Analysis of GE and Lenovo in the International Market

Qi YU

Sijiguihuayuan, Beilun, Ningbo, Zhejiang, China
yu_qi_7@163.com

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Abstract. I have analyzed the notable success of GE and Lenovo in the international market. Generally, I have examined its strategies and particular tactics in terms of efficiency, flexibility and learning. In this summary, I have deleted the point of Organisation in the part of Pursuit of Efficiency. In the report, the organisational analysis of Lenovo and GE is not consistent and not about the same aspect. Therefore, they have no value to be compared.

Introduction to GE and Lenovo

As globalization has become a phenomenon, more firms expand their business to foreign markets. Operating in an international rather than a domestic arena gives corporations new opportunities. Meanwhile, the enterprises will suffer in some challenges of managing strategy, organization and operations that are more complicated, instable and uncertain. As GE and Lenovo have been expanding beyond domestic market, the two enterprises met some problems in the process of growing. This report will demonstrate their comparative effectiveness in the supra-national circumstance. It will begin with reviewing GE and Lenovo’s processes of global expansion; and then explain their pursuit of efficiency, flexibility and learning with particular instances indicating their tactics, with critically evaluating; finally, it will make a conclusion and comments on their global strategies.

Global Expansion

The origin of GE is the Edison General Electric company which was established by the great inventor Edison in 1878 (GE, 2009). The company combined with the Thomson-Houston Company in 1892, which was how Genetic Electric was founded (ibid). After more than a hundred years of development, GE has became an international enterprise with diversified departments which spread from infrastructure, clean and efficient jet engines, financial sector, health care to NBC. Joint ventures and acquisition have been GE’s powerful tools when expanding globally. Until 2008, GE earned $18.1 billion (Figure 1) and its business has spread over 100 countries with employing more than 300,000 people worldwide (GE 2008 Annual report, 2009).

Sources: GE 2008 Annual Report

Figure 1. General Electric Company: Earning from Continuing Operations 2004-2008.
Compared with GE, Lenovo Group Limited, formerly known as Legend Group Limited, has established for only 25 years (Lenovo, 2009b). Considering the competitive Chinese market and successful domestic strategy, expanding the business beyond the domestic market has proved to be an obligatory choice. In 2005 Lenovo acquired the IBM PC business with the ThinkPad brand for 1.25 billion dollars to expand globally, and now has become the world’s fourth largest PC manufacturer (Graph 1). During the 2007/08 fiscal year, Lenovo’s sales achieved approximately $16,352 million (Lenovo 2007/2008 Annual Report, 2009a). It launched large numbers of operations around the world (Map 1), and jointed the International Olympic Committee and AT&T WilliamsF1 as computing sponsor.

![Top Five PC Vendors by Worldwide Market Share, Q3 2008](chart)

Sources: IDC Worldwide Quarterly PC Tracker


GE is labelled as global mentality which focuses on global-scale operations, especially on R&D and manufacturing centres advantages. Concerning Lenovo, it is taking international mentality that pays close attention to create and develop innovations on global basis. It is considered that transnational strategy is more appropriate for pursuing global efficiency, flexibility and learning capabilities simultaneity.

**GE and Lenovo: Global Strategy**

**Pursuit of Efficiency**

**Location Economies**

GE is a high efficient business unit with diversified departments over the world. It carried out the Global Products Company (GPC) strategy, which is operated to cut costs by shifting manufacturing activities, eventually design and engineering activities out of high-cost countries into low-cost countries. The enterprise manufactures products that could then be shipped anywhere in the world in one or two “Centers of Excellence (COEs)”. In 2001 the cost savings in GE Medical Systems were about 30%, and expectations of further ongoing cost reductions of 10% annually. Moreover, the fixed cost which located in previous countries always can be covered in two years because the rest plants and equipments can be resold locally.

Compared with GE, Lenovo integrated global sales organization and back-office support to create one highly responsive customer-service unit, which expected to save approximately $250 million per year. It also carried out a restructuring plan, including cutting 2,500 employees to achieve operational efficiency. Due to acquire localization economies, Lenovo established manufacture plants in China and Mexico to lower labour costs, and set up research centres in USA and Japan to develop advanced technology.
Businesses Management

GE adopted unitized diversification investment strategy to invest in higher profitable and lower risk industries with global acquisition, which leads to effective use of limited capital and resources. At the beginning of global economic crisis in 2008, GE disposed a large part of its financial relative business in order to minimize the loss and also assist to effectively arrange the financial distribution to achieve economies of scope. Moreover, the plentiful funds from the some industries which GE had ascended into the top position can be taken up by the industries which face the fund scarcity.

Concerning Lenovo, it considered its mobile handset business not successful enough and distracted from the company's core businesses in 2008, which made them specialize in desktop and notebook PCs. This strategy leads Lenovo efficiently centralizing inadequate sources in core industry, to achieve scale economies. However, Lenovo seems to focus on one core production and is difficult to share global source and finance. Since the PC industry has little prospect with fully matured techniques, the future market leaders should combine IT, telecom, electrics and media as an integrated innovative company. At this point, Lenovo was unwise to sell its cell phone business.

Global Supply Chain

Under the situation of wide acquisition, GE requires several supply chains for complex products to achieve efficiency. In 2001, GE set a goal to purchase 50% of its direct materials from low cost countries. However, as the biggest challenge, the shipping spent considerable time and cost.

Regarding to Lenovo’s supply chain, materials can be configured in a few hours, associated with large numbers of suppliers. It shortens stock time to 20 days and the average supplying time to 4.5 days which means effective capital flow, cost reduction and faster response. However, Dell is still competitive in the aspect of inventory hours. Therefore, Lenovo has to consider enhancing its capacity of global coordinated manufacturing and adopting its global supply chain resources efficiently to expand PC global market in the long run.

Pursuit of Flexibility

Brand Building

It is indicated that localizing the products and services by responding to local special requirements can increase companies’ flexibility. GE Lighting Group is an excellent illustration. It launched “Edison” as its brand name since Thomas Edison has been widely recognized by Chinese people for his great aptitude for inventions. It successfully raised brand awareness and increased market shares in the intense competition.

Adversely, Lenovo’s branding strategy was not successful. In 2007, the enterprise combined the logo of ‘IBM ThinkPad’ with Lenovo on the products in order to improve the recognition in American and European markets. However, the bundle of the two brands hurt the high-end ThinkPad brand image. Volkswagen has dealt with the issue of positioning successfully as a benchmark. In order to avoid conflicts among its different series, the enterprise concealed its brand and only labeled Lamborghini to target high-end customers. It is worth learning to put ‘ThinkPad’ only to maintain the brand identity of high quality. More importantly, Lenovo should maintain the same standard of quality, R&D investment and customer service to provide customers with continuous innovative products and consistent support as IBM to build a reputation of high quality and reliability.

Cultural Integration

The biggest challenge faced by transnational corporations is how to integrate local culture into corporate culture. The wiser course is to draw internal and external strengths from cultural diversity. GE has made a great effort in the integration of culture differences by adopting various forms of workshop activities. It is very effective in enhancing the communication among employees from different cultures and the cohesion in the whole organisation.

Lenovo also respects cultural differences and has thrived to transfer the culture and organizational structure of IBM to the enterprise. Lenovo and IBM, however, are two radically different companies with distinct core competencies. The two different corporate approaches and
cultures affected the corporate management and sales of products. Lenovo’s share of the global PC market has dwindled from 12% to little more than 7%.

**Human Resource Management**

The implementation of HR localization can fully use local employees’ strengths to create values, for instance, their familiarity with the local environment and business behaviours benefit the market exploiting. GE commits itself to implementing HR localization strategy to utilize Chinese employees in China.

Lenovo has also collaborated with IBM design and management teams for better serving the overseas market. However, the enterprise has more focus on transferring to an American style and has not well retained the senior Chinese managers. While using overseas HR resources, it should maintain experienced Chinese workers to establish mechanisms for staff training and HR management system, in order to better respond to the challenges enterprises will face in the future.

**Pursuit of Learning**

**Worldwide Innovation**

Currently, large MNEs have to manage a large volume of innovations in the global competitive environment. GE and Lenovo both make efforts to create the effective worldwide learning and resulting effective innovation. GE gains the input of subsidiaries into centralized activities to ensure central innovations effective. Its Global Research is made up of 10 global laboratories organized by scientific disciplines, all focused on leveraging the technology breakthroughs across multiple businesses (GE, 2009b). Each lab crosses geographic borders of the USA, Europe, China and India collaborate and build on each success. This organization form ensures that all functional tasks are linked to market needs. Only in 2008, GE researchers filed 2,537 patent applications (ibid). At present, GE launched the “Ecomagination” plan to solve the environmental challenges and benefit customers and society at large. However, Depalma (2007) argued that GE should take more social responsibility since it has a history of large-scale air and water pollution.

Additionally, Lenovo has formed a R&D system based on its local facilities in Beijing, Shanghai and Shenzhen in a fresh move for business expansion. Following the relocation of Lenovo's laptop PC business to Shanghai from Beijing in 2001, a research centre, a test centre and a group of laboratories have been set up for technology renovation to guarantee the quality of its notebook computers (Lenovo, 2009b). Compared with GE, it seems that Lenovo pays more attention to the central innovations, because laptops seem to be identical. However, when the Intel created the Core™2 Duo processor (CPU), Lenovo cannot update the main board, software and design immediately, resulting large market share lose.

**Worldwide Learning**

In order to link and leverage the resource to capture advantage, GE and Lenovo use worldwide learning, achieving global scale efficiencies and local market responsiveness. For instance, as a learning organization, Welch set up an organization named GE Corporate Executive Council to ensure that knowledge and new technical can be shared by local subsidiaries (GE 2007 Annual Report, 2009a). Recently, GE emphasizes on the “team learning” which can drive the most change. As it promised in 2006, more than 50 teams completed the training called Leadership Innovation and Growth, a team-based, action-learning course. (ibid) Furthermore, GE’s six sigma model, started in 1990s, developed in the stage of stimulating R&D which encouraged invention and share of information (GE, 2009c). Because Lenovo is in a more competitive situation, its management team is encouraged to read various foreign journals and learn from leading enterprises, for learning and copying advanced techniques. For instance, Lenovo learned from Dell to set up new distribution channel, resulting in more effective selling system. Nevertheless, time delay exists in the selling process and Lenovo always fell behind of Dell in this aspect.
Conclusion: An Evolving Role

GE and Lenovo both make efforts to pursue efficiency through global production, centralized organization and global supply chain which leads to positive effect overall. Lenovo, however, need to learn from GE about more flexible supply chain. Towards flexibility, GE is well done on localization to satisfy consumers, but Lenovo is not good at marketing strategy. Moreover, GE and Lenovo both benefit from their advanced innovations and learning. However, GE should concern its social responsibility to reduce pollution. Regarding to Lenovo, its localized subsidiaries around the world cannot share ideas, information and experience smoothly. Therefore, it need pay attention to some problems:

1) The global supply chain of Lenovo lacks of sensitivity to the changing environment, it may lose market;
2) Lenovo did not gain advantages in flexibility when competing with its global competitors;
3) Marketing strategy is not such successful and its high-pricing, high-quality computer branded ‘Lenovo’ suffered abroad.

References


