

# Organizational change in lenovo group



**ASSIGN  
BUSTER**

Business organizations have to change to adapt to the changing environment. Management of change has been a hot issue in academic research for years. One popular opinion considers that nowadays corporations will go to die without change. However, how to carry out right change is a challenging question for corporations. Bland and aimless change could be a disaster causing a fast fall to the organizations.

Focusing on the issue of management of change in the organization, this essay attempts to take use of the relevant concepts to research and analyze the issue of change within a real organization. The target organization is Lenovo, one of the most famous IT companies in China, where the researcher had opportunity to work. Lenovo has experienced big changes in its development road, especially in 2005, it successfully acquired IBM Personal Computing Division. This acquisition is a milestone in Lenovo's history, which has also been an earthquake within the organization. In this essay, the researcher tries to identify and analyze the issues brought by the change within the organization.

There are three parts in the main body of this research. Firstly, Lenovo's background will be presented briefly. In the second part, an overview of management of change will be made in the first place. Based on the theories and concepts, it moves to the case of Lenovo. The nature and type of change, and the triggers for change in Lenovo will be identified respectively. Moreover, problems caused by the change and Lenovo's solution will be discussed in this part. In the third part, taking Lenovo as an example, this essay will provide recommendations for Chinese corporations pursuing change in its development.

## **Company Background**

The company which this essay focuses is Lenovo Group, the leading IT company in China. Its main task is the manufacture and sale of personal computer. The history of this company can be dated back to 1981. The company was founded by only 11 employees and with the name of Legend, holding the philosophy that bringing IT to more Chinese consumers and businesses. With years of efforts, this company had become the top PC manufacture in China since 1996, and carries out internationalization steps from 2000. It changes the name form Legend to Lenovo, which is the combination of the “ Le” from Legend with “ novo”(meaning neew) from the Latin word in 2004. And year 2005 has witnessed the most significant change of Lenovo – the acquisition of IBM’s PC Division. This action is considered as a milestone in history of Lenovo, because it combines the leading PC manufactures both in US and China, making a new unified international PC leader. This business decision proves to be correct by the facts. With this acquisition, Lenovo has become one of the largest PC manufacturers in the world scope. The annual revenue of the company has reached 21 billion US dollars, with a series of brands of PCs, like Thinkpad. Nowadays, Lenovo has been an international company, operating in more than sixty countries with 23, 000 employees worldwide. The company has been the third largest PC producer and the fastest growing one in the world top 5 PC manufacturers, with a world market share of 10. 2% (Lenovo Official Website, 2012).

## **Change within Lenovo**

### **3. 1 Brief Review of Management of Change**

The necessity of change within the organization has been widely recognized. Though the cause for changes may be different for one corporation from another, the triggers could be summarized into two types, external factors and internal factors. According to Elving (2005), the business environment is constantly changing. Corporations have to keep pace with the changing environment to achieve their business aim according to the environment. This is the external trigger for organizational change. On the contrary, the internal triggers come from the organization inside. Elving (2005) points out that technique development and personnel promotion are important internal triggers. Diefenbach (2007) considers that companies' demand of development is one significant internal factor for changing, especially when performance is declining.

However, change needs careful consideration. Any imprudent action could be very dangerous. Successful changes are strategic and systematic. Brian and Walter (1993) identify the changes into different types according to the strategies used. They are planned changes, small changes and imploding changes. Donaldson (2000) divided changes into structure, personnel, and technique changes.

Changes always face resistance from employees. According to Morrell et al. (2004), the root for resistance against change is people's fear for risk. Some scholars go deep into the reasons for resistance. De Jager (2001) focuses on the old employees, indicating that changes are always resisted by old employees for their worries about losing the things and interest they have

<https://assignbuster.com/organizational-change-in-lenovo-group/>

owned. Robbins (2009) emphasizes the cause of refusing change is due to people's fear of uncertainty, as change could make things from familiar to unknown. Dent (1999) thinks that some resistance may come from employees' consideration about the company goal and development instead of themselves. Hence, it is necessary for enterprises to effectively communicate with their employees to make them clear about the significance, purpose and method of change. According to Altman and Iles (1998), the ways of putting forward the change should be flexible and innovative. However, in some special situation, some tough measures could be used to show the organization's strong determination.

### **3. 2 Analysis on Change in Lenovo**

In August 2004, the chairman of Lenovo Group, has officially announced the acquisition of IBM's PC Division with a total of \$ 12. 5 billion (Lenovo Official Website, 2012). It is completed in 2005. It is undoubted that this business action is an enormous change within the organization. The rapid growth of Lenovo after the acquisition has proved that this decision of change is correct and well handled. The experience of Lenovo makes a good example for those who are troubled by the change within the organization.

#### **Trigger for Change of Lenovo**

The acquisition of IBM is a big change for Lenovo. The process of this acquisition lasts for five years from 2000 to 2005. This change is carried out with careful consideration and prudent behaviors. As mentioned above, triggers for change could be external and internal. External triggers emphasize the changing environment which enterprises have to keep pace

with so as to complete their business goal, while internal triggers come from the organization inside, such as technique, personnel, etc. (Elving, 2005)

Looking into the case of Lenovo's acquisition of IBM, it could be found that this big change is driven by both external and internal factors. The external triggers for this change are summarized as follows.

First of all, it is a necessary step for Lenovo to fulfill internationalization. Nowadays, facing competition pressure, a number of successful enterprises go abroad for more chances and bigger markets. The internationalization provides enterprises opportunities for sustained development. Lenovo's choice of being internationalized is to conform the world economic development, which strengthens its competitive edge. On the one hand, before the acquisition of IBM, Lenovo has been a leading company in Chinese PC market. The company has occupied 1/3 of the segment, and the top PC company in China for 8 years. For Lenovo, the market of China is too limited for Lenovo to pursue further development, and it has the capability to go internationalization. On the other hand, with Lenovo's business becoming mature, the company faces more and more challenges. After China's entry into WTO, a number of famous PC companies pour into Chinese market, such as IBM, Toshiba, Dell. Besides the brand advantages, these PC giants are strong enough to provide products at attractive price. This fierce competition causes price war in Chinese PC market. Under this circumstance, Lenovo bears unprecedented competitive pressure. To Lenovo, pursuing internationalization is not only for development, but also for survival. It is proved that the acquisition of IBM is a fast rout for Lenovo to carry out

international expansion, which makes it the number five top PC producer globally.

Secondly, through this change, the bargaining power with suppliers has been strengthened a lot. As mentioned above, the Chinese PC market falls into a price war. Thus, the cheap price raw materials are very important. The acquisition of IBM makes Lenovo the world leading PC company. It improves Lenovo's position when bargaining with the suppliers.

One of the most important internal triggers for Lenovo to conduct this change is to acquire the most developed PC technology. IBM is considered the pioneer in PC producing all over the world, and the IBM PC is generally acknowledged as high-ended brand. The acquisition of IBM makes it possible to access the most developed technique. What's more, besides technique in research and development, tactics in management, production, marketing and after service are all valuable treasures for Lenovo. The technique and management skills sharpen competitive edge of Lenovo.

According to Diefenbach (2007), companies' demand of development is one important internal factor for change. Following this concept, Lenovo makes the decision of change in order to acquire the brand of Thinkpad, the word-famous PC brand, and to reach more customers. In this acquisition, Lenovo makes an agreement with IBM, that takes use of the brand of Thinkpad. This agreement avoids the risks of unrecognizing the Lenovo brand in international market. It is a safe step to introduce Lenovo to international market and makes it possible for consumers to try Lenovo's products.

Moreover, some of the foreign consumers hold negative opinions to products

made in China, which are considered as low quality and lack of technique. The use of Thinkpad brand gains the access to the new customers and tries to change their impression on Chinese PC.

## **Problems Arising with the Change within the Organization**

Changes always resisted by people for the uncertainty and risks. This change in Lenovo is an earthquake to the whole company, which faces a lot of problems.

The most challenging one is about “ people”. Human resources are considered the most valuable asset for modern enterprises. Generally, the turnover of employees in acquired company is always a critical issue for the buyers, Lenovo is no exception. IBM employees have strong enterprise culture background. How to minimize the turnover and make foreign employees accept the management of Lenovo, a Chinese localized corporation, is a big challenge for the company, especially in the high-level management team in US market.

In addition, this change does not only concern the overseas employees but also is closely related to the original Chinese employees. How to balance the two groups and make them harmoniously integrate together are not easy tasks. It's known that the salary and remuneration system of the US and Chinese companies are totally different. Hence, the company needs to find out an effective way to satisfy both groups of employees, making them feel equally and well treated.

Moreover, problem is also shown in culture integration. Cultural differences may cause misunderstanding and conflicts within the organization. For

<https://assignbuster.com/organizational-change-in-lenovo-group/>



Lenovo and IBM, the cultural differences exist not only in the level of corporation but also the nationality. People's behavior and form of thinking are deeply rooted in the national culture. It is inevitable that the western and eastern culture collide with each other after the change. The point is how to improve the mutual understanding and make the two groups of people working in a harmonious environment. However, as a localized company, Lenovo has no enough experiences on culture integration.

### **3. 3 Solution of Lenovo on Problems Caused by Change**

Considering the problems arising from the change, Lenovo carries out a set of measures to make the change grows in a positive way.

On the one hand, at the first beginning of the change, Lenovo makes a survey to investigate employees' opinion to the acquisition. Data collected shows that most of the employees both in IBM and Lenovo present positive attitude towards the event, though some of the foreign staff shows worries about the future. According to the survey result, Lenovo makes guarantees to the staff in IBM that the IBM PC division is managed in international style and the salary and remuneration system is not changed. This action eliminates the biggest worries from the IBM employees, and strengthens their confidence about the acquisition, which maintains a lot of IBM original staff. On the other hand, to the Chinese employees in Lenovo, the company offers a new set of salary and remuneration scheme, which deduces the gap of the treatment so as to balance between the two groups of employees. The efforts of Lenovo are effective and efficient, which reduces the resistance in the process of change.

With regards of the cultural differences, Lenovo tries to find similarities between the two in corporate culture as the starting point. In the whole process of the acquisition, Lenovo seek common ground with IBM while reserving differences, which makes the employees in both teams set up a unified identify about the future of the company. But it does not mean Lenovo evades differences. The company takes use of tactics to increase the communication between the two. For example, it holds cocktail party, sets up culture integration discussion board, and builds cultural integration committee. For the management team, special training for cross-culture management and languages is also given to the employees in the company.

### **Recommendations on the Resistance of Change**

The case of Lenovo makes a good example for Chinese enterprises, which are troubled by the resistance of Change. According to the case of Lenovo, this essay gives the following recommendations.

First of all, as stated by Robbins (2009), communication is an excellent way to handle the resistance. In the case of Lenovo, the company pays attention to the effective communication with its employees about the change within the organization. At the very beginning of the change, it makes survey among employees in both US and China. Though this survey, the company conveys the initiative and the importance of the change. With data collected, the company knows about employees' attitude towards and worries about this change. All the worries are carefully considered by the company, and solution and strategies are made accordingly, such as the guarantee about management system and the salary and remuneration system to IBM employees, and the adjustment of Chinese employees' salary scheme. The <https://assignbuster.com/organizational-change-in-lenovo-group/>

fact proves that the communication before the acquisition is effective, which guarantees the change go smoothly. In general case, the resistance comes from employees' feeling of uncertainty and fear of risks. Good communication could help the employees understanding about the whole facts, thus eliminate people's doubt and resistance. Talks and discussion are two ways commonly used in communication.

Additionally, one objective of communication is to know about employees' thought about the change. Therefore, it is important for company to be willing to listen to different voices and accept the suggestions about the change. Making employees involved in the decision making process is an effective way to get their support (Lawrence, 1963). It should be noticed that to make the employees' involvement contributes to the development of the company, employees' training and development are necessary and important

Secondly, conducting a change is a systematic work, which needs a careful plan. Blind action always causes failure. It takes five years for Lenovo to complete this change. During this process, Lenovo has never stopped for adjusting the plan for the acquisition, and it involves the management philosophy, human resources, corporate culture, technique, production, marketing etc. almost every aspects in a company. Although some changes may be very small, they still need careful plan in to ensure an effective implementation.

## **Conclusion**

In conclusion, management of change has been a critical issue for enterprise. This essay takes use of the relevant concepts to research and analyze the issue of change within Lenovo, the leading IT company in China. It focuses on the event of acquisition of IBM, the biggest change within the organization, going deep inside of the issues brought by the change.

The triggers for change could be external and internal. Enterprises have to be adopted to the changing environment. It is the external trigger for change. Internal triggers come from the organization inside, such as the technique, personnel. Moreover, the demand for development is another important internal trigger. The triggers for the change of Lenovo are the combination of the external and internal factors. For external triggers, on the one hand, internalization is the development trend for successful enterprises. On the other hand, the company faces strong competition from international PC companies like Dell, IBM. To enhance the competitive edge, the change for internalization is necessary. One of the most important triggers for Lenovo is the demand new technique from IBM. What's more, through this change, Lenovo can acquire the brand of Thinkpad and reach out new customers in international market. According the theories of change, organization change is always resisted by the employees for the feeling of uncertainty and fears of risks. The biggest problem of this change for Lenovo also comes from people. On the one hand, IBM employees worry about changing to the Chinese management style, and losing interests in salary and remuneration. On the other hand, different salary and remuneration systems make Chinese employees feel unequal and

dissatisfied. What's more, this change may also cause cultural conflicts between the Chinese and the Americans. Recognizing these resistances, Lenovo takes some effective measures which ensure the implementation of the change. Lenovo sets up a good example for organization pursuing change. Its experiences are summarized and given as recommendations in this essay. Firstly, successful change is based on the effective communication with employees. Secondly, changes either big or small need careful consideration and plan. .