Chapter 3 HUAWEI international causes and SWOT analysis

3.1 HUAWEI international agents

In fact, there are two trends of market development, domestic competition internationalization and international competition domesticization, market integration is getting higher and higher, in the past one-way product export thinking should be replaced by the global strategic layout. With the development of science and technology, the convenience of transportation and communication has led to the continuous opening up of world markets and the persistence of globalization services. The reasons for influencing and promoting Huawei’s internationalization include the following:

1) The overall development of the domestic telecommunications equipment market has slowed down. Due to the policy of 1996, it is difficult to start large-scale application of new technologies (such as 3G), the domestic market has been unable to meet the development requirements of HUAWEI, however, in the international market, the network communication industry has a vast space for development. Especially in the Middle East, Africa, Southeast Asia, these emerging market industries require very little entry, the international telecommunications equipment manufacturing giants have not given enough attention to these areas, these changes in the external environment prompted Huawei choose to "go global."

2) As a high-tech enterprise, Huawei invests 10% of its sales revenue annually in R & D. The amount of R & D investment ranks first in the country and its product life cycle is short. So for achieve return on investment, reduce the risk of company management, Huawei needs a larger market size to reduce R & D costs of per unit product. By entering the international market, Huawei can study and draw learnes from the modern management mode of foreign enterprises, introduce advanced management methods from abroad, enhance their core competitiveness, and then increase efficiency, sales revenue and profits, which is in favor of long-term rapid
development of the Company.

3) President Ren Zhengfei many times with the national leaders to visit, for HUAWEI to open Russia, Egypt and other countries to provide a rare market opportunities. HUAWEI also use a variety of international exhibitions and forums to speak to promote their own, proactive for enterprises to create and grasp the overseas market opportunities.

4) Unique corporate culture is HUAWEI to continue to explore the international market an important driving force. Ren Zhengfei's paragraph explains the corporate culture of HUAWEI:

"The development of enterprises like a wolf, enterprises to expand, must have the wolf's three major characteristics: keen sense of smell; indomitable, rushed to the spirit of the group struggle. "(2011)

HUAWEI's prey on the market prelude to the sense of smell, its all-conquering" wolf spirit "not only increased HUAWEI's" going out "courage, but also access to the company's employees on the decision-making recognition and support.

3.2 Introduction to SWOT analysis method

The so-called SWOT analysis is through the situation analysis of the internal and external competitive environment and competitive conditions, collect all kinds of major internal strengths, weaknesses and external opportunities and threats which be closely related with the research object, through the research, listed it in the form of matrix, and then use the system analysis idea to match the various factors with each other to conduct the correlation analysis. From this, a series of corresponding conclusions are drawn, and the conclusion usually has certain decision-making.

SW analysis: Because the enterprise is a whole and the sources of competitive advantage are very broad, so, while doing the advantages and disadvantages analysis, must start from every aspect of the entire value chain, make a detailed comparison between business and competitors. Such as whether the product is new and unique, whether the manufacturing process is complicated, the sales channel is smooth, and whether the price is competitive. If the one or more areas advantages of a business happens to be the key success factors for the industry need, Well, the company's
overall competitive advantage may be stronger than others competitor. What needs to be pointed out is that to measure whether a company and its products have competitive advantages, must stand in the perspective of existing market users, rather than standing on the business perspective.

   OT analysis: Mainly used to analyze the impact of external conditions on the business. Such as the current social threat of alternatives, alternatives limit the maximum price of a company's products, but everything has a dual nature. Alternatives not only threaten the company but may also create opportunities. Businesses must analyze whether "substitutes bring to the company's products or services" extinction "or provide higher opportunities and value, buyers buy substitutes in order to reduce their own costs, what method that companies can do for reduce costs or increase added value to reduce the risk of consumers buying alternatives.

3.3 HUAWEI SWOT analysis

3.3.1 Strengths

   Core competitiveness is the key of a company can continue fast and good development, want to strong competitors such as forest in the telecommunications industry foothold, not their own core competitiveness is not work certainly. And HUAWEI's success is from the beginning they started from the R & D, channels, services and other aspects of the establishment of their own core competitiveness. Its advantages are embodied in:

   1) Business ranking

   US market research firm ABI Research latest research report, HUAWEI in the third quarter in 2013 of global mobile network equipment accounted for 28.1% of total sales, the chain decreased by 3 percentage points, but still ranked first. Alcatel-Lucent is ranked third with 16.9% market share beyond Nokia Siemens Networks, Nokia Siemens with the 14.9% market share ranked No. 4 and Samsung to 9.5% of the market share of the No.5.

   Today, HUAWEI has become the global mobile network equipment market "leader". Although the US government tried to prevent HUAWEI's expansion in the US market, but HUAWEI in other global markets have increased, especially in China
Mobile LTE network construction.

2) Technical strength

HUAWEI has long been engaged in R & D investment of not less than 10% of sales revenue, and adhere to 10% of R & D investment for pre-research, new technologies, new areas of continuous research and tracking.

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<tr>
<th>Year</th>
<th>R &amp; D expenses</th>
<th>The proportion of total income</th>
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<tbody>
<tr>
<td>2013</td>
<td>306</td>
<td>12.80%</td>
</tr>
<tr>
<td>2014</td>
<td>408</td>
<td>14.20%</td>
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<tr>
<td>2015</td>
<td>596</td>
<td>15.10%</td>
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<tr>
<td>2016</td>
<td>764</td>
<td>14.60%</td>
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At present, HUAWEI in FMC, IMS, WiMAX, IPTV and other new technologies and new applications, have been launched a solution successfully. HUAWEI has established a number of research institutes in India, the United States, Sweden, Russia and China, Beijing, Shanghai and Nanjing, HUAWEI engaged in research and development of about 80,000 people, accounting for 45% of the total number of employees. Until to December 31, 2016, HUAWEI has accumulated 6,2519 patent licenses; cumulative application for Chinese patents 57632 pieces, the cumulative application of foreign patents 39613 pieces.

Of which more than 90% are the invention patent. HUAWEI to keep the standard and patent investment, master the commanding heights of future technology, in the 3GPP base patent, HUAWEI accounted for 7%, ranking fifth in the world. HUAWEI
also the "The world's few manufacturers to provide the next generation of switching systems" (Dittberner 2003).

3) Cost advantage

One is high-quality, low-cost personnel advantages. 85% of Huawei employees have university degrees and master's degree or above, and senior research and management staff also account for 40% of the total number of employees. At the same time, the existence of a large number of low-cost knowledge workers in China's labor force structure also provides Huawei with a source of competitive advantage. The other is the advantage of R & D costs, the remuneration level of Europe and United States engineers is much higher than the China's engineers, Huawei's high-tech R & D personnel are often the company recruited from colleges and universities, then six months of full-time paid training, rather than the use of high pay to other companies digging. Compared with the method of self-cultivation of talents. Compared with the method of high-pay digging, through self-cultivation of personnel, it not only reduces the remuneration costs of R & D staff, also enhances employee-company fit and employee loyalty to the company, reducing turnover or job-hopping rates.

4) High-grade service

For domestic, Huawei according to the Chinese user's habits, to do with Chinese characteristics for service. China is not only the world's fastest growing demand for network equipment, but also become the world's second only to North America's network equipment supply base. For the international giants have poured into China, trying to carve up these world's largest market, HUAWEI to use their own as a natural advantage of local enterprises, on the basis of the mainstream technical standards, make development for the domestic user special business needs. In the international market, especially in developed countries in Europe and the United States, operators pay more attention to the quality and service of their products. Huawei has established more than 100 branches around the world to provide marketing and service on a global scale. Able to quickly respond and solutions for customer needs. Cost-effective products, coupled with rapid response to customer needs, are the main reasons that Huawei has repeatedly received orders from overseas
operators.

5) Leadership excellence

Ren Zhengfei, the president of HUAWEI, is a tough guy fighting for ideas. In 2005 he was named "Time" Global 100 list of "builders and Titans ". The theory and practice of Ren Zhengfei on the "crisis management" of the enterprise in the industry has had a widespread impact, his famous masterpiece <HUAWEI winter> has been many enterprises (especially IT) as a model of enterprise crisis management. Ren Zhengfei makes good governance for more than a decade, has built HUAWEI as a benchmark enterprise in China's IT sector, and the world's leading enterprises as many famous university students choose one of the preferred business. Because Ren Zhengfei origin is a military cadre, HUAWEI adhering to his many ideas, such as "Mao Zedong thought", "wolf culture", "and military management" and a series of new enterprise management culture, these ideas have been incorporated into HUAWEI's corporate culture.

3.3.2 Weaknesses

HUAWEI's disadvantage is also more significant, mainly reflected in the following aspects:

1) Lead personal color strong

This is a common phenomenon among all the private-owned enterprises. The leader of the private-owned enterprises is the "big housekeeper." All kinds of powers are put together. His behavior style and leadership style basically determine the style of the enterprise. Corporate leaders of the more concentrated personal, often not subject limits to the rules and regulations of the company, evaluation of subordinates' performance is subjective and arbitrary. This is not because the leaders have short-sighted or poorly-managed management, which is determined by the characteristics of the startup phase of the enterprise.

2) Financial resources are weak relatively

Compared with the international telecom equipment giant, HUAWEI's financial resources also too many weak. Because it is not a listed company, the company cannot finance in the capital market; nor need social publicity, this also caused a certain
degree for the opaque, for the company to enter the international market caused some obstacles.

3) Historical influence

Because of historical reasons, people doubt the innovation ability of Chinese enterprises, which makes the products produced by HUAWEI easier to be questioned, at the same time, HUAWEI's low price strategy, also easy to make people doubt the reliability of the product.

3.3.3 Opportunities

A new round of information technology revolution is accelerating and pushing forward the digitization process comprehensively, the technology application is spreading rapidly from life to production, the powerful digital infrastructure has become an important driving force for the economy to maintain its growth. Countries all over the world also put digitalization as an important means, shaping the international competitive edge for the post-crisis era. The United States released the "Industrial Internet" and "Advanced Manufacturing Partner Program", Germany established the "Industry 4.0" plan, Japan put forward "new robot strategy" and China layout "manufacturing 2025" and a series of strategies and policies. Huawei Global Connectivity Index (GCI) shows that, the global GCI average score increased by 2 points in 2016, a 5% increase over the previous year, the digital economy is growing at an annual rate of 10%, more than three times the rate of the global traditional economy.

The World Bank pointed out in the World Development Report 2016, the rapid promotion of digital technology in the world will have a wide range of development benefits, also called digital dividend. The global digital transformation involves tremendous opportunities. It is estimated that there will be a billion-dollar video industry, a trillion-dollar digital transformation in the global market, and the upcoming emergence of 10 times the growth of the Internet Things industry. Huawei owns the huge layout advantage of the world's network infrastructure, it can be said that in the future path of development has been made on the basis of progress.
3.3.4 Threats

HUAWEI is currently facing the threat of the following aspects:

1) Strategic: From a technological point of view, human society will evolve into a smart society in the next two or three decades. This will be a profound social change for human's life style, the depth and breadth are unimaginable now, but it is can be foreseeable, in the transformation of ICT industry, the uncertainty of technology, commerce and trading pattern will increase greatly.

2) Countries: Huawei currently operates in more than 170 countries in the world. Owing to the complicated international economic and political situations, conducting business in different countries involves certain unique risks such as civil strife, economic and political instability, sharp fluctuations in the exchange rate of currencies, foreign exchange controls, Sovereign debt crisis, supervision of management rights and labor issues. In particular, tensions in bilateral or multilateral relations between countries or countries as a result of special situations in certain regions, such as local wars, mutual sanctions and unrest caused by specific incidents, may have a serious impact on Huawei's local operation, cause significant impact on Huawei's business development.

3) Operation: In today's highly internationalized social division of labor, Huawei's manufacturing, logistics and service businesses inevitably rely on third-party vendors or professional organizations. Their business disruption will directly or indirectly adversely affect Huawei's business and operations.

4) Trade: The global trade growth rate has been below the world economic growth rate for five consecutive years. The overall trading environment is more complicated and harsh. The development of local economy and employment promotion have become the orientation of trade policies of all countries. New trade protection measures represented by environmental standards and intellectual property rights will have a significant impact on Huawei's exports of communications products.

5) Information Security and Intellectual Property: Although Huawei has taken strict information security measures to protect intellectual property in all aspects, it can not completely prevent other vendors unwarrantable use various means to utilize
Huawei's information, patents or licenses, despite the protection that can be done through intellectual property litigation, will still cause Huawei's loss.