

# Haidilao Corporate Culture and Corporate Image Communication Research Report

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**Abstract:** As a myth in the catering industry and the leading hot pot restaurant in China, Haidilao has always been known for its "service". But such a service can not be formed overnight, and it is impossible to rely solely on directive tasks to drive employees, behind which there must be a unique corporate culture as a strong support. The author will use the "Five Elements of Corporate Culture" proposed by Terrence E. Deal and Allan A. Kennedy as a framework to study the corporate culture of Haidilao in depth and comprehensively. With the background of economic globalization, Haidilao has established a corporate strategy of rapid expansion both at home and abroad in recent years, so in the process of this change in external environment and corporate strategy, the adaptability of Haidilao's original corporate culture and the corresponding cultural changes have become the focus of research. The author will use "the Competing Values Framework" proposed by Kim S. Cameron and Robert E. Quinn to diagnose the corporate culture of Haidilao and suggest changes.

**Keywords:** Haidilao, Corporate Culture and Corporate Image Communication, Five Elements of Corporate Culture, The Competing Values Framework

## 1. Introduction

### 1.1. Research Background

With the rapid development of China's economy, the people's growing need for a better life has gradually replaced their material and cultural needs. As the Chinese saying goes, "Bread is the staff of life", in today's China, "food" is much more than simply filling the stomach. People have had higher requirements and expectations for the high quality and diversity of food, the beauty and comfort of the dining environment, and the thoughtfulness and attentiveness of the overall service. Today's catering companies need to find at least one core advantage unique to them in terms of products and services, build innovative business models with special features, and deliver a highly recognizable catering social culture in order to gain a foothold.

Nowadays, the global business community basically agrees that the source of corporate competitiveness is corporate culture. When all employees of an enterprise have the core values of the enterprise and can reflect them in their common actions, the enterprise will have unique competitiveness and obtain strong development as a result. An enterprise with corporate culture must have strong competitiveness; an enterprise with strong competitiveness must have its own excellent corporate culture.

Haidilao, as a model for everyone in China's catering industry in recent years, has developed for nearly three decades, forming its own unique advantages, and has set up nearly one thousand chain stores not only in China but also around the world. The charm of a company with long queues of customers and happy employees is the corporate management culture of Haidilao.

However, with the continuous expansion of Haidilao and its internal management problems and changes in the external environment, it is necessary to continuously promote and reform the corporate culture management of Haidilao to promote the improvement of corporate management and the enhancement of the core competitiveness of the company itself. From the enterprise's own internal and external environment, reform and create its own excellent corporate management culture, and then integrate all kinds of forces to promote the enterprise's continuous development and growth.

### 1.2. Research Significance

With the change of time and environment, the development of any enterprise will appear different

new problems. With the change of internal and external environment and the development of the times, the existing corporate culture of Haidilao has existed in parts that cannot adapt to the development of the enterprise and the progress of the times, and in order to keep the enterprise with strong competitiveness, sustainable development and vitality, the corporate culture must follow the development of the enterprise and embrace the changes. This paper analyzes the current situation of corporate culture management of Haidilao and its achievements and problems based on the basic theories of corporate culture, and proposes corporate culture management reform strategies and solutions for Haidilao based on the impact of its achievements and problems on the development of the enterprise, and also provides reference for the corporate culture and corporate image communication of other Chinese catering enterprises.

## **2. Reasons for Choosing the Topic**

### ***2.1. Origins: Witness to Major Days in the Circle of Friends***

I found an interesting phenomenon in my circle of friends: no matter it is for a birthday, festival, league construction or a class-ending, a large percentage of people will choose Haidilao, and more inclined to show photos or videos of dining in their circle of friends. After the epidemic, everyone was bored at home for half a year, and the long-suppressed desire to socialize came out after the school year started in the fall, so the density of Haidilao in my circle of friends appeared more during this semester. This sparked a strong curiosity in me: what is the magic of Haidilao that attracts so many people to go there and witnesses so many people's important days, which became the boost for me to study Haidilao in depth and comprehensively.

### ***2.2. The Preference of Foodies for "Haidilao"***

As a senior foodie and hot pot lover, I have a strong personal interest in the food and beverage industry and have been to nearly 20 hot pot restaurants, including Haidilao, so I have a relatively comprehensive and objective basic knowledge and personal understanding of the hot pot category. Since I went to college, I have been to many Haidilao stores, and after experiencing the unique service of Haidilao and communicating with the store manager and store staff for many times, Haidilao does provide customers with excellent dining experience in all aspects of dining, and the staff themselves have high recognition of Haidilao, which conveys a joyful social culture at the dinner table. In this relationship of serving and being served, both parties are satisfied, which is the greatest outgrowth of the internal culture logic of Haidilao. Based on my interest in the food and beverage industry and my preference for Haidilao, I tried to gain a better understanding and experience of Haidilao's corporate culture through my own study and research.

## **3. The Corporate Culture of Haidilao**

### ***3.1. Research Framework***

In their book "Corporate Cultures: The Rites and Rituals of Corporate Life", American scholars Terrence E. Deal and Allan A. Kennedy put forward the "Five Elements of Corporate Culture", which believes that corporate culture mainly includes business environment, heroes, values, rites and rituals, and cultural network.<sup>[1]</sup>

**Business environment.** The business environment here mainly refers to the external environment, including the political system, socio-economic development level and national cultural traditions at the macro level, and the regional economic development strategy, customs and habits at the micro level. Of course, the internal environment of the enterprise is also worthy of attention. Only when the internal and external environment of the enterprise is well grasped can we use it as the basis for in-depth study of corporate culture and propose constructive solutions for corporate culture.

**Heroes.** They are the personalized embodiment of corporate values and the symbol of corporate image. Companies promote and implement their value system by establishing heroic role models that can be directly studied and emulated.<sup>[2]</sup> Heroes should be down-to-earth, to make employees realize that heroes are ordinary people like themselves, and they can succeed, as they can.

There are two main types of heroes, one is the "symbiotic hero", generally the founder of the company, often have a difficult experience, but ideal, tenacious, and finally successfully founded the company, the

impact on the enterprise is long-term, philosophical, and can light up the journey for all staff; the second is "Situation hero", is carefully shaped by the company in a specific environment, the impact on the enterprise is short-term, specific, only to the daily work of the success stories to inspire the staff.

**Values.** They are the basic beliefs, goals and judgments shared by most members of the company and are the core elements of corporate culture. Corporate values establish the spiritual pillar for the survival and development of the company, and play a guiding and normative role in the behavior of the company and its employees, so as to cohesion and stimulate potential. However, the values of employees are not innate, and it requires the leadership of the company to establish unified values, and to improve the supporting mechanism and shape the spirit of the company.

**Rites and rituals.** They refer to various activities that are not explicitly stated in the company but are commonplace, and are direct tangible manifestations of corporate culture, including games, group dinners, greeting, reward, work, management ceremonies, celebrations and annual meetings, etc.

**Cultural network.** It refers to the informal communication channels within the company that are based on stories, speculation and other verbal expressions, which are relatively more secretive and spontaneous, as well as more storytelling and vivid images. In this communication hierarchy, there are seven main roles: storyteller, pastor, whisperer, gossip, secretariat staff, spy and informal group members.

The following is a comprehensive analysis of Haidilao's corporate culture using the "Five Elements of Corporate Culture".

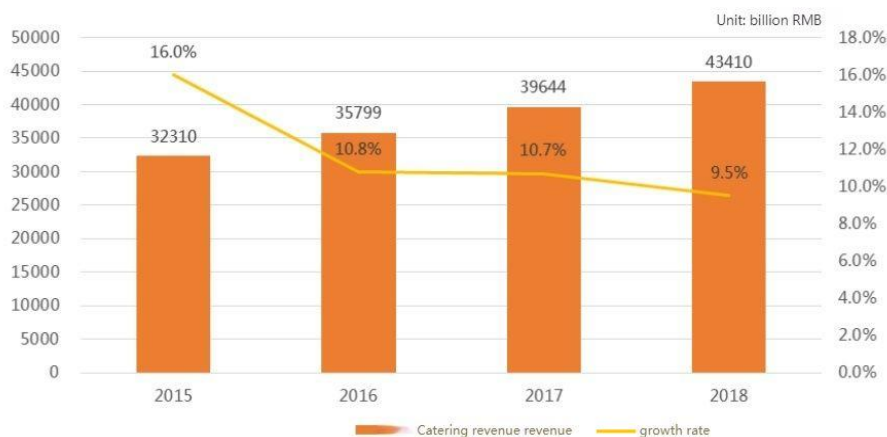
### 3.2. Five Elements of Corporate Culture of Haidilao

#### 3.2.1. Business Environment

##### 3.2.1.1. External Environment: PEST Analysis

Politics:

In recent years, China has introduced a number of policies to support the development of the catering industry. 2016, the Ministry of Commerce issued the "Guiding Opinions on Promoting the Transformation and Development of the Catering Industry", and in the same year, the "replace the business tax with a value-added tax" pilot project was fully implemented, and the catering industry changed to pay VAT to reduce the tax burden of enterprises.



Data source: National Bureau of Statistics, iiMedia Research (艾媒咨询)

Figure 1: Revenue market size of China's catering industry, 2015-2018

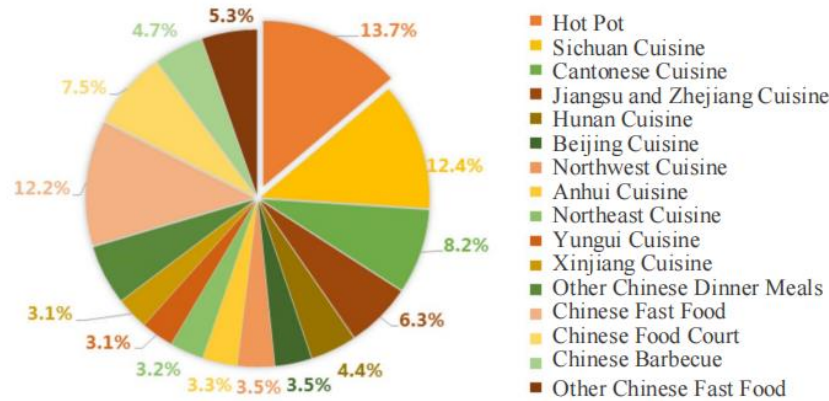
At the same time, China has repeatedly adjusted and revised laws and regulations related to food safety, and strengthened and improved the regulatory system. On October 1, 2015, the Food Safety Law of the People's Republic of China was officially implemented. Since the 18th National Congress, food safety has been given high priority by President Xi, who has proposed four "strictest" food safety measures, thereby reducing the living space of low-end restaurants and raising the threshold for the restaurant industry.

With the outbreak of the new crown epidemic in 2020, the state also vigorously assisted restaurant

companies to resume work and production, providing greater support in terms of credit, rent and tax payments.

Economy:

In recent years, the revenue market size of China's catering industry has expanded year by year with 2018 exceeding 4 trillion RMB for the first time, an increase of 9.5% over the previous year. While the total retail sales of consumer goods grew by 9.0% during the same period, [3]China's catering market has maintained steady growth and the industry has great potential for development.



Data source: Haidilao prospectus, iiMedia Research (艾媒咨询)

Figure 2: Market share of China's restaurant industry by sub-category, 2017

The Chinese food and beverage market is highly fragmented and is mainly divided into two categories: Chinese formal dining and Chinese fast food. In recent years, the number of Chinese formal dining consumers has gradually increased. Hotpot belongs to Chinese formal dining and has the highest market share in the segmentation category.

The size of the hot pot market is expected to exceed 700 billion RMB in the next few years, with a huge number of consumers.

Sichuan-Chongqing hotpot	Northern hotpot	Cantonese hotpot	Taiwan hotpot	Yunnan-Guizhou hotpot	Other hotpot
Sichuan hotpot	Old Beijing hotpot	Seafood hotpot	Small hotpot	Mushroom hotpot	Korean hotpot
Chongqing hotpot	Northeast hotpot	Chaoshan beef hotpot	shabu shabu	Cured Pork Chop hotpot	Japanese hotpot
Fish hotpot	Northwest mutton hotpot	Hot pot with porridge bottom	.....	Black goat hotpot	Yipin pot
fried sticked meat (chuanchuanxiang)	Lame spine hotpot	Doulao hotpot		Dian flavor hot pot	Coconut chicken
.....	Lame soup hot pot	Pork stomach & chicken hotpot		Sour soup fish hot pot	.....
	.....	.....		.....	

iiMedia Research (艾媒咨询)

Figure 3: Segmentation of the hot pot consumer market

The trend of category segmentation in the hot pot consumption market is obvious, with Sichuan-style hot pot occupying the mainstream of the market, with a market share of 64.2% in 2018.



Figure 4: Comparison of development scale between Haidilao and Xiabu xiabu, 2011-2018H1

Comparison of Market Share of Haidilao and Xiabu Xiabu (as of the end of 2018)

Ranking	Catering Group	Revenue Growth	Market Share	Net Profit	Turnover Rate	Unit Price
1	Haidilao	38%	2.2%	1,649 billion RMB	5	100
2	Xiabu Xiabu	29.2%	0.8%	0,475 billion RMB	2.8	50

Relevant data are compiled by 蛋解创业 according to network data, and there may be a small range of errors.

Figure 5: Comparison of market share of Haidilao and Xiabu xiabu( as of the end of 2018)

Through the competitive analysis of Haidilao and Xiabu Xiabu, it can be concluded that Haidilao is the leader of traditional hot pot positioned in the high-end, suitable for friends and business banquets; while Xiabu Xiabu is the developer and leader of fast casual hot pot restaurants, positioned in the mass market of convenient and fast dining.

Xiabu Xiabu has now passed the period of rapid expansion, and the growth rate of stores has gradually slowed down, with less than 100 new stores opened each year. Haidilao has established a strategy of simultaneous expansion at home and abroad since 2015, and is still in a period of rapid expansion, with more than 200 new stores expected to open each year, most of which will be opened in second- and third-tier cities and more than 20 overseas. Haidilao's revenue scale also expanded rapidly after 2015, with revenue growth rate, market share, net profit and other indicators significantly outpacing Xiabu Xiabu, and is at the industry leading level.

**Society:**

In recent years, China has been strengthening the socialization of cultural confidence and calling for the return of traditional Chinese cultural values. Not only has the Chinese culinary fever such as "A Bite of China" and "Once Upon A Bite" been launched in China, but also the worship and enthusiasm for Western food has gradually cooled down. Chinese culinary culture has become the material and spiritual wealth of the world.

At the same time, with the improvement of people's living standard, people's consumption concept has gradually changed, and people are inclined to make some exquisite consumption on the basis of meeting the basic life. Especially young people working in the first and second line have taken weekend dinner with friends as a new way of daily social leisure, and the demand for medium and high-end fine dining has increased significantly.

**Technology:**

With the development of the Internet and the deepening of the degree of information technology in food and beverage, network marketing and take-out mode has flourished, and for some enterprises that rely heavily on store services, while having new market opportunities, they also face the challenge of not being able to highlight the advantages of store services.

At the same time, as emerging technologies such as big data, cloud computing and artificial intelligence technologies become the trend, people's attention to technology and the future is increasing,

and new concepts such as "smart restaurants" have attracted strong interest and won wide recognition in society. This shows that the future development trend of wisdom in the restaurant industry is significant.

### **3.2.1.2. Internal Environment: Corporate Image**

Origin of the name of Haidilao:

The name "Haidilao" originally came from Sichuan mahjong, which is a term used in mahjong where the player wins the game with the last tile drawn by himself. When Haidilao was founded, the founder did not have extra money to advertise, so to achieve a better publicity effect, the only way to start is with the name, one is to remember, and the other is to have a good meaning. It goes without saying that Sichuan people like to play mahjong, so "Haidilao" is not only memorable, but also can be evoked at any time in life scenes. As for the good meaning, besides the good luck of winning the game, the name is also associated with the action of "fishing for food" from the pot, which is a vivid image. Therefore, the founders decided on the name "Haidilao".

LOGO:

In 2019, based on the mid-to-high-end brand positioning and international market development strategy, Haidilao adjusted its corporate image logo, one is to change the Chinese pinyin "HaiDiLao" to English "Hi", in line with Haidilao's strategy of simultaneous high-speed expansion at home and abroad. "Hi" not only harmonizes with the first word "Hai" of "HaiDiLao", but also serves as a global symbol, which can refer to a mutual greeting of "Hi", can also be interpreted as "High" for having a good meal, which can make foreign friends easy to read and remember at the same time and better understand China's unique hot pot social culture; The second is to simplify and merge the Haidilao's pattern and characters, deleting the original wing-like pattern and simplifying the long series of pinyin characters, and merging them together into a concise combination of the circle "Hi" and the Chinese characters "Haidilao", which gives people a simple, high-end, international feeling. The "i" is designed in the shape of a chili pepper, representing the identity of Haidilao, which is known for its spicy Sichuan-style hot pot.

Store environment:

Haidilao has undergone a "store upgrade" in recent years, and its store image has changed significantly to attract a younger generation of diners at home and abroad. Haidilao overturns the previous perception of the traditional hot pot restaurant with red, black and white no longer as the main color, boldly uses fashionable and innovative green and brass color as the main visual. The walls and other backgrounds are large log color. The division of the entire store area is natural and smooth, neat and refreshing, while the tables and chairs bracket, lighting and ceiling alignment give a simple but delicate aesthetic feeling. With warm yellow light, log color and green sofa cushions, it creates a "calm comfort", romantic and warm, which can not be experienced in the past noisy hot pot restaurants, better highlighting the positioning of the mid-to-high-end image of Haidilao.

### **3.2.2. Heroes**

When it comes to Haidilao, we have to mention Zhang Yong. Zhang Yong is undoubtedly the "symbiotic hero" of Haidilao, and now he has become a model for almost every Haidilao employee to learn and emulate, and his successful entrepreneurial history has also been passed on by word of mouth within the company, which has a long-term and profound impact on the development of the enterprise.

Haidilao was established in 1994 in Jinyang, Sichuan Province. The Zhang couple and the Shi couple were the earliest entrepreneurial team of Haidilao. Zhang Yong, born in 1971, started his business from the age of 23, he has gone through 26 years, from a young and tender youth, grew into a Chinese restaurant industry lord, a listed company chairman, the richest man in Singapore. Through the combing of Zhang Yong's road of grassroots reversal, the author believes that there are six key periods as follows.

#### **3.2.2.1. Vow to Change Fate with Hands**

Zhang Yong was born in Jinyang, Sichuan Province, and grew up in poverty and extreme material hardship. He vowed to use his hands to change his fate and rely on hard work to create his dreams, which is also a value he has always believed in his life. But Zhang Yong's academic performance is not good, in the bottom of the class, after graduating from junior high school did not enter high school, went to a technical school in Jinyang to learn welding technology, and later entered the Sichuan tractor factory work, receiving a very meager salary. It can be said that before the age of 20, Zhang Yong, there is almost no sign of becoming an inspirational rich man, is a complete grassroots. But Zhang Yong loved to read, so he had a strong appeal among his peers, and his technical school classmate, Shi Yonghong, was one of his partners who later founded Haidilao.

### **3.2.2.2. From Poker Machine to Small Pepper**

Zhang Yong's entrepreneurial experience is very rich, he has created a total of three businesses.

The first business: borrowed money to buy poker game machines, but midway in the bus was cheated of money, to end in failure.

The second business: focused on the oil pouring business, but ignored the need to pull strings. With the "oil collection" and "oil" board in hand on the Jinyang-Chengdu highway, he squatted for two days but finished empty-handed. Zhang Yong calmed down, determined to give up the idea of making money opportunistically, and decided to do a business down to earth.

The third business: opened a small hot pot restaurant called "small chili" skewers in Jinyang when 22, netting more than 10,000 RMB. During the period of love with his later wife Shu Ping, the madness of first love made Zhang Yong shut down the small store.

Although Zhang Yong's three ventures have ended in failure, he has accumulated valuable entrepreneurial experience and lessons learned.

### **3.2.2.3. Foundation of Haidilao**

In fact, Haidilao's "good service" is not a decision of the management, but the founder from the beginning of the business summed up the essentials.

In 1994, Zhang Yong and his fellows founded the first undersea hot pot restaurant in Jinyang. At that time, the store was very small, only four tables, Zhang Yong also can not fry hot pot base, only to read books while frying, the taste is naturally very ordinary. But Zhang Yong gave a plate of dim sum to the first customers enthusiastically, and also discounted 10 RMB, the results of the customers gave unanimous praise when they left. Since then, Zhang Yong has decided that service is the winning principle, he began to take the initiative to warmly greet customers, help customers carry bags, take the children, polish shoes ..... Only customers can not think, no Zhang Yong can not do, and strive to do better, and when the customer is not satisfied, he will be sincere apologies, or even directly waived.<sup>[4]</sup>

With the gradual expansion of fame, Zhang Yong proposed to expand the store and decorate it into the most imposing in the whole of Jinyang, attracting numerous large customers. A few years later, Haidilao became a household name for hot pot restaurants in Jinyang.

### **3.2.2.4. From Jinyang to Beijing**

In 1999, Zhang Yong decided to step out of Jinyang and opened his first branch in Xi'an.<sup>[5]</sup> Although the business was cold at first and the three partners accused him of dictatorship, Zhang Yong did not give up lightly and led his staff in Xi'an to show extraordinary sincerity, enthusiasm and patience, providing customers with a large number of "special services" that can be found in Haidilao stores today for free. In less than two months, the business of Haidilao in Xi'an exploded through word-of-mouth.

In 2004, Zhang Yong wanted to enter Beijing, which was again unanimously opposed by his three partners. In July, the first Haidilao store opened in Beijing, and within a few months, it became the focus of media and public attention with its strong service, and even CCTV interviewed and reported on Haidilao. At that time, Haidilao ranked among the top three hot pots in Beijing on the public review website.

### **3.2.2.5. Layout of Industrial Chain**

We can see that Zhang Yong is a practical person who dares to think and do, but he also has a long-term vision. Contrary to what many people think, despite its fame, Haidilao has not developed very fast compared to other brands in the same period. Before 2015, when other brands were fighting on the road of store expansion, Haidilao continued to explore better services vertically while starting to develop horizontally, laying out the whole upstream and downstream industrial chain including ingredients and base supplies, warehousing and logistics, store decoration and even monitoring and cashiering, which can provide services including ingredient procurement, base supplies and takeaway delivery for Haidilao and other restaurants. Haidilao is no longer a simple hot pot restaurant, but a large group rooted in all aspects of the entire hot pot industry.

### **3.2.2.6. Exploring International Business and Expansion**

In 2012, Haidilao's first overseas store in Singapore Clarke Quay opened for business, taking the first step towards globalization, and since 2015, Haidilao has started a simultaneous high-speed expansion strategy at home and abroad. By the end of 2019, Haidilao operated more than 700 stores

worldwide.<sup>[6]</sup> Although the outbreak of the new crown epidemic affected the performance of Haidilao in the first quarter of 2020, it did not change Haidilao's store opening plan for the whole year, and the total number of Haidilao stores has reached 1,000. Haidilao claimed that the target of 3,000 stores set in previous years is fully achievable in the near future.

Through the above review of Zhang Yong's entrepreneurial history from a grassroots commoner to a catering kingpin, it can be seen that Zhang Yong has made a great career through hard work, and his passionate service is also the winning formula for conquering customers. In the face of difficulties, Zhang Yong has the courage to face challenges and the tenacity to not give up until he achieves his goals, while in the long-term development of the enterprise, Zhang Yong is both steady and ruthless, entering Beijing, the layout of the industrial chain, high-speed expansion, etc., all highlighting Zhang Yong's sense of personal responsibility to make the enterprise continue to succeed. As the "symbiotic hero" of the company, Zhang Yong's experience and values are also deeply engraved into the corporate culture of Haidilao, with one center—changing fate with hands, and two basic points—customer-centered and hard-working. On the official website of Haidilao, the qualities of Haidilao staff are summarized as honesty, innovation, humility, diligence, passion, kindness to others and sense of responsibility.<sup>[7]</sup>

### 3.2.3. Values

Through the pre-analysis of Haidilao, the author concluded that Haidilao has three core values of fairness, friendliness and innovation.

#### 3.2.3.1. Fairness: Down-To-Earth and Enterprising Righteousness

First, "regardless of origin". After the review of the founder of Haidilao, Zhang Yong's entrepreneurship, we can know that Zhang Yong came from a poor background, graduated from a technical school, can be said to be a grassroots, no origin to speak of, but he relied on diligent hands and perseverance of the heart to eventually start a successful business. Therefore, there is no restriction of education or origin in Haidilao, the key is to be diligent, honest and sincere, everyone is equal, everyone can create wealth and change fate with their own hands.

Second, "refuse to parachute in". In Haidilao, except for financial and engineering positions, both managers and important positions must start from the bottom, from the direct service to customers. Haidilao never outsource management personnel, because only the managers who rise gradually from the front line really understand the needs of customers and are trained in all aspects, which is also a fair and responsible attitude to every hard-working and serious worker.

Third, "clear promotion system". Haidilao set up three promotion systems: management, technology and logistics(Haidilao's three promotion systems: ①Management path: new employees—qualified employees—first-class employees—advanced employees—pacesetter employees --Lobby Manager --Store Manager --Regional Manager --Regional General Manager --Deputy General Manager. ② Technical path: new employees—qualified employees—first-class employees—advanced employees—pacesetter employees --Model employee—Meritorious employee. ③Logistic path: new employee—qualified employee—first class employee—advanced employee—clerk, cashier, accounting, purchasing, logistics, technology department, development department—business manager), so that each employee can have sufficient room for development, clarify their future plans and routes, and step towards the goals in their hearts step by step.

Fourth, "piecework pay". Haidilao follows a piecework pay system where employees' pay is directly linked to the total workload, and each task of the employee is detailed in the workload during the whole process from customer entry to departure. This gives the most sweet fruits to the hardworking people, while the lazy people have to pay a certain price, with clear rewards and punishments, which is a direct reflection of fairness.

#### 3.2.3.2. Friendliness: Kindness and Harmony Inside and Outside

Internal:

First, the staff accommodation. Haidilao's staff accommodation is second to none in the catering industry. Although each branch is independently responsible for staff accommodation, there are unified implementation standards. For example, the staff apartment is no more than 20 minutes walking distance from the store, the apartment must be a formal district or two or three bedrooms in the apartment, not a basement, and the annual cost of a single store dormitory is 500,000 RMB. Haidilao also does a great job in humane care for employees, such as providing separate rooms for husband and wife employees. The apartment is fully equipped with TVs, computers, Wi-Fi, washing machines, air conditioners and other



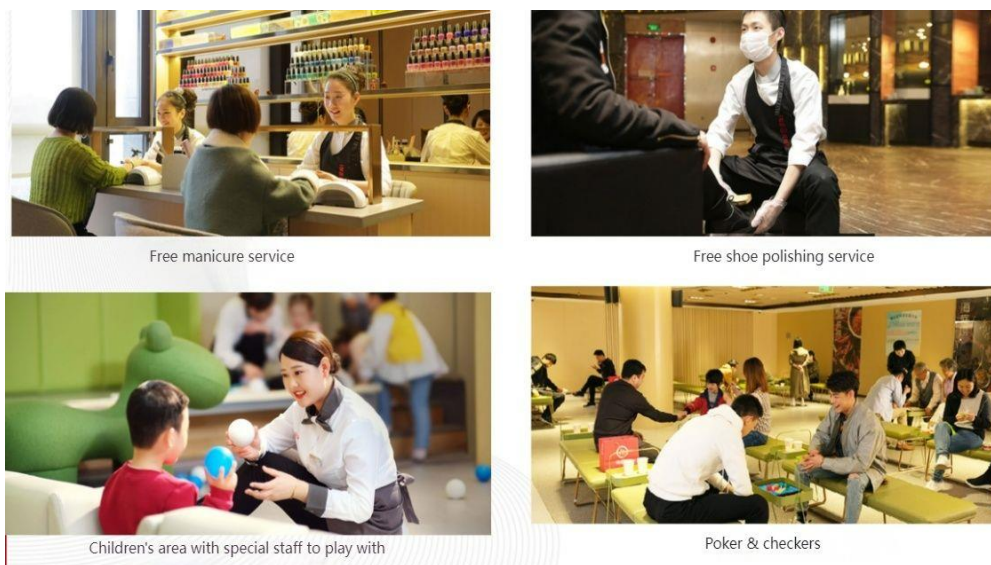
household appliances, and also arranges for regular cleaning and provide fruit and yogurt at night.

Second, children's education. Haidilao provides a monthly subsidy of 300 RMB to assistant store managers who bring their children under 3 years old to live with them; provides an annual education allowance of 12,000 RMB to store managers; and helps children of store managers and above who are cadres to attend school and pay the school sponsorship fee on their behalf. In addition to this, all children of Haidilao employees can attend the private boarding school founded by Haidilao in Jinyang for free.

Third, the parental allowance. Haidilao has an amazing internal benefit is to give each store employee's parents a monthly salary. Most of Haidilao's employees come from bad backgrounds and leave their hometowns to work in big cities. Haidilao sends their parents a monthly salary ranging from two hundred to eight hundred, and the better the children work, the higher the parents' salary. In this way, the money sent back by the company is not only a family allowance, but also a kind of praise, which will make the employee's parents back home feel very proud and pride, and also help to stimulate the enthusiasm of the staff's work. And if an employee is awarded as an advanced individual three times a year, his parents can enjoy a family visit benefit, including round-trip bus ticket reimbursement, 3-day accompanying leave, free meals in the store, etc.

Fourth, empowerment training. Most of Haidilao's employees are not highly educated, in order to make up for their regrets and imperfections and meet their wish to go to university, Haidilao founded Haidilao University in 2010, and opened different special training courses for employees in different positions, focusing on training reserve cadres; built two training platforms, online and offline, to improve the flexibility and choice of employees to learn anytime, anywhere in an effort to empower as many employees as possible and promote sustainable development<sup>[8]</sup>. In Haidilao's view, employees are not only a workforce, but also a family that develops together with the enterprise.

Fifth, the severance pay. This is also an internal benefit that Haidilao has been talking about for outsiders. Haidilao in order to thank employees for their contributions to Haidilao, will give a dowry when employees leave. In Haidilao, if a store manager having worked more than a year leaves, the company will give a dowry of 80,000 RMB; if a district manager leaves, the company will give 200,000; if a regional manager leaves, the company will send a hot pot restaurant valued at about 8 million.



*Figure 6: Special services in waiting*

External:

The biggest embodiment of Haidilao's external friendliness is the famous special service, which is mainly divided into four aspects: before entering, waiting area, dining in and freedom of choice.

First is before entering the door. Professional parking is available regardless of the model; free car wiping at noon on weekdays; store staff with a smile on their face and bending down to extend a warm welcome.

Second is the waiting area. Melon seeds, tea, fruit, snacks; newspapers, magazines, Internet access; poker, checkers, military flags; shoe shine, manicure; children's area with special staff to play with, provide baby egg custard<sup>[9]</sup> ..... There is everything you need, even if you don't get to eat hot pot

immediately, customers will not feel anxious or cold in their hearts.

Third, in the middle of the meal. Staff will give everyone an apron; give people who have cell phones a small plastic bag cover; give ladies with long hair rubber bands and small hair clips; give people who wear glasses a mirror wipe. Smiling waiters are close by; walking on the road, there are enthusiastic waiters to greet you at any time; washroom waiter; hair and skin care products provided; the name of secondary customers, their birthdays, wedding anniversaries remembered; live Beijing opera performance. And, if you eat alone, the staff will put a bear across from you as a companion.



Figure 7: Special services in dining

Fourth, freedom of choice. In Haidilao, all dishes can be ordered in half portions only, so that customers have greater autonomy of choice and have the opportunity to taste a wider variety of food in a smaller number of people, with lower costs of trial and error, and without worrying about waste, which is very economical.

#### Corporate Social Responsibility (CSR):

Not only in the treatment of employees and customers, but also in corporate social responsibility, Haidilao is also constantly practicing the value of friendliness.

First is to join the community. As the Chinese saying goes, "When you drink from the stream, you remember the source", Haidilao always upholds its original intention and often encourages its employees to actively participate in charity projects and volunteer work in the local community to contribute to community development.

Second, the establishment of the Bingwen Public Welfare Library. Haidilao launched the public welfare library project out of concern for spiritual and spiritual development. The library covers an area of 1080 square meters, with a total collection of more than 30,000 books, which can realize the functions of e-book reading, paper book lending and public welfare lectures, providing people with a long-term learning place and promoting the humanistic atmosphere of good reading and good books.

Third, the "Beauty for Goodness" charity project. Haidilao cooperates with the 5A-level foundation Aiyou Charity Foundation to collect and donate "Little Painter" paintings in its stores nationwide, and use all the money to improve the level of children's medical care and the quality of life of children in need, providing long-term financial support for children's medical and welfare projects.

Fourth, the foundation of Jinyang Tongcai Experimental School. In 2001, Haidilao founded the Jinyang Tongcai Experimental School. The word "Tongcai" carries the school's goal and educational philosophy, which is to enable all educated people to become successful, and to cultivate them into "universal talents".

Through the specific analysis of the three perspectives of Haidilao's friendly values, a cultural logic can be summarized: the company respects and cares for its employees as family—employees treat the company as home—like a host hospitality guests, heartfelt service, respect for customers --Customer satisfaction and corporate development, ultimately forming a virtuous circle. <sup>[10]</sup>In Haidilao, the ultimate pursuit is always customer satisfaction and employee motivation, not profit.

### 3.2.3.3. Innovation: Vitality of Seeking Development

First, encourage all employees to innovate. Haidilao encourages employees to put forward innovative ideas and suggestions for improvement, an innovation award of 30 RMB, some good improvement measures, will also be promoted throughout the company.

Second, bold decentralization. Haidilao fully trust their own staff, unlike the general enterprise layers of instructions, Haidilao employees have a lot of autonomy. Ordinary employees can decide on their own whether to send some free dishes and desserts to guests, and even unsatisfied guests directly face orders; and regional managers even have more than a million of autonomy. This bold decentralization not only caused no chaos, but also improved the staff's sense of self-identification and work motivation.

Third, the family system change. Once Haidilao also adopted the traditional restaurant industry's district cell system, but with the rapid expansion of stores around 2015, the problem of too many layers and organizational rigidity gradually emerged. In order to break the drawbacks of the family system, a thorough organizational change was made in 2016, introducing a flat management mechanism that includes only four parts: headquarters, coaches, huddle groups and stores, with all corporate employees having common struggle goals and value judgments and sharing common honor and mission.

Fourth, explore the Haidilao smart restaurant. 2018, the first Haidilao smart restaurant was officially opened in Beijing.<sup>[11]</sup> The restaurant adopts holographic surround projection, has 6 scene themes, realizes intelligent dish warehouses, thousands of pots and pans, dishwasher automation, and 6 delivery robots, and continues to explore the application of big data and artificial intelligence in the restaurant industry.



Figure 8: Inside the Haidilao's intelligent restaurant

### 3.2.4. Rites and Rituals

#### 3.2.4.1. Rituals

(1) Games. The morning meeting of Haidilao staff is conducted in the form of games, where the store manager and the staff sit in a circle and put all kinds of delicious snacks and desserts in the middle, and then start to play the tacit understanding test, unity competition and other games, the winner of the game can eat the delicious food on the table at will, Haidilao enhances the trust and cohesion between the staff through the game, relieves the tension of the staff at the morning meeting, and is also conducive to Staff to start the day's work in a comfortable and happy mood. When a new employee joins, the store manager will also let everyone get to know each other through ice-breaking games and encourage everyone to take the initiative to express themselves.

(2) Group dinners. Whenever there is a holiday or something worth celebrating, the staff of Haidilao will get together to build a group dinner with the store manager and staff around a table, sometimes the headquarters coach will also join in, joyful and cheerful, not only to promote the horizontal staff friendly friendship, but also to strengthen the contact and understanding between the upper and lower levels.

#### 3.2.4.2. Rites

(1) Greeting ceremonies. Whenever a new employee is hired, the store manager will ask all employees to be present to welcome the new employee, and the new employee will introduce themselves in front of everyone, while other employees will have to remember the new employee's name. In the following days, the store manager will randomly check the names of new employees, and if they can't remember, they will be "punished" in some way. Haidilao records every employee's birthday, each month will have a fixed day, so that all employees who have a birthday in the month in this day off, and will buy a cake to the staff dormitory or store, so that everyone together to celebrate their birthdays, so that employees feel the warmth of home.

(2) Reward ceremonies. Whenever an employee performs diligently and excellently, the store manager will bring everyone together to formally praise the employee and give bonuses on the spot. Haidilao also selects advanced individuals several times a year. If an employee is recognized as an advanced individual three times a year, his or her parents are entitled to a round-trip bus ticket reimbursement, three days of companionship leave, and free in-store dining benefits for family visits.

(3) Work ceremonies. Haidilao encourage employees to work innovation, an innovation award of 30 RMB, if there is a particularly good innovative ideas, will be promoted throughout the company, and the idea to the name of the employee who proposed the idea to name.

(4) Management ceremonies. Haidilao weakened the cold and hard system process, all the systems and norms are as far as possible not issued by documents, but conveyed by the store manager regular meetings to discuss the recent service customer satisfaction situation. The training of new employees is also generally conducted by trainers from the headquarters sent to the stores for practical exercises and training, and the employees are placed in the most suitable positions after experiencing all the types of work first-hand. Periodically, the headquarters will also send nail technicians, masseurs, and Peking Opera professional performers to the stores to train the staff, and the staff can voluntarily participate in the training according to their own interests, fully empowering the staff while also respecting the staff's independent choice.

(5) Celebrations. Every store anniversary, Haidilao will hold an anniversary celebration, decorate the store inside and outside with joyful atmosphere, and also have a lot of employee discount activities, so that employees can witness the company's milestone moment together.

(6) Annual meetings. Every year, Haidilao will hold an annual meeting in stores or find another venue. In addition to the annual meeting, there will be red packets, lucky draws and other links, employees will also perform on stage with the characteristics of Haidilao's various programs.

### **3.2.5. Cultural Network**

Due to the limited first-hand information, the author summarized through interviews with store managers and store staff, there are roughly three roles in the cultural network in Haidilao.

#### **3.2.5.1. Storyteller: Founder Team Led by Zhang Yong**

Anyone who has paid a little attention to Haidilao will find that Zhang Yong, the founder of Haidilao, has been highly visible in the media compared to many restaurant founders. Zhang Yong himself is more willing to accept media interviews, and there are many golden quotes from Zhang Yong about Haidilao circulating on the Internet, while the company's internal public relations and publicity teams also interpret Zhang Yong's entrepreneurial story as a legend of grassroots origins, changing his fate with his own hands, spreading it internally and externally. In addition to Zhang Yong's own entrepreneurial history, another important story is the story of partner Shi Yonghong. In order to break the family system of Haidilao and establish the layout of upstream and downstream hot pot industry chain, Shi Yonghong gave up his shares of Haidilao, and Zhang Yong's strong decision at that time and Shi Yonghong's self-knowledge, concession and completion together made Haidilao a new glory. Therefore, the founder team led by Zhang Yong can be said to be storytellers to some extent.

#### **3.2.5.2. Chaplain: A Coach Sent to the Store from Headquarters**

The headquarter coaches generally know the founder's story, the development history of the company, the business management model and the cultural values well, and are the living encyclopedia of the company. Their duty is to help stores manage their managers better and guide and train their employees. In the training process, they have time to listen to the frank conversations of employees and can build a cordial and friendly relationship with employees by telling the founder's entrepreneurial story, the development history and prospects of Haidilao, and convey the company's values in a subtle way. Pastor role.

#### **3.2.5.3. Whisperers and Gossipers: Store Managers and Sales Clerks**

Whisperers are generally formed in less visible positions, but are very loyal to the company, have a strong sense of identity, and also accelerate the spread of news throughout the network through whispering. The gossipers, on the other hand, often gossip with people at the dinner table or during breaks, and people will participate in the gossip for the sake of amusement, promoting the wide spread of news. In Haidilao, the store manager and the store staff assume this role. The store manager has been working in Haidilao for the longest time and has worked from the grassroots to the store manager, so he generally has a strong sense of cultural identity with Haidilao and has heard many legendary stories about the

founder, so he also tells these stories in his daily communication with the store staff to motivate them to work. In their spare time, the staff will also talk about the founder's grassroots entrepreneurial stories, which can also motivate the staff to create wealth and change their destiny through their own hands as long as they are diligent and sincere.

#### 4. Diagnosis of Haidilao Corporate Culture

##### 4.1 Research Model

Kim S. Cameron and Robert E. Quinn proposed corporate culture evaluation dimensions and models in the book "*Diagnosing and Changing Organizational Culture*", which classifies organizational culture into four models: tribal, member, hierarchical, and market-based.<sup>[12]</sup>

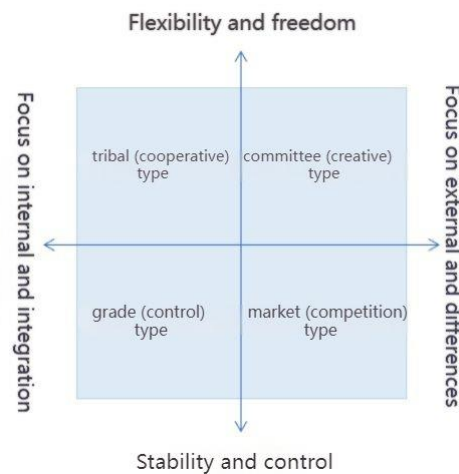


Figure 9: Competing Values Framework

[Tribal-type culture](Six dimensions of tribal-based culture. ① People work in a very friendly place and share the results together, like a big family. ② Leaders or spearheads of organizations are often seen as mentors or even parents. ③The organization is sustained by loyalty and tradition, with members voluntarily assuming all obligations. ④The organization emphasizes the development of people and long-term goals, but also considers both cohesion and morale to be very important. ⑤ Here success is defined by the degree of sensitivity to customers and care for employees. ⑥The organization has set up incentives specifically for teamwork, participation and coordination.)

Orientation: cooperation

Types of leaders: facilitators, mentors, team builders

Value drivers: dedication, communication, development

Effectiveness Theory: effectiveness through human resource development and employee engagement

The following will use the Cameron-Quinn evaluation dimensions and model to make precise judgments about the type of corporate culture in Haidilao, and to diagnose problems and provide suggestions for change.

##### 4.2. Tribal-type Culture

###### 4.2.1. Dominant Features

One of the core values of Haidilao is friendliness, employees are treated as a family with respect and care—employees treat the company as home—employees serve and respect customers with the same dedication as the hosts do with hospitality—customer satisfaction. The cultural logic of corporate development, providing employees with first-class accommodation and food in the industry, caring for the educational development of employees' children, sending salaries to their parents, empowering and training employees, and even giving them a leaving dowry when they leave, creates a collective atmosphere like a large family.

#### **4.2.2. Leadership Style**

The story of Zhang Yong, the founder of Haidilao, who rose from the grassroots to become a restaurant kingpin, has been passed around among Haidilao employees. Zhang Yong has never forgotten his original intention and insists on not judging heroes by their origins, encouraging grassroots employees like him to create wealth and change their lives with diligent hands, so Zhang Yong can be said to be a spiritual mentor in the hearts of employees. The "family culture" promoted by Haidilao advocates that the company treats its employees as well as family members, and employees get along with each other as family members, and treat customers as warm and considerate as hosts, so the founder naturally plays the role of the head of the family in this big family.

#### **4.2.3. Staff Management**

Zhang Yong once said in an interview, "I'm most proud of the loyalty of the staff of Haidilao." Loyalty is the cornerstone of Haidilao staff to serve employees with heart and soul. Haidilao's salary is 10% higher than the industry, there are also a variety of material and spiritual humanistic care for employees, each new employee will also spend a lot of effort to work skills training and corporate culture inculcation. According to the standard of Haidilao's three-month probationary period, the turnover rate of Haidilao employees is very low, and most of the employees have high loyalty to the company, and are highly motivated to work and voluntarily assume all obligations.

#### **4.2.4. Organizational Cohesion**

Haidilao emphasizes the long-term development of employees and has set up three promotion systems for management, technology and logistics, so that each employee has sufficient room for development, clear their future plans and routes, and step by step towards the goals in their hearts.

#### **4.2.5. Strategic Focus**

In Haidilao, the definition of success is customer satisfaction and employee motivation, not profit. The assessment of the excellent store manager is not the ability to make money every month and every year, but more the inspiration to bring the staff together. Of course, it is impossible for Haidilao not to assess profits at all, but the consideration of profits is not short-term, but long-term. It doesn't matter if you can't make money this month, but you need to be able to make more money in the future.

#### **4.2.6. Rewards for Success**

Haidilao does not show a significant performance in the dimension of "the organization has set up a reward mechanism specifically for teamwork, participation and coordination". The piece-rate system may focus more on individual employee rewards, but since the head office's assessment of stores is more oriented to team cohesion, stores with good teamwork are more likely to receive excellent awards.

The above analysis of Haidilao's corporate culture using Cameron-Quinn evaluation dimensions and model reveals that Haidilao is more tribal in nature. For tribal culture, based on the characteristics of internal integration and flexibility, "people" is the key factor of tribal culture, whether the company can make good use of human resources, maximize the internal cohesion, and create a harmonious and pleasant working atmosphere is an important point for corporate culture diagnosis and change. Whether the company can make good use of human resources, maximize internal cohesion, and create a harmonious and pleasant working atmosphere is an important point of diagnosis and change of corporate culture.

### **4.3. Problems and Suggestions**

#### **4.3.1. Problems and Challenges**

The most serious problem brought about by Haidilao's rapid expansion is the reserve of employees. Usually, the core staff of Haidilao's new stores have to spend at least three to five years in the old stores. In August 2017, Haidilao was first exposed to the problem of "people" in the back of the kitchen, in the serving room and in the dish room. In August 2017, it was first revealed that there were traces of rats in the back kitchen serving room, dishwashing room and other places, and then it was revealed that some Haidilao employees directly used a hot pot spoon to pull out the garbage clogged in the drain, which triggered a wide range of public opinion and questions. Although Haidilao later gained the public's tolerance and understanding because of its sincere apology and powerful solutions, Haidilao, as a catering company, food hygiene and safety sit at the core of its development, the repeated food hygiene and safety problems are enough to reveal that Haidilao's internal management has a big problem and needs to be

solved.

In addition to the fact that objective shortage of staff reserves led to quality problems in Haidilao, the logic of corporate culture that Haidilao has been adhering to has also wavered. In the past, Haidilao was full of humanistic care for its employees, and the definition of success was not profit, but customer and employee satisfaction. But now Haidilao has started to assess the number of customers and table turnover rate, which has led to a decline in the quality of service and happiness of employees under high pressure. Many old employees say that the corporate culture of Haidilao is getting closer and closer to Huawei, like a sweatshop, which makes people both awe and fear. This, obviously, runs counter to the underlying cultural logic of Haidilao.

In the process of Haidilao's overseas expansion, there are also two issues worth thinking about, one is how to grasp the scale of hospitality and privacy. In the Chinese cultural context, customers may also think that some services go beyond the comfortable distance between people, but still tend to accept and approve such hospitality services. However, in some countries where privacy are important, such special services may cause mental pressure to customers and even make them feel violated.<sup>[13]</sup> Whether these employees from different countries and cultural backgrounds can overcome cultural differences, form a strong sense of identification with the corporate culture, and break the inherent concepts and prejudices about countries and nationalities among themselves to work harmoniously and happily in a group atmosphere and common consciousness is also a major challenge for enterprises in the process of going abroad.

#### **4.3.2. Suggestions and Responses**

Haidilao, as a catering enterprise, food safety and hygiene is the fundamental of enterprise development. If you can't keep the bottom line, then everything will be the bottom of the barrel and the pavilion in the air. The balance of "quality" and "quantity" has been the eternal business theme. Expansion of the number of stores in order to seek a broader development can not be faulted, Haidilao also took a steady and stable route before 2015. But the problems exposed by Haidilao in the past two years do reflect the contradiction between business strategy and corporate culture, so Haidilao should develop a complete set of strategic layout plan, according to human resources capacity to determine the number of stores to expand each year, to ensure the quality of food safety on the basis of maintaining good service as a core competitive advantage. At the same time, the company should insist on creating a harmonious and joyful working atmosphere for the employees. Only when the first link of the cultural logic is done can the following logical links be smoothly deduced and a virtuous cycle be formed. The root of the "good service" that Haidilao prides itself on lies in this. Enterprises should not only jump high, but also go far.

In response to the challenges posed by the need of adjustment to different nations and ethnic cultures, companies should allow a certain degree of flexibility in adjusting their core values while keeping them intact. Before entering a new region or market, the company should conduct preliminary research on the local culture and customs, and develop business management strategies for the region and market based on the results of the research report. The company's culture will be recognized by employees from different cultural backgrounds, and they will share the vision of delivering hot pot food and social culture to the world, which will eventually form a cohesive force to promote the development of the company.

## **5. Conclusion**

By using the "Five Elements of Corporate Culture" to comprehensively sort out and analyze the corporate culture of Haidilao, and using the Cameron-Quinn corporate culture evaluation dimensions and model to diagnose and suggest, the author concludes that Zhang Yong, as the symbiotic hero of the enterprise, his personal values are deeply rooted in the corporate culture of Haidilao, and Haidilao's long-standing insistence on "good service" also comes from Zhang Yong's own summaries of the main points at the beginning of the business.

In response to the external environment changes, Haidilao should make corresponding strategic adjustments, but must firmly guard the bottom line of product safety and quality, and maximize the development of human resources, mobilize staff motivation, promote the virtuous cycle of cultural logic based on the most important element of tribal culture "people", only in this way can Haidilao's "good service" really become a unique and cultural logically rooted advantage that can't be imitated by others. Simultaneously, in the face of cultural differences, certain flexible strategies should be adopted to enable employees from multi-cultural backgrounds to form common beliefs, goals and value judgments in a

subtle way, and ultimately to promote the enterprise to move steadily and far with strong cohesion.

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