



OEC Management-Control System Helps China Haier Group Achieve Competitive Advantage

BY THOMAS W. LIN, PH.D.

THE COMBINATION OF A NEW CORPORATE CULTURE THAT EMPHASIZES EXCELLENCE, A CHANGED BUSINESS STRATEGY, AND A MANAGEMENT-CONTROL SYSTEM OF WORK RULES AND DISCIPLINE TURNED A NEARLY BANKRUPT COMPANY INTO A SUCCESS.

In 1984, CEO Zhang Ruimin took over a nearly bankrupt refrigerator factory in Qingdao, China. In 2003, Haier Group's global sales hit \$9.7 billion with a growth rate of 70% during the previous 19 years.

Today, Haier is recognized as a worldwide brand. On January 31, 2004, the firm ranked 95th after such household names as Coca-Cola, McDonald's, and Nokia, which were the top three on the World Brand Laboratory's list of 100 most recognizable brands. Haier was the only Chinese brand on the list. According to an October 2003 article in the *Harvard Business Review*, Haier is one of the five Chinese "National Brands to Watch."

How did it achieve its success? As one of China's fastest-growing companies, Haier Group fits a 1999 Gallup survey profile for a successful company. Customer service, product quality, operating efficiency, innovation, and speed to market are among the top seven factors for success. Haier excels in all these areas.

To achieve success, the company developed its corporate culture, business strategy, and OEC

management-control system, which enforces firm work rules and discipline. Haier's Human Resource Management Director Wang Yingmin explains the OEC acronym: "O stands for Overall; E stands for Everyone, Everything, and Everyday; C stands for Control and Clear. OEC means that every employee has to accomplish the target work every day. The OEC management-control system aims at overall control of everything that every employee finishes on his or her job every day with a 1% increase over what was done the previous day."

Why did CEO Zhang choose to implement the OEC system? He says, "If you observe Chinese people's behaviors at the traffic lights, when the red light is on, people simply ignore it and cross the street anyway. At the workplace, Chinese people also tend to ignore rules and do not pay enough attention to details. We need a tough management system with fair rewards and penalty features to help our workers get things done properly." To focus on customer needs, product quality, innova-

tion, and speed and to improve operating efficiency, the firm developed and implemented the OEC management-control system in the early 1990s.

OEC works. When I visited Haier's air conditioner manufacturing facility in the Haier High-Tech Industrial Park at Yellow Island in July 2004, the factory floors were clean, and workers wearing uniforms and photo ID badges operated in an orderly manner at the assembly lines. Banners featuring quotes such as "A Product with Defects Is Useless" and "Innovation Is the Soul of Haier Culture" lined the factory walls. One large bulletin board said, "Every day is a new day; all activities are completed in the same day by innovations." The OEC management-control system implementation has resulted in satisfied customers, efficient and effective processes, motivated and prepared employees, sustainable revenue, and profit growth.

Let's look at how OEC helped turn the company into one of the world's top brands.

COMPANY SNAPSHOT

Haier was not always a success story. When Haier CEO Zhang Ruimin took over this refrigerator company from a government official in 1984, the company had total assets of \$300,000, a net loss of \$178,000, sales revenues of \$421,000, and 600 workers. In 2003, it had total assets of \$2 billion, 30,000 employees, more than \$100 million profit, and sales revenues of \$9.7 billion.

The firm now manufactures a wide range of household electrical appliances, such as air conditioners and freezers, in 96 categories with 15,100 specifications; exports products to more than 160 countries; and has established 58,800 sales outlets globally. In 2000, the firm opened a \$35 million refrigerator factory in Camden, South Carolina, and Wal-Mart and many other national and regional chains sold Haier products.

On March 4, 2002, Haier unveiled its American headquarters in a landmark neo-classical building, the former offices of the Greenwich Savings Bank on Broadway in New York City, indicating that the firm had moved into a new phase for globalization of product design, manufacturing, and sales. The move demonstrated a strong determination for long-term development in the United States. In 2002, Haier had a 30% U.S. market share for refrigerators 230 liters and under and a 35% U.S. market

share for refrigerators in the 230- to 280-liter range. Its U.S. sales had reached \$300 million in 2002, and it wants to hit \$1 billion in U.S. sales in 2005.

Haier also has been successful in European markets with a 10% market share in Europe's air conditioning market. The latest Euro-monitor statistics on company sales show that it is fifth among the global white-goods manufacturers and has the largest world-market brand share for refrigerators. Its short-term goal is to be among the world's top three white-goods manufacturers.

CORPORATE CULTURE AND CORE VALUES

Haier established an enterprise culture department to actively promote and educate employees. An 80-page handbook about the Haier Enterprise Culture includes the following key features:

1. **Haier spirit:** We work diligently to serve the country and to pursue excellence through innovation.
2. **Haier work style:** We pursue operating efficiency, quickly respond to the market, and take immediate action to meet customer needs.
3. **Employment principle:** Every employee is talented with an open bid for a vacant position.
4. **Quality focus:** Excellent employees produce high-quality products.
5. **Sales motto:** We establish our credibility before selling products.
6. **Market competition concept:** We compete with value, not price.
7. **Service concept:** The customer is always right.
8. **Management accountability—80/20 principle:** Management is 80% responsible for any subordinate's wrongdoing.
9. **Team spirit—10/10 principle:** The top 10% of performers ought to help the bottom 10% performers to improve the firm's competitive advantage.
10. **Haier should be like the sea:** We accept all talented people from around the world for an ambitious goal. Every Haier employee should be capable rather than mediocre and redundant for they are the backbone and guarantee of Haier's future development. Haier should be like the sea and make contributions to mankind "sincerely forever." In so doing, it will exist forever for the good of all, and Haier will be part of the whole society.

According to Zou Xiwen, president of Haier University, which was established in 1999 by the Haier Group to train employees, the core values of Haier's development are speed, innovation, and the strategic business unit (SBU) program. All 30,000 employees strive to reach the target set forth in the SBU. (SBU means that each employee is a profit center with the responsibility to make a profit. Each employee generates his or her revenue by providing the best service to the employee in the next step downstream and incurs expense or cost by receiving service from the employee in the previous step upstream and resources from various supporting departments.)

The SBU goal is for each employee to become the principal part of innovation, demonstrating his or her own value while creating value for customers. The SBU program changes the thinking of employees from "I am only in charge of design and don't think about manufacturing or sales" to "How does the market accept my design?" All employees learn that they have to give customers what they want, and, with the SBU program, employees care about the individualized needs of the customers. Its philosophy is "The customer is the king

for every Haier salesperson." In fact, Haier differs from other appliance companies in that it will build products to order and it doesn't compete on price. For example, when a customer buys a washing machine or an air conditioner, an employee goes to the customer's home to set it up.

BUSINESS STRATEGY

Haier CEO Zhang and President Yang Mianmian say the firm developed three major strategies over three stages: brand building or recognition strategy, expansion or diversification strategy, and globalization strategy. The first stage, called the famous-brand strategy, lasted from 1984 to 1991. During this period, the company created and built Haier-brand products and set up a quality-assurance system. In April 1985, CEO Zhang gathered all employees and battered the first poor-quality refrigerator with a hammer. Then the employees responsible for these goods battered 76 defective refrigerators. The event made all employees aware of the importance of quality and established the concepts of "defective products are wasters" and "excellent products are produced by talented employees." Think-

ing shifted from volume as the priority to quality and brand recognition as the priorities.

From 1991 to 1998, the second stage featured an expansion or diversification strategy in China. As the firm bases its strategy on quality instead of quantity, it decided that if someone bought a Haier Group refrigerator, then maybe he/she would look to buy something else from the firm. Haier expanded primarily through mergers and acquisitions to cover all kinds of household electrical appliances and electronic consumer goods instead of just one product. At this time it also focused on building great distribution channels all over China and improving product development speed and quality.

Since December 1998, the third

Figure 1: Three Stages of Strategy Development



stage has focused on the globalization strategy. Haier exported its products to Germany first, then to other European countries, the United States, Southeastern Asian countries, Middle Eastern countries, and India. On August 20, 2003, the firm displayed an electric billboard in the shopping district of Ginza, Tokyo, symbolizing its determination to reach the Japanese market.

The firm also consolidated its position abroad through local production and sales. In 2000, it opened a \$35 million refrigerator factory in Camden, South Carolina, and started selling products through Wal-Mart and many other national and regional chains. In 2002, it opened its American headquarters in New York City.

As part of its globalization strategy, Haier started using local capital and human resources. Its international promotion framework encompasses global networks for design, production, distribution, and after-sales services. It established 18 design institutes, 10 industrial complexes, 22 overseas production factories, and 58,800 sales agents worldwide. As mentioned earlier, in 2002, Haier had a 30% market share in the United States for refrigerators 230 liters and under and a 35% U.S. market share for refrigerators in the 230- to 280-liter range. The company sells its products in 12 out of 15 European chain supermarkets and 10 of America's chain stores. The firm has design, production, and sales facilities in the United States and some European countries, primarily with local employees running them. None of the employees at its New York headquarters is Chinese.

Two other key business strategies at Haier relate to winning over consumers: speed and differentiation. Speed means to satisfy consumers' needs as quickly as possible; differentiation means to introduce brand-new products or products with features that meet different needs. For example, the firm's U.S. president requested that the Haier headquarters design a new refrigerator with pullout drawers in the freezer chest for the U.S. market, and, in 17 hours, a micro-freezer prototype was built, exemplifying the firm's speed strategy. Another example demonstrates the differentiation in action: When visiting rural customers in the western part of China, an employee discovered that they frequently used their washing machines to clean vegetables as well as to launder clothes. Later, the firm marketed the machines in China's rural areas as versatile enough to

wash both clothing and vegetables.

HOW DOES OEC MANAGEMENT WORK AT HAIER?

For constant business growth, a firm needs to continuously raise its goals and quality through innovation, which is where OEC comes in. OEC management, based on market competition, strives to continuously raise the firm's goals and improve management skills to achieve a sustainable competitive advantage. Every employee at Haier attends one month of corporate culture and OEC management training before being put to work.

Haier's OEC management-control system and enterprise culture have the following characteristics:

- ◆ Focus on and understand customer value, product quality, operating efficiency, innovation, and speed to market.
- ◆ Commit top management and leadership to creating a "new way of management" and a performance culture.
- ◆ Involve management and employees in creating the OEC management-control system. Allow them to become familiar with OEC so they feel included and share in ownership of the system.
- ◆ Educate management and employees. Use seminars and weekly company newsletters to explain the firm's strategy, customer value, OEC management, and the idea of every employee being a strategic business unit to enable them to understand the concepts and appreciate the benefits.
- ◆ Create desired incentives, and reassure employees that they will be evaluated properly in accordance with their performance.

The OEC management-control system has three subsystems: target setting; control, checking, and clearance; and incentive mechanism. Let's look at how these subsystems work.

Target Setting

Every December, Haier headquarters sets the next year's guidelines and goals for each division by considering past performance, market demand forecast, group long-term goals, and each division's input on specific market-development needs (see Table 1).

Table 1: Division _____ Fiscal Year Guidelines and Goals

GUIDELINES		X-1 YEAR:		X YEAR:		X+1 YEAR:			
GOALS	CONTRAST ITEMS		CURRENT HIGHEST LEVEL HOME AND ABROAD		FACTS OF _____ DIVISION				
			LEVEL	COMPANY	X-1 YEAR	X YEAR	INCREASED BY %	PLAN OF X+1 YEAR	INCREASED BY %
	Capacity	Output (00,000 units)							
		Variety							
	Financial Performance	Sales (\$000,000,000) Profit (\$000,000,000)							
	Productivity	Productivity (Units per person, year)							
		Profit per person (\$10,000 per person, year)							
		Income per person							
	Management	Quality							
		Institutional Reform							
		Infrastructure Management							
	Market	Market Products							
			New Products						
			Star Products						
			Cash Cow Products						
		Dog Products							
		Target Market							
		Market Position							
	Development	Science and Technology							
		New Projects							
		Fields or Business Lines							

Prepared by:

Verified by:

Approved by:

Each division submits a divisional action program form with respect to its annual guidelines and goals. Also called the divisional management account, it includes specific annual goals, specific targets, action programs, deadlines, responsible divisions, quality criteria, evaluation method, and frequency (see Table 2).

A department management account is the same as the divisional action program. Before the 26th day of each month, every department head submits an OEC monthly control general ledger to his or her superior for approval. It includes a list of items, target value, last month's value, expected evaluation result, last month's error-correction numbers, this month's error-correction numbers, responsible persons, work hours, and daily clearance control evaluation summary.

In addition, every employee completes a daily activi-

ty control clearing account called an employee management account. It consists of task items, evaluation criteria (benchmark, past-period performance, and this-period goal), values, name of the responsible employee, daily actual results, evaluation results, actual compensation, and reviewer. To track performance, each job is assigned to a specific employee along with a clear delineation of the job's supervising manager, the responsible employee, the employee's partner, and the quality-check person. For example, each piece of glass in a particular building is associated with an employee who must take care of it.

Control, Checking, and Clearance: the OEC

Daily Clearing Routine

The control, checking, and clearance subsystem

Table 2: Divisional Management Account

_____ Division _____ Fiscal Year

GUIDELINES

ADVANCED GOALS

(1) NUMBER	(2) GOALS	(3) TARGET VALUES	(4) EXISTING PROBLEMS	(5) ACTION PROGRAMS
(1) 5	(2) Management	(3) <ul style="list-style-type: none"> ◆ Reforms of daily clearance management to achieve group's A level. ◆ Raise team management skill level. ◆ Benchmark goals to achieve the competitive advantage. 	(4) <ul style="list-style-type: none"> ◆ Lower error-correction rate of daily clearance. ◆ Problems in on-spot management and low standards. 	(5) (a) Through the daily clearance control procedure, we should integrate daily clearance into worker's daily life to ensure goal realization: task assignment, daily worksheet, error correction, result review, and salary compensation. (b) Achieve goals of: daily plan control, scheduled work achievement inspection timetable, error correction controlled by daily clearance, 100% item controlled rate, 100% "A level" goal attainment, larger than 95% "B level" goal attainment. (c) Use the industrial engineering method to streamline on-site management model. (d) Cultivate, educate, and select future higher-level managers and executive elites. (e) Set up a bulletin board to announce monthly job rotation and promotion results. (f) Prepare a compensation reform plan to solve unfairness in compensation. (g) Strengthen factory safety system to ensure zero occurrence rates in major accidents and less than 0.3% minor accidents. (h) Train and establish six to eight honor teams. (i) Train and establish three self-management teams and 10 exam-waiver teams.

Note: This table skips 1 to 4 and shows only No. 5 as an example.

(7) DEPARTMENTS RESPONSIBLE ★ RESPONSIBLE ★ ASSISTANT X SUPPORTING

(6) PERIOD	HR	FINANCE	PLANNING	MATERIAL	QUALITY	EQUIPMENT	INSPECTION	AFTER-SALE SERVICE	FACTORY I	FACTORY II	FACTORY III	(8) STANDARD	(9) VERIFICATION MATERIALS	(10) REVIEW METHODS
(a) Aug	★	★	★	★	★	★	★	★	★	★	★	New Standard	Mode Material	Monthly Review
(b) All Year	★		★			★						Q19509A	Exam Sheet Evaluation Result	Monthly Report and Review
(c) May						★			★	★	★	:	:	Monthly Plan Review
(d) All Year	★					★						New Standard	Operation Evaluation Result	Quarterly Plan Review
(e) March	★											:	Announce Result	Monthly Review
(f) March	★					★						:	Evaluation Result	:
(g) All Year	★				★			★	★	★	★	954401-954405	Not Exceeding Standard: Announce	Daily Report, Monthly Review
(h) Sept.	★	X	X	X	★	X	X	★	★	★	★	:	Evaluation Result	Monthly Plan Review
(i) Oct.	★	★			★	★	★		★	★	★	929501-929504	Standard Attainment Result	Monthly Report and Review

Prepared by:

Approved by:

includes the production site 6-S daily routine and the OEC daily clearing routine. Haier workers are imbued with the disciplines of a 6-S daily routine. An adaptation of the 5-S quality-control movement from Japan, 6-S takes its name from the initials of five Japanese words—seiri (discard the unnecessary), seiton (arrange tools in the order of use), seiso (keep the worksite clean), seiketsu (keep yourself clean), and shitsuke (follow workshop disciplines). Haier added a sixth, the English word “safety.”

To promote the 6-S routine, small yellow 6-S squares are painted on the factory floor. At the beginning of each workday, team leaders stand inside the squares to give a briefing on that day’s work and relay any news to the employees. At the end of each workday, some workers will be called to stand on the footprints inside the squares to criticize themselves for making mistakes and share corrective actions taken during the day or to share some of their good work.

The other part of the control, checking, and clearance subsystem is the OEC daily clearing routine, which includes the following nine-step procedure:

1. Each team supervisor gives a daily briefing to workers before they start their work.
2. Production workers conduct their activities by following the seven OEC criteria to check and control: production quantity, quality, material consumption, technology level, equipment maintenance and condition, production safety and workplace condition, and labor discipline (see Table 3).
3. Supervisors conduct onsite tours every two hours to detect and solve problems as well as complete the production-site OEC form with the seven OEC criteria items.
4. At the end of the day, all workers conduct a self-check of their own work with the OEC criteria, fill out their 3E (Everyone, Everything, and Everyday) cards with seven OEC criteria items, and submit them to their supervisors. See Table 4A and Table 4B. For production workers, the self-check consists of seven OEC criteria, and, for other workers, it consists of activity items and specific targets. All employees fill in a form daily and calculate their wage using the following formula: $\text{wage} = \text{rate} \times \text{quantity} + \text{award} - \text{penalty}$.
5. Each supervisor examines the 3E cards submitted,

corrects errors, gives a comprehensive evaluation, and submits the evaluation results to the work area manager. Evaluation results are graded as A, B, and C. If an employee achieves an A, ¥5 are added to that employee’s daily compensation; if an employee receives a C, it is minus ¥5.

6. Each work area manager checks the sample 3E cards, then fills out his or her own 3E card and submits it to the factory director.

7. Each factory director reviews the 3E cards and records the results in the factory OEC account. He or she then files a daily progress report to the deputy division general manager regarding problems that have been solved, problems that have not been solved, and suggested solutions to unsolved problems.

8. The deputy division general manager reviews daily progress reports and suggested solutions and provides feedback before reporting to the division general manager.

9. If necessary, all production and supporting department heads get together to discuss and analyze problems found through the OEC process and work together to suggest corrections, improvements, and preventions that are needed.

Incentive Mechanism

Haier’s third subsystem is the incentive mechanism, and the incentive policies are openness and fairness. The company adopts a point system for production workers using the 3E card, and, if an employee earns more points, he or she makes a higher wage and bonus (this way, both management and employee know the daily wage and why).

The company also uses quality-check coupons to provide an additional incentive mechanism. Each employee has a quality-check coupon booklet with red and yellow coupons for rewards and penalties. The booklet lists all quality problems the firm has detected and provides guidelines for checking each defect. If an employee failed to self-check a quality problem that was later found by his or her team member during a cross-check or by the superior during a managerial check, the employee will lose a red coupon and receive a yellow coupon that will be counted against that day’s wage and bonus.

As further motivation, each employee receives a daily

Table 3: 3E Card Evaluation Criteria

Production Plan Evaluation Criteria

- ◆ If less-than-plan production occurs because of external factors, production plan should be achieved by nonpaid overtime.
- ◆ If an employee causes workshop/team overtime of less than 10 minutes, the employee should be fined ¥10 (U.S. \$1 = 8.27Yuans). If the employee causes workshop/team overtime of more than 10 minutes or whole factory overtime of more than five minutes, the employee's daily wage should be confiscated, unless the cause of the overtime was an unexpected act of God.

Quality Target Evaluation Criteria

- ◆ Daily defective-product costs should be fined according to the defective-product prices announced by the Quality Inspection department. The monthly quality target is evaluated by the Technology department.
- ◆ Cash-equivalent coupons should be priced daily by the Quality Inspection department.
- ◆ Responsibility cost occurred in disposing of defective products should be accounted for according to "Defective-Product Disposal Rule."

Technology-Level and Production-Discipline Evaluation Criteria

- ◆ Employees who work without an appropriate technical credential should be fined ¥50.
- ◆ Employees who fail to follow the technical production requirements should be fined ¥20.
- ◆ Employees who do not follow the company's technical rules in production to record information or who do not record on time should be fined ¥10.
- ◆ Employees who have no clear self- and peer-review contents and targets should be fined ¥10.

Equipment Evaluation Criteria

- ◆ Employees who fail to check equipment daily should be fined ¥5.
- ◆ Employees who fail to lubricate equipment should be fined ¥5.
- ◆ Employees who fail to record the condition of equipment properly and in a timely fashion should be fined ¥5.
- ◆ Employees who violate equipment operation procedures should be fined ¥50.
- ◆ Employees who operate equipment without an appropriate credential should be fined ¥100.

Material Evaluation Criteria

- ◆ Employees who produce defective products should be fined an amount of up to 10% of the material price.
- ◆ Employees who overuse raw materials should be fined an amount of up to 15% of the materials price.
- ◆ Employees who save raw materials should be awarded an amount of up to 5% of the materials price.
- ◆ Employees who fail to make timely and exact inventory checks and reports should be fined ¥10.
- ◆ Employees who fail to report that there is an insufficient amount of materials 12 hours ahead should be fined ¥300.

Labor Discipline Evaluation Criteria

- ◆ Employees who fail to place equipment in the proper area or fail to attach clear and matching tags on the equipment should be fined ¥2.
- ◆ Employees who fail to clean and clear their work environment should be fined ¥2.
- ◆ Employees who are late for work should be fined ¥2; those who leave early should be fined the daily wage.
- ◆ Employees who leave work because of sickness or other personal reasons and who do not have appropriate approval should be fined the daily wage.
- ◆ Employees who gather for fun or chat during work time should be fined ¥2.
- ◆ Other violations will be handled by related rules and regulations.

Production Safety Evaluation Criteria

- ◆ Employees who operate without following proper procedures should be fined ¥10.
- ◆ Employees who operate without knowledge of safety operation rules and procedures should be fined ¥10.
- ◆ Employees who fail to deal with dangerous factors in time—and effectively—should be fined ¥10.
- ◆ Employees who lose safety signs or who have unclear and damaged signs should be fined ¥10.
- ◆ Employees who fail to wear uniforms or gloves or wear untidy uniforms should be fined ¥2.

Other Awards and Penalties

- ◆ This section will handle actions not mentioned above.

Endorsement

- ◆ Additional explanations from the operators or inspectors will be recorded in this section.




Inspection and Review

- ◆ Inspectors, known as team chiefs, are required to schedule inspections of the 3E card and give comments on evaluation and endorsement results.
- ◆ Reviewers are required to schedule reviews of the 3E card and release a review opinion. Employees' wages will be determined according to review results.

Table 4A: OEC Evaluation Worksheet (3E Card A) for Monthly Evaluation

Name: _____ Employee Number: _____ Group: _____ Team: _____ Positions Qualified: _____

<p>Note:</p> <p>1. OEC Evaluation Worksheet consists of 3E Card A and Card B. Card A is a monthly evaluation worksheet and is kept by every employee each year; Card B is for the purpose of salary calculation and daily evaluation and is updated every month and submitted to the factory's plan and finance department by the end of the month.</p> <p>2. Team head or team members entrusted by team head should prepare OEC Evaluation Worksheet, which should be confirmed by employee's signature.</p> <p>3. Employee number is the number used in the bank salary transfer system, and employee's qualified position (1) can be employee's real position.</p> <p>4. Material consumed, quality, and value coupon should be filled in on Card B provided by group head. Other awards and penalties, such as on-site and labor disciplines, should be recorded daily.</p> <p>5. Daily production of different types should be recorded on the back of Card B; salary calculation for daily production (including public holidays and weekend overtime) should be recorded on the front of Card B. Overtime production will be considered in salary calculation but not for evaluation purposes. Overtime for inventory check and on-site arrangement will be recorded on the back of Card B.</p> <p>6. OEC Evaluation Worksheet review procedure: worksheet maker → team head (evaluator) → employee → group head (reviewer) → OEC supervisor → personnel responsible for various functions.</p>	1.
	2.
	3.
	4.
	5.
	6.

Annual Evaluation (Person)		Jan.	Feb.	March	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
Month		1	5	12	/	/	/	/	/	/	/	/	/
Accumulation		1	6	18	/	/	/	/	/	/	/	/	/
Monthly Review	Category												
	Cases	Careful self-review avoids poor quality		Poor quality occurs in this month									

Explanation:

- OEC Evaluation Worksheet serves as major source for employee evaluation.
- Comprehensive ranking explanation: Monthly ranking is based on the production-plan fulfillment, and accumulated ranking is the sum of rankings of a particular month; annual ranking is sorted by accumulation by the end of each year (ranked first with the smallest year-end accumulation and ranked last with the largest year-end accumulation).
- Figure explanation: Red smiling face is excellent; green face with neutral expression is average; blue sad face is poor. In-depth analysis for excellent and poor cases is required.
- Evaluation and ranking refer to the team-evaluation method.

Table 4B: OEC Evaluation Worksheet (3E Card B) for Daily Evaluation and Salary Calculation

FRONT PAGE

Name: _____ Position: _____ Employee Number: _____ Plant: _____ Team: _____

Item	Date	27	28	29	30	31	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	Total	Confirm		
Production Quantity	Target	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/				
	Actual	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/				
	Salary																																			
Quality	Market Chain																																			
	Value Coupon																																			
	Customer Feedback																																			
	Technique																																			
Defective Product Material Used																																				
Equipment Evaluation																																				
Safe Operation																																				
On-Site Evaluation																																				
Other Rewards and Penalty																																				
Self-Calculated Wage																																				
Review																																				
Daily Evaluation																																				
Employee Signature																																				

BACK PAGE

Item		Date		27	28	29	30	31	1	2	3	4	5	6	7	8	9	10	...	24	25	26	Total
Production Completed	Kind	Point	Price																				
Inventory Check	Time																						
	Price																						
On-Site Check	Time																						
	Price																						
Subtotal		Review		Date		Subtotal		Review		Routine Checks			Endorsement										
				Item						Name	Quant.	Maint. Frequency											
				Equipment Check		Time				Equipment				Review									
						Price				Instrument													
						Amount				Tool													
										Desk			Re-exam										
										Lamp													
										Air Conditioning													

grade for actual performance and progress toward achieving his or her target. Daily evaluation results are shown to workers the next day on the bulletin boards in the factory. The employees who are acknowledged as the best workers for three consecutive days have the honor of telling their experiences to fellow workers. The employees who become the best workers most frequently in one month are considered the best workers of the month. They have more opportunities to attend job training and more social benefits, while employees who become the worst workers most frequently in one month are demoted to probation workers.

Finally, the firm has an open competitive bidding system for job placement. When there is a job opening within the group, employees who have reached the qualified skill level through internal training seminars or on-the-job training can bid for that job. Management then makes the final decision and selects the best candidate based on the submitted bids.

SUSTAINABILITY

Haier has come a long way from a nearly bankrupt company to a worldwide brand. By making employees responsible for meeting OEC criteria, Haier will continue to excel and achieve its short-term goal of becoming one of the world's top three white-goods manufacturers. In this current competitive market economy, many companies have much to learn from Haier's culture and OEC management-control system. ■

Thomas W. Lin, Ph.D., is a professor of accounting and the Leventhal International Faculty Fellow in the Marshall School of Business at the University of Southern California in Los Angeles, California. You can reach him at (213) 740-4851 or wlin@marshall.usc.edu.

The author acknowledges the financial support provided by IMA Foundation for Applied Research and would like to thank Haier University President Zou Xiwen for providing the tables, which were originally in Chinese.