

**Plenary Session 6: High-Tech Entrepreneurship in China
for IAMOT2007**

**About Huawei Corp. CEO
- Ren Zhengfei**

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0. Huawei's R&D

- For human resource structure, proportion of Huawei human resource is R&D -46%, service -33% and produce-12% in 30000 employees by the end of 2004 year, which shows a typical dumbbell-shape enterprise; and for finance resource structure, ratio of Huawei R&D expenditure to sale revenue is 10-13% in recent years and its R&D expenditure has reached 4.5 billion RMB \$ by the end of 2004 year, which makes Huawei No.1 of investing R&D in China enterprises.

0. Huawei's PCT

- **According to statistic of the World Intellectual Property Organization (WIPO) Patent Cooperation Treaty (PCT), Huawei (China) published 575 applications in 2006, up 24 places to 13th among all companies.**

1. Ren Zhengfei Biography

- **1.1** Ren Zhengfei (b. 1944 in Guizhou, China) is the president of Huawei Technologies Co. Ltd, headquartered in Shenzhen, China. Forbes magazine listed Mr. Ren as the 190th richest person in China, with private assets of approximately \$124 million USD.

● **1.2 Family and University**

- **Ren's grandfather was from Jiangsu province, and was as a master chef who was an expert in curing ham in neighbouring Zhejiang province. His father failed to complete university as grandfather had died a year prior to graduation.**
- **During the Japanese occupation, his father migrated to down south to Guangzhou to work in the Communist party's arms factory as an accounts clerk. The eldest of seven children, his mother was a senior teacher at the local secondary school.**
- **After completing secondary school, he attended Chongqing Post-Telecommunication University, and then joined the army research institute to work as a military technologist.**

1.3 Huawei Technologies

In 1987, Ren founded Huawei Technologies Co. Ltd, which specializes in the R&D, production, sales of telecom equipment, and is its CEO. The company is a leading player in the global telecommunication market, with an annual revenue of \$8.2 billion USD, and over 44,000 employees in 2006.

Time Magazine included Ren Zhengfei in its list of 100 most influential people of 2005.

1.4 Communist party

Ren Zhengfei is a former officer of the People's Liberation Army. He joined the Communist Party of China in 1958, and is member of the 12th National Congress of the Communist Party of China. Among his other accomplishments, Ren is responsible for developing cooperative programs with businesses in China's interior regions.

- **2. Ren Zhengfei's "Way of Wolf"**

- **2.1. Pursue goal fully**

- **The existing scarce pool of financial & human resources requires focus on key markets and products in order for Huawei to succeed. This search for definition and focus on core skills seeks to capitalize on technical capabilities and expertise; and, in turn, to develop a strong market position.**

- **2.2. Encourage team spirit**

- It believes that only career, emotion and environment can hold back employees. Huawei provides a free and coverless stage for every employees.

- **2.3. Lie low and low-key**

- Say what you think, do matter of fact; to be practical, to be out of fashion, no formalism, no flam, walking on his own way, dreaming of his own dream.

3. Study and cooperation

- **3.1 Ren Zhengfei, a former army officer who was ranked as one of China's richest men by Forbes magazine, have been influenced by both chairman Mao and IBM's former CEO Louis V. Gerstner.**

Chairman Mao's book tells Ren how to besiege cities from countryside and grow up a MNC from a TVE;and Gerstner taught Ren how to make Huawei a MNC with advanced management level.

3.2 Huawei, 3Com Establish Joint Venture in China

- **Huawei Technologies Ltd. and 3Com Corporation announced the establishment of a data communications equipment joint venture in China to carry out research and development (R&D), manufacturing and sales and marketing.**
- **Huawei will bring enterprise networking business assets, including LAN switches, routers, engineering, sales and marketing resources and personnel, and relevant intellectual property licenses to the joint venture.**

- **Meanwhile, 3Com-California (United States) will invest 160 million yuan in capital assets related to its China operations in the new joint venture.**
- **"Huawei is just the cooperative partner we want, considering its high-class management, technology and engineering," said Bruce Claflin, 3Com president and chief executive officer.**

- **President of Huawei Ren Zhengfei also expressed his optimism about the joint venture. "The joint venture globalizes Huawei's emerging enterprise networking business much more rapidly, enabling us to create greater value for our customers."**

- **Huawei devotes over 10 percent of its annual sales to R&D. Starting in 1996, Huawei showed signs of global ambitions. Since then Huawei steadily expanded its reach to Hong Kong of China, Russia, India, the Middle East and Africa. Huawei's foreign expansion took off 2001 and it maintains a sales presence in more than 50 countries, including European countries and the United States.**

- **Huawei's both global and domestic efforts have been leaded by its president Ren Zhengfei's ambitions.**

In the domestic market, Huawei has taken the lion's share of the fixed network switch and optical network business.

- **Apart from its international expansion, Huawei has also tried other means to spark new growth. In 2000, the company began encouraging its high-ranking managers to start new businesses in order to extend its marketing network. One example is Harbor Networks, launched by former Huawei vice president Li Yinan.**

- **Harbor Networks previously controlled aspects of Huawei's data communications products. In 2001, Huawei attained 90 percent of its data communications revenue, amounting to 200 million yuan, through Harbor Networks. However, the expansion of Harbor Networks led to irresolvable conflicts between Harbor and Huawei causing them to separate in October 2001.**

To make up for the loss of Harbor Networks, Huawei formed a joint venture with international network equipment maker 3Com, aiming at penetrating the European and U.S. markets. Huawei holds a 51 percent stake in 3Com-Huawei, the data communications joint venture formally launched on November 17, 2003.

- **The world market for corporate data communications firms could provide an avenue for Huawei's growth. However, Huawei faces a dilemma. Although corporate data communications is not its core business and does not want to invest heavily in the field, it has spent many years in developing data communications technology. By cooperating with 3Com, Huawei will be able to maintain its present business and further expand in international market, while drawing on 3Com's resources. Huawei has also partnered with Japan's NEC and Germany's Siemens to create two new mobile communications joint ventures. The new companies will develop 3G mobile phone software and TD-SCDMA standard software, respectively.**

