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Lenovo: Human Resources Management Innovation in Tune with Corporate Change¹

I. Prelude

Zheng Qing, a Human Resource Business Partner (HRBP), is about to board the flight leaving for Beijing. Not long ago, the Senior Vice President of Human Resources of Lenovo, Ms. Qiao Jian, conducted her team to discuss and determine the main focus of the new fiscal year of promoting the reformation of customer-oriented business and the transformation of entrepreneurship of the company. As Zheng Qing waits, she savors the phrase “outside in”, a new concept proposed by the master of human resources management Dave Ulrich, and ponders who can count as a Human Resources Business Partner (HRBP).

The Human Resource Management Department of Lenovo has got used to the continuous strategic adjustment of the company. Since the announcement of the acquisition of IBM’s Personal Computer Business in 2004, the human resources management system of Lenovo has gone through several rounds of change, to help the company achieve cross-cultural integration and realize an internationalization transformation in a globally declining personal computer market. Now, the department is faced with another new challenge, which requires it to penetrate through “inside and outside”, to gain insights into the rapidly changing industrial trends, challenges and opportunities, to perceive the deficiency in organizational capabilities, to promote corporate transformation, and to become a strategic business partner that can actually promote business success.

II. Organizational Integration after Merger

¹ This case was prepared by Xu Xiaojun, associate professor of School of Management, Fudan University, and research assistant Hong Rui, Xu Weili, Yang Huaying and Jia Xizi, based on corporate research and published information. Cases are developed solely as the basis for class discussion. Cases are not intended to serve as endorsements, sources of primary data, or illustration of effective or ineffective management.

On December 8, 2004, Lenovo announced that it would acquire the Personal Computer Business Department of IBM at a total price of US\$ 1.25 billion. The whole industry was agitated upon the news. At the beginning, the merger was hailed as a phenomenon of “a snake trying to swallow an elephant”. And few people were optimistic about it. It was until May 1st, 2005, that the US government finally approved the deal. After the transaction was approved, Lenovo foresaw the problems that might arise from the integration of the two companies, therefore, it did not hastily promote a large-scale integration, but instead adopted a step-by-step strategy.

1. Dual-mode Period: “One Company, Two Systems” (2005)

After the merger, Lenovo maintained the relative independence of Lenovo China (the original Lenovo) and Lenovo International (formerly IBM Personal Computer Business), in order to retain the customers, the employees, the channels of IBM business, and to further ensure business stability. Firstly, in order to retain customers, Lenovo acquired the possession of the brand of ThinkPad after the merger according to the Negotiation Agreement, and in the following five years, it had the right to manufacture and sell its product under the brand of IBM. The brands of Lenovo and Think coexisted. The business personnel, including the purchasers who contacted the customers and suppliers remained unchanged. Furthermore, Lenovo and IBM sent out 2,500 sales personnel to console the major customers, and to ensure the stability of the customers. Secondly, in order to retain the technical staff of IBM’s Personal Computer Business Department, Lenovo converted the IBM shares and options held by the employees to the shares and options of new Lenovo company, without any change in interest. At the same time, the new Lenovo relocated its headquarters to New York and changed the company’s official language from Chinese to English, even if the English proficiency of Chinese executives was then generally low. Lenovo also put forward a company culture “Sincerity, Respect, and Compromise” for the transitional period. The new Lenovo employed the former Senior Executive of IBM’s Personal Computer Business Department Steve Ward as CEO, and Yang Yuanqing took the place of Liu Chuanzhi as the new chairman of Lenovo. All Chinese executives were demoted and had to respond to their foreign superior.

This special period has allowed enough flexibility for both sides to run in. With full preparation in advance, the company has well retained the customers of the original IBM, with 90% of them identifying with and optimistic about the acquisition. Moreover, the turnover rate of the former staff of IBM’s Personal Computer Business Department was less than 2%.

2. Global Organizational Integration Period (2006)

After a successful transitional period, Lenovo launched a global organizational integration project eight months ahead of schedule. At the beginning of the integration, Lenovo started with the functional departments that were relatively easy to integrate, such as the Finance Department, Human Resources Management Department, Legal Department and Purchasing Department. The integrated departments were roughly made up of half westerners and half Chinese, and so was the board.

At the end of 2005, Steve Ward stepped down and Bill Amelio, the former Vice President of Dell, became the new CEO of Lenovo². After he had taken office, Amelio initiated major organizational adjustments to the function of the core business departments including product development, supply chain, sales, and marketing

² In February 2009, Bill Amelio’s three-year contract expired and he left Lenovo. And Yang Yuanqing once again became the global CEO. After Yang Yuanqing assumed the post of CEO, he established the Lenovo Executive Committee (LEC) consisting of the heads of business units and departments, in order to encourage the executive committee to make collective decisions.

departments. The ultimate goal of international organizational integration was to establish a globally unified management platform and command center, to complete integrating the function of direct value-added chains, such as product systems, sales systems, and supply chain systems, as well as to establish a unified organization, procedure, and management team to work under a unified schedule. The organizational integration during this period including the following aspects:

- Establish a global product group. IBM's Personal Computer Business was made up of two parts: the desktop computer (ThinkCentre) and personal computer (ThinkPad). And Lenovo also had their products of desktop and personal computer under their own brand before the merger. The Raleigh Research Center in North Carolina, USA, was responsible for R&D and other related business of ThinkCentre, while the Yamato Laboratory in Japan was responsible for R&D and other related business of ThinkPad. The business of IBM was wildly distributed around the world, while Lenovo mainly had domestic business. Moreover, Lenovo and IBM had different market orientation. Lenovo targeted small and medium-sized enterprises (SMEs) and general consumer groups, while IBM targeted high-end market. The purpose to establish a global product group was to gather the R&D and the production sections of the desktop computer from the United States and other countries to China. It also aimed to make the products of Lenovo more synergistic and more able to take part in the competition of a global consumer market, and to supplement Lenovo's product line of SMEs.
- Establish a global channel system. The global organizational reforms in 2006 divided the operation of the company into four regions: China / Asia Pacific / Americas / Europe, Middle East and Africa. Take the channel in China as an example. The Think brand had 7 national distributors, 250 core dealers, 1000 dealers, and 400 shops in China. The total number of channels after the integration of Lenovo and Think business would reach 10,000. The characteristics of the two groups of Lenovo were very different. The channels of Lenovo China were passionate and full of fighting spirit, while the channels of Lenovo International were traditional and conservative. And the difference decided the great difficulty of integration.
- Establish a global supply chain system. To integrate the supply chain system of Lenovo China with that of Lenovo International, and to create a global supply chain which allowed Lenovo to provide the best end-to-end chain services and enabled Lenovo to have a double-sales model (channel sales model and direct sales model).
- Establish a global R&D system. To integrate various functional systems in R&D with global headquarters, in order to form an integrated program system.

III. Cultural Conflict and Integration After Merger

1. Evolution of Lenovo's Corporate Culture

In 2005, the culture of "Sincerity, Respect, and Compromise" for the transitional period helped Lenovo and IBM smoothly go through the period after the merger. It also played a crucial role in stabilizing the employees and comforting the related major customers. The culture for the transitional period earned precious time for a strategic transition and it allowed Lenovo to get start with the process of a real integration ahead of schedule.

At the end of 2006, Lenovo hired an external consulting company to audit its corporate culture. The project team spent four weeks interviewing the employees of Lenovo in 25 countries for several times. And in their final report, they listed six major issues that Lenovo was facing. There were trust issue, responsibility

issue, direction issue, execution issue, competency issue and innovation issue, among which, the lack of trust was the most serious issue that Lenovo faced at the time. Employees of Lenovo and IBM were enclosed and separated, and they all worked in their own manner, which rendered the need to integrate the cultures of the two companies ever more urgent. In January 2017, Yolanda Conyers, the Chief Multicultural Officer, joined Lenovo, and she discovered that Lenovo's greatest challenge actually arose from cultural differences, which were further enlarged by the diversities of company cultures. Inside the new Lenovo, there existed the corporate cultures of Dell, IBM and the old Lenovo, making it harder for cultural integration. The employees from Dell were result-oriented and performance-oriented. But their dexterity and their sense of urgency were often regarded by other employees as "competitive and arrogant", for the employees from Dell, attached more importance on speed and result than people; the employees from IBM had respect for procedure, and encourage loyalty, but they were considered as "slow to act, and status-valued"; and the original employees of Lenovo were performance-oriented and had strong sense of duty, but they were often "reluctant and unwilling to communicate", and lacked the qualities as global leaders. Moreover, other senior officers came from different backgrounds and companies formed the fourth conflicting force. All in all, the four-fold cultures were incompatible to one another, and the transition culture of "Sincerity, Respect, and Compromise" could only have limited effect under this conflicting condition. The professional managers that parachuted into the company were result-oriented, and their aims were to enhance the performance of the stock market and to report to the board. Therefore, the decisions they made were mainly focused on short-term benefits. However, the team of old Lenovo, who regarded the company as their home, sometimes would rather sacrifice short-term benefits for a long-term layout. The short-sightedness of the parachuted professional managers influenced the culture of the company, and brought in the attitude of working "with grievance and without prospect for future". Under this circumstances, the original employees of Lenovo, who were loyal and responsible, and who treated the company as their own home, too were confused and became aimless workers. So in this case, Lenovo was in great need to extract new core value to serve as guideline for thoughts and behaviors of the employees.

The project team of Human Resources Organization and Development (OD), which was responsible for defining the company's core values, collaborated with Yolanda Conyers' multicultural team. And the executives of the company also participated in the entire process. Taking into account the historical background of Lenovo and IBM's Personal Computer Business, and the issues arising from the process of merger and acquisition, the team put forward a new set of four core values - Customer Satisfaction, Entrepreneurship and Innovation, Honesty and Integrity, Diversity and Win-win Situation, which further developed the old four core values of Lenovo (Customer Service, Precision and Integrity, Honesty and Sharing, Entrepreneurship and Innovation). In order to implement the new core values, the company established a cultural transformation project team. And the steering committee of the team consisted of the Chairman, the CEO, and the Senior Vice President of Human Resources. The company also established a number of "Cultural Action Teams". Each team is led by the Senior Vice President of respective business unit, to solve the pressing problems of the company about trust, vision and strategy, execution and efficiency, responsibility, competency and innovation. Each Cultural Action Team was required to provide clear suggestions and detailed action plans. And the Human Resources Management Team and the Cultural Action Team would work together to ensure the effective implementation of the proposed plan.

In order to implement the value of "Diversity and Win-win Situation", the Human Resources Management team invited consulting companies such as Forbes LLC and Aperian Global to participate in providing tailor-made training programs for cross-cultural integration. For example, the company launched the training program "When the East Meets the West" in cooperation with Aperian Global, which allowed the employees of Lenovo to have a better understanding of the characteristics of Chinese and American cultures.

Moreover, the Human Resources Management team and the Multicultural team initiated a series of seminars to discuss the method to establish mutual trust, and they further carries out the action plan of “Understanding Multiculturalism in Practice”.

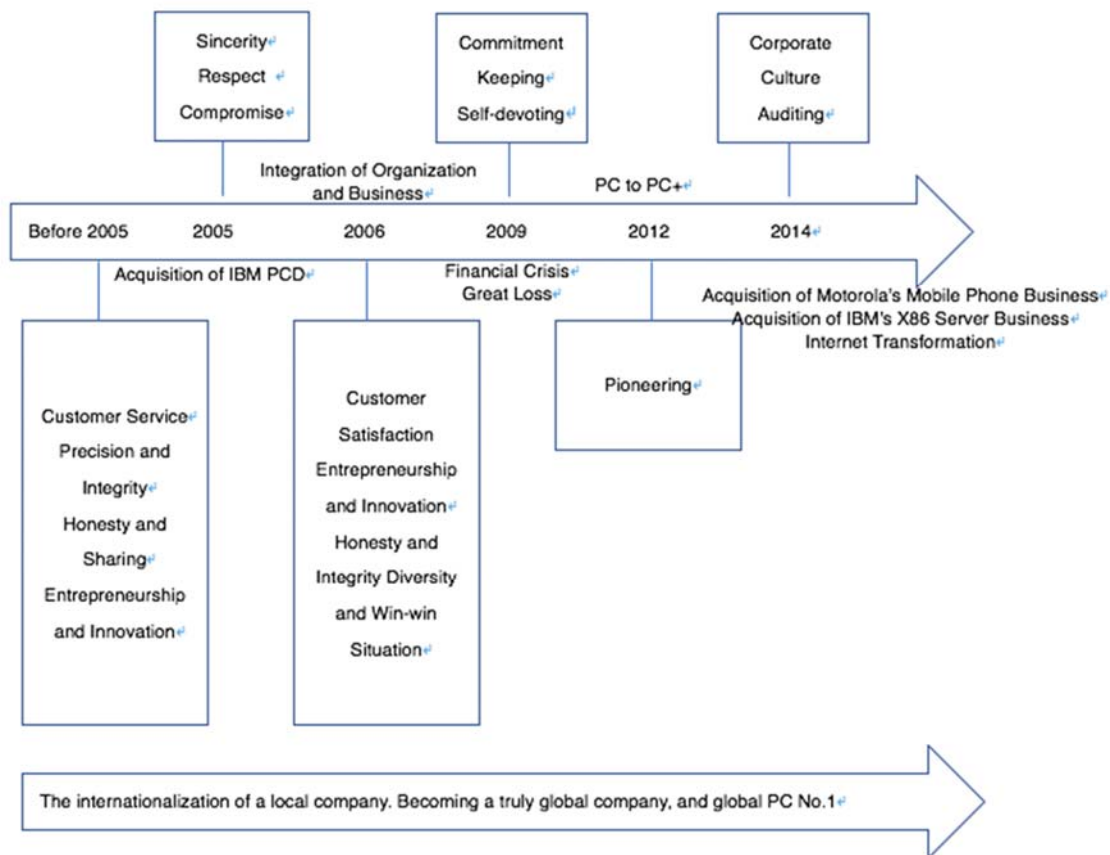
The financial crisis in 2008 brought the winter of the market, and Lenovo’s business performance was severely influenced. To prevent further losses, it was necessary to take immediate action. In 2009, Lenovo decided to change its CEO. Therefore, Liu Chuanzhi once again appointed Yang Yuanqing as the CEO of Lenovo. One very important thing that Liu Chuanzhi and Yang Yuanqing did after their return, was to reevaluate the culture of the company. They believed that after the internationalization, Lenovo had lost its past valuable culture, and the newly established values were not well implemented.

In effect, the two major values that were crucial to the business were “Commitment Keeping” and “Self-devoting”. And these two values made up “the maxim of Lenovo”. The proposal the maxim corrected the rampant habit of “leaving promise unhonored” during the financial crisis. And it also set up a backbone of Lenovo, so that employees of various cultural backgrounds could look up to it.

Lenovo further elaborated these two major values to 4P culture - Plan (think through before promise), Perform (honor your promise), Prioritize (the interest of the company comes first), and Practice (make progress every day and every year). And the company explained the 4P culture to foreign employees in a way that they could understand, for example to divide the concept of “the interest of the company comes first” into four aspects: active and passive, partial and holistic, long-term and short-term, individual and company.

Before and after the presentation of the maxim of Lenovo, the global leaders of Lenovo would receive a meeting-in-a-box prepared by the Human Resources Management team, telling them the strategy to convey the maxim of Lenovo so that every employee could understand and accept. The Human Resources Management team also looked for the outstanding individuals and deeds which could best represent the new culture of the company, and offered them awards during the opening meeting of new fiscal year.

Figure 1: Evolution of Lenovo's Organizational Culture



In 2012, Lenovo joined the business of PC+ and mobile Internet, to further its pursuit in latest innovation. And it added “Pioneering” into the original 4P culture, and formed a new 5P culture.

From the local company culture in 2005, to the culture of the transitional period after the acquisition of IBM’s Personal Computer Business, and then to the new culture established after the merger and acquisition of Dell, and other companies in Germany, Japan, Brazil and so on, Lenovo was constantly tempering its culture. And the cultural evolution of Lenovo during internationalization is shown in Figure 1.

2. The Function of HRBP in Cross-cultural Integration

Although the new Lenovo had set the tone of integration and tolerance for the company, in actual running-in process, Lenovo was faced with ubiquitous cross-cultural differences, for example, to arrange a meeting had to take into account the time difference between the two groups and had to avoid the weekend (including Friday night) and statutory public holidays; the arrangement of lunch also had to consider the taste preferences of both parties; during a meeting, Chinese group must get used to the directness of the foreign employees, and put forward their opinions in time to keep up with the pace. Even one heedless behavior during communication could lead to misunderstanding due to different cultural interpretation...In order to realize the function of cross-cultural communication, the Human Resources Business Partners (HRBP) were required to be executive trainers, to timely discover cross-cultural differences in the process of communication, to enhance the cultural sensitivity of related staff, and to avoid cross-cultural conflicts.

Human Resources Business Partners could also act as catalyzer in advancing international business. In 2014, the HRBP who accompanied the general manager of Integrated Operation Business Department during business trip found out that the components shipped from China to Brazilian factory for assembly was often delayed for months, with the factory waiting for the material and workers waiting on the production line. The inefficiency of the chain had caused much headache to the entire operation department. The person in charge of the integrated operation team discovered that the cargoes delivered to Brazil were often detained at the customs because the packing clause did not meet the local regulations. And because of the time difference between China and Brazil, the actual effective working time was only three and half days a week, so the problems in the customs documents could not have immediate solution. Therefore, the HRBP immediately proposed in a meeting the decision to establish an end-to-end team in China to take charge of procurement, supply and demand planning, logistics, manufacturing and other relative stuff, and to work according to the local time of Brazil to ensure that on each working day there was someone to coordinate and to solve the problems in time. The problem was easy to find, but the solution though straightforward, was particularly difficult to carry out. The three foreign deputy general managers that were respectively in charge of logistics, factory, and procurement department, had gathered to discuss the project for months, but reaped no actual progress. This much concerned the HRBP, so she decided to intervene. After communicating with the three deputy general managers, the HRBP discovered that the real impediment lied in the fact that the three managers had held fast to their own interests. They were afraid to lose the talents of their own department, and they would not give up the full control of their own business, so no one was willing make compromise. Now that the HRBP saw where the problem lied, she immediately figure out a strategy. She offered to serve as a mediator among the three managers, to help them perceive the overall situation and understand the long-term interests. Eventually, the three parties reached an agreement and established an end-to-end team right away.

IV. The Internationalization of Human Resources System

1. The Organization of Human Resources Management

According to the “three-legged model” put forward by Dave Ulrich at the beginning of 20th century, the role of Human Resources Manager should be divided into three parts: HR BP (Human Resource Business Partner), HR COE (Human Resource Center of Expertise) and HR SSC (Human Resource Shared Service Center). The aims of the “three-legged model” of human resources management was to transform human resource management from the traditional passive mode to an active mode that could promote business development, and to shift human resources management from function-oriented to business-oriented.

Lenovo had already implemented the “three-legged model” of human resources management before the acquisition of IBM’s Personal Computer Business. And as Zheng Qing recalled: “During the time of old Lenovo, business partners have taken root in actual business.” After the merger, the new Lenovo actively transferred the best practices of Human Resource Business Partners in China to the R&D teams in the United States and Japan, in order to influence them through HRBP, and to promote cross-cultural integration. “In 2006, I was the HRBP of the Product Group, and I organized two round-table conferences at ThinkPad R&D center of Yamato. At that time, the R&D center of Yamato did not have a Human Resources Business Partner. They did not know me at all, nor of the orientation and value of my work. I explained to them that the main function of the HRBP was to promote organizational change, to help the business better adapt to the competition and trends of target market, and to achieve strategic business goal. After talking with the leader of the R&D center, I suggested him to set up a position of HRBP in Yamato, to support the organizational

design and development of the ThinkPad R&D team, to solve the serious problem of aging and the lack of young talents, to integrate and complement with Chinese R&D team, and to create a culture of change and innovation. And I would make internal adjustment about staffing and budget. Although the personnel costs in Japan were high, and the appreciation of the yen further exacerbated the gap between the personnel costs of China and Japan, I still believed that such investment was worthwhile and would yield greater return. After gaining the support of the general manager of the product group, I successfully recruited an excellent HR partner in Yamato, and other business partners soon recognized his irreplaceable value.

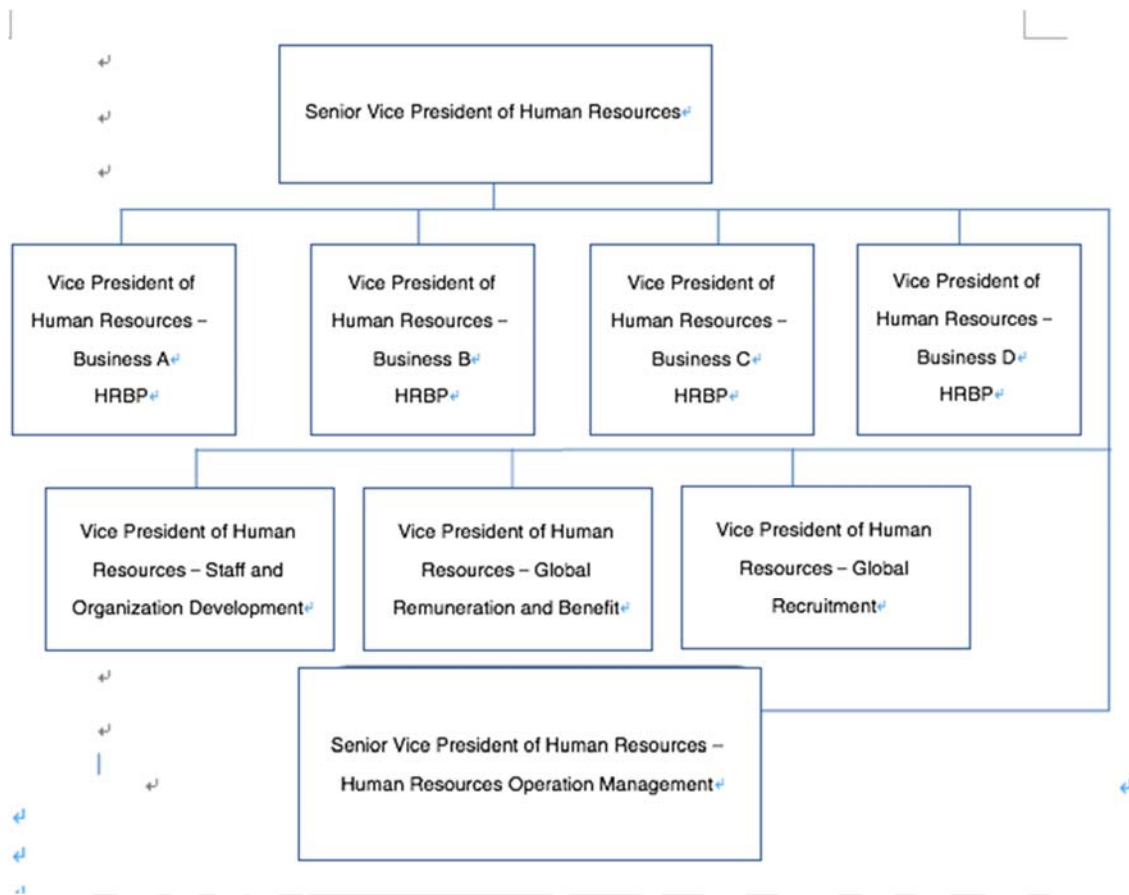
The organization of the Human Resources Department of Lenovo is made up of three parts (see Figure 2):

[1] Human Resources Business Partner (HRBP), including the HRBP for each Business unit, such as Desktop Computer Business Unit, Personal Computer Business Unit, Server Business Unit, etc.; the HRBP of 5 Global (Sales) Markets (China, Asia Pacific, North America, Latin America, Europe / Middle East / Africa), who also serve as the HR support for sales organizations; and HRBP of Human Resources Management, Finance and Legal Departments.

[2] Corporate HR whose function includes recruitment, remuneration and benefit, personnel and organizational capabilities.

[3] The design and management of the Corporate HR system, and process optimization; remuneration; hotlines for human resources in all major regions; daily operational support, including the process of entry, dismission, archive, account, visa and other transactional works.

Figure 2: The Organization of Human Resources Management Department



The function of Human Resources Business Partners is to discover the various human resources demands of business and functional departments of the company, to provide professional consulting and solution services in order to ensure that Human Resources Management will keep yielding value to the company, and to transform the Human Resources Department from an administrative logistics department to a business service oriented, and value-creating department. Although HRBPs are positioned inside business or functional departments to help them resolve different kinds of issues, they are not affiliated to these departments. The HR Shared Service Center mainly provide transactional services, and to integrate and standardize the work of human resources management in all levels by way of sharing. The basic recruiting ability tests, the management of entry and dismissal, and the management of remuneration and attendance are all administered through a globally unified workday database to meet a globally unified management requirement. The Human Resources Shared Service Center offers professional consultancy services. The consultants are senior professionals who are proficient in related business, and they can provide answers to questions concerning procedures, regulations, and other miscellaneous issues.

Experts in the HR Expert Center, with years of study and experience in their professional fields, are responsible for the HR group's overall policy design, and the evaluation of the new HR policies, procedures and programs.

In the “three-legged model” of human resources management, the work of Human Resource Business Partners and the HR Expert Center should mainly focus on long-term plans and the design of the strategies

and policies of human resources, while the HR Shared Center should handle with daily routine work in a standardized manner according to Standard Operation Procedure (SOP).

2. Strategic Recruitment of Human Resources

After the acquisition of the IBM Personal Computer Business, Lenovo was in great need of a group of senior management talent with global leadership and high-potential talent with international competence.

Lenovo's first and second CEOs were all of foreign nationality. After Bill Amelio joined Lenovo in 2006, he gradually recruited many international talents from Dell, McKinsey, Microsoft, Acer and Hewlett-Packard, to achieve the diversification of talents in Lenovo.

"Compared with the foreign multinationals in China, Lenovo then had relatively low brand awareness, and the pay was not attractive. Therefore, it was very difficult to recruit talents from foreign multinationals." Zheng Qing said, : "So we put in such a question in our recruitment interview: 'Do you prefer to do marginal business in a foreign multinational company, or to do the core business in the headquarter of a growing Chinese multinational company?'" Chen Ke was originally a representative of a foreign-funded company in China, and he decisively joined Lenovo because he wanted to "do the core business in the headquarter of a multinational company". After joining Lenovo in 2006, Chen Ke was soon sent to Raleigh, USA to participate in the handover work of important product lines. Now Chen Ke is the Senior Marketing Director of Personal Computer Product in Personal Computer Group. It is because Lenovo has provided the talents a huge development space, that a group of high-potential talents with international competency was quickly attracted to the company under the effort of the Human Resources Management Department.

Lenovo's recruitment mode of human resources has gone through three stages: CHINA single mode, CHINA+USA dual mode and CHINA+USA+GLOBAL triple mode. CHINA single mode is the old recruitment mode before the merger. It attaches great importance to the campus recruitment of graduating students. It is supported by a clear career design and it emphasizes internal talent cultivation. The dual mode of CHINA+USA is a transitional mode during the first and second periods after the merger mentioned above, when Lenovo China and Lenovo International perform separately in terms of recruitment of human resources. At that time, Lenovo China needed a large number of international talents who could serve as a bridge for communication, and it attracted a group of high-potential talents through a promising career prospect when the brand and the pay of the company were not competitive enough. The triple mode of CHINA+USA+GLOBAL is an human resources recruitment mode adopted after Lenovo has completed its global layout. This mode is characterized by the global recruitment of senior talents and the local recruitment of general employees. It also takes into consideration the two major markets and foci of business in China and the United States and retains the independence of recruitment in these two countries. Lenovo currently has 60,000 employees in more than 60 countries around the world. Each country takes cities as its units to assist the recruitment team of the corporate through Human Resources Business Partner in completing the work of recruitment.

The target of Lenovo's recruitment for human resources is not only to recruit the basic need for manpower for the coming year, but to help the company shapes the organizational capabilities of the future, to create employer brands, and to make possible a faster strategic transformation of departments. To be specific, Lenovo's human resources recruitment work includes the following aspects:

First of all, to determine the demand for talents. At the beginning of each year, the recruiters will confirm with employing departments about their intentions of recruiting. After that they will make an estimation of the turnover rate of each employing department, and calculate the number of recruitment. The recruiters then key the open positions and the recruitment plan in the company's human resources management system, and

wait for the review of the Finance Department and the related employing department. After the approval of the leaders of these two departments, the recruiters will draw up a talent recruitment plan for the coming year with precise numbers.

Secondly, to help the business departments explore strategic new business directions and put forward suggestions about talent recruitment. The recruiters of Lenovo are affiliated to the corporate HR, and they make up an important part of the company's HR Expert Center. Therefore they not only have to meet the employing demand of the regular business, but also have to tap new strategic businesses and provide talent support. The recruiting members work together with the HRBPs to grasp the market information, to help the business departments analyze the main organizational structure of competitors, and to propose forward-thinking suggestions about the job settings and the qualifications of job holders based on the information mentioned above. Of course, the business manager will finally decide whether to recruit new business talents. HRBPs not only need to help the recruiting members to explore the strategic talent demands of different business units, but they also need to help the heads of business units to understand the organizational structure and talent distribution of other companies and further promote a transition towards the best possible solutions.

Thirdly, to organize campus recruitment and establish the employer brand. In addition to the social recruitment, campus recruitment is another crucial job for the corporate recruiters. Recruiters have to take into account all the aspects of campus recruitment including the post structure, recruiting channels, recruiting process and the recruiting implementation. And in the process of recruitment, the recruiters also need to fully consider the way to promote the employer brand. In 2015, the recruiting team of Lenovo has made many innovations during campus recruitment. (1) Customization. To tailor recruitment programs according to the different needs of different business departments; (2) Entrepreneurial competition. To organize entrepreneurial competitions for students in campus; (3) Development of new recruiting channels. To try out new channels such as academic recommendation, school recommendation, campus headhunting, LinkedIn, etc; (4) Fans operation. To set up specific forum for campus recruitment in order to facilitate the interaction and communications among users and to maintain long-term management of fans; (5) Establishment of overseas recruitment. To expand recruiting target and to attract overseas returnees who graduated from Ivy League Universities or who have internship experience in Silicon Valley; (6) Expansion of the target institutions. To include many design and Internet colleges into the list of target recruitment institutions.

3. Strategic Management of Performance and Remuneration

In the early stages of the merger, there existed great difference in the management of performance and remuneration between IBM's Personal Computer Business Department and that of the old Lenovo. In terms of performance management, IBM's Personal Computer Business Department and Lenovo had different definitions concerning performance completion. In IBM's Personal Computer Business Department, achieving 98% or 99% of the goal equaled completion, while for Lenovo China, there was no completion or success if one did not achieve 100% of the goal. As for the performance assessment indexes, these two groups also had diverge systems. In the early stages of the merger, there was more than 100 performance assessment indexes of each business unit of the global supply chain. In terms of the remuneration system, the employees of Lenovo China had lower salary, and their bonus much decided their total income. In other words, if the company and the department had desirable performance, everyone would receive higher bonus, which could make up for the relatively low salary standard. However, the income of the employees in IBM's Personal Computer Business was not related to the performance of the department, for IBM's Personal Computer Business had been losing money for many years but that did not influence the income of its employees.

Lenovo builds up a performance management cooperation system in which the company's senior

management, human resources management department, managers and employees participate. First, the CEO and the Executive Committee are responsible to conduct the top-level design, including developing strategies, setting business goals, and establishing “the maxim of Lenovo” (the 5P corporate culture). The Human Resources Management Department is then responsible for establishing effective performance management and incentive systems, including performance evaluation mechanism, bonus calculation methods, annual salary adjustment mechanism, reward mechanism, etc., to help managers upgrade the level of performance management, and to provide accessible and convenient systems and tools. Meanwhile, the management conveys to the employees the company’s strategies, business goals, and the corporate culture on a layer-by-layer basis. The management also needs to assist employees in formulating KPIs that are consistent with corporate strategies, to provide continuous performance guidance and feedback, and to effectively motivate the employees. Finally, employees actively participate in developing the KPIs consistent with the company’s strategies, as well as the individual development plan basing on “the maxim of Lenovo”, to achieve the KPIs and personal career advancement. Individual performance results will serve as an crucial reference for remuneration (performance bonus and salary adjustment), development (promotion or transfer), and appraisal (CEO award, SVP award).

The globally unified and standardized performance management system of Lenovo is called P3 Performance Management System. There is no much change about the concept and content concerning the performance management before and after the acquisition, only that it is now more electronic and universal. P3 refers to Priorities (target setting priority), Performance (performance evaluation and feedback), and Pay (performance bonus). P3 is a tool but not all of Lenovo’s performance management. Lenovo’s performance management system has three characteristics: Cascade, Transparency and Simplicity. Cascade reflects the layer-by-layer composition of the company’s strategic goals from the company’s overall performance unit to the individual employee. It also reflects the setting of employees’ personal goals, from the Priority to KPI then to the Action Plan. Transparency means that the procedure of the performance management is all negotiated with the managers and employees. Every year in April, the CEO will lead LEC to carry out strategic publicity during the kick off meeting of the company staff; from May to June, P3 performance management system is open to employees, and offers training for all managers; the CEO will quarterly send an email to the staff about the performance of the company; and at the middle and the end of the year, the CEO will release to all employees the company’s performance and bonus distribution factors. Simplicity refers to Lenovo’s comprehensive consideration of the value of jobs, as the company determines the performance bonus of employees based on individual and company performance. The algorithm of bonus is accessible and straightforward, and is easy to calculate and communicate. The performance bonus algorithms for sales post and non-sales posts are as followed:

Sales Performance Bonus = Target Bonus × Personal Bonus Payment Ratio + Strategy-oriented Incentive

Non-sales Performance Bonus = Target Bonus × Performance Unit Bonus Payment Factor (%) × Personal Bonus Factor (%)

The income of Lenovo’s employees is mainly composed of two parts: basic salary and performance bonus. The basic salary framework is based on the salary level of each global talent market. The performance bonus of sales personnel is completely related to individual performance, while non-sales personnel receive performance bonuses twice a year, one at the middle, and the other at the end of the year, and the amount is linked to the performance of both individual and the performance unit. The performance units of Lenovo change every year. With the successful completion of global business integration, there were 170 business units in 2005, but now the performance units have been reduced to about 40 globally. The division of performance units involves the distribution of the corporate goals. Each year the Human Resources will take

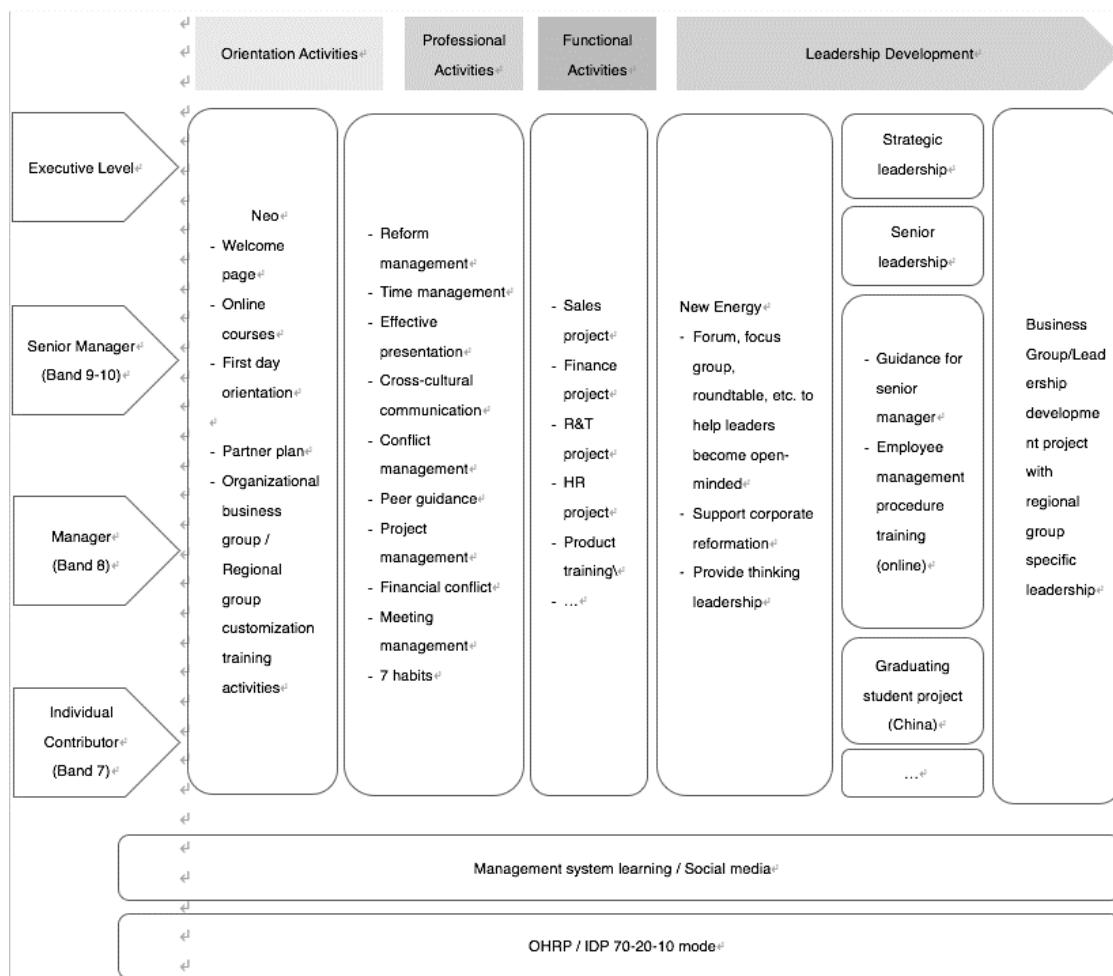
the lead and work together with Finance and Business Departments to decide on the number of performance units of independent assessment system. Because the development of performance is different from year to year, there will be corresponding changes. If the business development is relatively independent, there will arrange an independent assessment system; if the business development requires more synergy, it will be classified to a certain performance unit. In terms of long-term incentives, Lenovo will awards the company shares to the key employees each year, and to complete cashing within four years.

4. Strategic Human Resources Training and Development

The Training and Human Resources Development Department has undergone four stages of evolution. First is the Training Center established at the beginning of Lenovo. However, it was soon discovered that the narrow sense training (full-time classes and reading) could not solve the problem completely, and this narrow mode was not suitable for a highly competitive IT industry. So the Training Center then evolved into a Learning and Development Center. Compared with the original Training Center, the Learning and Development Center focused more on professional learning. Later, Lenovo discovered that to focus solely on the development of staff capability was not enough. The development of organizational capabilities was also very important, so the Learning and Development Center then became the Organization Development Center. Now the Center is called Staff and Organization Development Center, paying attention to the development of organization as well as individual employees.

The main function of the Staff and Organization Development Center is to improve the organizational capabilities and to design a systematic learning and development system for the staff of Lenovo. The function of it ranges from the training of new employees to the training of the senior management level. (Please see Figure 3: The Layout of Learning Development). When a new employee comes to Lenovo, he will experience a clear set of development path, which includes new employee training, professional skills development, leadership development, etc. And with the development of individual, there will be a gradual progression in the content of each module. For example, with the individual promotion, the proportion of management work increases, and the courses will change from the entry-level basic management skills courses to new manager training, and then to the follow-up director and executive training. The confirmation of these training needs and the form of implementation are communicated through the Individual Development Plan (IDP), and the targeted training objectives are achieved according to the three aspects of the 70-20-10 mode.

Figure 3: Layout of Learning Development



Lenovo's talent training adopts the 70-20-10 mode, which means 70% of the training is learnt through practical work, 20% through other employees, and 10% through training. Meanwhile, Lenovo employs the following strategies to meet the diverse learning and development needs of employees:

- (1) Platform for basic needs: to build a constant and comprehensive platform by integrating internal / external resources, in order to meet the basic / comprehensive training requirements and to provide overall solutions.
- (2) Customization of individuality issues: to provide customized solutions by combining various business departments, in order to meet the specific / individualized requirements of the organization and individuals.
- (3) Refinement of key groups: to identify key posts and key groups, and create ultimate user experience by carrying out high-quality projects.

The Staff and Organization Development Center uses OHRP and IDP tools to assess organizational capabilities and individual capabilities. OHRP is an acronym for Organization Human Resource Planning. It requires the leaders of an organization to identify the key staff, and to make organizational adjustment and talent re-organization according to the change of the market and the corporate strategy. Although such adjustment and organization is only required once a year, OHRP is a tool for the company's strategy

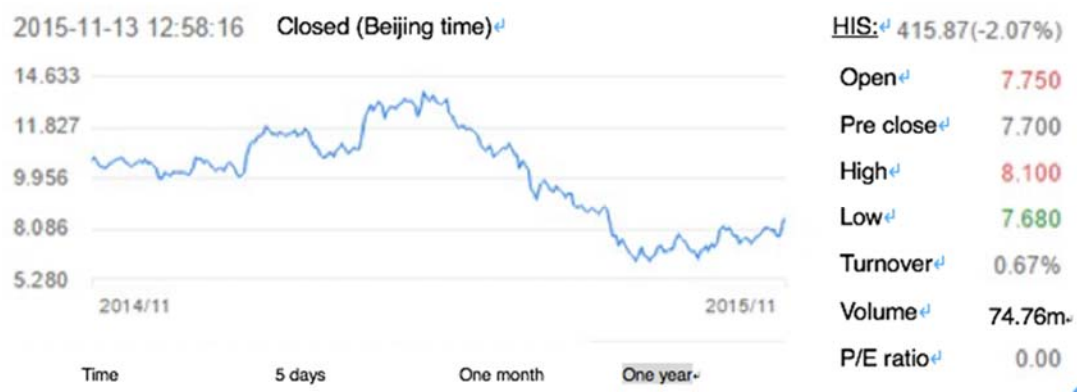
decomposition. Therefore, the re-organization of strategy / organizational capabilities / individual competence is also the focus of each leader's routine work. IDP is an acronym for Individual Development Planning. It refers to the one-to-one discussion and the design of the career development of key staff on the basis of individual career, which covers development goals, personal strengths, development opportunities and resources, etc. IDP is completed by the employees themselves and their direct leaders to help employees achieve their individual development goals.

At the 2014 Spring Festival party, 9 years after the acquisition of IBM's Personal Computer Business, Lenovo announced that it would acquire IBM's X86 Server Business at the price of \$2.3 billion. On January 9, 2014, Lenovo again announced that it would acquire Motorola's Mobile Phone Business. These two acquisitions indicated that about 11,000 employees from more than 50 countries would join the Lenovo family. With the previous experience in merger and acquisition with IBM's Personal Computer Business, the Human Resources Management team was much more confident this time. However, the task of integration is as arduous as ever.

In 2014, Lenovo divide its business into four business groups: (1) PC Business Group, including Lenovo and ThinkPad brands. (2) Mobile Business Group, including smart phones, tablet PC and smart TV. (3) Corporate-level business group, including servers and storage devices. (4) ECS Cloud Service Ecosystem Group, providing Internet cloud services.

On August 13, 2015, Lenovo Group released the financial report for the first quarter of the fiscal year 2015/2016. The report showed that the mobile phone business had a loss of 1.86 billion yuan, so a reorganization of the department was announced. The company decided to hand over the design, R&D and the manufacture of mobile phone to Motorola, and to reduce approximately 3,200 non-manufacturing employees globally, which was about 10% of the company's non-manufacturing employees and 5% of the total employees globally. As a result of one-off accrued reorganization costs and a one-time expenditure on mobile phone restocking expenses, the second-quarter net loss of Lenovo Group was US\$714 million. However, the total revenue in the second quarter increased by 16% year-on-year, the gross profit margin increased by 8% year-on-year, and the main business remained strong. Lenovo's stock price had suffered great slump since the beginning of 2015, and only in November the plunge slowed down (as is shown in Figure 4).

Figure 4: Lenovo's Share Price Trend of 2014/11-2015/11



How human resources management has become a strategic partner for the corporate transformation by providing professional services has always been a key topic for Human Resource Management team in the past year. Zheng Qing has been pondering the true meaning of the new human resource management concept "outside in" put forward by Ulrich, and how it is applied to management practice. "We have to be insightful

about changes in the industry, have a thorough understanding of external customers, understand the business and force the trend of the next two or three years. We also have to let the organization take action from now on, in order to build the capabilities required by the future organization,” said Ulrich during the training class, and his words echoes in Zheng Qing’s mind. Zheng Qing realizes the new journey for the Human Resources Business Partners of Lenovo requires them to regard external customers as his own customers, to understand the needs of end customers, to find the current gap between organizational capabilities and customer needs, to effectively apply “outside in”, and to strategically build relevant capabilities to help Lenovo get a upper hand in the fierce industry competition.

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