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**INTERNATIONALIZATION STRATEGY  
Lenovo China**

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ABSTRACT

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<p>This thesis focused on identifying and researching the internationalization strategies that Lenovo, a Chinese electronics company used. Its experience in succeeding in the international market made it a great example for other local enterprises that also want to achieve in the international market, to study.</p> <p>The objective of the thesis was to study the most important strategies Lenovo used that helped the company to achieve its internationalization, furthermore the consequences of implementing those strategies in market.</p> <p>From the thesis, people will have a comprehensive understanding on internationalization strategy. In addition, companies can learn from Lenovo how to select suitable internationalization strategies and implement them.</p>		

<p><b>Key words</b> Brand strategy, International strategy, Internationalization, Investment strategy, Lenovo China, Marketing strategy.</p>
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## **PREFACE**

Since I started writing this thesis four months ago it has turned out to be a long and tough battle just like what companies undergo when moving towards internationalization. This thesis is the result of those long days sitting by the computer struggling to find the best words to express my ideas, and the difficult time I had finding the information I needed. However, the joy of doing original research and the hope for a good result helped me to get through the hard times and finally complete this project.

Here, I would like to thank Benjamin L. Dedman, an English teacher who helped me with not only English language issues, but also supported me emotionally though some of those frustrating days. Also, many thanks to my thesis supervisor Ossi Päiväläinen, who helped me with academic issues anytime I needed. Last, but not least, thank you, dear reader, for reading my work.

Thank you! Kiitos paljon!

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## **1 INTRODUCTION**

Internationalization has always been a goal for local companies. Therefore, internationalization strategy is a very important subject of study for companies who want to succeed in the global market. In order to keep an ideal share in the global market and gain sustainable competitive advantages, companies need to keep implementing value-adding strategies. In order to find out how suitable strategies for internationalization are formulated and selected, I will use Lenovo Group Limited as my subject of research to indicate the necessary strategic processes of internationalization.

First, I will give you an introduction of Lenovo's history and development. Later in chapter 2, I will analyze both the internal structure and the external market situations of the company. Furthermore, a SWOT analysis will be done for a deeper analysis of the advantages and disadvantages of Lenovo. Analyses help the company to learn more about the environment around it and the situation it is in, which is crucial for internationalization strategy planning.

In chapter 3, the previous analyses of Lenovo are used to position its internationalization strategy. In this chapter, the internationalization strategy will be given a direction on the basis of the information from SWOT, the nature of industry and the market situation. In the end, the structure of Lenovo's strategies are mapped, and the general strategies Lenovo utilized for its internationalization are found in this chapter.

The most important section is chapter 4, in which actual strategies are explained in detail. At first, Lenovo's attempts at internationalization are introduced. Then, the two main strategies, brand and marketing strategies, are explained briefly. After that, at the most crucial strategy for Lenovo's internationalization, "Investment strategy" is described deeply with all the important investments Lenovo has made. At the end of this chapter, the effects of the strategies above are evaluated.

The reason I chose Lenovo as the subject of my research is that this Chinese electronics company not only became the second best-selling company of PC units worldwide in less than eight years, but also achieved internationalization in less than a decade. It means that

the internationalization strategies Lenovo used were very successful and suitable for the company. I hope that through my research on Lenovo's internationalization strategy the companies that want to move towards internationalization can learn from Lenovo's experience.

## **2 LENOVO Group Limited**

Lenovo is a Chinese multinational technology company that mainly sells tablets and personal computers, smart phones, smart televisions, servers, etc. It has now two headquarters, one in Beijing China, and the other in Morrisville, North Carolina, USA. It also has a registered office in Hong Kong.

The Chinese name of Lenovo means "Association" ( in Chinese 联想 *LianXiang* ), and the name "Lenovo" was not the English name for the company for its first 20 years. The English name was originally "Legend," and was changed into "Lenovo" in 2002 when the company was trying to expand its business outside of China. Yang Yuanqing, now the chief executive officer of Lenovo, decided to change the name because the name Legend was already used by many other businesses internationally, and it was impossible to register it as a brand name in most jurisdictions. The new name "Lenovo" got its first part "Le" from the old name, Legend. The second part, "novo," means "new" in Latin. This name also indicates Lenovo's vision of its future - a new legend. (Crowell Todd. 2008. Ever heard of Lenovo, Haire, CNOOC? You will. Christian Science Monitor.)

On November 1, 1984, the day Lenovo cites as its day of founding, the Chinese government approved the incorporation of Lenovo. There were initially eleven middle-aged founders. They were also the entire staff. All eleven of them were from the Institute of Computing Technology, Chinese Academy of Sciences. The eleven engineers started the company with only 200,000 RMB (about 32,000 USD), and the first name of the company was "Chinese Academy of Sciences Computer Technology Research Institute New Technology Development Company." (Lenovo 2013. Our Company, About Lenovo. Lenovo Group Limited the Official Website.)

It was not all successful. Lenovo failed at the first thing it tried to do, importing televisions. After a year without any business, Lenovo recovered the next year by checking the quality of computers sold by other companies to buyers in China. Because the Chinese computer industry was new, there was a large market for computer quality assessment. The first real opportunity came to Lenovo when computers were first introduced to the Chinese market. When Chinese characters could not be shown and recognized on IBM compatible personal



computers, Lenovo developed circuit boards for IBM computers to process Chinese characters. This product became Lenovo's very first major achievement. In 1990, Lenovo started using its brand name to produce and market its own computers. (Dikie Mure. 2005. China's High-Tech Hero. Chief Executive.)

In 2005, Lenovo bought out the personal computer business of IBM with 1.25 billion USD and assumed 500 million USD of IBM's debt. IBM's research and development division in North Carolina, USA was saved and maintained. By acquiring IBM's personal computer division, Lenovo did not only gain access to the international market, but also improved its technology and branding. Because of this acquisition, Lenovo became the third largest computer maker by volume globally. (Zhou Xiaoyuan. 2012. Lenovo: on top of the PC world. People's daily.)

In order to concentrate on personal computers, the smart phone and tablet division of Lenovo was sold in 2008 for 100 million USD. It was then immediately bought back in 2009 for 200 million USD due to Lenovo's third place rank in China's mobile smart phone market. Furthermore, China became the world's biggest smart phone market in 2012, which led to a 793 million USD investment in mobile phone manufacturing and R&D in Wuhan, China. Lenovo also intends to expand further into Russia, Indonesia and India. (Nuo, You & Ning. 2010. Lenovo to take on the big boys with LePhone. China Daily.)

Much has been accomplished in the last 2 years. On January 27, 2011 a joint venture was formed by Lenovo to manufacture computers with Japanese electronics company NEC. They also said that a new company, called Lenovo NEC, will be established together in the Netherlands. In June 2011, Lenovo revealed its plan for acquiring shares of Medion, a German-based electronics manufacturing company, in order to increase its share of the German computer market. This was the first Chinese company in history to acquire a renowned German company. In September 2012, Lenovo accepted the acquisition of a Brazilian electronic company, CCE, because of the 2014 world cup and the 2016 summer Olympics in Brazil. Moreover, in September 2012, Lenovo announced an acquisition of Stoneware, an American software company, to improve technology and skills. There were also some other international acquisitions or mergers during this period of time. These attempts did not just improve Lenovo's reputation and provide access to new technology,

but also brought Lenovo onto the international stage. (Wall Street 2011. UPDATE: NEC Forms PC Joint Venture With Lenovo, Posts Wider Loss. 2011. The Wall Street Journal.) Now Lenovo sells its products in more than 160 countries, and operates in more than 60 countries. It was the second biggest personal computer manufacturer by units sold in 2002. It can only expect a more legendary future. (Lenovo 2013. Our Company, About Lenovo. Lenovo Group Limited the Official Website.)

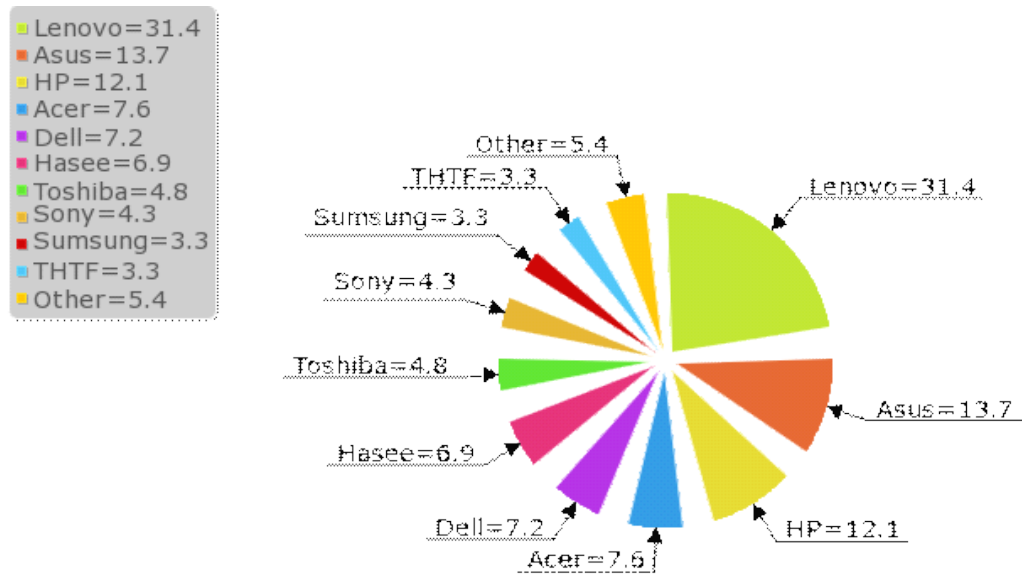
## **2.1 Analysis of the company situation**

As the personal computer market in China matures and stabilizes, Lenovo has been facing not only the external problems in the market, but also the internal issues within the organizations. However, an analysis of the company's situation helped Lenovo to understand the external market environment and the internal status of the company. This allowed Lenovo to formulate the most suitable strategies for the internationalization development according to its external environment and internal structure. (Yang Xu. 2011. 2012, China will become the world's biggest PC market. China News.)

### 2.1.1 External analysis

#### Current market situation

In 2012, China overtook the US as the world's biggest market for personal computers, with projections for an additional 3 to 4 percent growth in demand for PCs in China this year. So far, the future of Lenovo's development in China appears positive. In fact, with Lenovo's advantage of being a national enterprise, by 2012 Lenovo already had more than 30 percent share of the PC market in China, as shown below. Lenovo's development in the Chinese market provided Lenovo with superior conditions to invade in the global PC market.



GRAPH 1. Chinese PC Market Share by Units, Percent. 2012 Q1-Q2 (Adapted from Dong Shizhao. 2012. Chinese PC market research report. ZDC)

On the other hand, in the global market the top four of PC vendors have not changed since 2005. Lenovo, HP, Dell and Acer have been the top 4 PC vendors globally for the last 8 years. However, the position of the vendors on the list has changed every one or two years.

After Lenovo bought IBM's PC business and replaced it on the list in 2005, its market share has been increasing steadily and has doubled in the last 6 years. In 2011, Lenovo achieved a growth of 3.3 percent of the market share which helped Lenovo to surpass both Dell and Acer and to make it to the second place on the list in TABLE 1 (see page 7).

As illustrated in TABLE 1, HP has been dominating the first place in the market for the last 6 years. Its market share, however, has been dropping gradually since 2010. At the end of 2012, Lenovo's global market share has only 1.2 percent less than that of HP's.

The year 2011 proved to be a very important year for Lenovo and its development worldwide. Lenovo increased its market share, as well as its market forces. From TABLE 1, one can also clearly see how Lenovo has been developing its market globally, and has gradually become a very competitive company.

TABLE 1. Global PC market Share by Units, Percent, 2007-2012 (Adapted from GartnerGroup's Dataquest. 2013. Gartner. Inc)

2005	2006	2007	2008	2009	2010	2011	2012
Dell 16.8	Dell 15.9	HP 19.2	HP 18.4	HP 19.3	HP 17.9	HP 17.2	HP 16
HP 14.5	HP 15.9	Dell 14.3	Dell 14.3	Acer 13.0	Dell 12.9	<b>Lenovo</b> <b>13.0</b>	<b>Lenovo</b> <b>14.8</b>
<b>Lenovo</b> <b>6.9</b>	<b>Lenovo</b> <b>7.0</b>	Acer 8.9	Acer 11.1	Dell 12.2	Acer 12.0	Dell 12.1	Dell 10.7
Acer 4.6	Acer 5.8	<b>Lenovo</b> <b>7.4</b>	<b>Lenovo</b> <b>7.2</b>	<b>Lenovo</b> <b>8.1</b>	<b>Lenovo</b> <b>9.7</b>	Acer 11.2	Acer 10.4
Fujitsu 3.8	Toshiba 3.8	Toshiba 4.0	Toshiba 4.5	Toshiba 5.1	Toshiba 5.4	Asus 5.9	Asus 6.9

#### Current competitors

The global PC market is led by American and Chinese companies. As one can see in TABLE 1, Lenovo has 4 major competitors: HP, Dell, Asus, and Acer. HP and Dell are both American organizations, while Acer comes from Taiwan, China and Asus from the mainland China. In the following paragraph, a close look at the rivals Lenovo has in the American and in the Chinese market is provided.

HP was reborn in 2002 with the combination of the original retail channel from Compaq and the traditional business channel from HP. Meanwhile, an integrated production line was established to manufacture the new generation of laptops with an inherited advanced design from Compaq. HP has always been a trustworthy company to customers and its healthy and positive image has made it a very competitive company. HP has been the best-selling company for the last 6 years and one of the top 5 PC vendors since 1996. HP has loyal customers, its own identity, and strong market. It is going to be very hard for Lenovo to surpass HP even though its market share is only 1.2 percent smaller. (HP 2010. Press Release: HP Closes Compaq Merger. Hewlett Packard the Official Website.)

Dell is a very famous computer manufacturer and retailer. Its most unique feature is direct marketing. Through its almost perfect supply chain, it lowered costs to a minimum and shortened the time to reach customers. Lower price with elastic reactions to the market made Dell one of the leading vendors worldwide. However, due to the weakening PC market in the USA and the economic crisis, Dell's market share has been dropping since 2005. With the addition of weak points in its production line, there have been signs of a lack of competitiveness for Dell for the last 6 years. (Businessweek 2013. Business Week: What you don't know about Dell. Bloomberg Businessweek.)

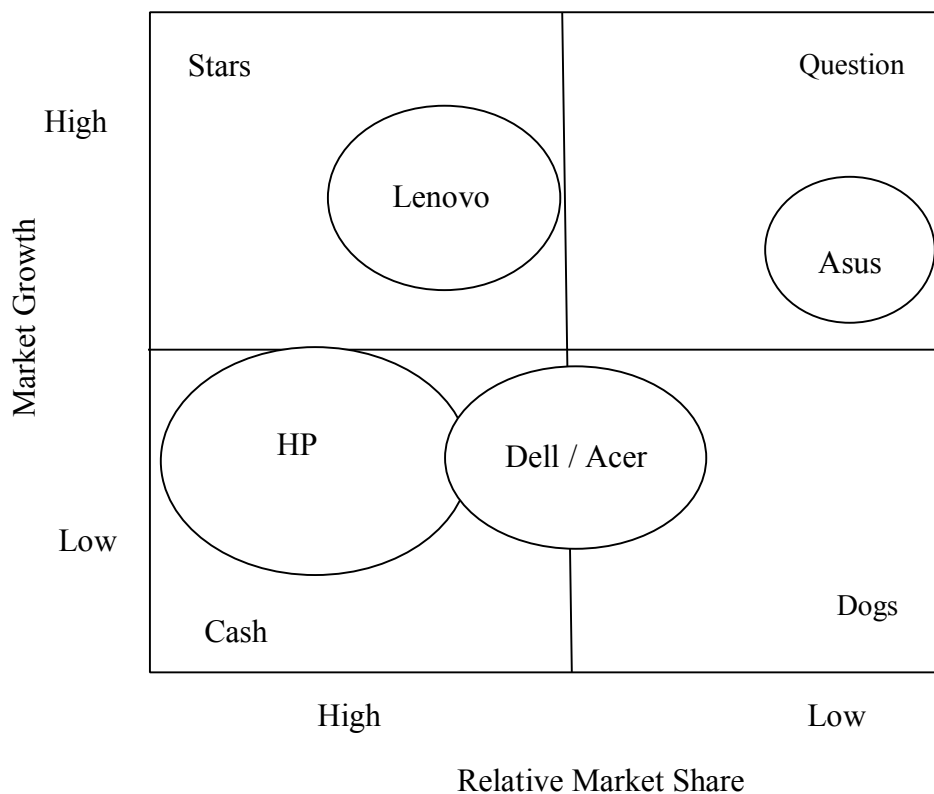
Asus is now the most popular laptop vendor in the market, and is growing fast in the Chinese PC market. It has a mature laptop production foundation along with an ability of researching and developing new products. The obvious advantage for Asus is its long term production of computer motherboards, which has helped Asus improve its popularity and reputation. Though there were obstacles for Asus to switch from its motherboard business to the PC market, the company survived and became one of the fastest growing companies in the global market. (Lenovo 2013. Corporate information, Company profile. Asus the Official Website.)

Acer, like Asus, is very popular in the international market because of its background in China. From 2004 to 2009, Acer's market share increased rapidly. In 2010, Acer was the fastest growing laptop brand in China. However, its market share has been declining for the last 4 years after it became the second best-selling vendor in 2009. The reason for the decline in the market share was due to Lenovo's market growth, which proves that Lenovo has become a very competitive company. (Hille Kathrin & Kwong Robin. 2010. Acer targets mainland China PC market. Financial Times.)

In GRAPH 2 (see page 9), the position of the top 5 PC vendors is presented in the BCG growth-share Matrix. BCG growth-share Matrix is a diagram of normal relationship of cash use and cash generation. It helps companies to allocate cash in business units. There are four sections in the matrix: Stars are fast growing businesses that generate and use large amounts of cash. Cash represents businesses with low cash use and high cash generation. Dogs are worthless cash traps with low growth and share. Question is a real gamble, as their need for cash is great due to its growth. However, its cash generation is

low because of its share. (BCG 2013. The Experience Curve Reviewed. The Boston Consulting Group.)

As presented in GRAPH 2. with rapid market growth and a high market share, Lenovo is in the star section. Meanwhile, HP has a lower market growth compared to Lenovo, so it is now a cash making company. Furthermore, Dell and Acer are together in between cash and dog sections because while holding onto their market shares, there are strategic problems within the company that need to be solved. Finally, Asus is placed in the question section. Due to its fast growth and low market share, it is still questionable whether or not Asus will remain in the top 5 vendor list .



GRAPH 2. BCG Matrix for Lenovo and its competitors (Modified from information in chapter 2.1, page 5-8)

### 2.1.2 Internal analysis

A company's values are its moral and ethical foundation for decision making (Highsmith Jim. 2013. Determining Business Value. ThoughtWorks Inc). Lenovo is a very innovative high-tech company that believes in four values: serving customers, trust and integrity, teamwork across culture, and innovation and entrepreneurial spirit.

The core value of the company is innovation, which enabled the company to hold one of the best records for innovation in PC industry. It is committed to innovation and its innovative products have not only won awards, but also received good reviews from customers.

Lenovo has several innovative strategies for solving customer problems worldwide. First, it focuses the majority of development on ideas that can be produced within 24 months. Second, it invests in longer term "game changing" plays for product research. With its 3,200 engineers, scientists and researchers, it has received more than 100 design awards and more than 6,500 patents worldwide. These achievements also made Lenovo a workplace where people's efforts and talents are appreciated and rewarded.

Lenovo defines its culture and the way it operates according to its values and commitments. It uses the "5 Ps" to represent its culture: Plan before pledging, Perform as promised, Prioritize the company first, Practice improving everyday, and Pioneer new ideas. The "5 Ps" are also the reason why Lenovo constantly delivers game changing innovations and rewarded designs. Lenovo's culture is expressed in its slogan, "We do what we say and we own what we do." (Lenovo 2013. Our Culture, Our Company, About Lenovo. Lenovo Group Limited the Official Website.)

The mission, vision, strategy and tools of Lenovo are:



GRAPH 3. Strategic planning of Lenovo (Modified from Lenovo 2013. Our Culture, Our Company, About Lenovo. Lenovo Group Limited the Official Website)

## 2.2 SWOT analysis

SWOT is an analysis of strategic planning in business operations. The acronym stands for strengths, weaknesses, opportunities and threats. SWOT analysis, which should be performed periodically, helps organizations recognize and identify their advantages and disadvantages in the market. If done correctly, the best strategies will be formulated and selected for the right market at the right time. (Harvard Business School 2005. SWOT Analysis: Looking Outside for Threats and Opportunities. Harvard Business Press, 2-4.)



### 2.2.1 Strengths

Lenovo has very strong sales position in China. The company's major sales comes from the mainland China. The knowledge Lenovo has of the Chinese market is valuable, and it helped Lenovo produce products and services suitable for the market. It resulted in more support for the company and its products.(Modified from the analysis in chapter 2.1.1, pages 5-6.)

As for mergers and acquisitions, Lenovo has completed several acquisitions and joint ventures in the last decade. These increased its market share and distribution channels. Moreover, it brought for the company more technology, talents, skills and patents. The most remarkable acquisition so far was IBM. (Modified from information in chapter 2, page 4.)

For having low production cost, Lenovo established manufacturing plants in countries like China, Brazil and Argentina. These low cost counties ensured that Lenovo got more profit from its production lines. On the other hand, lower costs led to lower prices for the customers, which made Lenovo a price competitive company in the market. (Lenovo 2013. Our Locations, Our Company, About Lenovo. Lenovo Group Limited the Official Website.)

Lenovo has been collecting patents through its mergers and acquisitions. The company collected very important patents from Stoneware, IBM and many other technological companies. Collecting patents not only strengthened Lenovo's Research & Development, but also improved its IT business reputation. (Lenovo 2013. Our Company, About Lenovo. Lenovo Group Limited the Official Website.)

### 2.2.2 Weakness

Lenovo has poor brand perception in the U.S. and European markets. It sold most of its products in Asia, especially in the mainland China, before its acquisition of IBM. Lenovo's unclear brand image and identity in western countries has influenced its global development. (Makovsky Ken . 2012. Lenovo's Perception Issues. Forbes.)

Because Lenovo's markets outside of Asia are still not very well developed, its after-sales customer services are not adequate for a company that holds more than 10 percent of the global market share and who wants to become an international enterprise. (Yogin Vora. 2009. SWOT Analysis of Lenovo. MBA Projects.)

Low production differentiation is also a big issue for Lenovo. As a electronic devices user, I can say that unlike Apple products, Lenovo's products have little difference from its rivals'. If the price of competitors' products is lower than Lenovo's, then Lenovo will lose its competitive advantage in the international market.

Lenovo has limited knowledge of the global PC market. Though Lenovo has been trying to explore the global PC market as much as it can, it is not an easy task. Lenovo has its advantages in Asia due to its prior experience, however in the US and especially Europe, it still needs time to study local markets. (SM 2013. SWOT analysis of Lenovo. SM insight.)

### 2.2.3 Opportunity

The PC market is expected to grow further in the next few years, especially in China. That means that more potential growth for Lenovo in the PC market can be expected. (Agence France. 2013. Lenovo sees PC market growth in hybrid model. South China Morning Post.)

As for the tablet market. Lenovo is now ranked the fourth biggest tablets seller in the world. Moreover, the tablet market is expected to grow rapidly for the next five years. Lenovo has a great opportunity to benefit from the market growth by introducing better quality tablets. (Jones Chuck. 2013. Tablet Market Forecast To Grow Almost 5 Times by 2017. Forbes.)

The smart phone market in India is still an unexplored territory. There are no major phone companies doing business in India yet, which means Lenovo has the opportunity to easily penetrate the Indian smart phone market by introducing its cheap Lephone. (Shaughnessy Haydn. 2013. The Rising Smartphone Stars Of China And India. Forbes.)

As we saw in Table 1, Lenovo's global PC market share has been increasing continuously, and it is expected to increase even more because of the fast growing international market. The company can easily benefit from the growing market by maintaining its market share.

#### 2.2.4 Threat

One of most attractive features of Lenovo's PCs is affordability. If its competitors lower their price and start a price war, it will be hard for Lenovo to keep competing with its rivals in the global PC market because of its low brand recognition.

Today, technology is changing rapidly and more frequently. Not only Lenovo, but all other high-tech companies are facing this same threat. Computing and information technologies change rapidly now and companies are constantly under pressure to have the newest technology as fast as possible and bring it to the market before their competitors. (SM 2013. SWOT analysis of Lenovo. SM insight.)

Clone competitors exist in Asia and especially in China. From my own experience in the Chinese mobile phone market. Cloned phones, tablets and other hardware are usually a lot cheaper than the real ones. Therefore, people who do not really care about the quality and brand buy the cloned products instead. This will bring more competition to Lenovo and become a threat.

Intensive competition exists in the PC market. PCs are very complicated products. When a customer buys a laptop, he considers the price, technology, brand, reputation, distribution, warranty and so on. Lenovo has to be able to compete with its rivals in terms of all the features above to survive in this highly competitive market.

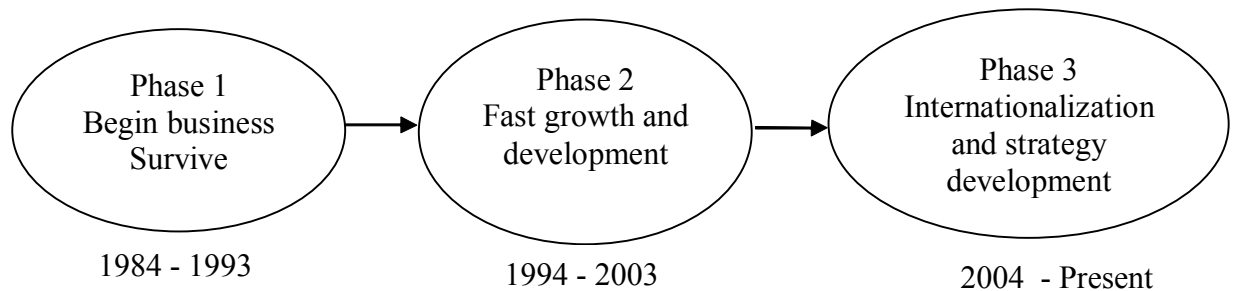
TABLE 2. SWOT Analysis of Lenovo

<b>Strengths</b>	<b>Weaknesses</b>
Strong sales position in China Mergers and acquisitions Knowledge of China's market Low production cost Patents collection International workforce Good marketing strategy Distribution channel Strong R&D Sponsorship of events and activities Mass production capacity Quick response	Poor brand perception globally After-sales services Low product recognition Limited knowledge of global market Single product Low inventory turnover
<b>Opportunities</b>	<b>Threats</b>
PC market growth Tablet market growth India's smart phone growth Patents collection Increasing global market Governmental association Wireless PC market growth Flagship store direct distribution	Price war Rapid technology change Clone competition Intense competition Maturing market and industry Growth of laptop market slowing down Software privacy Decrease of profit due to increase of cost Competitors alliance

Based on the SWOT analysis of Lenovo (see pages 11-14), all its Strengths, Weaknesses, Opportunities and Threats are concluded in the above TABLE 2. It gives a clearer picture of the SWOT analysis that was performed in chapter 2.2 (see page 11).

### 3 STRATEGY POSITIONING

After analyzing Lenovo (see chapter 2.1, page 5; chapter 2.2, page 11), one can see that Lenovo has been a growing company with the help of its internal strength and external opportunities. These merits helped Lenovo to move smoothly to the third phase of its development, as shown in GRAPH 4 below. Lenovo now needs to give its strategy a direction, and find out what type of a strategy it needs in order to achieve its vision and mission (see page 11). Then, based on that direction, it can formulate and select the right strategy for its internationalization development.



GRAPH 4. Three phases of Lenovo's development

#### 3.1 Strategy directions

Before formulating any strategy, Lenovo first needs to find the general direction for its strategy. The direction of the strategy represents Lenovo's vision and is decided by the company's environment analysis, the nature of the industry, the market situation, etc.

##### 3.1.1 Strategy according to SWOT

Different SWOT analysis results lead to different strategy directions, as shown in TABLE 3 (see page 17). According to its SWOT analysis (see chapter 2.2, page 11), Lenovo has more strengths and opportunities (S and O) than weakness and threats (W and T). These advantages mean that the company needs to focus on formulating its strategies upon strengths and opportunities. Lenovo's position in the market decides whether it will be a growing enterprise, thus the general direction of the strategy it selects should concentrate on its growth. Its strategy for growth needs to focus more on the development of the

enterprise and the growth of its market share than on its production diversity or marketing obstacles. In other words, more advantages should make the disadvantages appear smaller.

TABLE 3. Strategy direction according to SWOT analysis (Adapted from Zhan Anbo. 2011. Lenovo's internationalization strategy. Fourth edition. Business China, 38.)

	<b>Opportunity</b>	<b>Threat</b>
<b>Strength</b>	Lenovo has many of Ss and Os, so it is a growing company that should have its strategy focused on more growth	Companies with more Ts and Ss should have various strategies focusing on different factors
<b>Weakness</b>	A company should shift its strategies from stability to growth, as Lenovo did during its development in phase 2	More negative features mean the company needs to implement a contraction strategy

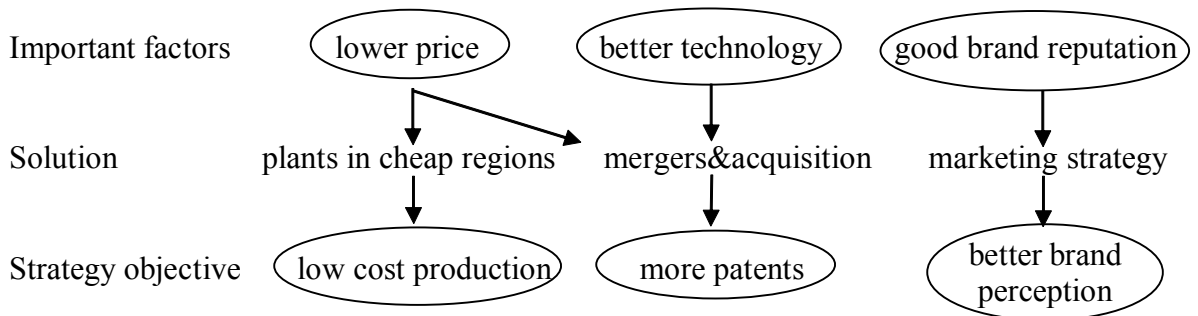
### 3.1.2 Strategy according to the nature of industry

The PC industry is one of the most complicated industries in the world. It is a combination of many different industries like electronics, manufacturing, information, and business. Though PC companies have so much competition in the market, the three factors a customer cares about the most when buying a computer are price, technology and brand. A company should be able to compete with its rivals in either of the first two factors in order to survive in the market. On the other hand, it means the company needs to either provide high-end computers with better technologies or affordable computers with standard technology to survive in the market. The brand image can be improved over time by marketing. If a company is competitive in all three factors, it will be a leading company in the market. (Dr. Nasir, V. Ashhan. 2006. Factors Influencing Consumer's Laptop Purchases. 6th Global Conference on Business & Economics.)

According to the nature of the PC industry, the strategy companies select should focus on being competitive in price and technology. With the same technology, PCs with a lower price always have better sales. This means companies need to lower their costs in order to lower the price while making enough profit. Moreover, to improve their technology, companies need to invest in research and development as well as mergers and acquisitions.

Mergers and acquisitions improve a company's production capability, which helps to lower the production cost. It also gives the company the opportunity to absorb patents from other companies and to strengthen its research and development.

Consequently, the two new directions of Lenovo's strategy focus on lowering costs and absorbing patents through mergers and acquisitions. The process of identifying the direction of Lenovo's strategy is shown below.



GRAPH 5. Strategy according to the nature of PC industry (Modified from information in chapter 2.2.1, page12 ; chapter 3.1.2, page17)

### 3.1.3 Strategy according to market situation

PC market is rather competitive these days. Alongside the companies who are already operating internationally, there are young PC companies trying to penetrate into the global PC market. Lenovo has to improve the recognition and the image of its brand in order to survive and prosper.

Compared to its major competitors HP and Dell, Lenovo is a relatively young brand (see page 3) that does not have a well-known history. Even though the company has become the second bestselling company, its culture and identity are not widely recognized in the global market.

From the market situation analysis above, Lenovo found its weak points in the market: unclear brand image and identity, low brand perception and international market forces. After knowing the disadvantages (see chapter 2.2.2, page 12) it has in the market, Lenovo decided to focus its strategy on brand remodeling, promotion through sports events, and mergers and acquisitions. This gives its strategy three new specific directions. In order to

become an internationally recognized enterprise, Lenovo first reset its brand culture and identity, then sponsored many big sports events, and finally acquired some very famous technological companies. Through these activities, Lenovo became one of the most powerful PC companies in the world.

TABLE 4. Strategy according to market environment (Modified from the analysis in chapter 3.1.3, page 18)

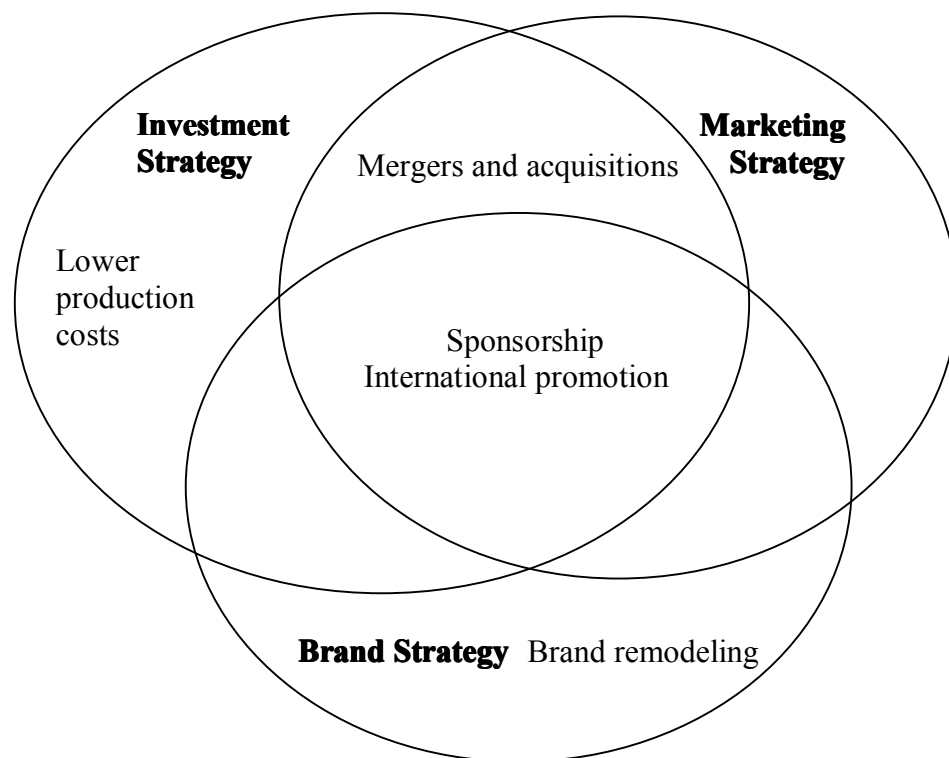
<b>Market Situation</b>	<b>Lenovo's Situation</b>	<b>Strategy Objectives</b>
Competitive	Unclear brand image	Brand remodeling
More new entries	Low brand perception	Sponsorship & promotion
	Localized in Asia	Mergers and acquisition

### **3.2 Strategy structure**

From the three analyses above (see chapter 3.1.1, page 16; chapter 3.1.2, page 17; chapter 3.1.3, page 18), we know that the strategies Lenovo formulates focus on the general direction: growth. With this general direction, managers of Lenovo drew up four specific directions for strategy formulation: lower production costs, global mergers and acquisitions, brand remodeling, sponsorship and international promotion. These strategic objectives can then be generalized into three main strategies shown in GRAPH 6: investment strategy, brand strategy and marketing strategy.

Through the above strategies, Lenovo established a plan to conquer the international PC market. Though there has been failure, its internationalization is considered to be the product of one of the most successful strategic plans in the world. The strategic planning helped Lenovo not only to become the second best-selling company of PCs worldwide in 2013, but also to achieve a 34 percent growth in net profit. (Modified from TABLE 1, page 7; Lenovo 2013. 2012/13 Annual Report. Lenovo Group Limited the Official Website.)





GRAPH 6. Strategy structure of Lenovo (Modified from analysis in chapter 3.1, page16)

GRAPH 6 represents the blueprint of Lenovo's internationalization structure. Each of the three main strategies includes some strategic objectives. Brand strategy includes brand remodeling, sponsorship and international promotion. Marketing strategy includes sponsorship, international promotion, mergers and acquisitions. Investment strategy includes lower production costs, mergers and acquisition. With the structure of Lenovo's strategy, the actual internationalization strategy Lenovo used will be presented in the following chapter.

#### **4 INTERNATIONALIZATION STRATEGY**

Enterprise internationalization has been a very important subject in the research of business for the last 20 years. Enterprise internationalization strategy refers the choices a company makes to shift from domestic operating to international operating. It examines the process of enterprise internationalization, the factors that influence the development of enterprise internationalization, and the possible results of internationalization. The typical results of enterprise internationalization are changing the company's scale from small to large, its operation from a domestic market to the global market, and its value chain from single to complex. Enterprise internationalization process is actually the process of enterprises connecting and integrating with the global economy. (Jin & Duan. 2011. Enterprise internationalization strategy. Higher Education Publication, 14-17.)

The five typical internationalization strategies that companies use are:

1. OEM strategy. OEM (original equipment manufacturer) strategy means the company utilizes its own equipment and resources to manufacture other companies' products. This way, the company's products can be introduced into the international market through other companies' distribution channels. This brings more opportunities for the company internationally.
2. Brand strategy. Brand strategy means to manufacture and sell products overseas by using the company's own brand. This way, customers can choose the products according to their brand which improves the company's brand popularity internationally.
3. Joint venture strategy. Joint ventures with foreign companies and local companies can be strengthened by foreign investment and management experience. It also improves the company's brand recognition worldwide.
4. Investment strategy. This strategy mainly focuses on using the capital market in developed countries. Merging or acquiring foreign companies strengthens a company's international market by controlling market forces, and ultimately improves the international competitiveness of the company.

5. Events marketing strategy. This strategy relies on international events and activities, including popular sports events like the Olympics. This form of marketing connects popular events and activities with the companies' products and services while synchronizing the company's culture with sports culture to form a special business culture. Consequently, the brand is recognized by customers worldwide through these events.

From the above five strategies, Lenovo mainly used brand strategy, sports events marketing strategy and investment strategy (see chapter 3.2, page 19). However, before explaining the three main strategies, Lenovo's trail for internationalization in the European and Hong Kong market in 2000 is presented in the following chapter. (Zhan Anbo. 2011. *Lenovo's internationalization strategy*. Fourth edition. Business China,40-43)

#### **4.1 Attempts at internationalization**

Before having any practical strategies, Lenovo attempted to penetrate into the global market in 2000 by selling laptops in Europe. Lenovo was planning on becoming one of the top 10 PC vendors in two to three European countries in two to three years. At the same time, it tried to sell computers in Hong Kong as an experiment. (Zhan Anbo. 2011. *Lenovo's internationalization strategy*. Fourth edition. Business China, 54-57.)

In September 2001, Lenovo started cooperating with Yingdong (a Hong Kong electronic company) and launched its first family PC in the Hong Kong PC market. Yingdong had integrated distribution channels in Hong Kong which could reach a huge potential market in Hong Kong. Lenovo hoped to use the cooperation with this company to expand the foreign markets. However the result was not very satisfactory, as only a few PCs were sold and its market share did not grow.

After the trials in European and Hong Kong markets, Lenovo started to create real plans for entering the international market. Its longtime CEO Yuanqing drew plans of Lenovo's internationalization and strategic planning. He also set goals for internationalization and strategic management. The goals for the company were to become one of the leading high-tech companies worldwide and become one of the world's top 500 enterprises in ten years. Ten years later, not only were the two goals achieved, but Lenovo also received more than

55 percent of its sales income from the global market. (Lenovo 2013. Our Company, About Lenovo. Lenovo Group Limited the Official Website. & Lenovo 2013. 2012/13 Annual Report. Lenovo Group Limited the Official Website.)

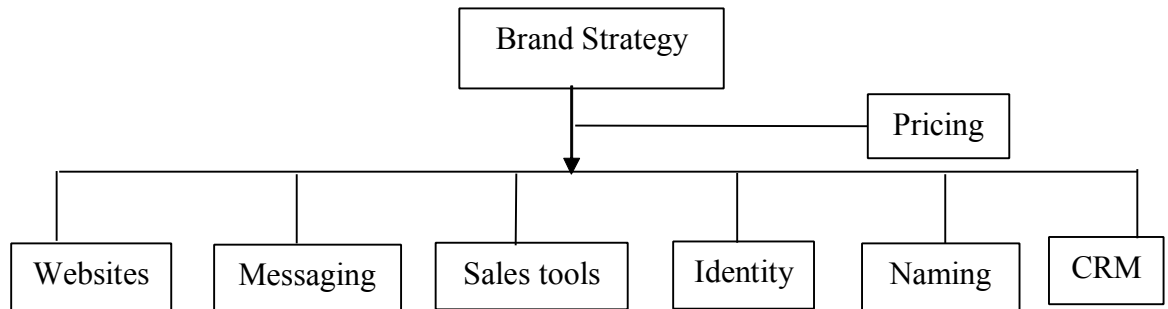
Lenovo needs to give the credit to its internationalization strategies for its achievements in the global market. In the following chapters, the three general strategies that made Lenovo one of the most successful PC companies in the world are presented.

## **4.2 Brand strategy**

A company's brand is not just a name, a design or a slogan. It is all of the experiences and images customers have about the company, its products and its services. The brand can show people what the company believes in and stands for, such as personality. Customers receive the image of the brand from their daily interaction with the employees, messages from websites and advertisements. (AMA 2013. Resource Library. American Marketing Association, 6.)

Brand strategy is very important for companies that want to operate internationally in the long run. A successful brand could create "brand equity," which is the extra money customers are willing to pay just for the brand. A company can generate more money if it has a good brand image. In order to make their brand image better, companies need to formulate their brand strategies for every interaction with customers in the market. (MO 2013. Brand Strategy. Marketing MO.)

Different brand strategies are used for different interactions in the market, as shown in GRAPH 7 (see page 24). Lenovo has been implementing different strategies for different interactions in the market. However, among all the strategies Lenovo used, pricing and naming are the most important strategies for its internationalization.



GRAPH 7. Brand Strategy (Adapted from MO 2013. Brand Strategy. Marketing MO)

### 1. Naming

On April 28, 2003 Lenovo changed its English name from "Legend," which had been used for 15 years, to "Lenovo", and registered this new name around the world. However, it was more than just changing the name; it was considered to be the first move toward its internationalization.

When the company was just established, there were no plans for internationalization or even overseas sales. The goal was just to survive in the Chinese PC market. 15 years later, Lenovo started its internationalization plan, and the first thing it needed to do was to change its official English name. Because there were too many companies called "Legend" that had already registered the name in different countries, and in order to develop its business overseas and own a trademark that protects the company by law, Lenovo changed its English name. (Cathy. 2011. From Legend to Lenovo. China Coded.)

Before Lenovo changed its name, it carried out a research with 2,800 customers, 700 business clients, and had six interviews in five countries overseas. Lenovo's marketing manager concluded the research by pointing out three problems within the brand. First, the company's brand identity was unclear to its customers. Second, the company did not have a general branding direction due to the lack of brand strategy. Finally, there was a structural chaos. Lenovo owned 40 different brands and had no general structure between those brands. Aware of the problems Lenovo had with its brand, the company established a clear brand identity and verified its brand image. It set a direction for its internationalization brand strategy, and integrated its many brands before it changed its name. (Sina 2003. Record of the Media Conference on Lenovo Brand Day. Sina Tech.)

Changing its brand name was the first step of the internationalization process for Lenovo. It gave Lenovo not only a brand to sell products, but also a new identity and image in the market to start its internationalization. This strategy focuses on not only the superficial name changing, but also the internal brand culture changing. The brand reformation ensured Lenovo a better start on the international stage. (Cathy. 2011. From Legend to Lenovo. China Coded.)

## 2. Pricing

Lenovo's brand strategy focuses on creating an image of its products with good quality and high technology, but for an affordable price. At the same time, outstanding services are provided to its customers.

Lenovo has most of its market share in China, Asia, and the USA. Its targeted markets are largely dominated by middle class. In order to attract customers in this segment, Lenovo sent out messages through campaigns, websites and advertisements to position its products as middle end in the market . Through this brand strategy, more than 50 percent of its PCs sold are middle end and the profit margin was about 60 percent. Most of Lenovo's profits come from this segment.

Through this brand strategy, Lenovo established its brand position in the market as the middle end. Its clear position in the market helped the company to attract more targeted customers, and gave the company a better identity in the international market.(Lenovo 2013. Products. Lenovo Group Limited the Official Website.)

### **4.3 Marketing strategy**

The two typical marketing objectives for a company are increasing sales and gaining sustainable competitiveness. In order to achieve these two goals, the company needs to focus on every opportunity it has in the market and choose the right strategy for each opportunity based on its resources. (Zhan Anbo. 2011. Lenovo's internationalization strategy. Fourth edition. Business China, 58-60.)

Lenovo has been implementing different marketing strategies in different market segments ever since it started its internationalization. However, sports event marketing is a very special strategy that Lenovo uses to all of its market segments and it is by far the most successful. Lenovo focuses especially on marketing through sports events and activities, sports broadcasting on TV, and sponsoring players. This strategy also helps the brand send messages to its customer by identifying the brand as sportive, positive, young and energetic.

By using the popularity of sports activities, Lenovo inserted its brand image into the big sports market around the world. Sports are done in every corner of the world. There are no barriers for people from different countries, cultural backgrounds and education levels to understand sports. Sports, being a universal language, helped Lenovo to further develop its internationalization and gave it a chance to shine.

Lenovo's sports marketing strategies were basically focused on the American, European and Chinese markets. For the U.S., Lenovo implemented its strategy through the NBA. In Europe, it sponsored Formula One, and in China Lenovo invested in the Olympics. Not only were the three different markets influenced by its sports strategy, but also all the sports fans around the world. (Zhan Anbo. 2011. *Lenovo's internationalization strategy*. Fourth edition. Business China, 77-82.)

### 1. Olympics

On March 26, 2004 Lenovo became the first Chinese company ever to sign a cooperative agreement with the International Olympic Committee (IOC). The partnership started in 2005 and lasted for four years. According to the agreement, Lenovo was responsible for providing PCs, servers, printers, technology and financial support for the 2006 Torino Winter Olympics and the 2008 Beijing Summer olympics. (Lenovo 2013. *Olympics Partnership*. Lenovo Group Limited the Official Website.)

For the 2006 Torino Winter Olympics, Lenovo provided 6,000 workstations, 700 laptops, and 600 printers used for everything from counting points and time to distribution information. After the Olympics, Lenovo was highly praised for its "zero failure" and considerate service. It was the first time Lenovo has massively promoted its products in 45

different countries and places worldwide. It was also considered a milestone for its branding internationalization. During the Winter Olympics, Lenovo selected 11 Winter Olympics winners and world champions to be its celebrity endorsers. After the Winter Olympics, Lenovo's popularity and reputation improved greatly worldwide. (Frommer Dan. 2006. Wiring the Torino Olympics. Forbes.)

As a partner of the International Olympic Committee, Lenovo created an information system for the Beijing Summer Olympics by using 30 thousand pieces of equipment including PCs, printers and servers. These systems were spread over seven Olympic cities in China and were used to arrange complicated schedules and organize games. Lenovo had a group of 580 people providing technological support for the Beijing Olympics. From designing the Olympic torch to donating 1.2 million RMB to support the Olympics, Lenovo was with the Beijing Olympics the whole time. Being a partner of the world's most famous sports event not only helped Lenovo improve its popularity and reputation worldwide, but also brought it one step closer to becoming an international enterprise. (Lenovo 2013. Olympics Partnership. Lenovo Group Limited the Official Website.)

A research from CAQ (China Association for Quality) in 2007 indicated that from 2004 to 2006, Lenovo's approval rating in China increased by nine percent to 62 percent in total. In 2008 benefiting from the Beijing Summer Olympics, Lenovo's brand equity increased by 30 billion RMB since 2004, and its market share in China also increased by 4 percent during this period of time. Before the Beijing Summer Olympics started, Lenovo accomplished its internationalization goal by being one of the world's top 500 enterprises. (Zhan Anbo. 2011. Lenovo's internationalization strategy. Fourth edition. Business China, 85.)

## 2. FIFA World Player of the year

In 2006, Lenovo sponsored Ronaldinho, who was the FIFA World Player of 2005, and chose him to be their product spokesperson. The result of this sponsorship has brought Lenovo some surprises. First, there were more than one million new users registered for Ronaldinho's interactive column on Lenovo's website. Moreover, the commercial Ronaldinho did for Lenovo was considered to be the third most recognizable commercial in China with 19.3 percent of the people recognizing it. This number was even higher than



that of some of the official World Cup sponsors' commercials. Meanwhile, Lenovo's Chinese market share reached a new high of 36 percent, while the European market also increased. In India, the PC that Ronaldinho promoted, Lenovo 3000, had a 100 percent growth in one month. (Lenovo 2006. Sports Events Marketing. Lenovo Group Limited the Official Website.)

The numbers above proved that by sponsoring Ronaldinho, Lenovo had a real breakthrough in sales and brand recognition. The strategy of integrating sports spirit with product spirit had once more proven to be efficient.

### 3. NBA

In December 2006, Lenovo became the NBA's official marketing partner and the only partner in its PC business in China. The two parties agreed to cooperate in both Chinese and American markets. Lenovo was allowed to use the NBA logo and players on its products, and could also use NBA China activities for marketing. (Lenovo 2006. Innovative Lenovo Stat to be Unveiled for 2006-2007 NBA Season. Lenovo Group Limited the official Website.)

For Lenovo, I think this cooperation brings in more sales from the young generation in China, especially those who like NBA or basketball. Its marketing through NBA also improved its brand popularity and recognition in the USA, which helped Lenovo become a very sporty brand with passion and energy.

### 4. Other sports

Besides the above sports activities, Lenovo managed to cooperate and have partnerships with many other sports events and activities such as the sponsorship of the 2006 China Open tennis tournament and the team "Williams" in Formula One. (Alestron. 2006. Lenovo Sponsors China Open with USD 1million. Highbeam Business; Lenovo 2007. Lenovo Starts a New Engine in Formula 1. Lenovo Group Limited the Official Website.)

When Lenovo was planning its sports events marketing strategy, it chose the most popular sports in one region as its regional sports marketing strategy subject. Sports is a universal

language, and there are sports fans for different kinds of sports all around the world. People in Africa watch Formula One, in China people watch NBA, and in the USA they watch soccer. Lenovo succeeded the moment it chose sports events to be its marketing media. The company created a huge marketing web through sports to cover comprehensive markets internationally. This is a very important strategy for Lenovo's internationalization, and it is also one of the most successful strategies.

#### **4.4 Investment strategy**

Internationalization development can be achieved by two basic approaches: self-developing and mergers and acquisitions. Lenovo used the second method for its investment strategy. The most remarkable acquisition so far was its acquisition of IBM's PC business. Other than IBM, Lenovo also acquired German electronic company Medion, Brazilian electronic company CCE, and a software company in the US called Stoneware. Moreover, Lenovo has formed a joint venture with NEC, a Japanese electronic company, to produce PCs in Japan. Furthermore, the company established new plants in different regions to achieve lower production costs. These activities helped Lenovo accomplish its investment strategic plans for internationalization. (Zhan Anbo. 2011. *Lenovo's internationalization strategy*. Fourth edition. Business China, 94.)

##### 4.4.1 Mergers and acquisitions

Mergers and acquisitions are used as a type of cooperate strategy. It deals with purchasing, selling, dividing and integrating companies or similar sectors in order to help the company to develop and grow faster in its business area. In the past 8 years, Lenovo has acquired four major electronic companies worldwide including IBM, Medion, CCE and Stoneware. (Bill Snow. 2011. *Mergers and Acquisitions for Dummies*. 1 Edition. Wiley Publishing, 20-25.)

##### 1. IBM

International Business Machines Corporation (IBM), sometimes also referred to as "Big Blue," is an American technology company that manufactures, develops, and sells

computers worldwide. It was established in 1911 through a merger of three different companies. Before Lenovo acquired it, IBM was one of the biggest PC vendors in the world ever since 1996. Until 2004, when Lenovo acquired its PC business, it was still the third best selling company and held 5.5 percent of the global market share. (Madrigal Alexis C. 2011. IBM's First 100 Years. The Atlantic.)

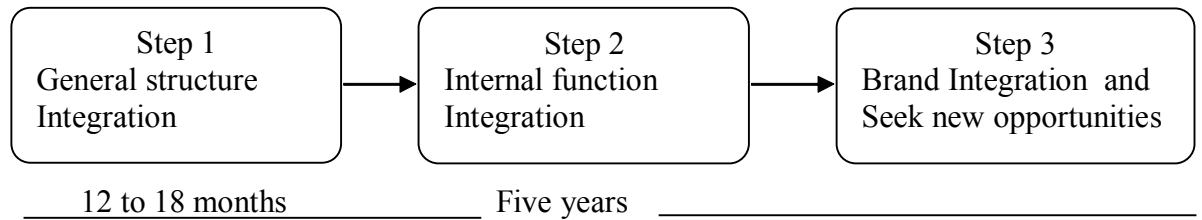
On December 8, 2004 Liu Chuanzhi first announced Lenovo's acquisition of IBM's PC business to the public. Lenovo acquired IBM's PC, laptop, R&D department, manufacturing plants, distribution channels and service centers of the PC business by paying IBM 1.25 billion USD. (People's Daily 2005. Lenovo, IBM acquisition deal completed. People's Daily Online.)

According to the agreement, Lenovo paid IBM 650 million USD in cash plus Lenovo's equity stock worth 600 million USD. Lenovo also absorbed IBM's 500 million USD debt. After the deal was completed, IBM owned 18.5 percent of Lenovo. The new Lenovo used IBM's brand for five years for free and could keep the trademark "Think" permanently. It also established a new operation center in the US. Furthermore, China, where there were more than 19 thousand employees including more than nine thousand employees coming from IBM, became the main manufacturing base. (People's Daily 2005. Lenovo, IBM acquisition deal completed. People's Daily Online.)

According to their agreement, Lenovo and IBM became long term strategic allies which work together toward common objectives. IBM has the priority to get services from Lenovo and to be the supplier for Lenovo. On the other hand, Lenovo would always be IBM's first choice for purchasing PCs. After the deal was accomplished, Yuanqing became the CEO of the new Lenovo. (People's Daily 2005. Lenovo, IBM acquisition deal completed. People's Daily Online.)

As shown in GRAPH 8, according to the plan of this acquisition, there were three steps for Lenovo to take in order to digest IBM's PC business completely. The objective of the first step, which took approximately 12 to 18 months, was to integrate their organizational structure, functions and supply chain. The second step concentrated on creating new products, sales teams, distribution channels and integration of R&D departments. The last step was to integrate the two brands together to access more new markets and business

areas. Lenovo accomplished this plan in 5 years, and in 2008 Lenovo replaced IBM completely in the market. (Zhan Anbo. 2011. *Lenovo's internationalization strategy*. Fourth edition. Business China, 104-106.)



GRAPH 8. Steps of integration with IBM

On March 3, 2005 Lenovo accepted a strategic investment of 350 million USD from Texas Pacific Group, General Atlantic and Newbridge Capital LLC. The investment was used for the acquisition of IBM. Because of this investment, IBM's share of Lenovo's stock fell from 18.9 percent to 13.4 percent. Consequently, Lenovo had to pay IBM an extra 800 million USD. In 2008, IBM's share of Lenovo fell below 5 percent. (Lenovo 2005. *Lenovo Announces US\$350 Million Strategic Investment from Leading Private Equity Firms*. Lenovo Group Limited the Official Website.)

Liu Chuanzhi's comments on the acquisition was that Lenovo has benefited from this acquisition in three ways. First, the company got the ThinkPad brand permanently. Then, the company absorbed IBM's advanced PC manufacturing technology. Finally, Lenovo obtained its global resources, including international sales channels and management teams. These benefits Lenovo acquired from IBM helped Lenovo to improve its sales revenue. (Lenovo 2005. *Lenovo Announces US\$350 Million Strategic Investment from Leading Private Equity Firms*. Lenovo Group Limited the Official Website.)

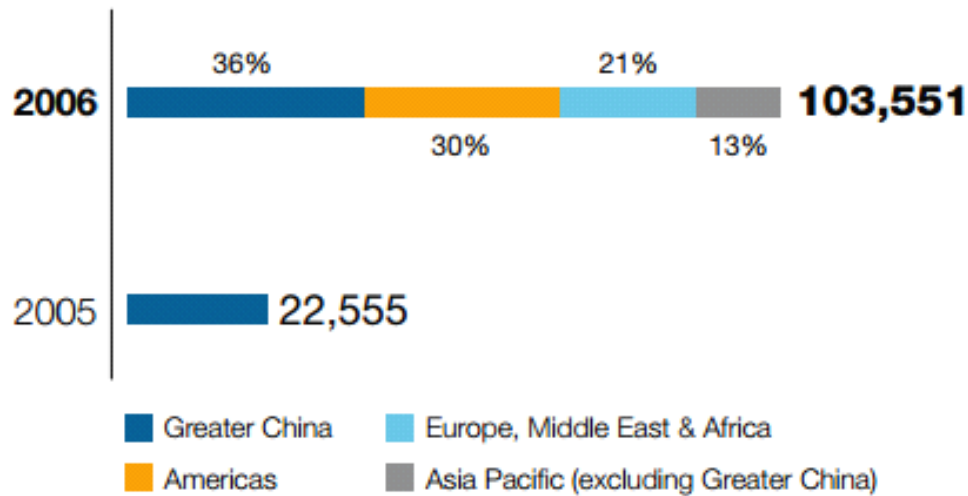
After acquiring IBM's PC business in 2005, Lenovo replaced IBM as one of the 5 best-selling PC companies in the world. It also became the world's third largest PC manufacturer. Two years after the acquisition, Lenovo had established branches in 60 different countries and distribution channels in 160 different locations worldwide. (Chapter 2.1.1, page 5; Lenovo 2013. *Our Company, About Lenovo*. Lenovo Group Limited the Official Website.)

As we can see in GRAPH 9 (see page 33), Lenovo's annual turnover increased by 80 billion HK dollars (1USD=7.8HKD) in 2006. Geographically, Lenovo increased its turnover in America by 30 percent, in Europe, the Middle East and Africa by 21 percent, and 13 percent in the Asia Pacific. On the other hand, the share of notebook computers in Lenovo's annual turnover increased rapidly in 2006 and ended up with 49 percent of the turnover share. This number was even 4 percent more than the desktop computer share, which dominated the turnover in 2005. In conclusion, after the acquisition of IBM, Lenovo has not only increased its turnover by five hundred percent, but also entered into the international market successfully within only one year and seized the laptop market, which is considered the future of the PC market.

This acquisition helped Lenovo achieve its internationalization in production technology, distribution channels, international ownership and financing. Before this acquisition, Lenovo did not even exist on the list of top five PC vendors by global market share for unit sold. It did not have headquarters overseas. It was not well-known by customers overseas. But after the acquisition, it suddenly became the third on the list of the top five PC vendors by global market share for units sold, and set its headquarters in the USA. Moreover, the acquisition of IBM improved Lenovo's reputation and popularity worldwide, and enriched its brand culture and effect.

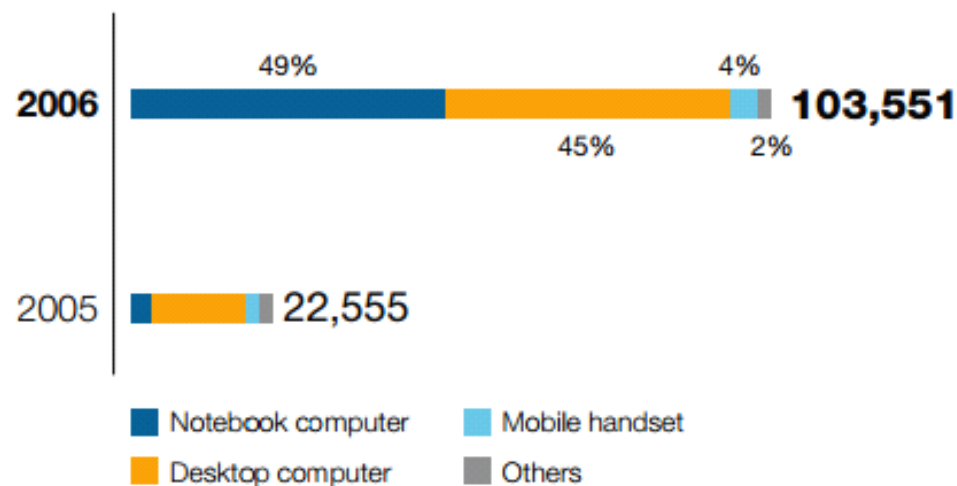
## Turnover Analysis by Geography

for the year ended March 31 (HK\$ m)



## Turnover Analysis by Product

for the year ended March 31 (HK\$ m)



GRAPH 9. Turnover analysis of Lenovo 2005 & 2006 (Adapted from Lenovo 2005. Annual Report 2005/06. Lenovo Group Limited the Official Website)

## 2. Medion

Medion is a German-based electronics company that mainly sells computers and notebooks in Europe, the US and Asia Pacific. It also sells televisions, digital cameras and domestic appliances such as toasters and refrigerators. The company was founded in 1982 and its sales revenue of 2011 was 1,43 billion Euros. Medion is a medium-sized computer

company in Western Europe that held approximately four percent of the market share and provided jobs to 1,013 employees worldwide in 2011. The company is known for selling affordable computers and electronic devices. It started its cooperation with the chain retail store "Aldi" about two decades ago, and this made Medion a very well known brand all around Germany. (Lee & Soh. 2011. Lenovo buys German computer seller Medion for \$900 million. REUTERS. )

In June 2011, Lenovo announced its plan of acquiring Medion, and the deal was closed by the third quarter of the same year. According to Lenovo, it acquired a 40 percent stake share of Medion by paying its CEO and founder Gerd Brachmann about 231 million Euros in cash and one percent of Lenovo's stake share. Moreover, according to the agreement, there would be no reduction of staff and no departments shut down, and Medion's management team would remain the same. This deal was considered to be the biggest acquisition Lenovo had since its acquisition of IBM six years ago, and was also the first time a Chinese company acquired a famous German company. (Lenovo 2011. Lenovo Acquires Medion AG To Expand Its Business In Western Europe. Lenovo Group Limited the Official Website.)

There has been many questions about why Lenovo chose this German company to boost its market share in Europe, as the German PC market is known for growing slowly and being mature. Despite that, Lenovo said this acquisition would make it the third largest vendor by sales worldwide (after HP, Dell and Acer) and its PC market share in Germany would double. Many analysts still believe that there would not be much benefit brought to Lenovo from this acquisition. (Lee & Soh. 2011. Lenovo buys German computer seller Medion for \$900 million. REUTERS.)

Lenovo had been trying to enter into the European PC market for some time before it acquired Medion, but had little success. Its acquisition of Medion shows that Lenovo wanted to boost its market share in Europe by volume. Big volume also means Lenovo would have more advantages bargaining with its suppliers and contractors. However, one of its biggest competitors, Acer, which mainly operates in Europe, said that their company is more interested in boosting their market share by improving technology instead of volume. Dell and HP also showed interest in computing services instead of volume growth.

(Lee & Soh. 2011. Lenovo buys German computer seller Medion for \$900 million. REUTERS. )

Regardless of what Lenovo or the analysts say, after acquiring Medion, Lenovo had its first increase in the Western Europe market. As shown in TABLE 5, It had a ten percent growth in PC market in Western Europe between 2. Quarter 2011 and 2. Quarter 2012. On the contrary, the general market had a decrease of 2.4 percent.

TABLE 5. PC vendors in Western Europe and Germany 2Q11-2Q12 (Egham. 2012. Gartner Says PC Market in Western Europe Declined 2.4 Percent in Second Quarter 2012. Gartner Inc)

PC Vendor Unit Shipment Estimates in Western Europe. (thousands of units)

Vendor	2Q12 shipments	2Q12 Market Share (%)	2Q12 shipments	2Q11Market Share (%)	2Q11-2Q12 Grow (%)
HP	2,760	20.2	3,171	22.7	-13.0
Acer	2,361	17.3	2,047	14.6	15.3
Asus	1,458	10.7	1,021	7.3	42.8
Dell	1,185	8.7	1,371	9.8	-13.6
Lenovo	1,057	7.8	961	6.9	10.0
Others	4,822	35.3	5,413	38.7	-10.9
Total	13,643	100.0	13,984	100.0	-2.4

PC Vendor Unit Shipment Estimates in Germany.(thousands of units)

Vendor	2Q12 shipments	2Q12 Market Share (%)	2Q12 shipments	2Q11Market Share (%)	2Q11-2Q12 Grow (%)
Acer	371	14.5	293	10.7	26.6
Lenovo	356	13.9	391	14.2	-8.8
HP	334	13.0	444	16.2	-24.8
Asus	201	7.8	203	7.4	-1.0
Dell	188	7.4	224	8.2	-16.1
Others	1,117	43.5	1,191	43.3	-6.2
Total	2,567	100.0	2,746	100.0	-6.5



From the acquisition of Medion, Lenovo gained more market share in Western Europe by volume, and the result was better than it expected. From TABLE 5 (see page 35) we can see that Lenovo was the fifth-ranked PC vendor in Western Europe for the fiscal year 2011 and 2012. Its market share for 2Q12 reached 7.8, which was 0.3 percent more than it expected after acquiring Medion. Lenovo and its two major rivals, Acer and Asus, were the only three companies with an increase in the market when the whole market was shrinking. However, Asus's growth was much bigger than that of both Acer and Lenovo. It is going to be a hard battle for Lenovo to get closer to its rivals on the list. Alongside the existing differences in the market share with HP and Acer, its other major rival Asus is the fastest growing company in the European division and the third largest PC vendor in Western Europe. (Modified from TABLE 5.)

Unlike what Lenovo has expected from the German PC market, its market share did not double, but decreased instead. There was a total 6.5 percent of decrease in the Germany PC market, where Lenovo's market share decreased by 8.8 percent. Acer was the only company who had a growth of 26.6 percent, while all the other leading companies had a decrease in market share. Furthermore, Acer replaced HP's first place on the list by having a 26.6 percent growth while HP had a 24.8 percent decrease. The decrease in the German PC market was not what Lenovo expected after acquiring Medion. One year later, Lenovo had a 3.9 percent increase in the German PC market even though there was an eight percent decrease in the German PC market by the second quarter of 2012/13. (Modified from TABLE 5.)

In conclusion, Lenovo achieved its internationalization in the Western European and German PC market by acquiring Medion. However, so far the return from this acquisition has not been satisfactory compared to what Lenovo paid. This strategic plan for the European market has not yet proven efficient or satisfying. However, this acquisition was done only a few years ago, and there is still time for Lenovo to learn more about the markets in Europe and make the best of this acquisition. Lenovo's brand perception is still very poor in the European market, and maybe that is what the company needs to focus on more when formulating and selecting its internationalization strategy.

### 3. CCE

CCE is a Brazil-based technology company founded in 1964. It is a leading manufacturer of PCs and consumer electronics in Brazil with seven production plants operating in the Free Trade Zone of Manaus and San Paulo. CCE is a very famous company in Brazil with some well known brands like CCE, CCE Mobi, CCE info. It is the largest employer in Northern Brazil with about 5,900 employees. Moreover, it cooperates with some of the most famous international technology companies like Intel and Microsoft. The company had more than 20,000 points of sale around the whole country which helped it to achieve a net sales of 1.6 billion Brazilian reais in 2011. (Lenovo 2012. Lenovo Acquires CCE to Build PC+ Leader in Brazil. Lenovo Group Limited the Official Website.)

In September 2012, Lenovo announced its plan of acquiring CCE. Two days after the new year in 2013, Lenovo had acquired 100 percent of CCE by paying approximately 150 million USD in cash and some of Lenovo's stock. The company also announced that after the acquisition, the company would focus on IT services and software in Brazil. (Mehta Stephanie N. 2012. Urgency Drives Lenovo Deal in Brazil. CNNMoney.)

Lenovo believes that CCE's knowledge of the domestic market and local customers in Brazil will help the company to accomplish its "global-local" strategy. Actually, before this acquisition, Lenovo had already established a factory in Brazil costing 30 million USD in Ltu, Sao Paulo. This new manufacturing and distribution base in Brazil, as well as the acquisition of CCE, indicated that Lenovo has a long term commitment to the Brazilian market. (Mehta Stephanie N. 2012. Urgency Drives Lenovo Deal in Brazil. CNNMoney.)

After having a successful outcome from the investment in the 2008 Beijing Summer Olympics, Lenovo saw the opportunities in Brazil since it is going to be the place hosting both the 2014 World Cup and the 2016 Summer Olympics. After establishing a new factory in Brazil, Lenovo's management team thought that it would be better to have a local partner in order to enter into the local market faster and maximize the potential growth. CCE was selected because of its good reputation for quality. Through this acquisition, Lenovo achieved its "global-local" strategy in Brazil by establishing a new plant with international capabilities and acquiring a local company. (Lenovo 2012. Lenovo Acquires CCE to Build PC+ Leader in Brazil. Lenovo Group Limited the Official Website.)

Lenovo's internationalization planning in Brazil was well-received, and its acquisition of CCE was considered a success. Personally, I think this is a very good internationalization move. Lenovo did not spend too much money on it, and the market in Brazil is growing fast. Moreover, Lenovo will be able to make the most of the two international and high-profile sports events that will be held in Brazil, which is not only good for its market growth in the local market but also for its brand reputation and recognition worldwide.

#### 4. Stoneware

Stoneware is an American software company that mainly manufactures classroom management software and cloud computing. It is specialized in Unified Cloud Platform, which provides access to applications and files for its users. It mainly serves the education, public, commercial, manufacturing and health sectors. The company was established in 2000 and is headquartered in Indianapolis, Indiana. It had cooperated with Lenovo since 2010 until Lenovo acquired it in 2012, and during these two years of cooperation, Stoneware's sales doubled. (Stoneware 2013. About us. Stoneware the Official Website. )

In September 2012, shortly after Lenovo's acquisition of CCE, Lenovo announced its acquisition plan for Stoneware. This was its first acquisition of a software company. Stoneware team was fully integrated into Lenovo at the end of 2012 . The newly formed company remains in Indiana and Utah. According to the agreement, there will be no reduction of employees and all 67 employees in Stoneware joined Lenovo one week after the acquisition. (Lenovo 2012. Lenovo Acquires Stoneware to Expand Secure Cloud Computing. Lenovo Group Limited the Official Website.)

The acquisition indicates that Lenovo is trying to boost its commercial and customer cloud offerings through the acquisition of Stoneware. More specifically, Lenovo expects Stoneware to improve its cloud computing solutions which will help its clients and organizations to simplify the complex environment of cloud computing. (Dignan Larry. 2011. Lenovo bolsters PC-to-cloud effort. ZDNet.)

Today, multiple devices, such as computers, smart phones, tablets, are used by customers. This made Lenovo's PC Plus a very important service to develop. PC Plus service provides its customers and users with one terminal to control different devices and access data. With

Stoneware, Lenovo wants to make it possible for its customers to connect their PCs with their smart phones and tablets efficiently. (Dignan Larry. 2011. Lenovo bolsters PC-to-cloud effort. ZDNet.)

Lenovo's senior vice president for production commented on this aggressive expansion in cloud computing by saying "Adding Stoneware cloud computing into the Lenovo line up presents a significant opportunity to leverage their success, and enhance our PC Plus offerings, all to the benefit of Lenovo's product group" (Lenovo 2012. Lenovo Acquires Stoneware to Expand Secure Cloud Computing. Lenovo Group Limited the Official Website). This acquisition not only gave Lenovo access to new technologies, but also to new users with multiple devices worldwide. With this acquisition, Lenovo started its service in the cloud computing service market. (2012. Lenovo Acquires Stoneware to Expand Secure Cloud Computing. Lenovo Group Limited the Official Website.)

After acquiring Stoneware, Lenovo diversified its catalogue and added another international technological research location. This acquisition helped Lenovo to achieve its internationalization not only on a production level, but also on a technological research level. By doing so, Lenovo's brand recognition worldwide has been further improved and its technology became more trustworthy for customers, which made this acquisition also helpful for its brand strategy (see page 23). This was a very successful acquisition for its internationalization plan.

#### 4.4.2 Joint venture

A joint venture is a business agreement between two or more parties. The parties gather their resources, for example, capital, technology and distribution channels etc. together according to the agreement to achieve a specific task. There are mainly two types of joint ventures: equity joint venture and cooperative joint venture. Equity joint venture, also known as Sino-foreign equity joint venture, is between Chinese and foreign partners who share profits and losses in a equal proportion to their respective contributions to the venture's registered capital. Cooperative joint venture, also known as Sino-foreign cooperative joint venture, is between parties seeking service agreements, brand use agreements, management contracts, rental agreements, or one-time contract, e.g., from construction projects. In a joint venture, every party is responsible for costs, losses and

profits though the venture itself is a separate entity from the party's business area. In 2011, Lenovo formed a joint venture with the Japanese electronic company NEC. (Johnson Howard E. 2000. Reducing the Risks in Joint Venture. CMA Management. 34-36; Normsun 2012. Sini-Foreign Equity Joint Venture. Normsun.)

## 1. NEC

NEC Cooperation, also known as Nippon Electric Company Limited, is a Japanese electronic company which was founded on July 17, 1899 in Tokyo. It provides information technology products and services globally such as telecommunication equipment, servers and consumer electronics including cameras, mobile phones and computers. It is headquartered in Shiba, Minato and Tokyo in Japan. It is considered to be the number one PC company in Japan, and made more than 2.1 million PCs and controlled 20 percent of the Japanese PC market in 2011. (NEC 2013. Corporate Profile. NEC the Official Website.)

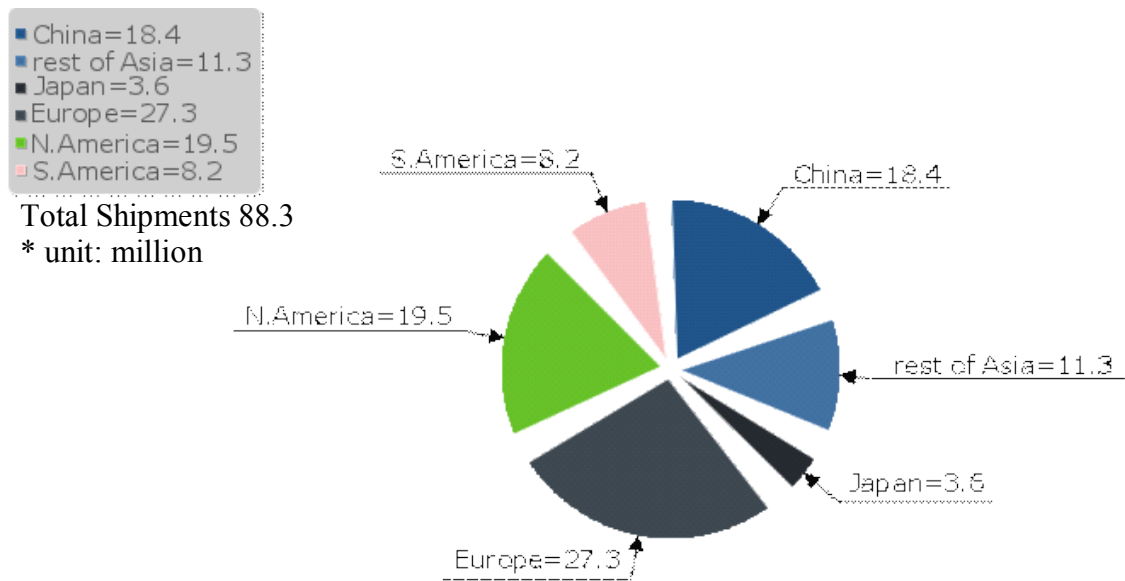
On January 27, 2011 Lenovo and NEC Cooperation announced their strategic plan of forming an equity joint venture to establish the largest PC group in Japan. A new organization called Lenovo NEC Holdings B.V. was established under NEC Lenovo Group according to the agreement. The new company was registered in the Netherlands. Lenovo gave NEC 175 million USD for the 51 percent share of NEC Holdings B.V. The other 49 percent share is owned by NEC. Furthermore, Lenovo (Japan) Ltd. and NEC Personal Computer Ltd. both became subsidiary companies of the new joint venture. (Lenovo 2011. Lenovo and NEC Form Joint Venture to Create Japan's Largest PC Group. Lenovo Group Limited the Official Website.)

The joint venture with NEC was very different from Lenovo's acquisition of IBM. Not only was it different in form but also in the strategy implemented within it. In Japan, consumers are very loyal to their trusted and liked brands, and thus changing the name NEC could lead to domestic market losses. Moreover, Japanese people are very supportive of their national enterprises and brands, which means they are more likely to buy from local companies than from foreign ones. (Lenovo 2011. Lenovo and NEC Form Joint Venture to Create Japan's Largest PC Group. Lenovo Group Limited the Official Website.)

Because of this habit of Japanese consumers , keeping both companies' brand and branding strategies (see page 23) was necessary to attract a bigger range of customers. The strategy of the joint venture was to sell both Lenovo and NEC's products in the Japanese retail market. Meanwhile, their resources, manufacturing, research and development were integrated in order to strengthen their capabilities, technology, supply chain and distribution channels. (Lenovo 2011. Lenovo and NEC Form Joint Venture to Create Japan's Largest PC Group. Lenovo Group Limited the Official Website.)

The goal of the newly formed organization is to get a 30 percent share of the Japanese PC market within three years, while before the joint venture the total of the two companies' market share was approximately 23.6 percent. One year after the joint venture, Lenovo NEC Holdings BV became the number one PC supplier in Japan holding 25.4 percent of the market share by the end of the second quarter of 2012. On the other hand, it means that the joint venture needs to obtain 4.6 percent more of the market share in the next two years in order to achieve the goal. (Tuo Vannan. 2012. Lenovo NEC targets 30% share of Japanese PC market. China Daily.)

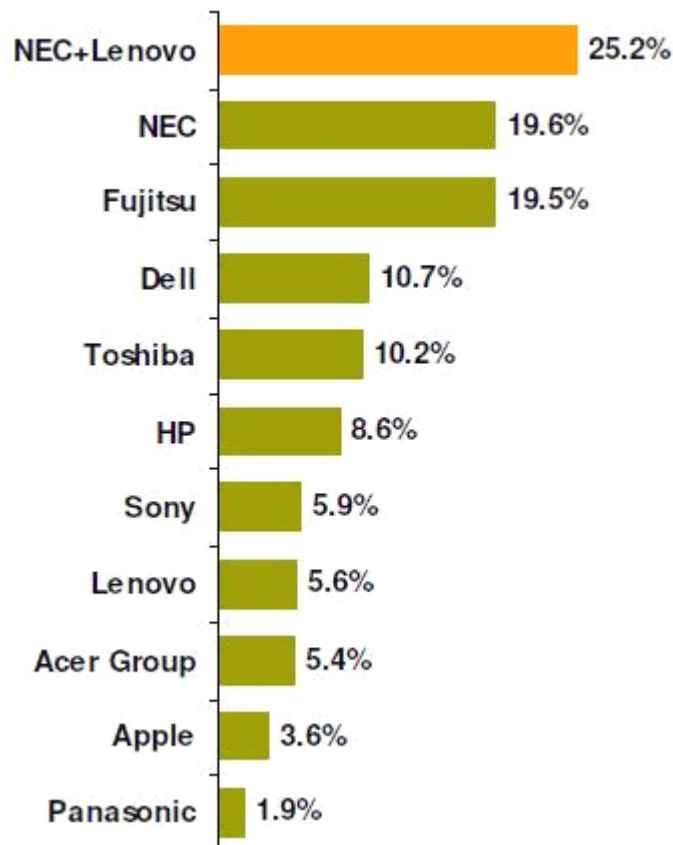
Lenovo's CEO Yang Yuanqing commented on the joint venture by saying "The agreement with NEC is a perfect fit for our strategy. It reinforces our commitment to our core PC business while, at the same time, providing important new opportunities for growth in Japan. We have a long history of innovation in Japan and a firm commitment to the Japanese market. Now, we are combining our global strength and momentum with NEC's market leadership. It is the perfect partnership for us and for our customers" (Lenovo 2011. Lenovo and NEC Form Joint Venture to Create Japan's Largest PC Group. Lenovo Group Limited the Official Website). Lenovo believes that this joint venture was very efficient and suitable for its internationalization plan, and will help the company to become a leading PC vendor in Japan.



GRAPH 10. Global PC market shipments. 3Q2010 (Adapted from GartnerGroup's Dataquest. 2013. Gartner. Inc)

Besides the fact that Japan was the third largest PC market in the world, Asia is also considered to be the future for PC vendors. As shown in GRAPH 10, before Lenovo formed the joint venture with NEC, Asia itself had a market share of more than 37 percent in the global PC market by the end of the third quarter in 2010. Therefore, opening up the market more in Asia is crucial for Lenovo's future international development.

The Japanese PC market was highly competitive before the joint venture, and both of the companies have strong competitors in the market. Lenovo's main rivals are international companies like HP and Dell. On the other hand, NEC's major rivals are domestic companies like Toshiba, Fujitsu and Sony. Their biggest rival is Fujitsu, whose productivity was three times higher than NEC's. As indicated in GRAPH 11 (see page 43), in 2010 both companies had obvious advantages in the market share competing with their competitors in Japan. Fujitsu's second-place market share in Japan was only 0.1 percent below NEC's, while Lenovo had only 5.6 percent of the market share in the seventh place. However, by combining their forces, the two companies were the market leader with the total of 25.2 percent market share. (Rodrigo. 2012. World Trade Organization, China's economy will deeply and broadly get involved in international division of labor. The WritePass Journal.)



GRAPH 11. PC Market share in Japan 2010 (Adapted from Rodrigo. 2012. World Trade Organization, China's economy will deeply and broadly get involved in international division of labor. The WritePass Journal)

This joint venture seems very suitable and reasonable for the growing Asian PC market and competitive Japanese PC market. It helped Lenovo to further achieve the objectives of its internationalization plan, especially in the East Asia region. With this joint venture, Lenovo improved not only its market position in Japan but also its general influence in the Eastern Asia division.

Even though this joint venture has not shown any remarkable results yet, due to the nature of the market in Japan I believe it was the right thing for Lenovo to do to create such a strategic relationship with a domestic company. NEC has a good market reputation, knowledge of the customers, good customer services and product development capability. Together with Lenovo's advantages in technology, global business expertise and global supply chain, both of the companies can expect a growth in the market.



#### 4.4.3 Manufacturing plants

From my experience, the most important three features that matter to manufacturing plants are speed, distance to market, and costs. A manufacturing plant should be able to act quick to market changes, stay close to its market, and minimize costs. In order to meet the needs for Lenovo's products, Lenovo established eight manufacturing plants in seven different cities in four different countries around the world (Lenovo 2013. Our Locations, Our Company, About Lenovo, Lenovo Group Limited the Official Website).

Lenovo currently has five manufacturing plants in China: one in Beijing, the capital city of China in the north, one in Shanghai, the second most populous city in China, which is also famous for shipping ports, one in Huiyang, a city in the south, and right next to Huiyang, two more plants located in Shenzhen. The area around Huiyang and Shenzhen are known for electronics manufacturing with low labor cost and multiple choices of suppliers. As shown in MAP 1 (see page 45), with these plants, Lenovo is able to reach both the northern and southern markets in China, and react to the changes of the market quickly. Moreover, with low-cost design, manufacturing, labor, administration, R&D engineers and customs, Lenovo built a solid foundation in China for the company to move towards internationalization. Because of the lower costs, Lenovo is able to focus more on its innovation in order to provide customized products to its customers. This strategy (see chapter 3.1.2, page 17) is suitable for Lenovo because its major strengths are in manufacturing and assembly. (Lenovo 2013. Our Locations, Our Company, About Lenovo, Lenovo Group Limited the Official Website.)

On July 26, 2007 Lenovo announced its new investment in two new fully company owned plants in Monterrey, Mexico and New Delhi, India. The total amount of money invested was more than 30 million USD including construction, wages, equipment and taxation and some extra contribution to the local society. Lenovo's senior vice president of global supply chain believed that this investment in the new plants is for the company's future. He said that establishing new plants worldwide would help the company to access new markets and buyer segments. It would also improve its competitiveness and cost efficiency. In my opinion, by having plants in different countries would help Lenovo to get closer to its market in order to act quickly. It shortens the supply chain and time to customer, which will eventually improve its brand image and reputation worldwide. (Lenovo 2007. Lenovo

to Increase Global Footprint With New Manufacturing Plants in Mexico and India. Lenovo Group Limited the Official Website.)



MAP 1. The locations of manufacturing plants locations in China

Except for the five plants Lenovo has in China, it also has two plants in Monterrey, Mexico and Pondicherry, India. These two places were chosen because of their relatively low cost and good location. The plant in Mexico could reach both South and North American markets. On the other hand, the Indian one meets the demand for Lenovo's products in South-east Asia. Moreover, there are two more manufacturing plants coming, one in Brazil and another in New Delhi. With these two new plants, Lenovo will be able to improve its production capabilities in these regions. (Lenovo 2013. Our Locations, Our Company, About Lenovo, Lenovo Group Limited the Official Website.)

The most recent investment Lenovo made was its manufacturing plant in Greensboro, NC, USA. Instead of moving production overseas to low-cost regions, Lenovo reversed this decades-long tradition and decided to move its production line into the U.S. With this new plant, Lenovo is able to provide products to its customers in North America faster. It allows Lenovo to delay the production until the last cycle to customize its devices. Also, according to Lenovo, some customers, such as the government or some organizations, have a special request for their products to be made in the USA. The fact is that the cost in this plant is definitely higher than the other plants. However, as the goal is to gain more competitive advantages in the US market, Lenovo is willing to pay the price. (Kaiser

Tiffany. 2013. Lenovo Launches Its First U.S. PC Manufacturing Line in North Caroline. Daily Tech.)

Lenovo is now on its way to becoming an international enterprise by not only marketing but also manufacturing. I believe that with its eight existing manufacturing plants around the world and two new upcoming plants, it will become one of the most internationalized enterprises on a manufacturing scale. Investing in manufacturing plants helped Lenovo to further complete its internationalization plan and improved the capabilities of the company worldwide.

#### 4.4.4 Future investment strategy

Unlike its rivals Dell and HP, Lenovo's primary internationalization strategy (see page 34) concentrates on winning by volume instead of by better technology. Though the company holds a great deal of patents, most of them came through mergers and acquisitions. As one can see in the table below, compared to its biggest rival HP, Lenovo's spending in R&D was too little.

TABLE 6. R&D spending. 2007-2011 (Adapted from Zhou & Ahrens. 2013. China's competitiveness: Myth, Reality, and Lessons for the United States and Japan. Center for Strategic & International Studies)

	2007	2008	2009	2010	2011
Dell	498.00	610.00	663.00	624.00	661.00
HP	3,611.00	3,543.00	2,819.00	2,959.00	3,254.00
Lenovo	196.23	229.76	220.01	214.34	303.00

\*US\$ million

Based upon the indicators above, one can see Lenovo spent much less money than HP. Even when HP's spending has been dropping since 2007, and only came back a little in 2011, it has always spent at least ten times more than Lenovo. Lenovo also spent half of what Dell spent on research and development.

Research and development can be very useful for strengthening the brand image and reputation in this special industry. Thus, I think having more investment in research and development can be the future focus of Lenovo's strategic planning.

#### 4.5 Strategy effect analysis

A timeline of the most important strategies for Lenovo's internationalization is shown below in GRAPH 12. First, Lenovo used brand strategy (see page 23) to prepare for its future internationalization. It changed its English name and redefined the identity of the company. Then, for the marketing strategy (see page 25), Lenovo sponsored the Olympics and other sports events which improved its brand image and recognition worldwide. Finally, after the marketing strategy set the foundation for the company to go into the international market, Lenovo invested directly into foreign markets and formed joint ventures. Lenovo acquired IBM and other technological companies to open up its international market and expand its business area. It achieved successful internationalization by following these three strategic steps.



GRAPH 12. Internationalization strategy timeline

Internationalization is a long and hard process for every company. Therefore, when a company plans for its internationalization, it has to know what the company needs to do first and last. Lenovo did this by dividing its internationalization plan into three different phases and choosing the suitable strategy for each phase. Then, it simply followed the steps to achieve its internationalization.

Lenovo obtained incalculable value from its internationalization strategies, including its market share growth worldwide. The company strengthened its brand value and market forces, and improved its reputation and popularity. Moreover, Lenovo's successful

experience in internationalization inspired and encouraged more Chinese enterprises to move towards internationalization.

## **5 CONCLUSION**

If a company wants to be international, it must first have suitable and value-adding internationalization strategies. The increasing trend of companies moving towards internationalization continues. However, internationalization is still a relatively new subject in business studies. Without a good strategic planning, a company may lose itself on the way to becoming international. Thus, studying some successful cases of internationalization helps companies to prepare themselves well before their action.

In my thesis, I first analyzed Lenovo's market and company situations, its internal and external analysis and SWOT analysis. These analyses gave Lenovo's internationalization strategy a general direction and some specific directions. Based on these analyses, it is understood why Lenovo chose brand, marketing and investment to be the direction of its internationalization. Companies should always analyze themselves thoroughly before formulating strategies. After knowing who you are, where you are and who you are with, companies can select the most suitable strategies for the market they are in. In the end, I described the three types of strategies Lenovo used for its internationalization, and the results of implementing those strategies. The most important strategy Lenovo used was investment strategy. It was the reason why Lenovo accomplished its internationalization within just a decade. The strategies that Lenovo used could give other companies a reference on how to formulate and select strategies for internationalization.

To conclude, internationalization strategy is crucial for a company's development internationally. There is no guarantee for any strategies to be successful, so in order to achieve in this long and tough battle, companies need to learn from different internationalization cases, and prepare themselves with the most suitable strategic plans. I hope that my thesis helped you to understand more about internationalization strategy and gave you a good example of how to formulate and select the best strategies for internationalization.

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Lenovo's company history since the beginning of its internationalization (Adapted from Lenovo 2013. Company history, Our Company, About Lenovo. Lenovo Group Limited the Official Website)

- 2** IBM PCD introduces ImageUltra and Rapid Restore, the first automatic data recovery technologies of their kind.
- 0** Legend launches its first technological innovation convention, "Legend World 2002," which opens up Legend's "Technology Era." Legend introduces its visionary concept for the future of technological development and applications, its Collaborating Applications project, as well as its strategies for implementing Collaborating Applications.
- Legend's supercomputer, the DeepComp 1800 makes its debut. It is China's first computer with 1,000 GFLOP (floating point operations per second) and China's fastest computer for civilian use, ranked 43rd in the Top 500 list of the world's fastest computers.
  
- 2** IBM PCD introduces the industry's first notebook with an extended battery life of up to 11 hours.
- 0** IBM PCD introduces its ThinkCentre desktop PC line.
- 3** IBM PCD introduces its Active Protection System, the industry's first notebook with an airbag for hard drive and data protection in case the system is dropped.
- IBM PCD ships its 20-millionth ThinkPad notebook PC.
- IBM PCD introduces its ThinkCentre desktop PC line.
- Legend announces the birth of its new "Lenovo" logo to prepare for its expansion into the overseas market.
- Based on the collaborative application technology, Lenovo initiates IGRS Working Group, in cooperation with a few large companies and the Chinese Ministry of the Information Industry, to promote the formation of the industrial standard.
- Lenovo launches a Tech RoadShow 2003 nationwide to promote Lenovo's innovation.
- Lenovo successfully develops DeepComp 6800 in November 2003. It ranks 14th on the global list.
  
- 2** IBM PCD introduces the ThinkCentre ultra small desktop PC, no larger than a box of corn flakes.
- 0** IBM PCD introduces the first notebook with an integrated fingerprint reader.
- 4** IBM PCD ships its 100-millionth PC (counting both desktop and notebook computers).
- Lenovo becomes an Olympic worldwide partner. It is the first Chinese company to become a computer technology equipment partner of the IOC.
- Lenovo decides to develop the rural market by launching the "Yuanmeng" PC series designed for township home users.
- Lenovo and IBM announce an agreement by which Lenovo will acquire IBM's Personal Computing Division, its global PC (desktop and notebook computer) business. The acquisition forms a top-tier (third-largest) global PC leader

- 2005** Lenovo completes the acquisition of IBM's Personal Computing Division, making it a new international IT competitor and the third-largest personal computer company in the world.
- 5** Lenovo announces the closing of a US\$350 million strategic investment by three leading private equity firms: Texas Pacific Group, General Atlantic LLC and Newbridge Capital LLC.
- Lenovo establishes a new Innovation Center in Research Triangle Park, N.C., to enable customers, business partners, solution providers and independent software vendors to collaborate on new personal computing solutions.
- Lenovo introduces the industry's thinnest, lightest and most secure Tablet PC, the ThinkPad X41 Tablet.
- Lenovo introduces the first widescreen ThinkPad with embedded wireless WAN, the ThinkPad Z60, available for the first time with a titanium cover.
- Lenovo becomes the world's largest provider of biometric-enabled PCs by selling its one-millionth PC with an integrated fingerprint reader.
- William J. Amelio is appointed as CEO and President of Lenovo.
- 2006** Lenovo introduces the first dual-core ThinkPad notebook PCs, improving productivity and extending battery life for up to 11 hours.
- 6** Lenovo technology flawlessly supports the 2006 Olympic Winter Games in Torino, Italy, supplying 5,000 desktop PCs, 350 servers and 1,000 notebook computers. Lenovo also hosts seven Internet i.lounges for use by Olympic athletes and visitors. The first Lenovo-branded products outside of China debut worldwide.
- 2007** The Beijing Organizing Committee for the Olympic Games selects a Lenovo-designed Olympic Torch as the winning design from among 300 entries. Named the "Cloud of Promise," the Lenovo-designed torch will travel the world at the front of the global Olympic Torch Relay.
- Lenovo delivers a supercomputer for a Formula One racing team that will provide eight teraflops of computing power.
- Lenovo introduces first EPEAT Gold Monitor with new visuals portfolio.
- 2008** Lenovo enters the worldwide consumer PC market with new Idea brand.
- 0** Lenovo's ThinkPad X300 is called "the best laptop ever" by *BusinessWeek* magazine.
- 8** Lenovo becomes the first PC manufacturer to announce a client virtualization platform.
- Lenovo provides a smooth, error-free performance at the Beijing Olympic Games. The Lenovo solution – which included more than 30,000 pieces of equipment and nearly 600 Lenovo engineers – powered the largest sporting event in history.

- 2** Lenovo leads PC industry in using recycled material.
- 0** Lenovo becomes senior sponsor of Computing Equipment and System Operation Service for the World Expo 2010 in Shanghai.
- 9** Lenovo debuts Enhanced Experience for Windows 7, delivering significantly better performance for the new operating system.  
Lenovo sells its 1 millionth Idea Product.
  
- 2** Lenovo achieves its highest ever worldwide market share and becomes the world's
- 0** fastest growing major PC manufacturer.
- 1** Lenovo introduces LePhone, its first smart phone
- 0** Lenovo sells its 60 millionth ThinkPad
  
- 2** Lenovo forms Mobile Internet Digital Home (MIDH) business unit to attack growing
- 0** opportunity in consumer devices such as smart phones, tablets and smart TV
- 1** Lenovo forms a joint venture with NEC, creating the largest PC company in Japan.
- 1** Lenovo acquires Medion, a PC and consumer electronics company based in Germany, substantially increasing presence in consumer market in Western Europe.  
Forbes names Lenovo one of the world's "100 Most Reputable Companies"
  
- 2** Lenovo forms a joint venture with EMC to selling servers in China and develop
- 0** storage solutions
- 1** Lenovo acquires Stoneware, a software firm focused on cloud computing
- 2** Lenovo announces it will acquire CCE, a leading consumer electronics company in Brazil  
Lenovo sells its 75 millionth ThinkPad