



20 YEARS  
OF CONNECTING  
EUROPE

## INSIGHTS



### The early years

One of the first areas of the Chinese economy to open up to foreign competition, under Deng Xiaoping's economic reforms, was the telecom infrastructure sector. Huawei was established by a man by the name of Ren Zhengfei. Yes, Ren was a Major in the PLA and in 1983, along with a million others, he lost his job. During his time with the PLA, Ren was in fact a civil engineer building bridges and factories. In 1987, he was a 44-year-old businessman who had suffered a number of failures but wanted to try again in the telecommunications field. With funds invested by five colleagues to provide working capital of about EUR 4 000, he started Huawei. At the time, he had little support and many things were stacked against him. When Huawei first started, the Swedish multinational Ericsson had already been in China for three years. In fact, there were nine international communications equipment manufacturers doing business in China at the time. Also, during this period, over 400 Chinese telecom manufacturers sprang up. Competition was based around the big cities of Shanghai, Beijing and Guangzhou. Huawei didn't stand a chance. So, establishing their headquarters in the new city of Shenzhen, the sales force went west to the remote and regional areas of China.

At the time, money was tight. The rules around private companies meant that bank loans were virtually impossible to secure. Out of necessity, the Huawei staff share ownership structure was developed to raise the capital necessary for growth. It has been the backbone of the company's success. Shares were offered to retain staff. Today, 96 000 employees

own Huawei, with our largest single shareholding belonging to our founder Ren Zhengfei, who has 1.4 % of the company.

Mr Ren has always admired US business models. He noted they focused heavily on R&D, and he looked at their business structures during a visit to the US. He then hired expert companies to help him grow his business – IBM, PWC, KPMG, Hay Group, etc. In 2000, Huawei went global. It was a slow start, with only 1 % of revenue coming from outside of China. However, it changed the course of our company's history – and, more importantly, upended the entire telecom sector. Just as in China, Huawei went to the markets that the global giants of the time ignored. Africa, the Middle East, South-East Asia. The timing proved right. Huawei missed the 2G era and started focusing on 3G R&D. As the dot-com bubble had burst, competitors spent less on R&D, giving Huawei an opportunity to catch up, turning a technology gap into a level playing field. Huawei knew that better technology was the key to success, so the company mandated that a minimum of 10 % of revenue needed to be spent on R&D. By the time 4G arrived, Huawei had become a global leader. Huawei is a 100 % employee-owned private company operating in 170 countries. More than one third of the world's population uses Huawei technology for their daily communications needs. With such reach, it is no surprise Huawei receives plenty of attention from global regulators and security agencies. As Huawei's Global Head of Cyber Security John Suffolk often says: "Huawei is the most poked, prodded and audited company on the planet."

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