Lenovo Eliminating 1,400 Jobs

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The PC maker says it will save $100 million this fiscal year by eliminating some jobs and moving other positions to emerging markets.

Lenovo Group, the world's third largest PC vendor, is eliminating 1,400 jobs worldwide, a move executives said will help save the company $100 million during this fiscal year.

In a statement released April 19, Lenovo CEO William J. Amelio said that the cuts were necessary in order to grow the company, reduce expenses and keep the cost of its desktops and notebooks down.

"We must deliver the world's best-engineered PCs, offer our customers an unrivaled ownership experience, and grow faster and more profitably than the rest of the industry," Amelio said. "This means we must make our organization more efficient by reducing expenses."

Lenovo, which is based in Raleigh, N.C., will eliminate jobs in North America, Asia, Europe, Africa and the Middle East. Of those 1,400 positions, 750 will be moved to emerging markets that are closer to the company's suppliers and its manufacturing facilities.

In the next calendar year, the company will then eliminate 650 jobs altogether. Lenovo expects to save about $100 million dollars in the fiscal year that started April 1. That money, Amelio said, will then be reinvested in the company's operations.

Lenovo also announced plans to streamline its supply chain, as well as its sales and marketing organizations, in order to save additional dollars.

Although one of the world's largest PC providers in China and some other emerging markets, such as India, Lenovo still ranks behind Hewlett-Packard and Dell in terms of shipments and market share. In the latest Gartner study, Lenovo ranked just behind Acer in fourth place among PC vendors, although a similar study by IDC found the two companies tied for third in terms of market share and shipments.

Despite its struggles, Lenovo did manage double-digit growth in the number of PCs it shipped in the first quarter of this year. According to Gartner, the company's shipments increased more than 16 percent compared with the first quarter of 2006.

On May 2, 2005, Lenovo completed the $1.75 billion purchase of IBM's PC business, but the company has struggled to create a presence for its own brand of computers in North America. The ThinkPad brand of notebooks and desktops, however, still remains a strong competitor within the enterprise space.