

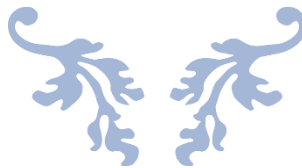


The Impact of Customer Satisfaction on the relation between Organization Agility and Revenues Change moderated by U.S Sanctions

Case study of Huawei

تأثير رضا العملاء على العلاقة بين سرعة المنظمة وتغيير الإيرادات التي تخضع لإشراف العقوبات الأمريكية

دراسة حالة شركة Huawei



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Introduction

- “Huawei is China’s leading high-tech company, founded in 1987 and has achieved rapid business growth in the information and communication technology (ICT) industry in recent years”⁽¹⁾. It has over 207 thousand employees and operates in 170 nations and regions, serving 3 billion people worldwide. The company is currently one of the best Chinese firms with a track record as a cutting-edge global firm.
- Since Huawei stands at the top of the innovation ecosystem of the ICT industry and global innovative firm which represents China as a “high-tech” nation, it has unique characteristics” ⁽¹⁾ in terms of its corporate strategies that differentiate it from other Chinese firms, it is essential to analyze the development of Huawei since 1987.
- This research is to focus on various angles Ex. challenges facing one of Huawei’s corporate strategies “overseas expansion strategy” and its effect on customer satisfaction, loyalty, revenues and profitability from present high-tech war between the US and China
- Furthermore, to correctly understand the background of the present high-tech war between the US and China that has triggered the exclusion of Huawei products and by several countries in the West, and customer satisfaction it is extremely important to examine the characteristics of Huawei’s corporate strategies.

Problem Statement

What the Impact of Customer Satisfaction on the relation between Organization Agility and Revenues Change moderated by U.S Sanctions?

Research questions and objectives

- What is the current situation of Huawei's revenue?

Objective: to describe the impact of U.S sanctions and customer satisfaction on the revenues of Huawei.

- Why the customer satisfaction and U.S sanctions so important to know?

Objective: to explain the effect of U.S sanction and customer satisfaction on the revenues and the effect of Huawei being Agile on revenues

- How to increase the revenues under the U.S sanction by acting agile?

Objective: to explore the effect of organization being agile on the customer satisfaction and so revenues

Research Suggested Reasons

- Identify the impact of US sanctions on Huawei revenues.
- Identify the impact of US sanctions on customer satisfaction with the services provided by Huawei.
- Disclosure of the impact of US sanctions and Huawei's graceful handling of those sanctions.

Hypotheses

Indication of impact Customer Satisfaction on the relation between Organization Agility and Revenues

Change moderated by U.S Sanctions

Research Hypotheses

- If the agile management is high, then the customer satisfaction is also high.
- If the continuous improvement is high, then customer satisfaction is also high.
- If the customer responsiveness is high, then customer satisfaction is also high.

Directional & Non-Directional Hypotheses

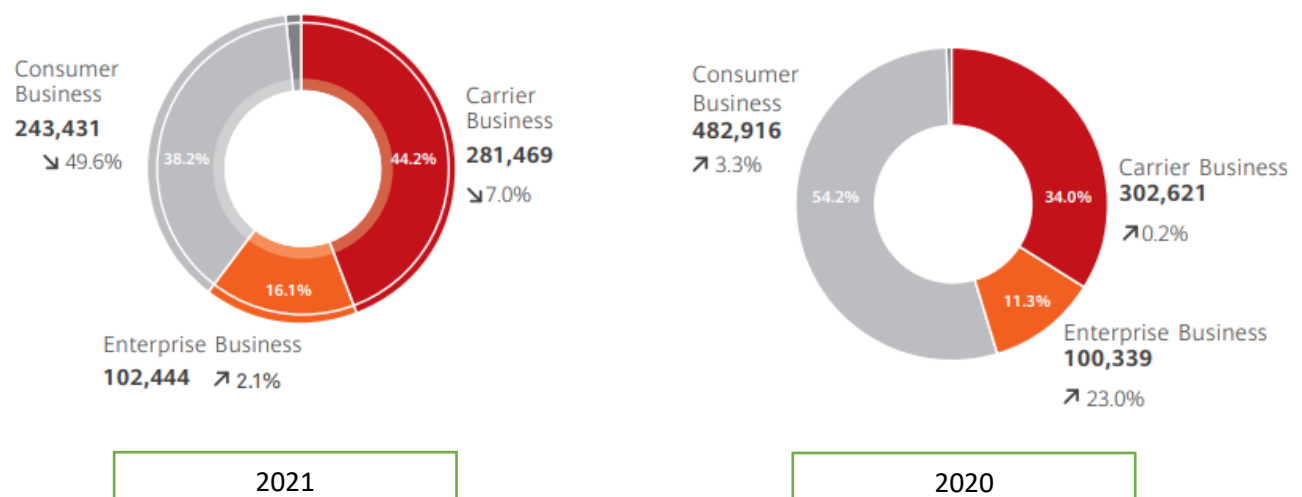
- The more organizational agility, The higher revenue change.
- There is a significant negative strong moderating impact of the US sanctions on the relation between organization agility and customer satisfaction.
- The higher customer satisfaction, The higher revenue change.
- There is a significant positive average intervening impact of customer satisfaction on the relation between organization agility and revenue change.

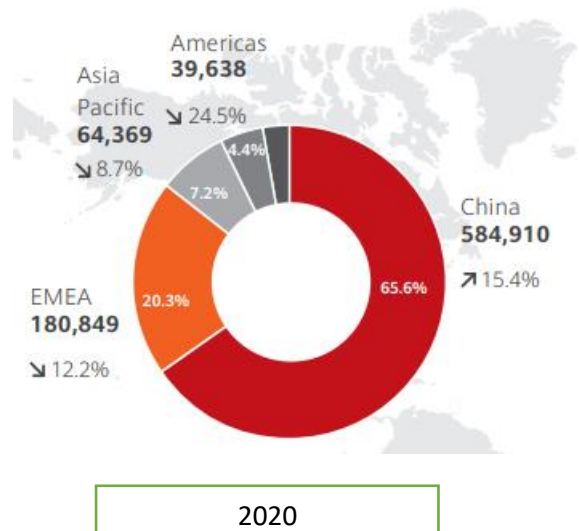
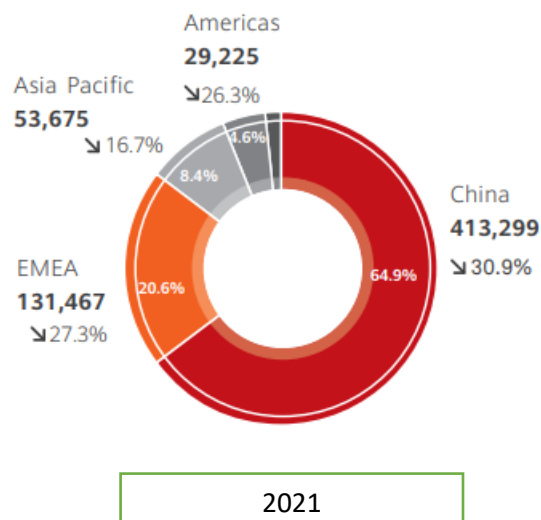
Phenomenon Definition

Huawei's revenues declined 29% by the end of 2021.

Phenomenon Description

- Revenue for the end of 2021 was 636.8 billion yuan, with a profit margin of 19.1%, the company announced. That was down from 891.3 billion yuan in revenue reported for 2020. revenues Fell By 29%
- Due to the absence of GMS “Google Mobile Services”, Huawei has suffered a heavy toll on sales in international markets because of the US sanction. Huawei Technologies Ltd.’s smart phone and other consumer-oriented businesses have been “significantly impacted” ⁽³⁾
- Honor was sold to a state-led investor group in November 2020 to revive the brand by separating it from the sanctions on the parent company.
- The buying demand decreased by the end of 2021 in China from 413.2 CNY comparing with the same period of 2020 with 584.9 CNY. Revenues Fell By 29%, in Americas decreased to 29.2 CNY comparing with the same period of 2020 with 39.6 CNY, revenues Fell By 26% and in Asia decreased to 53.6 CNY comparing with the same period of 2020 with 64.3 CNY.





Overseas expansion strategy & Challenges:

- Enables Huawei to deliver cheap and quick products to the market. "Huawei expanded its share in newly emerging markets where the level of technology is comparatively low, put its efforts in to growing that share, and later expanded its business" (1) in various European countries, the US, and Japan based on its experience in newly emerging markets, as a result, as of the end of 2020, it operates in 170 countries and is succeeding in creating R&D.
- Huawei may face challenges which include strong competitors in market like Samsung, Apple and others, the need for improvement, the challenges of 5G technology, the country like US banned Huawei to penetrate in their market as security threats.

- On May 21, 2019, The US Department of Commerce places Huawei on a trade blacklist, Nov 2019 the US FCC bans subsidized communications carriers from procuring Huawei products, Feb 2020 "The US Department of Commerce announced its continuation of trade embargo with Huawei.
- Countries that have either banned Huawei 5G network equipment or created obstacles for its use" ⁽⁴⁾.
- As a result, Huawei Chinese telecom equipment and smartphone giant said its "production and operations face significant challenges".

US. Sanction Challenges & Customer Satisfaction:

- As the US government forbids US firms from exporting components to Huawei, they now lack necessary components for manufacturing its products. Also, the US will not import Huawei equipment for 5G.
- "US ban makes the heavy reliance on US software an imminent threat as it will stop Huawei from further using software from US companies in its consumer products, Ex. Google Mobile Service (GMS) and Microsoft Windows". ⁽³⁾
- Regarding smartphones, the main software (email, maps, and so on) provided by the US firm Google will no longer be usable on any Huawei devices sold overseas, also unable to work with companies such as Qualcomm, and Intel, this means that Huawei no longer would have access to the very fundamentals of Android smartphones. "Gmail, YouTube, Google Drive, and even the Google Play Store itself were now no longer available for Huawei to use on new products" ⁽²⁾. which will be a major pain point for selling smartphones in overseas markets.

- Huawei has come under strong pressure from the US due to its status as a symbol of high-tech Chinese firms. Under the influence of US pressure, there is also an increasing trend for standardization groups and relevant academic societies related to ICT standards to cancel Huawei's membership." ⁽²⁾
- Huawei still disconnected with US based most OTT platforms like Netflix, Amazon prime and other apps, whereas this is a greater factor for user entertainment and most smart phones users rely on UPI payment application for their money transactions. Hence absence of these applications in Huawei smartphones cause greater customer dissatisfaction.
- Basic Google suits GMS is inaccessible in Huawei smartphone is one of the reasons for customer dissatisfaction, these all restrictions causes a major breakdown in the Huawei revenue which falls by 29% by the end of 2021.
- Huawei also increase their agility operations to counter the sanction and to increase their profit margins such as launch of harmony 2.0 open-source platform, smart cloud networking, green innovative devices for low carbon 5G, Smart Railway Solution, UPS, fiber optical connectivity, manufacturing control system and manufacturing semiconductor chips.

OTT Over the Top, UPI Unified Payment Interface, GMS Google Mobile Services

- All mentioned above for sure will affect customer behaviors and loyalty buying Huawei Devices.

Methodology

Data collection methods classified into three categories, Surveys, Case Study, Observation

In our research proposal, we used the below methods:

- Surveys to collect data about Customer Satisfaction under US sanctions on Huawei service and product.
- Observation to collect data about Organization Agility under US sanctions and revenue decline considering the negative impact on customer satisfaction.

Research limits

There are three major limitations in our research proposal as below:

- Functional Limitations: Ensuring the continuity of customer satisfaction considering the presence of US sanctions and not using some programs such as (GMS) Google Mobile Services
- Time Limitation: Revenue declined as a result of U.S Sanctions starting May 2019 and continue.
- Geographical Limitation: Europe, Middle East, and Africa (EMEA), showing decline in market share.

Theoretical Framework (Variables Def)

- Organization Agility: A company's ability to rapidly change or adapt in response to changes in the market. Innovation, Agile strategies. ⁽⁴⁾
- Customer Satisfaction: A measurement that determines how happy customers are with a company's products, services, and capabilities. NPS Net promotor score.

- "U. S Sanctions: Commercial and financial penalties applied by the USA against a state, group, or individual. Economic penalties may include several forms of trade barriers, tariffs, and restrictions on financial transactions, Computable general equilibrium (CGE) model, Multiregional Input-Output (Elisabetta Gentile.⁽⁵⁾
- Revenue Change: The percentage increase or decrease in Revenue in the Applicable Year compared to the prior year.

Figures compiled in compliance with IFRS International Financial Reporting standard created by (IASB 2003)

Conceptual Framework

- Organization Agility:
 - Agile Management
 - Continuous Improvement
 - Customer Responsiveness
 - US Sanctions
 - Customer Satisfaction
 - Revenue Change

Data Collection and Analysis

Sources Of Data Collection

- We can obtain our data related to Huawei revenue change by getting it directly from the subjects who are interested in, or from firsthand, this data they collect is called primary data.

- Another type of data that may help us in our proposal is the data that has already been gathered by someone else and this is called secondary data.

Primary and secondary as follows

- We used Primary Data through phenomena description, collecting data from the ICT field and 29% decline was investigated by Huawei, to understand what is behind such decline.
- Meanwhile we used Secondary Data by analyzing revenues annual reports declared by Huawei, which provide complete pictures regarding revenue change from a beginning of US sanctions and to what extent company affected, also using highlighting whole industry showing market share and profitability % also we used other related trusted websites, some publications and journals.

Data Collection Approaches

- Data collection is the process of gathering and measuring information on variables of interest, which enables us to answer stated research questions, test hypotheses, and evaluate outcomes.
- The goal for all data collection is to capture quality evidence that then translates to rich data analysis and allows the building of a convincing and credible answer to questions that have been posed.
- Regardless of the field of study or preference for defining data (quantitative, qualitative). accurate data collection is essential to maintaining the integrity of research.
- The approach in our research: data are organized into two broad categories: Qualitative and Quantitative.

Qualitative

- Qualitative data are mostly non-numerical and usually descriptive or nominal in nature.
- Qualitative Approaches aim to address the 'how' and 'why' of a research proposal and tend to use unstructured methods of data collection to fully explore the topic.
- In our proposal we used this method to collect data about Organization Agility and Customer Satisfaction.

Quantitative

- Quantitative data is numerical in nature and can be mathematically computed.
- Quantitative data measure, classified as nominal scale, ordinal scale, interval scale and ratio scale.
- In our proposal we used this method to collect data about the negative impact of US sanctions and Revenue decline from a year earlier.

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