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Master's Thesis

Analyzing the Disruption Factors of Emerging Markets

A case study of the Pakistani Telecom Industry

Huawei in Pakistan

By

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Abstract

Title: Analyzing the Disruption Factors of Emerging Markets: A case study of the Pakistani Telecom Industry, “Huawei in Pakistan”

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Aim: Emerging markets has a default feature of big potential growth and high profitability. To penetrate emerging markets is of great interest to any international organization. The competition is very high in such markets, so relatively unique, and out of the way business strategies are usually practiced. The aim of this thesis is to explore the facts that may cause the situation of disruption in such markets

Methods: The nature of this research work is explorative. The data is collected from different sources including article reviews, books, official web sites, interviews with the case study company officials.

Results & Conclusions: Emerging markets may easily be exploited by unethical business practices by international players. Success of one company at the cost of market disruptions may promote the situation of instability in such markets. stability of emerging markets.

Suggestions for future research: Using a single case study of a third world country to assess disruptions in emerging markets is a limitation for this research work. Further research could be done to analyze the need of a regulatory authority at an international level, to avoid disruption factors in emerging markets.

Contribution of the thesis: This research work may provide direction to better understand the nature of emerging markets, which ultimately may lead organization and host government to design a stable structure of such markets.

Key Words: Emerging Markets, Disruptions, Cultures, Business Strategies

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1: Introduction

This chapter gives the reader an overview of this research study. In order to make the theme of this research study easily understandable, this chapter is divided into different parts and headings.

1.1 Research Background

Emerging markets are an important and very significant factor of today's environment, which is influenced by globalization for many reasons. Globalization is a relatively new economic occurrence. The effects of advancements in emerging markets may react differently in different nations according to their culture and ground realities (Tomlinson,1999).

Globalization is caused by diversities, exchanges and modifications in global circumstances. There is no doubt that globalization has had a great impact on industries and business all around the world and the shape of markets globally (Sen, 2004).

The economic index indicates the high growth potentials in such markets, especially for rising economic powers like India and China, and secondly the emerging markets are considered the future of the ICT industry (London and Hart, 2004).

The Cisco vice president stated that telecommunications and the wireless revolutions are sweeping through the Asian landscape, so the obvious focus of the big players in the telecom industry, both manufacturers and service providers, is towards the Asian markets, particularly the emerging markets ¹.

¹ http://www.cisco.com/web/IN/about/leadership/wimelfrink_globalization.html

Due to the size of emerging markets, both in terms of customer base and profitability, the regional and the global industrial giants are coming to these markets with business models they hope will lead to success, by designing their strategies to suit the environment. (Ramamurti and Singh, 2009).

Emerging markets are demanding globally competitive products and services suitable for domestic conditions, and compatible with target nations and their cultures. The rush of big international players towards these markets with eagerness to win the battle, in accordance with different environmental factors, may cause distortion of these markets, which is important to be understood by regional and international officials and business firms (Wallerstein, 2001).

1.2 Research Importance

According to Meyer and Estrin 2001, Emerging markets are experiencing large growth and changes in the economic, cultural, demographic, and environmental conditions of various countries. While extensive research has been done within the area of globalization and its effects on emerging markets (Lee and Chung, 2006 :Aghion et al, 2005). But ways and policies of being successful that has been adopted by the firms and organizations in such markets is the area which is not been explored much (Schmutzler, Armin 2007).

Success is most likely to be achieved by not only focusing on the weaknesses of emerging markets in terms of offering incentives, packages and other motivators but rather to focus on the host cultures also , and design new business models accordingly (Meyer and Estrin, 2001).

Organizations are not standalone entities, but rather they are integrated with the societies within which they function. Therefore the socio-cultural components of

society have a great impact on the organizational culture, which is ultimately related to the organizational performance and success (Schrage 1989).

This thesis revolves around the hypothesis that the markets of third world countries, and especially poor economies, are extremely attractive to organizations wishing to enter these markets. But at the same time such markets are also sensitive. Unethical business practices and kickbacks may become the reason for disruption in emerging markets

This thesis also hypothesizes that the big incentives offered by governments are always the big attraction of these emerging economies and their markets, especially when these incentives are designed according to the cultural interests and mindsets of host nations. These efforts to attract investors might not only be acceptable to the investors, but are also welcomed by the markets and the nations, which may result in market uncertainties and disruptions in these emerging markets. This thesis will examine how the culturally compatible, policies, strategies and the approach of an organization can help to cultivate a desirable level of success for an organization.

In this thesis we will study the case of a Chinese telecom company, Huawei, that successfully penetrated the Pakistani business market in the field of telecoms, electronic technologies and equipment, and within a few years it succeeded in achieving a significant market share. Prior to the market entry into the Pakistani markets by Huawei, a Chinese company, the entire market in the ICT sector was controlled by French and German companies.. The German and French companies were doing business in Pakistan for a long time, with the most advanced technologies and a world famous business reputation. However, the Chinese company successfully penetrated the market and gained market share.

1.3 Research Questions

This thesis focuses on one core research question, that is:

How to identify the disruption factors in emerging markets? In order to come to our main research question in appropriate way and to validate this research, certain fundamental information is reviewed, to provide a background on:

- 1: Globalization and the evolution of emerging markets.
- 2: Why telecom is an important industry, especially for emerging economies?
- 3: The importance of host cultures in emerging markets?

1.4 Research Aim/ Purpose

Every organization wants to successfully penetrate highly profitable markets. A lack of geographic boundaries and a highly competitive business environment has set new directions for industries and organizations.. Using the telecom market as a case study, the aim of this research work is to explore the facts and realities of emerging markets, and to examine the factors which may lead to the situation of disruption and uncertainty in these markets. This thesis will also critically assess extraordinary business strategies which are adopted by the organizations to capture the local mindsets and cultural interests of people, in order to achieve success.

1.5 Research Contributions

This research work may provide direction other researchers on future topics of research which may in turn lead to the development of a system of global business ethics by international business regulatory authorities, in order to avoid the situations of disruption and uncertainties of emerging markets. Our research work may contribute to better understanding the realities and problems of emerging markets.. The study may also give new direction to international organizations and their leadership in respect of cultural dimensions, while setting up their new business or defining the business plan for different regions of world.

This research study may assist the researchers in better understanding the success factors for an organization. This research work may ultimately assist business leadership to put their organization on a track where it can survive the market disruptions.

1.6 Research Limitations

There may be others factors identified by the researchers which may limit the disruptions in the market. Using a single case study of a third world country to assess disruptions in emerging markets is another limitation for this research work.

1.7 Chapter's Summary

There is much literature and research on the topic of emerging markets, but not much at all on the impact of these business strategies and the disruption they might cause. International organizations can now operate in an environment without geographic boundaries. It's a relatively new approach, and has a significant impact especially on emerging markets, with after-effects on the societies, cultures and the current manner of doing successful business.

High growth margins and the profitability of emerging markets has attracted the international business community in large numbers, and the situation is exacerbated for the ICT sector. ICT is without doubt one of the most rapidly growing industry in the world. The ICT industry is extremely competitive and competitors are actively jostling for market share in these developing countries using a variety of specially designed business strategies for the target country or market. It is these new business policies and strategies that sometimes lead to market disruptions.

Using the case of the Chinese telecom company, Huawei, in the emerging Pakistan market, this research study explore the facts and realities of the Pakistani

telecom market, and assess the business strategies adopted by the Chinese company. This thesis will further assess the role and importance of culture of the host country and how the cultural interests and mindsets of target nations can be used by international organizations to remain successful in that country.

As the businesses engage with society socio-cultural components have a position of great importance for businesses.

This research study highlights that over and above the importance of host cultures, there are many other internal and external factors which should be considered when considering market disruptions.

In the next chapter emerging markets will be defined. It will also underline the reasons for why the telecom industry is so important, especially in growing economies.

2: Theoretical Framework

This chapter will ensure a clear understanding is gained of the topic under research, and to do so will review literature and theories relevant to the research topic. A summary will be made at the end of each section to better understand the results of each section.

2.1 Globalization and Emerging Markets?

In order to better understand the effects of globalization on emerging markets, it is essential to firstly understand the meaning of the term, and the role of globalization in business success. This is covered in this chapter.

2.1.1 Globalization

The globalization process involves the establishment of economic, political, social, and technological links among countries (Lawal, 2006). In spite of all of its importance the term globalization does not have any exact or single definition, and can be viewed from a number of perspectives.

Researchers have presented a number of different theories and there are different school of thoughts. Like Albrow, 1996 describes “*globalization is dissemination of practices, values, technologies and other human products throughout the globe*”

At the other end David and Anthorny 2003 claim that globalization means the transformation in a spatial organization of social relations and transactions. Whatever the definition of globalization is, the importance of the topic has made it a hot topic discussion among the general public as well as among academics (David and Anthorny 2003).

2.1.2 Emerging Markets

The countries that are building a new economic structure with market and business focused strategies, and which offer an environment that offer businesses greater chances of success and wealth by promoting technology transfer and foreign direct investment, could be the good example of emerging markets (Sutton 2007).

A more flexible approach towards trade and foreign investment ensures that globalization brings lot of opportunities for business to target potentially lucrative markets with big potential. However, on the other end it also brings pressure for domestic firms to innovate and improve their competitive position. Many of these pressures and opportunities may demand big investment form organizations to market themselves as a best option and to create a competitive atmosphere. (Sutton 2007).

These emerging countries can play an important role either individually or as part of a regional trade bloc that has the ability to attract global businesses to invest and grow in the region.

2.1.3 Characteristics and attractions of emerging markets?

The emerging countries might have large populations and/or extensive natural resources which are considered huge potential for growth (Aguiar and Gopinath 2004). Their economic reserves and available sources of emerging markets are other key factors to the development of the concerned countries (Kaminsky, Reinhart, and Vegh, 2004).

The emerging countries might be going through a phase of economic and political reform at a domestic level. They are ready to accept and adopt open door planning

and policies in place of their conventional investment and development strategies. Top four companies from seven biggest EM markets and their investment in three most attractive fields

From seven EM countries:

- Brazil
 - China
 - India
 - Russia
 - South Africa
 - South Korea
 - Taiwan
- Energy (oil & gas)
 - Materials (metals and mining)
 - Telecommunications

Breakdown of the companies by sector and country

	Brazil	China	India	Russia	South Africa	South Korea	Taiwan	Total: Sector
Energy	4	4	4	4	1	3	1	21
Materials	4	4	4	4	4	4	4	28
Telecommunications	4	4	4	4	3	4	3	26
Total: Country	12	12	12	12	8	11	8	75

Table: 1 Source: (Archibugi and Sirilli, 2001)

According to Table:1 the above mentioned countries are considered the faster growing economies that have potential to play their roles in development in global trading growth. For example by 2020, the five most recognized and greatest emerging markets are expected to take the share of the world’s market output to 16.1 percent from 7.8 percent as compared to the year 1992. This is more than double, and these emerging markets are also supposed to become more important buyers of products and services as compared to the developed and industrialized countries (Archibugi and Sirilli, 2001).

Furthermore, they are also considered to have an important role to play in the world’s political and economic issues and have a vital role to play in social affairs at the global level.

2.1.4 Problems of Emerging markets

According to Luo, 2003 emerging economies no longer conform to old development paradigms, they have some intrinsic problems and hindrances. Some of these problems might have roots in their fundamental business systems like governmental influences, traditional practices in domestic markets that can have strong opposition until change has occurred (Henise and Bennet, 2010).

Investment organizations want a defined and limited role for government and its influences which originate in the country's political system limited.

Another important problem which some countries have to face is corruption, which may destroy the business environment and restrict the development process. An even more challenging task for those countries is to undertake structural reforms within their financial, legal and political systems, so as to guarantee a disciplined and stable economy that is relatively free of political disturbances and interference (Luo, 2003).

Market disruption and distortion can be stimulated by the practices of international firms, because they eagerly want to win a large market share. The pressure on domestic firms to compete with international players sometimes become very high, which may also lead the situation of disruption within in emerging markets. (Henise and Bennet, 2010).

2.2: Why Telecom is an important industry, specially for rising economies?

2.2.1 Background

According to Datta and Agarwal, 2004, Without the availability of ICT technologies it is not possible for any country to develop and grow .Innovative technological advancements make it possible for the world to become a small global village. Economic and business activities are mostly dependent on the advanced and speedy telecommunications networks.. Recent developments in ICT technology have become an important tool in becoming an efficient economic player in world market.

2.2.2 Telecommunications and economic growth

An Indian researcher Sridhar, 2002 thinks, all of the sectors in any economy are essentially connected to the ICT networks. A modern telecommunication infrastructure is not only important for domestic growth but also to connect domestic markets to international markets. If your telecommunication sector is developed the development of other sectors is also possible. (Sridhar, 2002)Previously industry and agriculture were considered the most important tools for development in a country. The advancement in technologies and ability to attract the foreign investments in different ways, are significant factors now. To communicate efficiently with foreign investors, an efficient and advanced telecom infrastructure is needed (Sridhar, 2002).

Governments in emerging economies have an interest in their technology advancement capabilities. So the telecom industry is under pressure from the

government on one side, to make their communication networks efficient and appropriate, and from international investors on the other side, and also from companies wanting to invest in the telecom sector and share the market with domestic players (Datta and Agarwal, 2004).

It is a clear and evident from the literature that developments in the telecom sector have a direct and very firm impact on the collective growth of an economy. Sound planning is required to convert the telecommunications industry into a stronger pillar of the economy, so that this sector can play an effective role in the industrial, agricultural, financial and manufacturing sectors (Datta and Agarwal, 2004).

2.2.3 Telecommunications in Pakistan

The telecommunication sector has experienced massive and fast growth in Pakistan. This industry gets the greater focus of government and the private sector due to its linkage with economic growth, foreign direct investment, a huge customer base and high profit margins. Telecommunication networks and related services have become an essential part of everyone's life in Pakistan.

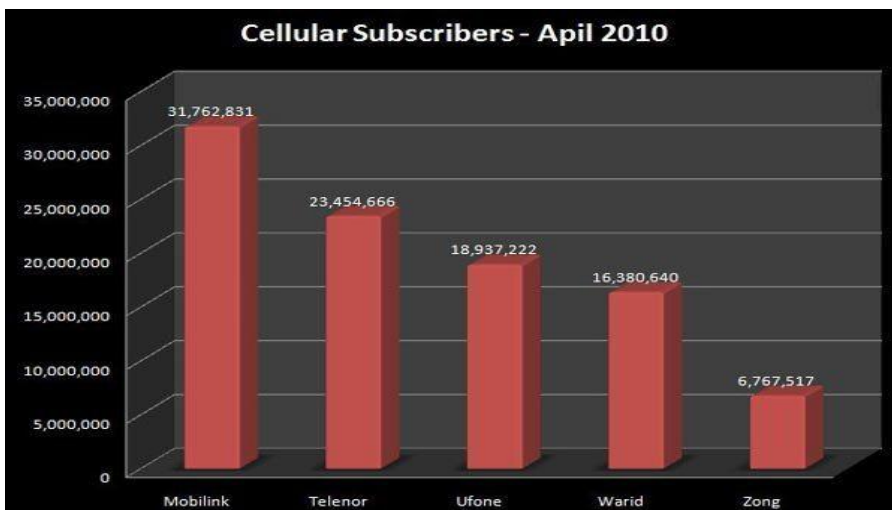


Figure: 1 , Cellular Subscribers of Pakistan: Source PTA Report,2010

Figure 1 tells the massive growth in mobile users ratio in Pakistan. According to the data released in July 2008, the number of Pakistani mobile users had increased from .3 million to 90 million in the eight years from 2000 to 2008. According to PTA (Pakistan Telecommunication Authority) report published October 2010, the total number of telecommunications networks users was over 100 million in October 2010.

Due to the fast growth and huge customer base, telecommunication services provider companies are investing large amounts of capital in this sector, in order to improve the quality of their networks and in order to accommodate more customers (PTA report, October 2010)².

2.2.4 Major investments in telecom sector

The attractiveness of the Pakistani telecom market can be assessed by having a look of some major investments in this sector in recent few years, according to the reports of Pakistan telecommunication authority (PTA Reports, 2010)³.

From figure 2 FDI in telecom sector in Pakistan can be observed from years 2001-2006 (PTA Report, 2008)

Norway's TELENOR acquired their fifth mobile cellular license in the country for \$290 million in 2004.

² www.pta.gov.pk

³ www.pta.gov.pk

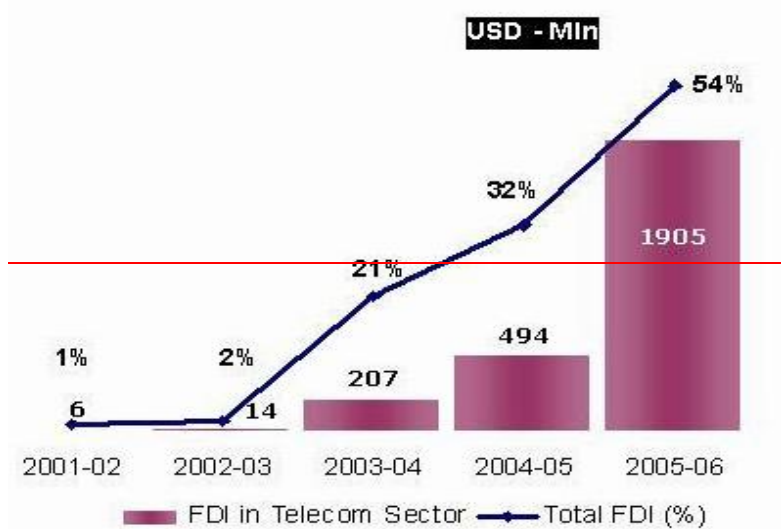


Fig. 2 Foreign Direct Investment in Telecom Pakistan, 2001- 2006

Source PTA Report, 2008

UAE's WARID acquired their sixth mobile cellular license in the country for \$290 million in 2002. Emirates' Telecommunication Corporation (ETISALAT) bought a 26% stake in Pakistan's fixed line incumbent Pakistan Telecommunication Company for \$2.6 billion in 2005 and are planning to invest \$500 million to widen PTCL's existing fixed line network and to add approximately one million more telephone lines.

China Mobile has acquired 100% in one of the cellular mobile companies - Paktel Limited. China Mobile had initially acquired a 88.86% share in Paktel for \$460 million. Qatar Telecom bought a 75% stake in Burraq Telecom for Nationwide and International Telephony Networks.

Orascom Telecom of Egypt laid the first private sector undersea fiber optic cable for \$60 million.

CM-PAK of China Mobile has injected \$700 million into the Pakistan telecom sector for its network expansion in rural areas since its takeover of Paktel. This is a part of \$2 billion investment plan over the next three years, all of which will come from China (PTA Figures).

The large size of the Pakistani telecom market has attracted not only the telecom service providers companies but also the telecommunications networking equipment manufacturers.

2.3: Importance of host culture in emerging markets?

2.3.1 What is Culture?

The term culture means different things to different individuals. To some it means the enjoyment of specific literature, listening to specific music or eating some particular food. For musicians it could be, playing their traditional music.

“Culture is 'that complex whole which includes knowledge, belief, art, law, morals, custom, and any other capabilities and habits acquired by man as a member of society (Taylor, 1871 in Varisco 2009).

Cultures may consist of different elements, like language, food, way of living, a way of talking, practices, habits and mindsets. Culture can be taken as something which is developed by processes of continuous learning, sharing human values and daily life patterns. Culture is mankind's primary adaptive mechanism (Damen, 1987).

2.3.2 Cultivating the Desirable success by focusing on culture

Certain cultures which were an integral part of national and individual identities for a very long time are fading as a new global culture develops. In spite of the new global culture that is developing, the religious, traditional and social values of different nations generally remain as intact as before (Canclini, 1995).

Managing and understanding the culture of target markets is becoming significant for organizations and companies around the world, but more especially in the emerging markets, where the intention is to make a good impression on the minds of people who form the markets (Luo, 2003).

2.3.3 Role of Cultures in Organizational Success

When an organization decides to go for global business opportunities, the better their understanding of host cultures, and the more informed their policies and strategies, the more likely they will succeed. Morrison claims that the success of international business may mostly rely on giving due importance to host country culture (Morrison, 2006, p168).

Hofstede contributes a lot in this domain by giving a theory of culture and explaining cultural differences among different nations. His research work and five cultural dimensions are currently considered to be a most important document for any international business, indicating the importance of cultures and their understanding for businesses (Hofstede, 1996).

According to a Chinese researcher Fei Yin, 2008 by creating a uniform, compatible and acceptable values with host nations can play a vital role in successful international business. Moreover he explains that language, cultural sensitivity and communication cultivation for host cultures can also play an important role in success of an organization. For international business adaptation and localization is becoming a very common approach to improving the chances of success across different cultures. For organizations adaptation not only means to adapt itself to the state policies of the target country, but it also means to adapt itself to the local cultural conditions. Along with other factors, the success of international business also depends on how well that organization fits in with the local cultural and social environment (Yin, 2008).

There is a significant evidence from scientific literature that cultural concerns are a matter of core importance for any international business, Cateora and Graham 2005 believe “*There are many important differences between countries in terms of culture, stages of economic and marketing development, political and legal systems, and customer values and lifestyles*” (Cateora and Graham, 2005).

Chee and Harris 1998, claimed “Consumer tastes and preferences are very specific and vary considerably. Furthermore, if the products are not adapted and therefore remain at the same cost to produce, *the price of the products could be so that they do not match what is affordable in a given country or more expensive than local competitors*” (Chee and Harris, 1998).

It is important that social and the social values between the organization and the host culture should be carefully harmonized to enhance the level of trust between both sides. It is not only beneficial to create a conflict free cooperative culture, but it can also increase the chances of success for an organization (Cateora and Graham, 2005).

While acknowledging the importance of the host nation culture, and adapting it as one the tool for success in international business,, it is also true that such practice may also become the reason of disruption in markets, and can promote unethical business practices, especially in the case of emerging markets where the competitions to win the markets is usually consider higher and intense.

This thesis does not deny the implication of other elements that should be considered. This thesis also notes that even after adopting the culture of the host nation, the chances of failure still exist. The example of Walt Disney can be

quoted here, where despite adopting the French culture they could not succeed despite changing their name from Walt Disney to Disney Land.

2.4 Chapter Summary

With the promotion of borderless business and flexibility towards trade and foreign investment, globalization brings a lot of opportunities for organizations to focus on markets with big potential, despite the fact that distortion and disruption is also observed in such markets. It's a known fact emerging markets are an attraction for international firms.

A desire by international firms to win a large market share, pressure on domestic firms to compete with international players, greater governmental and environmental influences, acceptability of international firms by the host nation, compatibility of international business with local, social and cultural interests could be the main reason for disruptions, with the possibility of other external and internal factors.

Telecommunications is not only considered one of the most important industries for efficient communications but it is also believed that telecommunications has a very prominent role to play in economic growth and development of any country. The large customer base, high growth potential and profit margins has made the telecommunications market more attractive for international players.

The Pakistani telecom market is also considered very attractive due its large volume of subscribers, growth and foreign direct investment.

The race for market share in the Pakistani telecom market by international telecom players has become more aggressive. Different business models, policies and strategies are being adopted by international businesses to win this market.

When an organization decides to go for global business the better their understanding of host cultures the better their business policies for that region, which can lead an organization to success.

3: Methodology

In this chapter how this research will be done is reviewed. The data collection methodology has been explained as well as how the empirical study will be done, and up to what level this research study is reliable and valid.

3.1 Overview of Research Methods

The methodology or data collection phase is an important part of any research study (Oliver, 2004). As a secondary data collection method the literature and the scientific material is reviewed. As a textual analysis the academic articles are explored in this thesis. The nature of this research work is explorative along with a case study. According to the modern trends of research, case studies are considered to be a reliable tool which is used for qualitative research (Stake, 2002).

To increase the flexibility of this research work, the data that is collected from different sources including case study, interviews with the case study company officials, and secondary data collection strategies are cross analyzed, as flexibility is the main strength of any research work (Robson, 1993).

3.1.1 Preliminary and Exploratory Phase

During the preliminary phase scientific articles covering emerging markets were reviewed and to address the research question more academic articles were reviewed to know the nature and facts of emerging markets, with the special focus on telecom industry and its importance.

In the second stage the research was narrowed by reviewing more literature about emerging markets, to address the main research question. To explore the organizational success factors and to see the role of the host culture in business strategies, literature about cultures was analyzed along with the empirical results.

3.1.2 Empirical Study

In the final stage of data collection the officials of the case study company were contacted by different means, including telephone, internet chat and electronic mails. In this phase, the Director Operations and Development of Huawei was interviewed twice on telephone. The first session with the Director O&D was about 20 minutes in which different questions were asked about their market entrance policies in Pakistan, strategies and R&D work. The second call to the same official was about seven minutes in which further details were requested after analyzing the answers from the first session.

The Manager HR was also interviewed twice, once via e-mail in which different questions were asked about their hiring policies and planning. The second time the Manager HR was contacted by telephone and talked to the researcher in a very friendly way for about ten minutes.

The technical team leader for Multan, a city in Pakistan, was contacted and interviewed several times as our friend and we have regular chat sessions over the internet. This respondent helped the researchers a lot by giving them details about the company in very friendly atmosphere. He also helped the researchers to contact higher officials like Deputy Director Operations and Manager HR Islamabad (a city of Pakistan) where headquarter of Huawei is located.

3.2 Reliability and Validity

All the information obtained from interviews was saved and then analyzed carefully. An attempt was made to try and crosscheck this information with the information available about Huawei on the Internet, in order to increase the reliability of the research. According to Golafshani such checks may increase the reliability of data collected and research done (Golafshani, 2003).

In the next stage the gathered information was analyzed along with the scientific literature from different angles, in order to increase the validity of our thesis.

The conclusion is made at the end on the basis of facts found in the case study and also on the basis of our understandings and perceptions which were made by reviewing and analyzing scientific literature.

4: Empirical Study, Huawei in Pakistan

In this chapter Huawei and the Pakistani telecom market are reviewed. After giving some background on Pakistan and its telecom market, Huawei's success is assessed.

4.1 Introduction of Case Environment

Huawei is a Chinese Telecommunication Company. The product divisions within Huawei include networking equipment manufacturing, facilitating telecommunication services in both hardware and software fields, fixed line and mobile handsets manufacturing. According to Huawei it's a leader in innovative next generation telecommunication network solutions. Huawei is a global telecom giant with a presence in 41 countries.

Pakistan is a developing country which separated from British Indian rule in 1947. During the last few years, a number of reforms and regulations have been introduced by the Pakistani government in order to put the country on the road to success and stability. The Pakistani market is considered an attractive emerging market with refined business friendly policies, huge incentives for foreign direct investment and tax rebates.

In spite of all its domestic and regional problems, Pakistan is doing very well in the telecommunications field, with the special interest of government a very suitable environment is provided for both local and international players in the telecom business. Due to the large market in terms of customers, growth potentials and profitability the telecom market in Pakistan is considered very attractive for international telecom giants. Pakistan is considered to be very advanced in telecoms and related services with more than 100 million mobile subscribers and more than USD 5 billion invested in the last few years (Reports PTA) According to PTA (Pakistan Telecommunication Authority) Pakistan has the highest mobile penetration rate in South Asian region.

Quite handsome numbers of mobile subscribers, high growth in the telecom sector and investment friendly policies from government has made Pakistan very attractive for international telecom and networking companies.

4.2 Huawei More than a local hero

All the share of Pakistani telecom market was shared by the four big telecom players before the entrance of Huawei in Pakistani telecom market. These companies were Alcatel , Ericsson, Nortel and Cisco, with a small share held by Lucent and others. In that time another Chinese company NED entered the Pakistani telecom market with low rated equipment and tried to compete with existing players, but did not succeed in getting a prominent market share.

In early 2000 Huawei entered the Pakistani market, and within no time Huawei achieved tremendous success in the Pakistani telecom market. Huawei currently dominate the Pakistani telecom sector in respect of its products.

4.2 Huawei Success is beyond the lower prices

Unlike NED, Huawei did not only rely on lower prices but also focused on the business policies and strategies fine tuned to the mindsets of Pakistani people. At the time of Huawei's entrance in Pakistan, a Chinese President visited Pakistan, and it is been said by some western experts that the Chinese government is behind the Huawei success in Pakistan.^{4*}

Huawei firstly offered some free broadcast equipment for both landline and mobile networks to Pakistani officials and mobile service providers companies. Some equipment was offered at very low prices with free 3 years maintenance

⁴<http://telecompk.wordpress.com/2006/10/09/huaweis-success-in-pakistan-and-beyond/>

*<http://www.msnbc.msn.com/id/10756804/site/newsweek/>

and services which was also a very attractive factors for Pakistani mobile companies. In order to get recognized by Pakistani people Huawei start to participate in national and cultural events in Pakistan by offering free gifts and other attractive benefits.

To get recognized with young professionals Huawei also focus on Pakistani Engineering Universities by participating in their functions and educational seminars. Latest models of leading brand mobile phones were gifted to senior Pakistani telecom officials by Huawei at that time. Specially designed advertising campaigns were broadcasted by the Huawei during religious, national and cultural events in Pakistan.

Huawei was also focused on getting to know the forthcoming projects in Pakistani high level government offices and launch their relevant equipments of services relating to that project exactly on right time.

Free trainings on Huawei equipment in the beautiful cities of China is also a very popular entertainment packages especially for young Pakistani professionals.

Lower cost, public friendly, culture focused strategies and a carefully designed business plan, were the big driving forces that made Huawei successful in the Pakistani market, in a very short span of time, though it is also believed that Cisco, Alcatel, Nortel and Ericsson equipment was much better in terms of quality as compared to Huawei equipment.⁵

⁵ <http://www.123helpme.com/view.asp?id=36925>

5: Discussion/Analysis

The success of Huawei in Pakistani market was tremendous, and was achieved in very short span of time, by letting all existing market players far behind. The empirical study does not only tells the success story of Huawei in Pakistani telecom market, but also highlights the situation of disruption in the emerging market of Pakistan.

The rush of Huawei towards Pakistani telecom market was obvious, because of the grandness and attractiveness in terms of huge potential customers , growth margin and investment friendly policies by the government of Pakistan, which also supports the first hypothesis of this research work, that emerging markets may have a built in feature of high attractions for international players (Aguiar and Gopinath 2004: Kaminsky, Reinhart, and Vegh, 2004: Sutton 2007) and literature review also confirms the stances that have been made in hypothesis and in the finding of empirical study.

Though some other very reputed companies were also doing a successful business in Pakistani telecom market, like Alcatel, Ericsson and NEC but Huawei come to the Pakistani market with a very huge investment in its marketing campaign in order to make its image as a big and innovative company. These marketing campaigns were specially designed by giving a due importance to Pakistani culture and mindset of Pakistani people. Literature also highlight the implication of investment in marketing to win the markets, like Sutton 2007 mentioned, the high pressures and competitions in emerging markets may lead companies to come up with big investments in marketing campaigns in order to make favorable perception of people about them (Luo, 2003: Sutton, 2007). Massive and expensive marketing of Huawei give it a big boost to capture the telecom market

of Pakistan, by putting existing market player behind. Such practices where at the one end may prove worth to cultivate success for companies , a the other this situation may hurt the repute of other market players, which ultimately may lead the situation of disruption in such market. This segment of empirical study also supports the second hypothesis of this thesis, that emerging markets can easily be disrupted by the specific business practices of organizations. Scientific literature also believe that out of the way business practices may prove harmful for emerging markets, due to the sensitive nature of such markets. (Henise and Bennet, 2010).

Huawei strategies for Pakistani telecom market was not only based on expensive marketing campaigns to win the markets but also includes big incentives to clients companies, offering attractive packages to Pakistani governments and officials and giving extra benefits to those firms who joined Huawei by leaving their existing venders and services providers. It would be controversial to argue that stuff Huawei offered was unethical, but it can be clearly assessed by the imperial study that Huauei come to Pakistani market with proper knowledge of the need of Pakistani emerging market and cultural weaknesses. Literature also agrees that focusing on host culture while making business strategies can provide an extra edge to organizations for success (Morrison, 2006, p168: Yin, 2008). Such stuff was not offered by the existing plyers, though their products were precieved better than Huawei products⁶.

Huawei's success can't be related to any one aspect of its strategies that Huawei adopts to win the Pakistani market, rather the rapid success of Huawei could be

⁶ <http://www.123helpme.com/view.asp?id=36925>

the result of multiple factors of its strategy, but it can be easily observed from empirical study that Huawei give a special attention to Pakistani culture while making its strategies, and this approach played an important role in Huawei success.

The discussion we have made so far under the light of scientific literature and empirical study, encircles how culturally focused business policies of organization may lead them to cultivate success, which was the purpose of this study research work. But this is a half truth about the story. The full truth is such policies may lead the situation of disruption in emerging markets.

To conclude this debate and in order to address the purpose of this research work in full-fledged way, we need to discuss that addressing the cultural weaknesses by adopting out of the way business practices may lead the situation of disruption in emerging markets.

Literature highlights that beauty and the stability of emerging markets depends on presence of multiple market players (Aguiar and Gopinath 2004) with some level of balance market share otherwise the situation may get disrupted (Cateora and Graham, 2005).

While the empirical study tells the different story . Huawei win the emerging market of Pakistan telecom industry, no doubts but overall impact of Huawei success in Pakistani markets was that, the other market players start losing their markets share rapidly. They start thinking to windup their business from Pakistan. At the time of case study most of the player in Pakistani telecom market, other than Huawei, either they have winded up their business from Pakistan or they have make their operations very limited.

Time will tell the overall and long term effects of Huawei rapid success in Pakistan, but the situation is effected badly with the withdrawal of business of very reputed international companies from Pakistani telecom market. Huawei is

now almost the only big player in Pakistani telecom industry without any major competitors. The situation leading the telecom industry of Pakistan towards the monopoly of one company.

Pakistan is a developing country and facing a variety of economic, financial and stability problems already, emerging market which is already considered risky in nature in terms of stability . The emerging markets of such economies might be exploited and distorted by monopolies of any company specially in a giant industry like telecom, which is considered the backbone of Pakistani economy.

6: Concluding Remarks

6.1 General Conclusion

Among many sufficiently big name in Pakistani telecom market, it's a fact that Huawei is a big successful player in the Pakistani telecom market. Huawei achieved this success in a very short span of time and putting all the existing players in Pakistani telecom market far behind. It cannot be said what the long run effects of Huawei success on the Pakistani telecom market will be. Accepting the fact that Huawei has dominant market share in Pakistani telecom market, However, the literature points to the fact that a dominant player in emerging markets could impact negatively on the market as a whole, but time will tell whether this will apply in the Pakistani markets.

6.2 Conclusion

Emerging markets which are already considered risky may easily be exploited by unethical, out of the way and nontraditional business practices by international players. The attractiveness of emerging markets make international firms rush into these markets to seek mark penetration. It can't be claimed that the disruption of emerging is all because of the out of the way business approach of any company. Such approaches can play a positive part in the rapid technological growth of poor economies. But still Success of any one company at the cost of market disruptions and distortions might not prove beneficial for that market and even for that industry and country in the long sense. The presence of multiple players with balanced market shares may prove helpful for the stability of emerging markets and the situation of disruption may be avoided by adopting

governmentally controlled and properly regulated business strategies for host nations.

6.3 Further Research

The concept of task forces is not new for controlling crimes and unethical practices. Further research could analyze the need for a task force or regulatory authority at an international level for emerging markets, to avoid distortion and disruption in emerging markets. This task force can monitor the business practices of different international organization in any emerging market. Local, governmental and environmental influences can also be monitored by such authorities to provide a suitable business atmosphere to multinational organizations.

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