Research Case 2. Internationalization of MNCs from emerging economies. The case of Lenovo.

“While the Lenovo brand came into existence only in 2004, the company has a much longer history. In 1984, Legend Holdings was formed with 200,000 RMB (US$25,000) in a guard house in China. The company was incorporated in Hong Kong in 1988 and would grow to be the largest PC company in China. Legend Holdings changed its name to Lenovo in 2004 and, in 2005, acquired the former Personal Computer Division of IBM, the company that invented the PC industry in 1981.

Today, Lenovo is a US$34 billion personal technology company and the world's largest PC vendor. Lenovo has more than 33,000 employees in more than 60 countries serving customers in more than 160 countries. A global Fortune 500 company, they have headquarters in Beijing, China and Morrisville, North Carolina, U.S.; major research centers in Yokohama, Japan; Beijing, Shanghai, Wuhan and Shenzhen, China; and Morrisville; and we have manufacturing around the world from Greensboro, North Carolina and Monterrey, Mexico to India, China and Brazil.

Lenovo has been the fastest growing major PC company for more than 4 years, but they seem to be much more than a PC company. Lenovo creates a full range of personal technology, including smartphones, tablets and smart TVs, being the fourth largest smartphone company in the world, and are expanding rapidly to new markets. And they are already #3 in the world in what IDC calls "Smart Connected Devices," which combines PCs, smartphones and tablets.

Lenovo started to go global with a big coup in 2004: buying the ThinkPad IBM business. This pushed the firm from the ninth into the third position of worldwide PC producers and accelerated their internationalization heavily. In 2004, Lenovo and IBM announce an agreement by which Lenovo will acquire IBM's Personal Computing Division. 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.”

Source: www.lenovo.com;

Using a CSA-FSA framework answer the following questions:

1. Identify Lenovo’s home country CSAs and FSAs BEFORE acquiring IBM’s PC Computing Division. How has Lenovo’s home country affected its initial development and management strategy? Did Lenovo derive any advantages/disadvantages from its home country at an initial internationalization stage?
2. Situate Lenovo in one of the 4 quadrants of the CSA-FSA matrix. In function of your answer, discuss the strategic reasons behind Lenovo’s chosen mode of expansion, the acquisition of IBM according to the CSA-FSA framework.
3. Let us assume now that a company that markets laptop computers such as Lenovo is considering to enter new markets in developing countries, such as Thailand and Guatemala. Identify both host countries’ CSAs (you may use those data sources from Research Case 1 and also the Market Potential Indicators developed by the Michigan State University). Which country would you advise this company to enter first?