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Time allowed : 3 hours

Maximum marks : 100

Total number of question : 6

Total number of printed pages : 8

NOTE : Answer ALL Questions.

1. Case Study :

GLOBAL STRATEGY AT LENOVO

It has been observed that “the global company’s greatest single advantage can be its global strategy. A global strategy is built on an information system that scans the world environment to identify opportunities, trends, threats and resources. When opportunities are identified, the global company adheres to the three principles : It leverages its skills and focusses its resources to create superior perceived value for customers and achieve competitive advantage. The global strategy is a design to create a winning offering on a global scale. This takes great discipline, much creativity, and consistent effort. The reward is not just success — it is survival.”

The world’s top personal computer (PC) producers are Lenovo, HP, Dell and Acer. Lenovo is the top world-wide PC vendor, ahead of rivals HP and Dell. Lenovo is based in China and generates, more than 38 billion dollars in total sales. It holds about 33 percent of the PC market in China, 15 percent in North America, and 20 percent in other countries. Lenovo has experienced rapid growth, even during periods of soft global demand.

When Lenovo was founded in modest circumstances in 1984, no one imagined that it would evolve into a FORTUNE GLOBAL 500 Company with a presence in 160 countries. Today, from regional headquarters in each of Beijing, China and Raleigh, North Carolina, Lenovo offers desktops, laptops, tablets, work stations, servers, and mobile phones to customers across the globe.

COMPANY STRATEGY

The PC industry has reached maturity, especially in the advanced economies. Computers have become commodities, and their profit margins are thin. The industry is global, which means firms compete with each other, and cater to customer needs, on a global scale. PC firms are under pressure to ensure company survival and success.

Key to Lenovo's success in ensuring organisational learning to optimise the firm's value-chain activities continuously. Lenovo uses mergers and acquisitions (M&As) to acquire needed knowledge and other assets from partner firms and to expand into markets world-wide. In 2005, Lenovo acquired the personal computer (PC) business of IBM. The deal instantly established Lenovo as the number three PC maker world-wide. In 2011, Lenovo formed a merger with NEC, the largest PC vendor in Japan, to access the huge PC market better. The merger increased Lenovo's scale economies in manufacturing and marketing. In 2014, Lenovo acquired the tele-communications firm Motorola Mobility. This provided Lenovo with a strong footing in the global smartphone business.

Lenovo follows a protect-and-attack strategy. While protecting its core business, especially the Chinese market. Lenovo is aggressively growing its market value/share in emerging markets and advanced economies. It is rapidly growing new product categories such as tablets and smartphones. The push into emerging markets benefits from Lenovo's deep knowledge of doing business in China. Lenovo now obtains about twenty percent of its revenues from emerging markets outside China.

Senior management emphasises global innovation, global products and branding, global human resources, and creation of a corporate culture conducive to global success. These strategies are examined in detail as under :

GLOBAL INNOVATION

The acquisition of IBM's PC business allowed Lenovo to tap world class technological know-how. It leverages top-notch innovative capabilities from research and development facilities

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in Beijing, Raleigh and Yokohama, Japan. Lenovo is a leading PC developer. Each facility has its own distinctive talent capability. Lenovo owns more than six thousand five hundred patents (all international patents). BUSINESS WEEK ranked Lenovo one of the “Top 50 Most Innovative Companies”. It constantly invests in research and development (R&D) for breakthrough technologies and innovative products. Lenovo can count on capital infusions from China’s Government, which maintains partial ownership in the firm.

At the annual Consumer Electronics Show in Las Vegas (USA), Lenovo has unveiled many products, including a Windows-based smartphone, a half-tablet, a half-notebook, a Smart TV, and a thin and lightweight ultrabook PC. Lenovo’s market research capability enables the firm to foresee better what consumers desire in information technology products. For example, Lenovo’s Yoga is an ultra-thin PC that doubles as a tablet.

Lenovo is increasingly on the leading edge of green technologies. ThinkPad PCs are built from upto 30 percent post-consumer content, using recycled material such as old water-jugs. PCs meet the latest high-energy efficiency standards and rank high on eco-friendliness. PCs are shipped in 100 percent recycled packaging that can be tossed into a recycling bin.

GLOBAL PRODUCTS AND BRANDING

In developing its products, Lenovo emphasises modular architecture — suppliers manufacture interchangeable components and modules, which are then snapped into PC cases rolling down assembly lines. The same parts — power supply units, processors, graphics cards, hard drives, and others — can be used to produce various PC models. Interfaces are standardised to facilitate production of PCs that are simultaneously differentiated but use standard parts and components. This minimised the cost of manufacturing computers and of designing new ones. Products are standardised world-wide, but elements such as keyboards and software are standardised and customised to respond to local language needs.

Marketing also responds to local conditions. For example, Lenovo is the most popular PC brand in rural China, where the firm established a complex distribution network extending to small cities and towns. Prices are adapted to fit the buying power of low-income consumers. Lenovo adjusts marketing to fit local traditions. In rural China, the firm markets wedding computer, which come in red, the luckiest colour to the Chinese. Rural families often pool their money to buy a bride and groom their first PC as a wedding gift.

By purchasing IBM's PC business, Lenovo acquired the IBM brand name and the ThinkPad product brand. Lenovo leveraged the IBM name to build brand awareness on a global scale. Lenovo's "For Those Who Do" global branding campaign is engaging consumers world-wide. The firm is leveraging the power of global social media to target marketing campaigns to youth 18 to 25 years old. Its retailing websites look identical world-wide but are adopted for language differences.

GLOBAL HUMAN RESOURCES

Lenovo worked hard to integrate Chinese business methods with an international workforce of 27,000 employees. Blending the distinctive national and organisational culture of IBM required hiring managers with a global mindset and strong international background. Lenovo recruits globally savvy executives from other high-tech firms and hires talented graduates of top universities to incubate them as future company leaders.

Lenovo created a global training programme that provides accelerated development opportunities for employees. The firm's human resources group works with managers to construct career maps and pipelines for every high-potential employee. All employees are asked to examine their career aspirations and the training they need to attain their goals. The career maps are linked to job slots around the world, and employees have much latitude to achieve their dreams. Lenovo employees are ambitious, and senior management is serious about helping them develop their careers.

GLOBAL CULTURE

In 1994, Lenovo's founder, Liu Chuanzhi, forecast that the firm would become a great, global company. At the time, there were very few global Chinese firms, and Chuanzhi's strategic vision stood out. It is Lenovo's strategic vision that draws so many talented managers to work for the firm. Aiming to foster a global spirit, Lenovo's executive team meetings rotate among Beijing, Hong Kong, Singapore, Paris and North Carolina. The firm's official language is English.

Senior management has instituted processes aimed at socialising young managers into the Lenovo organisational culture. Nationality does not matter. If an employee demonstrates capability and vision, there are no limits. Socialisation creates broad, tacitly understood rules for appropriate action by managers at all levels in global operations. Lenovo managers become well acquainted with the firm's culture and goals. Wherever they operate, managers feel a strong connection to the firm. This guides decisions on company activities and facilitates global knowledge exchange. Connectedness builds trust and cooperation. It encourages communication and interaction. It facilitates integration and assimilation of new knowledge and capabilities. Lenovo management values the diversity of global cultures and the learning that accrues from foreign business environments. Key employees need to function with a global mind-set and cosmopolitan values.

MANUFACTURING AND VALUE-CHAIN MANAGEMENT

Lenovo concentrates manufacturing at sites in China, Argentina, India, Mexico and Poland. Production in these low-cost countries generates cost efficiencies and economies of scale. Regional headquarters in the United States of America and operations in low-cost countries helps diversify sales across advanced economies and emerging markets. While investing huge sums in research and development (R&D) and innovative product features, senior management maintains a sharp focus on keeping manufacturing costs low. Sourcing of parts and components is done on a global scale. Sourcing from hundreds of high-quality suppliers ensures flexibilities in logistics and production.

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The diversity of partners and international environments helps Lenovo acquire new technical and managerial knowledge, new product ideas, improved research and development (R&D), and better partnering skills. Lenovo leverages the power of global information systems to share important knowledge among the firm's subsidiaries world-wide.

Lenovo aims for a leadership position in which it attains a double-digit share in each of the markets where it does business. Management also aims to maintain a sharp focus on its customers, providing them with the most innovative products world-wide.

Referring to the above case study, answer the following questions :

(a) What is the nature of Lenovo's international strategy ? How does the company use its strategy to succeed in the global marketplace ?

(4+6=10 marks)

(b) What are the characteristics of Lenovo's organisational culture ? How does the company's organisational culture help in achieving its international goals.

(5+5=10 marks)

(c) What strategies does Lenovo employ to maximise company efficiency and flexibility ? Justify your answer.

(10 marks)

(d) What are the pressures Lenovo faces for global integration ? What advantages does global integration bring to Lenovo ?

(5+5=10 marks)

(e) The founder of Lenovo forecast that the firm would become a great global company. List the actions and decisions which Lenovo management has taken over the years to evolve into a Fortune Global 500 Company.

(10 marks)

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2. (a) Global opportunities are not without risks. Discuss.
How can these risks be minimised ?
(3+2=5 marks)
- (b) Govind Fast Foods is doing good business and has garnered acceptability among its clients. It is contemplating to open fast-food chain along Delhi-Jaipur highway and enter into a franchise with Subway, a fast-food franchise in the USA.
Advise the company about the pros and cons of entering into the franchise with the USA fast-food chain Subway.
(5 marks)
- (c) It is said that India has put in place liberal policies in foreign direct investment. Yet, there are sectors where foreign direct investment is not allowed to the companies both under the automatic route as well as under the Government route.
What are the sectors where foreign direct investment is not allowed and why ?
(2+3=5 marks)
- (d) Radha Exports has been toying with the idea of expanding its business in foreign countries. It is apprehensive of risks associated with its goods to be exported in overseas markets.
You, as Company Secretary, have been asked to prepare a note as to how the company should manage these risks.
(5 marks)
- (e) Advocates of worldwide free trade are generally opposed to trading blocs, which they argue encourage regional trade as opposed to global free trade. Discuss.
(5 marks)
- (f) You are a Company Secretary of Cube Ltd. which is planning into joint venture with Puma Ltd. based in London, for marketing and selling a new product launched by your company.

Advise your Board of Directors about the importance of specific inclusion of the following matters in the definitive joint venture agreement :

- (i) Restrictive Covenants
- (ii) Alternative dispute resolution (ADR) mechanism.

(5 marks)

3. Arrow logistics deals with providing logistics services for heavy machinery. It is grappling with the problem of storage and handling.

What should the company do to ensure efficient handling and movement of heavy machinery from origin to the destination ?

(5 marks)

4. Speciality Agro Products Ltd. requires clarity about the special provisions about agricultural subsidies so that the company is not subject to countervailing measures.

As Company Secretary of the said company, advise the management :

- (i) The rationale behind the grant of subsidy to farming industry.
- (ii) When is the subsidy considered to be unfair.

(3+2=5 marks)

5. Summarise the foreign trade policy initiatives of the Government of India to boost exports.

(5 marks)

6. Intellectual property protection should contribute to technical innovation and the transfer of technology. It must also ensure penalties for infringement to deter violations.

How does the Agreement on Trade Related Aspects of Intellectual Property Rights narrow the gaps in the way these rights are protected around the world ?

(5 marks)