

CONTENTS



28 How do Leaders Learn to Lead



35 Leadership as the Search for Greater Coherence



57 Nelson Mandela as a Strategic Leader



69 Who Says Yes When the Headhunter Calls?

4 Leading Huawei: Seven Leadership Lessons of Ren Zhengfei

David De Cremer and Tian Tao

15 Transitioning to General Management

Kevin Kalsner, Michael Pich and JJ Schecter

22 Do's and Don'ts for Taking Off in a New Role: Reflections from Top Management

Guido Stein

28 How do Leaders Learn to Lead?

Gerard Seijts

35 Leadership as the Search for Greater Coherence

Nathan Harter

41 Women as Global Leaders: Challenges & Strategies for Getting to the Top

Susan R. Madsen and Faith Wambura Ngunjiri

48 Whether They are "Born or Made," Global Leaders Share Four Fundamental Capabilities

J. Stewart Black and Allen J. Morrison

57 Nelson Mandela as a Strategic Leader

Paul J. H. Schoemaker

69 Who Says Yes When the Headhunter Calls?

Peter Cappelli and Monika Hamori

75 Landing in a New Executive Position: Keys for Taking Charge

Guido Stein Martínez

82 Boards That Lead

Ram Charan, Dennis Carey and Michael Useem

- 91 To be a Better Leader, Lead Like a Guide**
Chris Maxwell
- 100 Jealous Leader's Behaviour: The Othello Boss Syndrome**
José Ramón Pin and Guido Stein
- 107 What Good Managers Do: Management Priorities for the 21st Century**
Jaume Llopis and Joan E. Ricart
- 114 Blueprints for Ensemble Leadership: Choosing the Right Operating Model**
Robert J. Thomas, Joshua Bellin, Claudy Jules and Nandani Lynton
- 124 Forgiving: The Hidden Dimension of Exceptional Leadership**
Manfred F. R. Kets de Vries and Katharina Balazs
- 135 Developing Adaptive Leaders for Turbulent Times: The Michigan Model of Leadership**
D. Scott DeRue, Gretchen Spreitzer, Brian Flanagan, and Benjamin Allen
- 147 The Leadership Triangle: It's Not Only About The Leader**
Art Padilla and Laura Gail Lunsford
- 158 Hunting the High Impact Leader**
Gautam Mukunda
- 167 Marginals as Global Leaders: Why They Might Just Excel**
Stacey R. Fitzsimmons, Yih-teen Lee and Mary Yoko Brannen
- 176 On the Closing Gap... Between Leaders and Followers**
Barbara Kellerman



91 To be a Leader,
Lead Like a Guide



147 The Leadership Triangle:
It's Not Only About the Leader

- 184 Mastering the Art of Leadership: Hard-Won Lessons from Turnaround CEO**
Robert F. Amter
- 191 On the Challenge of Pro-Active Leadership and the Danger of Procrastination**
David De Cremer
- 197 Women in Top Management: Broken Ladders and Human Rights**
Karsten Jonsen
- 206 Stop Stealing the Spotlight: The Perils of Extraverted Leadership**
Adam M. Grant, Francesca Gino and David A. Hofmann

LEADING HUAWEI: Seven Leadership Lessons of Ren Zhengfei

BY DAVID DE CREMER AND TIAN TAO

“Every generation produces its own great character, and each exerts impact for hundreds of years.” True to this Chinese saying, Zhengfei has indeed proven that he had the influence and insights needed to design the most effective strategies to ensure that Huawei has grown into a world leading company. In this article David De Cremer and Tian Tao discuss the seven important leadership lessons that have made Huawei the company it is today.

The relationship between China and the European continent carries much history with it. Since China has become the second largest economy in the world, this relationship has taken new forms in the shape of several business initiatives. Particularly the Silk Road Economic Belt and the 21st Century Maritime Silk Road initiatives, which include a patchwork of diplomacy and free trade zones, have received their share of attention. The number of Chinese companies investing and engaging in acquisitions in Europe has seen a steep growth curve. One Chinese company that is increasingly becoming active in Europe is the Chinese telecom giant Huawei.

Although this multinational company surpassed Ericsson in 2012 as the world leader in terms of sales revenue and net profit, the company is still relatively unknown to the European business audience. This is surprising because Huawei has been very active in 2014 and 2015 in securing many partnerships with European firms, ranging from a focus on cloud storage and cell phone applications in security areas. Its founder, Ren Zhengfei, has recently even referred to Europe as a market where they feel at home as a telecom company.

The road to success for Huawei started in 1987 where it was founded in the economic testing zone of Shenzhen. In the early years, Huawei, as a private company, had to battle primarily the State Owned Enterprise (SOE) dominated

One of the strengths that people usually refer to when talking about Huawei's founder is that he is always thinking about the kind of company he wants Huawei to be in the next 10 years.

market. Its fighting spirit, however, made it resistant to many negative influences and today Huawei can be called the only true global Chinese company. Indeed, looking at the Fortune Global 500 list, Huawei is the only mainland Chinese company (out of 91 Chinese companies listed) earning more revenue abroad (67%). In fact, the company only seems to be growing stronger. In the fiscal year of 2014 Huawei reached an all-time high sales revenue of CNY288.197 billion (US\$46.515 billion) and CNY27.866 billion (US\$4.49 billion) in net profit.

Given these achievements combined with a certain myth of a Chinese emperor rising to the global stage, it begs the question what the philosophy and driving force behind this business success is. Many will say that the blueprint of Huawei's success has been laid out by Zhengfei and even though Huawei nowadays makes use of a rotating leadership system in which every six months another board member is the acting CEO, its founder still has a significant impact on the pace and direction of the company. Based on interviews with Huawei employees, its executives, and finally, Ren Zhengfei himself allowed us to arrive at 7 important leadership lessons that have made Huawei the company it is today (see Figure 1 on the next page).

1. Purpose-driven Ambition

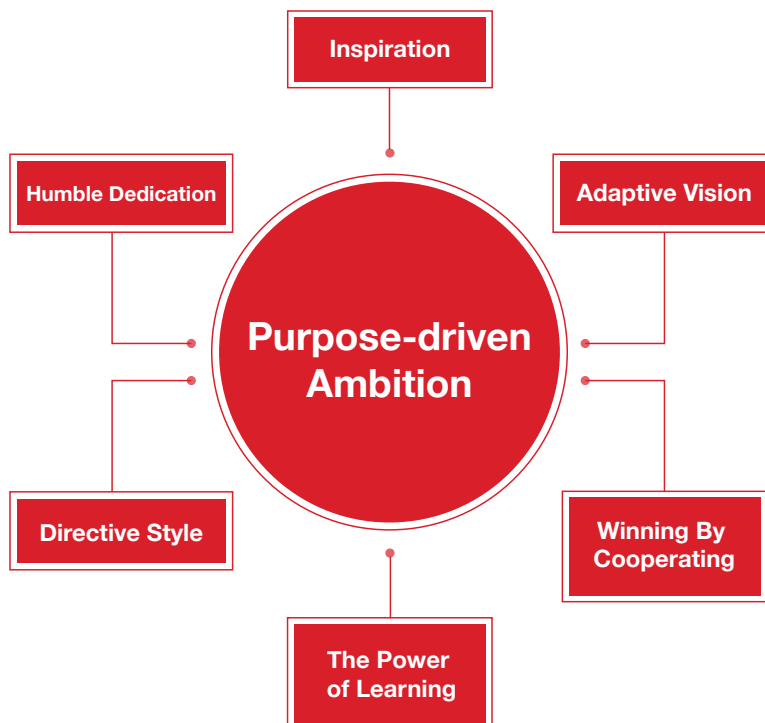
The core of Ren Zhengfei's leadership is the undeniable fact that he is very clear about the purpose of Huawei, which is helping customers to realise their dreams.



It is a well-known fact that Zhengfei truly lives this purpose and pursues it with unlimited energy, making Huawei his natural born mission. In a way obsessed by doing good for the customer, Zhengfei is relentless in communicating this purpose by means of stories to his employees and convincing them that they all should be dedicated to pursue the mission of the company: “To connect people via communication.”

Part of making the dreams of customers to come alive is the idea that providing the best service possible is crucial to the success of the company. In the early years of Huawei, Zhengfei was very much aware that their products did not meet the standards of those of its competitors. For that reason he looked for alternative ways to attract customers. In his view this could only be achieved by providing excellent services. For example, Huawei equipment broke down frequently, so Huawei technical engineers went to customer equipment rooms to repair the equipment at night when the equipment was not being used.

Figure 1. The 7 Leadership Lessons of Ren Zhengfei



“

Huawei has indeed invested considerably in creating a learning **driven culture** where the power of the mind is visible.

Huawei responded to customers 24/7. This practice differed from the ones used by Western companies, which had advanced technologies and equipment, but ignored their services sector. This focus on unlimited delivery of services helped Huawei to gain the reputation that they sincerely cared about the needs of their customers, and as a result gave them a competitive advantage. For example, in the desert and rural areas in China, rats were a plague for the telecom connections to customers. The multinationals that were present in China at that time did not consider this to be their problem, but rather that of the customer. Huawei's competitors assumed that they only had to provide the technology to the customer. Huawei, in contrast, decided to provide these services to their customers. They viewed the rat problem as one the company had the responsibility to solve. An interesting consequence was that because of this purpose-driven strategy they acquired much experience in developing robust equipments and materials, which helped them later on to win several big business accounts in the Middle-East.

2. Adaptive Vision

Fuelled by his passion, Ren Zhengfei works hard to translate the purpose of the company into a vision aimed at Huawei achieving a world leading status. While pursuing this vision, he continuously has proven his ability to design strategies that enabled him to adapt his vision to the challenges that the company faces. Important in this whole management process is that his use of an adaptive vision never compromises the purpose and values of the company. This ability derives from his pro-active attitude. He is continuously focused on the future and hardly ever ruminates about the past. As a matter of fact, one of the strengths that people usually refer to when talking about Huawei's founder is that he is always thinking about the kind of company he wants Huawei to be in the next 10 years. For example, Huawei plans the development of the company by decade, whereas most of their competitors such as Ericsson and Motorola

plan it by financial quarter or year.

His ability to critically reflect on past successes and at the same time to identify the future challenges in the next decade makes Zhengfei an impactful business leader in the eyes of many Chinese. Indeed, as the Chinese say: *Every generation produces its own great character* (Jiang shan dai you ren cai chu) and each exerts impact for hundreds of years (Ge ling feng sao shu bai nian). True to this Chinese saying, Zhengfei has indeed proven that he had the influence and insights needed to design the most effective strategies to ensure that Huawei has grown into a world leading company across three phases, each lasting about a decade. Interesting in this journey so far is that each phase is characterised by a specific focus and strategy.

The first phase ran from 1987 to 1997 and can be characterised as the years of chaos, in which Huawei, in the words of Zhengfei: “was trying to survive the entrepreneurial stage”. It was all about hard work to bring the company up to the level that it was able to provide higher-quality service. In phase 2, running from 1997 to 2007, Huawei became more structured by hiring IBM to implement management structures as these were completely lacking at that time. In the words of Zhengfei: “Chaos was removed and structure entered Huawei”. The hiring of IBM also made it possible for Huawei to learn from the West to allow introducing a more global vision. Zhengfei was very clear about this ambition and demanded that all Huawei employees would adopt the US-based way of looking at business as introduced by IBM. He made this persuasively clear by literally saying that it is necessary “To cut off your feet to wear the shoe” (xue zue shi lu). In his view, it was necessary in the second phase to wear the shoes of the Americans, and if your feet would not fit then we have to cut it. This statement was understood as underlining that his global ambitions were there to stay and grow. In the third phase, after 2007, the strategy was to simplify management and be creative with top talents to turn

June 2005:
Huawei's first
3G mobile
phone, the U626,
was awarded
the 'Best 3G
Smartphone'
by the Charlton
Media Group.



June 2006:
Huawei launched
the world's
fastest and most
compact HSDPA
USB Modem,
the E220, in
Singapore.

Underlying his focus on story telling is his strategy to energise people and introduce a sense of vitality to the projects that need to be undertaken.

Huawei into an efficient and creative creator of customer's dreams. Zhengfei was worried that phase 2 created a kind of decision-making that was less than efficient. Decisions were taken much slower than in the first – more chaotic – years of the company and fear existed that the bravery and courage underlying the company's striving for innovation would disappear. For that reason, phase 3 focused on simplifying management and creating conditions that more creative chaos could be brought back into the structured management models.

3. Inspiration

Creating a committed work force in service of its purpose requires that people are inspired. One of the consistent qualities that have been attributed to Ren Zhengfei is his ability to inspire others. Zhengfei is a big fan of the practice of story telling and makes extensive use of it as a vehicle to deliver his ideas to employees in a passionate manner. For example, in the early years of Huawei (Phase 1), he regularly told stories to employees that he believed that in 20 years Huawei would have 1/3 of the market share in the world, despite the fact that at that time Huawei only employed about 200 employees. Many of them thought at that time that he was crazy. Nevertheless, Zhengfei remained persistent in talking about his ambitions at all kind of occasions. Famous is the story where Zhengfei in Huawei's fifth year of existence, suddenly rushed out of the kitchen when cooking for Huawei employees abroad – his hobby is cooking – and announced, "Huawei will be a top three player in the global communications market 20 years from now!"

Underlying his focus on story telling is his strategy to energise people and introduce a sense of vitality to the projects that need to be undertaken. Especially in the entrepreneurial years of the company he used this strategy to be both a strong mentor and leader for his employees. As a leader he was used to delivering a vision and as a mentor he was guiding his employees towards their goal. For example, as the products of Huawei in their pioneering years were not yet well developed he visited many R&D offices abroad. During one of these visits, in 1997, he visited the Bell labs in the USA. The story goes that

Zhengfei was so moved by the work done in those labs that he cried. Back home in Shenzhen, Zhengfei told everyone that the passion that he felt for that lab was equal to love. Bringing this emotion-laden message was meant to motivate his own people and eventually to make his R&D people believe that they could one day be better than the researchers at the Bell labs.

4. Humble Dedication

In his pursuit of the Huawei dream, Ren Zhengfei seems to know his own limitations and does not portray himself as the ultimate know-all leader. When he talks about his skills and qualities he always emphasises that he is not the most knowledgeable. It is clear that – although very ambitious and action-driven – he also cares about the value of being humble. For example, although his inspirational leadership style pushes forward the company and guides it through transformational phases, he is always quick to add that he may not be that good in bringing people together as many would like to believe. He is very careful not to feed the myth of his leadership and rather emphasises the importance of working hard in the success story of Huawei.

In a similar vein, since the beginning of Huawei, it is a known fact that Zhengfei is not a technical expert, but he never saw that as a weakness. Instead, he believed it was a strength. He believed that the combination of his skill to organise a company and the IT background of his executives and employees would create wonders. Zhengfei made this very clear when he said: “I do not know anything about technology, but I can bring people together to work for the collective.” He is praised for his desire to hire better people in the areas he is weak in, with the ultimate goal to improve the quality of Huawei products and services.

Underlying these beliefs is clearly an idea of sharing

“
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– Ren Zhengfei

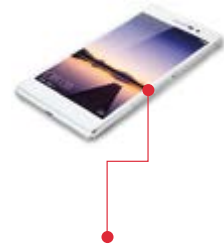


responsibility but also sharing the rewards that are earned because of these collective successes. The best illustration of how rewards are shared is the fact that Zhengfei only holds 1.4% of the company's total share capital whereas 82,471 employees hold the rest of the shares (stated in Huawei's 2014 Annual report, as of December 31, 2014). This incentive performance system ensures that people are not only motivated to work hard towards collective success, but probably even more importantly it ensures that Huawei really is an employee-owned company.

5. Directive Style

In China, leadership has traditionally been grounded in a hierarchical top-down management system. Huawei is to a large extent no stranger to this system. The leadership of Ren Zhengfei, however, does differ from this rather "controlling only" style in important ways. On one hand he possesses the characteristics of a controlling leader who makes all the decisions. As can be expected of a man with an army background – he served in the People's Liberation Army – he is known to be intense and tough and never loses control. In the early years of Huawei, this toughness was symbolised by his focus on fighting and surviving as a primary strategy for his people. The slogan at that time was: *We shall drink to our heart's content to celebrate our success (ren sheng de yi xu jin huan), but if we should fail let's fight to our utmost until we all die (ju gong jin cui, si er hou yi).*

On the other hand, Zhengfei is also known to give much freedom when it comes down to how decisions are executed. In Huawei's early years, Zhengfei retained authority on major decisions such as corporate development strategies and culture building, but fully empowered employees when it comes to R&D, manager appointment, compensation & benefit allocation, and other areas. This practice allowed managers to become more active and creative, but also created chaos. After learning from the West for almost



Ascend P7
Sapphire Edition:
China's first 4G
smartphone
featuring a
sapphire screen.



Huawei unveiled this year's flagship smartphone; the P8, featuring a 5.2-inch FHD screen, 1080p (1920 x 1080), powerful 2680 mAh battery, more powerful Hisilicon Kirin 930, 8-core 64bit, 2.0GHz chipset.

20 years, Huawei has established an increasingly standardized and institutional decision-making system. Collective decision-making ensured that Huawei made fewer mistakes and absorbed collective wisdom, but it also caused rigidity. Therefore, Zhengfei acted more like a catfish in the high-level decision-making process, who has constantly created imbalance to inspire passion across the organisation. Today, Huawei has developed a decision-making system with limited democracy and appropriate centralisation. Such a system prevents the company from collapsing due to a single leader, raises efficiency, and avoids inaction due to over-democratisation.

6. Winning by Cooperating

One defining feature of the Huawei culture is that it is able to bring together opposing forces and tendencies. One opposing force is the idea of “attack” versus “compromise” or also referred to as the simultaneous tendency to cooperate versus compete. As mentioned earlier, the first two decades of Huawei’s existence were dominated by the force of attack in order to survive and gradually become a better service provider. At that time, Zhengfei clearly used a competitive mindset as the driving force to grow as a company. Essential in his idea to compete, however, is that it should be done with respect for its opponents.

Where does this idea of competing in a cooperative way come from? This company philosophy was inspired by the heroic tales of the Glorious Revolution that took place in England in 1688. Zhengfei has a strong interest and passion for learning about historic events. In the early years Huawei had the tradition to regularly invite scholars from the East and the West to talk about the histories of their countries. One story that stayed with Zhengfei was the overthrow of King James II of England by a union led by William of Orange in 1688, which was called the Glorious Revolution. This revolution was also referred to

A common theme in everything that **Ren Zhengfei** as a leader undertakes is the ability to reflect, think and act.

as the bloodless revolution because the victory of William of Orange was achieved without bloodshed. This fact inspired him to embrace the idea that one can win and still be cooperative.

This idea of adopting a cooperative mindset in a competitive market can be illustrated by Huawei's efforts in the UK. For example, in the UK, Huawei has put much effort into convincing the British government and general public that they and their procedures can be trusted, by (a) Setting up the Cyber Security Evaluation Centre in Banbury to ensure the quality of their equipment, and (b) Cooperating with the GCHQ, the UK's signals-intelligence agency, to ensure that the networking equipment and software is reliable and secure. In fact, the recent and growing success of Huawei in Europe can also be attributed partly – in addition to their service-oriented focus (see again the point of purpose-driven ambition) – to their philosophy of explicitly incorporating a strategy to develop cooperative relationships with competitors in the market. Indeed, EU officials initially wanted to investigate the anti-dumping act in relationship to Huawei's products. Despite this controversy, Huawei received support from both Ericsson and Nokia, stating that in their view Huawei was not dumping its products.

7. The Power of Learning

A common theme in everything that Ren Zhengfei as a leader undertakes is the ability to reflect, think and act. He is frequently quoted as saying that the most important thing to value is the power to think. He does not only consider this kind of power to be an important personal characteristic but sees it as an essential part of the Huawei culture. According to him, Huawei should be focused on building a company where people's minds are the main asset and resource to rely on. The importance of thinking, in his view, is that it provides the skills to connect the dots needed to work with an agile vision and strategy. In a way Zhengfei works hard to always keep clear to himself a kind of meta-view that enables him to make informed strategy decisions.

Interestingly, such a strategy suggests that a power of thinking attitude aligns with a shared learning orientation. Huawei has indeed invested considerably in