

Internationalization of Huawei and its Strategies to Adapt with International Cultural, Political and Legal Environment

Contents

Introduction	1
Literature Review.....	2
Mode of Entrance in International Market.....	2
The factors that influenced the internationalisation process of Huawei.....	3
Global Factors.....	4
Cultural Environment	4
Political Environment	5
Legal Environment	5
Conclusion and Recommendation	6
References	Error! Bookmark not defined.

Introduction

Huawei was established in 1987 as an effort of Chinese government to modernise the country's underdeveloped infrastructure. Over the years the company has evolved as a technological giant with operations in manufacturing mobile phones, telecommunication infrastructure, laptops, computers, tablets, home electronic appliances etc. Within two decades the company has grown as a household name in Asia and is expanding rigorously in the west. Huawei has achieved great success in internationally in the past few years. Huawei touched the revenue of USD 100 billion in 2018 out of which around 60% is from international markets (CNN 2018; Haveman and Vochtelo, 2016). Recently Huawei took over tech giant Apple and is second only to Samsung in terms of number of smartphones sold all over the world (Gibbs 2018). The reason behind Huawei's global success is the strategies adopted by the company to accommodate itself with the

[Order Now](#)

socio-cultural, legal and political environment of the international markets. The aim of this study is to throw a light on the steps taken by Huawei back in the initial days of internationalization to enter into the foreign market. In the following paragraphs, the strategies it has adopted to sustain international social, political and legal environment will be discussed. This study will also throw light on recent events of legal and political tussle that Huawei is going through.

Literature Review

Mode of Entrance in International Market

According to Wu and Zhao(2007) strictly focuses on the entry modes of Huawei in foreign market. This is very crucial in order to understand the development of Huawei in international markets. For their study, they conducted 6 interviews with managers of Huawei enterprises. Research reveals that, Huawei used various different unorthodox strategies to enter into the international markets. The findings of the research reveal the factors taken into consideration by Huawei before entering into a market overseas. It explains the strategies which were adopted by the company to cope up with the cultural, political and legal issues it faces while entering the international market. In 1996, Huawei entered into Russian market, for this it adopted the strategy of making a joint venture with two Russian companies, Russian BetoKonzern and Russia Telecom by the name Beto-Huawei(Zhu, 2008). It also undercut the international prices by about 12% on the prices of its products. On the other hand, entry mode in South America, Asia and Africa was totally different. South America was selected as a target market in the initial stages of internationalisation in 1997. Huawei employed 'export method' as the mode of entrance in the market. From 2000 onwards, Huawei started to enter Asia, Mid-east and North Africa market. Huawei sent out many of sales and service engineers from home country to setup branches and service centers in these countries. After 2001, Huawei started selling products in the West Europe and North America. In these developed countries, Huawei used a strategy of contractual methods(Drahokoupil, McCaleb, Pawlicki and Szunomár 2017; Luo, 2007). These methods include franchising, co-research, co-production (OEM) and co-sales (help each other to sale products in each of their markets). For example, in European market, Huawei made a

[Order Now](#)

contract with Marconi in product development and marketing. Early to 2002, Huawei cooperated with Motorola in developing Mobile network infrastructure.

The factors that influenced the internationalisation process of Huawei

According to Wu and Zhao (2007), the market selection strategy was the main reason behind the success of Huawei in international market. Huawei was targeting the markets that had weak telecommunication infrastructure but had great potential as in the case of Russia. Huawei targeted the markets which were already having the demand of telecommunication products and services. Their study also revealed that Huawei considered the host market's socio-cultural environment. Being a technology company from a developing country, it always faced the issues of being stereotyped for reliability in foreign countries. For this, Huawei first chose those host markets which have good relationship with home country. Then, based on its own advantages of technological research and development, Huawei chose the joint venture as the first foreign market modes as was done in Europe.

According to Chong (2013), in Latin America, the export strategy was adopted by Huawei due to long geographical distance. Huawei also faced the issue of recognition in the Latin American market, no one was aware of the name of the company (Gutiérrez and Philippon, 2017). Huawei created a network of agents and adopted the strategy of rigorous marketing to overcome the shortness of marketing in host markets and undercut the international prices by 30% in Latin America. According to Drahoukoupil, McCaleb, Pawlicki and Szunomár (2017), in developed countries like Germany and USA, the main issue was the competition from local technology giants. In developed countries, rather than simply focusing on cut-price, undifferentiated offerings, Huawei deployed their cost advantages in delivering advanced technology and customisation at minimal price premiums (Ahmad et al., 2018). To keep up with the competitors in the developed countries in the terms of technology, Huawei invested a lot on Research and Development. Also, customers in developed country did not believe in a company from a developing country. Huawei paired up with local technological giants like Marconi, Siemens,

Motorola etc. for product development and marketing. In return Huawei helped them in selling their products in Asia.

Taking business across the borders is no small feat it requires attention to detail and special more flexible tactics and strategy. Each expansion came with its own sets of challenges involving legal, cultural and political environment associated with market under consideration. This requires heavy research to obtain relevant information about the market. To point out that Huawei's success is deeply rooted in the top management of the company. Rem Zhenfei said that Huawei as a company does not come from a special background or is in possession of humongous resource so they can only depend on the ability of themselves for innovation and work hard to compensate any shortcoming(Tao, Cremer and Chunbo 2016).

Global Factors

Cultural Environment

For the MNEs and MNCs looking for expansion beyond borders and exploring new markets culture has been one of the most enduring factors (Caprar et al. 2015). The cultural aspect of International Business is further divided into various major and minor components. The major components of the culture are religion, language, relationship, material culture, value, and attitudes (Pennycook, 2017). Huawei so far has been careful in integrating these components in their international business plan with scope for flexibility. The first and most valuable concern for Huawei is its customer first policy (Cremer and Tao 2015). Rather than running from the issues that other companies refuse to take credibility for Huawei take customer's issue as their own, for example, in desert area of China rats often chew wires and break the network, Huawei actually developed chew proof wires and got major offers from Middle East, where similar problem was major concern (Cremer and Tao 2015). Similarly, in the Europe where the environmental protection acts are taken very seriously Huawei carefully designed a system that can cater to small and large number of users with the system causing minimum radiation possible (Cremer and Tao 2015). Huawei treated the problems that customers faced as their own and

attracted potential business from all over the world and became the tech giant that we know today.

Political Environment

In wake of globalisation companies planning for expansion outside their own borders are heavily influenced by the political environment of the potential market. Huawei in the past has been accused of breaking the USA's law; some experts suggest that it is a result of the USA trying to contain China as a rising power (Shuman 2019). It has become next to impossible for Huawei to portray itself as an innocent victim. Recently Huawei's CFO was restrained at Vancouver airport in Canada on request from the United States for covering up violations on Iran (Holowitz 2019). All three countries are involved in the legal battle and Canada seems to be caught up in the trade war between the United States and China. Despite trying to stay neutral Huawei always seems to get caught in the cold war between the United States and China. In past, the United States' government agencies had requested its employees to not use devices from the Chinese giant. Other than the United States, countries like UK, Australia, and New Zealand has followed the suite and banned Huawei. Though the accusations are still under investigation preventive actions are already in place to minimise the possible damage that the governments might face, if the charges are true.

Legal Environment

The standard and labour laws vary in each country, thus MNE's have to keep evaluating the norms to stay in the legal boundaries of the countries. But sometimes some rules or regulations just slip by the legal team of the company in which case they have to pay the penalty. Huawei is not new in crossing that boundary. The list of accusation on charge sheet is already long and the outcome of the further investigation so far has not been in the favor of Huawei. Since, in the past Huawei has been accepted a few charges like copying Cisco system Inc.'s router software code in 2003. In 2010, Motorola solutions Inc. sued Huawei on a charge of stealing trade secrets (Shuman 2019). Despite the best efforts by Huawei some incidents seem to happen in which case only the company has to face consequences like stopping the use of router code and

discontinuing product (Shuman 2019). As a multinational corporation, Huawei cannot keep itself from controversies but has always tried to come forward after the investigation if found at a fault. This practice has so far proved supportive for the reputation of Huawei across the globe.

Conclusion and Recommendation

Huawei is currently operating in 170 countries which is no small task in itself. They have carefully evaluated and worked on important components of International Business like Culture, political and legal. They have adjusted their strategy and shown a great amount of flexibility when faced with an unfavorable scenario (Cremer and Tao 2015). Customising each and every strategy for various organisational units within an operating across national barriers presents a very complex challenge (Grattan 2016). Few recommendations to address identified problems and issues would be as follows:

- Formulating strategies for units operating across the border should be left on the unit heads. Taking too many factors that might be irrelevant in most part may make strategy null. Proper review of the strategies should be in place with accounting for the factors associated with the target market.
- When facing any legal penalty or charges the company should obey the law and comply with it to the fullest extent of law. Companies facing the penalty imposed by the law often come out as companies with strong fundamental. A company with strong ethical values gets good fundamental score in fundamental analysis (Provis 2017).
- Respecting culture of the country in which any unit is operating into will only result in building a strong reputation into the country (Froese, Kim and Eng 2016).
- Staying politically neutral is beneficial for all companies as this way they can avoid getting caught in a political war within or outside the company.