



# Huawei Through The Lens of Chinese Classics

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PMBA6119 Leadership Development in The Chinese Classics

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Jay Lin Hejie 3036132251

Ken Du Kang 3036116453

Louisa Wang Lu 3036115356

Manning Wang 3035985560

Mark Li Haihu 3036115502

Sonia Zheng Peng 3036115875

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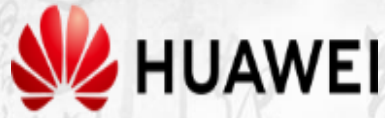


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## Introduction

by Sonia Zheng Peng



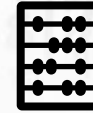


# Global leader in information and communications technology (ICT) and smart devices



## Challenges

- **2012:** Faced scrutiny in the U.S
- **2018:** The U.S. intensified restrictions, heightened scrutiny
- **2019:** Added to the U.S. Entity List
- **2020:** Further sanctions were imposed
- ...



## How was Huawei's performance?

- 99 Billions of Revenue (2023, USD)
- Operating Profit CAGR(2019~2023): 8%
- Over 200,000 of employees (as of end of 2023)



## What's Special about Huawei's Management Culture?

**Huawei exemplifies Fajia Characteristics**

Connection with Bingjia

Opposing viewpoints from Rujia and Daojia

Comparison with competitor Xiaomi





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# Huawei Through The Lens Of Fajia And Bingjia

by Mark Li Haihu and  
Jay Lin Hejie



# Huawei Exemplifies Fajia Characteristics

## Fajia 法家



- **Figures:** pragmatic political thinker who sought to create a “rich state, powerful army”; Guanzhong, Shang Yang, Shen Buhai, Shen Dao, Han Fei
- **Focus on Law:** Fajia prioritizes the “**rule of law**” over “rule of men”
- **Meaning of fa:** the concept was initially associated with precision tools: T-square, compasses, weights, measures. Similarly, fa refers to an entirety of impersonal norms, laws, regulations and institutional solutions. (Graziani)
- **Key concepts:** impartiality and transparency; punishment; mediocre rulers
- **Influences:** disrepute for contempt on ethics and intellectuals; key ideas incorporated into imperial Rujia (Yuri Pine)

## Huawei



- **<Huawei Basic Law 华为基本法>** established in 1998, which is a foundational document that highlights the mission, values, management and operation guidelines of Huawei.

### Ch.1 Mission

Mission, Core Values, Goals, Growth, Distribution of profits

### Ch.2 Operation Policies

Focus, R&D, Marketing, Manufacturing, and Investment

### Ch.3 Structure Policies

Principles, Structure, Senior Management

### Ch.4 Human Resources

Principles, Employee Obligations & Rights, Performance, Best Practices

### Ch.5 Control Policies

Management, Quality, Budget, Cost, Process, Project, Auditing, Business Units, Crisis Management

### Ch.6 Succession Plan and Revision

Succession, Requirements, Selection; Revision of The Basic Law

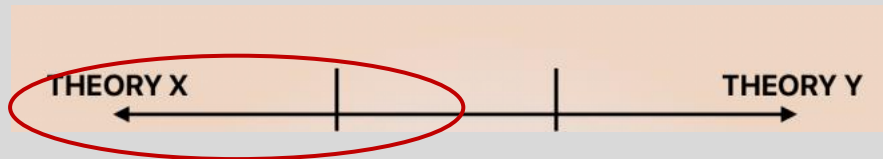
# Fajia Assumptions and Huawei

## Fajia Assumptions

- Firstly, the majority of humans are **selfish and covetous**
- Secondly, this can not be changed through **education or self-cultivation**
- Thirdly, this selfishness can become an **asset** for the ruler, as long as the ruler can let the people satisfy their desire for glories and riches in the way that accord with the **state's needs** (Yuri Pine)

## Fajia and X Theory

- Fajia adopts a theory more akin to Theory X rather than Theory Y
- This means that Fajia supports a more authoritative leadership style



## Beliefs of Fajia and Huawei



- Fajia believes the focus should be on gaining **power**.
  - Huawei believes the key is **technology leadership and superior products and services**
  - In Clause 22, it says “our business model is by gaining a leading edge in product technology.. through high investments in R&D

[韩非] 上古竞于道德，中世逐于智谋，当今争于力气

Antiquity competed in moral values; the Middle Ages pursued cunning strategies; today disputes physical strength and power.

- Fajia believes the **law** will make the country strong
  - Huawei believes the Huawei Basic Law is their **management charter** (“管理大纲”) and foundational to its strategy, operation and management.
  - In Clause 26, it says “10% of revenue should be spent in R&D”

[韩非] 奉法者强则国强，奉法者弱则国弱

When those who uphold the law are strong, the country is strong; when those who uphold the law are weak, the country is weak



# Huawei vs Fajia: Key Concepts



## Fajia 法家

### Concept of Punishment (刑罚观念)

- Fajia advocates for the use of **strict punishment** (“用狱上刑”) and place high value on authority of criminal law
- Fajia also emphasizes that law enforcement operation should follow the fundamental principles of conservatism and prudence (“明察，审慎”)

### Harmony (和谐思想)

- Fajia advocates for harmonious social interaction, and stress importance of **educating** and benefiting the people, caution in punishment (“教民、利民、慎罚”)
- Fajia stress “appointing capable individuals” (“任人”). Fajia believes **wealth** of people (“富民”) is essential, a prosperous society supports legal governance

(张涛)

## Huawei



### Management and KPI

- Centred on Huawei Basic Law, **appraisal and assessment** process (“考核与评价”) built in its business development, HR management, budget planning, quality and cost control.
- Huawei has strict KPI assessment, ensuring the performance evaluation is rigorous

### Human Resources Management

- **Chapter 4** in Huawei Basic Law dedicated to human resources management
- Huawei holds high standard for talent selection, ensuring that qualified individual are chosen for specific professional roles; **attractive salary and incentives**



# Huawei vs Fajia: Key Concepts



## Fajia 法家

### Adapability (因时而变)

- Fajia advocates “the law should **evolve** with the times, and governance should align with the needs of the era” (“法与时转，治与时宜”)
- Fajia advocates for “reformation” (“变法”), meaning the law and policies should be crafted in **response** to the specific issues and realities

### Yao Dao (君之要道)

- Hanfei stressed “essential” (要), indicating the importance of understanding the **core principles** of all things

(张涛)

## Huawei



### Adaptability and Crisis Management

- **Chapter 5** in Huawei Basic Law dedicated to crisis management. Huawei stresses strategic capabilities, enabling them to lead in 5G sector.
- In response to US sanctions, Huawei made adjustments in strategies and focuses on semiconductor, AI, cloud computing and electrical vehicles

### Core Competences

- Huawei focuses on developing core **technologies** and products that possess global competitiveness
- Huawei’s **R&D** capabilities ensures their industry leadership

# Connections with Bingjia

Huawei's management is based on the Huawei Basic Law (华为基本法), which fully implements the ideology of Fajia (法家). At the same time, many sections of the Huawei Basic Law embody the thought of Bingjia (兵家).

## Military strategies are like water

### 兵形像水

- As with business management, the heavy focus is on the need to understand real life situations, and on executions.
- Military strategies are similar to business strategies – both are like water, which has no shape itself, and is shaped according to circumstances.  
“水本无形,随形成形”
- The keys to management – to manage “power” and “planning” 权谋管理.

## Reflection in Huawei Basic Law(华为基本法)

- Stay hungry, always be activated

第一条 我们将永不进入信息服务业。通过无依赖的市场压力传递，使内部机制永远处于激活状态。

- Follow the trends and embrace the changes

第十二条 顺应技术发展的大趋势，顺应市场变化的大趋势，顺应社会发展的大趋势，就能使我们避免大的风险。

- More flexible, More effective

第十五条 在促进公司迅速成为一个大规模企业的同时，必须以更大的管理努力，促使公司更加灵活和更为有效。

- Think outside the box , break one's routine

第二十六条 在选择研究开发项目时，敢于打破常规，走别人没有走过的路。

- Dynamic evolutionary matrix Org. structure

第四十八条 公司组织的矩阵结构，是一个不断适应战略和环境变化，从平衡到不平衡再到新平衡的动态演进过程。

- Take positive and responsible action

第七十六条 公司鼓励员工和部门主管……，在环境和条件发生了变化的时候，……，主动采取积极负责的行动。



# The Reflection of "military strategies are like water" in Huawei

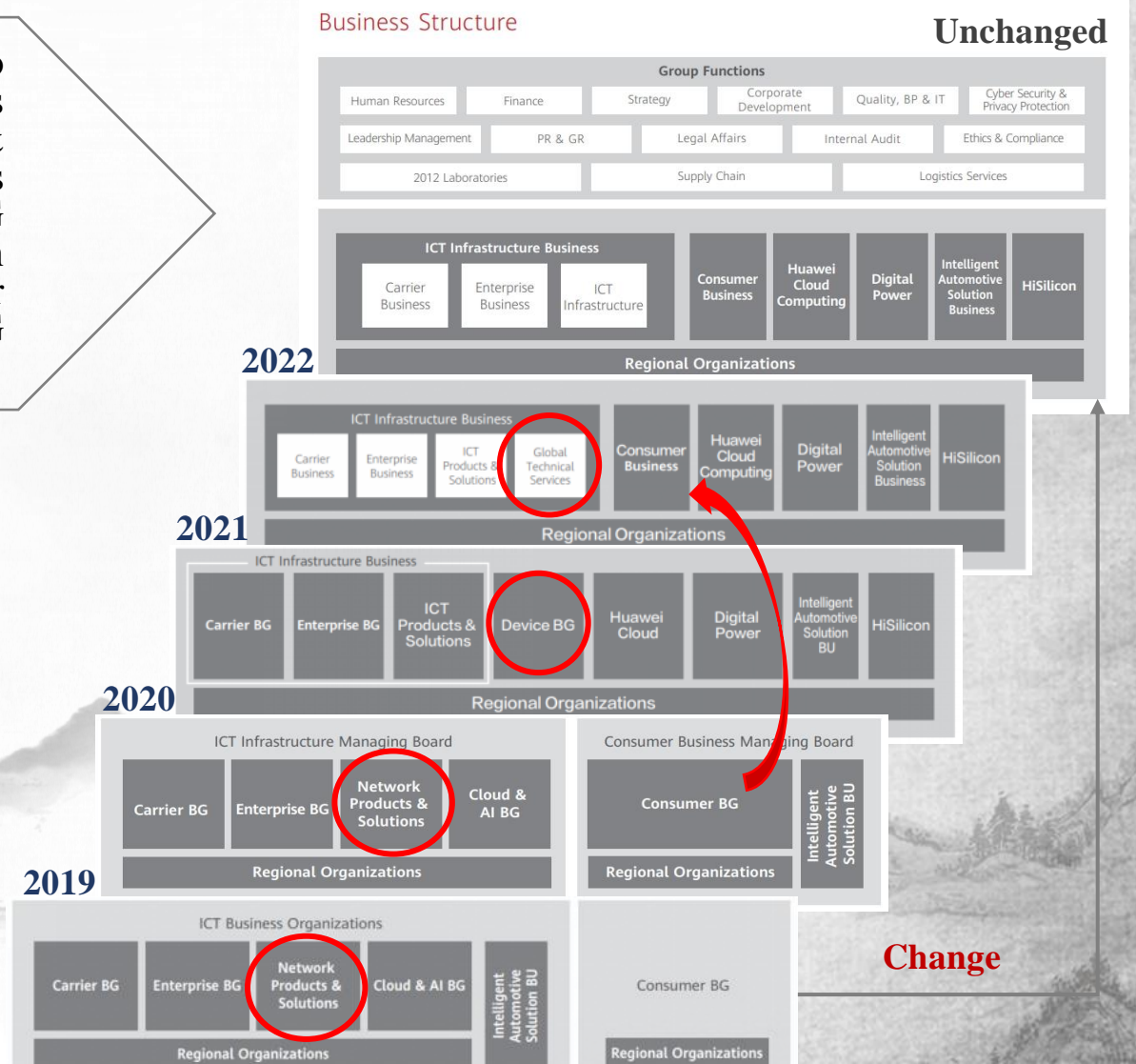
Huawei's matrix organizational structure and its dynamic evolutionary process of constantly adapting to changes in strategy and environment fully reflect the Bingjia thought of "military strategies are like water" .

To create an agile organization that responds quickly to customers and markets, Huawei's regional organization has changed every year for the past five years. Network Product & Solution Division exists only in 2019 and 2020, and was merged into other divisions after 2021. Similarly, Device BG and Global Technical Service Business Units were created in 2021 and 2022, respectively, but were merged into other business units the year after their creation. Consumer BG Division was abolished in 2021, but was reinstated in 2022.



*Let the people who hear the gunfire make the decisions.*

---Renzhengfei



# Rule of Law in Bingjia

Bingjia advocates the rule of law and also emphasizes punishment. Like Fajia, Bingjia emphasizes the use of the will and behavior of the law to constrain or bring into play human subjective initiative. Under the premise of emphasizing the majesty of law, Bingjia, on the one hand, attaches importance to the strictness of reward and punishment, and, on the other hand, highlights the spirit of power and change to safeguard the decision-making authority of generals.



Wuji Bingfa 吴子兵法

Winning with governance, strong discipline as pre-condition  
“以治为胜、教戒为先”



“If the decree is not clear, if the reward and punishment are not believed,....., what good will they do?”  
“若法令不明，赏罚不信，金之不止，鼓之不进，虽有百万，何益于用？”



Wei Liao Zi 尉繚子

Heavy rewards and heavy punishments  
“重赏重罚”



“The reward is like the sun and the moon, the letter is like the four seasons,..., the soldiers do not use their lives, which has not been heard of” “赏如日月，信如四时，令如斧钺，制如干将，士卒不用命者，未之闻也。”



Si Ma Fa 司马法

Timely enforcement of penalties and prohibitions  
“及时行罚、令行禁止”



“Reward is not overdue, ..... Penalties are not to be relocated, so that the people can quickly see the harm of being ungood.”  
“赏不逾时，欲民速得为善之利也。罚不迁列，欲民速睹为不善之害也。”

赏罚  
权变

赏罚  
权变

## ➤ Rewards and Punishments in Huawei

第六十八条 对违反公司纪律和因牟取私利而给公司造成严重损害的员工，根据有关制度强行辞退。  
第六十九条 我们在报酬与待遇上，坚定不移向优秀员工倾斜。

## ➤ Use methods in line with local circumstances 权变

第九十四条 我们的方针是，只要符合事业部控制的“三个有利于”原则，就对之实行充分的授权。







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## Opposing Viewpoints From Rujia And Daojia

By Manning Wang  
and Ken Du Kang



# Rujia in Huawei - 礼法之争

## ● Rational Governance or Emotional Governance

### Rujia

- **Rujia** teaches people through truth, goodness and beauty ( “真”、 “善”、 “美” ), using a simple and emotional approach.
- eg. “礼之用，和为贵。先王之道，斯为美。” by 孔子

### Fajia

- **Fajia** promotes governance through law, emphasizing consistent principles even if the situation changes. It sees law as a tool for judgment rather than the only measure of right and wrong.
- eg. “尺寸也、绳墨也、规矩也、衡石也、斗斛也、角量也,谓之法。” by 管子

### Huawei

- **Huawei** has a strong and complete corporate governance structure. For example, Huawei follows the principle of "profit coming from a single source." ( “利出一孔” ) All income for staff in Huawei can only come from Huawei's salaries, bonuses, dividends, and other official sources.
- eg. “员工不允许炒股或者以关联交易的行为从中获利。” by 华为基本法



# Rujia in Huawei - 礼法之争

## ● Classic VS Innovation

### Rujia

- **Rujia** focuses on the past, believing the best society was during ancient sages. It views the rituals of the Zhou Dynasty (“周礼”) as the ideal standards to follow.
- eg. “尧舜之道,孝悌而已” by 孟子

### Fajia

- **Fajia** always supports reforms to keep up with changing society.
- eg. “今欲以先王之政治当世之民, 皆守株之类也” by 韩非子

### Huawei

- **Huawei** CEO - 任正非 rarely reflects on Huawei's history, and it's almost impossible to find pictures of the company's past within Huawei.
- Eg. “华为不需要历史, 华为要忘掉历史。” by 任正非 (华为CEO)

## Rujia in Huawei - Work Schedule

- **996.ICU - Work by '996', sick in ICU**: The 996 work schedule means working from 9 AM to 9 PM, six days a week, for at least 72 hours of work each week.
- The "996" work schedule refers to **an illegal work schedule** in China. However, it's popular among the high technology companies.

*The State shall practice a working hour system wherein labourers shall work for no more than eight hours a day and no more than 44 hours a week on the average.*

*-----Labour Law of the People's Republic of China*





# Rujia in Huawei - Work Schedule

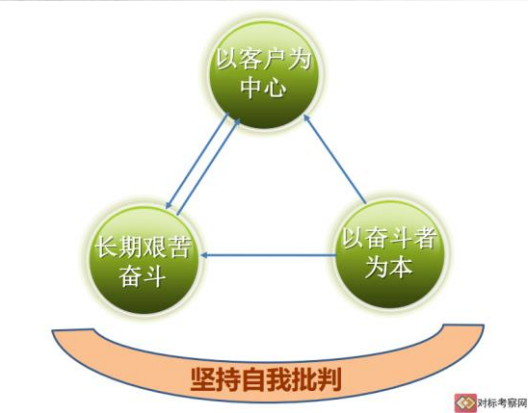
- Huawei is listed as the top company on the "996 Company List." It even uses the 9106 working model, which involves working from 9 AM to 10 PM, six days a week. Additionally, employees are required to sign a voluntary struggle agreement (“自愿”的奋斗者协议).

以客户为中心、长期艰苦奋斗、以奋斗为本。

-----华为企业文化

我申请成为与公司共同奋斗的目标责任制员工，自愿放弃带薪年假，非指令性加班费和陪产假。

-----“自愿”的奋斗者协议



名单列表

所在城市	公司名字	曝光/施行时间	制度描述	证据内容
深圳	华为	2010年8月	9106	华为：“自愿”的奋斗者协议
杭州	阿里巴巴	2018年6月	996	阿里巴巴的996加班文化，看到这些恐怖数据，你也会辞职！
杭州	蚂蚁金服	2018年11月	9106	阿里前员工吐槽：从蚂蚁金服离职了，真的拿员工当蚂蚁使

# Rujia in Huawei - Work Schedule

- Huawei's culture emphasizes struggle and hard work, while Rujia highlights values such as benevolence, righteousness, propriety, wisdom, and trust (“仁”、“义”、“礼”、“智”、“信”).
- The management wisdom in Rujia emphasizes compassion, loyalty, and integrity.
- Huawei should care more for their staff and respect their employees. We believe that Rujia shall be incorporated into Huawei's corporate culture.





# Daojia in Huawei – Mr. Ren V.S. LAO ZI



- **Far-Ahead (遥遥领先)**

>>

- Culture: Aggressive
- Methods: Technological Innovation
- Market Strategy : Market Dominance

- **Non-Action(无为而治)**

>>

- Culture: Wu wei
- Methods: Simplicity
- Market Strategy : Harmony

# Daojia in Huawei - Culture

## Aggressive Strategy



Objective Clarity  
Emphasize Proactive and  
Enterprising Spirit  
Wolf Culture (996, 10107)

VS

## Non-Action(无为)



Achieve harmonious and natural  
governance  
Emphasize following nature  
without deliberate intervention.



# Daojia in Huawei – Methods

## Innovation



Achieve a leading position through technological innovation, market strategy, and efficient management.

VS

## Simplicity



“少则得，多则惑。”  
(《道德经》第22章) [4,5]

“见素抱朴，少私寡欲。”(《道德经》第19章) [4,5]

# Daojia in Huawei - Market Strategy

## Competitive



Modern Business Philosophy Based on Competition and Efficiency

Emphasizes Proactivity and Aggressiveness

VS

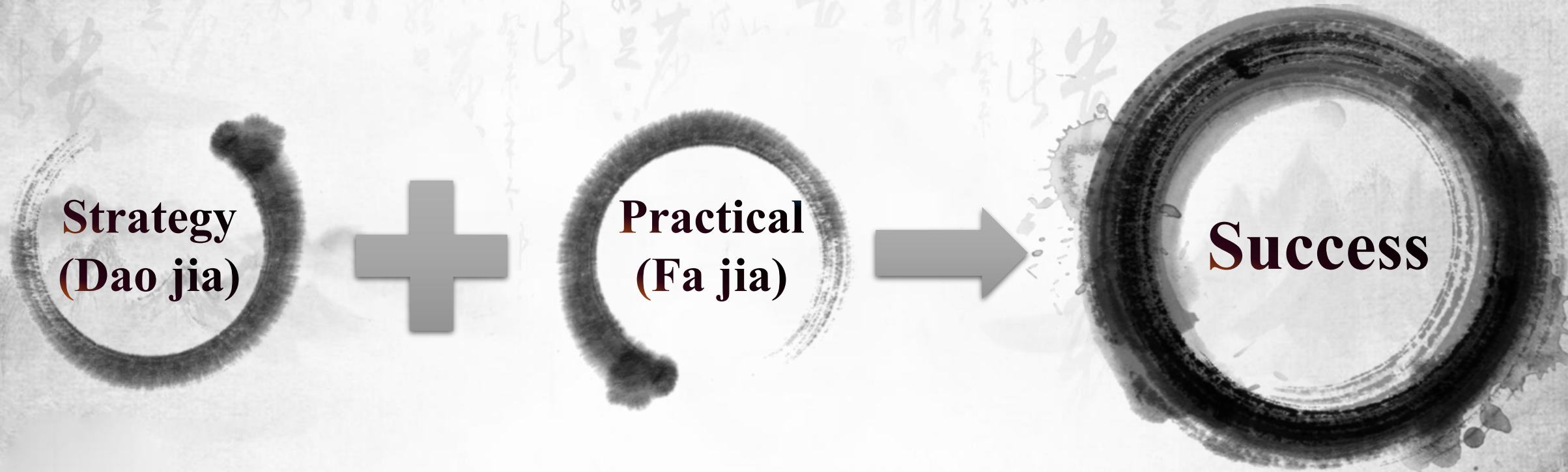
## Harmony



Based on the natural philosophy of Taoism, emphasizing harmony with nature.



## Conclusion: Dao or Fa?







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# Opposing Viewpoints From Competitor Xiaomi

by Louisa Wang Lu



# What about Competitor? - Fajia Principles Reflected in Xiaomi

小米集团  
Xiaomi Corporation



xiaomi



位于北京海淀区的总部小米科技园



## Emphasis on efficiency and regulations

Fajia advocated for a well-structured legal system to maintain social order and enhance administrative efficiency.

Similarly, Xiaomi places a strong emphasis on standalized processes and efficiency in its internal management.



## Centralized decision-making

Fajia promoted centralized power in the hands of a ruler. While Xiaomi's decision-making process is relatively open, ultimate decisions still rest with the top management, aligning with the centralized nature of Fajia thought.





## Focus on law and contract

Fajia highlighted the importance of law in maintaining social order.

Xiaomi, like any modern corporation, places a strong emphasis on contracts and legal compliance in its business dealings.

# Differences in the application of Fajia in Huawei and Xiaomi



	What do they emphasis on?	Characteristics	Why is the success?
<div>Huawei</div> 	<ul style="list-style-type: none"><li>◆ Place greater emphasis on institutionalized management, performance appraisal, and efficiency priority.</li></ul>	<ul style="list-style-type: none"><li>◆ Highly consistent with certain aspects of Fajia thought.</li></ul>	<ul style="list-style-type: none"><li>◆ Strict internal competition mechanism</li><li>◆ Talent training system</li><li>◆ Global strategic layout.</li></ul>
<div>Xiaomi</div> 	<ul style="list-style-type: none"><li>◆ Emphasizes institutional management</li><li>◆ Pays more attention to user experience, rapid iteration and open cooperation.</li></ul>	<ul style="list-style-type: none"><li>◆ Also related to Daojia and Rujia ideas.</li></ul>	<ul style="list-style-type: none"><li>◆ Product philosophy of "Just for fans"</li><li>◆ Open ecosystem</li><li>◆ Strategy of "Xiaomi plus rifles."</li></ul>



Both Huawei and Xiaomi have drawn nutrients from the thoughts of various schools of thought and combined them with their own circumstances to form unique corporate cultures and management models.

Each of these two models has advantages and disadvantages, and may perform differently in different market environments.







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## Conclusion

by Sonia Zheng Peng





## What did we learn through our analysis?

Huawei's ongoing and past management practices, grounded in the Fajia philosophy, have demonstrated their effectiveness in helping the company navigate challenges and obstacles.

*BEIJING, Oct 31 (Reuters) - Chinese tech giant Huawei (HWT.UL) reported a drop in net profit despite a jump in revenue on Thursday for the first nine months of the year...*

*“Even now, we can’t say we’ve secured survival,” Ren said on Oct. 14. Unlike Huawei, “99% of Chinese companies can collaborate with the U.S.,” Ren said. “They haven’t faced sanctions, their computing power is higher than ours, and they have access to superior technology.*

*“Don’t look at us today and think we have great dreams,” he said. “No, we are still struggling.”*




Huawei founder Ren Zhengfei at the company's headquarters in Shenzhen, China, in January 2019. Ren recently spoke about Huawei's survival at a programming competition event on Oct. 14, 2024.

QILAI SHEN—BLOOMBERG/GETTY IMAGES

Looking ahead, we recommend incorporating elements from the Rujia and Daojia philosophies to further enhance Huawei's ability to adapt to the evolving mindset of the workforce and changes in the business environment.







# Q & A

## Thanks for Listening!

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Jay Lin Hejie 3036132251

Ken Du Kang 3036116453

Louisa Wang Lu 3036115356

Manning Wang 3035985560

Mark Li Haihu 3036115502

Sonia Zheng Peng 3036115875



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