

lenovo case essay sample

[Economics](#)



In a continuously developing and changing society, a company faces a number of troubles and barriers. In order for a company to be successful, it needs to see outside its core. Taking a view of the external environment is crucial for the company to develop a plan. Such investigation of the external audits come in 2 models: PESTLE and Porter's 5 forces. P (Political)

For the political section, we should say that since the half of the last century, computers have become more and more important in people's life. They have always been used in businesses and other industries as a tool to help companies increase production and profit. But at the same time, some new problems come with computers such as energy consumption, health risks and pollution of the environment. So let's consider this: in China, the government encouraged the green IT's which means lower noise pollution and lower energy consumption. In Lenovo groups, the specifications index of "Kai Tian S" (a brand of Lenovo) indicated a lower than 30 decibels capacity, so Lenovo achieved to comply these rules (Lenovo, 2005). Being a high quality brand, export is certain and necessary. China has obviously a huge population, which means there's enough labor and payment should not be high. As a result the main factory of Lenovo's products was set at home: in China. Since China joined the World Trade Organization (WTO), the export tariff of IT industry has decreased to 9.1% in 2005 (Global M&A Research Center, 2006). So these policies try to encourage business like Lenovo to develop to a global extend.

E (Economy)

Economically, there is still an influence from the 2008 economic crisis. But in these bad times, Chinese government published new economic policies

which included a positive financial policy and a comfortable monetary policy. The government also offered four-hundred million RMB, or yuans, in order to stimulate economic development (The Marketing Surveillance Center of China, 2008). For China's IT industry, this was a great opportunity to develop itself. Now let's change the focus to the country's long run economic development. In 1950, the total trades of China that were composed of both imports and exports were worth 11.3 hundred million dollars, while in 2008, it enhanced to an astonishing 25,616 hundred million dollars value. Also at home, the GDP has increased with a high speed these last years achieving a satisfactory level. The disposable personal income has increased, too (stats, 2009). It is expected that the demand of goods and services will increase with such economic enhancing. In other words, the IT market becomes bigger every day in a way that Lenovo can take great advantage expanding its own market share because it not only produces desktop computers or laptops, but also tablets and mobile phones.

S (Social)

In respects of society culture, population growth, lifestyle choice, population health, education, social mobility and attitudes, all influence the demand of high technology products. 60 years ago, 80% of the people in China were illiterate, but under the new government, in 2008, the number of students assisting to schools of different education levels has achieved a satisfactory level. We can assume that such increment may have a positive impact in the demand of high technology products (Communist Party Learning, 2009) offering a huge market for Lenovo. It is also important to say that because of globalization and the developed countries' lifestyle, the Chinese people have

also become more “ international”, living with a higher level life and, since influenced by education, the lifestyle of Chinese people has also become a little bit more luxurious and open(Human Geography Research Center, 2003). So the consumption custom of modern Chinese people also offers a good developing environment to Lenovo. In the next five to ten years, this situation will be even more common than it is today. At the same time, the social culture of China has changed from “ traditional feudalism” to modern lifestyle which is more scientific and high-technological in daily life.

T (Technology)

Referring to technology, Lenovo was set by 11 scientists who worked in the Chinese Academy of Science which is a governmental organization. Arguably this situation offered a good technology support. In 2005, Lenovo finished the purchase of IBM, so the technology transferred from IBM also helps Lenovo to make the Research & Development activities it requires in order to produce high quality products with more amazing technology (Lenovo, 2005). At the same time the reduced communications costs and easier remote-controlled work can help different corporations to share their techniques, something also beneficial for Research & Development activities. All these technological factors can help Lenovo increase its competitive ability in a short term, without forgetting about and the marketing share belonging to IBM.

L (Legal)

For the legal section, we should mention two articles on two different Chinese laws which can support Lenovo. On the one hand, in article 6th of the People’s Republic of China Consumer Protection Law, the government

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encourages and supports every person and organization to supervise the illegal actions which damage the consumers' legal power (National People's Congress, 1993). So this law can reduce other organizations' use of illegal methods to compete in the market, protecting Lenovo. On the other hand, in light of article 6th in People's Republic of China Law on Product Quality, the government encourages the applying of the scientific quality management methods, the employment of advanced science and technology, and the national products' achievement or surpassing of international standards. Government also gives an award to the organizations whose products exceeded such standards (National People's Congress, 1993). So as an international corporation, Lenovo, with the technology of IBM, will be able to produce high quality products and thus receive the government's support it needs.

E (Environment)

Finally, ethics has also an impact because through the increased education level, the people's diathesis (or knowledge about what is right and what is wrong) also enhanced. So protecting legality has become an habit in the chinese modern society. If an organization makes illegal actions, it will be ejected from the market by customers, with them never buying its products again. Lenovo, claims to care about serving its consumers, and to search always innovation, faith and fair (Lenovo, 2005). So this entire ethical development tendency is good for Lenovo's business environment, since customers may find suitable the company's attributes.

Conclusion of PESTLE

In summary, the policies about green IT from the European Union and the <https://assignbuster.com/lenovo-case-essay-sample/>

lower export tariffs from Chinese government are good for Lenovo's improvement; at the same time, the economic development of China and the increased disposable personal income are also offering a big market to Lenovo's development in the future; it is important to consider that many of the more than 6.7 billion people in 2007 are able to buy the business's products (Unctad Report, 2008). Because of the educational increase, the lifestyle of modern customers tends to high technology and high quality goods. Besides, the purchase of IBM offers the technology and the development needed for international Research & Development activities, as well as international cooperation.

At the same time, the laws of Chinese government and the ethical factors in the modern society are great for Lenovo's improvement since they encourage honesty and healthy competitiveness. Based on the analysis the likely major influences in Lenovo's business environment are environment protection, international cooperation, the economic development, technology communication and Research & Development, legal protection and ethical problems. But all of these tend to be suitable for Lenovo in the future. So if the strategy department managers consider these factors of the external environment to make the strategic planning, Lenovo may be successful for the next and nearby years.

Suppliers

The decisions of Lenovo aren't really influenced by its suppliers since it has a vast range of suppliers, It has a program to allow anyone who wants to supply Lenovo to do it, it just needs to meet some requirements like being an invalid group, an only women group, veteran owned, small businesses,
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etc. So seeing that Lenovo even chooses its suppliers they don't have much power. The only problem may be that firing one may damage its image since it gets supplies mainly from people who are needed.

New Entrants

The barriers of entry to this market are high, since their products are vastly used and supplied by a lot of companies now like Apple, Dell, Sony, HP there is little market left and they already cover different products for all of the market. Because of this, the decision making of these companies may not be affected very much from new entrants to the market. Though there may still be a possible market niche, for example Alienware, a subsidiary from Dell, who focused on gamers and is now a brand with power because of it.

Substitutes

The substitutes for this type of products may be the macs from apple, or the tablets, Lenovo already sells tablets. Since there are a lot of people that are starting to buy tablets they are a menace to their PC market but it since it also sells tablets there is not a lot of risk. Although, because of this it has to adjust its prices to still be economically available to the market and that they buy their PCs. It is also restricted because of the macs from apple that offer quite a risk to the sales of most PCs since it is popular for its different features.

Buyers

Since there are a lot of these types of products in the market and in difference, they have to adjust to the customers wants and because of this,

the buyers may have a great influence in what Lenovo does since this may mean their success or failure in the market.

Competitors

The principal competitions of Lenovo are Hewlett-Packard and Dell. They all are at the top of the market and all three of them offer similar products to the same market. The difference on their products mainly is on the quality of their computers, tablets, and other electric devices, so there is some differentiation between their products. The difference in quality isn't because it is worse; it is because they focus on different objectives. HP and Dell are over Lenovo on the market. Since their products offer little differentiation and Lenovo doesn't hold the biggest market share it doesn't have a lot of options to affect the market, maybe innovation and marketing. ⁹

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