



Institut
Mines-Télécom

An Event-Based Analysis of Huawei's strategic Path and Style

Pierre Vialle, Jian Zhang

Telecom Business School, Institut Mines Télécoms





Content

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- **Research problem**
- **Methodology**
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Huawei: remarkable technology and market catch-up

■ Low initial situation

- Founded in 1987 as PBX sales agent
- Then started serving the rural infrastructure market

■ Remarkable technology catch-up

- End-to-end telecommunications equipment and solutions
- the only Asian firm in top 20 in rank of patent quality and quantity (“Patent Power 2012” by IEEE Spectrum)

■ Market catch-up

- World's largest telecommunications infrastructure vendor (by 2013 revenue)
- Business in more than 140 countries
- Foreign markets represent 2/3 of its revenue since 2007



Existing catch-up literature

■ **Latecomer**

- Initial resource-poor situation (but with certain advantages)
- In a market with incumbents

■ **Suggest latecomer starts business by**

- Access external resources
- Relying on incumbents, such as OEM subcontractor...

■ **Industry level study on Chinese latecomers**

- E.g., policy, government interference, blooming economy, low labor cost

■ **Insufficient to explain Huawei's catch-up**

- Huawei succeed better than other Chinese firms that share the same social institutional environment, or event have better access

■ **There should be some firm-level factors**



Research problem

■ Essential question of strategic management

- How does a firm get competitive advantage as a fast follower?

■ How and why Huawei strategically overcomes its initial disadvantages, gets competitive advantages, and thus surpasses Chinese and foreign rivals?

- Facts – what actually happened and how the firm made its response
- Strategic path – evolutionary course of the strategies it adopts in order to address competitive disadvantages and get advantages during its catch-up process
- Strategic style – preference and pattern when making and implementing strategies



Methodology – Events-based case study

■ Historical events-based single case study

- Case study: fits the “how” and “why” research questions
- “Single”: Huawei’s unique and representative case
- Events-based: 290 historical events have been selected and documented to build the case study, in the context of a broader scope PhD dissertation (Zhang, 2014)

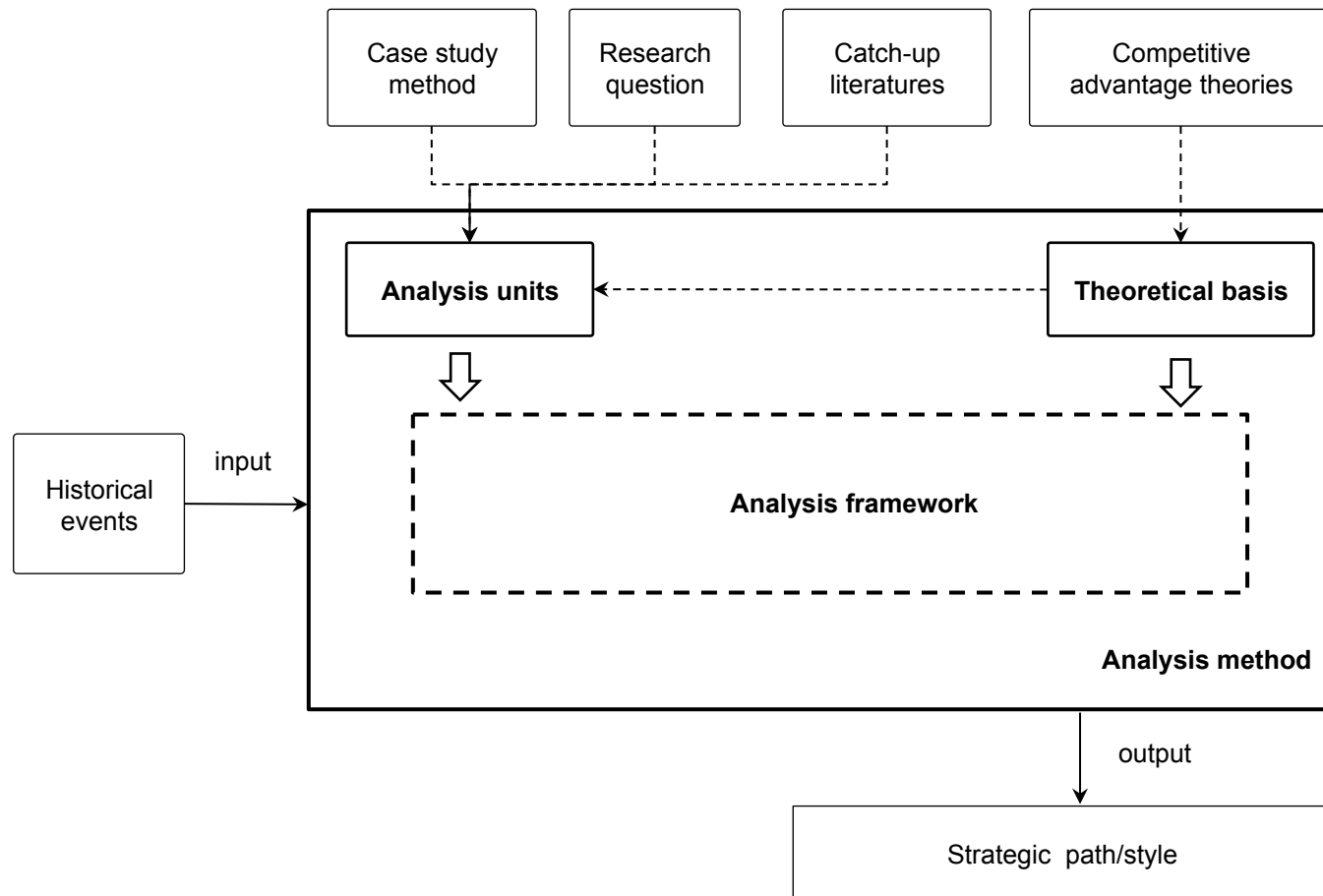
■ Data source

- Documents, interviews

■ Does not establish direct relationships between events/strategies, and competitive advantage

- but figure out the decisions and strategies that have broadly contributed to competitive advantage

Analysis Method





Theoretical basis

- **Three competitive advantage approaches are employed to construct the theoretical basis**
 - Resource-based View (RBV)
 - Internal resource accumulation
 - Dynamic Capabilities approach
 - Internal capabilities to adapt to the fast changing market, particularly through building/improving routines
 - Network Approach
 - Inter-firm relationships allow access to external resources and markets
- **They share the assumption of heterogeneity of firms and resources, and are therefore congruent with each other**



Analysis units

■ U1 - Product/market and technology

■ U2 – Relationships

- U2.1 - Firm-to-firm resource exchange relationship
- U2.2 - Firm-to-firm resource mutual adaption relationship
- U2.3 - Standard setting organizations

■ U3 – Routines

- U3.1 – Operational routines
- U3.2 - Incremental dynamic routines
- U3.3 - Renewing dynamic routines
- U3.4 - Regenerative dynamic routines



Findings

■ Strategic path

- Evolutionary course of the strategies during catch-up process

■ Strategic style

- Preference and pattern when making and implementing strategies



Strategic path

- **Phase 1: product and market expansion, lack of overall strategy**
 - Product lines and sales
 - Local market
- **Phase 2 and 3: follow, improve, focus, learn**
 - Performance improvement and product range expansion
 - Cooperation focused on product and technology
 - Carrier market and international market
 - Key period of forming operational and strategic routines

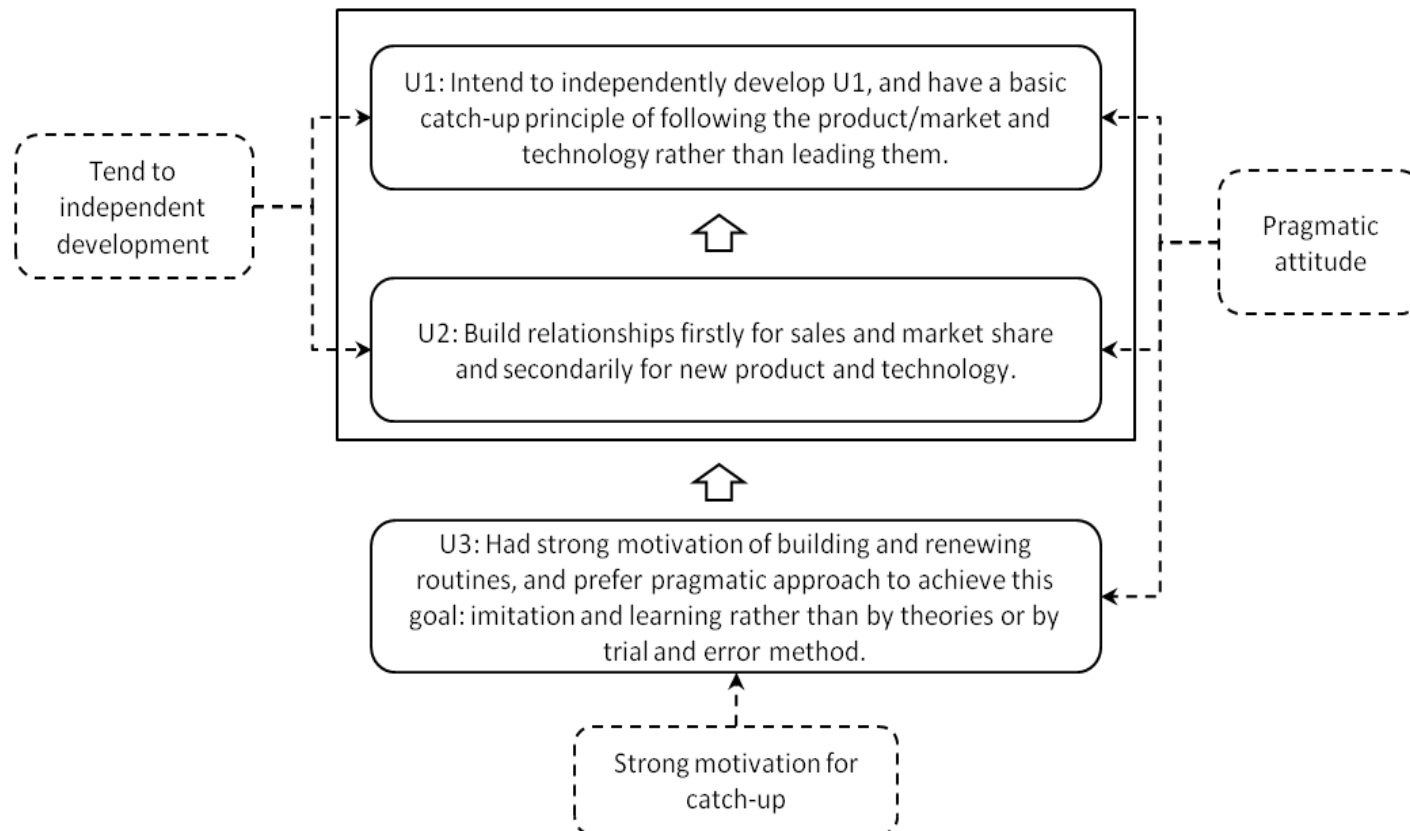


Strategic path

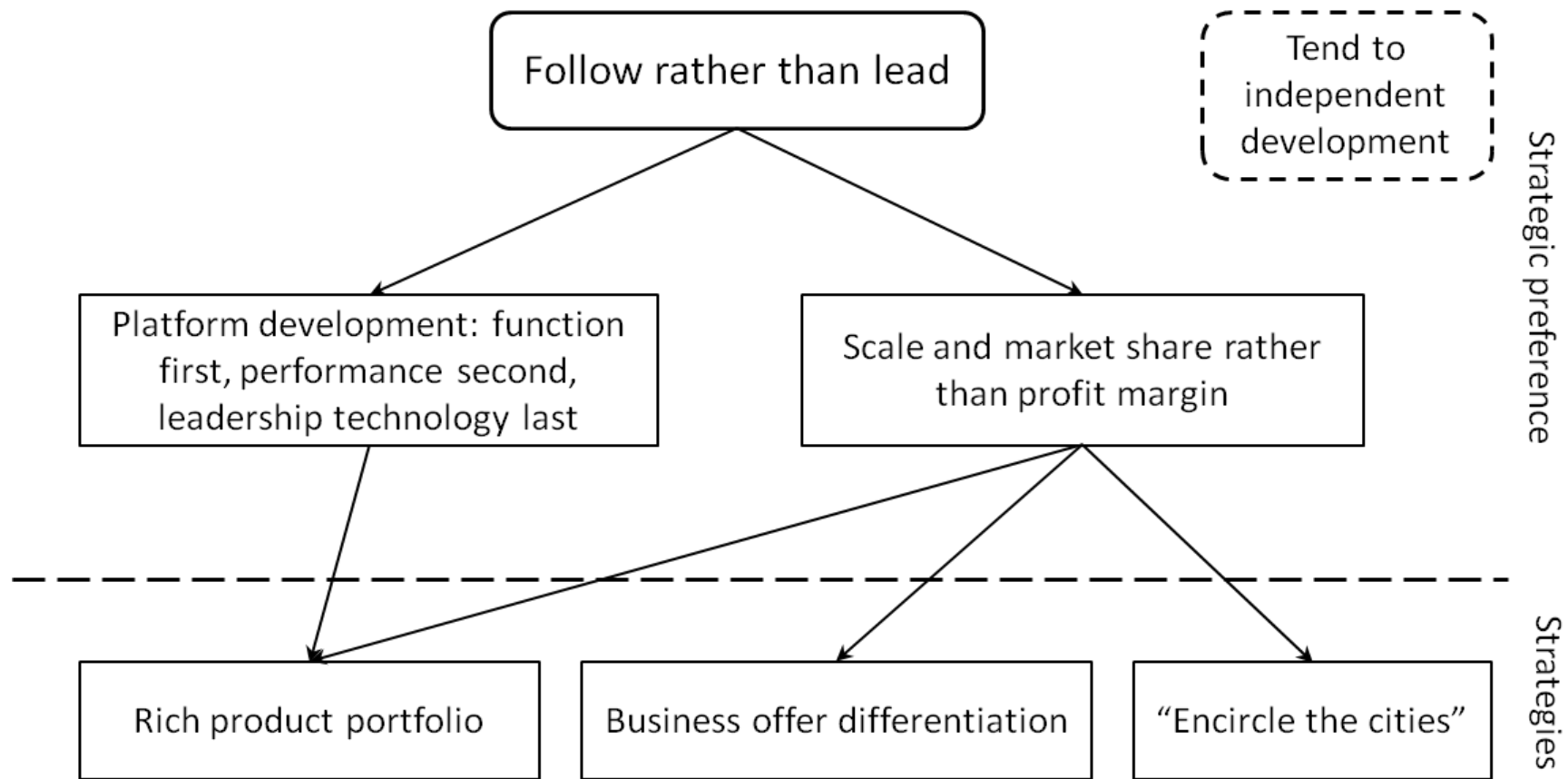
■ Phase 4: diversify, transform

- Diversification rather than technologically leading industry
 - Expanded to other product markets as a late entrant through leveraging current resources and experience
 - Increased R&D intensity in front edge carrier network technology, but not leading the industry
- From telecommunications vendor to ICT solution provider
 - Carrier to ICT market
 - Security, computing, handset ...
 - New products structure: “Cloud-Pipe-Device”
 - Organizational restructure following market diversification
 - Established carrier, enterprise and consumer business groups

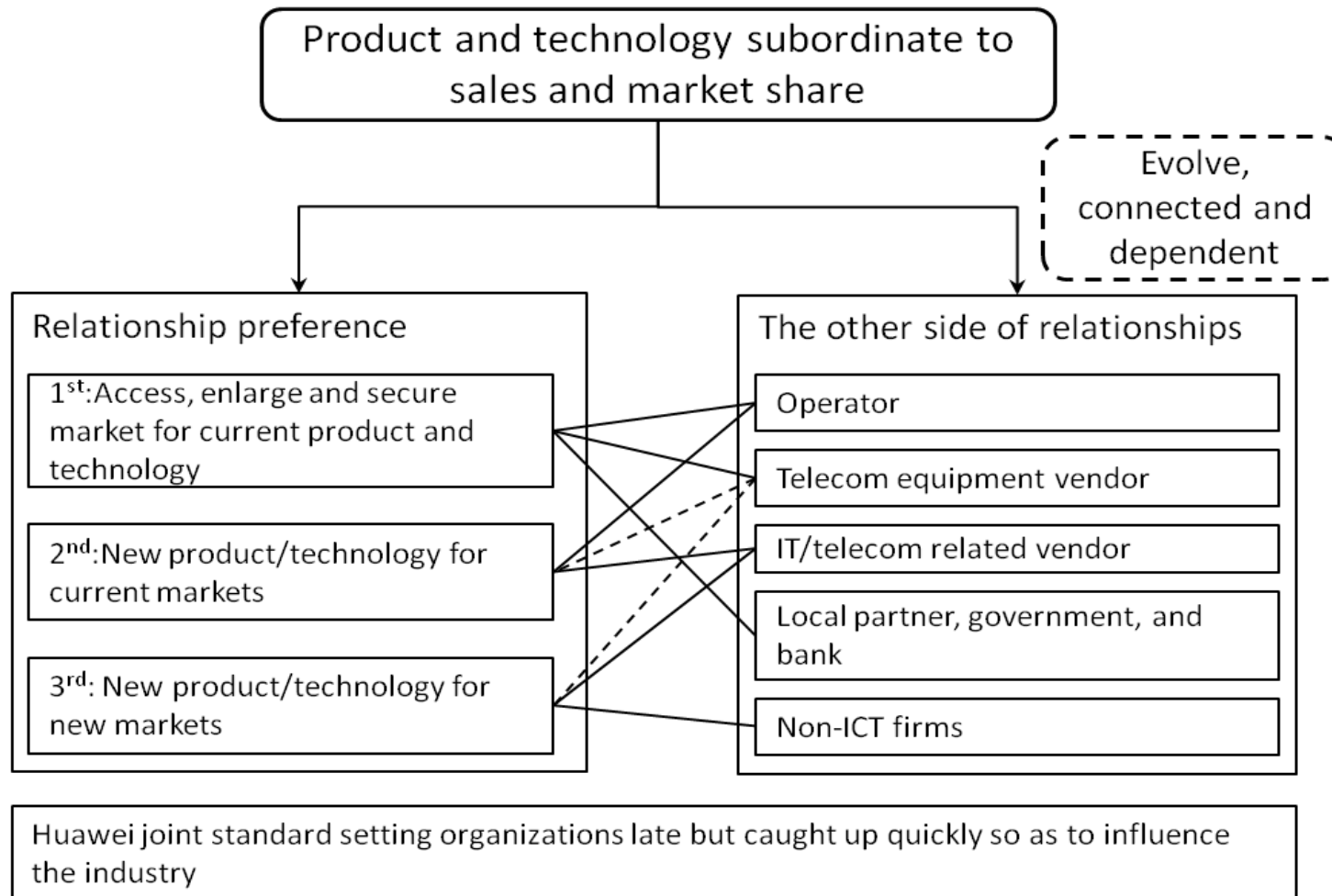
Strategic style



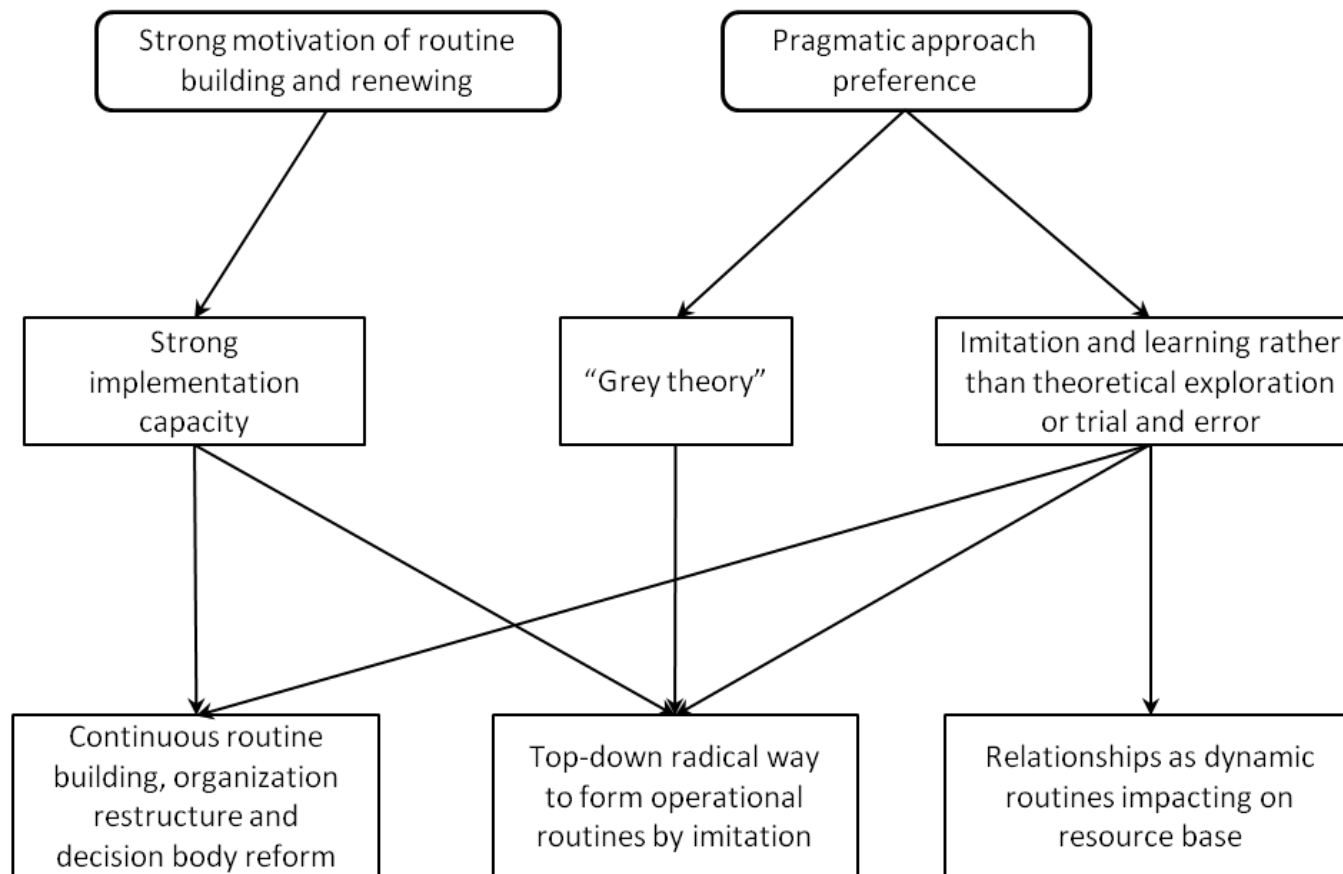
Strategic style: Product and Technologies



Strategic style: relationships



Strategic style: Routines



Contributions to catch-up research

Product development and innovation relying on technological know-how

- Consistent with Kim's (1997) essential proposition that the technological catch-up process is a learning process.
- But it is actually a solution to the initial knowledge-poor situation by investing in direct knowledge learning but not primarily by imitative "learning by doing", which is different from Kim's research
- Technological know-how enables and facilitates a latecomer to innovate in early catch-up stage

Independent development

- A latecomer can develop product and technology independently since very early catch-up stage. It doesn't have to directly rely on foreign technology or mass manufacturing for the incumbents.

Management system imitation

- A latecomer can operationally catch up through imitating advanced management system rather than self-generation



■ **Thank you!**