.6.1 Strength (S)

1. Accurate market positioning

In 2003, Jack spent four months in analyzing Chinese C2C market. Taobao correctly understood the positioning of key "mainstream users". It can be known by the users analyzing Taobao and eBay China, the former tends to target at internationalized older male white-collar workers who are familiar with technologies and earn high income and the persons who like to collect and share; while the latter tends to target at fashion young female group that prefer small shop mode. By contrast, Taobao's positioning is more suitable for China, which is also one reason for its rapid development in China.

2. Huge strength as a latecomer

In 2003, the software and hardware environment for e-commerce development became increasingly mature. The unity of eBay and eBay China made C2C an eye-catching field among e-commerce competitions. For such an emerging industry that underwent the import period, it was a suitable opportunity to find a foothold before the first-mover enterprises had not divided the markets.

3. Strong financial support

In the early period of the establishment of Taobao, Jack Ma decided not to regard profit making as Taobao's goal with his unique leadership spirit, making Taobao's development more flexible. Since 2003, Alibaba has invested 6.45 billion yuan in Taobao to support free policies.

4. Correct strategy of localization

China has a unique national situation and culture. As a knowledgeable enterprise leader, Jack made Taobao stand out among a lot of shopping sites just by better understanding this point.

A survey indicates that Chinese consumers prefer to private transactions as they can build trust between buyers and sellers. Taobao allows merchants to leave any of their contact information and also launches the Wangwang instant messaging tool, allowing the direct online communication between buyers and sellers. That obviously fits the consumption preference of Chinese users. Additionally, due to the existence of online payment risks, Jack Ma immediately launched Alipay, which acted an intermediary with guarantee service and was well received by Chinese users.¹⁵⁶ It can be seen that Jack has fully understood market needs, catered to customers' preferences and had a good understanding of market trend.

5. Correct marketing strategy

When Taobao.com was initially established, Jack insisted that China's market was not well developed and customers failed to accept paid service. So, he comprehensively promoted the free service strategy, attracting a huge customer base within a short period of time and developing the market rapidly. Taobao.com, as a latecomer, was publically rejected and blocked by eBay China in the early of its establishment but evaded from the cutting edge of eBay China and skillfully adopted the guerrilla style promotion strategy.

7.6.2 Weakness (W)

1. Embarrassment of winning no profits

The code of conduct for e-commerce business is that paid sites do not necessarily succeed but the sites that always provide free service will definitely fail. Since the establishment of Taobao.com in 2003, Jack has always insisted that no paid service model will be adopted for sellers. How to gain profits in development may be the most trouble for the managers of Taobao.com. In order to open up a new profit model, Taobao explored physical stores and online malls but did not achieve good results. At the same time, the dispute over the profit model of Taobao has never been interrupted. So, no matter how brilliant Taobao was in the e-

¹⁵⁶ Chen Ningning. SWOT analysis of C2C Taobao development [J]. China's collective economy, 2009 (24): 43-44

commerce market, the embarrassment of winning no profits will not be changed.

2. Free heavy burden

In the early days of its establishment, Taobao.com adopted the policy of free subsidies by establishing a B2B platform. Taobao.com relied on "free service" to develop the market and only established an online shopping platform. In order to expand market share, it always adopted the free service policy for customers. The latecomers should not be underestimated. All of them entered the C2C field with a huge amount of money, and competitors with the same ideas as Taobao were increasing. A majority of young people are now running online stores. Their biggest feature is their limited financial resources and the problem of virtual store operation they face. In order to consolidate its position in the market and produce enough pressure on competitors, Taobao.com had to insist on the free service strategy. As of 2007, Taobao's total investment reached 1.45 billion yuan.¹⁵⁷ The operation of the platform and the after-sale arbitration of online shopping required a large amount of funds. This was undoubtedly an extremely heavy burden for the wealthy Alibaba.

3. Limitations of the model

The website of Taobao.com and its functions are designed for domestic customer groups. This targeted design played a significant role in promoting the development of Taobao and attracted a large number of Chinese customers. However, it also constrained the further development of Taobao.com and hampered the further expansion of Taobao.com towards overseas market.

7.6.3 Opportunity (O)

1. Policy Support

In 2007, the *Eleventh Five-year Plan on the Development of E-commerce and Several*

¹⁵⁷ Ma Dongmei. Analysis of China's online shopping industry [J]. Journal of Liaoning Transportation College, 2007 (02): 101-102

Opinions of the General Office of the State Council on Accelerating the Development of E-commerce were successively issued. According to two outlines, China will, during the 11th Five-year Plan Period, popularize and deepen e-commerce application, vigorously develop e-commerce service industry, make efforts to perfect the support environment, encourage e-commerce technology innovation and improve the capacity of independent development. Also, China will strengthen market regulation, regulate the order of e-commerce, increase the efforts of publicity and education and promote the popularization and application of e-commerce. China will strive to form a basic pattern of coordinated development of e-commerce development environment, support system, technical service, promotion and application by 2010. E-commerce service will become an important emerging industry; and national economy and social development areas will witness a significant improvement in e-commerce applications and obvious effect. All that will provide a favorable environment for the development of Taobao.com.

2. Rapid development of online shopping market

With the gradual development of technology and improvement of hardware facilities, China's internet has entered a period of rapid development. By the end of June 2008, the number of Chinese netizens has reached 253 million. Online shopping is an important evidence of the internet as a practical tool for netizens. With the improvement of the overall online shopping environment in China, the online shopping market is witnessing an obvious trend of growth. Currently, the number of online buyers reaches 63.29 million and 25% netizens prefer to online shopping.¹⁵⁸

3. Mature technical standards

Instant message (IM). IM, can realize rapid real-time communication and information

¹⁵⁸ Wei dengwen. Mobile agent trust model and its application for e-commerce tax collection and management [D]. Huazhong University of science and technology, 2009

exchange in virtual scenes, such as QQ and MSN.¹⁵⁹ Taobao Wangwang is a special tool for IM personal online stores developed by Taobao.com as the scene of survival. It integrates features such as unique animation expressions, powerful chatting records, instant messaging, transaction management and Alipay, making market segmentation occur to the IM tools of China and satisfying the needs for online transactions.

Alipay. Payment safety is weakness of the C2C website and also a primary issue for the development of China's e-commerce. In October 2003, Taobao.com introduced the "Alipay service", which effectively protected the benefits of online transaction parties from being infringed.

7.6.4 Threat (T)

1. Fierce competition

Due to the limitations of the C2C website, the business model of such website is highly reproducible. The survival of the C2C website depends on a stable number of sellers and a large customer flow. So, Taobao.com makes efforts to develop customer loyalty. However, due to the virtuality and fluidity of the network itself, other Chinese competitors stared at Taobao.com. Once any decision of the website is biased, it will be exploited by its competitors, causing the loss of a large number of customers.

2. Unfixed policies

In the early 2017, the Ministry of Commerce started to solicit opinions online on the *Specifications on E-commerce Models* and *Specifications on Online Shopping Service*. The two management measures mainly cover the assessment requirements on the links such as legal qualification of merchants, license filing, business behavior, payment terms and service system. It is required that e-commerce operators should retain user registration information for

¹⁵⁹ Lu Ying. Comparison of C2C marketing strategies between eBay and Taobao [J]. Journal of Fujian Institute of engineering, 2007 (02): 121-124 + 132

7.7 SWOT Analysis of Alibaba in the Maturity Period

7.7.1 Strength (S)

1. Brand reputation

Alibaba has now developed into a well-known global brand in the B2B industry in the world. In a long period of struggle, Alibaba has established its reputation. Alexa.com, the most famous credibility testing website, made an e-commerce related survey worldwide. According to the data of survey, in terms of comprehensive strength, Alibaba ranked the top. And domestic and international media and venture capitalists listed Alibaba together with four internet giants including Yahoo, Amazon, eBay and AOL.¹⁶⁰

2. Huge customer base

Through years of development at home and abroad, Alibaba has owned a huge customer base, which is incomparable for other competitors. These customers are mainly small- and medium enterprises as well as online customers. In 2016, there was an increase of 73 million in the number of active consumers of Alibaba, with 423 million yuan involved. The growth rate of cloud computing within one year reached 138% and the total number of paying customers reached 500,000.¹⁶¹

3. Diversified products and services

According to the details described of the ecosphere in 5.1, Alibaba's products and services are

¹⁶⁰ Yang Zhaoming. The evolution of Alibaba and the coordination and construction of its business ecosystem [D]. Southwest Jiaotong University, 2017

¹⁶¹ Yang Zhaoming. The evolution of Alibaba and the coordination and construction of its business ecosystem [D]. Southwest Jiaotong University, 2017

diversified and widespread and also involve multiple fields. Due to such nature, the scale economy and scope economy effect of e-commerce should be fully utilized, which reduces market risks to a large extent. The integrated platform architectures built by Alibaba till now include online enterprise transaction platform, online retails platform, payment platform and online shopping search platform, etc.

4. Absolute market share

According to the Statistical Report on Internet Development in China, in 2018, Tmall had a share of around 55% in terms of coverage rate in the B2C e-commerce market, followed by JD, with a market coverage rate of 25.2%; and then Pinduoduo, with a market share of only 5.7%. See Fig. 7-7-1 for details. It can be seen that Alibaba occupies a large part of market share in China's e-commerce platform market.

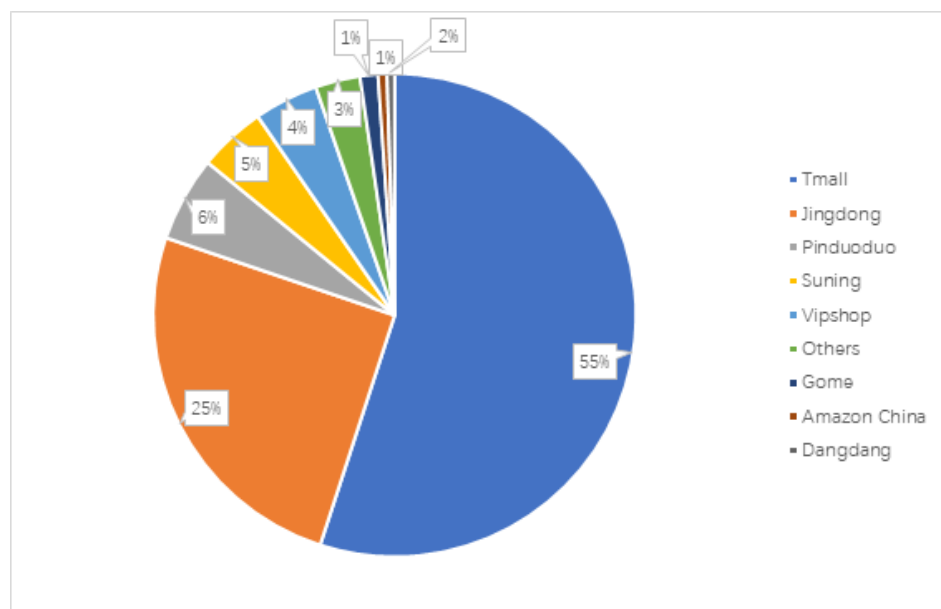


Fig. 7-7-1 Market share of B2C e-commerce platforms in China, 2018

Source: Statistical Report on Internet Development in China

7.7.2 Weakness(W)

1. Severe situation of organizational bureaucratization

Due to the continuous expansion of Alibaba Group, its organizational structure has also developed and its internal organizations witnessed a severe trend of bureaucratization, so it became slow in the response to decisions on relevant things. Taobao.com was dispersed to better cope with the "big company illness". Generally, the reasons that have a big impact on the development of the Group includes the slow response to problems, the bureaucratization of the organizational structure, and the incomplete innovation system.

2. Incomplete credit system

The basic guideline for e-commerce transactions is integrity. So, integrity should be emphasized at all times. When Alibaba found its problem, and the problem has affected the credit of the enterprise in people's mind. There have been a lot of serious issues in the company. Internal regulation defects and incomplete internal management systems were found all due to the B2B fraud. That would undoubtedly reduce the trust of Alibaba's users in online transactions and shopping. Additionally, many merchants of online stores have created high credit ratings by exploiting the credit evaluation loopholes. Credit system is very important to Alibaba. It is necessary to solve the issue of technical loopholes and conduct strict supervision in this regard so as to fundamentally solve the problem of credit, and to eliminate unnecessary losses and negative effects caused by incomplete credit systems.

3. Problems caused by the low threshold of the access

It can be seen from the previous problems of Alibaba that the high popularity and large market of the Group within a short period of time have something to do with the low threshold of the access system. However, the problems caused by low threshold will become serious in the future. The Group will be under a difficult situation, no matter in terms of regulation or management. For the development of an enterprise, its excessively low threshold of the access system has both advantages and disadvantages. In the early period, the problems and impacts caused may be ignored. But when the Group makes changes to its access system and abandons its low threshold of access system, it would be easily rejected by the groups that have benefited

from low threshold.

7.7.3 Opportunity (O)

1. National industry policy supports the development of the Group

In the Twelfth Five-year Plan, China clearly proposed the idea of accelerating economic and social informatization. To build a complete system, it is required that enterprises should continuously develop e-commerce; the e-commerce service for enterprises of varying scales should be improved. The credit service should be actively promoted to all sectors of the whole society. And the links such as online payment and logistics should be continuously improved and perfected. In the face of China's favorable policies and social environment, Alibaba Group may develop faster and also pursue strategic transformation under appropriate circumstance.

2. Huge market potential

According to the *E-Commerce Report of China (2016)* recently released, China is now the world's largest online sales market and has been so for several years. In 2016, China's e-commerce transaction volume reached 2.61 billion yuan, an increase of 19.8% compared with the previous year. And China's transaction volume accounted for 39.2% in the global e-commerce retails market.

3. Rising consumption capacity of consumers

With the continuous improvement of people's life, the internet covers millions of households, and people's enthusiasm for online consumption continues to rise. Also, they are becoming more and more rational and mature, and their cognition of matters is increasing. So, online consumption and e-commerce will enter a period of rapid development, which means a huge number of users and a larger market for Alibaba. Such resources will make Alibaba's development more stable and rapid.

4. Progress of rural e-commerce

Recently, Chinese farmers have learned from the internet, and many people have started business through the internet such as broad e-commerce platform. It has become a new trend of e-commerce in China, and e-commerce has developed fast in the rural areas of China. There have also emerged some outstanding rural e-commerce representatives. Most farmers have put their own agricultural products, such as local specialty products and related deep-processed agricultural products, on large platforms such as e-commerce for sale, for the purpose of starting a successful business. The rural e-commerce industry has gradually taken shape in China. Alibaba plays a certain role in China's rural development. It provides a safe, efficient, and practical service platform, as well as supporting services. It provides a platform and broader market for trading and prompt sales of agricultural products to a large extent.

7.7.4 External threat (T)

1. Industry specification defects

Currently, China's electronic service industry is undergoing rapid development, but the specific industry regulations and related legal protections are still in blank. The overall situation is good and the scale is growing, but the related system is not complete enough. In the past, online payment, online transactions and other aspects have affected the overall stable development of Alibaba Group and produced some negative impacts in the presence of industry specification defects.

2. Fierce market competition

For Alibaba Group, the market competition is quite fierce. There are many companies in China that want to get involved in e-commerce, a very promising market. No matter which e-commerce business model is chosen, it would have a certain impact on the business scope of Alibaba Group. It will undoubtedly make the market competition more intense. It is inevitable that more competitive companies will become the dark horses in the ranks. So, the Group should be careful enough; otherwise, it would face more challenges.

3. Limited scope of service capabilities

At present, Alibaba Group may face many challenges. Due to the rapid development of e-commerce platforms, many related enterprises will expand the related business service scope according to the higher requirements of users for products and services, which will make the originally fierce market competition more intense. At the same time, as the size of the Group continues to grow, it may face problems in terms of internal management level, business capabilities and cost control, all of which would limit the scope of Alibaba's business services.

Internal External	Strength	Weakness
	S1: Brand reputation strength S2: Huge customer base S3: Diversified product and service strength S4: Absolute market share	W1: Serious institutional bureaucratization W2: Incomplete credit system W3: Worries from the low-threshold access system
Opportunity	SO	WO
O1: The national industry policy supported its development O2: Huge market potential O3: Rise in residents' consumption capacity O4: Development of rural e-commerce	Alibaba rapidly developed and occupied an absolutely leading position in the e-commerce service industry based on its resources and service capabilities	Divested non-core key business, carried out large-scale market expansion and increased market share
Threat	ST	WT

T1: Lack of industry specifications	Adapted to industry development trend by exploiting the strength of	Enhanced credit system regulation and established of industry specifications,
T2: Pressure from market competition	Alibaba and improved service competitiveness according to external	introduced innovative service products or introduced innovative results of core
T3: Limitations of service capability	environmental changes	technologies

Table 7-7-1 List of SWOT analysis

7.8 Summary

Through the SWOT analysis in the early stage, it is discovered that both Zhang Ruimin and Jack Ma were farsighted and creative business managers. In the early stage of the entrepreneurship, Zhang Ruimin accurately selected the target market, proactively laid a foundation for the brand-building strategy, implemented a quality management system, differentiated operations from the market at that time, and created a brand with quality, paving the way for Haier's future development. Jack Ma adopted a policy of free subsidies in order to expand the Alibaba platform. This seemingly adventurous and bold decision at the time made a strong push for Alibaba to open the market. In terms of opportunities, at that time, the development policies for national coastal special economic zones provided Haier the opportunity of growth where as the SARS epidemic and China's Internet popularity provided opportunities for Alibaba's online shopping business.

During the growth period, Zhang Ruimin and Jack Ma developed a forward-looking and feasible strategic layout for the company. Zhang Ruimin laid the foundation for Haier's international strategic layout for its overseas market expansion. Jack Ma's localization provided Alibaba with a strategic guarantee to consolidate its position in Chinese market. In the face of market threats, both leaders implemented risk aversion through improving their

company strategies. Zhang Ruimin improved the integrated operation efficiency of the enterprise by improving scientific and technological innovation and strengthening the company's own information collection. Jack Ma promoted Alibaba's diversified development through the integration of the company's own ecology.

In the mature stage, Zhang Ruimin and Jack Ma can accurately locate external opportunities and play their internal advantages. Zhang Ruimin introduced domestic and foreign IoT resources, and operated his IoT platform to make his products differentiated and customized. By accurately grasping the national industrial policy, Jack Ma pinpointed at lower level market to tap the development of rural e-commerce and expand market share there.

8 Comparison and Summary of the Internal Mechanisms on the Strategic Decision Evolution of Entrepreneurs

By summarizing the common points of both enterprises above, we may understand the strategic decision evolution process of an entrepreneur. It mainly includes three stages: first, start-up period. An entrepreneur needs to accurately identify the needs of emerging market according to the analysis on the external environment, chooses a niche market for starting a business, attracts as many users as possible by relying on the network effect and accumulates the resources and capabilities required in expansion. Second, when an enterprise initially establishes its leading position in a market segment, it will witness a large change in both internal and external conditions. The entrepreneur should actively obtain resources from the outside and shift strategic decision changes. In this way, the business model that has been verified to be feasible will be developed and duplicated, thus making the enterprise enter a period of growth. Third, as the whole industry gradually becomes mature, the disappearance of market dividends and complicated user needs will make enterprises establish a new relationship of mutual benefit and co-existence. The building of a business ecosystem would

become a major development goal for enterprises at this stage.

8.1 Startup period

At this stage, there are always some incentives in the external environment, such as technological change and innovation, irregular industry system and the emergence of a new blank market, etc. An entrepreneur should identify opportunities that can be used by itself based on their own knowledge and experience, and find feasible business models to develop opportunities and timely launch its products or services. However, at this time, the enterprise often faces strong resource constraints (such as lack of capital, talents and technologies, etc.). Generally, an enterprise would adopt professional strategies to focus on a specific type of product or service, or a particular niche market. The entrepreneur should actively respond to the opportunity or threat brought by the change in the external environment while maintaining the fast growth of its enterprise. At this time, although an enterprise has occupied a favorable position in the niche market, it would still face serious issue of resource constraints. Thus, when any change in the external environment impacts its business, the entrepreneur should match and analyze such change and the existing resources and capacities inside the enterprise so as to find a feasible development direction and to facilitate the evolution of the corporate strategy. This dynamic matching process requires the enterprise to have the integrated capacity to identify the opportunity and resources. On the one hand, the entrepreneur should search for and utilize the scarce resources required by the opportunity when identifying opportunities and configure relevant scarce resources according to different characteristics and core points of the opportunities so as to promote the realization of opportunities (MarkCasson& NigelWadson, 2007). For example, Haier reconfigured its channel resources when transforming itself towards e-commerce. On the other hand, the existing set of resource capabilities is the basis for an enterprise to make strategic decisions. And the entrepreneurs with scarce resources and previous experience would determine the selection of opportunities according to their personal cognition and preferences (Gao Yang, 2015). For example, Jack Ma decided to establish Taobao.com based on the actual conditions of Alibaba and his personal experience while

Zhang Ruimin decided to march towards the e-commerce industry based on the actual conditions of Haier. As a result of the integration of opportunity resources under dynamic capabilities, an enterprise would ultimately reconfigure and update its resources and capability basis so as to form the products or services that adapt to the new environment and have an opportunity to enter the phase of strategic expansion. In summary, an entrepreneur should regard user needs as a fundamental starting point in its start-up period, realize the rapid growth of user resources (including merchants and consumers), achieve the scale economy in the niche market and finally enter a new market through the integrated effect of opportunity and resource identification.

8.2 Growth Period

When an entrepreneur fully grasps one or multiple market opportunities, its business model will be gradually verified and it will have a certain customer base, supporting business infrastructure and corresponding capital reserves, thus offering the enterprise the capacity to expand its niche market. As an e-commerce enterprise builds its main business on the internet platform, it can enter the adjacent emerging market and further expand network effect at low costs by duplicating its original business model. In the face of multiple opportunities in the market, the e-commerce enterprise would generally select the existing user scale and business infrastructure for strategic expansion, or continuously promote new products and services based on user needs, satisfy users' diversified needs and increase the marginal purchasing power of users, reduce the average costs of products or services, and contribute to scale economy and scope economy. However, at this time, the e-commerce enterprises only occupy a considerable market share. A large number of resources are invested in business expansion due to the implementation of strategies such as provision of subsidies to users and their profit-making capability in prime business fails to support their development speed. So, the effective obtaining of external resources represents enterprises' core capability necessary for strategic expansion. The financing capability formed based on users' fundamental and unique business models is a basic means for enterprises to obtain resources from the outside. On this basis, the

integrated capability of opportunity identification and resources obtaining becomes the prevailing dynamic capability of an enterprise in the strategic evolution of this period. On the one hand, the external knowledge resources obtained from the outside will help enterprises to continuously identify new opportunities. On the other hand, the correct identification of opportunities may guide enterprises to obtain the scarce resources necessary for opportunity development. For example, Alibaba chose to cooperate with Yahoo after realizing the importance of search. Through multiple times of complex integrated effect of opportunity identification and resources obtaining, the enterprise will have the opportunity to gradually establish a comprehensive business system with users as the core so as to form an advantageous competition status in the industry. During the growth period, the enterprise should introduce external value resources based on its resources obtaining capability with financing capability as representative and through the integrated risk identification and resources obtaining, and gradually develop new business and service based on user needs. That aims to further enhance network effect, contribute to scale economy and scope economy, and construct a final core business system with its own characteristics.

8.3 Maturity Period

Through the strategic expansion during the growth period, successful enterprises have generally occupied a high market share and established their leading positions in the market in general cases. At this time, the external market environment has also become saturated and the market dividends have started to decline. Meanwhile, the consumption habits of user groups have become increasingly diversified and complicated through long-term cultivation in the market. And it is impossible for enterprises to fully satisfy user needs by expanding their boundaries in an unlimited way due to the constraint of transaction costs. Thus, the entrepreneurs with industry advantages should attempt to bring related enterprises together and build a business ecosystem that covers multiple fields. Among them, each enterprise focuses on its own market segment and provides services to consumers and merchants by sharing resources and capabilities so as to satisfy the segmented needs of a large number of

users and contribute to the long-tail economy in the ecosystem. During the process of building a business ecosystem, first, entrepreneurs should introduce the new opportunity brought by cloud computing and big data technology through bringing its internal resources (Baker & Nelson, 2005) and external resources together so as to form the data application capability with its own characteristics; second, entrepreneurs should rapidly integrate and externalize their strategic resources and core capabilities so as to contribute to the open core business and form the infrastructure in the ecosystem; finally, enterprises should actively integrate external resources when developing opportunities, including introducing strategic partners and gap type enterprises (Iansiti & Levien, 2004) by means of investment, M&A, cooperation, etc. and sharing resources including technologies, data, etc.

During the maturity period, successful enterprises should regard their core business as support, actively introduce ecological members by applying the integrated capabilities of opportunity exploitation and resources integration and provide users (including merchants and consumers) more complete service experience by applying and sharing data resources so as to increase the conversion costs of users, lock user resources and contribute to the value increase brought by the entire business ecosystem.

8.4 Driving Factors for Enterprises' Strategic Evolution

Based on the cases study of the above two enterprises, the author summarizes the strategic evolution process and its internal mechanism respectively, and also the general process of strategic evolution of successful enterprises and the internal mechanism for their growth. Alibaba and Haier, as successful typical enterprises in China, are subject to the combined effect of multiple internal and external factors. As for external environment, the constantly emerging opportunities and threats are testing the feasibility of enterprises' existing strategies and providing a large number of random alternative paths. Resources and capabilities are the core considerations for enterprises during their strategic evolution. On the one hand, from a relatively static perspective, enterprises should use strategic resources and core capabilities as

leverage during the strategic implementation process and leverage other resources and capabilities that exist inside and outside them so as to gain a competitive strength at a certain point of time. On the other hand, the implementation of enterprise strategic evolution requires enterprises to have corresponding resources and capacity accumulation, and on this basis, enterprises should continuously change the existing structure and combination of resources and capabilities, and constantly form new strategic resources and core capabilities to obtain new competitive advantages based on new opportunities. While dynamic capability, as the link between internal and external factors, runs through the whole process of enterprise strategy evolution, and is the main driving factor of enterprise strategy evolution.

Through continuous observation of the two cases, the driving effect of dynamic capabilities on enterprises' strategic evolution is mainly reflected in the following three aspects. First, these capabilities help enterprises perceive and grasp the dynamic changes in the external business environment so as to identify opportunities and threats and determine the direction and opportunity for strategic evolution, which represents the ability to match and link the opportunity identification and resource identification behaviors. For example, during the start-up period of Alibaba, Jack Ma promptly perceived the huge potential of Chinese online shopping market and the possible threats of eBay after it entered China, and made a strategic selection of entering the C2C market by fully evaluating the resource capabilities of the Group. Second, these capabilities help enterprises to accurately understand the ways and means of obtaining resources when formulating specific strategic plans so as to lay a solid foundation for the implementation of their strategic plans, which represents the ability to obtain relevant resources after opportunities are identified. For example, when identifying the brand strategy of Haier Group, Zhang Ruimin started to promote the brand of Haier worldwide by actively applying the brand effect so as to support the development of its new business. Finally, during the process of utilizing new opportunities, these capabilities helped enterprises to adjust organization management and business flow, changed or shaped the original business model, effectively integrated the existing resources and capabilities and finally formed the basis for the resources and capabilities that match new strategies. All these represent the capability of

resources integration during the process of opportunity development. For example, after entering the maturity period, Alibaba built the business ecosystem with its own characteristics by effectively adjusting and changing its core business.

Furthermore, when analyzing the two cases of Jack Ma and Zhang Ruimin, the author also finds that the two entrepreneurs have similar dominating dynamic capabilities at different stages of development, namely integrated capability of opportunity identification and resources identification, integrated capability of opportunity identification and resources obtaining, as well as integrated capability of opportunity utilization and resources integration. It shows that the driving effect of entrepreneurs on the strategic evolution of enterprises will exhibit different dimensions during different stages of the strategic evolution of enterprises. It can be seen from the specific case observation result that enterprises may not have dynamic capabilities in the early period of their advent, which may form after the accumulation of resources and capabilities within a certain period. At the initial stage of entry into the market, due to the strong resources constraints and lack of social credit, enterprises pay more attention to the matching of external opportunities and their own resources. So, during this stage, dynamic capabilities are mainly reflected as integrated capability of opportunity identification and resources identification. During the strategic expansion stage, e-commerce enterprises start to seek rapid expansion of their business by actively exploiting external resources. So, they place more emphasis on how to grasp market opportunities by introducing external resources and the integrated ability of opportunity identification and resources collection starts to play its role. When enterprises gradually develop towards maturity, the foundation of resources capability will start to be solidified. In order to overcome the core rigid issue that arise, the e-commerce enterprises then seeks to enter the stage of ecological strategy, pays more attention to the integrated capability of opportunity utilization and resources integration for building a business ecosystem so as to update their resource capability structure and further maintain and develop their development strength.

Based on the above analysis, the author draws the following conclusions: 1. Dynamic

capability is a main driving factor during the strategic evolution process of an enterprise and shows different dimensional characteristics with the different stages of enterprise development:

- 1) The enterprise does not have dynamic capabilities in the start-up period;
- 2) The matching and correlation of opportunity identification and resources identification are mainly reflected in the start-up period;
- 3) The resources collection behavior during the process of opportunity identification is mainly reflected in the growth period;
- 4) The resources integration behavior during the process of opportunity development is mainly reflected in the maturity period.

8.5 Path-dependent features of enterprises' strategic evolution

The previous development path of an enterprise will affect its subsequent development direction.¹⁶² Although superficially, Alibaba and Haier undergo business changes and even conduct business in different fields during the process of strategic evolution. However, due to the effect of development history, resources and selection of external environment, the path-dependent characteristics remain and also reflect new characters.

According to the result of analysis on the two cases, the path dependence exhibited by Alibaba and Haier during the process of strategic evolution is mainly divided into three aspects: first, the two enterprises change their strategies by focusing on the most promising strategic vision, i.e. “make the business in the world have no difficulty” and “reducing costs, improving efficiency”. Second, the evolution of the two enterprises’ dynamic capabilities features “develop from nothing, from low level to high level”. That is mainly due to the fact that the dynamic capabilities of the enterprises themselves are path-dependent, which determines that

¹⁶² Yan Yuanchun. Study on the mechanism of emergency response capacity of road transport dangerous goods enterprises and Countermeasures for improvement [D]. Chang'an University, 2012

dynamic capabilities cannot develop infinitely and be randomly beyond their current boundaries and historical development paths. Their derivation and action process will be constrained by their resources status, organizational process, development history and external environment. Third, the resources and capability accumulation of the two enterprises during the process of strategic evolution are obviously path dependent and are specifically reflected as the inheritance and self-reinforcement effect during the evolution of strategic resources and core capabilities evolution.

It can be known from the above analysis that the path reliance during the strategic evolution process of enterprises includes three levels, namely corporate strategy, dynamic capabilities and accumulation of resources and capabilities. The previous development path of an enterprise produces a significant influence on its accumulation of resources and capabilities, derivation and application of dynamic capabilities, and selection of future strategies and is finally reflected as the route dependence characteristics during the whole strategic evolution process. It should be further pointed out that the route reliance at each level is not a strategic evolution process that independently acts on enterprises and the three are of obviously dynamic consistency. First, enterprises may form an incremental progression mechanism on the existing route to establish the self-reinforcing effect and route locking by comprehensively utilizing the combination of resources and capabilities under the unique historical conditions (Barney, 1991). For example, during its start-up period, JD.com developed itself into 12 chain stores within three years based on its rich channel resources and highly cost-effective products. With the passage of time, the acting mechanism will gradually shift to a state of inefficiency (Mu Wenqi, 2014). At this time, enterprises should use the dynamic capabilities that adapt to requirements for resources status and external environment to break route reliance and reconstruct resources and capabilities so as to change the original route mechanism. Dynamic capabilities are path dependent in themselves. It can be seen from Conclusion 1 that, during a certain development stage, only some dynamic capabilities that adapt to enterprises' conditions and requirements for their external environment are effective. For example, during the growth stage of Alibaba, Jack Ma's ability to integrate opportunity identification and resources

collection occupied a leading position and enterprises' resources integration during the process of opportunity utilization (by integrating Yahoo China) failed. Within a certain stage, enterprises may shift from the old strategy to the new one by rationally applying dynamic capabilities but the selection of new strategies is constrained by the endowment of dynamic and resource capabilities. So, enterprises have to make decisions within a relatively limited scope.

9 Summary of Conclusions and Prospect

9.1 Conclusions and Innovative Points

9.1.1 Conclusions

(1) Zhang Ruimin at Haier Group and Jack Ma at Alibaba Group have different dimensions of strategic leadership and implement different search and decision-making routes at different organization stages;

(2) In the organizational evolution of effective high-tech enterprises, the management strategies of strategic leaders are understood from the perspectives of business leadership and innovative leadership;

(3) An effective organizational evolution, no matter how advanced and perfect the strategy formulated by a strategic leader, which needs to go through environmental choices.

9.1.2 Innovative points

(1) The research and results of the strategic leadership theory are widely known in Western enterprises. However, the author applies it to a sample of Chinese enterprises under a completely different national policy and environment, and establishes models to verify them.

(2) This paper studies how Haier Group, Alibaba as well as their leaders Zhang Ruimin and Jack Ma find value for the western strategic leadership theory in the application contexts of Chinese enterprises. For organizational evolution, we have previously focused on the external environment in the organizational reform and its influence but ignored the decision makers during the search and selection stage of evolution and changes. The author highlights the effect of strategic leaders on organizational evolution and tries to seek the effects of strategic leadership on organizational evolution and reform. The Haier Group selected in this paper has undergone five strategic stages, which are used to discuss the effect of strategic leaders on organizational evolution and reform, especially the ability to search for decisions in response to environmental changes.

(3) Based on literature review, the author summarizes and refines a model of strategic leadership styles and organizational evolution.

(4) Leading enterprises, especially Chinese local leading enterprises, do not only play a guiding role for enterprises in the world but also enjoy a high value of reference for Chinese local enterprises. Theory building is a process based on practice and converted towards theory. The two can facilitate the further development of China's management practice and management theory research. Also, domestic and international researches on Chinese leading enterprises are developing fast. Thus, based on the existing results obtained through research on the leading enterprises, this paper makes a deep probe into the logic of leading enterprises' practice in building management theories, especially with Chinese leading enterprises as examples. This paper is of significance not only for the research on Chinese context but also for other researchers to systematically analyze the management practice of Chinese leading enterprises.

(5) As for theoretical significance, Chinese scholars are paying more and more attention and making increasing appeal to and research on the Chinese theory of management and Chinese management theory. Internationally, there are more and more management researches on Chinese context. The validity of the theories drawn from these researches is being tested. The

theoretical construction is currently at a stage of transition from high-reliability to high-efficiency testing. On the one hand, this paper reviews and summarizes the relationship between management theory and practice, theoretical value of the practice of leading enterprises, practice-oriented management researches and theory construction related researches, which lays an initial foundation for researchers to establish theories based on the practice of Chinese enterprises in the later period. On the other hand, in response to the initiative of the management scholars on facing squarely the research on the management practice in China, this paper makes supplementation and perfection based on a series of researches conducted by the previous researchers, analyzes the management practice of Chinese leading enterprises by adopting SWOT and five-leadership analysis theory by further studying relevant literatures. This study is somewhat innovative and makes up for the shortcomings of previous studies.

(6) In terms of practical significance, Chinese enterprises started late. And compared with foreign countries, the research on the management practice of Chinese enterprises and the theory building based on the Chinese national situation are also late and the research results remain to be diversified. With increasingly leading enterprises in the recent years, leading enterprises have got involved in increasingly wider industries, from the previous monopolized industries such as petroleum and communication to the home appliance, building and internet industries. And Chinese leading enterprises are increasingly leading in the world. In view of the fact, summarizing the logic of the practice generation theory of Chinese leading enterprises can provide some practical guidance for latecomers' study and reference and help these enterprises to grow faster and better.

9.2 Summary

Environmental changes have caused Haier's leaders to search for results in a more inertial manner and to adopt different strategic decisions to respond to the changing environment. When an organization needs to face change, it should adopt a different method of

organizational evolution and reform. First, the author simply illustrates the theories of strategic leadership and organizational evolution. Second, the model of relationship between strategic leaders and organizational evolution is proposed. Under the support of cases, the effect and influence of the decisions made by the strategic leaders with different styles under different environments are analyzed so as to verify the practicability of the model.

This paper makes a detailed analysis of the organizational evolution led by Zhang Ruimin, who leads Haier group, and Jack Ma, who leads Alibaba Group. It shows that leaders of the two groups should adopt different strategies at different stages, fully exhibits the characteristics of strategic leaders in the operation and innovation of organizations and their ability to search for and decide the tasks upon different organizational evolutions and to complete the journey of reform that can change the environment each time.

9.3 Prospect

Based on the theories of strategic leadership and organizational evolution, Haier Group and Alibaba Group are analyzed and studied as examples. Due to the limitations of time or other factors, all cases and data are derived from second-hand data. No leadership style is confirmed by Zhang Ruimin and Jack Ma. Most materials in the cases are collected from the internet and books. And there are some limitations in terms of the assessment on leadership styles.

Due to the limitation of various resources, no complete statement is made on this study. A more perfect conclusion may be drawn by collecting data from other enterprises and making a more practical comparison. It is hoped that the subsequent study should be enriched by taking the corporate research opportunity later.

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