HUAWEI
CHINESE TELECOMMUNICATIONS GIANT HUAWEI: STRATEGIES TO SUCCESS

BY: GUAN CHONG
Founded in 1987 by Ren Zhengfei, Huawei Technologies Co. Ltd. (Huawei) has transformed from a one-room workshop in Shenzhen, China, to the world’s largest information and communications technology (ICT) solutions and services provider. Over the years, it has developed capabilities across carrier network, enterprise and consumer fields. With a vision “To enrich life through communication”, Huawei has earned a reputation as one of the most dynamic, fastest-growing, innovative multinational technology companies. At the beginning, Huawei picked up basic technology by reverse-engineering foreign products and using that as the foundation to develop more complex technologies. At the later stages, Huawei placed strong emphasis on in-house research & development (R&D). With strong in-house R&D and aggressive undercutting of prices, Huawei has expanded quickly over the years and its products and solutions have been deployed in over 140 countries, serving more than one third of the world’s population. In 2014, Huawei recorded profits of USD 5.5 billion (Huawei Financial Results, 2014). Its networking equipment serves 45 of the world’s 50 largest communications operators, with BT Group, Vodafone, Orange, and T-Mobile amongst its notable customers. Huawei is the only Chinese company that generated a higher revenue from markets outside of China (67 per cent) than from the domestic market. Currently, Huawei has around 170,000 staff globally (De Cremer & Tao, 2015), with 22 regional offices and over 100 subsidiaries around the world.

Today, the three main categories of products and services that Huawei offers are operator carrier networks, enterprise solutions and consumer products and services. At the beginning, Huawei’s fixed phone line switches were the first in-house products that they developed. These telecommunications switches are highly customisable and amongst one of the world’s best. Hence, they have since been a mainstay in the Chinese market. Until now, telecommunications switches still remain as part of its first product category – carrier networks. This product segment also includes a wide range of wireless networks, fixed networks, telecom software and core networks as well as services solutions to telecommunications operators. The second segment, which is the enterprise business segment, is engaged in developing and manufacturing ICT products and solutions including enterprise network infrastructure, cloud-based data centres, enterprise information security as well as unified communication and collaboration solutions for government entities, public utilities as well as the energy, power, transportation, finance and other industries. Over the years, with the bulk of revenue spent on R&D in network and enterprise telecommunications solutions, Huawei has managed to meet the expectations of the global market. Lastly, Huawei offers products such as mobile broadband devices, home devices, tablets, smartphones as well as the applications for these devices to the consumer business segment (Marketline, 2013). Since 2012, Huawei has been investing heavily in the consumer market, rolling out mobile devices to compete with dominant players like Apple and Samsung. As of 2015, Huawei’s mobile phone market has seen rapid growth and worldwide exposure has since been achieved.

Despite its growth, Huawei is facing a number of issues. Firstly, its products are still frequently perceived as low quality due to their country of origin and pricing strategies. Secondly, Huawei’s aggressive low-price approach has directly resulted in eroding profit margins in some markets. Thirdly, Huawei’s technology development has also been controversial and the company is constantly being accused of intellectual property theft. Lastly, because of historical links to the People’s Liberation Army (PLA) and the Chinese government, Huawei has not been able to
successfully convince certain western countries that it is a trustworthy multinational technological firm purely interested in advancing business growth and gaining market share.

**Strategies**

**R&D and innovation**

Huawei was founded in 1987 by Ren Zhengfei, a former civil engineer in the PLA and a member of the Communist Party. In the 1980s, when Huawei was first founded, China’s telecommunications industry relied mainly on acquisition of technology and equipment through imports.

At that point in time, the adoption rate for fixed line telephones in China was less than 0.5 per cent. These fixed line telephones were mostly deployed in government agencies, infrastructures, companies and schools. The great potential in the Chinese fixed line telephone industry attracted many internationally renowned players, such as Ericsson, Motorola and Nokia. Huawei started out by reselling imported telecommunications switches from Hong Kong, a type of fixed line telephone system that switched connections between several branches of telephone systems and also linked phone lines. The system was used to connect internal lines to an external line.

In 1990, Huawei made one of the most significant strategic decisions – developing its own technology in-house. Most of its domestic competitors, including the market leader at that time, Shanghai Bell, adopted the conventional strategy of setting up an international joint venture (JV) to import and learn from their foreign partners. Huawei’s strong emphasis on R&D was reflected in the high R&D to production staff ratio. During this period, Huawei had only 200 production staff but over 500 R&D staff (Ahrens, 2013). In the early 1990s, raising capital was not an easy task for private companies like Huawei. At that time, state-owned enterprises (SOEs) generally relied on loans from the government-owned banking system. These resources were not easily available to private firms. Thus, private firms like Huawei had to borrow from other large enterprises at a higher interest rate.

In 1993, Huawei released its first major technology product that was developed in-house – a large-scale telecommunications switch with higher capacity than its counterparts. The product quickly gained popularity in China and was deployed across the nation. With its technological advantage and popularity, Huawei managed to secure a key contract to build the PLA’s first national telecommunications network.

At that time, international telecommunications companies had already penetrated into the Chinese telecommunications switch market, especially in more economically developed cities. The rural areas, where conditions and profit margins were poor, were generally neglected by these international players. For example, variable power supplies in rural China required significant levels of network customisation for the telecommunications switches. Recognising the gap, Ren quickly seized the opportunity by servicing and supplying these switches to the less developed areas, including towns and smaller cities. In 1995, the company had generated sales of RMB 1.5 billion (approximately USD 237 million) from telecommunications switches, mainly in rural China (Nankervis et al., 2013).
Mobile technology – analogue cellular mobile communication system – was first imported into China in 1987 with 700 initial users. The market grew quickly to 5.2 million users in 1995. In the same year, Huawei established research centres in Shanghai and Beijing to focus on mobile communication technologies. They adopted the reverse engineering approach and developed parts from disassembled foreign products. They also purchased some of the key components like microchips from Motorola.

In 1996, the Chinese government started to explicitly support domestic telecommunications companies by removing import policies that favoured foreign companies. The Chinese government started to notice Huawei’s achievements and its support began to play a much larger role in the growth of Huawei. Huawei gained plenty of publicity through high-profile visits of government officials and won large contracts on domestic telecommunications infrastructure development for the national railway system. Huawei’s technology enabled them to provide top-notch telecommunications switches and mobile communication solutions for the railway system. Financial resources, such as loans, were also made more available to domestic companies, thus allowing Huawei to increase its capital for further expansion.

Huawei began to expand into the metropolitan Chinese market in 1998. Through an aggressive undercutting of prices, Huawei managed to overtake Shanghai Bell and become the market leader of telecommunications switches and optical devices in China. With its market success in the switch business, Huawei used its sizeable profits to fund its R&D in mobile telecommunications technologies heavily. As GSM networks started to grow in the late 1990s, Huawei’s mobile technology network dominated the local market. Its total R&D spending and R&D in percentage of revenue between 2006 and 2011 is shown in Table 1.

Table 1: Total R&D spending (USD) and R&D in percentage of revenue (2006 – 2011)

<table>
<thead>
<tr>
<th>Year</th>
<th>Alcatel-Lucent Spending</th>
<th>Per cent</th>
<th>Cisco Spending</th>
<th>Per cent</th>
<th>Ericsson Spending</th>
<th>Per cent</th>
<th>Huawei Spending</th>
<th>Per cent</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>1929.82</td>
<td>11.9</td>
<td>4067</td>
<td>14.3</td>
<td>4028.71</td>
<td>15.3</td>
<td>850.39</td>
<td>10</td>
</tr>
<tr>
<td>2007</td>
<td>4314</td>
<td>16.5</td>
<td>4598</td>
<td>13.2</td>
<td>4466.92</td>
<td>15.4</td>
<td>1285.77</td>
<td>10</td>
</tr>
<tr>
<td>2008</td>
<td>3837</td>
<td>16</td>
<td>5325</td>
<td>13.5</td>
<td>4263.55</td>
<td>16.1</td>
<td>1534.48</td>
<td>8.4</td>
</tr>
<tr>
<td>2009</td>
<td>3622</td>
<td>15.3</td>
<td>5208</td>
<td>14.4</td>
<td>4621.01</td>
<td>16</td>
<td>1954.32</td>
<td>8.9</td>
</tr>
<tr>
<td>2010</td>
<td>3532</td>
<td>16.7</td>
<td>5273</td>
<td>13.2</td>
<td>4670.35</td>
<td>15.5</td>
<td>2674.70</td>
<td>9.7</td>
</tr>
<tr>
<td>2011</td>
<td>3200.44</td>
<td>16.1</td>
<td>5823</td>
<td>13.5</td>
<td>4853.81</td>
<td>14.4</td>
<td>3807.69</td>
<td>11.8</td>
</tr>
</tbody>
</table>

Source: Ahrens, 2013

Globalisation
In late 1990s, the international players started to penetrate into the domestic telecommunications switch market through strategic mergers and partnerships. This overcame the absence of import policies in China. As competition grew more intense, Huawei had to look abroad for continuous growth. When it comes to enterprise internationalisation and entry strategies, different firms use various approaches to enter their target markets. Some consolidated their positions at home and concentrated their efforts on exporting while others took aggressive steps and invested directly in the foreign market. The choice of entry strategy was mostly influenced by the firm’s vision, business offerings, resources, capacity, and market conditions.
Huawei, despite its strong capabilities in technology, was challenged by the stereotypes of inferior Chinese products. In order to compete in the international market, Huawei had to offer prices that were significantly lower than its competitors’. In the beginning, Huawei was eager to make entries to countries that were looking for affordable technologies, especially developing countries where telecommunications infrastructure was inadequate and demand was depressed by the lack of ability to pay. When Huawei entered the Russian market in 1997, it managed to undercut international prices by around 12 per cent and yet still offer impressive after-sales service. Soon after entering Russia, Huawei made forays into Thailand, Brazil and South Africa. Its pricing strategies became more aggressive, often undercutting its competitors’ by 30 per cent (Ahrens, 2013).

Following successes in developing markets, Huawei started to expand to developed markets. Huawei set up an office in the United States (US) in 2001, which is now its US headquarters, overseeing its 12 other offices and seven R&D centres (Prasso, 2011). In 2001, Huawei made its first two major sales in Europe – the Netherlands and Germany. Rather than simply focusing on cut-price, undifferentiated offerings, Huawei deployed their cost advantages in delivering advanced technology and customisation at minimal price premiums. This amounted to the emergence of a new type of business strategy – “cost innovation,” or value-for-money innovation. When Huawei made a sale to Neuf, a French operator, Huawei was actually building part of the network free of charge and allowing Neuf’s engineers to run it for three months to test it before purchase (Harney, 2005). Subsequent sales were made mainly on 3G networks. By 2004, Huawei was involved in 14 out of the 19 global 3G network build-outs. In 2004, Huawei’s international sales had exceeded domestic revenues.

Huawei’s major international push started in 2004, with extensive credit backing from the China Development Bank (CDB), which provided a credit line of USD 10 billion and the Export-Import Bank of China, which provided an additional USD 600 million. With this robust credit backing, Huawei started to slash prices well below those of its competitors’, purportedly sometimes by as much as 70 per cent. They also started to provide vendor-financed loans to their customers (Ahrens, 2013). Sales in the first half of 2005 skyrocketed to more than USD four billion, an 85 per cent year-over-year increase. More than 50 per cent of this value came from abroad (Newsweek, 2006). The company was selected as a supplier of telecommunications equipment for UK telecommunications giants Vodafone and British Telecom (BT). At the end of 2007, Huawei had partnerships with all of the top European operators and was awarded the Global Supplier Award by Vodafone. Its North American sales reached USD 765 million in 2010, counting amongst its clientele high-profile brands such as Leap and Best Buy. In 2010, Huawei made it to the Fortune 500 list with annual sales of USD 2.18 billion and over 20,000 patents filed (Ur & de Pablos, 2014). In 2012, Huawei overtook Swedish telecommunications giant Ericsson to become the world’s largest telecommunications vendor in terms of overall total revenue from the three sub-sectors: carrier network, enterprise and consumers (The Economist, 2012).

In 2015, Huawei had around 170,000 staff globally, including more than 40,000 non-Chinese. Seventy-five per cent of its employees outside of China are local hires (De Cremer & Tao, 2015). It has 22 regional offices and over 100 subsidiaries around the world. Approximately two-thirds of its revenue come from international markets. It works with 45 of the 50 largest carriers globally.
Huawei has also filed over 49,000 patents, as its focus on R&D continues (Ahrens, 2013). Huawei has undoubtedly become one of the world’s ICT market leaders. See Table 2 for the overall revenue and total assets of Huawei generated from 2007 to 2014.

Table 2: Overall revenue and total assets of Huawei from 2007 to 2014

<table>
<thead>
<tr>
<th>Year</th>
<th>Revenue of Huawei (in USD Billion)</th>
<th>Total Assets of Huawei (in USD Billion)</th>
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<tbody>
<tr>
<td>2007</td>
<td>14.75</td>
<td>28.64</td>
</tr>
<tr>
<td>2008</td>
<td>19.69</td>
<td>31.02</td>
</tr>
<tr>
<td>2009</td>
<td>23.46</td>
<td>35.74</td>
</tr>
<tr>
<td>2010</td>
<td>29.21</td>
<td>39.05</td>
</tr>
<tr>
<td>2011</td>
<td>32.63</td>
<td>49.56</td>
</tr>
<tr>
<td>2012</td>
<td>35.23</td>
<td>28.64</td>
</tr>
<tr>
<td>2013</td>
<td>38.24</td>
<td>31.02</td>
</tr>
<tr>
<td>2014</td>
<td>46.11</td>
<td>35.74</td>
</tr>
</tbody>
</table>

Source: Huawei Financial Results (Huawei, 2014)

Huawei retained its business-to-business model in the network and enterprise market, but started to shift its attention to the business-to-consumer mobile device market in 2012, with the launch of their flagship Ascend smartphones. Huawei’s sales began to shoot up in developed countries with the roll out of their middle and high-end smartphones, such as the Ascend P1, Ascend D1 Quad, and Honor. In the smartphones market, in which Samsung and Apple are clear leaders, Huawei remains optimistic that they can remain competitive. Huawei was the third largest seller, by volume, of smartphones in 2015Q2 (IDC, 2015).

Business Problems

Security concerns in the carrier network and enterprise market

Huawei was embroiled in significant controversy due to its associations with the Chinese government. In the US and Australia, Huawei has been blocked from setting up network infrastructure due to concerns about national security (Marketline, 2013). While Huawei does sell mobile devices in the US market, they have been completely blocked from supplying network infrastructure due to the risk of espionage. A US House intelligence committee report published in October 2012 advised the US government and companies to avoid doing business with Huawei and ZTE, another leading Chinese technology firm, and claimed the companies raised “significant security concerns”.

In addition, in March 2012, cyber-security concerns have prevented Huawei from supplying telecommunications products to Australia. The company was blocked from tendering for contracts in the National Broadband Network (NBN), which plans to connect 93 per cent of Australia’s homes and workplaces via optical fibre by 2020. When Huawei sought a supply contract with the NBN, advice from the Australian Security Intelligence Organisation prompted the NBN to block the bid to “ensure the security and resilience of Australia’s critical infrastructure more broadly”. Huawei has also been providing network infrastructure in the UK since 2005, though its links to the Chinese
government are deemed “concerning”. These add to the uncertainty of Huawei’s future in the network infrastructure development segment.

In an effort to prove its commitment to transparency, Huawei has been releasing annual reports since 2005. However, the reports have been criticised for various shortcomings, such as a lack of fixed release dates, year-to-year changes in reporting details, disparities between Chinese and English versions and incomplete financial statements (Zhao, 2010).

**Low brand awareness amongst international consumer markets**

Although Huawei is facing much difficulty with the network and enterprise segment, its consumer device market segment has seen significant growth. Huawei will increasingly focus on its consumer business, specifically smartphones, and seize the opportunity. Huawei’s CEO Eric Xu said at the Huawei Global Analyst Summit in 2014, “We plan to scale down the proportion of our carrier network business to 50 to 60 per cent and increase our focus on the consumer business”. Huawei’s carrier network business constituted up to 70 per cent of its portfolio in 2014. “We are transforming from B2B to B2C – building a brand that people know”, said Shao Yang, Vice President of Marketing and Consumer Business at the Summit (Kim, 2014).

Although Huawei is fairly new to the mobile market and capturing market share has been its biggest challenge, it made it into the top three leading phone vendors worldwide in 2015. The findings are presented in Table 3.

| Table 3: Worldwide smartphone vendor market share in number of units sold |
| --- | --- | --- | --- | --- | --- | --- |
| Period | Samsung | Apple | Huawei | Xiaomi | Lenovo¹ | Others |
| 2012Q2 | 32.20% | 16.60% | 4.10% | 1.00% | 5.90% | 40.20% |
| 2013Q2 | 31.90% | 12.90% | 4.30% | 1.70% | 5.70% | 43.60% |
| 2014Q2 | 24.80% | 11.60% | 6.70% | 4.60% | 8.00% | 44.30% |
| 2015Q2 | 21.40% | 13.90% | 8.70% | 5.60% | 4.70% | 45.70% |


In 2014, Huawei’s smartphone business group was the fastest-growing, with sales expanding by 32 per cent that year (Clover, 2015). Huawei rose to the number three spot in 2015Q2, with phone shipments doubling when compared with numbers registered in the same period two years earlier. Huawei’s global smartphone share, in terms of number of shipments – including sales in China – was 8.70 per cent in 2015Q2, compared with 6.70 per cent in 2014Q2 and 4.30 per cent in 2013Q2. There was a continued push on premium devices from its Ascend Mate7, P Series, and Honor portfolios. The shipments of mid-range and high-end phones accounted for 35.5 per cent of its smartphone shipments in 2015Q2 (IDC, 2015). Huawei’s Y Series of phones was well received by consumers both inside and outside of China and was viewed as a valuable low-cost option in many markets. What remains to be seen is how Huawei will leverage on its online versus offline strategy, focus on revenue, and efforts on innovation to battle in this arena.

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¹ Motorola’s figures are reflected under Lenovo’s.
Huawei remains the largest and most prestigious local smartphone brand within China. However, outside of its native country, the Huawei brand faces the challenge of building brand awareness amongst individual consumers. One reason is the fact that Huawei was formerly a network infrastructure and business-to-business telecommunications solution supplier and not a consumer-focused mobile device supplier. Thus, its brand name eluded consumers. There has been some recent progress, as its awareness grew to 52 per cent globally in 2013, up from 25 per cent in 2012, according to the company (Kim, 2015). However, its brand awareness comes mainly from the domestic market; thus Huawei still remains little known to consumers in other parts of the world. Huawei has a long way to go in terms of boosting its international brand recognition.

Growth in the mobile phone industry is anchored on emerging markets where consumers are in the process of replacing basic phones with smartphones. While China's increasingly saturated smartphone market is showing signs of slowing growth, Huawei is expanding rapidly in Africa, the Middle East and Latin America (Osawa & Kim, 2014). Huawei is prepared to use pricing as a way of building share in its major markets. It has also made substantial progress in design and quality but its future remains uncertain as to whether international consumers will accept a product from an almost unknown name when offerings by established brands are already available.

Its country of origin also works against it on several levels. For example, many international consumers perceive Chinese companies to be closed-door rather than transparent. Moreover, Chinese companies are often associated with the production of low-quality goods. Similarly, Huawei was regarded primarily as a low-price manufacturer and its products were regarded to be of low quality. The fact that the company invests 10 per cent of its profits a year on R&D is not widely known by the consumers (Witzel & Goswami, 2012).

The company urgently needs to build a strong and distinctive brand to target non-Chinese markets, particularly in the competitive smartphone market. Richard Yu, CEO of Huawei's Consumer Business Group, admitted that building brand awareness could be a slow process (Stout, 2013). To upgrade its brand image, the company initially indicated that it would bypass expensive marketing campaigns and advertisements to focus on innovations that generate viral, word-of-mouth recommendations. In more recent times however, Huawei has started to take on a more mainstream approach and launched its global ad campaign, running TV, print, online, outdoor and point-of-sale commercials. Its objective in 2014 was to increase brand awareness by 30 per cent. Shao Yang, Vice President of Marketing and Consumer Business, said that Huawei planned to utilise various platforms including online and offline retail channels, brand campaigns, digital marketing and sponsorships to achieve its goal (Kim, 2014).

**Controversial R&D process**

Huawei’s technology development has always been controversial. In the early years, it engaged in reverse engineering by copying Cisco Systems, Fujitsu and others. Though they soon moved towards in-house innovation and heavy investments in R&D, there have been accusations that Huawei used improper technology acquisition to accelerate product development. Reverse engineering, or the acquisition of technology by taking apart and studying an existing product in the market, is permitted under Chinese law and not considered intellectual property theft. However, both Cisco Systems and Motorola had sued Huawei over the theft of intellectual properties. Although cases
were settled out of court, Huawei had to withdraw the products from the market, change portions of its source codes and modify interfaces and manuals. These cases had also drawn much public attention and resulted in immeasurable negative impact on the brand image. While reverse engineering and stealing of technology are not uncommon in this field, these concerns have plagued Huawei and did not help the company when it sought to increase market penetration in western countries.

Today, Huawei is actively reaching out to show that it is hardly an imitator but a creator of original products. In fact, in 2014, it was the world’s number one applicant for international patents in terms of number of filings, according to the World Intellectual Property Organization (Shih, 2015). It aims to project an open and innovative culture and shake off the residue of protracted legal cases with rival Cisco Systems. Huawei’s more recent technical breakthroughs include the launch of the super-thin Ascend smartphones; its crash and waterproof handsets; seamless mobile broadband connections along the super-speed bullet trains; and in-flight Wi-Fi service for airline passengers.

**Controversial pricing strategy**

The low-price strategy paid off for Huawei in its carrier network and enterprise segments. However, such a drastic strategy could affect margins for the entire market. In fact, Huawei’s pricing strategy has fanned price wars and thinned profit margins in China; and its spread could affect margins for all makers eventually (Shih, 2014). Huawei’s aggressive low-price innovation approach has directly resulted in the erosion of high profit margins once enjoyed by multinational enterprises across Europe. Gross margins dropped from 45 to 50 per cent to 30 to 35 per cent right after Huawei’s entry and the fall has continued since (Prasso, 2011). CEO of Ericsson, Carl-Henric Svanberg, described Huawei as "pretty brutal" on pricing and innovation (Bloomberg, 2015).

Huawei also adopted a similar pricing strategy in its consumer smartphone market. Copying the smaller Chinese smartphone maker Xiaomi Inc., Huawei adopted an online distribution strategy. It was inevitable, given the competitive pricing strategy made possible by reduced distribution expenses. These expenses would otherwise make up 30 per cent of handset costs when sold via traditional channels (Shih, 2014). However, the e-commerce model has led to an industry transition to more price-sensitive market conditions that smartphone makers should avoid. The continuous success of Huawei and Xiaomi and their aggressive pricing strategies are likely to squeeze profitability in the medium term for nearly all handset makers except market leaders Samsung Electronics Co., Ltd (Samsung) and high-end handset maker Apple Inc. (Apple).

Despite its success in market growth, Huawei’s low-price Honora smartphones "doesn’t make money but doesn’t lose money", as opined by Brand President Liu. Similarly, Xiaomi’s operating profit margin was just 1.8 per cent. In comparison, Samsung’s 2013 profit margin was 18.7 per cent (Shih, 2014) and Apple’s gross profit margin was around 40 per cent (NASDAQ, 2015). With market saturation and intensified competition, smartphones are more than likely to commoditise like personal computers and margins are likely to contract in the long term. How Huawei can catch up with the market leaders in terms of profitability is still unclear.
Conclusion
Huawei was founded in 1987 as a sales agent for a Hong Kong company that manufactures switches. Since the 1990s, the company has been investing heavily in R&D, expanding geographically as well as into different industries such as telecommunications infrastructure and devices. In 2012, Huawei overtook Swedish network infrastructure provider Ericsson to become the world’s largest telecommunications vendor in terms of revenue.

Despite the growth, Huawei is facing a number of pressing issues. Until today, its products are still frequently perceived as inferior. Its technology development has also been controversial. While Huawei does sell mobile devices in the international market, it has been blocked from providing network infrastructure due to the risk of espionage in the US and Australia.

Besides branding issues and security concerns, Huawei is facing a number of other problems. As Huawei is transforming from being a network and business solution supplier to a consumer mobile device provider, its growth in market share in the smartphone sector has not yet translated into profitability. Its aggressive low-price strategy has received much criticism and many believe it to be one of the causes of an industry-wide declining profit margin.

How can Huawei achieve higher profit margins and continuous growth despite the security concerns and branding issues? How should Huawei respond to criticism on its pricing and R&D strategies against a backdrop of fierce competition, relentless change as well as challenges in the telecommunications industry?
End-of-Case Questions

Question 1
Based on the case study and your above analysis, summarise the key business issues that Huawei is facing and suggest possible solutions.

Question 2
What are the macro-environmental forces that may influence an organisation's decision making and affect its performance and strategies? Based on information provided in the case study, identify the most dominant macro-environmental force that impacts Huawei. Based on your analysis, suggest ways that Huawei can respond to this force.

Question 3
Instead of adopting the conventional strategy of setting up an international joint venture to import and learn from foreign companies, Huawei placed a strong emphasis on in-house R&D right from the start. Discuss the advantages and disadvantages of developing technologies in-house. If you were in the position of Ren Zhengfei, what would be your decision on R&D and why?

Question 4
Huawei’s brand awareness is low amongst international consumers and its products are frequently associated with being low quality. Richard Yu, CEO of Huawei’s Consumer Business Group, aspires to continue growing Huawei amidst the fierce competition in the smartphone market. Based on your analysis, recommend actions that he should take to refine Huawei’s marketing strategy. In your recommendation, relate how the actions would help Huawei to grow further.

Question 5
Apply product life cycle (PLC) model to the smartphone market. How would the marketing mix change at different stages of the PLC? Identify the current stage that smartphone businesses are in. Recommend actions that Huawei should take to succeed at this stage of PLC.

Question 6
Evaluate Huawei’s pricing strategy when its telecommunications network solutions entered foreign markets. Does this pricing strategy represent value-for-money and competitive offerings?
References


About Nanyang Technopreneurship Case Centre

With funding from both the National Research Foundation of Singapore and Nanyang Technological University, the Nanyang Technopreneurship Case Centre (NTCC) was one of the initiatives of the Nanyang Technopreneurship Centre (NTC) to enhance the quality of entrepreneurship education through the case pedagogy. These are part of NTC’s efforts to foster, promote and nurture enterprising mind-sets, skills and knowledge in entrepreneurship education.

There is a plethora of business cases but a general paucity of cases highlighting the specific problems faced by technopreneurs in growing their ventures. NTCC adds value to Technopreneurship education by developing a pool of cases on technology-based local and international enterprises. Through the cases, NTCC hopes to share the experiences, success stories and challenges faced by entrepreneurs/intrapreneurs in growing their organisations and how they overcome their problems to sustain growth.

The theme of this first compendium is “innovation through technology”. It features Singapore-based and global companies confronting issues and challenges due to technological shifts in the industry and changing market and competitive dynamics; when introducing new products in the marketplace; and in using technology to drive organizational change.

Online versions of these cases are available for complimentary downloads at www.ntc.ntu.edu.sg/ntcc.

Teaching notes are also available to faculty members for use as reference, reading and/or teaching materials in various academic and professional programs. For further information, please contact Ms. Denise Lee (deniseleecw@ntu.edu.sg) and Mr. Wu Chong Chuan (wucc@ntu.edu.sg).

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