

# *Research on Innovation Management Strategy of HUAWEI*

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**Abstract:** For enterprise innovation, management is not only a way of conducting enterprise operations but also the renewal and promotion of the enterprise management concept. Corporate strategy is its concrete embodiment. This paper focuses on the innovation management strategy of HUAWEI. This study mainly uses data and sample to investigate how Huawei built its enterprise. It can be concluded that the right enterprise strategies based on the conditions of the enterprise can lead to the growth of the enterprise.

**Keywords:** HUAWEI, management, enterprise strategy, innovation

## 1. Introduction

Enterprise strategy often determines whether an enterprise can develop in a changing market. The right enterprise strategy can fully invoke the management chain system. Most businesses were in trouble due to COVID-19 from 2019 to 2022. The growth rate of the performance slowed, according to HUAWEI's 2020 annual report. Yet, it mostly met business forecasts, with sales revenue increasing by 3.8% year over year to 891.4 billion yuan and a 3.2% increase in net profit to 64.6 billion yuan. Therefore, this paper studies how HUAWEI develops through enterprise strategy an enterprise needs to focus on its marketing approach, personnel training and technological development. International trade also needs attention. This paper provides a reference for other companies of the same type.

## 2. Communication Industry Market Status Analysis

The communication industry includes four major sectors: communication equipment component manufacturing, communication equipment manufacturing, telecommunications operation service, and the optical communication industry. Owners of communication equipment should be composed of three professional areas: core network equipment, and end-user equipment. HUAWEI Technologies Company Limited and Xiaomi Group are the current leaders in this field in China. China started relatively late in the overall construction of communication industry compared with Western countries. Due to the limitations of economic strength and technological level in the past 20 years, China in this area has been characterized by a very low telephone penetration rate in the past, with few users.

With the continuous technological breakthroughs in the field of communication, in recent years, the relevant departments of the state have issued policies to support and standardize the development of the communication industry. 5G, artificial intelligence and the Internet have become the focus of China's development in the field of communications. The Chinese government encourages expanding the coverage of high-speed, large-capacity and low-delay networks, and encourages manufacturing

enterprises to realize the Internet of everything through internal network upgrades, so as to provide information network support for shared manufacturing. Thanks to economic, technological and policy benefits, the communication industry is now in a stage of rapid development. China has entered the commercial era of 5G.

According to the China Statistical Yearbook, the production of smart phones in China kept growing from 2009 to 2016, during which time smart phones were gradually recognized and understood by people and quickly replaced feature phones to occupy the market. After several years of rapid expansion, China's mobile phone market has progressively approaching saturation due to the ongoing growth of demand and sales as well as the gradual fall of production costs. The conditions for people to choose mobile phones have become more demanding. People are demanding more in terms of performance and so on. As a result, competition among mobile phone companies has become fiercer.

### 3. HUAWEI Enterprise Strategy

HUAWEI carries out the enterprise strategy on the basis of market status. HUAWEI differs from most Chinese enterprises in that it adjusts its corporate structure according to its strategic goals. It has been adapting its management structure to the changing economic and political environment. Managers who are responsible for specific projects are more closely aligned with the projects they are responsible for. Therefore, it can promote the implementation of corporate strategy more directly. In addition, under this organizational structure, enterprises can pay more attention to the process of major projects, thus improving the speed of strategy implementation.

Based on HUAWEI's internal and external market environment, HUAWEI has formulated its own corporate strategy. Characteristics of HUAWEI enterprise strategy are:

First: Start from low-priced products to accumulate users. Gradually develop high-end products.

Second: Focus on the development of science and technology and personnel training

Third: Learn international trade experience and break into international market with self-generated advantages.

#### 3.1. Marketing Strategy

HUAWEI Investment Holding Co., Ltd. has adopted a differentiated strategy in its product strategy. This is why HUAWEI has so many brands on the market, including HUAWEI brand Mate, P, Nova, Maimang, Changxiang, HONOR, X, and Play. It offers several options to various consumer groups. HUAWEI is a communication equipment firm that serves a variety of sectors. It created significant modern technologies including ICT, radio, the Internet, cloud computing, mobile terminals, and others.

HUAWEI's production cost has fallen to a very low level due to the improvement of its own technology. Moreover, it has introduced a western management mode, and its operating efficiency is low. So the total cost is lower. And HUAWEI used to set prices based on production costs. Based on this, HUAWEI set the price of its products at a relatively low level in the early days. This has left many western firms unable to compete. Then HUAWEI gain considerable sales and revenue. People have become increasingly demanding of products as a result of the rapid development of economic society. Especially for products in the high-tech industry, technology content and innovation may be the key factors that determine how far products and enterprises can go. Therefore, HUAWEI also begin to change its pricing strategy gradually, and begins to raise the price of its products to gain more profits which are used as research and development expenses. But it has not abandoned the low price strategy entirely. It's introducing products at different price levels that appeal to different consumers.

### 3.2. Technology R&D Strategy

In the past ten years, HUAWEI has invested more than 845 billion yuan in R&D. Meanwhile, according to statistics, HUAWEI will spend three times as much on technology research and development as iPhone maker Apple in 2021. HUAWEI itself knows the limits of its technology. So after the US imposed sanctions on HUAWEI, HUAWEI Technologies has again increased its investment in research and development. It also takes leader in the world. It just ranks second in the world after Google. HUAWEI's willingness to spend a lot of money on research and development and the spirit of putting technological innovation and development first have led the industry in the right direction. At the same time, they implement their own business strategy. As a result, an increasing number of businesses began to focus on their own technology research and development, constantly enriching their own businesses and committed to making new technological breakthroughs.

If you want to innovate and develop technology, it is essential to have top talent. Therefore, HUAWEI has set up technology research and development centers around the world. HUAWEI has also made its technology known to researchers around the world. Such benefits allow HUAWEI to introduce its products to the world in this way. By 2021, HUAWEI has 197,000 employees, including 107,000 engaged in research and development, accounting for 54.8% of the total number of employees in the company. In December 2021, the European Commission released a list of the 2,500 companies that spend the most on research and development in the world, and HUAWEI ranked second. So far, HUAWEI has set up 23 R&D centers in Europe and nine R&D centers in China.

The results HUAWEI has achieved so far are remarkable. Technological innovation has enabled HUAWEI Investment Holdings Co., Ltd. to shine on the domestic and global stage. It attracted many people from all around the world. In fact, as of the end of 2021, the company had approximately 45,000 patents (approximately 110,000) validly licensed worldwide, and more than 90% of its patents were invention patents. Now, in many high-tech fields, HUAWEI has achieved technological leadership. Of course, 5G is one of the most talked about technologies. Technology leadership is extremely important to the development of every high-tech company, and HUAWEI has been aware of this point since its inception and has always placed the strategy of technology research and development and innovation in a key position. It is precisely because HUAWEI has been implementing the strategy of technological development. Only with independent technologies can HUAWEI stand and truly achieve technological independence.

### 3.3. International Trade Strategy

In the process of international trade development, HUAWEI adopts the "progressive" trade export method. HUAWEI takes the international market as its entry point. To gradually gain experience in international operations, a combination of indirect and direct export is adopted to expand overseas markets. Finally achieve the goal of occupying international market share. As a result, HUAWEI can plan how to gradually transition to a higher level based on objective needs and subjective capabilities, and carry out transnational operations in a purposeful and planned manner. HUAWEI's steps into the international market are as follows. The first step was to partner with Hutchison Telecom in Hong Kong. Thus, HUAWEI learned the experience of international market operation and improved the international standards and service capabilities of products. It has laid a solid foundation for entering the international market. This is followed by developing countries, in Southeast Asian markets such as Thailand and Singapore, and in regions such as the Middle East and Africa. The localization strategy has fully developed the international market. The third step is to enter North America, first enter the low-end market in Germany, Spain, France, Britain and other developed countries, grab the market share of the middle and low-end, and then sell mainstream products.

In terms of mode selection in the international market, HUAWEI takes advantage of its cost advantages and starts with low-end products. From single sales to the establishment of research and development center, the international trade chain of the whole process is formed, and the mature transnational operation and management mode is finally formed.

As it moves into international markets, HUAWEI further wants to establish itself as a high-end brand. As an illustration, European consumers need high quality products, and their financial level can accommodate this demand. It will undoubtedly succeed in establishing itself as a premium brand of mobile phones if it can successfully penetrate the severe competition in the European mobile phone industry. HUAWEI mobile phones offer a fair marketplace in the social context of Europe. Generally speaking, consumers are sophisticated and logical, and they don't care if you are a Korean brand or an American brand. In a contemporary environment when people are becoming more and more reliant on mobile phones, European customers are particularly concerned with the user experience, in part to satisfy their spiritual demands. Mobile devices are now seen as status and fashion symbols. As a result, HUAWEI mobile phones may refine their high-end mobile phone image and progressively join the European mobile phone market thanks to the favourable social environment in Europe.

#### 4. Conclusion

Based on the development history of HUAWEI. It can be concluded that HUAWEI 's growth path of reverse innovation and its business strategy of pursuing globalization complement each other. A series of measures taken by HUAWEI are analyzed in phases

First of all, in the market follow-up and technology introduction phase, Huawei chose to make partial improvements to the product. The technical department achieves new breakthroughs through introduction, imitation and independent innovation.

Second, in the stage of market expansion and self-improvement, the company's product design capabilities and independent innovation capabilities have made breakthroughs and new advantages, which can open up peripheral markets. At this time, HUAWEI choose "aggressive" trade export strategy and intensive growth strategy to seize the market of developing countries. At the same time, HUAWEI will set up R&D centers and data centers in developing countries, introduce technical talents, continue to stimulate the innovation momentum of enterprises, and enhance independent innovation capabilities.

Third, HUAWEI adopts a diversified product strategy to design products for different consumer groups. This indicates that the reverse innovation development of enterprises tends to mature.

However, this paper has its limitations. The amount of data in this study is small and the sample is small. In addition, further research can compare HUAWEI with international brands and analyze the differences between domestic and foreign markets.

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