



 [Print this article](#)

[Close This Window](#)

China PC maker Lenovo confounds wary US critics

Wed Apr 19, 2006 1:09 PM ET

By Paul Eckert, Asia Correspondent

DURHAM, North Carolina (Reuters) - When China's Lenovo bought IBM's <IBM.N> personal computer division last year, the first big China-U.S. corporate marriage won few blessings from Americans wary of the rising Asian power.

A year on, however, the union is doing well in hitting its sales numbers, analysts and executives say, and doing good by helping tackle the software piracy that is one of the thorniest disputes in U.S.-China trade relations.

It was a move by Lenovo Group Ltd. <0992.HK> that spawned a key concession of this week's U.S. visit by Chinese President Hu Jintao: China's order that domestic computer firms pre-install Microsoft <MSFT.O> Windows operating systems.

"The recent discussions around Hu's visit have highlighted the fact that Lenovo has led the way toward regularizing respect for intellectual property," said Roger Kay, a technology analyst at Endpoint Technologies in Massachusetts.

Lenovo began pre-loading system software in November, well ahead of its Chinese competitors, "making them an adult company, a responsible company ... and that influence is trickling down," he said.

In business, the world's third biggest PC maker has "held steady and that's pretty good performance because after most mergers, there's a drop in market share," Kay said.

Lenovo bought the personal computer division of International Business Machines Corp. over the objections of some U.S. lawmakers who feared a pernicious influence from a firm in which a Chinese government think tank was the largest shareholder.

Even last month, Lenovo, which is traded on the Hong Kong stock exchange, faced calls for a investigation over possible foreign spy threats from a State Department order for 16,000 desktop computers.

At Research Triangle Park in North Carolina, executives and computer designers at Lenovo's U.S. headquarters wonder what all the fuss was about.

"Lenovo is the true started-in-a-garage story and they built it into a powerhouse," said Peter Hortensius, senior vice president of Lenovo's notebook business unit.

"I can't imagine a more American story than that, but somehow it's not portrayed as such," said the Canadian-born naturalized U.S. citizen and IBM managerial veteran.

CHINESE ENERGY, U.S. EXPERIENCE

Lenovo's largest shareholder, Legend Holdings, was established in 1984 by researchers and funds from the Chinese Academy of Sciences' Institute of Computing Technology. Legend is now owned 65 percent by the academy.

But Lenovo's offices will disappoint those expecting political-sounding Chinese government slogans or watchful communist cadres. There are only a handful of Chinese staff and "the only China boss is the chairman" in Beijing, said Hortensius.

"Every decision I have seen is based on a business rationale that I understand," he added.

Howard Locker, who created more than 50 patents as a PC architect with IBM, says the slogan that best describes the merger is: "IBM outsourced their PC business to Lenovo, while Lenovo outsourced their worldwide management back to IBM."

Xie Long, a Chinese national with a U.S. MBA who directs Olympic sponsorship for Lenovo at the Beijing headquarters, describes the Chinese academy's role as passive.

"It's not because they're government, it because they're shareholders that they have to say something," he said.

Chinese and American Lenovo executives say the acquisition worked because it married Chinese energy with U.S. experience.

"The Lenovo culture was much more entrepreneurial," said Hortensius. "They are green in terms of how global business works, but very fast learners."

The Americans who brought decades of IBM experience to Lenovo describe the move as a breath of fresh air.

David Hill, a computer designer who helped create IBM's ThinkPad notebooks, is now designing not only Lenovo's new computers, but also developing the brand image that will infuse everything from new office buildings to trade fair booths.

"Here's a clean sheet of paper and we've got to take this brand to the rest of the world. It's a dream job," he said.

© Reuters 2006. All rights reserved. Republication or redistribution of Reuters content, including by caching, framing or similar means, is expressly prohibited without the prior written consent of Reuters. Reuters and the Reuters sphere logo are registered trademarks and trademarks of the Reuters group of companies around the world.

[Close This Window](#)