

## Analysis of Lenovo Globalization Strategy and Enlightenment to Chinese Enterprises

### ANALYSE DE LA STRATEGIE DE LA MONDIALISATION ET DE L'ILLUMINATION DE LENOVO AUX ENTREPRISES CHINOISES

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#### Abstract

In the “global economy” background, corporate globalization is the trend. Focus of Enterprise globalization is that enterprises to choose a good globalization strategy. This thesis to associative Lenovo enterprises as example, highlights from Chinese companies to global enterprises experience and strategic choice of Lenovo, careful study on Lenovo’s globalization strategy--investment strategy, brand strategy, marketing strategy, intellectual property strategies, and analysis of the enlightenment from Lenovo’s globalization strategies for Chinese companies.

**Key words:** Lenovo; Globalization strategies; Economic globalization

#### Résumé

A dos de “l’économie mondiale”, la mondialisation des entreprises, c’est la tendance. Objet de la mondialisation des entreprises, c’est que les entreprises de choisir une stratégie de globalisation bonne. Cette thèse d’entreprises associatives Lenovo comme par exemple, les points saillants des entreprises chinoises à l’expérience mondiale et les entreprises le choix stratégique de Lenovo, une étude attentive sur la stratégie de mondialisation de Lenovo - Stratégie d’investissement, stratégie de marque, stratégie marketing, les stratégies de propriété intellectuelle, et l’analyse de l’illumination de stratégies de globalisation de Lenovo pour les entreprises chinoises.

**Mots clés:** Lenovo; les stratégies de la mondialisation; la mondialisation économique

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#### 1. INTRODUCTION TO LENOVO

Lenovo Group was founded by 11 scientific and technical perople of Chinese Academy of Sciences investing 200,000 yuan RMBin 1984, in over 10 years, Lenovo Group has always been adhering to the “allow users to better” philosophy, has always been to provide with the newest and best technology products for Chinese customers, promoting the development of China’s information industry. During the development of the company, Lenovo always carrying out innovation, achieving a number of significant technical breakthroughs, by these leading technology products of personal computers, Lenovo reached the top of Chinese IT industry, its market sales is always the first among domestic since 1996, the second quarter of 2002, Lenovo desktop computer sales into the world’s top five for the first time.

By the end of March 2003, Lenovo Group sales had consecutive 12 quarters of access to the first of Asia-Pacific markets (except Japan). Lenovo has grown into a large enterprise groups which diversified development in the information industry. Lenovo completed the acquisition of the IBM Personal Computer in May 2005, which marked the birth of the new Lenovo. New Lenovo is a highly innovative global technology company, made up of Lenovo and the original IBM PC Division. As a global leader in the world PC market, Lenovo carry

out develops, manufactures and sells the most reliable and safe technical products as well as good quality of professional services, helping global customers and partners successful.

## 2. LENOVO GLOBALIZATION DEVELOPMENT PROCESS

One of the essential conditions of globalization is that has a global passage of brand identifies, but Lenovo followed 18 of English identifies "legend" has been rushed in multiple national. Lenovo PR announced of a copies information displayed, although "Lenovo" famous rate has up 90% in China domestic consumer, but in face "what do you think Lenovo of brand representative?", different consumer answers is not same. Against this background, Lenovo's decision to launch a new global brand and thorough combing and system promotion to Lenovo brand architecture.

In 2004, Lenovo formally was renamed "Lenovo" from "Legend".

On March 26, 2004, Lenovo made a significant strategic change: ending of a three-year of "services, high technology and global" to target strategic restructuring, return to "manufacturing". Lenovo had been made market share of around 30% in the area of China PC, but how to breakthrough growth is Lenovo's new problems encountered. Lenovo face two choices, first, globalization, exploring the PC business in the global market; the second is diversified, exploring new business in the Chinese IT market, such as communication businesses and IT services businesses. Has gone through a period of adjustment and select, Lenovo chose globalization.

On December 8, 2004, Lenovo purchased IBM's global PC business for \$ 1.25 billion, became the world's third-largest PC maker, with 19,000 employees worldwide, manufacturing and logistics base in China, the United States, England, India, and Malaysia, and Japan and Australia and so on.

In November 2005, Lenovo announced dual-branding strategy to abandon IBM and Levono earlier, started to implement brand strategy as Levono brand in the world, hoped that by virtue of the geographical advantages of the fast-growing Asia-Pacific market, through channel integration became overlord of PC machines in the world.

On April 28, 2006, Lenovo officially announced and Spain Barcelona deal, its star Ronaldinho to be global brand image representative of the Lenovo Group, Lenovo then launched a campaign global branding around Ronaldinho's in China and overseas markets.

But Lenovo faced a huge challenge in the global PC market. In 2006, major changes in the global PC market. Owing to the global PC market through a business market of severe recession, specializes in this area of Dell and Lenovo THINK departments are in a difficult situation

and specializes in transactional business HP had a lot of benefit, replace Dell as the new Overlord PC in the world. According to two leading research firms IDC and Gartner, released in April of this year according to the ranking of the world's 5 largest PC vendor in the first quarter, HP continued to occupy the first position, followed by Dell, Acer and Lenovo, the fifth is a Toshiba. Acer beyond Lenovo has become the world's third largest PC vendor.

## 3. ANALYSIS OF THE GLOBALIZATION STRATEGY OF LENOVO

### 3.1 Global Investment Strategy

Lenovo carried out mergers and acquisitions for its investment strategy of globalization. Lenovo acquired IBM's personal computer Division, established the world's third-largest PC vendor, the acquisition of transactions total approximately US \$ 1.75 billion. After completion of the acquisition of the new Lenovo Group, its global headquarters in New York, the main operation center was established in Beijing and Raleigh (in the United States, North Carolina).

Two years after the implementation of investment strategies, Lenovo has established branch offices in 60 countries around the world, in 160 countries sales network worldwide. Lenovo has the leading business notebook products, leading research and development capacity and product differentiation, with more innovative products capacity and more powerful combinations. Lenovo and IBM formed a long-term strategic alliance, IBM become the preferred service provider and customer financing for Lenovo, Lenovo become IBM PC vendor of choice, so IBM can provide their enterprise customers with a variety of PC solutions.

After Lenovo completed its acquisition of the IBM personal computer sector, three overseas private investment companies for 350 million dollars to fund the new Lenovo. At this point, Lenovo not only achieved a globalization, equity ownership in terms of products, marketing networks, but also achieved globalization of financing and other aspects.

### 3.2 Global Brand Strategy

Lenovo's brand strategy is to provide premium products and supported by excellent service for customer. In 2005, the world prestigious financial press--United Kingdom "financial times" published "China's list of the top ten international brands" award, Lenovo in second place, and in current Chinese enterprise in the international ranking of leading brands, Lenovo still ranked second. After acquisition of the IBM PC, Lenovo first of all is to use the dual-brand strategy. "LENOVO" popularity is relatively low abroad, but "THINK" is very well known abroad. So, LENOVO's strategy is to enhance brand visibility in a foreign country, with the help of IBM brand explore the

international market, the “THINK” brand construction Center is to improve its reputation. And Lenovo began to try to play down the IBM trademark, it is Lenovo’s ultimate goal that raised LENOVO brand and play down the IBM trademark at the global.

### 3.3 Global Marketing Strategy

Lenovo in order to achieve the goal from China brand to international brand, first of all, choose to become a sponsor of the Olympic Games. Because the Olympic game’s partners, especially the top sponsors, Lenovo may through a variety of ways to obtain global attention on the Olympic games, and to achieve branding more convenient on many occasions. IOC top sponsor global partners a total of 11, Lenovo became one of the first enterprise of China.

In Turin Winter Olympics, Lenovo planned a series of brand promotion activities. Product promotion on the one hand, and on the other hand is a whole brand marketing. Sponsor the Olympic Winter Games, Lenovo has all-round display their strength, also is more recognized by own strength.

In addition, Lenovo opening up world markets by international sports star endorsements, as well as cooperation with famous events. 2006 football World Cup, Lenovo signed Brazil star Ronaldinho as agents of new products. After the contract signing Ronaldinho, in some emerging markets, such as India, Ronaldinho endorsements by LENOVO 3,000 laptop sales growth almost was 100%. From these data, Ronaldinho endorsement’s influence on Lenovo brand and market lead to a substantive breakthrough.

The same year, Lenovo and NBA signed a several-year global marketing co-operation agreement, both in cooperation between marketing in China and USA, Lenovo will have the right to use on the NBA Logo and star image on the own product, also with NBA star come to China, NBA China Games and other activities for marketing to China. After this series of sports marketing, to enhance Lenovo’s brand image and spur business growth, improve employee morale.

### 3.4 Globalization Intellectual Property Strategy

In the research and development stage, Lenovo is now running technical innovation system II, strongly supporting the technology transfer so that it becomes more smooth. Lenovo Research Institute, the Center for software design and industrial design center, a firm-level innovation platforms form the first level of the platform, starting point of research and development is focused on those technology that can play a key role in the future development of the enterprise, and for the continuing value of the enterprise technology; And research and development institutions of the business unit level is the second-level platform, complete the relevant technology applications, products, technology is within one year of

the study. Two-level research and development, under together with the company’s long-term strategy and short-term patent strategy, achieve interaction between technology and market. In the course of research and development, Lenovo implemented a strict management system of intellectual property.

In international trade, purchase of existing intellectual property rights of others is common form of international technology transfer and intellectual property strategy. Lenovo’s acquisition to IBM’s PC business is mainly to get the IBM brand and core technology of IBM notebook. Through mergers and acquisitions, Lenovo has not only a high-quality research and development team of more than 2000 people, won the world’s most advanced PC technology, and have more than 5,000 patents, resulting in the huge innovation resources for enterprises in a short period of time.

Lenovo as the leader of China’s IT industry, it has been through cooperation between upstream and downstream enterprises in industry, full implementation of intellectual property rights protection. On April 18, 2006, Lenovo and Microsoft enter into genuine operating system authorization agreement, amounting to more than US \$ 1 billion, is one of China’s largest-ever contract of intellectual property rights. This initiative has opened up an effective way to block piracy and protect intellectual property rights, plan is implemented in just two months, Lenovo supporting sales of 600,000 set of Microsoft operating systems. At the same time, Lenovo purchases up to about \$ 10 billion for Microsoft in global.

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## 4. LENOVO GLOBALIZATION BRING ENLIGHTENMENT TO CHINA

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### 4.1 Significance of Chinese Enterprises Globalization Strategies

As China’s economy technology development level raising, and globalization strategies for Chinese enterprises is dominated by Chinese companies, is a transnational integration model of service in China’s corporate strategy. After the Chinese economy develops to a certain stage, in terms of market development space, optimize the industrial structure, access to economic resources, to seek technical sources, also breakthrough trade protection barriers, cultivation of Chinese large multinational companies with international competitiveness, globalization is an inevitable option. In addition, after China joins the WTO, both from the need for national development strategies, improve international relations, or from China’s foreign exchange reserves, part of the economic, technical and managerial capacity of the enterprise have the basic conditions for the implementation of the global strategy. Chinese businesses need to continue to boom, Chinese enterprises must adopt

a global strategy, and eventually through the globalization strategy of China enterprises, also will be become the most successful companies in China.

### **3.2 Chinese Enterprises Implement the Globalization Strategy Should Follow the Principles**

#### **3.2.1 Strategy Breakthrough**

Strategic breakthrough is the enterprise develops to a certain stage, a correct transition path should be selected. After Lenovo success in the domestic market, take the international market as a strategic breakthrough, implementing the strategy of globalization. Strategic breakthrough on China enterprises which has a good advantage in the China market, has reached a stage of needs to be done strategic breakthrough. Whether can really do a strategic breakthrough is one of the most important principles of the assessment of the globalization of enterprises.

#### **3.2.2 Based Enterprise Capabilities**

Enterprise globalization was a complex strategy of problem, the core issue was that to do any globalization strategy of action in order to form its own capacity as a target. Lenovo's globalization strategy is to develop even more huge market capacity, rather than reflected in an effort to improve or get on the lack of technology and products for Chinese enterprises. Only their corporate capacity of the globalization of standards, it can get success in developing globalization strategies. But not all companies have the capacity of globalization, each enterprise must be objectively grasp their own production capacity and management level, as well as on the basis of the resources of supply capacity and scientific research and development capacity, specific select a way of expanding market.

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