

The world's top personal computer (PC) producers are HP, Lenovo, Dell, and Acer. In 2011, Lenovo became the world's second-largest PC vendor, after HP. A Chinese firm, Lenovo generates more than \$21 billion in total sales and holds about 33 percent of the PC market in China and 15 percent in other countries. In recent years, Lenovo has experienced rapid growth, even during periods of soft global demand. When Lenovo was founded in modest circumstances in 1984, no one imagined it would evolve into a *Fortune* Global 500 company with a presence in 160 countries. Today, from regional headquarters in each of Beijing, China, and Raleigh, North Carolina, Lenovo offers desktops, laptops, tablets, workstations, servers, and mobile phones to customers across the globe.

Company Strategy

The PC industry has reached maturity, especially in the advanced economies. Computers are commodities and profit margins are thin. The industry is global, which means firms compete with each other, and cater to customer needs, on a global scale. PC firms are under pressure to ensure company survival and success.

Key to Lenovo's success is ensuring organizational learning to continuously optimize the firm's value-chain activities. Lenovo uses

mergers and acquisitions (M&As) to acquire needed knowledge and other assets from partner firms, and to expand into markets worldwide. In 2005, Lenovo acquired the PC business of IBM. The deal instantly established Lenovo as the number-three PC maker worldwide. In 2011, Lenovo formed a merger with NEC, the largest PC vendor in Japan, to better access the huge Japanese PC market. The merger increased Lenovo's scale economies in manufacturing and marketing. Most recently, Lenovo acquired a half interest in Medion AG, a German PC and consumer-electronics firm, with the goal of expanding marketing and distribution in Europe.

Since 2010, Lenovo has followed a "Protect & Attack" strategy. While protecting its core business, especially the Chinese market, Lenovo is aggressively growing its market share in emerging markets and advanced economies, as well as in new product categories such as tablets and smartphones. The push into emerging markets benefits from Lenovo's deep knowledge of doing business in China. Lenovo now obtains about 20 percent of its revenues from emerging markets outside China.

Top management emphasizes global innovation, global products and branding, global human resources, and creating a corporate culture conducive to global success. Let's examine these strategies in detail.

Global Innovation

The acquisition of IBM's PC business allowed Lenovo to tap world-class technological know-how. Leveraging top-notch innovative capabilities from IBM R&D facilities in Beijing, Raleigh, and Yokohama, Japan, Lenovo is a leading PC developer. Each facility has its own distinctive talent and technology. Altogether, Lenovo owns more than 6,500 international patents. In 2011, *BusinessWeek* ranked Lenovo one of the "Top 50 Most Innovative Companies." Lenovo constantly invests in R&D and counts on capital infusions from China's government, which maintains partial ownership in the firm.

At the Consumer Electronics Show in 2012, Lenovo unveiled 20 products, including a Windows-based smartphone, a half-tablet, a half-notebook, a smart TV, and a thin and lightweight "ultrabook" PC. Lenovo has the ability to foresee what consumers desire in information technology products, even before consumers know themselves. For example, Lenovo's "Yoga" is an ultrathin PC that doubles as a tablet.

Lenovo is increasingly on the leading edge of green technologies. ThinkPad PCs are built from up to 30 percent post-consumer content, using recycled material such as old water jugs. PCs meet the latest high-energy efficiency standards and rank high on eco-friendliness. PCs are shipped in 100-percent recycled packaging that can be tossed into a recycling bin.

Global Products and Branding

In developing its products, Lenovo emphasizes modular architecture—suppliers manufacture interchangeable components and modules, which are then snapped into PC cases rolling down assembly lines. The same parts—power supply units, processors, graphics cards, hard drives, and others—can be used to produce various PC models. Interfaces are standardized to facilitate production of PCs that are simultaneously differentiated but use standard parts and components, which minimize the cost of manufacturing computers and of designing new ones. Products are standardized worldwide, but elements such as keyboards and software are customized to respond to local language needs.

Marketing also responds to local conditions. For example, Lenovo is the most popular PC brand in rural China where the firm established a complex distribution network extending to small cities and towns. Prices are adapted to fit buying power of low-income consumers. Lenovo adjusts marketing to fit local traditions. In rural China, the firm markets "wedding computers," which come in red, the luckiest color to Chinese. Rural families often pool their money to buy a bride and groom their first PC as a wedding gift.

By purchasing IBM's PC business, Lenovo acquired the IBM brand name and the "ThinkPad" product brand. Lenovo leveraged the IBM name to build brand awareness on a global scale. Branding was supported through Lenovo's sponsorship of the Beijing Olympics in 2008. In 2010, Lenovo launched its first global branding campaign with the slogan "For Those Who Do" to engage consumers around the world. The firm is leveraging the power of global social media to target marketing campaigns to youth 18 to 25 years old. Its retailing Web sites look identical worldwide, but are adapted for language differences.

Global Human Resources

Lenovo worked hard to integrate Chinese business methods with an international workforce of 27,000 employees. Blending the distinctive national and organizational culture of IBM required hiring managers

with a global mind-set and strong international background. Lenovo recruits globally savvy executives from other hi-tech firms and hires talented graduates of top universities to incubate them as future company leaders.

Lenovo developed a global training program that provides accelerated development opportunities for employees. The firm's human resources group works with managers to construct career maps and pipelines for every high-potential employee. All employees are asked to examine their career aspirations and the training they need to attain their goals. The career maps are linked to job slots around the world and employees have much latitude to achieve their dreams. Lenovo employees are ambitious and top management is serious about helping them develop their careers.

Global Culture

In 1994, Lenovo's founder Liu Chuanzhi forecast the firm would become a great, global company—an impressive leap of faith in the early 1990s. At the time, there were very few global Chinese firms, so Chuanzhi's vision stood out. It is Lenovo's vision that draws so many talented managers to work for the firm. Aiming to foster a global spirit, Lenovo's top-team meetings rotate among Beijing, Hong Kong, Singapore, Paris, and North Carolina. The firm's official language is English.

Senior management has instituted processes aimed at socializing young managers into the Lenovo organizational culture. Nationality doesn't matter; if an employee demonstrates capability and vision, there are no limits. Socialization creates broad, tacitly understood rules for appropriate action by managers at all levels in global operations. Lenovo managers become well acquainted with the firm's culture and goals. Wherever they operate, managers feel a strong connection to the firm, which guides decisions on company activities and facilitates global knowledge exchange. Connectedness builds trust and cooperation, and encourages communication and interaction, thereby facilitating the integration and assimilation of new knowledge and capabilities. Simultaneously, Lenovo management values the diversity of global cultures and the learning that accrues from foreign business environments. Key employees need to function with a global mind-set and cosmopolitan values.

Manufacturing and Value-Chain Management

Lenovo concentrates manufacturing at sites in China, as well as each of Argentina, India, Mexico, and Poland. Production in these low-cost countries generates cost efficiencies and economies of scale. Regional headquarters in the United States and operations in low-cost countries helps diversify sales across advanced economies and emerging markets. While investing huge sums in R&D and innovative product features, top management maintains a sharp focus on keeping manufacturing costs low. Sourcing of parts and components is done on a global scale. Sourcing from hundreds of high-quality suppliers ensures flexibility in logistics and production.

The diversity of partners and international environments helps Lenovo acquire new technical and managerial know-how, new product ideas, improved R&D, and partnering skills. Lenovo leverages the power of global information systems to share important knowledge among the firm's subsidiaries worldwide.

Lenovo aims for a leadership position in which it attains double-digit share in each of the markets where it does business. Management also aims to maintain a sharp focus on its customers, providing them with the most innovative products worldwide.