



LEVEL/ LEFEL 7

Assignment Title: **Research on the leadership style and unique contribution of Huawei's founder Ren Zhengfei**

Module Title: **LCDB7001 Entrepreneurial Perspectives**

Module Lecturer's Name: **Gladius David Kulothungan**

Student Name: **Hui Qian**

Student Number: **1903488**

List of Contents

Abstract	3
1 Introduction.....	3
1.1 Ren Zhengfei.....	3
1.2 Huawei	4
1.3 Transformational leadership.....	4
2 Analysis of Ren Zhengfei's leadership style	4
2.1 Idealized Influence.....	5
2.1.1 Oriented to achieve the ideal goal.....	5
2.1.2 Keep on learning	5
2.1.3 Military quality	6
2.1.4 Self-criticism.....	6
2.1.5 Crisis awareness.....	7
2.2 Inspirational Motivation.....	7
2.2.1 Formulation of Huawei Basic Law	7
2.2.2 Implementation of shareholding plan for all employees.....	8
2.3 Intellectual Stimulation.....	8
2.3.1 Encourage innovation	8
2.4 Individualized Consideration	8
2.5 Summary	9
3 The unique contribution of Ren Zhengfei's leadership style to Huawei	9
3.1 Focus on specialization	9
3.2 Firmly choose the international development strategy	10
3.3 Adhere to standardized management	11
3.4 Insist on continuous innovation	12
4 Conclusion	13
References.....	13

Abstract

Ren Zhengfei is one of the most outstanding representatives of Chinese entrepreneurs. He founded Huawei and led Huawei from a small company to an international telecommunications equipment giant, creating a surprising business miracle (Liu, 2013).

Based on the theory of transformational leadership, this essay analyzes Ren Zhengfei's entrepreneurial behavior and deeply understands his strong leadership as a transformational style leader. Moreover, according to the relevant entrepreneurial theory, this essay analyzes the unique contribution of entrepreneurial behavior embodied in Ren Zhengfei's transformational leadership style to Huawei. Therefore, the above analysis proves the importance of leadership style to entrepreneurial thinking. Finally, combined with the analysis results, the conclusion of this essay is drawn, hoping to provide valuable experience and inspiration for new entrepreneurs and start-up companies who want to learn the entrepreneurial behavior and entrepreneurship of successful entrepreneur.

Keywords: Zhengfei Ren, Huawei, leadership style, entrepreneurial behavior

1 Introduction

This section briefly introduces Ren Zhengfei, Huawei and transformational leadership.

1.1 Ren Zhengfei

Ren Zhengfei was born in 1944 in the intellectual family of Zhenning County, Guizhou Province, China. In 1963, Ren enrolled in Chongqing Institute of Civil Engineering College. After graduating from college, he was drafted into the army to be an infrastructure soldier until 1982. In 1987, Ren Zhengfei raised 21,000 yuan to build Shenzhen Huawei Technology Co., Ltd.

In April 2019, Ren Zhengfei was named the 100 most influential people in the world in 2019 by Time magazine. The Forbes Global Billionaires List 2019 ranks 1425th with

\$ 1.6 billion. On October 19, 2019, Ren Zhengfei was named "Forbes" Best Multinational Enterprise Leader of the Year (Huawei Technologies Co., 2020)

1.2 Huawei

Founded in 1987, Huawei is currently the world's largest telecommunications equipment maker as well as the world's second largest smartphone maker. It is a private enterprise owned by all employees, which means that no government departments or institutions holds shares in Huawei. As of 2018, the company has a total of about 194000 employees, covering over 170 nations and regions all over the world.

In the past 30 years, Huawei has always adhered to its own development path and resisted all temptations. It insists on not taking shortcuts, rejects opportunism and makes steady progress. It adheres to customer-centered, long-term efforts and self-criticism(Huawei Technologies Co., 2020).

1.3 Transformational leadership

Transformational leadership is a style of leadership put forward by Burns in his book *Leadership* in 1978. Burns defines transformational leadership as leaders who make employees realize importance of work goals and tasks, inspire employees' high-level needs or ignite inner needs and desires. Therefore, employees may bring more benefits to organizations, even more than their personal interests (Burns,1978).

Based on Bass, Avolio summarizes the transformational leadership behavior into four dimensions: idealized influence, inspirational motivation, intellectual stimulation, individualized consideration (Bass and Avolio, 1990).

2 Analysis of Ren Zhengfei's leadership style

This part is based on the views of the scholars Bass and Avolio that transformational leadership divided into four dimensions. Therefore, this part analyzes Ren Zhengfei's leadership style from these four aspects.

2.1 Idealized Influence

2.1.1 Oriented to achieve the ideal goal

When Huawei was just founded, Ren Zhengfei did not set Huawei as a tool for making money, but to realize customers' dreams and become a carrier to change and create the world. When his competitors started to invest in real estate and stocks with speculative funds, Ren Zhengfei and his team focused on R & D in a small factory in Nanshan district, Shenzhen(Liu, 2013). He insisted on professional development without diversification, and firmly believe that the technology research and development business that best meets the real needs of consumers is the core of corporate capabilities.

Taking Huawei as a world-class enterprise as its development vision, Ren Zhengfei encouraged and gathered a group of outstanding technical engineers and high-tech talents to overcome difficulties and work hard.

2.1.2 Keep on learning

Ren Zhengfei grew up in the intellectual family, and he has always loved studying. During the college, he read a lot of books and constantly accepted new knowledge from them, thus improving his professional level. After graduating from university, Ren Zhengfei applied the learning from the university to the army and soon became a technical elite. Until now, Ren Zhengfei has not changed his good habit of reading, which is widely spread among Huawei employees and has great influence on them(Gang and Xirong, 2015).

It can be said that Ren Zhengfei has set an example of continuous learning and being willing to accept new things among Huawei employees. It is desire for knowledge and his own perseverance that changed Ren Zhengfei's life, and also made him believe that knowledge can change Huawei's destiny.

2.1.3 Military quality

After graduating from the college, Ren Zhengfei began his military life for many years, which virtually cultivated his strict, resolute character and the style of pursuing excellence. He is famous for his strict requirements for himself, his family and his subordinates (Qun, 2014). Thus, Ren Zhengfei's good military qualities also earned him full trust and follow-up from his subordinates. It is an integral part of Huawei's success.

However, Ren Zhengfei 's military style, an excessively aggressive high-intensity culture can easily cause great pressure on employees. Meanwhile, overemphasis on customer-centric has caused tremendous pressure on employees' psychology and spirit. He just used money to make up for it blindly, and the employees' psychological and spiritual lack of care for a long time, it is easy to consume work enthusiasm and affect the creativity and work efficiency of employees and enterprises. Unfortunately, this issue has weakened Ren Zhengfei's trust in employees, and is where Huawei and Ren Zhengfei need improvement.

2.1.4 Self-criticism

Ren Zhengfei's influence on employees should mention his self-criticism. Self-criticism made him realize his strengths and weaknesses. On the one hand, Ren Zhengfei 's decision-making must be completed by himself, which may be related to his military experience, and he must always have decision-making power. On the other hand, as a layman of communication technology, he provided employees with great freedom in decision-making and emphasized the need to dilute personal heroism, which attracted a large number of talents for the company.

It can be seen that Huawei's decision-making style can be summarized as "limited democracy, moderate centralization", which also helped him win the recognition and admiration of his subordinates. Therefore, the spirit of self-criticism allows Ren Zhengfei to be good at treating issues with a critical attitude, so that Huawei and himself are constantly improving(Gang and Xirong, 2015).

2.1.5 Crisis awareness

During the first ten years of Huawei's development, its assets expanded by a factor of 1,000, maintaining a rapid growth trend. However, Ren Zhengfei was not complacent, but worried about failure every day. He seemed overwhelmed by the crisis-filled success, honor and pride, and worked harder to get rid of such threats. The "mattress culture" is the epitome of Ren Zhengfei's sense of crisis and hard work. This also convinced Ren Zhengfei that technological research and development and innovation are the key to Huawei's foothold. Therefore, Huawei maintains annual R & D funding of 10% of sales(Lin, Xiaoming and Jianhua, 2009).

It can be seen that Ren Zhengfei is a visionary, persevering and hardworking person. It is precisely because of his sense of crisis that he can keep his mind clear and not satisfied with the current situation to lead Huawei to success.

2.2 Inspirational Motivation

2.2.1 Formulation of Huawei Basic Law

When Huawei was founded, Ren Zhengfei formulated "Huawei Basic Law", which clearly records the company's mission, vision and future development direction (Chuanzhao, 2013).

It clarifies the way forward so that Huawei employees can work creatively. Meanwhile, it enhances employees' confidence in accomplishing goals and tasks, which helps to inspire inspiration and vitality. The formulation of Huawei's basic law has helped employees clear the way forward and enable them to work creatively.

In summary, Ren Zhengfei conveyed Huawei's common values and vision to employees by formulating the "Huawei Basic Law", thereby establishing a corporate culture. These cultures will provide employees with spiritual guidance and stimulate their work enthusiasm.

2.2.2 Implementation of shareholding plan for all employees

Ren Zhengfei insisted that Huawei not be listed and the company's shares were held by employees. Huawei's full shareholding plan shows its determination and courage to share a common interest with its employees. Huawei is the first Chinese company with all employees holding shares(Yaxin, 2018). Ren Zhengfei 's profit sharing plan not only attracted a large number of top talents at home and abroad for Huawei, but also gradually made Huawei employees richer (Lin, Xiaoming and Jianhua, 2009).

This is exactly what is mentioned in the inspirational motivation in transformational leadership. The leader needs to consolidate the efforts of subordinates to achieve the team's goals.

2.3 Intellectual Stimulation

2.3.1 Encourage innovation

From the agent of the switch to the independent research and development of the communication equipment manufacturer, it can be said that every progress of Huawei has helped enterprises achieve rapid development through continuous technological innovation and transformation(Cuodao, 2015). At present, the number of invention patents owned by Huawei ranks among the top 500 companies in the world (Yaxin, 2018).

It can be seen that the common growth of all personnel is the most beneficial to the organization. For business leaders, the key is to let new ideas and new things spread and ignite the fire of innovation throughout the organization. Therefore, due to the influence of Ren Zhengfei on innovation, Huawei has made innovation the soul of the enterprise.

2.4 Individualized Consideration

Taking into account the different situations and needs of employees, Huawei's high

salary policy and various welfare guarantees essentially reflect the concern for all employees. For example, Ren Zhengfei insisted on allocating shares to the people who deserve the most, making shares the largest incentive mechanism within the enterprise (Shujie, 2016).

In summary, Ren Zhengfei is like a coach and a consultant at this time, helping employees grow in the process of meeting challenges.

2.5 Summary

In this chapter, Ren Zhengfei's entrepreneurial behavior is analyzed through four dimensions of transformational leadership, so as to deeply understand his powerful leadership as a transformational leader. It can be seen that Ren Zhengfei is also doing his best to make Huawei maximize the advantages of transformational leadership.

However, Ren Zhengfei's "wolf culture" and "mattress culture" are sometimes too radical, which may put pressure on employees' mental and psychological expectations. Therefore, as a transformative leader, it is necessary to understand how to lead the company's progress while attaching importance to employees' psychology, so as to maintain the company's sustainable vitality.

3 The unique contribution of Ren Zhengfei's leadership style to Huawei

3.1 Focus on specialization

Looking back at Huawei's development history, it has always followed the path of specialization and never wavered. For example, in the early stages of development, competitors all made high profits by investing in real estate, stocks, etc. However, Ren Zhengfei insisted on not taking a diversified development path and immersed himself in technology research and development with the team. Moreover, even in the later

stage of development, in order to alleviate financial pressure, Huawei expanded its business scope, but it has not shaken its determination to focus on a professional development strategy(Yunhong, 2014). It is worth mentioning that in 1998, Ren Zhengfei not only established the goal of "becoming a world-leading company" in the "Huawei Basic Law", but also the development path of specialization was written in the basic law (Chunbo, 2010).

It is worth noting that Ren Zhengfei 's contribution to Huawei's adherence to the way of specialization is in line with the core competency theory proposed by C. K. Prahalad and Gary Hamel(Prahalad and Hamel, 2006). The way of specialization that Ren Zhengfei has always insisted is the core attribute of surpassing other competitors, and it is also Huawei's competitive advantage, which will provide the company with an inexhaustible momentum for sustainable development.

3.2 Firmly choose the international development strategy

The year 2000 was a turning point for Huawei. Because Huawei has become a leader in the domestic telecommunications equipment industry, Ren Zhengfei is keenly aware of the limited development of the Chinese market and foreign companies also intend to enter the Chinese market. Under such a crisis situation, Ren Zhengfei made a strategic plan to open up overseas markets (Qun, 2014; Zhu and Jones, 2014).

Meanwhile, Ren Zhengfei realized that in the future, there will be no telecommunication equipment vendors who only rely on the regional market to survive. All telecommunications equipment vendors must be internationally standardized. Therefore, Huawei has begun its international layout. It is a crazy way to participate in the International Telecommunications Exhibition to create its own brand and popularity, so that overseas customers are familiar with Huawei (Cuodao, 2015; Kai, 2015).

In addition, Huawei's salary distribution and promotion system also inclined to overseas business, which made Huawei's overseas market business develop faster than domestic (Gang and Xirong, 2015).

It can be seen that Ren Zhengfei has helped Huawei alleviate the crisis and achieve

leapfrog development by implementing an international development strategy. It is worth mentioning that Ren Zhengfei's entrepreneurial behavior is consistent with Joseph Schumpeter's well-known innovative theory of entrepreneurship(Śledzik, 2013). It pointed out that opening up new markets is one of the contents of innovation, which will break the calm development and bring the economy to a new level of development. In fact, Ren Zhengfei's move to open up the international market has indeed brought Huawei closer to the goal of the world's leading company.

3.3 Adhere to standardized management

(1) System aspect

Huawei's initial stage of "wolf culture" and reckless management model have caused some problems in its development. Therefore, after careful consideration, Ren Zhengfei decided to gradually abandon the "wolf culture" and incorporate a standardized operating system into the company's management (Qun, 2014).

This approach not only regulated the business process, but also gradually eliminated the incompatible parts of the employee's conception with excellent corporate culture, thereby reducing the impact of the "wolf culture" (Gang and Xirong, 2015). Due to the implementation of system regulations, Huawei got rid of its dependence on talents and began to rely on standardized enterprise systems.

(2) Human resources management

① Establish attractive incentive mechanism

Ren Zhengfei has always insisted on turning net profit into a secret weapon that inspires all employees' creativity and the company's technological progress. In addition, it also hired the world's best engineers at a high salary, creating a higher technology creation efficiency than other companies (Shujie, 2016).

It can be seen that the attractive incentive mechanism has made Huawei a great success and inspired unprecedented creativity and enthusiasm of employees.

② Building a perfect career planning system for employees

Since 1997, Huawei has gradually introduced international management system,

including salary system and qualification system. Ren Zhengfei changed Huawei's past chaotic levels and established a qualification certification system so that employees can choose their own development path (Chunbo, 2010). Ren Zhengfei's approach not only helps Huawei to train and manage talents, but also retains lots of top talents, which has far-reaching significance for Huawei's sustainable development.

It can be seen that Ren Zhengfei introduced standardized operations and career management to Huawei, which is consistent with Kunkel 's Theory. It pointed out that the opportunity structure is considered to be one of the most important structures affecting the supply of entrepreneurs in the economy, including available management and technical skills, and information about production technologies. It must be said that Huawei's success is closely related to Ren Zhengfei's efforts in system and management reform.

3.4 Insist on continuous innovation

Ren Zhengfei has been focusing on the innovation of communication network technology for more than 30 years. Huawei stipulates that 10% of its annual sales revenue should be used for technology research and development. There are more than 25,000 highly skilled personnel in the world to carry out research and development (Gang and Xirong, 2015).

It can be seen that Ren Zhengfei's enthusiasm for core technology innovation allows him to focus on products, technology and quality. This is also consistent with Schumpeter's innovative theory of entrepreneurship. It pointed out that entrepreneurs are not people with general management skills, but people who introduce new things. Innovation can also refer to the innovation of new products, production methods or processes(Śledzik, 2013). Therefore, Ren Zhengfei's continuous innovation has enabled Huawei to maintain its dominant position in international competition.

4 Conclusion

This essay first analyzes the leadership style of Huawei's founder Ren Zhengfei, and then further explores the unique contribution of the entrepreneurial behaviors of his leadership style to Huawei. The unique contributions can be summarized as: focus on specialization, firmly choose the international development strategy, adherence to standardized management and insist on continuous innovation.

Finally, this essay hopes to provide practical guidance and inspiration for other start-ups and new entrepreneurs through the analysis of Ren Zhengfei, and jointly learn his valuable entrepreneurial experience and spirit.

References

- Bass, B. M. and Avolio, B. J. (1990) 'Developing Transformational Leadership: 1992 and Beyond', *Journal of European Industrial Training*, 14(5), pp. 20–27.
- Chuanzhao, T. (2013) 'Three Elements of Huawei's Success: Ren Zhengfei, Historical Opportunity, Huawei Basic Law', *The Founder*, p. 103.
- Chunbo, W. (2010) 'Huawei's quality model and qualification management system', *Human Resources Development in China*, (8), pp. 60–64.
- Cuodao, J. (2015) 'Ren Zhengfei's transformation', *Manager*, (254), pp. 24–25.
- Gang, L. and Xirong, C. (2015) 'Study of Ren Zhengfei's Entrepreneurship and His Operation and Management Ideological System', *Entrepreneur Management Thoughts*, (12), pp. 106–111. doi: 10.16471/j.cnki.11-2822/c.2015.12.019.
- Huawei Technologies Co., L. (2020) *HUAWEI*, www.huawei.com. Available at: <https://www.huawei.com/en/> (Accessed: 16 April 2020).
- Kai, A. (2015) 'Huawei Ren Zhengfei From Agent to Entrepreneur', *China's Strategic Emerging Industries*, (11), pp. 34–35.
- Lin, X., Xiaoming, Y. and Jianhua, M. (2009) 'Equity Incentives in Crisis —— Taking Huawei as an Example', *Human Resources Development in China*, 6(228), pp.

59–61. doi: 10.1017/CBO9781107415324.004.

Liu, C. (2013) ‘The ideal entrepreneur-Ren Zhengfei’, *State Grid*, 1, p. 115.

Prahalad, C. K. and Hamel, G. (2006) ‘The Core Competence of the Corporation’, *Harvard Business Review*, pp. 275–292.

Qun, Y. (2014) ‘Analysis on the Growth and Driving Factors of World-class Innovative Companies’, *Innovation management*, (10), pp. 174–181.

Shujie, Y. (2016) ‘Ren Zhengfei’s low profile creates Huawei’s glory’, *Shanghai Enterprise*, (6), p. 50.

Śledzik, K. (2013) ‘Schumpeter’s View on Innovation and Entrepreneurship’, *SSRN Electronic Journal*, pp. 89–95. doi: 10.2139/ssrn.2257783.

Yajun, W. (2013) ‘Strategic framework thinking, paradox integration, and corporate competitive advantage-Ren Zhengfei’s management model analysis and management inspiration’, *Management world*, (4), pp. 150–165.

Yaxin, Y. (2018) ‘Research on the Characteristics and Functions of Entrepreneurship’, *Modern business*, (31), pp. 111–113. doi: 10.14097/j.cnki.5392/2014.15.063.

Yunhong, H. (2014) ‘Huawei founder and president Ren Zhengfei talks about management’, *Board of Directors*, p. 11.

Zhu, H. D. and Jones, M. (2014) ‘Huawei: An Exemplar for organizational change in a Modern Environment’, *Journal of Information Technology Education*, 3(1), pp. 1–13.