

## **Table of Contents**

### **Executive Summary**

### **Company Description**

- Background
- Products
- Financial Stability and Success
- Latest Stories
- Social Responsibility

### **International Strategy**

- Current Strategy
- Competitors and Comparative Advantage
- Critics Of Strategy

### **Marketing Approach**

- Sales Territory
- Customization
- Distribution Channels
- Communication Methods

### **Logistics Approach**

- Production Location
- Country Factors
- Product Factors
- Technological Factors

### **Human Resource Approach**

- International Employees
- Staffing Policy
- Incentive Policy
- HR Philosophy
- Impact On Host Country

### **Analysis**

- Benefits
- Cost/ Risks

### **Recommendation and Conclusion**

### **Appendices**

### **References**

### **Executive Summary:**

Huawei Technologies Co., Ltd is a Chinese IT solutions provider company and also makes electronic devices such as smartphones. For its marketing approach, Huawei targets different consumer markets by producing a wide range of products. For its logistics approach, Huawei has currently based production completely in China, however, this is slowly changing as Huawei is starting to expand manufacturing overseas. In terms of HR approach, Huawei follows management aspects of world's top companies, such as having an employee benefits system and a manager feedback program. Though introduction of Huawei could initially cause a major disrupt for IT companies in the host countries, its benefits are large enough to outweigh the costs by ultimately increasing employment level and the living standards of the local economy. Therefore, it is recommended that Huawei goes ahead to set up operations in the country.

### **Company Description:**

#### **Background:**

Huawei Technologies Co.,Ltd. is a Chinese global company in the information communication technology (ICT) industry sector. Huawei is a leading global provider of telecom networks, smart devices, and cloud services (**Huawei Technologies Co.,Ltd. 2018**). Huawei was founded in 1987 by Ren Zhengfei, who is also the CEO of the company. The company has about 140000 employees, with 46% of them working in the R&D department of the company. The company's operations are currently spread in around 140 countries. (**Success Story. 2018**). The company achieved an annual revenue of \$92.55 billion USD, with a net profit of \$7.28 billion USD in 2017 (**Appendix A**).

### **Products:**

Huawei's products and services can be differentiated into three business groups. The first group is the Carrier Business Network Group, which provides wireless networks, fixed networks, global services, carrier software, core networks, and network energy solutions that are used by almost every major communications carrier in the world. **(Martin Roll Company, 2018)**. The second group is the Enterprise Business Group, where data is analysed, stored, translated, and saved by Huawei's data center **(Martin Roll Company, 2018)**. The third group is the Consumer Business Group, which is helping the company gain a strong foothold in the personal handsets and smartphones segments **(Martin Roll Company, 2018)**. The Carrier Business Group accounts for 49% of the sales, while the Enterprise business and the Carrier business group have 9% and 39% of the share respectively in 2017. **(Appendix C)**.

### **Financial Stability and Success:**

Huawei is currently a private entity that is fully owned by its employees.. This means that Huawei stocks are not traded on any public market and the only people that can invest in the company are its employees. The growth of the company in the fiscal year 2017 indicated positive numbers with the total revenue being \$92.55 million USD and annual growth rate of 26% **(Investopedia, 2018)**. The company stated that it shipped 153 million smartphones in 2017 and that its global brand awareness rose about 86% **(Investopedia, 2018)**. Huawei also stated that it was doing business with 197 of the Fortune Global 500 companies, out of which 45 are Fortune 100 companies **(Investopedia, 2018)**. However, with all the good news comes a major drawback for the company. Huawei smartphones are not available for US carriers. The company

attempted to do business in the US but did not have much success as there is a suspicion that the company is not trustworthy. Furthermore, US carriers Verizon and AT&T decided not to carry Huawei smartphones due to increased pressure from US politicians and the Federal Communications Commission (**Android Police, 2018**). \

### **Latest Stories:**

Huawei has recently developed new chips to power its artificial intelligence applications. This is a particular new technology in smartphones, and if Huawei can successfully implement the chips into their smartphones, it can gain a strong competitive advantage for the market of future smartphones. To facilitate the innovation of artificial intelligence in its mobile applications, Huawei launched the HiAI 2.0, which is a platform that provides developers with an environment that lets them research further in capabilities of Huawei's chipsets, devices, and cloud via the HiAi Foundation, HiAI service and HiAI engine (**Huawei Technologies Co.,Ltd. 2018**). The ultimate goal of this platform is to create a better AI experience for Huawei customers.

### **Social Responsibility:**

Along with being a leader in providing global ICT solutions, Huawei has been committed to a sense of sustainability and supporting a harmonious, sustainable development for the economy, society and environment. Huawei is committed to support the United Nations Sustainable Development Goals and works closely with its partners in the supply chain to create a sustainable "Better Connected World" (**Huawei Technologies Co.,Ltd. 2018**).

## International Strategy:

### Current Strategy

Huawei envisions to become a global leader in the field of IT networks and communications, smart devices, and digital services. Therefore Huawei is keen to focus on building a transnational policy which addresses to issues faced in its global operations. To increase efficiency with innovation, Huawei has developed 21 R&D centres in 16 countries, including one in Kanata, Ontario. **(Huawei Technologies Co.,Ltd. 2018)**. These centres are very important for the global growth of the company as not only they identify new opportunities but also on different ways to deal with challenges and learn from mistakes. This is a particular reason why Huawei's investment in R&D is increasing year by year. Huawei has currently based its manufacturing in Shenzhen, China **(Huawei Technologies Co.,Ltd. 2018)**. Huawei has very carefully chosen this location as being a producer of high fixed cost products, it is really important to minimize transportation and labour costs. However, now that Huawei has become one of the global leaders in the IT industry, manufacturing is slowly shifting to overseas.

### Competitors and Comparative Advantage:

Being in the IT industry, Huawei certainly has many competitors. However, two of them that dominate the list are: Apple and Samsung **(Fortune, 2017)**. Huawei has especially seen tremendous growth in the smartphones industry. Given its variety of price ranges for smartphones, Huawei is targeting consumers at all economical levels, meanwhile companies like Apple are keen to producing smartphones that generally have a high price tag associated with them. This can be seen as Huawei's comparative advantage over Apple and similar competitors,

as the difference between price and technology is slowly decreasing due to increased globalization. Another strength for Huawei is that it has become a reputed IT company especially in wealthy western European countries like Germany, where Huawei advertises its high range products and services (**The Verge, 2018**). However, Huawei also has a major weakness. Its goods and services are not available to carriers and customers in the US, the world's largest and wealthiest market for any industry (explained in the financial success and stability section). This will definitely be an obstacle for Huawei to surpass its main competitors like Apple and Samsung.

### **Critics Of Strategy:**

When considering the short and long term strategy, it would be beneficial for Huawei to expand its manufacturing facilities to other countries, in particular the developing countries where it can take advantage of lower labour cost and less regulations. Currently, Huawei is offering its customers services for telecom, wireless and fixed networks and smartphone production. However, Huawei's major breakthrough came from the production of its smartphone and now it also encompasses a major portion of Huawei's revenue. It is also on the stage to cross the top smartphone companies. So it should really focus on devoting its resources to the production of smartphones than other areas like IT networks.

### **Marketing Approach:**

### **Sales Territory:**

It is easy to figure out what Huawei's biggest sales territory would be in the world currently, its home country China. In fact in 2017, Huawei managed to get a revenue of 305.09 billion yuan in China. The second biggest region by sales was Europe, which had the revenue of 163.85 billion yuan (**Appendix B**). Huawei has particularly decided to focus on Europe by producing high end products that are grabbing the attention of wealthy consumers. Meanwhile in China and other Asian countries, Huawei is targeting both middle and high class by producing a range of low to high end products (**Forbes, 2018**).

### **Customization**

Smartphones are becoming increasingly similar to each other due to the effects of globalization. This however, is discouraging innovation as different smartphone brands are literally just designing their smartphones according to what is already successful in the consumer markets. However, Huawei is starting to grab global attention by adding additional features, such as the AI applications, that might not be implemented by other brands. This is the first of its kind technology in smartphones and if successful, Huawei could gain a great first mover advantage over its competitors and create barriers to entry for other firms.

### **Distribution Channels:**

“Huawei believes in developing joint ventures with its local partners, and under this relationship it provides dividends in exchange of using products from Huawei” (**Market 91, 2018**). As of 2018, Huawei does not deal directly with its customers as it believes in developing a proper

channel of distribution which has various distributors, sales networking teams, enterprises and consumers. Huawei is already taking advantage of its all time high shipment of smartphones in 2017 by building 56000 retail stores worldwide (**South China Morning Post, 2017**). This expansion can be seen as an effort to build a greater relationship with its distribution partners, as majority of these new stores will be owned by them.

### **Communication Methods:**

Like many technology companies, the main way of Huawei to get in touch with its corporate partners, distributors and its consumers is through digital advertising. Examples of this could be ads on billboards, websites, and even on buses. Huawei is currently investing heavily in advertising its smartphones, as they are slowly climbing the ladder to become the most powerful brand in the world. With being a particularly new company in the smartphone industry, it is particularly important for Huawei to really develop a good impression through strong branding. It is also helping Huawei increasing its production and sales levels as the company is gaining more distribution partners than before. There are really no differences in terms of communication methods, except when signing deals or contracts with its partners. For example in Malaysia, which is a long power distance country, it is often a better idea to contact the head or CEO of a company when signing a deal, whereas in short power distance country such as Poland, it is often a better idea to contact company executives to reach an agreement.

### **Logistics Approach:**

#### **Production Location:**

Though Huawei's R&D centres are located all around the world, the main manufacturing plants are located only in Shenzhen, China, where the headquarters are also situated. However, this is slowly changing as Huawei is looking to expand production into other countries, especially India where Huawei claims to manufacture 90% of its smartphones by 2020 (ET Telecom).

#### **Country Factors:**

90% of Huawei's manufacturing occurs in Shenzhen, China. This not surprising as the company headquarters and other important institutions are also in Shenzhen. Another reason is that majority of the employees are Chinese, and it is only the employees in Shenzhen who can have ownership in the company, as Huawei stocks are not publicly traded. The last reason is that even though Huawei is slowly becoming a global leader in telecom networks and smartphones, its biggest consumer market is still in China.

#### **Product Factors:**

It is easy to understand why any smartphone/electronic manufacturing facility has high fixed costs associated with it. Therefore, it makes sense to concentrate production in few optimal locations to build first mover advantages, rather than building operations worldwide. Also, transportation costs are a very minor component of the total landed cost of these type of products, which again reinforces the idea of basing production in few optimal locations.

### **Technological Factors:**

The biggest advantage that Huawei has in becoming a world leader in the IT industry is its optimal location. Its manufacturing is concentrated in China, also known as the global warehouse. Though China still has a reputation of producing relatively cheap and inexpensive goods, Huawei can still take advantage of the vast amount of resources and human capital that is widely available in China. Standardized equipment and a growing educated young population mean innovation with efficiency that is slowly changing China's image of cheap and low value goods production.

### **Human Resource Management Approach**

#### **International Employees:**

As of December 2017, Huawei hired approximately 180 000 employees in various business segments worldwide. Out of these employees, 45% of them, approximately 80 000 were involved in R&D for the company .Overall, Huawei's employees come from 161 countries and regions worldwide (**Huawei Technologies Co.,Ltd. 2018**).

#### **Staffing Policy:**

As for staffing, Huawei believes that growing human capital is more important than growing financial capital. Therefore, Huawei considers talent as the driving force behind their company's long term success That being said, Huawei does apply a geocentric staffing policy, which is filling the top position of the company with the most talented people, that in return increases

company efficiency. To increase growth, Huawei also fastracks promotion of top performing employees, regardless of their position (**Huawei Technologies Co.,Ltd. 2018**).

### **Incentive Policy:**

As with most multinational firms in the IT industry, Huawei offers a highly competitive compensation system. Huawei's incentive system is designed on the basis of regular surveys of compensation data that consists of corporate and individual performance. The result is an effective employee benefit system which is generally divided into three parts: social insurance, commercial insurance and medical assistance. Huawei's 2017 investment in global employee benefits exceeded \$1.87 billion USD (**Huawei Technologies Co.,Ltd. 2018**).

### **HR Philosophy:**

"Huawei believes in creating a positive workplace where employees can enjoy both work and life" (**Huawei Technologies Co.,Ltd. 2018**). Huawei organizes a series of activities every year including "Family Day" and "Charity Fun Run". These activities provide the managers at all levels with an opportunity to devote themselves to employee care. Huawei's HR philosophy consists of inspired care for others, remaining optimistic, and spreading positive energy to change the workplace for better. Huawei also has a Manager Feedback Program (MFP), which highlights Huawei's basic requirements and key expectations for HR management (**Huawei Technologies Co.,Ltd. 2018**).

### **Impact on Host Country:**

Huawei could provide a lot of benefits to the host country including more jobs for the local economy, transfer of a great amount of knowledge and skills, helping the host country to improve living standards of its employees, and lastly, to benefit local communities through charities and other initiatives.

### **Analysis:**

#### **Benefits:**

In terms of benefits, a developing country is very much likely to gain a lot from Huawei's operations. Huawei's advanced technology and large revenue creates an opportunity to build a strong IT infrastructure wherever it goes. With a rapid growth of Huawei smartphones in developing countries such as India, Huawei could see a more rapid expansion by shifting its manufacturing operations overseas. In fact by 2020, Huawei plans on producing 90% of its smartphones from India (**ET Telecom, 2018**). For the local economy, this could mean an increase in manufacturing and R&D jobs. With a growing educated young population, India could be an optimal location for IT companies like Huawei to expand. Huawei also provides many benefits to its employees, which is still a new concept in India and employees could benefit a lot from this system and this will ultimately raise the local living standards. This will also help Huawei focus on its growing markets in developing countries like India, and will help develop its product according its local markets instead of making default products from China.

### **Costs/Risks:**

Though Huawei is on a skyrocket growth in the IT industry, there are some costs of doing business in other countries than China. First of all, there is now a lot of competition in the IT industry. As of 2018, there more than 45508 IT companies in the world (**Quora, 2018**). Therefore, Huawei could face some difficulty to expand in other countries as people generally give preferences to local companies. A prime example of this could be seen in US, where Huawei is regarded as an untrustworthy company. Another cost for Huawei is how foreign government policies affects its operations. Being in the IT industry, government policies could significantly affect Huawei's foreign operations. For example, a country's government could put a restriction on Huawei manufacturing policies to reduce environmental impacts from production of goods, which could increase Huawei's production costs.

### **Recommendation and Conclusion:**

In conclusion, Huawei certainly has more benefits than risks to provide the host country with. It could use its large capital resources and strong built reputation in the IT industry to expand its operations overseas. Certain management aspects of Huawei, such as the employment benefits system and the increased investment in R&D could definitely increase living standards for the local economy and flow of information and knowledge from operations. With an ever growing growth in smartphone sector, expansion overseas could also be seen as an effort to clean up its image as being untrustworthy, labelled by the US. Therefore, it is recommended that Huawei goes ahead with setting up operations in the country.

## Appendices:

### Appendix A:

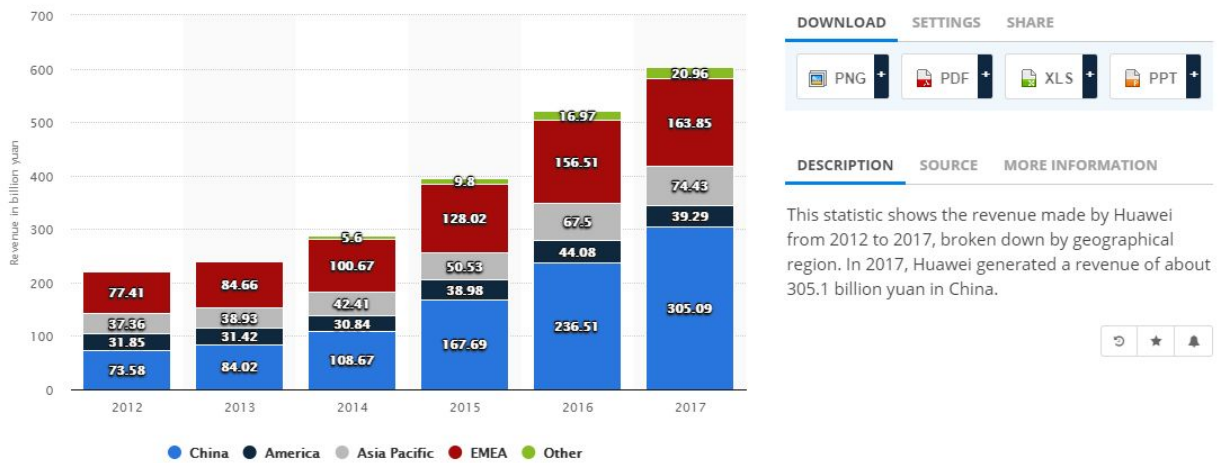
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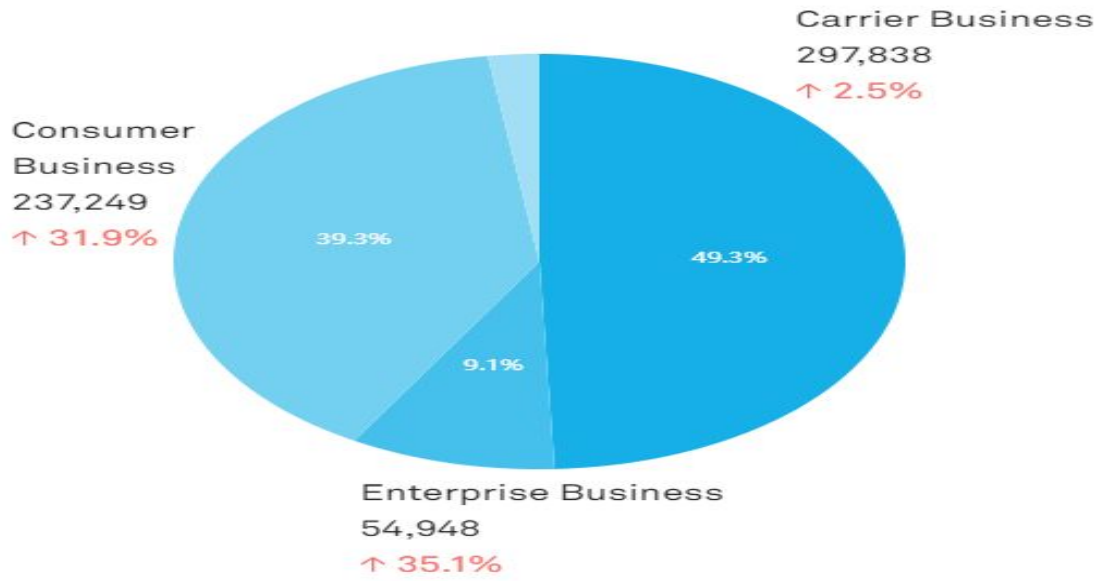


### Appendix B:

## Huawei's revenue by geographical region from 2012 to 2017 (in billion yuan)



Appendix C:



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