

# A Brief Analysis of the Structure of Transformational Leaders: Taking Huawei as an Example

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## Abstract

Based on the information infrastructure industry, Huawei adheres to the Customer-centric approach to achieve corporate profitability and rapid development. Under the leadership of the company's founder Ren Zhengfei and Huawei's overall entrepreneurial team, it has achieved leapfrog development from "nothing" to "three-point world", from "active follower" to "industry leader". Based on the analysis of Huawei's transformational leader Ren Zhengfei, this article analyzes the importance of transformational leaders to the company's development and its impact on the company's development, in order to provide reference and reference for related research.

## Keywords

Corporate Reform; Huawei; Corporate Leadership.

## 1. Introduction

### 1.1. Company Profile

Founded in 1987, Huawei has grown from a registered capital of 21,000 yuan to over 600 billion yuan in revenue. It is the world's leading provider of ICT (information and communication) infrastructure and smart terminals. At present, Huawei's business covers more than 170 countries and regions, serving more than 3 billion people around the world. Huawei insists on investing more than 10% of its sales revenue in research and development every year. It has contributed to the development of smartphones and derivatives in my country. It is a well-deserved national brand and national enterprise. These are inseparable from the leadership of Huawei President Ren Zhengfei.

### 1.2. Research Status at Home and Abroad

In 1990, Podsakof and others found that the good morals displayed by managers with transformational leadership style can make employees perceive the trust of leaders and organizations to a greater extent, thereby enhancing employee centripetal force and improving employee satisfaction and loyalty. Xue Yunjian et al. (2021) proved that the mechanism by which leadership behaviors have an impact on outcome variables such as employees' work attitudes and behaviors through organizational fairness and trust is effective and reasonable[1]. By improving employees' sense of fairness and trust, the effectiveness of leadership can be enhanced. sex. Ziyuan Liu (2021) pointed out that organizational justice plays a mediating role between transformational leadership and employee behavior[2].

Podsakof examined the relationship between transformational leadership and employee satisfaction and loyalty, and found that transformational leadership had a significant effect on employee satisfaction. In 2015, Zhao Yinglong confirmed that transformational leadership has a significant effect on employees' work attitude and efficiency. There are similar studies in China[3]. In 2019, Li Weining and others believed that moral example and vision motivation in transformational leadership significantly affect employee loyalty and satisfaction[4]. In 2021,

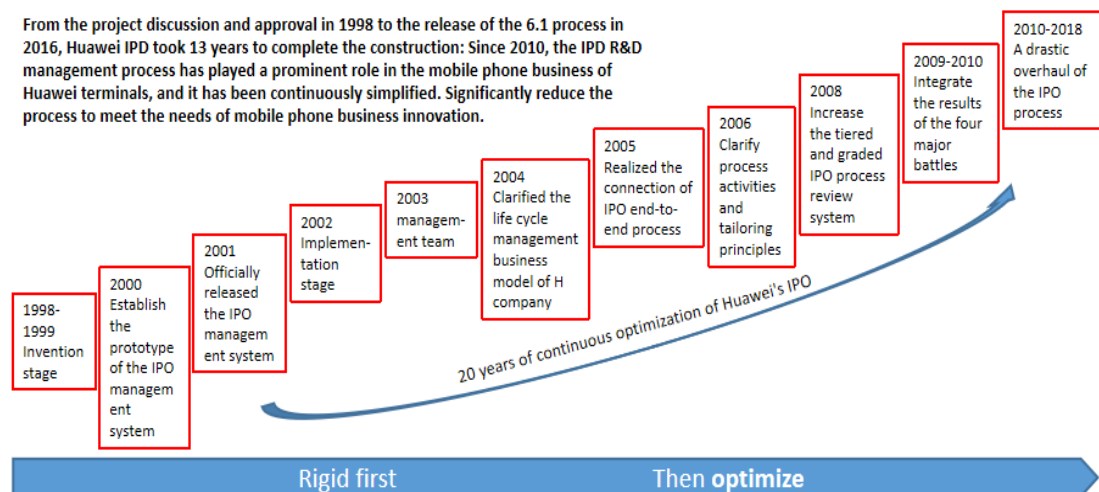
Rao Lan proposed that transformational leadership has a very significant impact on employees' voice and behavior[5].

### 1.3. Huawei's Transformation Process

Founded more than 30 years ago, Huawei has become a world-class giant in communication network equipment and smart terminals. Founded in 1987 as an importer of telephone switches, Huawei became the world's largest supplier of telephone network equipment in 2013. In 2002, Huawei began to manufacture mobile phones, and in 2009, it began to produce its own brand mobile phones. In 2019, Huawei shipped 240 million mobile phones, surpassing Apple and ranking second in the world. In 1995, Huawei's revenue reached 1.5 billion, in 1999 it exceeded 10 billion, in 2008 it exceeded 100 billion, and in 2019, Huawei's revenue reached 858.8 billion.

1987-1997, before the change. Before 1997, Huawei was like a loose organization composed of a group of guerrillas. The managers of different departments and different regions of the company had the right to adopt different management methods. Under the influence of the growing market environment and the excellent personal abilities of Huawei's middle and senior management, Huawei's revenue has doubled almost every year.

From 1998 to 2003, the "Huawei Basic Law" and the first round of changes under the influence of IBM. In order to get rid of the predicament of chaotic management, from 1996 to 1998, with the help of six professors from the National People's Congress, Huawei drafted and wrote the "Huawei Basic Law" to unify the management principles of different departments. At the same time, in 1997, Ren Zhengfei led several executives to visit American companies have successively completed information technology strategy and planning, integrated product development reform, and integrated supply chain system reform. At this stage, the rights are gathered towards the company headquarters, and the revenue growth rate decreases as the volume becomes larger, but it still maintains a medium-high speed, with a CAGR=33%.



**Figure 1.** Evolution Ladder of Huawei Product Development Platform

From 2003 to now, the organizational structure has been deeply adjusted, and finance, customer relations, and sales have changed. With the help of Mercer Consulting Company, Ren Zhengfei introduced the operation management team (EMT) system and began to implement a new collective strategic decision-making system; in 2007, with the help of IBM & PricewaterhouseCoopers, the company began to implement the reform of the integrated financial service system and the sales management system /Customer relationship management system change. In the early stage of the reform, the revenue CAGR=17.3% in 05-

13 and 23.8% in 13-19. In 2019, the company's revenue reached 858.8 billion, but it still maintained a high growth rate.

## **2. The Influence of Ren Zhengfei on Huawei**

### **2.1. Creation of Core Values and Corporate Culture**

Huawei's core values are "Customer-centric, striver-oriented", and Huawei's core values and corporate culture are inseparable from the influence of Ren Zhengfei, who has influenced Huawei's development with his own behavior, formulating corporate development strategies and human resources. The resource system and, more importantly, its leadership style determines Huawei's core values and corporate culture.

Huawei has always attached great importance to the motivation of employees. Ren Zhengfei only holds 1.01% of Huawei's shares, and the rest of the shares are held by employees. Huawei is also one of the first companies to implement employee stock ownership. Everyone in the IT world knows that Huawei advocates wolf culture: first, wolves have a very sensitive sense of smell, and they rush forward desperately when they smell an opportunity; second, wolves have always fought as a pack of wolves, not individual heroism; third, they may eat Meat has difficulty, but wolves are indomitable. These three points are all positive to struggle.

### **2.2. Correct under Standing of "Capital" and Insist on not Listing**

Regarding Huawei's non-listing, there has been controversy in the outside world, and even Huawei has internal criticism. Ren Zhengfei once explained this: "If we go public, shareholders will see that we can earn billions or tens of billions of dollars in the stock market, forcing us to develop horizontally, and we will not be able to enter the 'no man's land'."

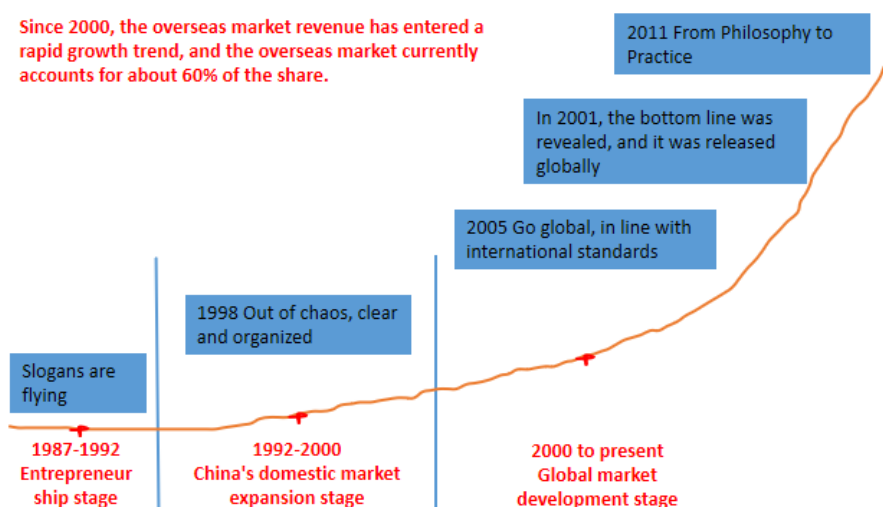
Ren Zhengfei has a clear understanding of the side effects of capital on enterprise development. Listed companies belong to shareholders, and shareholders' holding of stocks is a short-term or medium-term financial behavior. So shareholders are more concerned about financial statements, profits and stock prices will make them vote with their feet. In this way, after the listing, it is difficult for the company to maintain its feelings or long-term decisions. At least shareholders will not allow the company's long-term decisions to have too much impact on short-term interests. If Huawei is not listed, naturally there is no need to consider so much, and it can continue to invest funds in places where it does not make money in the short term and see no benefits but has long-term value.

### **2.3. "Decentralization" Promotes Company Renewal and Progress**

In the early days, Huawei was small in scale and focused on core product development. The leadership of the company was concentrated in a single leader, Ren Zhengfei. As the company grew in size, the problems of a single leader were gradually exposed: 1) High reliance on top leaders; 2) Insufficient communication between departments 3) Problems such as motivation, control, and value pursuit continue to emerge.

In order to optimize Huawei's organizational structure and human resources structure, Ren Zhengfei decided to "decentralize" to others. From 2002 to 2011, Huawei established a collective decision-making management team (EMT) instead of a single CEO leadership system. The management team below adopts a matrix structure. In 2011, Huawei officially began to implement the rotating CEO system. The group's management team evolved into the "standing committee" of the executive body of the board of directors. In terms of business structure, three customer-oriented business BGs (group organizations) were established, and decision-making power was delegated to each BG. And the optimization and update of such organizational structure and human resource structure is inseparable from Ren Zhengfei's "decentralization" choice.

### 3. Analysis of Huawei's Core Competitiveness under the Leadership of Ren Zhengfei



**Figure 2.** The change process of Huawei's culture and core values

"Why did Ren Zhengfei make Huawei so successful?" Huawei's development is inseparable from the leadership of Ren Zhengfei, and Huawei's core competitiveness has also been continuously updated under the leadership of Ren Zhengfei, enabling Huawei to maintain an advantageous position in today's competitive market. . Ren Zhengfei's transformative leadership not only made Huawei's organizational structure and financial structure a leading example of enterprise management. As shown in the figure, Huawei's corporate culture and core values are constantly updated and changed, and every development is inseparable from Ren Zhengfei. In the author's opinion, Huawei's core competitiveness is mainly divided into the following aspects:

#### 3.1. Relying on Talents, Ren Zhengfei Leads Huawei

Before and after the 1990s, the mainstream technical schools in the domestic communication market believed that the research on digital program-controlled switches was too advanced, and semi-programmed switches must be developed first. Therefore, many companies in the industry, such as: ZTE, Datang, Julong, etc., have invested most of the company's research and development funds in the research and development of semi-programmed switches.

Huawei recognized the need to develop advanced digital program-controlled switches. Under the pressure and responsibility of failing to succeed, Zheng Baoyong successfully developed the C&C08 program-controlled switch, which established Huawei's position in the digital program-controlled switch market in one fell swoop. Due to low price and high performance, Huawei's orders are overwhelming. Since 1995, Huawei's sales have also grown linearly, from 1.5 billion yuan in 1995, 2.6 billion yuan in 1996, and 4.1 billion yuan in 1997. In the domestic communication industry, only ZTE can compete head-on with Huawei.

#### 3.2. "Customer-centric" Concept and Marketing Strategy

Driven by customers and businesses, Huawei has broken down solutions to facilitate management, and unified products and solutions based on product lines under this product line. Therefore, Huawei's "XX Product Line" was officially renamed "XX Products and Solutions Department"; and for cross-product line solutions, a company-level solution system was specially established. With the establishment of organizations such as the Customer Business Consulting Department and the Network Design and Research Institute, Huawei's solution system has become closer and closer to the requirements of customers and the market, according to the delivery method of site solutions and the responsibilities of scenario engineers.

Driven by the "Customer-centric" concept, Huawei has gradually gone through a transformation process from focusing on technology, to focusing on customer needs, and then to solving customer problems and creating value for customers. The corporate strategy has been continuously sublimated and carried forward. The IPD R&D revolution has not only profoundly affected Huawei's R&D system, but also greatly enhanced Huawei's marketing capabilities. The highest level of marketing is value marketing that can detect and prevent risks and create value for customers. In this case, how can Huawei compete with it? This is the highest level of customer value orientation, which is consultative marketing and value marketing for customers' strategy, business development and operational improvement.

### 3.3. Global Vision and Pattern

In this era, Ren Zhengfei believes that a company needs to have a global strategic vision in order to be strong; a nation needs to absorb the essence of globality to prosper; a company needs to build a global business ecosystem to survive. Enterprises can effectively improve resource utilization after they go global.

"What is Huawei's core competitiveness?" This is the question in the minds of many people. Ren Zhengfei gave the standard answer, that is, the governance structure of "frontline elite combat supported by a large platform" is a core competitiveness that is difficult for other companies to imitate. The so-called front-line elite combat mode is the first-line "iron triangle" organizational combat mode. The Audio-Technica consists of Account Manager AR, Solution Manager SR and Delivery Manager FR. The essence of the "iron triangle model" is to seize market opportunities (create value for customers), break down functional barriers, and form a project-centered team operation model, so that 70% of the problems can be solved on the front line, while the remaining 30% Through the "front line call for artillery fire", the rear support platform quickly responds and resolves.

## 4. Conclusions and Recommendations

Driven by the development of global political economy and Internet technology, many enterprises, such as physical shopping malls, have been greatly impacted by the Internet economy and must consider transformation; and the transformation and development of enterprises are inseparable from the decisions and patterns of leaders. This article is based on the Taking Huawei's leader certification concubine as an example, this paper briefly analyzes the structure of transformational leaders, analyzes and summarizes the research status of transformational leaders at home and abroad, and studies the process of Huawei's transformation. Through summarizing and sorting out, this paper analyzes the impact of certification on Huawei and the structural analysis of Ren Zhengfei's transformational leadership reflected in Huawei's organizational reform. Finally, based on Ren Zhengfei's leadership, a brief overview and analysis of Huawei's core competitiveness are made, and it is believed that Huawei's core competitiveness and Ren Zhengfei's efforts are complementary. Therefore, it is self-evident that a leader has a place in the highly competitive market whether it can successfully transform and upgrade. Only good transformative leaders can keep the company updated and established. for a long period of invincibility.

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