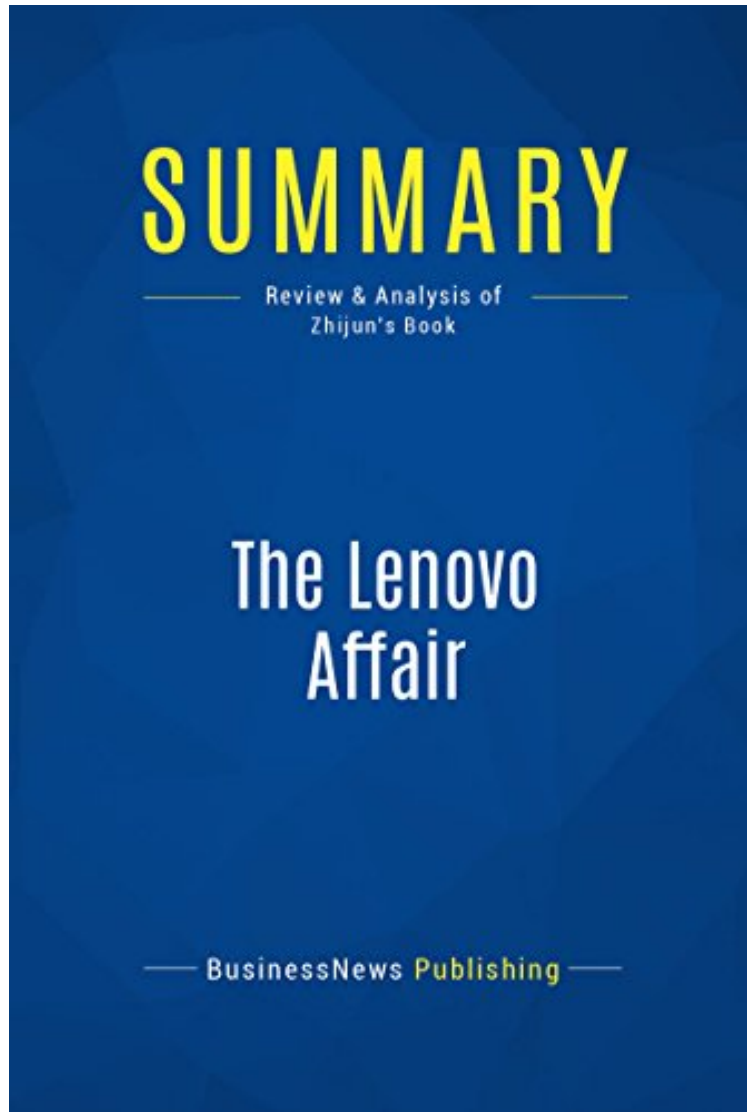


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BusinessNews Publishing : Summary: The Lenovo Affair: Review and Analysis of Zhijun's Book before purchasing it in order to gauge whether or not it would be worth my time, and all praised Summary: The Lenovo Affair: Review and Analysis of Zhijun's Book:

1 of 1 people found the following review helpful. Interesting, but Overly DetailedBy Loyd Eskildson"The Lenovo Affair" tells the story of China's Lenovo Group - a Chinese-based multi-national computer technology firm that develops and manufactures desktops, laptops, servers, software, etc., originally known as Legend Computer. Lenovo is best known for its 2004 acquisition of IBM's PC division in 2004 for \$1.75 billion - only 20 years after the firm was

founded; it now is the world's fourth-largest PC vendor, and the largest in China. That acquisition dealt a powerful blow to the hopes of many western businesses to scoop up large shares of the Chinese market, and boosted Chinese nationalism. Key to its accomplishment was co-founder Liu Chuanzhi's ability to align the nationalist mood of China with support from the government for his company's long-term goals. Eighteen-year-old Liu Chuanzhi wanted to join the Communist Party in 1962 and to study atom bombs and guided missiles at the Xi'an Military Electronic Engineering Institute - however, the school believed his political views were insufficiently 'clean' to deal with these subjects, so he was assigned to study radar; further, his classmates from rural towns said he lacked the requisite 'feeling for workers and peasants' - thus he was barred from the party, and in 1966 a Red Guard commanded denounced him as being a 'retreatist from revolutionary consciousness.' At age 32 (1976) he was at the Computer Institute. In 1984, while China at large was bubbling with excitement, Liu Chuanzhi was frustrated that the Computer Institute had no clear mission, many had nothing to do; funding was cut 20% the next year, and discontinued within five. When requesting permission to found his own company, Liu Chuanzhi promised the Deputy Director of the Chinese Academy of Sciences that annual revenues would be two million yuan - about \$250,000 today. Total initial staff - one, and there was no business plan. By 1984, Liu's salary was \$41/month. Later that year he bought the Computer Institute (had developed the KT8920 computer), bought 500 IBM computers and transferred the contracts for repair and training to the company, and performed various other actions for IBM in Beijing. Profits - about \$900,000. After acquiring IBM-PC, revenues exceeded \$13 billion/year, and the company had over 26,600 employees. The company was founded in October, 1984 - Liu Chuanzhi promised to create \$250,000 in annual revenues when he asked his employer, the Chinese Academy of Science (CAS), for permission. Liu and others were frustrated by the lack of opportunity to commercialize computers they worked on at the CAS. At the time, they had no business plan, and only the promise of \$25,000 in financial backing from CAS. Initial business was largely distributing IBM and other products, as well as a hardware/software combination that allowed use of Chinese characters. Lenovo also sold IBM PCs on a commission basis. No banks would loan them money - in those days anyone involved in 'business' had a bad reputation. The founders' first meeting was held in a CAS guard shack, and their first decision was to sweep the floor. Its first effort was an attempt to import televisions - the effort failed due to poor product quality. It then moved on to conducting quality checks on computers for new buyers, then developed a circuit board that allowed IBM-PCs to process Chinese characters. Liu claims H-P as his earliest and best teacher. For over ten years Lenovo was H-P's distributor in China. In 1988 the firm was listed on the Hong-Kong exchange, and in 1991 the founders used their accumulated bonuses for the prior 7 years to buy a 35% share of the firm; after the acquisition, IBM obtained an 18.9% stake in Lenovo; CAS had 50.4%. Twenty years later, pre-acquisition, Lenovo had 9,000 employees and \$3 billion in revenues vs. IBM PC's 10,000 and \$13 billion. At the time, management decided that globalization would be a more productive growth direction than competing for added market share in China. IBM PC's gross profit margin was around 24%, vs. Lenovo's 14%. However, Lenovo had a 5% net income whereas IBM was not profitable because the reason was quite simple: costs and expenses were higher because of higher overhead allocations. Assembly cost in the US was \$24 compared with \$4 in China. Initially the effort was led by an American - however, this quickly brought difficulties and Liu Chuanzhi retook the helm. Fortunately, three days after that first meeting, China's leadership distributed a document stating "Rampant egalitarianism is destroying the productive capacity of society." Continuing, "We want to encourage more and more people to move towards wealth." "The Lenovo Affair" continues, often in too great detail that lacks strategic perspective, and sometimes using confusing English, telling how Lenovo emerged as the leading Chinese computer firm out of some 200+, taking actions that certainly would have landed its leadership in jail if in the U.S. (eg. paying bribes to officials - standard practice in China, working around tariffs, a lack of licenses, high taxes on worker bonuses, travel restrictions to/from Hong Kong, government-imposed pay limits), and almost did so in China. Repeatedly challenged by actions taken by its overly autonomous divisions, patent lawsuits, allegations of mis-spending government funds, CAS funding cutbacks - ironically intended to make RD more commercially oriented, government favoritism directed towards its 'Great Wall' competitor and others, foreign firms attempting to take the Chinese computer market, and those employees and Chinese leaders wanting Lenovo to build its own CPU as part of an 'all-China' push, Liu Chuanzhi either personally created the results required to succeed, or selected talented others who innovated in ways (cost-cutting, improving sales presence while lowering costs) that boosted the firm. RMB devaluation, moving production from Hong Kong to Shenzhen also helped. Both the Chinese government and Lenovo's management were learning as they went - for example, many of the original government requirements were eventually dropped. In November of 2011, Lenovo announced a smart television product, partnered with Sharp to produce these, and projected sales exceeding over one million units in 2014. Late 2014, after acquiring IBM's Intel-based server lines for \$2.1 billion, Lenovo announced its goal of becoming the world's largest maker of servers. Near the end of "The Lenovo Affair," readers learn that Dell was becoming a strong competitor, even pricing below Lenovo. Unfortunately, the outcome of this new competition is not provided. Business Week, 2/4/2010 helps fill the gap. Lenovo's market share in China has risen to 33.5%, accounting for almost half its total revenue; world-wide it has a 9% market share. In the U.S., however, market share has fallen from 7% at the time of the IBM acquisition to 4%. Analysts believe that is due to weakness in the corporate sector.

The must-read summary of Ling Zhijun's book: "The Lenovo Affair: The Growth of China's Computer Giant and its Takeover of IBM-PC". This complete summary of the ideas from Ling Zhijun's book "The Lenovo Affair" tells the story of the Chinese company Lenovo and how it became a global leader in the PC market. In this book, the author describes the complete journey of the company, from its creation in 1984 and the IBM acquisition in 2005, right to its current day success. This summary is a fascinating read for anyone who wants to know more about the business psyche of the Chinese entrepreneurial spirit. Added-value of this summary:

- Save time
- Understand key concepts
- Expand your knowledge

 To learn more, read "The Lenovo Affair" and discover the story behind one of the biggest computer companies in the world.