
Huawei: A Case Study on a Telecom Giant on the Rise

Michelle Haveman and Jeroen Vochtelo

Abstract

For many years, Huawei was only an Original Design Manufacturer (ODM), which means that the company only developed and designed mobile phones for other manufactures. In 2011, the company switched its vision and also decided to produce mobile phones under their own name. Furthermore, since 2012, Huawei is rushing to the European market. Its vision is to become one of the top three world smartphone brands. The focus of Huawei is on continuous innovation that is customer-centric and improving customer service quality. Huawei is also the third largest applicant for patents in the world. The company is capable of offering innovative products for a cheaper price, sometimes even more than 25 % cheaper than similar products of its competitor. Africa's mobile technology progression would not have been as far as it is now without Huawei and its cheaper products. The success of Huawei could also be due to the help that Huawei is accused of receiving from the Chinese government. However, this could also be something that is stopping Huawei from entering markets, as Huawei could represent a national security threat.

1 Introduction

Huawei is a Chinese company which was founded in 1987 by Zhengfei Ren, a former engineer in the Chinese army who was born in 1944 and studied civil engineering. It started off in Shenzhen as a sales agent for a Hong Kong company producing Private Branch Exchange switches. In the next years, Huawei focused more and more on selling equipment for mobile networks, mobile services and

M. Haveman (✉) • J. Vochtelo

The Honor's Program of the International Business School, Hanze University OAS, Groningen, The Netherlands

e-mail: MichelleHaveman95@gmail.com; jeroenvochtelo@live.nl

enterprise services, which made them in 2012 the largest global telecommunications equipment maker. For many years, Huawei was only an Original Design Manufacturer (ODM), which means that they only developed and designed mobile phones for other manufactures. In 2011, they switched their vision and also decided to produce mobile phones under their own name. Furthermore, since 2012, Huawei is rushing the European market. Their vision is to become one of the top three world smartphone brands.

Huawei has recently entered the Dutch market and has a vision to nestle itself in the top of the Dutch smartphone market. For most people in the Netherlands, the brand itself is not very well known, where on the other hand the business sector has been familiar with Huawei for many years. The Telecom providers KPN, Vodafone and T-Mobile have a contract with Huawei to maintain the Dutch Mobile Network. The company is located in Amsterdam, which means that they are very close to two very large ports, the international airport Schiphol, and public transport.

One of the biggest problems for Huawei is their own name. In Europe, people have difficulties to pronounce the name correctly. To make sure the company name is understandable and also pronounceable, Huawei changed the pronunciation per country. This will (most of the time) be done by video with the right pronunciation.

The most important reason for choosing Huawei as a case study is that it is an emerging Asian multinational that is one of the biggest telecom equipment companies in the world (and in 2012, was *the* biggest) with sales over 11.5 billion €. Besides that, as stated above, it has recently entered the Dutch market. This gives us the opportunity to see and experience first hand how a large global company establishes itself in a country and which strategies it will choose to attract customers.

2 Company Profile

2.1 History

In 1987, Zhengfei Ren founded the company Huawei. It started off in Shenzhen as a sales agent for a Hong Kong company producing Private Branch Exchange switches. In 1990, Huawei started its own independent research and commercialization of Private Branch Switches, aiming at hotels and small enterprises. Huawei designed and sold the switches and network machines which make the modern telecommunication “internet” possible. After 1990, Huawei initiated a R&D department and from 1997 until 2001, it opened several R&D centers in i.e. the USA, Sweden and India.

Huawei belongs to the group of companies that were established after the “Open door policy” of Xiaoping Deng in 1978. Deng realized that there was a high need for Western technology and investments and therefore “opened the door” for Western business with his policy (BBC 2014). Due to the fact that Ren has been a member of the Communist Party since 1978, he used the vision of Zedong Mao in his business strategies. One of those strategies, inspired by Mao, is ideological

education. The thousands of newly-hired employees have to undergo a six-month course, including a 2-week cultural induction on the campus itself and an internship, to acquire the “wolf spirit” which is said to drive Huawei on (Economist 2011). It stresses innovation with the message “Get on top and stay there.” Zhengfei Ren has described the wolf spirit as a blend of three qualities: extreme resilience in the face of failure, a strong willingness to self-sacrifice, and sharp predator instincts.

“In the battle with lions, wolves have terrifying abilities. With a strong desire to win and no fear of losing, they stick to the goal firmly, making the lions exhausted in every possible way,” Ren is reported to tell his staff.

The name Huawei means both “China can” and “splendid act”. This is in line with Zhengfei’s mission: helping China to develop its own telecom technology. Because the big cities already had state-owned telecom equipment, Ren went first to the provinces and applied his business strategy: “using the countryside to encircle and finally capture the cities”. By offering cheaper advanced equipment (sometimes even 25 % less than competitors) and hiring a lot of sales people, Ren managed to persuade local operators to buy his products. Due to this success, Ren applied this tactic abroad as well. After he obtained a contract in Russia, contracts in Eastern Europe followed. A nice note here is that the mobile technology progression in Africa might not have happened without Huawei’s cheap, but advantaged, equipment strategy (Economist 2011).

2.2 The Founder

Zhengfei Ren was born in 1944 and studied civil engineering. Before Ren founded Huawei, he was an engineer in the Chinese army. When the Chinese government disbanded the entire Engineering Corps in 1987, Ren retired from the army. He founded his Huawei with only 3381 € of his own money. He started to import telephone switches, but then decided to build his own products.

Currently, Ren owns a 1.4 % stake and the remaining part is held by Huawei’s employees. Therefore, Huawei is an employee-held company. Ren was ranked number 1 in the Fortune China’s list of the “50 most influential Business leaders in China of 2012” (CNN 2012).

Since 2011, Huawei is using a rotating CEO system. This rotating mechanism is one form of Huawei’s innovations and a unique management structure adopted by Zhengfei Ren. This rotation system consists of three senior executives, named Guo Ping (finance), Ken Hu (human resources) and Eric Xu (business strategy), who rotate through the chief executive officer position. Each term consist of 6 months. The three rotating CEO’s have more influence in decision making during the board meetings than each of Huawei’s 13 board directors. At the same time, Zhengfei Ren is also a CEO, but his role is different than the CEO’s on the rotation system. Ren has been spending a lot of time coaching and mentoring the three CEO’s from the rotation system. Furthermore, he has the right to veto decisions made by the board (Osawa 2013).

Fig. 1 Percentages of employees from different areas worldwide (Huawei 2014b)

Area	Percentage (2012)	Percentage (2011)
China	72.09%	79.81%
Other Asian countries	11.32%	7.56%
Oceania	0.28%	0.21%
Africa	3.84%	2.85%
Europe	6.64%	4.92%
North America	1.95%	1.72%
South America	3.88%	2.93%

Time will tell if the rotation CEO system is the right move or not.

2.3 Employees

The company has over 150,000 employees, with 44 % in research and development (Economist 2012). Huawei has employees from 156 countries and regions across six continents. In their home country China, the Huaweiians (employees of Huawei) represent 34 out of the 56 minority ethnic groups, which results in a diversified workforce (Fig. 1) (Huawei 2014b).

This diverse group of employees is very important for Huawei. They believe that the employees are the foundation of the company. By enhancing the employees' capabilities, they ensure that both the individual employees and the company will benefit. In line with that, Huawei provides training programs. Besides these training programs, Huawei also established a benefit system and insurance plans for their employees, consisting of personal accident-, critical illness-, life-, medical-, and business travel insurance. The total investment in global employee benefits in 2012 was 680 million €.

You can see that Huawei prioritizes the health and safety of their Huaweiians. They implemented an occupational health and safety management system to prevent accidents in workplaces, manufacturing, fire fighting and employee services. Besides all these points, Huawei focuses on food safety as well, by providing diversified catering services and upgraded cafeterias to make sure the employees get a better experience while eating (Huawei 2014b).

2.4 Product Range

Huawei has its products in the networking, telecommunication and equipment industry. "Our industry-leading products cover all your needs," as Huawei stated

on their own website (Huawei 2014e). Huawei divides their products into three different categories: the cloud, the pipe, and the devices. The different categories complement each other.

2.4.1 The Cloud

The cloud is a metaphor for the internet; it relies on sharing computing resources rather than having private devices such as servers and storage to handle applications (Webopedia 2014). Huawei is providing “the building blocks for the cloud such as spanning applications & services, storage & security, and O&M” (Huawei 2014e).

Huawei’s Business Support Systems rank No. 1 in the world’s emerging markets and is the leader in next generation network innovation. Huawei BSS serves more than 160 operators worldwide, such as China Mobile, Vodafone, MTN, Royal KPN, Etisalat, and Singtel. In the consumer service fields, they offer operators integrated platforms which deliver services and applications. In the enterprise service, they offer products that enable enterprises to handle business affairs automatically and employees to communicate with each other (Huawei 2014a).

Huawei also offers Operational Support Systems that includes software, or occasionally hardware, for e.g. telecom network planning, design, IP maintenance, resource management, provisioning and activation, network diagnosis and monitoring, system architecture, and end-to-end professional service. Huawei does this by using mobile broadband (MBB) and fleet broadband (FBB).

Based on the idea of "intelligence on demand, convergence for future", Huawei has developed a range of products covering enterprise storage, unified storage, solid state drive (SSD), BigData, NAS, data protection, and cloud storage fields (Huawei 2014j).

2.4.2 The Pipe

The pipe stands for the infrastructure that enables operators to build a network. Huawei offers multiple products in radio access and fixed access. For the network, they offer both core networks, energy networks, and transport networks. The final product in the pipe is data communication, which includes routers, network security, and Ethernet switches. Huawei data communication solutions and products serve 35 operators of the top 50, including China Telecom, China Mobile, China Unicom, France Telecom, Deutsche Telekom, British Telecom, Telefonica, SingTel, and Etisalat, etc. (Huawei 2014c).

2.4.3 Devices

Huawei offers devices for personal use, such as mobile phones, mobile broadband and tablets. Currently, Huawei has the Ascend mobile phone series containing over 20 different types and models of mobile phones. The tablet series of Huawei are called the MediaPad, which has approximately six different types of models. For the home, Huawei has home internet and media devices in its product range. Huawei offers routers, connection adapters and fixed wireless terminals in their home internet assortment. For the media devices used at home, they offer set-top

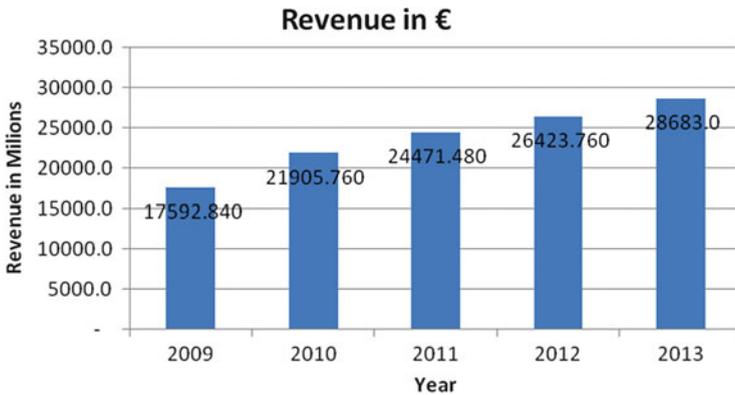


Fig. 2 Revenues of Huawei (euros) 2006–2013 (Huawei 2014)

boxes and digital photo frames. For enterprises, they offer M2M solutions, and telepresence and video communications.

2.5 Revenues

The revenue of Huawei has grown over the past few years. In 2013, the revenue of Huawei increased with 8 % compared to 2012 (Huawei 2011). As shown in Fig. 2, the revenues of Huawei have grown since 2009 onwards.

2.6 Business Success Strategies

Huawei originally began in China. The past 10 years Huawei have expanded from their home market in China to become global players (Economist 2012). “We have it easier than Samsung did,” says Colin Giles, chief marketing officer for its consumer business, because South Korean firms paved the way for global acceptance of Chinese brands (Business Insider 2014).

It is often speculated by critics that Huawei has connections with the Chinese government. “I think it’s ridiculous to allow a Chinese company with connections to the Chinese government and the People’s Liberation Army (PLA) to have access to a network,” says Dmitri Alperovitch of CrowdStrike, a web-security outfit (Economist 2012). When the former head of the United States’ Central Intelligence Agency Michael Hayden responded to the question whether Huawei represented an unambiguous national security threat to the USA and Australia, he replied: “Yes, I believe it does” (Business Insider 2013). Due to all these speculations, it has become so difficult for Huawei to market their products in the USA that they may decide to leave this nation.

Huawei states that their rapid growth in both developed markets and emerging markets is due to the fact that their “customer-centric innovation strategy enables us to deliver customized, flexible and secure network solutions that meet the business challenges of operators. This focus on continuous customer-centric innovation is highlighted by the fact that Huawei is the third largest applicant for patents in the world” (Huawei 2014k).

Huawei also indicates that localization is an import part of their strategies in global markets. This means that the product’s functional properties and characteristics accommodate the language, cultural, political and legal differences of a foreign country. Therefore, Huawei has a balanced global presence. In 2012, 66 % of the overall revenue came outside of China.

2.7 Quality and Innovation of the Product Range

Huawei has as a company its own quality policy. However, Huawei’s quality policy is focused upon customer service. The requirements and needs of the customers are implemented in their products so Huawei also focuses upon the quality of the products. In their quality policy, it is: “ensure[d] that quality is included at all points in our research, development and delivery processes” (Huawei 2014h).

Huawei has over 70,000 product and solution research and development employees, which is more that 45 % of their total workforce worldwide. There are 16 Huawei R&D centers in multiple countries. In the past few years, Huawei has been one of the world’s leading generators of intellectual property (Economist 2012), with over 41,948 patent applications in China, 12,453 under the Patent Cooperation Treaty (PCT), and 14,494 outside China. Among these applications, 30,240 patents have been granted as of December 2012 (Huawei 2014i).

3 Rise of the Company

3.1 Growth Development

After the foundation of the company, which took place in 1987, Huawei has been growing. Huawei’s revenues have been growing steadily over the past few years. To delineate the development of Huawei, the business life cycle will be used. The business life cycle consists of four stages. The first stage is the start-up, the second stage is the growth stage, the third stage is the maturity stage, and the last stage is the decline stage. For Huawei’s development so far, the first two stages are of particular importance.

3.1.1 The start-Up Phase

When Huawei was founded in 1987 by Ren Zhengfei, it was a small startup company. It began as a sales agent and was selling Private Branch Switches produced by another company from Hong Kong. In 1990, Huawei started doing

its own independent research and commercialization of the Private Branch Switches. The first target group was hotels and small enterprises. From 1997 until 2001, Huawei opened several research centers globally (Huawei 2014e).

3.1.2 The Growth Phase

After the period where Huawei was doing research, the business was capable of developing its own products. Huawei was able to offer cheaper, more advanced products that were sometimes even 25 % less than what the competitors were charging. Huawei hired a lot of salespeople and soon the local operators were persuaded to buy the products. After the local operators, the businesses abroad became the targets. When Russia signed a contract with Huawei, many countries in Eastern Europe followed. Huawei was about to take over the world with their products. In 2012, Huawei acquired Symantec's 49 % stake in their joint venture, Huawei-Symantec, for 530 million US\$. Huawei now retains full ownership of Huawei-Symantec. Also in 2012, Huawei signed an important partnership agreement with Synnex Group. This helped Huawei to successfully enter into the channel network of the US enterprise ICT market. Later, Huawei established a global strategic partnership with Intel for IT products and solutions (Huawei 2014f).

In 2014, Huawei is still in the growth phase. Huawei is still building up its brand in Europe, America, and other parts of the world. They are still expanding and getting new contracts signed. Huawei achieved progress in technological innovation and market expansion in the last few years.

3.2 Becoming a Brand

By achieving these successes and signing these contracts, Huawei is becoming more and more known in ICT. All these positive developments help Huawei to consolidate the company's position as a global leading ICT solutions company, although globally leading does not mean it is a global brand yet. To determine whether Huawei is a brand, the word brand first needs to be defined. A brand is a unique design, sign, symbol, set of words, or a combination of these that creates an image and distinguishes a company or product from its competitors.

By selling mobile phones and other devices where consumers can see the logo and the name Huawei, the consumers become more aware of the company. The logo of Huawei gets easier to recognize and it is increasing in popularity. The logo of Huawei is seen as an extension of the company's core values. The radiating shapes of the icon are focused on the bottom center and they indicate Huawei's commitment to creating long-term value for the customers. The tone and the symmetrical figure stands for harmony and is used as a metaphor for Huawei's open-minded attitude and partnership strategy, indicating that Huawei will maintain its healthy growth and create a harmonious business environment (The-Logo-Quiz 2008).

To see whether Huawei is becoming one of the most well-known brands in the world, there is another company to take into account. This company is called

Interbrand and they create a list every year: a list with the biggest companies on the world. On their main list from 2013, Huawei is not yet present. This means that Huawei is not part of the 100 biggest brands in the world yet (Interbrand 2013).

Besides the Interbrand list of global brands, there is also a list created for regional brands. On the list of China, Huawei is not mentioned as they are a privately-owned brand and do not have their financial data publicly available. However, Huawei is the only company that is mentioned as an exception for not standing on this list, although the “Best China Brand list of 2011” does mention that Huawei would be expected to be on the list. All this means that Huawei most certainly does have a brand value (Interbrand 2011).

3.3 Position in the Home Market/Market Share

In order to determine the size of a company, people look at the market share. Huawei is a Chinese company and that is why the market share of Huawei in China as the home market is important. As mentioned in the product range in the “company/profile” section, Huawei has many different products and therefore operates in multiple markets.

The market share of Huawei on the mobile devices in China in the first quarter of 2012 is 5 %. This ranks Huawei as the fifth biggest company with the most market share on the mobile devices market (SMIA 2012).

Figure 3 shows that Huawei was not the biggest player on the market in 2012. Nokia, Shanzhai, and Samsung are much bigger than Huawei. Apple and HTC are almost of a similar size on the Chinese mobile devices market. In Fig. 4, China’s 3G wireless equipment market share from 2009 is displayed. Here ZTE is the biggest player in the market with a 42.2 % of the total market. Huawei is second with 38.2 % and the third biggest Alcatel-Lucent has a mere 16.4 % (IHST 2010). With

Fig. 3 Market share 2011 Q1 mobile devices (SMIA 2012)

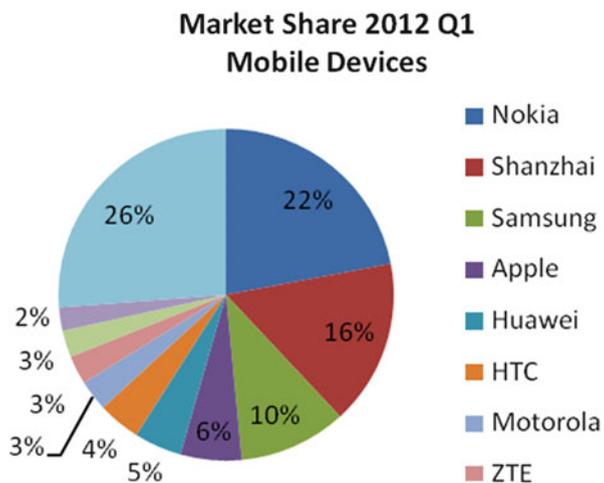
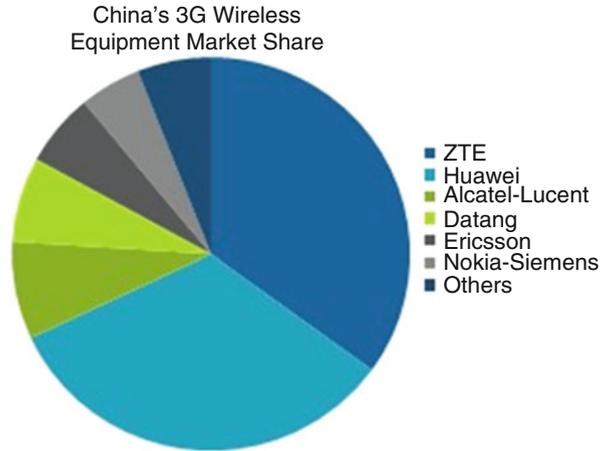


Fig. 4 China's 3G Wireless Equipment Market share (IHST 2010)



these two examples, it is shown that Huawei is not the biggest player in the Chinese market, although it is also not the smallest.

3.4 Position in the Global Market/Market Share

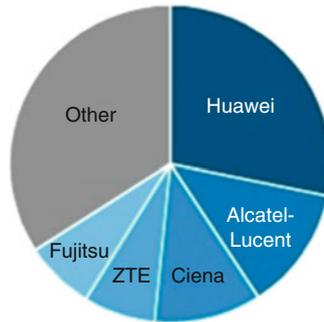
To determine the size of a company on a global scale, market share is an important item to consider. Again, a few examples will be shown to indicate Huawei's position in the global market. In Fig. 5, the hardware market share in 2012 is shown. Here it becomes clear that Huawei is the ultimate optical network hardware market leader. It leaves all the competitors far behind, including, for example, Alcatel-Lucent and ZTE, who were bigger players in the Chinese market for wireless equipment.

In Fig. 6, the market share of handsets is shown in Q1 of 2012. Here you can see how big the competition from other Asian brands such as Samsung and ZTE. Huawei is, compared to the other bigger Asian players, one of the smaller players with only 3 % of the total market share. In this totally different figure of the global market share, Huawei is again rated differently per product. Therefore, it is difficult to determine the exact market share of Huawei as they are in multiple different markets for different products and have a different position in every market.

Overall, it can be said that Huawei is not an unimportant player in the market in general. In some markets, they have more influence as a market leader than in others where they have a relatively small market share. Especially now, Huawei is trying to expand their global market share on multiple markets.

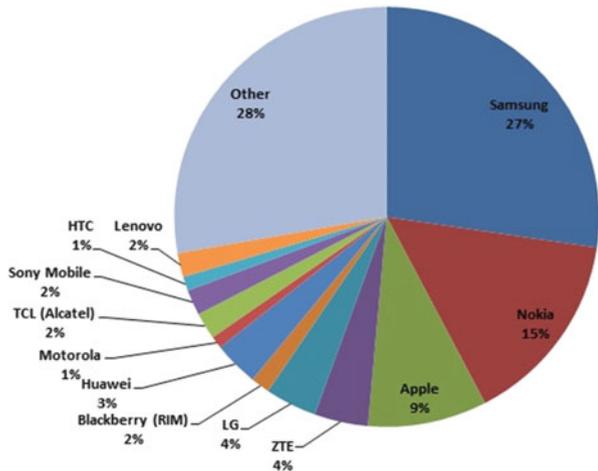
Fig. 5 Optical Network Hardware Market share leaders (NetworkStatic 2012)

Optical Network Hardware Market Share Leaders



Based on 3Q12 global revenue

Fig. 6 Market share handsets Q1 2012 (FierceWireless 2013)



3.5 Stock Market Development

Many big companies have securities (also known as stocks) for sale. The stock market is a place where companies and organizations can sell stocks. People or buyers can buy these stocks and they become partial owners of the company. The buyers can be offered dividends or they may speculate whether they can make a profit when the price of a stock increases after the stock has been bought.

Huawei has issued stocks as well. Their IPO stocks went on the market on the 30th of November in 2010 (Wall Street Journal 2014). The stocks initially sold at 33.04 RMB; this was the highest price the stocks of Huawei have been sold for to date.

After the IPO's were offered, the stocks started dropping slowly, sometimes with small increases but it was dropping steadily. It even came to a point where the Huawei Technology Co. Ltd. A stocks were valued at 8.08 RMB. After this ultimate

low, the stocks started to slowly increase again and after a while they even started to increase at a faster pace. The stocks of Huawei were able to reach 31.33 RMB on the 27th of February 2014, which was the closest the stocks came to the launch price. After this price, the value of the stocks dropped again and the stocks of Huawei are currently trading at 21.16 RMB (Wall Street Journal 2014).

The stocks yield dividends at 0.47 %. The latest dividend payment took place on the 19th of July in 2013. The amount of dividend paid on that date is 0.10 RMB. The P/E ratio is 100.76 with a trailing of 12 months.

Overall the yield is pretty low in comparison to other stocks. The dividend payment is also pretty low in comparison to other stock-owning companies.

The total market cap is 2.95 Billion RMB. Huawei has 80.15 million shares outstanding and with a public float of 51.6 million. The stocks of Huawei are not listed in any of the major indexes of the world.

3.6 To What Extent Was the Governmental, Business and Educational System Beneficial to the Rise of This Company?

3.6.1 Governmental

Nowadays the Asian market is booming. The companies of Asia are becoming international and getting bigger and bigger. This is also the case for Chinese companies. The Chinese government is stimulating companies to grow and become global market players. It has often been speculated that Huawei is one of the companies the Chinese government wants to grow bigger. In multiple articles on the web, Huawei is accused of having strong government connections and receiving money from the government. On the one hand, it is positive for Huawei to be part of this booming Asian economy. This enables the company to grow bigger since the circumstances are positive. On the other hand, having connections with the government can be seen as negative. Both the USA and Australia have been debating whether Huawei should be allowed to enter their home market as Huawei could be spying for the Chinese Government.

3.6.2 Business

The business of Huawei has strong core values where people are the central value. They stand for their customers first, as well as teamwork, integrity and dedication. They also stand for transparency, because Huawei tries to have openness. Huawei's values for the products are to continuously improve them by taking the initiative. By conducting research, Huawei tries to get more market expertise. They are buying other companies to increase their capital. Huawei is also sponsoring events etc. For example, they signed a sponsorship deal with the English football club Arsenal. They also try to be sustainable and participate in multiple charity projects.

3.6.3 Education

The Chinese educational system has four different levels. The primary school and junior middle school are compulsory. The senior high school and university degree are not compulsory. Most of the times, people who do have an university degree have high grades and are seen as top students. Huawei itself also has multiple possibilities for people who want to learn more while developing the company. The program is called: “grow with Huawei”.

4 Future Development

4.1 What Are the Future Challenges/Problems to Be Overcome at Home and Abroad?

As stated on the website of Huawei: “There are obviously cultural differences between China and the West, but Huawei treats this as an advantage: it has combined the Western professional management style with the Eastern culture”.

Huawei has recruited a number of Western executives with the aim of helping Huawei better understand the overseas markets and provide solutions that satisfy their operator customers. But besides the cultural differences between China and the West, there are some other challenges, and occasionally problems, that Huawei has to overcome. In this section, we will cover two of those challenges: the company name, and the suspicion of spying.

4.1.1 Company Name

Huawei has some major challenges to overcome if they want to expand more and more abroad. One of the biggest challenges is the name of the company itself: Huawei. Other Chinese companies often have names that are easier to pronounce for foreigners. Some examples are China Mobile and ZTE. But Huawei is a “difficult” name for foreigners.

The Chinese people, obviously, have no problems pronouncing Huawei. As maintained by Huawei: “The character 华 means “splendid” or “magnificent”, but can also mean “China”. The character 为 means “action” or “achievement”. The two characters combined (Huáwei) can be variously translated as “achievement”, “splendid act”, or “China is able””.

To make sure the company name is understandable and also pronounceable, Huawei changes the pronunciation per country. This will (most of the time) be done by video with the right pronunciation.

The right pronunciation is “Wah Way”. In the USA, most of the people pronounce it like Hawaii, Hua Way, Whoo Whee, or How Wee. In the Netherlands, the most used “name” is Hoe-ah-wei.

As indicated by the Wall Street Journal, about two years ago, Huawei was really considering changing their brand name because of the struggles with pronouncing it correctly. The company eventually decided to stick with its name, despite the problem, after coming to the conclusion that it was a well-established brand, with

a strong reputation in the telecom-equipment sector. But, Huawei did not rule out the firm's fast growing consumer group using another brand name at some point in the future (Wall Street Journal 2013).

4.1.2 Suspicion of Spying

Another challenge for Huawei is maybe the most important one: the suspicion that the company is spying because of the company's perceived links with the Chinese government. As stated by the Wall Street Journal, this perception has long been a bugbear for the company, causing problems in the USA (Wall Street Journal 2013).

In the end of 2013, Huawei officially gave up on the US market. As the executive vice president of Huawei stated in the Financial Times, "We are not interested in the US market anymore." As reported by The Diplomat, it was not really a big surprise, because Huawei has struggled to gain entrance to the USA for years due to security concerns. The company has been blocked several times from bidding on projects to purchase or partner with U.S. technology and telecommunications firms. The most devastating setback came in October 2012, when a House Intelligence Committee Report encouraged US companies not to partner with Huawei. Huawei officials have repeatedly denied the accusation of espionage, and demanded that their accusers show hard proof. In addition to that, the company tried with an aggressive PR campaign to clear the negative image in the USA. This was done by hiring lobbyist and staff members of the congress to visit Huawei factories during their official trips to China. But all those attempts did not reach the goal they were hoping for. So in the end of 2013, they gave up on the USA (Tiezzi 2013).

In 2012, the Australian government prevented Huawei from rolling out the 38 billion US\$ high-speed broadband network which aimed to connect 93 % of the Australian homes and workplaces with optical fiber. The government was concerned about cyber-attacks originating in China and rejected a bid by Huawei to take part in the rollout of the National Broadband Network, Australians largest nation-building project in history. A spokesman for Attorney-General Nicola Roxon said in a statement that: "The Australian government have the responsibility to do their utmost to protect its integrity and that of the information carried on it." The Australian government arrived at the decision to reject the bid under the guidance of the Australian Security Intelligence Organization (Winning 2012).

4.2 Which Companies Are Its Competitors Now and in the Future?

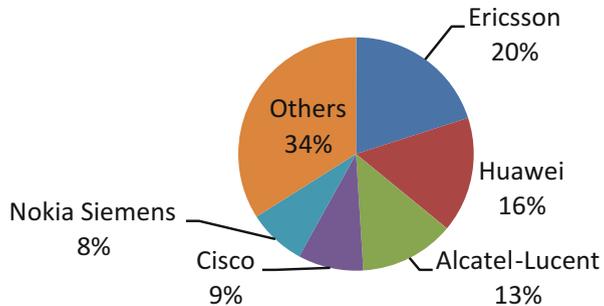
Huawei is facing strong competition from companies such as Ericsson, Alcatel-Lucent, Cisco, and Nokia Siemens.

As stated on Huawei's website: "One of Huawei's strategies is to help develop the global telecom industry together with our partners and competitors in order to share the benefits of the industry value chain".

The policy that Huawei has, is "to compete openly and fairly in every market where we operate and to also ensure that our contribution to those economies

Fig. 7 Global Network Infrastructure Market share 2010 (Prasso 2011)

Global Network Infrastructure; Market Share 2010



includes not just significant investment in those regions, but also the recruitment of local staff, and, where appropriate, the localization of R&D operations” (Huawei 2014d).

To compare Huawei’s current competitiveness with that of its most important peers (Ericsson, Alcatel-Lucent, Cisco, and Nokia Siemens), their performance is shown in Fig. 7.

After 2010, Huawei took the title “largest telecom infrastructure maker in the world” from Ericsson. These two companies are neck and neck and one new contract or just a fluctuation in currency could see these two companies changing places again. To compare: Huawei had revenues of 16.1 billion US\$ for the first 6 months of 2012. Ericsson, which is originally from Sweden, brought in 15.25 billion US\$ in the first 6 months of 2012, which is 850 million US\$ less than Huawei. Consider here that the currency exchange rates have a really big impact on this amount.

Since Huawei has their biggest industry in the sizable handset and enterprise business, Ericsson is still by far the biggest cellular infrastructure maker in the world. Both companies are growing really fast, despite the poor global economy and the economic recession around the year 2008 (Fitchard 2012). Comparing the telecom equipment revenue by region (2011), Ericsson has better revenues compared with Huawei. The biggest difference is in North America, but one of the reasons for that is the suspicion of spying by the US government against Huawei (see section “Future Development”—Suspicion of spying) (Economist 2012).

The past few years, especially from 2006 until 2010, Huawei spent less than all of their peers. This applies to R&D as a percentage of revenue, but also to the total R&D spending (Figs. 8 and 9). In 2011, Huawei exceeded Alcatel-Lucent in the total amount of R&D spending. But, according to Reuters, Huawei is planning to increase the total amount of R&D to 4.5 billion US\$, which makes the gap between Cisco and Ericsson even smaller (Ahrens 2013).

Research and Development Percentage of Revenue

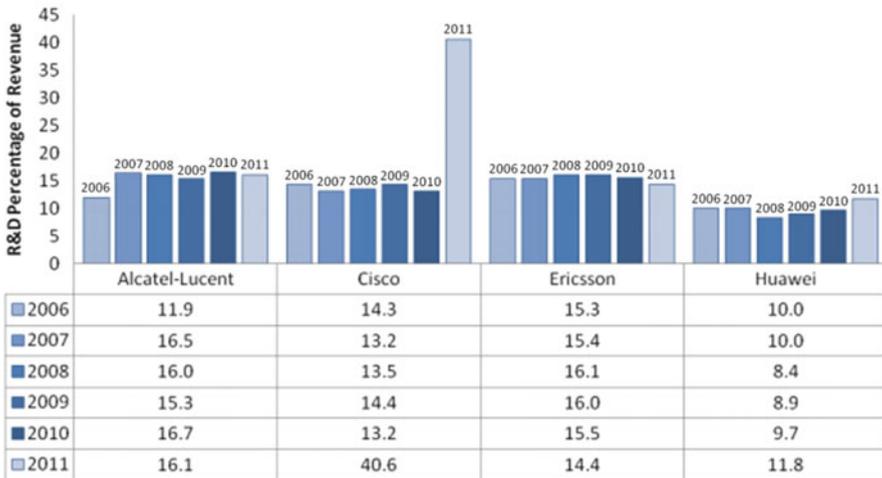


Fig. 8 Research and development percentage of revenue (Ahrens 2013)

Total Research and Development Spending

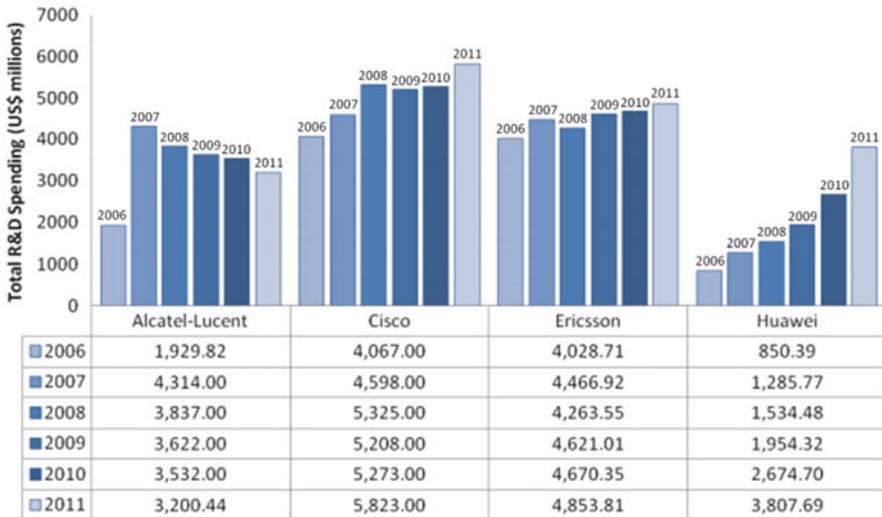


Fig. 9 Total research and development spending (Ahrens 2013)

As Ahrens stated, Huawei has focused on research and development as their core business. Therefore, Huawei tries to allocate 10 % of their annual revenue to the R&D sector. Due to the low-cost center of China, Huawei has a substantial marginal cost advantage over its competitors (Ahrens 2013).

4.3 From Asia to Europe

As stated on their own website; Huawei wants to expand their activities more and more into Europe. To achieve this, Huawei opened a new exhibition center in Amstelveen (south side of Amsterdam), the Netherlands. This center underscores the fact that Huawei is a fast-growing and innovative company in the enterprise market. The company plans to hire 5500 employees in Europe during the next 5 years, and together with the current 7500 employees, that will make a total of 13,000 European employees. “Western Europe remains the key target market for Huawei Enterprise. Our global success as a company will be measured against our achievements here,” said Leon He, President of Huawei Enterprise in Western Europe (Huawei 2013).

Huawei’s success in Europe will be measured by its ability to help enterprise and channel partners successfully navigate the current major IT challenges and opportunities, which include: increasing the mobility of employees, as well as increasing customers and applications; the deepening role of cloud computing; the real-world utilization of big data; and the impact of social media on the success of enterprises. In order to be successful, the company is committed to working closely with its local European partners to meet the unique needs of customers in each distinct European market it serves.

Huawei has already made its mark in Europe as a valuable partner for public and private sector clients. Its cloud storage system passed the performance test of the European Organization for Nuclear Research (CERN), enabling CERN to extend its capabilities in preparation for a huge increase in data volume. Its corporate networking solutions power the networks of many hospitals, schools, enterprises, and ISPs throughout Europe. Huawei is also proud to be the wireless (WIFI) solutions provider for the stadiums of two major European football clubs, Glasgow Rangers in Scotland and Borussia Dortmund in Germany (Huawei 2013).

As indicated by the China Daily, the exhibition center in the Netherlands is a milestone in its expansion in Europe, particularly in the Benelux countries. “By opening this new exhibition center I believe Huawei is demonstrating its commitment to long-term development in the Netherlands,” says Fei Li, Economic Counselor of the Chinese embassy in the Netherlands. “It also demonstrates the Netherlands’ favorable investment environment” (Jing 2013).

Europe is like a second home market for the company, Zhang says. Nevertheless, the enterprise business in Europe has not been all plain sailing, given the highly competitive market. But, if Huawei can succeed in Europe, it can achieve more globally, Zhang says (Jing 2013).

5 Conclusion and Recommendation

5.1 The Company's Successes

Huawei is growing bigger every year. The revenue is constantly increasing. There are multiple reasons to attribute to the successes of Huawei. First of all, Samsung had previously entered the global market before Huawei. This means that the South Koreans paved the way for Chinese brands such as Huawei.

Huawei states that their rapid growth is due to their customer-centric innovation strategy and customer focus. The focus of Huawei is on continuous innovation that is customer-centric and improving customer service quality. Huawei is the third largest applicant for patents in the world. Huawei also has a quality policy for customer service.

Huawei is capable of offering innovative products for a cheaper price, sometimes even more than 25 % cheaper than the competitors. Africa's mobile technology progression would not have been as far as it is now without Huawei and its cheaper products.

The success of Huawei could also be due to the help that Huawei is accused of receiving from the Chinese government. However, this could also be something that is stopping Huawei from entering markets, as Huawei could represent a national security threat.

5.2 Becoming a Brand

Huawei is already a market leader in multiple markets, such as the optical network hardware market. The markets that Huawei is a market leader in are mostly the pipe and cloud products market. Both the pipe and the cloud are mostly unknown to the end consumers. This means that Huawei probably did not establish a brand name because of these products.

In other markets, such as the smartphone market, Huawei is trying to establish a bigger market share. End consumers recognize smartphone brands more easily, because they will see it in their daily lives. If Huawei is getting a bigger market share in their devices product range, they will have a greater possibility to become a world brand. Judging on the continuous growth in the devices industry, we can conclude that it is likely that Huawei is becoming a world brand.

5.3 The Possibilities for Other Companies

Huawei is already established in Amsterdam. It has multiple campaigns running in the Netherlands to get more brand recognition. Huawei has contracts with several Dutch companies to maintain the Dutch Mobile Network. That Huawei is present and expanding its market share on the Dutch smart phone market is a fact. By increasing the number of campaigns about their new smartphones and also by

sponsoring several events and sports teams, Huawei is trying to increase their market share. Other companies should enhance the possibility that Huawei become well established in the Netherlands.

Ignoring that Huawei is operating in their market could be the worst option that a company takes. Huawei can produce cheap products that are very innovative, and has many resources and technology patents. This enables Huawei to have a large influence on other companies. Cooperating to get the best results is most likely the best option for both parties. If both companies are willing to work together towards one objective, growth and profit maximization should result.

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