PC maker Lenovo announces plan to move U.S. headquarters to Morrisville, N.C.


In an announcement that started out sour but ended up sweet, Lenovo Group said Thursday it will cut 1,000 jobs across the company -- including up to 350 at its Research Triangle Park operation -- and move its entire U.S. operations to the Triangle, including the company's executive headquarters.

Lenovo started off the morning saying it was going to cut about 5 percent of its global work force of 21,400 and relocate its executive headquarters from New York to Morrisville in a move to shave $250 million annually from its costs. As the day went on, the company spelled out that the RTP job cuts would range between 300 and 350 workers out of 1,800 at the site. The computer maker also went on to say it was bringing other U.S. operations -- a call center and logistics team -- to create a major global center for the company in Morrisville.

The news means when Lenovo moves next year into its 500,000-square-foot campus in Perimeter Park just a few miles from the Durham County line, it'll not only be the largest employer in Morrisville but also the 13,000-population town's only corporate headquarters for a large, international company.

"Obviously we're thrilled with the news of the relocation of the executive office," said Jodi LaFreniere, president of the Morrisville Chamber of Commerce. "It's great for our community and great for the region."

But officials said their enthusiasm for winning the company's headquarters was tempered by the announced job losses, which Lenovo said will cut across different parts of the RTP operation. Some of the job losses, maybe a good portion, will fall in the desktop segment of the RTP site with Lenovo saying it's centralizing the firm's desktop team in China.

The global restructuring of the world's third largest PC maker comes less than a year after the Chinese computer giant paid $1.7 billion for IBM's personal computer operation, acquiring 1,800 IBM employees in RTP in the process.

"While it's difficult to take cuts like these, it's important to take them quick so we can get back to the mode we want to be in, which is high growth," said William Amelio, president and chief executive of the Lenovo, in a telephone interview. "This is one of those difficult things but unfortunately if you don't do it in an industry like this, you can die by a thousand cuts."

Managers talked about the restructuring today with employees, Amelio said. "Anybody
affected will be talked with," he said. "We're going to go out of our way to treat the employees with respect and dignity who will be impacted."

Employees who lose their jobs will receive a severance package and other benefits, Amelio said. Affected workers will be notified beginning next week and the process will continue for several weeks, a local company official said.

While the announcement initially brings job cuts to Lenovo's RTP site, which is still located on IBM's campus, the details of the reorganization mean jobs will be flowing to the company's Morrisville campus. Lenovo said its plan integrates the company's global sales organization and back-office support into one customer-service unit.

A big piece of that will be coming to the Triangle when the company moves its call center from Atlanta to here. Lenovo is also moving a logistics team from Colorado to its RTP site and creating a new software business unit there as well, a company spokesman said. While officials said they didn't know how many jobs were represented in those segments, they said there were about 70 employees at Lenovo's executive headquarters in Purchase, N.Y. But it's not clear how many of those will make the move to North Carolina.

Still, it's safe to say the company, which makes both laptop and desktop computers, wants to grow its Morrisville campus, said Amelio, who will be based there as well. "This is an intermediate speed bump but in the long term we're dedicated to growing at that site," he said.

The company said the organizational changes will take place in the next six to 12 months and it expects to take a restructuring charge of $100 million, most of it in the fourth quarter.

The shakeup also follows the company reporting results for its third quarter, which ended Dec. 31. Lenovo said it generated a profit of $47 million on revenue of $4 billion, but those results failed to meet analyst expectations and company officials expressed dissatisfaction with them as well.

While the company -- which sells computers in the United States under the brands ThinkPad and ThinkCentre -- is doing well in its native China, its share of the global market slipped slightly last year to 7.2 percent. Also, the company's shipments are not keeping pace with market leaders Dell Inc. and Hewlett Packard Co., according to IDC, a market research firm that tracks the technology industry.

"With this move we'll be able to get more aggressive with desktops," Amelio said. "Notebooks have been much more favorable to us."

http://www.tmcnet.com/usubmit/2006/03/19/1470950.htm