

# Restructuring for Global Success: Huawei's Organizational Strategy

MIE459 - Organization Design    TEAM 17

## Executive Summary

Huawei is a Chinese technology company with a wide portfolio of business, including carrier network, consumer devices, and enterprise solutions. While many Chinese companies aim to expand globally, Huawei is one of the few Chinese companies that has truly become global. Through this project, we want to understand Huawei's organization structure and strategy as it pertains to its global business success, as well as to derive the critical success factors that other companies can learn and leverage in the future. Moreover, in response to the recent shocking news of Huawei overtaking Apple to become the second biggest smartphone provider, we also want to analyze the cause of this success through providing a comparison of Huawei and its competitors' global expansion strategy and design in a foreign market, using Europe as an example.

Through a careful examination of Huawei's external environment, we discovered various critical external factors that have shaped Huawei's global success. China's unique political environment, the trend of global economic integration, and the fast-paced technology advancement have served as both catalysts and barriers to Huawei's global success. The support from the Chinese government in promoting and aiding Chinese companies in global expansion has put Huawei in an advantaged position, compared to its competitors. However, being in the highly dynamic and competitive technology section, Huawei is also facing the threats of high customer bargaining power and industry rivalry. In response, Huawei has developed strong, long-lasting strategic alliances with key players across the entire information and communications value chain, which has set a solid foundation for Huawei to expand product lines and markets.

In addition to building strong inter-organizational relationships, Huawei has been flexibly adapting to the changes of the external environment through continuously evolving and improving its internal organization design and strategy. Currently, Huawei is at the elaboration stage of the lifecycle, which requires revitalization and innovation. Huawei has built an innovation culture to combat the specific challenges of the elaboration lifecycle stage. Specifically, the culture emphasizes innovation, gradual decision making, customer-first attitude, employee dedication, and long-term planning. The ability to quickly adapt and evolve has propelled Huawei to continuously gain more and more market share.

By examining Huawei's expansion into the European smartphone market, organizations can develop an understanding of the intricacies of organizing for global expansion. As many experts have indicated, Huawei's successful expansion was a direct result of effective organizational transformation, one where the company undertook an unconventional "portfolio approach" that not many have had success with. Huawei devised an Euro-centric organization that enabled market specialization, strategic alliances, and a culture of innovation. Huawei achieved market specialization by restructuring into a collection of

“regional hubs”. Coupled with an optimal balance of centralized and decentralized decision-making, Huawei brought to each market a set of customized strategic imperatives. To integrate major demand centers in Europe, the company established a mix of strategic alliances across its entire supply chain, and leveraged a hybrid governance model to ensure responsiveness and resiliency. Most importantly, Huawei initiated a cultural revolution in Europe that challenged the Apple/Samsung hegemony for smartphones. Rather than imposing innovation onto European consumers, it invested heavily in local R&D capabilities across Europe. While other Chinese companies may use Huawei’s success as a benchmark, Western companies shall treat this as a wake-up call. After all, global expansion is no longer a Western privilege. In fact, many may say that the Chinese companies are starting to beat their Western counterparts at their own game.