

A Study on the Organizational Culture and Performance of Xiaomi Corporation

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Abstract

Most internet companies in China are learning from Xiaomi Corporation's management model and to improving their organizational structures and human resource management practices. This study analyzed the development situation of Chinese Internet economy and the Internet thinking of Xiaomi which is a role model of Chinese Internet companies. In addition, we studied Xiaomi's organizational structure, human resource management, employee training, performance management and incentive system. In particular, Xiaomi's human resource management system has a great influence on the company's high performance and efficient service culture. Furthermore, the organization of Xiaomi is horizontally divided into three floors (7 key founders, department heads, and employees), each floor is managed by one founder. Xiaomi is interested in and considers not only the work of new employees, but also personal issues, and is concerned with the work of others in performance management and shares responsibility. Xiaomi adopts a unique and rational human resource management model, guaranteeing a lot of work autonomy for employees, and improving organizational performance.

Keyword: *Xiaomi Corporation, Internet Thinking, Organization Culture, Human Resource Management, Organizational Structure*

1. INTRODUCTION

Since the start of the year, "Internet Plus" has become a popular phrase, which begs the question, what does it mean to be entrepreneurial in the era of "Internet Plus"? We need to see through the various "addition phenomena" of this era, the hidden "subtraction logic," and establish the corresponding entrepreneurial ideas and rules.

Everyone should be able to experience the new lifestyle afforded by the Mobile Internet. The reformed business model brought about by the network's new economy is reflected in all aspects of market changes. The Internet seems to be more important than any other factor of production(2015). Chinese 5G network technology is developing rapidly.

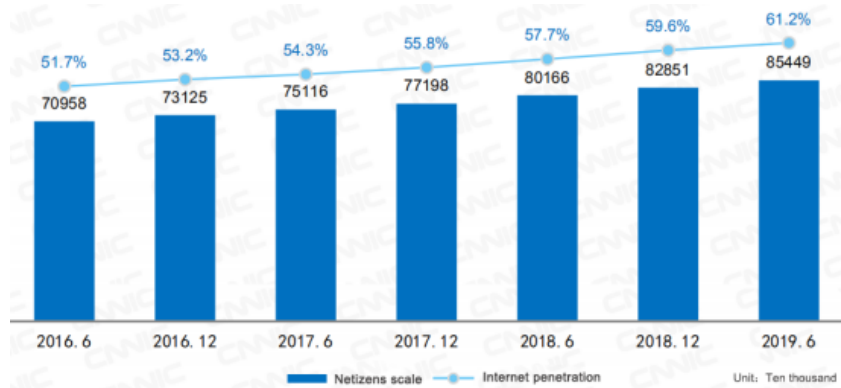


Figure 1. China's internet user numbers and internet penetration rate

Source: Statistical Survey on Internet Development in China (CNNIC)

As shown in Figure 1 According to the 44th statistical report on the current situation of the development of China's internet network by the China Internet Network Information Center (CNNIC), released in August 2019, there are 854 million Chinese internet users, as of June 2019, which represents an increase of 25.98 million from the end of 2018, while the internet penetration rate of 61.2% increased by 1.6% from the end of 2018. From this, it can be seen that the overall development of internet applications in China was relatively stable in the first half of 2019, with a large scale and structure for internet users. Internet companies, such as Huawei, ZTE, and Xiaomi Corporation ("Xiaomi"), are developing rapidly in this environment[1].

According to Forbes China, Xiaomi has broken through the limitations of the mobile phone market and extends its ecological chain layout to all areas of smart devices. For example, Xiaomi's "Mi series" ecological chain is open and diverse, including the wearable device Huami Technology and smart home supplier Qingmi Technology. At the same time, Xiaomi also participated in the investment layout of iQIYI and other flows into enterprises and listed companies, including those in the media. By mastering massive user data, Xiaomi has empowered the ecosystem and promoted its brand image to a simple and fashionable lifestyle based on science and technology[2].

Within a few years, Xiaomi quickly gathered a group of outstanding and talented individuals and became a famous dark horse in the mobile phone industry by relying on innovation in internet technology. From the personal statement of Xiaomi founder Lei Jun, it can be seen that Xiaomi's executive has a very distinct understanding of internet thinking, which is worthy of reference by many enterprises. In this study, previous research employing Xiaomi as the research object is used to focus on the enterprise's unique human resources(HR), to explore the enterprise in the age of the Internet Economy, to look at the successful construction of HR, and to understand the construction of a staff management mode that is suitable for all sorts of enterprises, in order to better promote the development of high-tech enterprises in China.

2. REVIEW OF RESEARCH PROGRESS

Liu (2014) believes that the evolution of human resource management(HRM) can be divided into four stages according to the characteristics of the different stages. These are: labor management, personnel management, HRM, and strategic HRM[3].

2.1. Labor Management

Based on Adam Smith's labor theory, Wu (2012) argued that workers sell their labor to make a living, and

the labor force is equivalent to a kind of exchangeable product. With the strengthening of specialization and scale of production, the management of the labor force shows the characteristics of standardization and process[4].

2.2. Personnel Management

Wang (2010) pointed out that under the influence of scientific management theory, personnel management functions were separated and, at this time, attention was paid to the management of affairs to improve the efficiency of personnel management by strengthening the system and management mode. The employee mainly acts as an administrative specialist to handle daily personnel affairs.

2.3. HRM

Liu (2014) pointed out that under the influence of the development of interpersonal relationship theory and behavioral science, people's personalities and motivations have garnered attention and new tools and methods have emerged in various fields of HRM. Among them, the six HR modules are the most distinctive features of this stage.

2.4. Strategic HRM

The HRM stage focuses on HR practice with six modules, while this stage emphasizes that HR should break out of the more tedious daily affairs and serve the organization from the perspective of HR strategy. In the 1990s, the concept of sharing began to emerge in the financial field, before going deep into HR, logistics, and government management. Under the influence of this school of thought, David Ulrich put forward the three-pillar model in the field of HR in 1996, which was introduced to China in 2001[5].

3. DEVELOPMENT OF XIAOMI CORPORATION

Founded in April 2010 by Lei Jun, a well-known angel investor, Xiaomi is an innovative technology company focusing on the construction of advanced smartphones, Internet TV, and the smart home ecosystem. Since its inception, Xiaomi has maintained an impressive growth rate. In addition to the smartphone market, Xiaomi has also broken the rules of traditional markets, such as in the areas of smart travel, internet-only kitchen equipment, and black-and-white electricity.

In March 2016, the company strategically launched a new brand named "Mijia." The name Mijia comes from the words "millet" and "home" in Xiaomi's smart home ecosystem, which means "to make artworks in life." The construction of the Xiaomi ecological chain adheres to the cooperative attitude of mutual non-exclusivity, promoting the intelligent life of the Internet of Everything together with many inventors and manufacturing industries. Xiaomi's vision is to "let everyone enjoy the fun of technology." In 2018, Xiaomi launched the "Mobile + AIoT (Artificial Intelligence of Things)" twin-engine, which is also Xiaomi's core strategy for the next five years. In addition, it plans to invest RMB 10 billion over five years to increase AIoT research and development and product production. By the end of 2018, Xiaomi invested in 91 ecological chain enterprises, including connected devices, such as the gateway of its subsidiary Green Rice, wearable products of Huami Technology, and the Mi air purifier of Zhimi.

Xiaomi made the 2019 Fortune Global 500 list and was ranked 468 globally, making it the youngest Fortune Global 500 company in history. In only nine years, Xiaomi has developed from a startup team of around ten people into a Fortune 500 company and has gradually formed the unique "Xiaomi mode." The Xiaomi mode is a dynamic business strategy developed by Xiaomi in a dynamic environment, rather than a set of mature methodologies[6].

Internet Thinking is the most important characteristic of the Xiaomi mode. Lei Jun defined it as encompassing "Focus, Extreme, Reputation, Speed". As shown in Figure 2, "Focus" means simplicity and efficiency; focus on your phone, focus on your hot style. "Extreme" is reflected in Xiaomi's extremely

high-cost performance. "Speed" is the principle of action. "Reputation" is at the core of Internet Thinking. By "making friends with users," Xiaomi emphasizes the sense of user participation to accumulate public praise and then attracts more users to participate in the development of Xiaomi through good public praise[7].

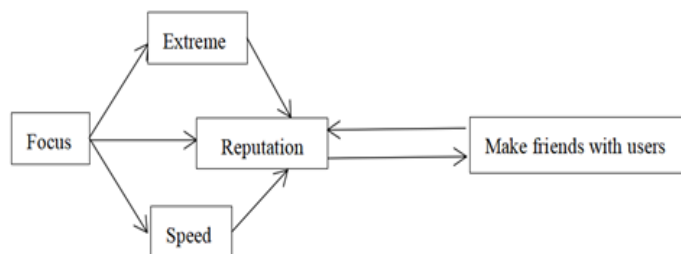


Figure 2. Xiaomi's "Internet Thinking"

Source: Authors Reorganize

4. HUMAN RESOURCES UNDER THE NETWORK THINKING OF XIAOMI

4.1. Organizational Culture

Xiaomi is well known throughout the world. Traditional enterprise and internet companies, as well as young companies, are closely watching Xiaomi as the focal point of the industry. However, few studies have been conducted on the organization management mode of Xiaomi. Xiaomi has a flat management mode and horizontal organizational structure and its working environment is flexible.

We aim to interpret the management mode of Xiaomi from the above aspects. Xiaomi has a flat organizational structure. For example, it has three levels: seven core founders, department leaders, and employees. This can be clearly seen from the office layout of Xiaomi: one level for products, one level for marketing, one level for hardware, one level for e-commerce, with each level managed by a founder. They do not interfere with each other and play a role in their respective fields[8].

4.2. Staff Training and Development

Furthermore, employees are the foundation of enterprise development, and Xiaomi's teamwork is at the core of its success. Above all else, Xiaomi seeks to uncover outstanding talent, who come to Xiaomi, in order to pursue the characteristics identified by founder Lei Jun: Focus, Extreme, Speed, and Reputation. The HRM system of Xiaomi guarantees the company's fast store expansion. The first lesson for new employees of Xiaomi is very distinctive. The main purpose is to let employees learn about the high-quality five-star service of Haidilao. When the service staff work at Xiaomi, they change into a t-shirt or youthful coat, and they reveal a natural, positive, and youthful smile when facing users.

Xiaomi mainly uses the mentoring system for new staff. This is concerned not only with work issues, but also with personal problems. It encourages long-term, "one-on-one" supportive relationships; a mentor is someone who teaches by example and imparts knowledge and skills. In addition, Xiaomi provides targeted training for employees, which mainly focuses on marketing, users, products, and the company[9].

4.3. Performance Management

Xiaomi does not set key performance indicators (KPI), instead using a flat organizational structure, which is an organizational structure that has few or no levels of management between executives and staff-level employees, with the most direct indicator reflecting individual work effectiveness[10].

Xiaomi emphasizes treating other people's business as one's own and taking on more responsibility at work. For example, if an engineer finishes writing the code, he must ask other engineers to check it. No matter how busy other engineers are, they must first check the code and then perform their own work. Engineers must be responsible for user value[11].

4.4. Incentive System

[1] In China's "Company Law," the equity structure of listed companies only makes provisions for an equitable ratio between shares and rights, meaning that shareholders' voting rights must strictly abide by the provision of one share, one vote. However, with the development of technology, this popular single ownership structure cannot meet the needs of the company's development. In recent years, due to restrictions on the domestic equity system arrangement, some large internet companies in China have chosen to be listed in foreign countries to adopt a dual share structure. The loss of a large number of excellent HR has caused direct losses to the domestic economic market and also poses new challenges to the provisions of the domestic equity system[12].

[2] As it has a flat organizational structure, the equity incentives of Xiaomi can be divided into two parts: first, the shareholdings of the group's executives; second, the shareholdings of the group's employees. Public data based on Xiaomi show that it has 14,513 employees. Xiaomi's equity incentives plan covers more than 5,500 employee accounts, or about 37.89% of the total number of employees[13]. As a high-tech internet company, Xiaomi's equity incentivizes policies that garner the enthusiasm of employees. This is because Xiaomi was only recently formed, and it is closely related to the company's flexible compensation system; Xiaomi will grow alongside the company's employees whose value realization is deeply embedded in the development of the enterprise.

5. CONCLUSION

The organizational structure of Xiaomi is flat and has no hierarchy, so that employees are not disturbed by promotion and can concentrate on their work to maximize their work efficiency. The core effect of Xiaomi's organizational structure management mode is to achieve noninterference and play a role in their respective fields. Although Xiaomi's organizational structure has many advantages, it also has the following disadvantages. The lack of clear hierarchies and organizational relationships in a flat architecture makes it difficult to ensure that every business receives the necessary resources. This conflicts with Xiaomi's future development strategy. Optimizing an organization is an important way of improving the internal vitality and efficiency of enterprises. With an efficient organizational structure, employees can give full play to their abilities and improve their overall competitiveness. Therefore, when an enterprise optimizes its organizational structure, the focus is on rationally allocating organizational resources, adjusting the existing organizational structure, clarifying rights and responsibilities, and eliminating internal barriers. A horizontal structure would be more reasonable, with the most important thing being to serve the company's development strategy.

Xiaomi does not set Key Performance Indicators(KPI), which is an innovation that distinguishes it from other companies. The company has a set of user-feedback-driven management modes. User feedback is the most direct indicator of employees' work effectiveness, which truly connects the interests of employees and customers and greatly arouses the enthusiasm of employees to serve customers.

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