Original Paper

Human Resource Management of an MNC in an Emerging Market

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Abstract

This study aims to determine how human resource management strategies have influenced Huawei’s development. The study employs theoretical analysis and a case study approach to test several propositions. The results show that taking special measures in terms of recruitment, training, compensation and incentives, career support, HRBP, and organizational culture, have as much a positive impact on competitive advantage, employee motivation, and reinforcement of the internal labor market, as systematic and effective human resource systems. Study limitations and topics for future research are also discussed.

Keywords

human resource management, competitive advantage, motivation, internal labor market, management cost

1. Introduction

Huawei Technologies Co. Ltd. (hereinafter Huawei) was founded in Shenzhen, China, in 1987. According to Yuan (2014), Huawei primarily offers products such as smartphones, electronic devices, and software; it also provides IT-and Internet-related services. In 2008, Huawei became the company with many technological partners. In 2013, ranked 315 in the list of the world’s top 500 companies (FORTUNE Magazine’s annual ranking), and in 2016, Huawei accounted for a workforce of 170,000, of which 30,000 were foreigners. Every year, it spends 10% of sales on R&D, and 46% of Huawei’s employees work at its 20 R&D centers globally. It has established subsidiaries in several countries—including Vietnam and Thailand—which are involved in production and sales activities. In 2019, sales topped 850 billion CNY (approximately 13.27 trillion JPY, or 12.16 billion USD)—a first
for the company and an 18% increase over the previous year (Site 1).
By 2009, Huawei had established research and development centers in India, USA, Sweden, Russia, and China, becoming one of the most reputed informational equipment suppliers from China (Sun, 2018); by 2018, the company had established more than 30 hubs overseas (Site 2).
The rapid rise of Huawei, therefore, has attracted considerable attention from both the industry and academia. Its international strategy has brought great progress to many facets of its business. Many scholars have conducted theoretical and empirical research on its success in various fields (Cheng, 2013; Bai & Liu, 2014; Liu & Ma, 2015; Ge, 2015; Zhuang, 2017). In all these studies, the human resource management strategy of Huawei has been given utmost attention. Many scholars have addressed the management style and training content of Huawei’s human resource system (Cheng, 2013; Ge, 2015; Sun, 2018), considering them as key contributors to the company’s success in internationalization. However, the reason why these human resource management strategies have been particularly effective is not discussed comprehensively. This paper aims to address this research gap and determine how these strategies contribute to Huawei’s progress in internationalization and market exploration. The analysis incorporates several theories such as the resource-based view; internal labor market theory; as well as theories related to company culture, career, and incentives.

2. Previous Literature

2.1 Resource-Based View
According to the resource-based view (Wernerfelt, 1984), possession of strategic resources may help a company achieve competitive advantage and lead to organizational competency. In this context, what type of resource to acquire and how to obtain this resource are two very important decisions facing a company.

2.2 Internal Labor Market Theory
According to the internal labor market theory (Doeringer & Piore, 1971/1985), companies beyond a certain size contain an internal labor market. Human resources increase through recruitment, with employees enjoying their own competitive advantages on account of their diverse experiences, skills, and personalities. Effective training helps to strengthen the various capabilities and skills of employees. An elite pool of talented individuals is, thus, created to help fill vacant positions. Effective utilization of the internal labor market mechanism, thus, facilitates the implementation of the strategies of both the human resources department and other functional departments within an organization.

2.3 Organizational Culture
Organizational culture refers to the customary behavior of employees within an organization. It was first proposed by Jaques (1951), and later advanced by other scholars from different perspectives (Kotter, 1992; Schein, 1992; Deal & Kennedy, 1982/2000; Ravasi & Schultz, 2006). The theory is concerned with the quality of organizational culture and subculture. A strong corporate culture helps reduce management and control costs, and facilitates staff motivation. Conversely, the presence of
subcultures usually has a negative influence on the main organizational culture of a company, and consequently, reduces the organization’s profits.

2.4 Career Theory

The concept of career was first proposed by Schein (1978). One’s career refers to the sequence of work experiences in an individual’s life (Schein, 1978). Other scholars have advanced this theory in the past (Sullivan, 1999; Gunz & Heslin, 2005; Rosenbaum, 1979; Inkson & Arnold, 2014; Sullivan & Baruch, 2009; Brooks, 2019). There are self-initiated careers and organization-initiated careers. Employees’ careers are very important not only for themselves but also for organizations. From employees’ perspective, career success can help them achieve their desired lifestyle, thus ensuring spiritual and psychological satisfaction. This, in turn, helps maintain stability in society. Organizations can support employees through career design and related support such as training and strengthening of skillsets, to raise the employee retention rate in an effective manner. Such initiatives also align the objectives of the individual to those of the organization.

2.5 Incentives

An incentive is a motivator (Pink, 2009; Armstrong, 2019), and traditionally refers to extrinsic motivation. According to the motivation theory (Heckhausen, 2000), motivation can be in the form of either extrinsic motivation (external rewards, monetary compensation, etc.) or intrinsic motivation (interests, enjoyableness). The most effective incentive is salary and yearly bonus. Other extrinsic motivation-related incentives, such as stock options and special bonuses, also have a positive influence on employee motivation.

3. Methodology

![Figure 1. The Transition from Descriptive Theory to Prescriptive Theory](source: Christensen, 2009)
This study employs qualitative analysis to explore how Huawei’s human resource management system impacts its performance. Material from previous literature has been used to actualize this analysis. Based on the cases of Huawei and the hypothesis-discovery approach of Christensen (2009), this study verifies several propositions. Figure 1 shows the specific processes of this qualitative method.

4. Huawei’s Human Resource Management System

Huawei respects the role of human resources and considers employees as its most important asset. It has built a series of human resource management systems to take care of its employees. Table 1 illustrates the evolution of its human resource management system from 1987 to 2014.

Table 1. The evolution of Huawei’s Human Resource Management System

<table>
<thead>
<tr>
<th>Year</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1987</td>
<td>Established</td>
</tr>
<tr>
<td>End of 1990s</td>
<td>Consulting-based HR innovation (Ge, 2015)</td>
</tr>
<tr>
<td>2000</td>
<td>Internal undertaking system (Sun, 2018)</td>
</tr>
<tr>
<td>-2013</td>
<td>Training programs (English, foreign and corporate culture, etc.), profits, welfare, and career systems (Cheng, 2013)</td>
</tr>
<tr>
<td>2014</td>
<td>Introduction of HRBP (Ge, 2015)</td>
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</table>

4.1 Recruitment

Huawei pays great attention to its acquisition of human resources. By paying high salaries to employees, Huawei aims to recruit excellent talent and maintain the retention rate of all the employees, from ordinary staff to executives. Recently, the annual salaries paid to Huawei’s executives have been particularly high. In the past 20 years, the salary levels at Huawei have been 2-5 times those of its peers in the same industry. The company also provides training programs, such as on English communication and technological know-how, to nourish the skillset of its employees. Such initiatives have significantly improved its ability to achieve innovation in technology, providing significant competitive advantage to Huawei over its rivals. Likewise, the English communication skills of employees are very important in its internationalization process. Additionally, Huawei recruits overseas employees at its foreign subsidiaries, for instance, in India and Vietnam. India has talented resources such as software engineers. To further improve its competitive advantage in terms of technology, Huawei India recruits several hundred engineers from the local labor market. According to Yuan (2014), in 1999, Huawei recruited 2,000 people for R&D from the local Bangalore labor market. In 2009, the headquarters of Huawei India were shifted to New Delhi, and the number of employees increased to 6,000. In Vietnam, it recruited approximately 500 people for the smooth functioning of the subsidiary (Yuan, 2014).
4.2 Compensation and Incentive System

Huawei offers higher salaries and a better bonus to its employees, compared to its peers. Furthermore, all employees are eligible for company stocks (Sun, 2018). In addition, it provides considerable benefits and profits to its employees. It has a “Talented Youth” program, which employs talented young people to work with the most advanced technologies (Site 4). The highest annual salary under this program is 2,100 thousand RMB (294 thousand dollars). This year, Huawei employed a young doctoral candidate from Huazhong Technology University as an engineer, at a yearly salary of 1,560 thousand RMB. This employee’s major is computer science, with specialization in new memorial media such as NVM (Non-Volatile Memory) and SMR (Shingled Magnetic Recording).

Huawei has also established stock schemes and punitive programs to ensure that an effective code of conduct is followed by all employees (Sun, 2018). The Time Unit Plan (TUP) is a long-term special bonus distribution option based on the employee’s performance and potential for future growth.

Huawei also has a munificent compensation plan for expatriates working at its foreign subsidiaries or offices. The basic salary of expatriates at Huawei is highly competitive, relative to the salaries offered at most Chinese companies. The company also provides ample allowance to expatriates. The expatriates posted in remote areas are provided higher allowances. With stock dividends and TUP, staff with 10 years of experience and in the 16th grade receive, on average, 1,170 thousand dollars as yearly salary (Site 3). This is quite appealing to anyone working in Chinese companies. It is said that after repatriation from India, expatriates can afford their own beautiful villa in posh Shenzhen, China, where the property prices are extremely high.

Additionally, an overseas expatriation assignment not only means a higher salary, but also provides valuable professional opportunities for training and upgrading one’s skillset. For instance, technician expatriates usually work in India for periods of up to one year (Site 3). Chinese employees are good at system design and construction. They work with local Indian engineers who are good at software development and project management. Through this cooperation with Indian engineers, the Chinese employees can excel in software development and management as well. This is also an effective approach adopted by Huawei to foster efficient software engineers.

4.3 Knowledge Worker Management

The internal undertaking system of Huawei, established in 2000 (Sun, 2018), helps to actualize elite employees’ entrepreneurial dreams and resolve problems such as the sheer size of institutions and experienced staff. Huawei has identified some non-core businesses for these employees, such as public traffic, food, and other services.

4.4 Training Programs

Training human resources is essential for success amid intense international competition. To run a robust training system, Huawei has adopted an online learning format while also maintaining traditional styles of training. In addition to in-house lecturers, it also hosts guest lecturers from outside institutions. Huawei emphasizes connecting its courses to its corporate internationalization strategy and
employees’ career design, and has developed a training evaluation system (Cheng, 2013).
According to Cheng (2013), Huawei provides psychological support through the corporate culture it has built in order to support employees’ efforts to open up international markets. To maintain its competitive advantage while increasing the value of its brand, Huawei needs to train employees who have the corresponding service skills. To do this, it conducts training courses about cutting-edge technologies and introducing management-related systems. Huawei has over 100 hubs (subsidiaries and offices) in over 100 countries and regions, and it is trying to make its internationalization more efficient by offering English courses to raise employees’ communication skills and customer service skills. Besides courses about foreign cultures, Huawei prioritizes courses in its own corporate culture.
Talent cultivation forms an important foundation of Huawei’s strong corporate culture. Accordingly, the company provides financial support for various courses for its own advanced development. Depending on the effect studied, giving people preferential treatment in the welfare system or career design system has been helpful in bringing about a talent cultivation effect (Cheng, 2013).
Compared with other MNCs with a similar history, Huawei does not have that many training programs. However, it is better than other companies in emerging markets.

4.5 Corporate Culture

Huawei has created a unique corporate culture. The company has “localized” its talent by actively recruiting and retaining excellent technologists from 20 countries, such as the US, the UK, and Sweden. It has created a corporate culture particular to Huawei by creating a management system based on international standards, developing and leveraging talent, strengthening internal management, and innovating systems (Bai & Liu, 2014). According to Bai and Liu (2014), Huawei has built unique systems of corporate culture besides “wolf culture”, including a supportive corporate culture, “slogan culture” and “mattress culture”.
There is the wolf culture, mattress culture, and other cultures in Huawei (Sun, 2018). According to Sun (2018), the wolf culture emphasizes an acute sense of “smell” teamwork, and persistence. The acute sense of smell here refers to a keen eye for business opportunities. Huawei also encourages a cooperative spirit among employees, in which everyone works hard and helps each other. Additionally, it encourages staff to try their best to accomplish tasks and targets. This wolf culture improves efficiency and performance, thus contributing to individuals’ growth and skillset. Moreover, it helps Huawei compete with other rivals and find good opportunities in the international market.
The mattress culture means that employees (especially software engineers) in Huawei work very hard, often putting in overtime (Sun, 2018). Therefore, they need to prepare a mattress for themselves and sleep in the company office at times. This indicates their struggling and relentless spirit. Huawei has its own strong corporate culture and conducts organizational culture training as well as foreign culture training for its employees.
In foreign subsidiaries, Huawei’s organizational culture also influences local management. In Mexico, employees greatly respect private life and free time, and they are often late for work (Site 3). In
Huawei’s Mexican subsidiary, this happened during the initial period. However, the mattress culture and overtime strongly influenced even these employees to work hard and achieve the desired targets. In the initial stage, Indian employees did not express their opinions actively, perhaps because of local Indian culture (Site 3). However, one of Huawei’s policies is to encourage employees to talk about their individual ideas and share comments on performance evaluation. The company designated a special “Public Day,” welcoming staff to express their opinions. Gradually, Indian employees also began to express their opinions and comments. For instance, they suggested changing the dress code to casual (Site 3).

4.6 The HRBP System (Human Resource Business Partner)

Huawei’s sales reached 46 billion USD in 2014—a 20% increase over the previous year. These were the top sales figures in the communications industry that year; it is clear that Huawei approached its talent cultivation efficiently in order to achieve these figures. In fact, Huawei employed many consultants to innovate its human resource management at the end of the 1990s (Ge, 2015).

According to Ge (2015), Huawei had many project-focused tasks, and in 2014, it introduced a talent management system called Human Resource Business Partner (HRBP) to cope with the demands of talent cultivation for its ever-changing and varied projects. An HRBP encompasses the roles of strategic partner, change agent, employee champion, and functional expert; they function as HR partners that provides advice to management and senior management (Ulrich, 1996). Specifically, their roles include:

- Ascertaining the needs of the business and communicate them to HR experts
- Executing an HR strategy that matches the corporate strategy
- Confirming that contracts fulfill long-term strategic human resource needs
- Giving advice and suggestions on problems in HR-related tasks
- Understanding and solving HR problems to ensure the smooth running of the HR system
- Supporting the HR plan and the organization’s long-term development; and
- Examining service level with professional technology centers (Chen & Chen, 2013)

Huawei’s HRBP talent cultivation is divided into three main stages. Self-study, training, and job simulation based on the trainee’s actual duties. During this training, the trainees study in three separate classes: A Corporate Culture and Values class, a Project HRBP class, and a C8 class (Ge, 2015).

The corporate culture training course is spread out over four days. There are also many experiential training activities, like morning drills in teams, outdoor development activities, and communication simulations (Ge, 2015).

According to Ge (2015), the Project HRBP class is a part of the Huawei University Institute of Education and is conducted over approximately 10 days. Project HRBP members spend one day studying project management literacy and subsequently participate in discussions on delegating roles and the scope of responsibility in a project. Topics might include setting up and running a project, talent cultivation and management for a project, assessing project members’ performance, distributing
bonuses, non-material incentives, and diagnosis and problem-solving in HR management. Trainees also participate in practical work scenarios.

The C8 class is also part of the Huawei University Institute of Education and is conducted over a period of about 10 days. The eight main members in project management take part in this course—specifically, the project manager and the heads of technology, QA, supply chain, accounting, contracts and legal, and project control. In addition, a Project HRBP member joins a mock project team as a ninth trainee, working with the other members on each stage of the project and promoting communication among them.

5. Propositions

As mentioned in previous studies, Huawei has taken a series of measures relating to recruitment, compensation and incentive systems, career plans, HRBP, and corporate culture. Based on the theories and case study above, this study verifies the following propositions:

Proposition 1: Recruiting talented elite from both domestic and foreign labor markets helps to raise competitive advantage.

According to the resource-based view (Wernerfelt, 1984), acquisition of strategic resources may help raise a company’s capability and competitive advantage. Huawei is a high-tech corporation and needs technologically proficient employees to achieve innovation. Hence, technical experts in both the domestic and foreign labor markets, such as India, are very important to Huawei’s growth strategy. After effective training, these employees are able to develop expertise in advanced technology innovation and implementation, which may increase the competitive advantage of Huawei in both domestic and international markets.

Proposition 2: Developing effective and ample training programs benefits the internal labor market.

The internal labor market theory (Doeringer & Piore, 1971/1985) indicates that there are internal needs for manpower. These needs can be fulfilled by existing employees if appropriate training is provided to staff that show potential. In the past 10-20 years, Huawei has developed many training programs for employees, including English communication skills, technological skills, and culture-related content. This facilitates the growth of employees in terms of their linguistic skills, technological know-how, and the understanding of corporate culture as well as foreign culture, which is helpful to adapt to overseas circumstances and further compete in international markets, enabling Huawei to provide unique commodities and services. If the needs of the internal labor market are fulfilled adequately, human resources may play a more effective role in raising the company’s performance.

Furthermore, training helps an employee make progress in work and strengthens the relationship between him/her and the company. Therefore, this makes an employee more confident, fostering greater motivation to serve the organization. Additionally, the company also has a higher competitive advantage when employees have better skills and capabilities.

Proposition 3: High compensation, munificent incentives, and a career system have a positive influence
on employees’ motivation.

According to the theories of human motivation (Maslow, 1943; Heckhausen, 2000), people’s needs span five stages. Meeting these needs may help raise or maintain their motivation, interest, and confidence in achieving targets. There are two types of motivation: extrinsic motivation and intrinsic motivation. Compensation, bonus, and other incentives such as stock options and career plans are conventional measures to raise employees’ extrinsic motivation. In Huawei, the salary level is much higher than the average level at many other Chinese companies. There are also other special bonus programs that are very generous. Furthermore, Huawei offers stock options for employees, which links the performance of the company with employees’ compensation to some extent.

Additionally, Huawei has established an internal undertaking system for experienced staff, which provides them with excellent career opportunities to utilize their knowledge and experience in their own company and actualize what they intend to do. This is a win-win strategy for both employees and Huawei. The progression of the employees is restricted to 3 or 5 years but continues for as long as they work in Huawei. From the perspective of career theory (Schein, 1978), this is also an effective measure to raise and maintain the motivation of experienced employees. Moreover, career success helps an employee work in a specialized field with enhanced skills and experience. Furthermore, he or she has a higher competitive advantage. If many employees in a company have higher competitive advantages, the company itself will have a higher competitive advantage. This is suitable for the running and reinforcement of the internal labor market because the needs of human resources can be fulfilled adequately by these employees with better careers.

Proposition 4: Building a strong corporate culture may raise employees’ motivation and reduce the cost of management control.

Organizational culture refers to employees’ typical behaviors within an organization (Jaques, 1951). With a strong corporate culture, employees have customary behavior standard. They understand what is right and feasible in a given case, although there is no explicit rule in a manual, and no one tells them to behave in any particular manner. Hence, it is not necessary to monitor or control employees’ working situations strictly. This has a positive impact on reducing monitoring and management costs. Moreover, Huawei’s “Wolf culture” and “Mattress culture” indicate the spirit of working hard and being sharp, which encourages employees to work with greater motivation. In a company like Huawei, which has only been around for 30 years, this kind of corporate culture and employees’ motivation helps it grow rapidly in terms of internal management, market share acquisition, and performance.

Proposition 5: HRBP helps make the role of the HR system in project management more systematic and effective.

The HRBP system supports the planning of human resources and facilitates the sustainable development of a company (Chen & Chen, 2013). It embraces the functions of business partners, transformers, and human resource experts (Ulrich, 1996). In this system, trainees of this program in Huawei participate in the training and grow gradually in three stages. Initially, they learn about the
company’s spirit and organizational culture. They then obtain theoretical knowledge of project management. In the last stage, they participate in a real project and enter the experiential learning process. During this program, the degree of difficulty rises gradually, and they are required to put what they have learnt in theory to practice. It is easy for the trainees to adapt to this learning process and evaluate their progress individually. This is a scientific and systematic training system that fits the environment of on-job training efficiently.

To summarize, the mechanism by which Huawei’s human resource management system plays an important role can be described in Figure 2.

6. Conclusion and Discussion

This study analyzes Huawei’s human resource management strategies through both a theoretical approach and case study. The results show that recruiting talented individuals from both the domestic and foreign labor markets can help raise the competitive advantage of any company. Developing training programs benefits the internal labor market. High compensation, munificent incentives, and a career system have a positive influence on the employees’ motivation to work and achieve targets. The formation and training of corporate culture for employees may raise employees’ motivation and reduce the cost of management control. The HRBP helps to make the role of the HR system in project management more systematic and effective. Hence, to make human resource strategies more effective and ensure they better serve other departments, the measures above, in terms of recruitment, training, compensation and incentives, career support, HRBP systems, and organizational culture building, provide a clear reference for other MNCs in emerging markets.

Compared with MNCs with a long history, Huawei’s training programs need to be more innovative to fit the changing strategic needs of the company and external environment in terms of technology, project management, and other functions such as marketing, HR, and organization management. In
some Japanese MNCs, there are several training programs for employees at various levels, such as executives, regional managers, middle managers, and new staff. There are also training programs at the headquarters for foreign employees recruited from the local subsidiaries.

Like Haier and other Chinese multinational corporations, Huawei was founded in the 1980s and has been evolving its internationalization over close to 40 years now. It is one of China’s representative companies, and other companies might do well to learn from it. However, Huawei has taken a unique path to achieve its growth and cultivate its culture; the degree to which this corporate internationalization strategy can be universalized to other companies remains to be studied. Furthermore, according to previous studies, many of Huawei’s efforts have been considered helpful in internationalizing its business activities, though it remains unclear which strategy or approach has been the most effective. Future research should provide clarity about these issues.

This study contributes to research on international business management of MNCs in emerging markets from both theoretical and practical perspectives. However, it also has some limitations. First, we used secondary data from previous literature to describe the case of Huawei. Future research could try to rely on primary sources by conducting interviews or questionnaire surveys. Second, this paper only discusses one case (Huawei). How to apply the success mechanisms or strategies to other MNCs in emerging markets is a topic still open for further research. Future research should obtain additional case studies or statistical data to conduct a deeper analysis of international business management.

References


