

The Applications of Strategic Management Accounting in Huawei and Its Promotion of Enterprise Competitiveness

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Abstract: In the contemporary global business landscape, characterized by intense competition and rapid technological advancements, enterprises are in a constant quest to enhance their competitive edge. Strategic management accounting has emerged as a pivotal discipline, enabling companies to make informed decisions and gain a strategic advantage. This paper focuses on Huawei, a leading global technology company, and delves into the application of strategic management accounting within the company. It explores how Huawei's strategic management accounting practices have contributed to the enhancement of its enterprise competitiveness. Through in-depth analysis of relevant cases and data, this study reveals that Huawei's strategic management accounting, in the forms of cost management, performance evaluation, and competitor analysis, has not only led to cost advantages but also spurred innovation and accurate market positioning. The research concludes that other enterprises can draw valuable lessons from Huawei's experience. By implementing strategic management accounting, they can optimize their cost structures, stimulate innovation, and better understand their market positions, thereby enhancing their overall competitiveness in the global market.

Keywords: Strategic Management Accounting, Huawei, Enterprise Competitiveness, Cost Management, Competitor Analysis

1. Introduction

In the highly competitive global business environment, enterprises are constantly seeking effective ways to enhance their competitiveness. Strategic management accounting has emerged as a crucial tool for enterprises to gain a competitive edge. Huawei, as a world-renowned company in the technology field, has achieved remarkable success. Its strategic management accounting practices play an important role in its development and competitiveness improvement [1].

This paper specifically aims to answer the question of how Huawei effectively applies strategic management accounting in cost management, performance evaluation, and competitor analysis, and how these applications translate into enhanced enterprise competitiveness. The study holds great significance as it provides practical insights for other enterprises. By understanding Huawei's successful implementation of strategic management accounting, other companies can learn how to better allocate resources, motivate employees, and respond to market changes, thus improving their own competitiveness in the global market.

1.1. The Significance of Strategic Management Accounting in the Modern Business World

In the current era of globalization, the business environment is becoming increasingly complex. Technological innovation is happening at an unprecedented pace, and customer demands are becoming more diverse. In such a context, traditional accounting methods that mainly focus on historical financial data are no longer sufficient for enterprises to make forward-looking strategic decisions. Strategic management accounting, on the other hand, combines accounting information with strategic planning.

1.2. The Rising Prominence of Huawei in the Global Technology Landscape

Huawei has grown from a small-scale enterprise to a global technology giant in a relatively short period. It operates in more than 170 countries and regions, serving over three billion people. Huawei's products and services cover a wide range, including 5G network equipment, smartphones, cloud computing services, and enterprise solutions. Its success can be attributed to multiple factors, among which strategic management accounting plays a fundamental role.

2. Overview of Strategic Management Accounting

Strategic management accounting integrates strategic management and accounting, providing enterprises with information for strategic decision-making. It focuses not only on internal financial data but also on external market information, competitor analysis, and customer needs [2]. This helps enterprises to position themselves strategically in the market and formulate appropriate business strategies.

2.1. The Evolution of Strategic Management Accounting

The concept of strategic management accounting has evolved over time. In the early days, management accounting mainly focused on cost control and internal reporting. However, with the increasing complexity of the business environment and the rise of global competition, the need for a more strategic approach to accounting emerged.

In the 1980s and 1990s, strategic management accounting started to gain more attention. Concepts such as value chain analysis, target costing, and competitor analysis were introduced. These concepts allowed enterprises to look beyond their internal operations and consider the entire value-creating process and the competitive environment.

2.2. Key Features and Concepts of Strategic Management Accounting

Value Chain Analysis: This involves identifying the primary and support activities within an enterprise that add value to its products or services. By analyzing each activity in the value chain, enterprises can find areas for cost reduction, process improvement, and value enhancement. For example, in Huawei's smartphone production, value chain analysis helps to optimize the procurement of components, streamline the manufacturing process, and enhance after-sales service.

3. Application of Strategic Management Accounting in Huawei

3.1. Cost Management

Huawei adopts advanced cost management strategies. By using target costing, Huawei determines the target cost of products at the design stage. This approach helps to control costs throughout the product life cycle and ensures that products are cost-competitive in the market. For example, in the

research and development of new communication equipment, Huawei sets a strict cost target based on market demand and competitor pricing. Through continuous cost control and optimization, Huawei can offer high-quality products at reasonable prices, which is an important factor in enhancing its market competitiveness [3].

3.1.1. Cost Management in the R&D Phase

In the R&D phase, Huawei's target costing approach is particularly evident. When developing a new 5G base station, for instance, the company first conducts in-depth market research to understand the price expectations of telecommunications operators. Based on this information, a target cost is set. Then, the R&D team works backward to design the product in a way that meets the performance requirements while staying within the cost limit.

3.1.2. Cost Management in the Production and Distribution Phases

During the production phase, Huawei implements lean manufacturing principles to eliminate waste and improve efficiency. This includes reducing inventory levels, optimizing production layouts, and streamlining production processes. For example, Huawei uses just-in-time (JIT) inventory management to minimize inventory holding costs. Components are delivered to the production line exactly when they are needed, reducing the need for large-scale warehousing.

3.2. Performance Evaluation

Huawei has established a comprehensive performance evaluation system. The balanced scorecard is widely used in Huawei to measure performance from multiple perspectives, including financial, customer, internal business processes, and learning and growth. This system enables Huawei to align the goals of different departments and employees with the overall strategic goals of the company. For instance, employees' performance is evaluated based on both financial results and their contributions to customer satisfaction and innovation. This promotes a more comprehensive and balanced development of the company and improves its overall competitiveness [4].

3.2.1. Financial Perspective

In the financial perspective, Huawei focuses on key financial metrics such as revenue growth, profit margin, and return on investment. These metrics are closely monitored at the company-wide level as well as at the business unit and individual levels. For example, the sales teams are evaluated based on their ability to achieve sales targets and contribute to revenue growth.

3.2.2. Customer Perspective

Customer satisfaction is a top priority for Huawei. The company measures customer satisfaction through various channels, including customer surveys, feedback from after-sales service, and online reviews. Employees in customer-facing roles, such as sales representatives and customer service staff, are evaluated based on their ability to meet and exceed customer expectations.

3.2.3. Internal Business Processes Perspective

Huawei emphasizes the optimization of internal business processes. Key performance indicators in this perspective include production efficiency, product quality, and innovation cycle time. For example, in the manufacturing process, the defect rate of products is closely monitored. A lower defect rate indicates better production quality and higher efficiency.

3.2.4. Learning and Growth Perspective

Huawei invests heavily in the learning and growth of its employees. This perspective measures factors, such as employee training hours, the number of patents filed, and the development of new skills. Employees are encouraged to participate in continuous learning programs, and their contributions to innovation, such as new product ideas or process improvements, are recognized and rewarded.

3.3. Competitor Analysis

Huawei conducts in-depth competitor analysis through strategic management accounting. By collecting and analyzing information about competitors' products, technologies, prices, and market shares, Huawei can identify its own strengths and weaknesses. This information helps Huawei to formulate targeted marketing strategies and product development plans. For example, when a competitor launches a new product, Huawei can quickly analyze its features and advantages and then adjust its own product strategies accordingly, which allows Huawei to maintain its leading position in the market [5].

3.3.1. Competitor Information Collection

Huawei has a dedicated team responsible for collecting competitor information. This team uses a variety of sources, including industry reports, market research data, competitor websites, and social media. They also attend industry conferences and exhibitions to gather first-hand information about competitors' new products and technologies.

3.3.2. Competitor Analysis Methods

Huawei uses several methods for competitor analysis. One of the common methods is benchmarking, where Huawei compares its products and services with those of its competitors. This helps to identify areas where Huawei can improve. For example, in terms of smartphone camera quality, if a competitor's product has better-rated camera performance, Huawei will analyze the reasons behind it, such as the type of camera sensor used, the image processing algorithms, and the lens quality.

4. Impact of Strategic Management Accounting on Huawei's Competitiveness

4.1. Cost Advantage

The effective cost management in strategic management accounting enables Huawei to achieve a cost advantage. By controlling costs at every stage of the value chain, Huawei can offer products with higher cost-performance ratios. This attracts more customers and expands its market share, thus enhancing its competitiveness in the market [6].

4.1.1. Cost-performance Ratio and Market Share Expansion

Huawei's cost-control measures have led to a significant improvement in the cost-performance ratio of its products. In the smartphone market, for example, Huawei can offer high-end smartphones with advanced features at relatively competitive prices compared to some of its international competitors.

4.1.2. Cost Advantage and Long-term Competitiveness

The cost advantage achieved through strategic management accounting also contributes to Huawei's long-term competitiveness. With lower costs, Huawei can invest more in research and development, which is crucial for maintaining its technological edge. It can also withstand price competition in the

market and offer more favorable terms to customers, such as longer payment periods or better after-sales service.

4.2. Innovation and Adaptability

The performance evaluation system in strategic management accounting encourages innovation and learning within Huawei. By rewarding employees for their contributions to innovation and continuous improvement, Huawei can develop new technologies and products more quickly. This allows Huawei to adapt to the rapidly changing market environment and meet the diverse needs of customers, which is crucial for maintaining its competitiveness [7].

4.2.1. Innovation-driven Culture and Technological Advancements

Huawei's performance evaluation system has created an innovation-driven culture within the company. Employees are motivated to come up with new ideas and solutions. This has led to a series of technological advancements in Huawei's products and services. For example, Huawei's research on artificial intelligence (AI) has been applied in various fields, such as network optimization, smartphone photography, and customer service.

4.2.2. Adaptability to Market Changes

The ability to adapt to market changes is another key aspect of Huawei's competitiveness. The continuous learning and innovation encouraged by the performance evaluation system enable Huawei to quickly respond to changes in customer demands and market trends.

4.3. Market Positioning

Through competitor analysis, Huawei can accurately position itself in the market. It can identify market gaps and opportunities, and then develop products and services that meet the specific needs of customers. This helps Huawei to differentiate itself from competitors and build a strong brand image, further enhancing its competitiveness [8].

4.3.1. Market Gap Identification and Product Development

Huawei's competitor analysis has enabled it to identify market gaps. In the smartphone market, for example, Huawei noticed the growing demand for smartphones with long-lasting batteries and high-quality cameras in the mid-range price segment. In response, Huawei developed a series of smartphones that targeted this market segment, offering features that were not commonly found in competing products at the same price level.

4.3.2. Brand Image Building and Market Reputation

Accurate market positioning has also helped Huawei to build a strong brand image. By offering products and services that meet the specific needs of customers and differentiating itself from competitors, Huawei has earned a good reputation in the market. Customers perceive Huawei as a company that offers high-quality, innovative, and reliable products. This positive brand image has not only attracted new customers but also increased customer loyalty, further enhancing Huawei's competitiveness.

5. Conclusion

Huawei's application of strategic management accounting has been a cornerstone in promoting its enterprise competitiveness. In cost management, the use of target costing has allowed Huawei to control costs from the product's design phase, ensuring that its products are both high-quality and cost-effective. This cost-control mechanism has not only made Huawei's offerings more attractive to price-sensitive customers but has also provided the company with the flexibility to invest in research and development, further strengthening its product portfolio.

Regarding performance evaluation, the implementation of the balanced scorecard has created a holistic approach within the company. By evaluating employees based on multiple dimensions such as financial performance, customer satisfaction, internal business processes, and learning and growth, Huawei has been able to foster a culture of innovation and continuous improvement. This has led to the development of cutting-edge technologies and more efficient business operations, making the company more adaptable to the ever-changing market environment.

In terms of competitor analysis, Huawei's strategic management accounting practices have provided it with the ability to closely monitor its rivals. By analyzing competitors' products, technologies, and market strategies, Huawei can quickly respond to market changes and identify new market opportunities. This has enabled the company to maintain its leading position in the highly competitive global technology market.

Other enterprises can learn from Huawei's successful experiences. They can start by implementing cost-management techniques similar to Huawei's target costing to optimize their cost structures. Adopting a balanced-scorecard-based performance evaluation system can help in aligning employees' goals with the company's overall strategy and fostering innovation. Additionally, conducting in-depth competitor analysis can provide valuable insights for formulating effective marketing and product-development strategies.

In the future, with the continuous development of the business environment, strategic management accounting will continue to play an important role in helping enterprises to achieve sustainable development. As markets become more globalized and competition intensifies, companies that can effectively utilize strategic management accounting will be better positioned to thrive in the long run.

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