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Haidilao Catering: From a Hot Pot to Crisis Management[[1]](#footnote-1)

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As the world’s leading hot pot restaurant company, Sichuan Haidilao Catering Co., Ltd. (Haidilao) had more than 200 restaurants in China, Korea, Japan, Singapore, and the United States, employing a staff of about 50,000 as of August 25, 2017.[[2]](#footnote-2) Zhang Yong, founder and chair of the board of Haidilao, along with other major figures in Chinese business circles, including Jack Ma from Alibaba Group Holding Limited, Ma Huateng from Tencent Holdings Limited, Ren Zhengfei from Huawei Technologies Co., Ltd., and Wang Jianlin from Dalian Wanda Group Co., Ltd., was recognized as one of the top 10 Chinese innovative entrepreneurs in 2013 by Hurun Research Institute.[[3]](#footnote-3)

However, the legendary reputation that had supported Haidilao’s rapid development and glorious success was threatened by a kitchen hygiene crisis (*wei ji*[[4]](#footnote-4) in Chinese). It was the biggest crisis in Haidilao’s history. On August 25, 2017, a press writer from the *Legal Evening News* reported the occurrence of kitchen hygiene problems in Haidilao’s Beijing Jinsong and Taiyanggong restaurants.[[5]](#footnote-5) The publicized pictures and video shockingly showed mice running around in the kitchen, dustpans and tableware being washed in the same sink, and customer spoons being used to clean plumbing. In response to this crisis, Haidilao released an apology letter and a follow-up rectification announcement within several hours of the news release. That triggered even more heated online discussion, as indicated by a flood of postings on social media.

This unexpected crisis put Haidilao in a “hot pot.” After Haidilao made a series of announcements, there was still a flood of doubts about the company online. Facing this crisis, Zhang and his team needed to respond to the threats to Haidilao (*wei)* and turn them into opportunities (*ji)*, achieving a state of renewal that the Chinese called *phoenix nirvana.*[[6]](#footnote-6)

The Chinese Hot Pot Industry

As a Chinese saying went, “Food is people’s first necessity,” and hot pot was the most popular type of dining in China. Hot pot was a Chinese cooking method prepared with a simmering pot of soup stock. While the hot pot was kept simmering, ingredients such as sliced meat and vegetables were placed into the pot to be cooked, and then dipped into a sauce before being eaten. After several thousand years of evolution, hot pot cooking had evolved into more than a dozen categories with hundreds of varieties. In the 1990s, hot pot restaurants experienced a period of rapid development—the so-called Golden Decades. With a surge in the number of hot pot restaurants, the restaurants occupied a large portion of the catering industry. During this period, some well-known hot pot enterprises emerged, including DeZhuang Group, Chonqing Liuyishou Hotpot Co. Ltd., XiabuXiabu Catering Management China Holdings Co. Ltd. (XiabuXiabu), Little Sheep Group Limited, and Inner Mongolia Little Lamb Co. The Chinese Cuisine Association’s 2016 report on the top 100 Chinese catering enterprises showed that 32 of the top 100 catering restaurants were hot pot companies, which claimed a 30.6-per-cent share of revenue at a year-on-year revenue growth rate of 11.8 per cent (see Exhibit 1).[[7]](#footnote-7)

However, in a booming market with a huge number of hot pot restaurants, market competition was fierce. The number of hot pot restaurants in China increased from approximately 406,000 in 2013 to 601,000 in 2017.[[8]](#footnote-8) Among these restaurants, some had grown very slowly, while others had ridden a wave of momentum in the early stages but stagnated later. Others had disappeared. For instance, Little Sheep, Haidilao’s direct competitor, initiated a period of frenzied franchise expansion two years after it had begun operations, opening a new franchise outlet, on average, nearly every three days. This model enabled Little Sheep’s revenue to sharply increase, making it the second-leading catering enterprise in China in 2004. After that, Little Sheep was listed on the Hong Kong Stock Exchange. In 2011, it was acquired in full by Yum! Brands, Inc. (Yum!). Then, after its early rapid growth, Little Sheep’s growth began to decline. The frenzied period of franchise expansion had made managing the enterprise difficult, and the standardization process emphasized by Yum! eliminated Little Sheep’s competitive advantage in the hot pot market.[[9]](#footnote-9)

With many brands competing in this saturated market, hot pot restaurants adopted a range of strategies to differentiate themselves in the marketplace. For example, XiabuXiabu combined a traditional hot pot menu with bar-style dining to create a bar-style hot pot restaurant concept, providing customers with a fast, casual, and modern dining experience at low prices.[[10]](#footnote-10) Little Lamb controlled farms in the Inner Mongolia region, so it provided high-quality lamb-related products that were difficult to be substituted by other hot pot restaurants.[[11]](#footnote-11) For its part, Huangjihuang Company adopted a traditional stew method of cooking, and its core proposition was, therefore, the ancestral three-sauce stew pot.[[12]](#footnote-12) Although these hot pot companies were trying to build their own points of differentiation, none of them had been capable of dethroning Haidilao from its leading position.

Haidilao’s Legendary Success

Haidilao was famous for its excellent customer service, which went above and beyond the industry standard. As customers waited in line at Haidilao’s restaurants, they were offered complementary snacks, shoe shining, nail services, and other free services. When customers were seated, waiters offered to bag customer cell phones to protect them from liquids, provided wipes for customers who wore glasses, handed out rubber bands for those with long hair, and so on. More importantly, Haidilao employees were always friendly, smiling, and energetic as they offered these surprises, which brought even higher consumer satisfaction. Haidilao’s gold-level service and high customer satisfaction made it the industry’s exemplar and served as a model for other restaurants, organizations, and individuals. For example, in 2006, Yum! held its annual dinner at one of Haidilao’s restaurants, and 200 regional managers came to learn about Haidilao’s extraordinary customer service.[[13]](#footnote-13) It was not surprising that Haidilao became a legend in the catering industry.

The first Haidilao hot pot restaurant was opened in March 1994. Zhang, then 23 years old, had raised ¥8,000[[14]](#footnote-14) (about US$1,000) with his three founders, and opened the first Haidilao hot pot restaurant in Jianyang, Sichuan Province. People in Sichuan loved to eat hot pot, and every city in Sichuan was crowded with a variety of hot pot restaurants. At that time, Zhang was a complete layman and did not know anything about how to make hot pot, including what seasonings to use or how to make soup brine. As a result, business was mediocre.

Zhang realized that Haidilao’s hot pot business could not gain a competitive advantage or even survive through excellent food alone; instead, he decided that their firm should focus on service to impress consumers.[[15]](#footnote-15) For example, in Haidilao’s early days, Zhang once noticed that a customer’s shoes were dirty, so he arranged for staff to shine the customer’s shoes. On another occasion, a customer was very much enjoying the flavour of Haidilao’s spicy sauce, so Zhang sent her a bottle of that sauce the next day. This greatly impressed the customer.[[16]](#footnote-16)

Haidilao also personalized its services. For example, once when serving a group of customers, a waiter discovered that they were having a birthday party for a woman who was pregnant. The waiter immediately prepared a birthday gift for her that included apples, lotus seeds, peanuts, jujubes, and a baby picture. The combination of these presents conveyed best wishes to the woman for the safe arrival of her baby, according to the traditional Chinese custom.[[17]](#footnote-17) Such personalized service greatly impressed customers and made them feel deeply appreciated.

Although customers may not have found Haidilao’s hot pot particularly tasty, they came to the restaurant again and again because of its extraordinary services. Gradually, the small restaurant accumulated quite a number of customers. Through this seemingly counterintuitive experience, Zhang recognized the importance of service: “If customers have a good time in your restaurant, they will say that the hot pot is delicious. But if they feel that your service is bad, they will say the hot pot is unpalatable. Service does affect customers’ taste!”[[18]](#footnote-18)

Five years later, Haidilao expanded beyond Sichuan to Xi’an, Shaanxi Province. From there, Haidilao continued to expand to cities across China and around the world, eventually numbering over 200 restaurants globally. For many years, Haidilao was among the top 100 Chinese catering enterprises in China, and it maintained its top spot in the hot pot industry with steadily growing revenue (see Exhibits 2–4).

Providing extraordinary service became the business philosophy of every Haidilao restaurant—and it was a philosophy enjoyed by every Haidilao customer.[[19]](#footnote-19) Haidilao was a Sina Weibo trending topic several times, with hashtags such as “*No one can stop Haidilao.*”[[20]](#footnote-20) In addition, several books were written about Haidilao’s exceptional service.

Haidilao’s Spirit

Haidilao’s exceptional service standard originated in and reflected its core corporate values. Haidilao posted its corporate goals on the kitchen wall of all its restaurants: “The first goal is to create a fair and impartial working environment. The second is to enable employees to change their fate by their own efforts. The third is to expand our restaurants to every city in China.”[[21]](#footnote-21)

To achieve these corporate goals, Haidilao created and implemented comprehensive human resource management policies:[[22]](#footnote-22)

*Selection*: The company relied heavily on an employee referral system for recruitment and maintained a high proportion of employees from rural regions.

*Cultivation*: It trained and developed new employees through mentoring, apprenticeship, and practise.

*Use*: It completely trusted employees, authorizing restaurant managers to commit to any expense that was lower than ¥30,000 (about one year’s salary for a regular employee).[[23]](#footnote-23) It also authorized ordinary front-line employees to offer discounts or free dishes to customers.

*Assessment*: It used customer and employee efforts to assess restaurant performance, and set up an internal mechanism for promotion to give employees a clear career path.

*Retention*: It paid wages that were above average in the catering industry and offered free accommodations close to work sites. The company gave bonus payments to excellent employees and paid the travel fees of the employees’ parents as well. It established a boarding school for children who stayed in their hometowns while their parents worked for Haidilao in cities. It endeavoured by all means to establish a family culture within the firm.

*Subsidies*: It compensated employees in managerial positions, ranging from restaurant managers to vice-presidents, who planned to resign from Haidilao, with severance pay ranging from ¥80,000 to ¥8 million.

These six complementary and incentive policies embodied Haidilao’s humanistic approach to management and constituted the core of Haidilao’s strategic human resources management system, which, in turn, underpinned the company’s service differentiation strategy. The complementarity of the six policies was reflected in Haidilao’s approach to employee recruitment. Haidilao employed people from rural regions to realize low labour cost, while its mentoring system ensured that employees gained the work skills the brand needed. To achieve its high service standards, Haidilao required that 20–30 per cent of the staff in every new restaurant consisted of employees with relevant work experience.

The incentive policy involved two key aspects: an assessment system and a family-oriented culture. The assessment-and-promotion mechanism provided employees with a clear career path through which they could change their lives through their own efforts. All employees had a chance to be promoted to the management team regardless of their current position. In Haidilao, except for the chief financial officer and the director of engineering, all of the restaurant managers had been internally promoted after serving in non-managerial positions such as waiters, bussers, or janitors.[[24]](#footnote-24)

Haidilao also created a warm family culture in its workforce and gave employees a sense of belonging and dependence by showing its concern not only for employees, but also for their families. For example, Haidilao built a boarding school where all the employees’ children could be educated; the company also rewarded excellent employees by organizing free travel for the employees’ parents every year.[[25]](#footnote-25) The benefits motivated employees and encouraged them to consider how they could create value for the company.

Haidilao’s family culture was also reflected in the trust and authority it offered to employees. The company empowered its employees to become more flexible and creative in the service process, and the empowerment consequently increased employee and customer satisfaction.[[26]](#footnote-26) This satisfaction was then translated into positive word-of-mouth publicity and repeat patronage. Thus, empowering front-line employees became the key to Haidilao’s market differentiation strategy.

Although Haidilao’s exceptional service had become an industry legend and attracted widespread attention from both customers and competitors, Zhang often expressed concerns about the brand’s future. Haidilao’s official website described the threats to the company as follows: “Haidilao faces two potential causes of demise. The first relates to managerial problems. If these problems occur, Haidilao will have only several months to a year before it collapses. The second is food safety, which would lead to the company’s demise in a matter of days. Therefore, food safety is a matter of life for Haidilao.”[[27]](#footnote-27)

Although Zhang and his company had a strong sense of *wei ji*, the actual crisis Haidilao experienced occurred even sooner than expected.

Haidilao’s Kitchen Hygiene Crisis

At 10:58 a.m. on August 25, 2017, a press writer from the *Legal Evening News* reported problems with kitchen hygiene in Haidilao’s Beijing Jinsong and Taiyanggong restaurants.[[28]](#footnote-28) The news, accompanied by online videos, revealed that mice ran around the kitchen of one of its restaurants, dustpans and tableware were washed in the same sink, and spoons for customer use were used to unclog blockages in the plumbing. This news immediately caught the public’s attention and provoked heated discussions online. The story even made the trending lists of many social media platforms, including Sina Weibo and Baidu.[[29]](#footnote-29)

At 2:31 p.m., about three-and-a-half hours after the story broke, Haidilao issued its first public response through its official website.[[30]](#footnote-30) In an apology letter, Haidilao acknowledged that the hygiene issues disclosed in the news had occurred, and it expressed an apparently sincere apology for the misconduct (see Exhibit 5).

At 5:30 p.m., about three hours later, Haidilao again responded publicly by announcing in detail how it would address the incident and what remedies it would employ to resolve the issues and prevent their recurrence.[[31]](#footnote-31) The announcement also named the persons who would be in charge of applying the remedies (see Exhibit 6).

Changing Online Public Opinion

China had the world’s largest population of Internet users or “netizens.” Because these users had few traditional channels through which to express their opinions (e.g., newspapers, television, and radio), they tended to be very open on the Internet. As a result, netizens had a strong influence on public opinion.

The disclosure of Haidilao’s chaotic kitchen hygiene practices triggered a public outcry. Before this incident, Haidilao had been a star enterprise, admired for its gold standards and personalized services that were received so enthusiastically by consumers. According to data from the Qingbo Public Opinion Monitoring System,[[32]](#footnote-32) before the news broke, positive emotions had dominated Haidilao’s online word-of-mouth publicity, with as many as 74.75 per cent of posts registering positive opinions, while negative comments occupied only 9.22 per cent of posts.[[33]](#footnote-33) But immediately after the news of Haidilao’s hygiene problems, online word-of-mouth recommendations for the restaurants plummeted sharply, with the proportion of positive opinions dropping to only 11.07 per cent, while negative appraisals rose abruptly to 49.15 per cent.[[34]](#footnote-34)

Supporters

People in support of Haidilao thought that the company had been responsive, sincere, and willing to admit its mistakes. Haidilao was thought to have done a better job than another industry giant, McDonald’s Corporation (McDonald’s). When safety issues at McDonald’s were disclosed by the China Central Television in 2012, the company posted an announcement on Weibo and highlighted that the incident was an isolated case, typical of what most companies would do to minimize a problem and try to reduce its impact on the company.[[35]](#footnote-35) However, many netizens accused McDonald’s of being perfunctory in its explanation. According to netizens, McDonald’s, as one of the world’s top 500 enterprises, had to take responsibility and conduct a thorough self-examination for such problems in the sales process, instead of using “individual events” as an excuse to brush off the public.[[36]](#footnote-36)

When the hygiene problems at Haidilao were disclosed, many of those posting online comments speculated that the company would also try to minimize the issue by claiming it was an isolated case, in that way shirking its responsibility, like most companies would do.[[37]](#footnote-37) But in contrast to the broad public speculation, Haidilao released an apology letter three hours after the news broke, and admitted that the disclosed hygiene problems had all occurred. This bold move impressed many netizens; some started showing their sympathy for Haidilao, claiming that the company deserved a chance to correct its mistakes.[[38]](#footnote-38)

Subsequently, Haidilao responded to the crisis a second time by announcing a series of rectification measures and designating specific personnel to take responsibility for each rectification task. In this announcement, Haidilao placated the staff working at its Jinsong and Taiyanggong restaurants by telling them there was no need to panic, and categorized the incident as more of a management issue, with the board taking responsibility. This response won greater support for Haidilao. Supporters believed that, compared with companies that treated employees as scapegoats, Haidilao’s response seemed more in line with its humanistic management approach, with it blaming itself for managerial problems and patiently placating employees. Haidilao’s behaviour led many netizens to view Haidilao in a more favourable light, and many even expressed their forgiveness for the company.[[39]](#footnote-39)

Dissenters

Negative comments posted in the aftermath of the news were mainly concerned with Haidilao’s hygiene problems. Some people believed that such an incident was unforgivable and that Haidilao should bear the consequences because it had failed to comply with hygiene regulations.[[40]](#footnote-40) They also believed that the response measures mentioned in the rectification announcements misused the humanistic management system when it shifted responsibility for the incidents to its management team.[[41]](#footnote-41) According to some people, the incident was the responsibility of the kitchen staff who had cleaned the dustpans and tableware in the same sink and tried to unclog blockages in the plumbing with spoons meant for customers’ use; these dissenters thought the responsible employees alone ought to bear the consequences.[[42]](#footnote-42) Thus, when Haidilao blindly condoned those employees, it undermined the company’s internal responsibility mechanism, failing to implement a fair and transparent managerial system.

Some in the media pointed out that Haidilao had been releasing announcements about food safety inspections every month on its official website (see Exhibit 7). These announcements indicated that the company’s most common way of addressing problems with the inspections was to train staff or punish managers, but never to punish the employees who directly caused the problems.[[43]](#footnote-43) Coddling of its employees in this way was seen as a reflection of unclear internal communication about the responsibilities of each position. If employees realized they could be easily forgiven for violating rules, they might not take their jobs seriously, and this would ultimately hurt the interests of customers.[[44]](#footnote-44)

Faced with these doubts about Haidilao’s hygiene and its unclear internal responsibility mechanism, Zhang and his team needed to develop a strategy. What should Haidilao do to turn the threats (*wei*) into opportunities (*ji*) to achieve the Chinese state of *phoenix nirvana*? And how could Haidilao prevent the recurrence of such a crisis?

Exhibit 1: Data on the Top 100 Chinese Catering Enterprises in 2016

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **Number of Enterprises** | **Proportion of Top 100**  **Total Revenue (%)** | **Change in Proportion** \* | **Rate of Revenue Growth (%)\*** |
| Fast food | 21 | 39.9 | −2.4 | 1.3 |
| Hot pot | 32 | 30.6 | 1.2 | 11.8 |
| Restaurant | 31 | 20.7 | 1.1 | 13.3 |
| Western food | 8 | 4.9 | Flat | 7.4 |
| Casual dining | 6 | 2.7 | Flat | 9.2 |
| Hotel catering | 2 | 1.2 | 0.1 | 13.3 |

Note: \* Change in proportion and revenue growth as measured year-on-year against 2015.

Source: Created by the case authors based on “Chinese Cuisine Association: Analysis of the Top 100 Chinese Catering Enterprises in 2016,” Sohu, May 11, 2017, accessed May 18, 2018, www.sohu.com/a/139912722\_173060.

Exhibit 2: The Top 100 Chinese Catering Enterprises in 2016

|  |  |
| --- | --- |
| **Rank** | **Enterprise Name** |
| 1 | Yum China Holdings Inc. |
| 2 | Tianjin Dingqiao Catering Service Consulting Co., Ltd. |
| 3 | Chongqing Wodme Food Culture Co., Ltd. |
| 4 | Sichuan Haidilao Catering Co., Ltd. |
| 5 | Fujian Joycaller Food Co., Ltd. |
| 6 | Chongqing Chaotianmen Catering Holding Group Co., Ltd. |
| 7 | Chongqing Liuyishou Restaurant Management Co., Ltd. |
| 8 | BeiJing HuangJiHuang Restaurant Management Co., Ltd. |
| 9 | Shandong Camry Catering Group |
| 10 | Inner Mongolia Little Lamb Co., Ltd. |

Source: Created by the case authors based on “The 2016 Report of Top 100 Chinese Catering Enterprises,” China Cuisine Association, April 6, 2017, accessed May 18, 2018, www.ccas.com.cn/Article/HTML/108189.html.

Exhibit 3: Top 10 Hot pot Enterprises in 2017

|  |  |
| --- | --- |
| **Rank** | **Enterprise Name** |
| 1 | Sichuan Haidilao Catering Co. Ltd. |
| 2 | BeiJing HuangJiHuang Restaurant Management Co., Ltd. |
| 3 | Inner Mongolia Little Lamb Co., Ltd. |
| 4 | XiabuXiabu Catering Management China Holdings Co., Ltd. |
| 5 | Chongqing Dezhuang Industry Group Co., Ltd. |
| 6 | Sichuan Xiangtianxia Restaurant Management Co., Ltd. |
| 7 | Chongqing Liuyishou Restaurant Management Co., Ltd. |
| 8 | Chongqing Wodme Food Culture Co., Ltd. |
| 9 | Beijing Xinladao F&B Restaurant Management Co., Ltd.  Beijing New Spicy Way Restaurant Management Co., Ltd. |
| 10 | Chongqing Luxi Cattle Catering Management Co., Ltd. |

Source: Created by the case authors based on China Hotel Association, *Annual Report on China’s Catering Industry*, June 9, 2017, accessed May 18, 2018, www.chinahotel.org.cn/forward/enterSecondDary.do?id=4a41851c14184c9495f3aad314fc42

90&childMId1=4e28ce0583794d08a63c4036d336f5cc&childMId2=&childMId3=&contentId=b31656e549174234ba16bf58ee963d8a.

Exhibit 4: Haidilao’s Revenue and Revenue Growth Rates

Note: ¥ = Chinese yuan renminbi; US$1 = ¥6.6579 on August 25, 2017

Source: Created by the case authors based on “Haidilao Revenue Differences between Overseas and Domestic Markets,” *National Business Daily*, July 19, 2016, accessed May 18, 2018, http://finance.sina.com.cn/roll/2016-07-19/doc-ifxuaiwa720

3761.shtml.

Exhibit 5: Haidilao’s Letter of Apology for Hygiene Problems

Dear Customers:

Today the media reported hygiene and safety problems in Haidilao’s Beijing Jinsong and Beijing Taiyanggong restaurants. After a thorough investigation, we conclude that the problems disclosed in the news are all real, and the management team should take full responsibility. The hygiene problems are our top concern, and we have been conducting regular hygiene and safety inspections every month. In any case, we feel very guilty about the occurrence of such problems, and we are here to extend our sincere apologies to customers.

We are grateful for the monitoring by the media and the public, and we are willing to shoulder the corresponding economic and legal responsibilities. We are determined to eliminate these problems as soon as possible. We will conduct rectification actions in all subsidiary restaurants and release a related plan for doing so as soon as possible. Our customers and media friends can check the results of the rectification on our official website and the official WeChat account.

Thank you again for caring about and monitoring Haidilao.

Haidilao

August 25, 2017

Source: “Hai Di Lao Hotpot Apologizes for Hygiene Problems,” China Plus, August 25, 2017, accessed October 19, 2018, http://chinaplus.cri.cn/news/china/9/20170825/20611.html.

Exhibit 6: Haidilao’s Published Plan for Addressing Hygiene Problems

1. The Beijing Jinsong and Taiyanggong restaurants will take the initiative to suspend operations for rectification purposes and conduct a thorough investigation. A third-party company will be hired to clean up all neglected corners in the kitchen, such as plumbing and ceilings.
2. All subsidiary restaurants will be tasked with checking their kitchen hygiene conditions immediately to avoid similar incidents. The results of these investigations and remedies will be actively reported to the government. We will co-operate actively with the government to meet its regulatory rules by providing related information on food and describing our food processing procedures. All monitoring equipment and cameras will be upgraded to achieve network monitoring.
3. We welcome consumers, the media, and government bureaus to visit Haidilao outlets, monitor the work, and propose necessary amendments.
4. We will co-operate immediately with the third-party organization to design remedies such as using more advanced technologies to conduct pest control operations and improve equipment.
5. Our overseas subsidiary restaurants will conduct strict investigations and implement rectification actions in accordance with local laws and regulations.
6. There is no need for our managers or employees at the Jinsong and Taiyanggong subsidiary restaurants to panic. They will need only to inspect and improve their restaurants according to our rules and take responsibility accordingly. These incidents are related to managerial problems in our company and we accept the major responsibility for their occurrence.
7. During the process of investigation and improvement, we will ensure that all activities and measures will be consistent with local laws, regulations, and corporate rules.

Haidilao

August 25, 2017

Source: “A Second Handling Announcement from Haidilao,” NetEase Money, August 25, 2017, accessed November 4, 2018, http://money.163.com/17/0825/18/CSN21U6S002581PP.html.

Exhibit 7: Announcement of Food Safety Inspection results, May 2017

In May 2017, we found some food safety problems when we were inspecting a batch of food products in Haidilao. We request that all managers in Haidilao pay close attention to these problems. When we find any violations and problems in the future, we will enact severe punishment. The specific problems and the corresponding solutions are as follows:

1. We found two bottles of expired yogurt in Yangzhou’s No. 1 restaurant.\* This issue has been recorded in the restaurant’s food-safety assessment, and we have trained this restaurant to pay more attention to food expiration dates.
2. The dishwasher in Xi’an’s No. 9 restaurant was out of order and failed to meet food safety requirements. This issue has been recorded in the restaurant’s food-safety assessment, and this restaurant must find solutions to these problems.
3. The heating lamp tube in the disinfectant cabinet in Chengdu’s No. 1 restaurant has been out of order, and the disinfection function did not work. This issue has been recorded in the restaurant’s food-safety assessment, and this restaurant must find solutions.
4. Many stains were left on the hose of the drink machine in Guangzhou’s No. 4 restaurant. This issue has been recorded in the restaurant’s food-safety assessment, and we have trained the staff how to correctly clean the stains.
5. We found that the staff in Zhengzhou’s No. 2 restaurant was using chopping boards and knives directly, without spraying with alcohol to disinfect. This issue has been recorded in the restaurant’s food-safety assessment, and this restaurant must find solutions.
6. One staff member in Nanjing’s No. 3 restaurant was found to use running tap water to make watermelon juice. This issue has been recorded in the restaurant’s food-safety assessment, and this restaurant must rectify the situation.
7. One staff member in Tianjin’s No. 1 restaurant did not get a qualified health certificate before starting work. This issue has been recorded in the restaurant’s food-safety assessment, and this restaurant must rectify the situation.
8. One staff member in Guangzhou’s No. 2 restaurant returned to work after replacing a garbage bag without washing his hands. This issue has been recorded in the store’s food-safety assessment, and we have trained the staff to pay attention to it.
9. Tianjin’s No. 4 restaurant did not conduct adequate food safety training. This issue has been recorded in the food-safety assessment, and this restaurant must rectify the situation.
10. Unused duck intestines were not returned to the warehouse for locker storage in Qingdao’s No. 3 restaurant. We have trained the staff to pay attention to it.

Haidilao

June 1, 2017

Note: \* To preserve anonymity, Haidilao did not reveal the real names of its restaurants but used only their numbers.

Source: Haidilao, “Announcement of the Results of the Food Safety Inspection in May 2017,” Haidilao (official website), June 1, 2017, accessed May 18, 2018, http://qs.haidilao.com/#/article/5934bddda2642393254a8612.

1. This case has been written on the basis of published sources only. Consequently, the interpretation and perspectives presented in this case are not necessarily those of Sichuan Haidilao Catering Co., Ltd. or any of its employees. [↑](#footnote-ref-1)
2. “Company Profile,” Haidilao (official website), accessed May 18, 2018, www.haidilao.com/index.php?m=content&c=index&a=lists&catid=65. [↑](#footnote-ref-2)
3. “Top 10 Chinese Innovative Entrepreneurs in 2013 by Hurun Research Institute,” Chinapp,September 5, 2013, accessed May 18, 2018, www.chinapp.com/paihang/zonghepaihang-6994. [↑](#footnote-ref-3)
4. The Chinese term *wei ji* could be translated into English literally as “crisis,” but the Chinese term contained two words with opposite meanings: *wei* connoted danger or threats, while *ji* referred to opportunities. As a single term, *wei ji* represented situations that could endanger a firm but also provide future growth opportunities. [↑](#footnote-ref-4)
5. “Undercover Investigation in Haidilao: Mice Climbed into Larder and Staffs Dug Sewers with Customer Spoons,” *Legal Evening News,* August 25, 2017, accessed May 18, 2018, www.fawan.com/2017/08/25/411620t185.html. [↑](#footnote-ref-5)
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