



Collana Working Paper n. 1/2010

**GLOBALIZATION STRATEGIC PATHWAYS  
OF BRIC COUNTRIES MULTINATIONAL  
COMPANIES**

---

Daniele M. Ghezzi

---

## CONTENTS

1. The Question	3
2. A critical assessment of the rise of new emerging markets and particularly the BRIC economies	3
3. How and why BRIC multinational firms challenged the global expansion strategy of traditional corporations	5
4. How and why the strategic approach of a new emerging giant corporation from one of the BRIC is succeeding where established global companies are now failing	7
The "big deal"	7
Lenovo's acquisition of IBM's PC's division	7
Lenovo and IBM acquisition: a typical example of springboard perspective	8
The "secret" of the succeeding strategy	9
Conclusions	11
5. References	12
6. Annexes	14

Il testo di questo working paper è coperto dai diritti d'autore e non può essere riprodotto, in alcuna forma, senza l'autorizzazione scritta dell'autore.

In caso di citazione in altri lavori, si prega di indicarlo in bibliografia nel seguente formato:

Daniele M. Ghezzi, *Globalization strategic pathways of BRIC countries multinational companies*, Collana Working Paper del Centro di Ricerca per lo Sviluppo Imprenditoriale dell'Università Cattolica, n. 1/2010.

Il CERSI (Centro di Ricerca per lo Sviluppo Imprenditoriale) è un centro di ricerca fondato nell'aprile 2006 a Cremona dalla Facoltà di Economia dell'Università Cattolica del Sacro Cuore. È dedicato all'analisi dei percorsi di sviluppo delle imprese - soprattutto di piccole e medie dimensioni - e su questo tema svolge attività di ricerca, di formazione (rivolta a imprenditori e manager) e di affiancamento alle imprese.

### **CERSI- Centro di Ricerca per lo Sviluppo Imprenditoriale**

Università Cattolica del Sacro Cuore

Via Milano 24 – 26100 Cremona

Tel. + +39 0372 499.113/138/110 Fax + +39 0372 499.133

e-mail: [cersi@unicatt.it](mailto:cersi@unicatt.it)

web site: [www.unicatt.it/CERSI](http://www.unicatt.it/CERSI)

# GLOBALIZATION STRATEGIC PATHWAYS OF BRIC COUNTRIES MULTINATIONAL COMPANIES

di Daniele M. Ghezzi

## 1. The Question.

It is argued that the size of emerging markets this century is demanding a new way of thinking about market entry strategy. This has led Prahalad and Lieberthal (1998) to conclude that it is 'The End of Corporate Imperialism'.

In relation to this statement, this paper develops the following issues:

- A critical assessment of the rise of the new emerging markets and particularly the BRIC economies;
- How and why BRIC multinational firms challenged the global expansion strategy of traditional multinational corporations;
- How and why the strategic approach of a new emerging giant corporation from one of the BRIC is succeeding where established global companies are now failing.

## 2. A critical assessment of the rise of the new emerging markets and particularly the BRIC economies.

Globalization is seen by many as an unstoppable and irreversible process in the 21<sup>st</sup> century, driven by powerful forces that makes it both more feasible and desirable, (Govindarajan and Gupta, 2000). Liberalization of trade barriers has further speeded up the creation of global opened markets, as well as global networks of production (Dicken, 2007)<sup>1</sup>. Moreover, specific industry characteristics, like technology intensive sectors, "force" companies towards internationalization, as it is the only way to cover the increased cost in fixed production assets, marketing and distribution (Dawar and Frost, 1999)<sup>2</sup>. However, some scholars have recently started criticizing this view of globalization as unstoppable, underlining the importance of the arbitrage approach to global strategy, i.e. the strategy of differences that aims to exploit cultural, administrative, geographic and economic differences among countries, in order to reconcile and more effectively deploy differences and similarities (Ghemawat, 2003). Others furthermore, like Rugman and Hodgetts

---

<sup>1</sup> UNCTAD World Investment Reports data for 2004 show FDI stocks annual rate of growth of 11.5%, while Exports of goods rate of growth of 20.1%.

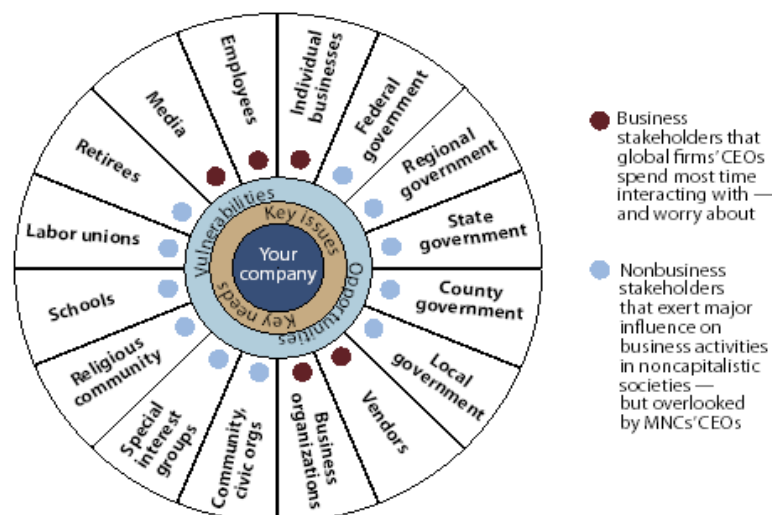
<sup>2</sup> They propose an interesting classification of emerging markets MNEs according to the intensity of two parameters: strength of globalization pressures and the company's assets degree of transferability, and distinguish between defender, extender, dodger and contender companies, being the latter the most able to compete at a global level.

(2001), have described globalization as a myth, stating the “End of global strategies”, as successful multinational firms now design their strategy on a regional scale.

Nevertheless, we also see the economic centre of gravity moving from developed to developing countries, with the emergence of the so-called BRIC economies (Brazil, Russia, India and China) (Govindarajan and Gupta, 2000). A Goldman Sachs study (2003) estimates that in around a 40 years time, by 2050, their GDP could overcome the GDP of G6 countries by more than 50%<sup>3</sup>. The emergence of these countries is influencing the dynamic of competition and the strategic choices of companies. Indeed, even though they might have the world’s largest GDPs, BRIC markets might not be the richest in income per capita. After a dramatic growth in recent years, BRIC’s GDP is likely to slow down and at that time, it is estimated that economies like China will have the actual income per capita of developed countries (around 30.000 USD) (Economist, 2006). This would still guarantee interesting market opportunities for developed countries’ companies, affected by a greying population and saturated markets (Dawar and Frost, 1999). Moreover, rich consumers segments in BRIC markets represent a source of higher profits from higher quality, more expensive products (Prahalad and Lieberthal, 1998; Kotler and Keller, 2007).

In the past decades emerging countries represented some kind of “green field” to be exploited for mature western economies’ Multinational Enterprises (MNEs), even if developed MNEs realized that they did not really need local partners support to better penetrate their markets, because their knowledge proved to be often inadequate (Prahalad and Lieberthal, 1998). Nowadays this perspective is likely to be reversed. BRIC and Emerging Markets MNEs (EMNEs) are invading the western world, somehow adopting their western counterparts’ former aggressive approach (Deng, 2004).

Fig 1 – Opportunistic MNEs and their CEOs focus on business stakeholders economic needs



Source: James E. Lukaszewski, *Influencing Public Attitudes: Direct Communications Strategies that Reduce the Media's Influence on Public Decision-Making*, Issues Actions Publications, 1992.

<sup>3</sup> These countries started overcoming exchange rate fluctuation, inflation problems and experiencing more freedom on markets after decades of central planned economy. Beside China’s GDP growth (10% in 2004, highest among BRICs) India and Russia’s GDP grew by 7% and Brazil’s by 5.7% (ICFAI, 2007).

However, both mature and emerging economies have obtained mutual benefits from globalization, even if there are still shadows over the real consequences on its development (Bartlett, *et al.*, 2007). The neo-liberalistic perspective proposes that the increased freedom in capital flows, the technological evolution in communication and transportation have provided help in reducing both physical and intellectual gaps between developed and developing economies. In the long term, it is argued that the main inequalities will be cleared thanks to these major efficiencies. On the other hand, anti-globalization movements have been developing, arguing that globalization has led to the creation of a transnational bloc of economic entities from developed economies, where largest MNEs, global banks and international organizations influence and subtract power from political institutions. Many are the concerns regarding the reduction of governments' democratic accountability and the raise of inequalities among richer and poorer countries (Dicken, 2007).

Nevertheless traditional MNEs could still keep on investing in emerging economies in a profitable and more "social responsible" way (Prahalad and Hart, 2002) to benefit the 4 billion people potential market at the bottom line of the world economic pyramid with a purchasing power of around 2 USD/day (Prahalad and Lieberthal, 1998).

Finally, the discussed outlook of the role played by BRIC economies in the future global economic scenario is likely to be different according to the role of the BRIC institutions in supporting this growth in an environmental sustainable way (Radjou, 2006). So far, they have represented an important trigger of this expansion process, and hence their intervention will still be of great importance (Bartlett *et al.*, 2007). In addition, other factors like macro-economic stability, market openness and levels of education will influence BRIC economies to become larger (ICFAI, 2007; Radjou, 2006).

### **3. How and why BRIC multinational firms challenged the global expansion strategy of traditional multinational corporations.**

EMNEs internationalization strategies present some relevant peculiarities from traditional corporations, to some extent contradictory, that leave room for theoretical extension and question the full applicability to BRIC MNEs of traditional internationalization theories, like Foreign Direct Investment (FDI) and Stage Theory (Filatochev *et al.*, 2007).

First, the mainstream perspective of internationalization theory considers the possible exploitation of competitive advantages as the main motive for expanding operations abroad. Conversely, EMNEs would internationalize to overcome competitive disadvantages due to being latecomers, among which technology and know-how. Furthermore, they tend to internationalize in markets where social ties and ethnically-based networks, instead of formalized support institutions, are stronger (Deng, 2004).

According to the FDI theory's purposes for internationalization, market seeking appears to be valid for both emerging and traditional MNEs. Resource seeking (like raw materials, energy and other natural resources) appears applicable too, but for EMNEs also brands and technology/knowledge are more important. Efficiency seeking instead is not really applicable; in fact

in terms of the search for low cost factors of production, emerging economies have already used them as a competitive advantage to emerge (Child and Rodrigues, 2005). Hence, “pull” factors (need to secure natural resources and acquire strategic assets) rather than “push” drive EMNES’ FDI (Deng, 2004). For instance, in China the government encourages more international FDI rather than domestic acquisitions with more restrictions (Yeung and Liu, 2008).

The Stage theory is also challenged in the importance of geographic/physic distance from entry markets. This is less relevant to EMNEs, because most strategic markets like US and Europe are far (Prahalad and Lieberthal, 1998).

Market regulations have also been challenged. Developed markets are more opened and less constrained, allowing more degrees of freedom to MNEs operations. BRIC economies like China, conversely, enforce companies to operate conforming to government priorities (Enright, 2005). Moreover, the dominant Communist party still controls main business decisions of national companies through local committees (Dicken, 2007). Nevertheless, it has been noticed (Child and Rodrigues, 2005) that BRIC economies governments have started “opening” and as they are less strict in business regulation, they are shifting to a more entrepreneurial orientation in order for firms to cope with increased international competition (Bruton *et al.*, 2008).

As a general finding, global expansion is also influenced by the different role and impact of political risk from traditional MNEs and the role of home government (Williamson and Zeng, 2004). For instance, Chinese corporations seem not to be political risk adverse, probably because the majority of them, as they are fully or partially state owned, can count on the government’s help (Radjou, 2006; Dicken, 2007).

We might therefore talk about “incubation strategy” to illustrate how emerging countries’ governments have and still protect and support the international expansion of firms<sup>4</sup>. China as well as other emerging countries, especially from the eastern part of the globe, have literally “built” some of their multinational corporation giants (Buckley, 2007). But this strategy might generate some problems, like the survival of inefficient firms, due to soft financing policies and tax exemptions (Deng, 2004).

Notwithstanding, traditional MNEs have also obtained some benefits from the growing expansion of EMNEs (Dawar and Frost, 1999; Prahalad and Hammond, 2002). By selling low profitable or strategic business units to improve their cash and financial position, their competence portfolio fit and moreover exploit their assets and resources (Prahalad and Hart, 2000).

Searching for an explanation to BRIC MNEs foreign market entry mode, scholars like Luo and Tung (2007) introduced the “springboard perspective”. Against traditional FDI theory, it argues that main motivations to expand are asset seeking and opportunity seeking (Buckley *et al.*, 2007). Additionally, to overcome the main internal and external constraints, they engage in aggressive international acquisitions. Before this decision, EMNEs acquired the knowledge to catch up in competition by interacting with foreign MNEs operating in their countries. This particularly holds for Chinese MNEs, whose strategies to overcome liabilities of foreignness are a model for other BRIC firms, like Brazilian (Child and Rodrigues, 2005).

---

<sup>4</sup> See Annex 1.

However, this perspective presents typical problems of BRIC economies' institutional environment and business practices: poor accountability (Antkiewicz and Whalley, 2006), cultural and managerial practices differences among western and eastern world and lack of global experience that lead to difficulties in the post-acquisition integration process (Shi, 2001). Unlike traditional MNEs, since EMNEs tend to replicate the previously existing operation processes of acquired businesses, they might lack real product and process innovation (Luo and Tung, 2007).

Furthermore, the springboard perspective underlines another difference among foreign and BRIC MNEs expansion strategies. While these latter can find and buy on the market the required assets (like technology and expertise), the former cannot do the same as easily, essentially because market knowledge and good infrastructures cannot be bought (Williamson and Zeng, 2004).

Finally, given this framework, we might conclude that traditional MNEs expansion has been challenged in its roots, and a mindset change is urgently required to help fill emerging markets institutional voids and increase cross-markets synergies (Khanna, *et al.*, 2005). Whereas EMNEs' approach proves more flexible and effective in strengthening global competitive position, the "imperialistic" rigid approach of traditional MNEs based on replicating home country business models (Prahalad and Lieberthal, 1998) should now be changed. Williamson and Zang (2004) maintain that new strategies are needed to overcome all the emerging markets' imperfections (poor infrastructures, high integration costs, market fragmentation and full capitalization of scale economies) firstly to expand market coverage, through lower-tier products and secondly, as technology and quality gap is reducing, to focus on highest possible cost reduction and increase R&D localization to deploy talented brains (Deng, 2004).

#### **4. How and why the strategic approach of a new emerging giant corporation from one of the BRIC is succeeding where established global companies are now failing.**

- The "big deal": Lenovo's acquisition of IBM's PCs division

Lenovo's sudden announcement in 2005 of the acquisition of IBM PCs division really looked like a "snake eating an elephant"; it was indeed three times bigger than Lenovo. The acquisition included desktop PCs and ThinkPad products, the R&D division and the global marketing and sales network. Suddenly Lenovo became the third player in the industry after Dell and Hewlett-Packard, reducing barriers and gaining credibility and respect also for its Lenovo-labelled products. As evidenced in table 1, Lenovo's strategy after the deal was oriented to foster integration with the IBM division and to get also "physically" closer to the American market by moving its headquarters to New York. Besides its already strong position in the Asian market, through IBM Lenovo got access to a vast number of new markets.

**Table 1 – An outlook on the Lenovo acquisition of IBM's Pc division**

<b>Key Financial</b>	<ul style="list-style-type: none"> <li>• Cost of operation for Lenovo: 1.75 USD billion (650 USD million in cash; 600 USD million in stock; 5000 USD million in debt)</li> <li>• IBM obtained a 18.9% stake in Lenovo</li> </ul>
<b>Key Managerial</b>	<ul style="list-style-type: none"> <li>• Lenovo hired IBM's 10.000 employees</li> <li>• Lenovo's PC headquarters transferred from Beijing to New York</li> <li>• IBM's senior Vice-president appointed CEO of the new group</li> <li>• Lenovo's CEO appointed group chairman</li> <li>• The two companies will act as preferred partner: Lenovo with support to IBM's mainframes; IBM with customer relationship support</li> </ul>
<b>Key Market</b>	<ul style="list-style-type: none"> <li>• Lenovo is allowed to use IBM's Think logo on its products for the first 5 years</li> <li>• Lenovo enters IBM's 160 countries marketing and sales network</li> <li>• Lenovo's actual annual sales revenues: USD 14.6 billion</li> <li>• PCs annual sales volume: 14 million</li> <li>• Lenovo's actual World PC market share: 7.8%</li> <li>• Lenovo's Asian Pacific PC market share (2005): 55%</li> </ul>

Source: author elaboration

The former Legend Group<sup>5</sup>, established in China in 1984 by a group of 11 researchers of the Chinese Academy of Science, successfully developed thanks to specific competitive advantages (Kotler and Pfoertsch, 2007): strong brand recognition in China (representing an umbrella for other branded products lines targeting different specific customer segments), more efficient operations than competitors, diversified distribution channels to tap all market segments and, most importantly, right from the beginning good relationships with government and educational institutes, such as the Chinese Academy of Science<sup>6</sup>.

- Lenovo and IBM acquisition: a typical example of springboard perspective

The strategic rationales behind this acquisition, apart from reflecting the consolidation trends of the specific industry (ICFAI, 2005), show some important features that describe BRIC MNEs internationalization and clearly exemplify the springboard perspective. Lenovo indeed learned from the companies in which it was originally a distributor (HP, IBM, Toshiba; CEIBS, 2007). It leveraged on acquiring technological know-how and the deepest understanding of the Chinese market, developing sales networks not-replicable by competitors. Indeed, even nowadays Lenovo is still

<sup>5</sup> In 2003 the name was changed from Legend to Lenovo in order to reinforce the global expansion. The Legend brand in fact was already used by many foreign corporations. For an illustration of Lenovo's organizational structure see Annex 2.

<sup>6</sup> It still holds a 57% stake of Lenovo.



sales partner and official distributor of many of those, that openly admit to still struggle to operate smoothly in Asian markets. Furthermore, besides learning opportunities (Hitt *et al.*, 2005), the establishment in China of foreign MNEs provided lower cost access to production components. Lenovo was hence able to challenge incumbent MNEs on a price-based competition and highest customized offer. This generated the required resources to expand. Indeed, as Dawar and Frost (1999) maintained, emerging companies willing to compete on global markets (named *contenders*)

even though they possess transferable resources and competences usually lack the financial resources to challenge dominant players. Lenovo has been able to overcome the higher costs of financing (compared to established foreign competitors) also thanks to the constant support given by national institutions, albeit not in financial terms. Lenovo indeed got its first service contract from the organization that its founders came from, the Chinese Academy of Science, which in turn provided other institutional ties and supported the company's image and reputation (Xie and White, 2004). As an example of this, Lenovo was the first company to obtain from the Chinese government the license for manufacturing personal computers in the country.

As both domestic and external competition is squeezing profit margins and market share,<sup>7</sup> expansion in foreign markets was thus quickly needed. With this deal Lenovo entered large new markets like U.S. and Europe, in quest of industry leadership. This entrepreneurial attitude is another typical characteristic that drives the expansion of emerging countries firms (Bruton *et al.*, 2008). It was reported indeed that Lenovo's chairman Yang Yuanqing said they were not satisfied to be only number three in the market, after Dell and HP (Child and Rodrigues, 2005).

- The "secret" of the succeeding strategy

With other western MNEs production facilities already established in China, competition on cost efficiencies in the technology industry is not viable anymore. Lenovo's strategy, thus, aims to succeed by leveraging on its leadership on the Asian market to then expand internationally. This strategy is based on two major strengths, that as we have already argued are still out of other foreign MNEs' reach. Firstly, being a Chinese company, Lenovo knows the local market better and quickly grasps customers' needs. This also leads to more efficient and effective operations than foreign competitors. Secondly, the IBM "brand power" enhances global growth. Indeed, before the deal, Lenovo had little overseas business.

Fig. 1 – Lenovo's actual global presence



Source: Lenovo corporate website

- Shadows over the future

<sup>7</sup> Even if Lenovo is still market leader in China (27% of PC market share by 2004), Dell's pressure is increasing. In 2004 Lenovo's share price fell by 23%.

Nevertheless, some remaining shadows fall over the future perspective of this deal, which question who has gained more between Lenovo and IBM (see table 3). Lenovo's strategy feasibility of entering its "newly inherited" global markets in US and India's retail segment has been criticized by many market analysts (ICFAI, 2006). For instance in India, until Lenovo's acquisition, IBM targeted only corporate clients, and had no expertise in addressing individual consumers, as Lenovo is planning to do (ICFAI, 2007).

Hence, the answer to the question "Who really gained more, Lenovo or IBM?" has to be found by considering that IBM got rid of a low profitable loss-making business division and focused its portfolio on more profitable product and services, while Lenovo obtained a "key" to unlock a real global expansion and strengthen its corporate brand image.

Despite all the initial difficulties experienced, which can be considered as typical of post-merger and acquisition integration processes, Lenovo is probably the winner, as also latest market and financial data seem to confirm. By the time those drawbacks will be solved, competitors' reactions (like Dell), essentially based on cost-cutting and price-reducing campaigns, would prove ineffective.

**Table 2 – Lenovo vs. IBM: who really gained from the deal?**

<b>Global PCs Market</b>	<ul style="list-style-type: none"> <li>▪ Shrinking margins; most manufactures already established in Asia</li> <li>▪ PC are by now almost a commodity</li> <li>▪ <b>Nevertheless, by 2010:</b></li> <li>▪ China expected to add 178 million new PC users and India 80 million (ICFAI, 2005)</li> </ul>
<b>Lenovo</b>	<ul style="list-style-type: none"> <li>▪ • Lenovo's profit margin fell from 5% to 1.8%</li> <li>▪ • Cost reduction measures: 1000 employees laid off</li> <li>▪ • Cultural differences: Lenovo's quasi-military culture is impacting negatively integration process with IBM division</li> <li>▪ • Problems in quality perception and IBM brand identity preservation, combined with the complete switch over to Lenovo brand.</li> <li>▪ • Difficulties in former IBM customers retention</li> <li>▪ • Reaction of competitors: Dell (world's second largest) cut prices and opened second plant in China</li> <li>▪ <b>Nevertheless, in 2007:</b></li> <li>▪ • Lenovo' Turnover growth: 9.9% - Gross profit growth: 9.6%</li> <li>▪ • Lenovo's worldwide market growth: 6%</li> </ul>
<b>IBM</b>	<ul style="list-style-type: none"> <li>▪ By now IBM had lost market leadership in PCs (in 2004 first half, losses of USD 139 million), so business not profitable anymore</li> <li>▪ High cash inflow thanks to high price paid by Lenovo</li> <li>▪ Entrance in Chinese market and promising Asia-Pacific market</li> <li>▪ Rationalization of business portfolio, shift from commodity products to higher margins high-end computers and software services</li> <li>▪ Focus on more strategic and profitable businesses</li> </ul>

Source: author elaboration

- Conclusions

To summarize, Lenovo's two-fold strategy perfectly resembles EMNEs' different approach compared to traditional MNEs, inasmuch as it benefits from a strong local presence and leverages on new assets (a brand and all the industrial assets behind it) acquired to foster international development.

This case also suggests another strategic implication that contrasts and is essentially the opposite of traditional MNEs evolutionary path (Xie and White, 2004). Lenovo in fact developed from sales (competing on price and on the most accurate customer segmentation) to manufacturing and then R&D, using the competitive advantages in the first as major point of strength to develop the lasts.

Its success offers an important lesson for other BRIC MNEs; instead of competing on the same basis, they can win the battle against big multinational competitor by first developing less capital-intensive resources and capabilities that can set them apart from better endowed rivals. Nevertheless, if the development of these capabilities is too much focused on a particular market, it might reduce the adaptability to foreign markets.

Nevertheless, if before an extreme adaptation to the Chinese market might have dampened Lenovo's expansion in the global arena (Xie and White, 2004), the IBM acquisition has now made the "big leap" possible.

## 7. References

- ANTKIEWICZ, A. AND WHALLEY, J., 2006. *Recent Chinese Buyout Activity and the Implications for Global Architecture*. (March 2006). NBER Working Paper No. W12072 Available from SSRN: <http://ssrn.com/abstract=888274>.
- BARTLETT, C., GOSHAL, S. AND BEAMISH, P., 2007. *Transnational Management*. 5<sup>th</sup> Edition. New York: McGraw-Hill International.
- BRUTON, G.D., AHLSTROM, D. AND OBLOJ, H., 2008. Entrepreneurship in emerging economy. Where are we today and where should the research go in the future. *Entrepreneurship Theory and Practice*, January 2008, 1-14.
- BUCKLEY, P.J., CLEGG, J. AND WANG, C., 2002. The Impact of inward FDI on the performances of Chinese manufacturing firms. *Journal of International Business Studies*, 33 (4), 637-655.
- BUCKLEY, P.J., CLEGG, J., CROSS A., LIU, X., VOSS, H. AND ZHENG, P., 2007. The Determinants of Chinese Outward Foreign Direct Investment. *Journal of International Business Studies*, 38, 499-518.
- CEIBS CHINA EUROPE INTERNATIONAL BUSINESS SCHOOL, 2007. *Chinese Enterprises – Journey to the West*. China Europe International Business School, Case n. 307-289-1. Available from: [www.ecch.com](http://www.ecch.com).
- CHILD, J. AND RODRIGUES, S., 2005. The internationalization of Chinese firms: a case for theoretical extension? *Management and Organization Review*, 1(3), 381-410.
- DAWAR, N. AND FROST, T., 1999. Competing with Giants: survival strategies for local companies in emerging markets. *Harvard Business Review*, March-April 1999, 119-129.
- DENG, P., 2004. Outward investments by Chinese MNCs: motivations and implications. *Business Horizons*, 47, 8-16.
- DICKEN, P., 2007. *Global shift: mapping the changing contours of the world economy*. 5<sup>th</sup> Edition. London: Sage.
- ECONOMIST, 2006. The New Titans: a Survey of the World Economy. *The Economist*, sept. 16<sup>th</sup> 2006, 1-21.
- ENRIGHT, M.J., 2005. *China goes global: the new taste of Chinese companies for foreign assets*. The Asia Case Research Centre: University of Hong Kong, Case n. 206-011-1. Available from: [www.ecch.com](http://www.ecch.com).
- FILATOCHEV, I., STRANGE, R., PIESSE, J. AND LIEN, Y., 2007. FDI by firms from newly industrialised economies in emerging markets: corporate governance, entry mode and location. *Journal of International Business Studies*, 38, 556-572.
- GHEMWAT, P., 2003. The forgotten strategy. *Harvard Business Review*, November 2003, 81-90.
- GOVINDARAJAN, V. AND GUPTA, A., 2000. Analysis of the Emerging Global Arena. *European Management Journal*, 18(3), 274-284.
- HITT, M.A., LI, H. AND WORTHINGTON, W.J., 2005. Emerging markets as learning laboratories: learning behaviours of local firms and foreign entrants in different institutional contexts. *Management and Organization Review*, 1 (3), 353-380.

- ICFAI BUSINESS SCHOOL CASE DEVELOPMENT CENTRE, 2005. *PC's Industry Next One Billion Customers: Exploring The Growth Avenues*. Bangalore: ICFAI University, Case n. 305-023-1. Available from: [www.ecch.com](http://www.ecch.com).
- ICFAI BUSINESS SCHOOL CASE DEVELOPMENT CENTRE, 2006. *Lenovo in India – Facing Positioning Dilemma*. Bangalore: ICFAI University, Case n. 306-148-1. Available from: [www.ecch.com](http://www.ecch.com).
- ICFAI BUSINESS SCHOOL CASE DEVELOPMENT CENTRE, 2007. *Growth Strategies of BRIC Economies*. Bangalore: ICFAI University, Case n. 305-084-1. Available from: [www.ecch.com](http://www.ecch.com).
- ICFAI BUSINESS SCHOOL CASE DEVELOPMENT CENTRE (a), 2007. *Lenovo acquires IBM's PC division. Will Lenovo Gain?* Bangalore: ICFAI University, Case n. 307-029-1. Available from: [www.ecch.com](http://www.ecch.com).
- KHANNA, T., PALEPU, K. AND SINHA, J., 2005. Strategies that fit emerging markets. *Harvard Business Review*, June 2005, 63-76.
- KOTLER, P. AND KELLER, K., 2007. *Marketing Management*. 12<sup>th</sup> Edition. London: Pearson.
- KOTLER, P. AND PFOERTSCH, W., 2007. Lenovo: Bridging East and West to Build a Global Brand. *CEIBS China Europe International Business School*, Case n. 507-115-1. Available from: [www.ecch.com](http://www.ecch.com).
- LUO, Y. AND TUNG, R., 2007. International expansion of emerging market enterprises: A springboard perspective. *Journal of International Business Studies*, 38, 481-498.
- PRAHALAD, C.K. AND HAMMOND, A., 2002. Serving the World's Poor, Profitably. *Harvard Business Review*, 81 (88), August 2003, 109-117.
- PRAHALAD, C.K. AND HART, S., 2002. The fortune at the Bottom of the Pyramid. *Strategy + Business*, 26, 2002, 1-14.
- PRAHALAD, C.K. AND LIEBERTHAL, K., 2003. The End of Corporate Imperialism. *Harvard Business Review*, 80 (9), September 2002, 4-11.
- RADIJOU, N., 2006. *The Rise of Globally Adaptive Organizations*. Forrester Big Idea, Forrester Research Inc., 12 December 2006. Available from: [www.forrester.com](http://www.forrester.com).
- RUGMAN, P. AND HODGETTS, R., 2001. The End of Global Strategy. *European Management Journal*. 19(4), 333-343.
- RUGMAN, P. AND VERBECKE, A., 2004. A perspective on regional and global strategies of multinational enterprises. *Journal of International Business Studies*, 35 (1), 3-18.
- SHI, X., 2001. Antecedent factors on International Business Negotiations in the China Context. *Management International Review*, 41 (2), 163-187.
- WILLIAMSON, P. AND ZENG, M., 2004. Strategies for competing in a changed China. *MIT Sloan Management Review*, Summer 2004, 85-91.
- WILSON, D. AND PURUSHOTHAMAN, R., 2003. Dreaming with BRICs: the path to 2050. *Goldman Sachs Global Economics Paper*, n.99, 1<sup>st</sup> October 2003.
- XIE, W. AND WHITE, S., 2004. Sequential Learning in a Chinese spin-off. The case of Lenovo Group Limited. *R&D Management*, 34 (4), 407-422.

XINPING, S., 2001. Antecedent Factors of International Business Negotiations in the China Context (1). *Management International Review*, April 2001, 41 (2), 163-175.  
 YEUNG WAI-CHUNG, H. AND LIU, W., 2008. Globalizing China: the rise of mainland firms in the global economy. *Eurasia Geography and Economics*, 49 (1), 57-86.

**6. Annexes.**

**Annex 1 – The impact of the three major forces shaping globalization**

	<b>POSITIVE IMPACT</b>	<b>NEGATIVE IMPACT</b>
<b>Geopolitical and regulatory influence</b>	Lack of conflict, political cooperation, favourable immigration law	Regulations, terrorism, wars, race to control energy supplies, protectionism
<b>Sociocultural and environmental influence</b>	Support for free trade, demographics, Internet adoption, cultural cooperation	Nationalism, natural disasters, social unrest
<b>Market and economic influence</b>	Market liberalization, free trade agreements, economic cooperation	High import-export tariffs, poor infrastructure, high oil price

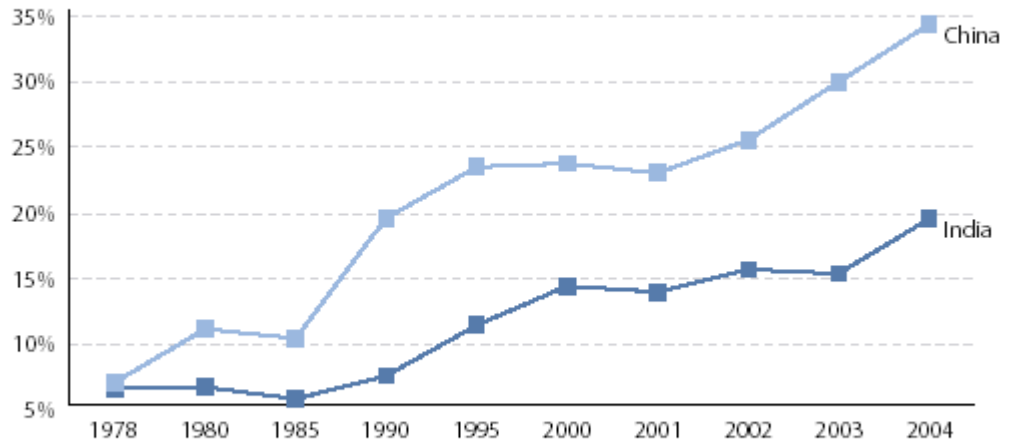
(Source: Radjou, 2006)

**Annex 2 – A short overview of China’s economic policy**

Until 1979, China has been a closed economy based on a self-reliance principle. In this year, with the so-called “Four Modernizations” plan (concerning agriculture, industry, education and science/defense) the country started an “open policy” to foreign direct investors in order to attract foreign multinational companies from developed countries. Nowadays their presence in the national economy accounts for the 15% of GDP. Nevertheless this opening process state-owned enterprises are still the most dominant, even if decreasing. Indeed, in the 70’s their output was 75% of the total, while in 2002 it has decreased to 50% of total, still representing a very important source of revenues for the government. With this respect, moreover, of the top 500 Chinese companies only one is privately owned and 25 are collectives (Deng, 2004). The Chinese government global development policies still continue, and in 2000 a so called “Go Global” plan was launched in order to promote Chinese global champion enterprises in their growth and further expansion within foreign markets.

### Annex 3 – China and India's export of goods

Export of goods and services as a percent of GDP

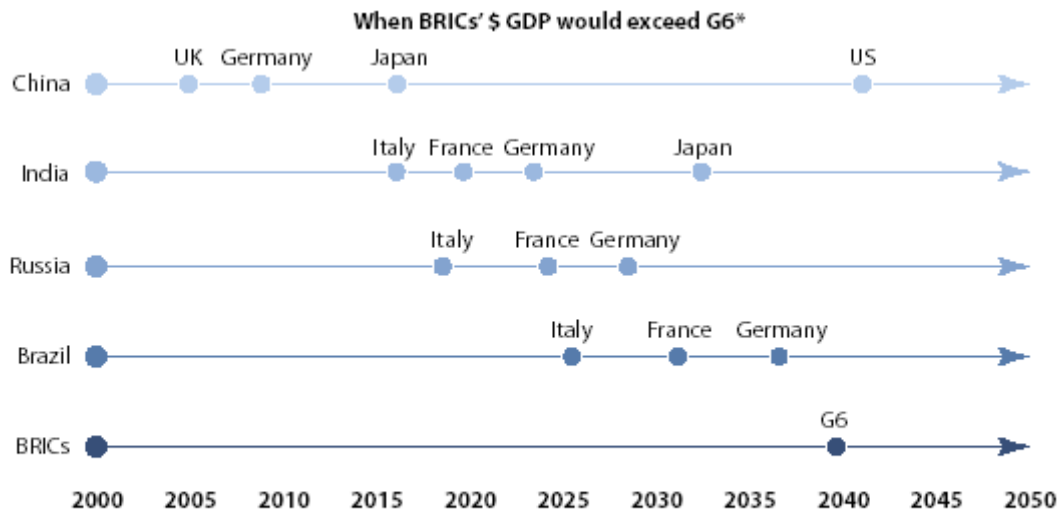


Source: IMF, "International Financial Statistics Online"

40576

Source: Forrester Research, Inc.

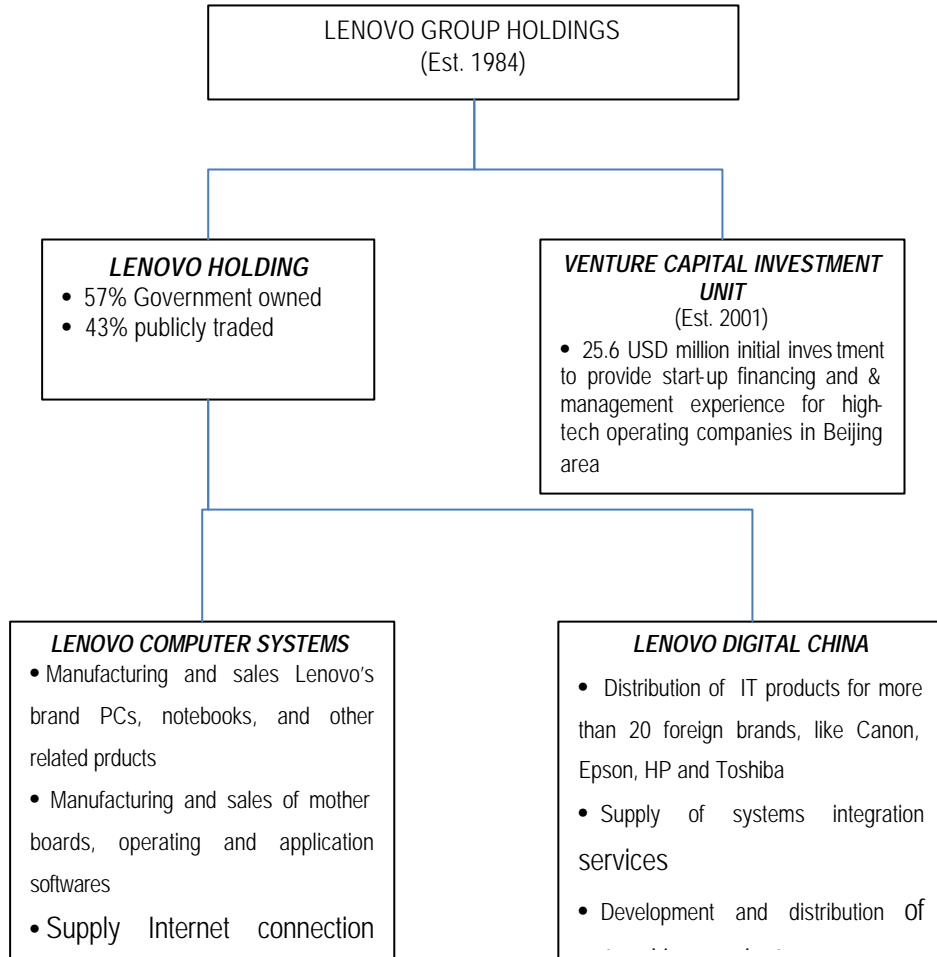
### Annex 4 – When BRIC's GDP would exceed G6s



Source: "Dreaming With BRICs: The Path to 2050," Goldman Sachs, Global Economics Paper No. 99  
 \*Points on line indicate when a BRIC's US\$ GDP exceeds US\$ GDP in the G6

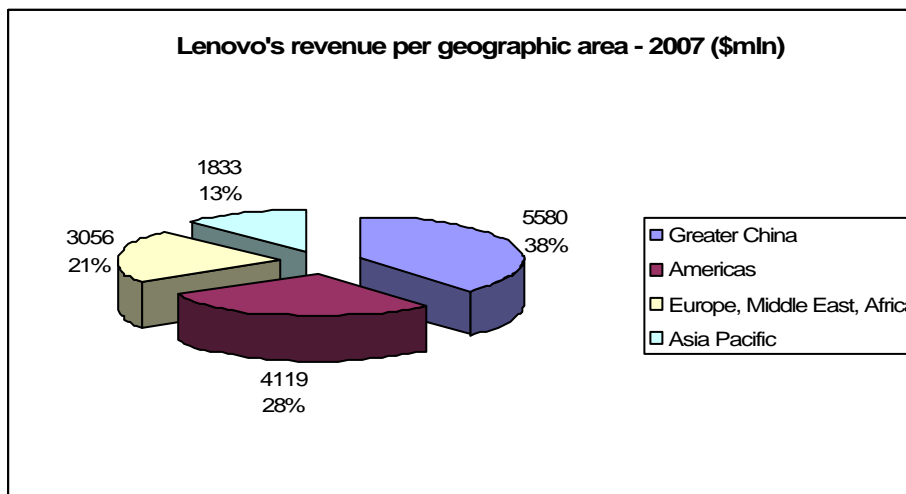
## Annex 5 – Lenovo Group structure

(Source: Lenovo website)

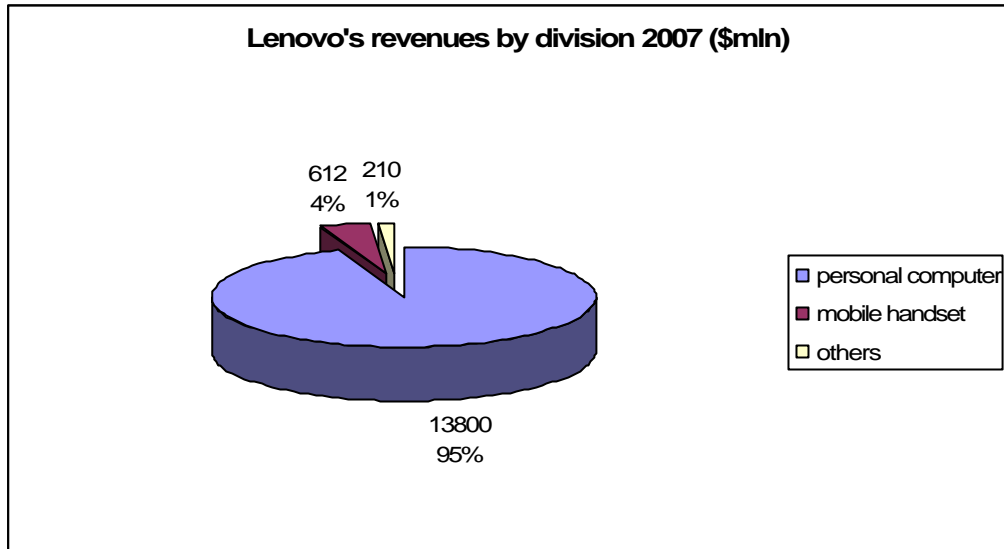


## Annex 6 – Lenovo's key financial - 2007

(Source: author elaboration from Lenovo investor relations)







## COLLANA WORKING PAPER

Titoli pubblicati:

1. Fabio Antoldi, *Industrial districts in Italy caught between local tradition and global competition*, Collana Working Paper del Centro di Ricerca per lo Sviluppo Imprenditoriale dell'Università Cattolica, n. 1/2007
2. Daniele Cerrato, Maria Cristina Piva, *Management familiare, capitale umano e internazionalizzazione delle piccole e medie imprese*, Collana Working Paper del Centro di Ricerca per lo Sviluppo Imprenditoriale dell'Università Cattolica, n. 2/2007
3. Fabio Antoldi e Alessandra Todisco, *The influence of social network in the diffusion of CSR practices among SMEs: an empirical survey in the Industrial Districts of Lombardy*, Collana Working Paper del Centro di Ricerca per lo Sviluppo Imprenditoriale dell'Università Cattolica, n. 3/2007
4. Antoldi Fabio, *Organizational development process of small to medium enterprises*, Collana Working Paper del Centro di Ricerca per lo Sviluppo Imprenditoriale dell'Università Cattolica, n. 1/2008.
5. Antoldi Fabio, *Management issues for small family business*, Collana Working Paper del Centro di Ricerca per lo Sviluppo Imprenditoriale dell'Università Cattolica, n. 2/2008.
6. Antoldi Fabio e Benedetto Cannatelli, *Managing the two dimensions of rationality in building strategic alliances among SMEs: the I-style experience in the furniture cluster of Brianza*, Collana Working Paper del Centro di Ricerca per lo Sviluppo Imprenditoriale dell'Università Cattolica, n. 3/2008
7. Daniele M. Ghezzi, *Entrepreneurial counterintuitive strategies for Operations and Global Supply Chain Management . A study of the Benetton Group*, Collana Working Paper del Centro di Ricerca per lo Sviluppo Imprenditoriale dell'Università Cattolica, n. 1/2009.
8. Daniele Cerrato e Donatella Depperu, *Internazionalizzazione e competitività delle imprese produttrici di macchine utensili: alcune evidenze empiriche*, Collana Working Paper del Centro di Ricerca per lo Sviluppo Imprenditoriale dell'Università Cattolica, n. 2/2009.
9. Elisa Capelletti, *La demografia imprenditoriale in provincia di Cremona dal 2001 al 2008*, Collana Working Paper del Centro di Ricerca per lo Sviluppo Imprenditoriale dell'Università Cattolica, n. 3/2009.