

The swot analysis of lenovo ibm acquisi

[Business](#), [Company](#)



The merger makes two companies formed a complex Joint venture. For Leno, even the cost is relatively high for it to purchase IBM PC at 2004, it benefits a lot for Leno in a long term development. Leno took over Vim's PC business and potentially took over Vim's customers, distribution and marketing channels as well. As the consequence, the IBM purchase puts Leno in the world's third-largest PC Corporation and make it in the dominant position in the world's personal-computer industry. Since then Leno became the head leader of China's PC industry and, thereby, won the attention of the world.

However, after the merger and acquisition, Leno encountered various problems, including culture inflicts, inefficient integration of human resource, supply chain issues and the financial distress. In order to describe and analyze the strength and relative obstacles faced in front of Leno's computer business, the established SOOT matrix analysis are used in this article. At first, the history and the background information of Leno's merging Vim's PC department as well as the situation of Vim's PC business will be illustrated.

Secondly, the SOOT analysis method will be used to demonstrate Leno's computer business after acquires IBM PC division in more detail. At last, the tutor will try to demonstrate a possible strategy roadman of Leno's business future. At 2004, Leno encountered its bottleneck of development. Leno has been the largest PC manufacturer in China with since 1996. However, during the high competitive external conditions of international computer industries, Leno suffering a decreasing domestic market shares.

Before 2003, Leno's PC business have occupied almost 30% of Chinese market. However, during the second quarter of 2003 and 2004, Leno's

domestic market share was approximately 24 percent while Dell's business rose from 6.2 percent to 7. Percent (URI and Yip, 2008). Although the dominate market leadership still belong to Leno, it could not be ignored that new rivals like Dell has aggressively challenged Leno's domestic market position and its distribution networks.

More important, the PC industry in China is about to mature, especially new technologies (e. G. Internet) make consumers could communicate with each other without PC devices. Apart from highly competitive domestic marketplace, one of the biggest inherent competitive disadvantage for Leno is from overseas market. Before 2003, only 10% of Leno's revenues came from outside China which significantly lower than other international brands (Bidder et al. , 2005). Therefore, Leno have to make a strategy change in order to enlarge its business globally.

The SOOT Analysis of Leno IBM Acacias By avenging and point out that Leno's global expansion cannot be easily acquired or developed. Unlike Leno encountered its domestic developing bottleneck, the situation is quite different for MOM. MOM, which mostly known for its world-PC manufacture and mature operating system, has decided to give up his PC business at 2004. One reason for it is because Vim's PC business were not profitable any more. The financial reports minted out that the PC division of IBM have been made a huge financial losses of \$9. Billion from 2001 to 2004. Nonetheless, comparing to its raising software business which remain about of the total revenues in recent years (Eden, 2009: 10), Vim's traditional PC industry was totally a deficit division. Another reason for IBM to sell its PC division is due

to its strategy aims. IBM have shifted its major business from traditional PC productions to its software innovations. For MOM, their strategic intension to sell its PC business was obey its overall strategy of developing software and reinforcing its service businesses (Eden, 2009).

According to Steve Mills, Senior Vice President and Group Executive, "(Leno-Vim's acquisition) allows IBM to focus on system and software innovations that bring new kinds of value to strategic areas of our business, such as cognitive computing, Big Data and cloud" (Eden, 2009: 81). Therefore, when Leno decided to set its globalization expansion through merger as a strategy, there were no doubt for IBM to act repeatedly on selling its world PC business. Overall, under the more fierce competition in the domestic marketplace, Leno's international expansion is an "essential stepping-stone for company's growth" (Eden, 2009: 82).

The acquisition of the two corporate also serves as a push for Leno to expand its business worldwide. The merger provides a possibility for Leno to be part of the world-class company. However, Leno and its decision makers as well as the CEO Mr... Ill Chuan have to face a post-merger integration problem of Vim's former business. In order to analysis the possible integration strategies for two corporate after merger, the feasible theoretical SOOT framework will be illustrated in detail. SOOT analysis is "the most straightforward strategy to analyze company's performance" according to Terry Hill and Roy

Westbrook (1997: 51). SOOT model as a traditional and popular strategy method to analysis firms circumstance have "its mutual origins in the work

of business policy academics at Harvard Business School from 1965 onwards" (Hill and Westbrook, 1997: 47). Subsequently, Kenneth Andrews (1971) developed the model and made it more popular in his age. In a macro perspective, he first announced that a good strategy should cover two aspects of external situation and internal situation of the organization which SWOT matrix could do perfectly well.

However, there are also some disapproval voice in the history. A critic as Henry Mintzberg (1994: 120) who believe that SWOT is only a process of "conception and involves the use of a few basic ideas to design strategy" which have no feasible possibility. Although the minority hold disagree opinions, we should not ignore that SWOT analysis is fundamental of all attempts to formalize the strategy making process. The framework is called SWOT which is the abbreviation form of four attributes: "Strengths", "Weaknesses", "Opportunities" and "Threats" (Hill and Westbrook, 1997: 47).

This strategic framework aims to help organizations identify the strengths and weaknesses as well as the opportunities and threats. The greatest advantage of SWOT analysis is that it could and accordingly initiate suitable actions" (Hobbes, Lenin and Ivanhoe, 1999: 126). With the assistance of SWOT analysis and by identifying more specific of each factors, this strategy framework could efficiently help firms to "build on the strengths, eliminate the weaknesses, exploit the opportunities or counter the threats" (Tyson, 2004: 632).

Generally, the four compounds can be split into "Internal Circumstance" and "External Circumstance". The internal appraisal consists of "Strengths" and

Weakness" which helps executive to examine the crucial aspects of the organization covering (e. G. Facilities, products, and services). The external appraisal, on the other hand, is a good approach to define " Threats" and " Opportunities" (e. G. Social, technological, economic and competitive environment) that any corporate need to deal with. The SOOT framework are shown in figure 1 .

Advantages Disadvantages Internal circumstance Strengths Weakness
 External circumstance Opportunities Threats Figure 1 The SOOT framework
 (Wang, MOM 13) The internal environment, as shown in Figure 2, are employees, brands, innovation abilities, customer membership and facilities. Figure. 2 Internal appraisal, strengths and weaknesses (Tyson, 2004: 632)
 The internal strengths for Leno's PC business after merger appeared in its rapid spreading brand and improved advanced technology. Innovations ability as well as advanced technologies are strongly intensified.

Although Leno has never been a technology leader throughout its history, it still try to keep pace with the trends of the world. Therefore, the merger not only provide Leno a new chance to adapt technology to fit the needs of consumers, but also due to Join venture advantages, Leno plopped a strong technological based products that enabled the corporate to capture more market shares in Chinese domestic PC business (Bidder et al. , 2005). For example, the new PC Thinking EX. Came to the market at 2005 from Leno (PC Magazine, 2005).

This product combined latest high technology of bidirectional fingerprint reader in that age and still a good sale product of Leno until now.

Additionally, with the assistance of new technologies adopting from IBM and the prevalent of Internet, Leno also designed an entirely new line of products for different market segments (Bidder et al. , 2005). Apart from technical benefits, Leno also adopt Vim's powerful brands. The combining force of IBM and Leno merger creates a special kind of brandloyaltynot only keep their old customers but also bring new one.

As a consequence, this has deterred customers from switching to other firms (Bidder et al. , 2005). The weakness parts of Leno after merger happens to its integration of organization and employees. The acquisition is a good Chinese PC company, Leno's employees are mainly Chinese. It means the corporate might suffering culture crash and language barriers when Leno build up its branches overseas. Therefore, the firm should begin to provide opportunities and trainings for the Chinese staff to improve their English ability and cultural awareness.

In addition, during integration process Leno also encountered restructured problems. Fleischer and Bounteousness (2007: 192) has provided some mature and feasible methods to structure a corporate, such as "centralized/decentralized, flattened/hierarchical, and outsourced/autonomous". Thus, in order to integrate Leno's staff and overseas branches, Leno's management group should assess possible occupancies of positions in order to keep the company operating. A centralized structure may suitable for Leno to act and quickly response to the fast- pacing PC industry.

The opportunities for Leno in the external environment is cross country partnership. With the success of access to the global market, more companies were seeking for cooperation. For example, Leno has signed an agreement to be the exclusive computing technology equipment and service provider for the 2006 Turin Winter Olympics (Bidder et al. , 2005). Similarly, in 2004, Leno have the honor as first Chinese corporation Join the Olympic Partner Program. Such operation provided Leno a platform to introduce its brand internationally.

The brand effect could stimulate customers to purchase and therefore build a brand loyalty for the long-term development. Another opportunity appears when merger create an ally rather than rival and make Leno to compete against other rivals such as Dell and HP with combine force. In fact, VIM'S global sales channels help Leno to increase its competence in PC distribution (Bidder et al. , 2005). Due to IBM are originally known by its quality PC's and dominate in overseas marketplace, Vim's nominative advantages make Chinese PC corporate Leno have no need to spend enormous efforts to overcome market barriers to entry foreign market.

Thus, it consider unfamiliar for them. Secondly, Leno's PC business which based on domestic market are catering for Chinese customers. Their PC's has combined Chinese ideographs and symbols. As a result, it has been difficult for Leno firms to compete effectively in the overseas PC market. Thirdly, a new challenge for Leno is about its global services. Building a service-based infrastructure in a vast country requires enormous investment,

especially to build service centers and infrastructure. For the company at scale like Leno, it is not a one day job.

This essay has explained why Leno tends to acquire IBM PC business and illustrate the implements faced by the two companies which made them eventually formed an acquisition. Acquiring IBM has been an anticipated strategic that force Leno expansion. IBM has brought an immense amount of technologies and insight to Leno to help Leno build up its business. A post-merger-integration is always extremely difficult, especially for Chinese PC Company like Leno who might suffer various implements including culture clash, organization restructure, global distribution and service quality.

This is why strength and weakness are coexist with threat and opportunity. The established SOOT analysis used to illustrate what strength and weakness that Leno might encountered in the internal environment and what threat and opportunity in external environment. Nevertheless, the SOOT analysis gave executives a significant insight into company and assist the company operating and organizing its business. Overall, SOOT is a sensible and efficient management-tool to assess strategy implementation. For further study of Leno's business should cover its recent performance into account.