

HMR Presentation

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(Script)

Huawei is a world-class enterprise with world-class leadership. In March 2021, Huawei announced the 2020 annual report. The report shows that Huawei's sales revenue in 2020 is 891.4 billion yuan, which is 343 times higher than that in 1996 when sales just started.

From the very beginning, Ren Zhengfei has a strong sense of human resources. Huawei is the first enterprise in the Guangdong province of China to regard talent as a strategic resource. It has put forward the idea that talent is the first resource (the most important capital for an enterprise). It was a very advanced idea at the time. Huawei's unique consciousness of human capital priority and so-called 'knowledge capitalism' still seems to be ahead of time.

The most elaborate example of creating routines to standardize practices across the different managers of the firm is the formulation of a firm constitution, the Huawei Basic Law (iNews). In 1996, Ren Zhengfei invited six professors from the National People's University to draft the "Huawei Basic Law" (iNews). After being revised several times, the basic law finally formed and proposed the concept of "knowledge capitalism", which points out that it is labor, knowledge, entrepreneurs, and capital that create all the value of a company. It is this mutual employment that reflects the role of value creation of human capital (Peng and Zhang, 2019, p.23).

After more than 30 years of ups and downs, Huawei's success is inseparable from Ren Zhengfei's tens of thousands of soldiers, and it is also inseparable from Ren Zhengfei's efficient management of these "frontier officials" (iNews)

Actually, in the early stage of Huawei's development, simply hiring people was the most urgent activity. Later, as Huawei gradually developed, the focus shifted to motivating, staffing, cultivating, and other related tasks. To accurately describe these changes, it is expedient to divide the history of Huawei's HR system into five distinct stages, 1987–1991, 1992–1997, 1998–2005, 2006–2010, and 2011–2016 that we call, respectively, personnel management (PM), beginning of human resource management (HRM), strategic human resource management (SHRM), international human resource management (IHRM), and talent management (TM). Huawei relied extensively on international consultants, such as the Hay group, to import Western best-practice HR techniques (Ma, et al, 2017; Yang, J.C., 2018; Peng and Zhang, 2019; Wu, X.,2020).

Tian and Wu (2015, p. 223) report that Ren already in 2006 "started to think about how to disrupt the balance and address the ills of large corporations." At that moment, the massive centralization of power that was started in 1996 became a problem for Huawei.

Thus, in April 2018, Huawei released "the General Outline of Huawei Human Resource

Management" (hereinafter referred to as Outline 2.0), which attracted great attention and wide discussion. Actually, Outline 2.0 is the upgrading and innovation of Huawei's HRM, and also represents the new phase of development of Chinese human resource management. For example, based on three-legged mode, Huawei's HR system is restructured as a three-dimensional structure, which is constructed around three questions: ①What is the basic starting point of human resource management? ②What is the basic system that supports the whole human resource management? ③What is the punchline of human resource management as a system? Among the three questions, one highlights starting point, one stresses the foundation, and one emphasizes the punchline. This model follows the idea of "basic law" which has been practiced for 20 years. That is, labor is the main body of value creation, and the fundamental starting point of human resource management is to continuously stimulate the vitality of individual value creation. Outline 2.0 especially states that "labor" includes knowledge innovation, and that "labor force" includes entrepreneurs as well as manual workers.

It is aligned with the characteristics of the 4th industrial era and this complex age when adaptation and resilience of both individual and organization are highlighted. Outline 2.0 is such a timely HRM policy that will help Huawei to maintain a competitive edge in the near future. This is because:

Firstly, Outline 2.0 stresses the value contribution of human resource management. It points out that the valuable contribution of human resource management is to make the organization full of vitality. To keep the organization full of vitality, human resource management should be combined with culture and employees should be endowed with great ambition and a sense of mission, so that they can have passion toward the work and move from being driven to be self-driven. It encourages employees' passion for the mission and stresses the vision drive so that all employees can work toward a common goal. This is aligned with the so-called "purpose unleashed" future which has been mentioned by Deloitte, that purpose is the dominant force driving the relationship between workers and employers (Deloitte, 2021).

Secondly, outline 2.0 can improve the adaptability and perception of the organization in the face of changes, which is an embodiment of the vitality of human resources. It advocates top management should have insights into the future, insights into customers, and insights into human nature. The entire talent management mechanism should enable the corporate to be resilient to the changes and needs.

Thirdly, outline 2.0 advocates to promote trust and simplify the thick management system. To reduce over-evaluation, over-supervising, and over-accountability. It encourages a trial-and-error approach, cultivating a cultural atmosphere of tolerance. This policy encourages an experimentation approach that can produce novelties in the business model, increase entrepreneurial discovery and alignment with market forces (Roundy, et al, 2017). In terms of employees, the tolerance culture of accountability for everyone will augment a sense of security, promote employee engagement and enhance employee resilience (Khan, Z., et al, 2019). That trust-oriented management instead of command-and-control hierarchical style is a great progress in the development of Chinese human resource management.

Fourthly, it will carry out differentiated management. Huawei is going to enter new fields such as cloud computing and smart cars in the future, which calls for differentiation and individuation of human resource management toward employees. It proposes that collaboration should be conducted not based on authority, but based on common goals of the organization; at the operational level, cooperation is carried out based on meeting the needs of employees at different levels rather than unifying their thinking; not brainwashing, but respect each individual's personality and respect the creativity of employees.

According to CIPD: the HR function helps an organization deliver its corporate strategy and objectives by effectively recruiting and developing people and managing their performance (CIPD, 2021).

A "bundle" of HR practices and related activities can display how HR works to help people develop resilience, engagement and therefore to improve performance.

In terms of job design, for example, Huawei has implemented a rotating system both for ordinary staff and top managers. With the rotating system in place, employees could change positions to determine the most suitable one for them, and at the same time, the best management skills could flow through the organization, improving Huawei's managerial effectiveness. Latter, Huawei developed the rotating leadership mechanism further, even the CEO position came to be rotated (Tang, 2016). Huawei leadership believed that this decreased the number of errors that had been made when a sole chairman was responsible for all major company decisions.

In terms of training and development, except for Huawei University, the mentorship program is designed to allow existing research staff to mentor new staff in better understanding the culture and overall work environment at Huawei. Existing staff not only were required to instil the core values of Huawei's organizational culture and key practices but also had to introduce newcomers to their colleagues in the office so they could turn to old staff for help in case of trouble. To more effectively achieve this goal, new employees were split into several smaller groups, which allowed the socialization program to be more intimate. This new process turned out to be effective, and new research employees were integrated into Huawei more easily. Thus, acting as a mentor was routinized and became a job requirement for all existing registered staff in Huawei who wanted to be promoted ().

Regarding the Benefit scheme, Huawei has a robust employee health and safety management system. In 2020, they invested CNY11.89 billion in employee benefits. Huawei sets up canteens on its campuses all over the world. More than 140 Huawei canteens kept serving employees throughout the COVID-19 pandemic.

Most importantly, it is worth noting that about half of its 190,000-odd employees own "virtual shares" that pay dividends and give them voting rights at company-wide elections (Yang, 2019). Huawei Holdings is the sole shareholder of Huawei Technologies, which in turn has two shareholders - the Trade Union Committee of Huawei Holdings and Ren Zhengfei, which hold 98.99%

and 1.01% of the shares, respectively (Wang,2021). In other words, Huawei's virtual equity system (profit-sharing system) is an effective way to realize the value of knowledge. Besides, there is another sharing plan called "time unit profit"(TUP). These distinctive incentives stimulate Huawei people to go forward.

In the next stage Huawei will enhance and improve this part of efforts. And these supportive HR practices will continue function to attract and retain talents and help this company occupy the leading position in the future.

In summary, Outline 2.0 will sustain Huawei in the next stage of development. With human resource management as the theme, it answered the questions like "Why did Huawei succeed in the past? How does Huawei's success in the past lead to success in the future? " It is a programmatic document, which is a reflection on how to achieve an innovated and future-oriented systematic human resource organization mechanism. Notably, it is a great challenge in the next several years for Huawei to deal with an iteration of human resource management when confronting younger employees of the Z generation. According to Peng Jianfeng, the Z generation pursues the career and life according to their interests and values. They do not realize wealth freedom, but they take priority of self-feeling and personality, which disrupts Maslow's hierarchy of needs (2019, p.86). Therefore, it is necessary to innovate management mechanisms, to require human resource managers to have design thinking and build an open, free, and multidimensional workplace and environment that can meet the needs of employees of the Z generation.

Given the shift to experience of employees, let's turn to Huawei's efforts on digitalized HR management experiment. Ms. Gu Xiaorong, a transformation expert consultant of Huawei HRBP, made a speech on the National Human Capital Forum on May 28th (2021). She said AI cannot replace human beings, it only can help HR practitioners optimize the management. It is a tool to support HR to do better. It also urges Huawei to reshape their HR and integrate it into an efficient HR to meet the needs of enterprise and increase the competitive edge in the future.

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Furthermore, the pan-demic has promoted the digital transformation of HRM, which requires HR to focus on the experience of employees and transformation of corporate culture and working mode. Under this circumstances, HR. 3.0 has come to the stage, advocating 4 principles and requiring HR to be an agile consultant agency IBM. Specially, HR professionals have to become a strategic advisor, trusted coach, data driven problem-solver with high tech skills of algorithm and AI system. This is what HR professionals of Huawei are using as part of their business efforts. And the success of the digital transformation of HR management will definitely help Huawei maintain the position of world class organization in the future.

Last but not the least, I have recently read a book named "the transformation of Huawei: from

humble beginning to global leadership". In the preface, the author mentioned that it is just a beginning to study Chinese enterprises to extract from their management practices a 'C theory' in a general sense" (p. xvii). To get to a general theory about Chinese management ("C theory") will require deeper analysis of fundamental Chinese thinking about strategy, such as how the concepts of *shi* and "combative coexistence" (Kissinger, 2011: 31) guide Chinese ideas about disruptive innovation (Chen et al., 2020). So except for X Theory, Y theory, and Z theory (Luman Learning), the development of idea of 'C theory' will be conducive to my understanding and research of Huawei's HRM reform and progress in the future. And I also believe the digital HR transformation and intergenerational management reform will strengthen Huawei's competitive edge in the following 5 years.

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