

# Research and Solution of Management Problems in Huawei's "Internationalization" Business Development

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**Abstract.** Huawei Technologies Co., Ltd., as the representative of the successful internationalization of China's communication equipment manufacturing enterprises, its internationalization strategy and implementation experience are of great significance for Chinese enterprises to go global and realize the worldwide layout and development. This paper expounds and analyses Huawei's internationalization strategy from the perspectives of market internationalization, brand internationalization, R&D internationalization, and talent internationalization. Taking Huawei's entry into the global market as an example, it analyses the background, process, and problems of Huawei's internationalization development path and summarizes the experience and lessons. This paper will also help Huawei solve the existing issues from four aspects: strengthening international cooperation, combining with the national foreign policy, breaking through the research and development of core technologies independently or cooperatively, and applying the equity incentive system. This paper can provide a reference for the internationalization development path of Chinese enterprises and avoid similar problems and difficulties.

**Keywords:** Huawei, Internationalization, Operation and management.

## 1. Introduction

Huawei Technologies (now called Huawei), founded in 1987, is the world's top information and communication technology (ICT) essential equipment and intelligent terminals. Its main business is research and development, production, sales, and service network communication products and technologies. It is one of the most successful and representative multinational enterprises in China. In the past ten years, Huawei's overseas sales revenue has shown a continuous growth trend, which has increased to four times as much as before. Huawei has grown from a local private enterprise in China to a well-known multinational communication technology enterprise in China and even in the world [1].

As a giant of electronic technology companies worldwide, Apple has achieved a monopoly in the electronic product market. In recent years, the rapid development of Huawei and the successful research and development of 5G technology have made Huawei have strong competitiveness in the electronic product market. In addition, Huawei's products have low pricing and superior performance, which makes it gain many loyal customers. Moreover, Huawei's success has many important factors. First, Huawei will recruit talented people with high salaries and improve the conditions as much as possible so that these people can play their value and develop together with the company. Secondly, the company adopts the equity incentive system. It distributes some company shares to employees who have worked for a long time to participate in the company's dividends, strengthening employees' sense of identity with the company.

Huawei must overcome many difficulties if it wants to become an international enterprise. As Huawei's overseas markets were mainly distributed in Southeast Asia and Africa at the beginning of its establishment, it lowered its selling price to increase its sales, which led it to be a low-end brand in Europe and America. How solve this problem is an indispensable part of Huawei's internationalization. Besides, Huawei also needs to solve the technical blockade of developed countries. The chip ban proposed by the United States has led to a sharp decline in Huawei's market share. Previous studies have not discussed Huawei's market positioning and technology blockade so this paper will discuss and analyze these aspects.

This paper gives four schemes to solve these problems. First, by cooperating with international brands, Huawei can enhance its brand value and establish a good international image. Secondly, Huawei's enterprise development must be combined with the national foreign policy, and global companies communicate closely with other countries. Only by keenly observing the information released by diplomatic activities can a company better develop international business. Third, due to the technology blockade of developed countries, Huawei is restricted in chips. Only when Huawei develops its exclusive chips can it not be afraid of the attacks and restrictions of other companies or governments. Finally, Huawei should continue to use the equity reward system, which can ensure employees' sense of belonging to the company and create more excellent value for the company, thus reaching the level of an international enterprise [2]. Previous studies have not discussed Huawei's market positioning and technology blockade so this paper will discuss and analyze these aspects. Through an in-depth study of Huawei's internationalization strategy, this paper summarizes its internationalization experience and lessons and provides a reference for Chinese enterprises' internationalization development path.

## 2. The analysis of Huawei's international operation and management

Huawei's international operation is mainly divided into three parts: market internationalization, brand internationalization, and research and development internationalization. Suppose Huawei wants to become a global company. In that case, it must have its own over market and consumers, and establish its characteristics, so that *consumers* can know more about Huawei's goals and corporate features. Besides, Huawei should pay more attention to its strength. As a technology company, how to develop new products efficiently and quickly is the company's first task. Next, the article will make a comprehensive analysis of these three aspects [3].

### 2.1 Market internationalization

Huawei expanded abroad between 1996 and 2000, although China remained its main market. But by the end of 2010, 45 telecom providers and around 2 billion individuals had access to communication services from Huawei. Data from the third quarter of 2020 indicates that ZTE came in second with a market share of 14.2 percent, followed by Huawei and Ericsson in first and second place with market shares of 32.8 percent and 30.7 percent, respectively. Huawei's successful internationalization strategy effectively disseminated accurate information to the global market [4]. Before Huawei wants to become a global enterprise, it must first expand its international market. At present, Huawei's market is mainly distributed in Southeast Asia or developing countries, which shows that Huawei has no advantage in Europe and developed countries. If Huawei wants to internationalize the market, how to enter the European and American markets and gain market share is a problem that Huawei must solve at present [5].

### 2.2 Brand internationalization

Huawei's reputation both domestically and internationally has grown significantly in recent years. Despite beginning with low-end products, Huawei has expanded internationally thanks to the efforts of generations of its employees. This has caused businesses in developed nations to view one another differently and seek out a collaboration for a win-win situation. A focus on "China's intellectual creation" and "China's quality creation" has emerged in China's industry. One of the most significant representations is Huawei. Huawei has withstood the colored glasses of picky international consumers and pushed Chinese brands worldwide. If a company or a brand wants to go global, it must establish its good image internationally. Huawei occupies a small proportion of the European and American markets and has no advantage. To solve this problem, Huawei can first cooperate with well-known brands in the European and American markets to enhance its popularity [6]. Besides, public welfare activities are also a very effective and meaningful activity to establish one's brand. At present, Huawei can develop its brand through these two schemes and make it reach the international standard.

### **2.3 Internationalization of research and development**

Huawei naturally participated in foreign research and development after understanding the internationalization of the market and brand (R&D). In the years 1999 to 2002, Huawei established R&D facilities in Sweden, India, and the US. Huawei announced its collaboration with the UK in 2020 and opened a British design and R&D facility in Cambridge, England's countryside. This facility will serve as the global headquarters for optoelectronics, offering technical assistance to encourage win-win collaboration. Huawei's courtesy to international talents has attracted many high-tech skills. Even scientific and technological scholars from famous universities such as Harvard University and Yale University in the United States have affirmed Huawei. High-tech research needs the joint efforts of talents from all over the world. Otherwise, there will be some limitations. Huawei can set up its research center worldwide and give generous rewards to jointly attract global scientific and technological talents to break through the current technical difficulties [7]. For example, Huawei is currently facing problems such as chip blocking. If there are international talents to solve this problem together, Huawei will soon be able to develop its chip, thus solving the current issues.

## **3. Problems existing in the internationalization strategy**

Although Huawei is currently the leading enterprise in Chinese technology companies, it still faces many problems if it wants to become an international enterprise. Due to the low price of Huawei's early products, it has a low positioning in the European and American markets or developed countries and cannot compete with local brands. In addition, Huawei faces the technology blockade of developed countries, such as the chip ban issued by the United States. Therefore, Huawei can become an international enterprise only by solving these difficulties.

### **3.1 The strategy of "easy before difficult" affects the brand image**

On the road of international development, Huawei has adopted "encircling the city from the countryside," which is easy before difficult. Unlike the more advanced and expensive European and American enterprises, Huawei grew up in the turbulent Chinese market in the 1990s. Its primary goal was to survive, so it chose the advanced army in Southeast Asia and Africa to avoid confronting the mature enterprises with deep accumulation in Europe and America. Huawei is taking the low-end mode of small profits, but quick turnover and its product pricing are low. This environment has also had an irreversible influence on Huawei.

In the eyes of developed countries, Huawei belongs to low-end products, while consumers are more willing to choose high-end products. Although Huawei's technical level has made a breakthrough in recent years, it will take time to change the positioning of consumers. If Huawei wants to solve this problem, it needs to make changes in brand positioning and image, for example, cooperating with international brands or high-end brands and conducting public welfare activities to enhance its popularity. If Huawei's positioning and brand image are improved, it will be easier to enter European and American markets or meet developed countries' needs [8].

### **3.2 International business risk caused by the unstable target market**

Due to the high cost of entering the developed countries' markets and the international development process "from easy to difficult," Huawei's main markets are concentrated in sub-developed countries. Third-world countries, whose economic systems and related policies are not perfect compared with those of developed countries, make Huawei must spend more energy and cost on dealing with the local market turmoil. Unquestionably, a steady target market is a fertile ground for the growth and incubation of multinational businesses, which may attract favorable preferential policies and encourage businesses to invest the majority of their budgets in technological research and development. Even if the markets in industrialized nations are more established, it is nevertheless inevitable that foreign businesses will be shut out and that the market access mechanisms would be more restrictive. Still, the target market should be chosen after evaluating the benefits and drawbacks.

### **3.3 Technology blockade in developed countries causes development dilemmas**

Huawei's market share has decreased from 14% to 4% as a result of the United States' restriction of its essential technology, whilst its rivals now control 20% of the highland. The outlook is not promising. Huawei has suffered an unparalleled setback as a result of the chip prohibition in the United States and the control of 5G technology. Prior to the commencement of the 5G competition, Huawei held a global leadership position in the development and use of 4G technology. In an effort to slow down Huawei's expansion at a crucial point in its growth, many Western industrialized nations slapped a technological embargo on the company. Despite having a sizable and expansive home market, Huawei has consistently consumed chip memory and decreased its global market share since 2019 due to a lack of necessary technology. Huawei sold its glory for more than 200 billion yuan when it reached a wall in the U.S. market, increased spending on R&D and employee training, and started the "Tashan Project" to change the situation. The Harmony system was unable to substantially address the issue of chips due to the protracted and stalled research and development of chips.

## **4. Solutions to Huawei's Internationalization Strategy**

To solve the current predicament, Huawei can cooperate with internationally renowned brands to enhance its brand value and popularity. Judging from the actual cooperation cases in the past, the cooperation between Huawei and well-known brands increased both parties' sales volume and gained much attention. In addition to this method, introducing talents from all over the world and adopting the equity incentive system is the most fundamental solution to the problem. How to develop one's chip is Huawei's most urgent problem at present and introducing various talents for research and innovation is the best solution. In this part, the article will discuss how to solve the issues that Huawei is currently facing.

### **4.1 Strengthen international cooperation and establish a good image**

Huawei can improve its brand value and popularity by cooperating with international brands or conducting public welfare activities. As Huawei's initial strategy was to reduce profits and increase sales, the price of Huawei's products was lower. Therefore, Huawei's image in the global market belongs to low-end products. To change this dilemma, Huawei can cooperate with other well-known brands or celebrities. The appeal of other famous brands opens up the high-end market and enhances the brand value. Secondly, proper publicity and marketing are also essential—for example, advertising, celebrity endorsements, and exhibition participation for promotion. Huawei invited Macy's to become a global brand ambassador in 2016, and its sales increased significantly this year. At the same time, Huawei has adopted a dual-brand strategy, in which Huawei and Glory are operated separately, which can meet the needs of all kinds of consumers, thus increasing the company's loyal customers. Moreover, Huawei has also made charitable donations around the world, such as donating tablets to Saudi Arabian students in 2014. These philanthropic donations have enhanced Huawei's brand influence and shaped the image of a large-scale enterprise with international responsibility. All of Huawei's efforts mentioned above make it close to high-end industries [9].

### **4.2 Combine the international development of enterprises with the national foreign policy**

As a multinational corporation, Huawei's growth is inextricably linked to China's. Huawei has to integrate Chinese foreign policy, identify the audience for positive news releases, and grab the moment. Huawei received help from the Ministry of Foreign Affairs, making Huawei less isolated. Under the relentless pressure of the Ministry of Foreign Affairs, Meng Wanzhou eventually left China in 2021, which surely gave Huawei employees the confidence and bravery to escape the circle of restraint [10]. The discussions between transnational corporations and the foreign policy of many nations are closely intertwined. By paying close attention to the information produced by diplomatic actions, international business may be grown more effectively.

### 4.3 Independent R&D and seeking cooperation to break through core technologies

Huawei should adhere to independent research and development and keep the technology of "sticking to the neck" firmly in its own hands. If others control the core technology, Huawei will have to compromise constantly. In recent years, Huawei has made great efforts to make technological breakthroughs by recruiting wise men. Kunpeng CPU chip, Shengteng chip, Kirin chip, and Ba Long chip developed by Huawei shine brilliantly in computing and communication. The unified system and 5G technology have also made breakthroughs. Although Huawei's development in the United States has hit a wall, building a car behind closed doors is impossible. Enterprise disputes are often a game of interest groups behind them. It is unpopular for the United States to use non-market means to suppress Huawei, and it is only a reasonable measure for some countries' leaders to abandon Huawei. In this challenging period, Huawei should be more determined to find partners and seek the road of development [11].

### 4.4 Equity incentive system

Equity incentive is to give certain economic rights to business managers by obtaining the company's equity so that employees can participate in business decision-making as shareholders, share profits, take risks, and better serve the company's long-term development. Huawei's success depends on the influence of the equity incentive system. The sales revenue of Huawei Company continued to grow from 2013 to 2017. Among them, in 2014, the increase was 20.57% compared with 2013, and in 2015, the maximum growth was 37.06% compared with 2014. In 2017, the sales revenue reached 603.621 billion yuan. The critical factor for the flawless operation of equity incentives lies in employees' recognition of the company's prospects. Suppose employees think something is wrong with the company's management or are pessimistic about the future. In that case, the equity incentive will become the motivation for hard work and the risk employees will take. Employees will only be the tool for the company to carry out low-cost internal financing. Therefore, enterprises should first improve their management level. Then, when profits and development are considerable, employees should conduct equity incentives in time, stabilize employees, increase competitive advantages, and strengthen the company's cohesion [12].

## 5. Conclusion

Huawei should adhere to independent research and development and keep the technology of "sticking to the neck" firmly in its own hands. If others control the core technology, Huawei will have to compromise constantly. In recent years, Huawei has made great efforts to make technological breakthroughs by recruiting wise men. Kunpeng CPU chip, Shengteng chip, Kirin chip, and Ba Long chip developed by Huawei shine brilliantly in computing and communication. The Harmony system and 5G technology have also made breakthroughs. As a leading enterprise in China's communication industry, Huawei needs a variety of problems if it wants to develop further into an international enterprise. Huawei's target customers are different from advanced companies in Europe and America. Huawei's products have low prices and high sales, while those of European and American companies have high costs and low deals, leading to Huawei's low image worldwide. In addition, Huawei is facing the technical blockade of developed countries, such as the chip ban and the control of 5G technology in the United States, leading to a significant decline in Huawei's market share. A technological breakthrough is indispensable if Huawei wants to solve the current predicament. The company can encourage technicians to innovate continuously through the equity incentive system and develop exclusive chips as soon as possible. In addition, the company's policies and strategies should be in line with the national foreign policy to avoid the company's development being hindered by diplomatic and other factors. Huawei can also cooperate with internationally renowned brands to improve product positioning, turn to high-end brands and enhance the brand value.

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