

A Case Study on Huawei Technologies

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ABSTRACT

Huawei Technologies Co., Ltd. is a Chinese company. Nowadays, Huawei is becoming a very recognized company worldwide, due to its high technological quality products and innovation. These Chinese company is leading global provider of information and communications technology infrastructure and smart devices. With integrated solutions across four key domains, telecom networks, IT, smart devices, and cloud services.

Huawei is committed to bring digital to every person, home and organization for a fully connected, intelligent world. Our proposal is to analyze the international strategies that Huawei have been applying to their success, what makes this company different from competition? Why clients or customers would prefer Huawei instead of other technological and recognized companies? and what can they improve in order to acquire more clients and work further to get into new markets and potentialized their products as the best ones.

A profound study is done on how Huawei Technologies had made strategic choices to when and how to enter in an existing and highly competitive market. Also, the study explores the important canvases of their business model, which includes the precise time of entry, market segmentation and pricing strategy

Keywords: telecommunications; multinational enterprise; innovation; industrial development; technology; China

"It's fine to celebrate success but it is more important to heed the lessons of failure."

- Bill Gates

INTRODUCTION

Huawei, a telecommunications company that Established in 1987 and originated in Shenzhen. Established by seven people with only RMB 20,000 (about US\$2,400) in 1988, Huawei has made the transition from a locally owned business to a potentially competitive global giant.

It is the largest networking and telecommunications equipment supplier in China and the second-largest supplier of mobile telecommunications infrastructure equipment in the world. According to Weijie (famous Chinese writer), Huawei's success is based on the strong R&D team. Huawei's innovation helps it to open the market of the network and telecommunication equipment. It spent a lot on that area, Huawei operates through three segments: carrier network, consumer and enterprise **Huawei's carrier network** business segment is engaged in developing and manufacturing a wide range of wireless networks, fixed networks, telecom software and core networks, as well as services solutions to telecommunications operators.

The consumer business segment develops and manufactures mobile broadband devices, home devices, and smartphones, as well as the applications for these devices. Huawei's mobile broadband



devices include data cards, wireless routers, and modules; and handsets include smartphones and feature phones. It also offers home convergence devices, which include fixed/wireless access devices, set-top boxes, digital photo frames, and tablets. **The company's enterprise business segment** develops ICT products and solutions including enterprise network infrastructure, cloud-based green data centers, enterprise information security, and unified communication and collaboration solutions for government entities, public utilities, energy, power, transportation and finance.

COMPANY PROFILE

Huawei is a private company, they have more than 180,000 employees, and operates in more than 170 countries around the world. Huawei is a leading global provider of information and communication technology infrastructure and smart devices, they provide telecom networks, IT, smart devices, and cloud services. They aim that they are committed to bringing digital to every person, home and organization for a fully connected intelligent world.

Their vision and mission are to bring digital to every person, home and organization for a fully connected, intelligent world, and they are currently focusing on ICT and intelligent devices.

In 2018 Huawei recorded a 21% growth and jumps to 68th place in Interbrand International's list of top value companies around the world, according to Interbrand International, a leading global brand consultancy. Huawei this year jumped two places from last year's rankings and its brand value rose by 14%, an estimated 7.6 billion US dollars. Huawei's R&D centers is built in many countries, such as Silicon Valley and Dallas in USA, Stockholm in Sweden, Moscow in Russia, Bangalore in India, and Beijing, Shanghai, Nanjing, Shenzhen, Hangzhou, Guangzhou in China.

METHODOLOGY

In this research the methodology is used for research is both qualitative and quantitative Information that is required for the analysis is found different research papers, journal, surveys annual reports etc. The information that is intended to be shown in the following analysis comprises a search for information on the Internet, whose component corresponds mainly to the company's website, magazine and news, as well as articles.

BACKGROUND

Huawei Technologies is the world's largest provider of telecommunications technologies and China's second largest privately held corporation, with a vision "To enrich life through communication," Huawei has earned a reputation as one of the most dynamic, fastest growing, innovative global technology companies today. Their strategies have helped the company to gain a position as one of the most important and recognized company around the world after Apple and Samsung, furthermore their communication channel and logistics also had contributing to the developing of Huawei and lend a hand to expand to new markets. Huawei is a global Telecom solutions provider with main focus on customer needs and innovation. Through its unique end-to-end offering of equipment in Telecom Networks, Global Services and Devices, it had earned global reputation in wireline, wireless and IP technologies, and had served nearly one third of the global population.

Its vision was to enrich the lives of the customers through communication. It had overtaken Ericsson, another global telecom player in its expansion activities. But Huawei's globalization efforts were marred by issues of security concerns expressed by countries that were skeptical over its lack of transparency. US had vehemently opposed Huawei's growth activities in its country. To become a

truly global company, Huawei had to develop its market in the US. Against the backdrop of such security concerns, the case study would analyze the growth of Huawei in its home country, China, its international growth strategies and whether the hue and cry raised by the US authorities on security concerns would really impede the growth of Huawei globally.

ENTRY MODE TO DIFFERENT MARKETS

Huawei have developed different entry modes depending in the geographical distance of countries, different markets and different products, thinking all the time in customers' needs and what can they do in order to satisfy those needs and make them possible to get for all the people around the world, this means that Huawei also competes in price. Some of those special methods are:

- Joint venture in Russian market. Huawei's market selection strategy targets market that have weak telecommunications infrastructure, but have great development potential
- Export entry mode in countries such as south America , Asia and Africa, Huawei use the export method as an input mode, due to factors of great influence on both sides, these factors such as geographical distance and local market conditions, within this point is important to highlight that in countries such as Colombia, Huawei just offer smartphones and tablet, they have not exporting laptops and some others products they use to offer, the price also plays an important role within countries like Colombia, Ecuador and some others, because the products are high quality ones and consider as luxury and they are not as expensive as some others brand, so Huawei have gained lot of market within this countries.
- There is a different entry mode for North America, Huawei had to face some challenges in order to penetrate this market, so they decided to use the same strategy to get into the American market as the one they use in west Europe, this method include franchising, co-research, co-production (OEM) and co-sales(helping each other to sell products in each of their own markets), the table below reflects these alliances

Different entry modes for different products. Huawei also employs different entry modes flexibly for different product specially the ones without advantages, for instances in 2g mobile networks, Huawei use to cooperates with giants of this area. furthermore, for the product which they consider as advantageous ones, with technological advantage and without market resource, it uses the method of joint venture, franchising or co-research. Furthermore, a significant part of Huawei's leap from regional player to global leader has to do with its astute strategy of brand partnerships throughout its development.

PROMOTIONAL CHANNELS

Services and products of Huawei are deployed in nearly one hundred and forty countries across the globe and it serves five largest operators of the telecom industry in the global market.

The company has 170,000 employees to provide efficient **working and out of these** 76,000 are engaged to work in its research and development division. Huawei has 21 institutes of R&D in various countries like China, Canada, United States, Pakistan, Germany, Sweden, Colombia, Turkey, Russia and others.

Distribution channels of Huawei has always been very effective. It believes in developing joint ventures with local authorities and under this relationship it provides dividends in exchange of using products from Huawei.

Currently, brand Huawei does not deal directly with customers as it believes in cultivating appropriate channel of distribution that includes distributors, sales networking team, enterprise and consumers. Providing an accurate number of products on a given day at a place has become very important for the company. Place signifies location, market coverage, mobile phones and online market. It has two vital channels. First is seller's channel that set up an office in target market for direct sales of products and second is a joint venture for building further brand channels.

R&D MANAGEMENT SYSTEM

Huawei's innovation in management provides a solid foundation for all other innovations. The company has introduced R&D management models and strengthened the support of its shared platforms, which enables it to rapidly capture the transient market opportunities. With CBB (a hardware and software sharing module), Huawei has established a technology sharing system which comprises various layers such as system design, platform, modules and components. Huawei also promotes standardized, component-based and platform-specific management in their research and development and simplifies the structure of their systems and organizational framework to prevent the leakage of technology. With an asynchronous new product development method, Huawei coordinates development progress at various levels, manages the time-to-market of products and speeds up their response time to market demands. It can usually deliver the final product only four days after the contract has been signed. Huawei reaches the top of its field by integrating innovations in various areas as a key competence.

Market Share of Huawei

After Surpassing Apple in 2018, Huawei views for Smartphone Supremacy in 2019

> The global smartphone market in 2018

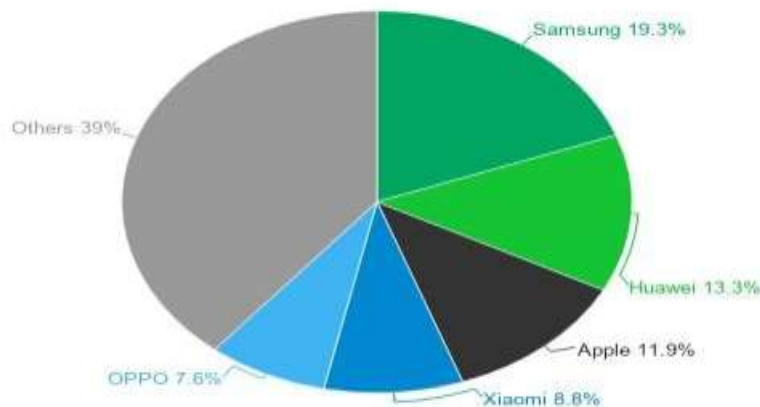
Rank	Company	2018	2017	YoY
1	Samsung	290	316	-8%
2	Huawei	206	153	35%
3	Apple	205	216	-5%
4	Xiaomi	120	92	30%
5	Oppo	115	118	-2%
6	Vivo	104	95	9%
7	LG	45	56	-19%
8	Motorola	39	38	3%
9	TCL-Alcatel	17	21	-18%
10	Nokia	15	5	175%
	Others	254	334	-24%
	Total	1,410	1,444	-2%

Source: IHS Markit -Smartphone Intelligence Service
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Despite serious political, legal and economic headwinds, Huawei managed to ship more than 200 million smartphones, slightly better than Apple, continuing its double -digit year on year growth (+35%) thanks to good results in China, Europe, Middle East, and Africa.

With \$52 billion in revenues in 2018, Huawei's CBG is the telecom giant's largest unit, representing more than half of its \$100 billion total revenues expected—the first Chinese company to cross the \$100 billion mark.

2Q18 Smartphone Market Share



Source: Gartner (August 2018)



Huawei Core Values:

Customers First

Huawei exists to serve customers; whose demand is the driving force behind our development. We continuously create long-term value for customers by being responsive to their needs and requirements. We measure our work against how much value we bring to customers, because we can only succeed through our customers' success.

Dedication

We win customers' respect and trust primarily through dedication. It includes every effort we make to create value for customers and to improve our capabilities. We value employees' contributions and reward them accordingly.



Continuous Improvement

Continuous improvement is required for us to become better partners for our customers, improve our company and grow as individuals. This process requires that we actively listen and learn in order to improve.

Openness & Initiative

Driven by customer needs, we passionately pursue customer centric innovations in an open manner. We believe that business success is the ultimate measure of the value of any technology, product, and solution or process improvement.

Integrity

Integrity is our most valuable asset. It drives us to behave honestly and keep our promises, and, thus, win our customers' trust and respect.

Teamwork

We can only succeed through teamwork. By working closely in both good times and bad, we lay the foundation for successful cross-cultural collaboration, streamlined inter-departmental cooperation and efficient processes.

HUMAN RESOURCES

Ren Zhengfei is Huawei's largest Shareholder, holding a 1.4% share. The remaining 98.6% is held by Huawei employees. At the end of 2014 among 170000 employees ,80000 hold a stake in the company (external stakeholders do not exist).

From interviews with more than 100 Huawei executives, it seems most people believe in the employee shareholding system -everyone is an owner, fighting the fight together.

FINANCE

Huawei generated 325.7 billion yuan in revenue for the first six months of 2018, or around \$49 billion, according to the exchange rate at the end of that reporting period. For all of 2017, the Chinese firm reported revenues of \$92.5 billion based on year-end exchange rates.

The growth so far has been driven by strong performance in a variety of businesses, especially the consumer division which has continued to rise. Huawei is now the world's second-largest smartphone maker by market share, ahead of Apple.

CHALLENGES AND COMPETITION ANALYSIS

Although Huawei has achieved tremendous success in the past 30 years, it has its own unique set of business challenges. Being in the digital and technology sector where things are changing at an exceedingly rapid pace every day, it still very important for Huawei to put innovation as part of its strategy.

Continuing the pace of innovation, Huawei still facing lot of challenges due to the high competition that exists within this industry and the historical failure of similar companies, history has shown that monopoly control is temporal, some structural realities in every industry have and will continue to change as illustrated by BlackBerry's fall from their dominant heights. The biggest mistake of successful companies is complacency. For Huawei, continuing to push forward with R&D is insufficient. Nokia spent ten times more on R&D than Apple for example for a long period, Nokia

made a mistake building products to satisfy its current key segment's needs, ignoring the small number of consumers who showed great interest in future touch-screens. Similarly, Huawei must continually seek to satisfy and create future consumer needs rather than their current ones. Furthermore, an advantage that Huawei nowadays has is that as an entirely employee-owned private company, it will certainly attract attention from investors looking to latch on to its impressive growth. An important point or challenge Huawei faced during its transition of a Chinese technological company to a global one, was the brand image in the United States of America, by far the most difficult challenge in Huawei's global strategy was in the U.S. where there is a smear campaign by the U.S. government. Intelligence officials have recommended American firms not to do business with Huawei due to potential Chinese state influence and security concerns besides, this company has long been searching for an opportunity to expand to North America, which accounts for about 20 % of global telecom spending. Ever since a 2007 report highlighted the military background of CEO Ren Zhengfei, Huawei has become a political target. Before he founded Huawei in 1987, Ren was a civil engineering director for the Chinese military. Huawei currently sells telecom equipment to major Internet carriers which, in turn, carry data for practically every government agency. The U.S. intelligence committee said that U.S. telecommunications firms should avoid business with Huawei because of potential Chinese state influence and security threats.

In response, Huawei has started a charm offensive toward analysts, reporters and politicians to shake suspicions. Huawei also disclosed the members of its Board of Directors. These B2B challenges are partly why the smartphone will likely be the key to Huawei's growth in America. Huawei cannot admit defeat or forgo the U.S. completely as it comprises about 20% of global telecom spending. While it does not need to be dominant in the U.S. market, it must be accepted as it grows as a smartphone brand. If Huawei plays this out well, it could be a significant showcase of citizenship and earn the brand a seat at the table with the likes of other Asian technology brands in the United States such as Samsung, Lenovo and LG. Moving ahead, Huawei must volunteer more financial and corporate information for transparency.

Huawei company has started making a conscious effort to bring more international and diverse experience in its managerial ranks, not only at Board level but in multiple senior and mid-management roles, what actually had led the company to a brand oriented global leadership, it has also started hiring high-profile Western executives to diversify its senior management team. This strategy should be followed and implemented in a comprehensive fashion so that diverse, global thinking and experience permeate deep into the organization's fabric. A truly global senior management team is essential for Huawei's success in foreign markets

CONCLUSION

In conclusion, much of Huawei's success has been due to the correct and well selection strategy to enter to new markets and expand their company worldwide. The strategic decision taken by the company, their policies and practices in order to analyze and identify the advantages the company will have if they use different entry modes to penetrate specific markets with a big Portfolio of their products contribute to the rapidly growth of the company and turn it into one of the most important and recognized brands in the technological sector around the world. Something important to highlight, and what added value to Huawei smartphones, due the ambition of the company with innovation pace, was the partnership the company acquired with LEICA camera company and the use of their technology to improve the camera of the Huawei's smartphones, and what they use in order to compete with products such as iPhone and Samsung galaxy's. Leica and Huawei have a team of engineers dedicated to working together to fine tune each of those items, make design decisions, and craft the overall camera experience of Huawei phones.

Although the company has presented moments of difficulty and challenges, one of the most relevant ones will be the American case, however, the most important factors that contribute to the overcoming of this challenges were the constant analyze of the environment and the well understand and know of the industry and sector, makes the company improve their practices and solve their situation.

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