Overcoming major complexities to help enable HP's largest print acquisition ever

Topic

Acquisition of Samsung Electronics Co. Ltd.'s printer business (S-Printing)

Outcome

- Deal valued at $1.05 billion
- 6,500 printing patents acquired
- 7,500 employees onboarded across 50+ sites
- Revolutionary portfolio of printing solutions
- Industry-leading device, document, and data security

Synopsis

Culminating in a global "Business Day 1" on the 1st day of HP's fiscal 2018, HP Inc. acquired Samsung's printer business in a deal valued at $1.05 billion. The largest print acquisition in HP's history brought in a compelling intellectual property portfolio with over 6,500 printing patents, as well as 1,300 researchers and engineers with advanced expertise.

HP acquired S-Printing to strengthen its own position in the laser printer, multifunction printer, and copier markets. The acquisition was part of HP's strategy to disrupt the $55 billion print and copy industry by revolutionizing copiers with superior next generation technology. In addition, HP would have the opportunity to grow its already industry-leading market share.

One of the world leaders in print technology, Samsung offered an impressive portfolio of A4 and A3 MFPs. The acquisition brought machines capable of completing the duties of a copier with the power, simplicity, and reliability of a printer.

Integrating Samsung's cutting-edge cloud print products with HP's next-generation PageWide technologies created a breakthrough portfolio of printing solutions. This integration enabled HP to provide the industry's top device, document, and data security.

"The acquisition of Samsung's printer business allows us to deliver print innovation and create entirely new business opportunities with far better efficiency, security, and economics for customers."

Dion Weisler President and CEO of HP

An incredible range of assets harvested in the acquisition

Over 6,500 A3 and A4 patents acquired

Established portfolio of ready-to-go A4 and A3 products

Complementary cloud solutions portfolio

1300 R&D engineers creating a new HP Print R&D hub in South Korea

Worldwide go-to-market team

Worldwide install base and accompanying customers

Deal in the making

An integration of this complexity required over 970 man months of IT work. HP's first task was developing an integration roadmap with help from Samsung, and detailed planning was required on both sides of the deal. walk-the-walls sessions, blueprinting, and workplans were facilitated with dedicated Integration Management Office (IMO) and Divestiture Management Office (DMO) teams.

IT acted as a facilitator during the merger process as it touched nearly every business function. HP formed a comprehensive IT IMO team that was deeply involved in planning and executing various phases of the project. IT IMO followed a '2 in a box' model to assign an IT liaison for each Business workstream for signing, reporting, and escalation authority. A robust meeting cadence was followed for both internal and external communications, and each business workstream including R&D, HR, Finance and Supply Chain was represented by an IT lead.

These leads catered to the needs of IT teams through workshops, deep-dives, and issue resolution. Leads also coordinated communication with their Samsung counterparts.

Critical milestones for IMO and IT were determined through assigned dates. These included design, construction, testing, and cutover, as well as workshops including readiness checkpoints and go/no-go processes.

Hitting a milestone date involved cross-functional dependency. For example, testing required environment readiness from HP and Samsung IT, as well as development of test cases from the business side.

Factory metrics

IT projects within the factory's scope were instrumental and widespread, including:

- **Just-in-time** production
- **30 min to 24-hour** delivery
- **478** global suppliers, **56** in Weihai and **48** JIT
- **19K** sales orders per month
- **83K** production orders per month
- **71K** purchase orders per month

Uniqueness and learnings

Governance, structure, and culture

Unexpected complexities in the integration process provided more challenges than initially anticipated, requiring creative solutions. A contrast in importance of the deal for the two companies was a main source of conflict. The targeted carve-out entity was a small piece of Samsung's overall business portfolio, while the print business is a significant component of HP. This led to differences in priorities towards the deal. The variances in culture and organizational structure made the deal even more unique. All of this warranted a robust governance and communication model.

Integration hypothesis

HP planned the integration with a strategy of maximizing TSAs to close the deal faster, a common approach given the two companies' varied capabilities. This would also allow HP to integrate as needed, post Day 1.

> "An acquisition of this complexity and breadth requires tight alignment across IT and the Business to ensure seamless execution in all facets and achievement of synergies."
>
> *Rob Ficalora, Head of Corporate Functions IT*

During the combined planning session, Samsung expressed challenges in providing TSAs to its global applications, which were shared by other parts of its business. HP quickly changed its approach to stand up all the required systems and processes by Day 1. This took fast and diligent work from HP and Samsung IT teams, who were required to stand-up 51 applications and 25 interfaces in total, integrating them with existing HP applications. The deal touched over 130 HP applications with efforts across App Configuration, Building Interfaces, Data Migration as well as additional hardware requirements.

Manufacturing capabilities

Manufacturing processes used by Samsung and HP differed greatly. HP had outsourced manufacturing of almost all of its print products. However, Samsung came with possession of a complete manufacturing site, including operational integration with 32 just-in-time suppliers. Samsung also operated as an Original Equipment Manufacturer (OEM) provider to other major print companies such as Dell, Lenovo, and Xerox, interfacing with third-party logistics providers. HP IT teams needed to enhance their systems to support these new capabilities before Day 1.

The Long and Short

A deal of this magnitude required serious expertise and a significant level of effort. Over a 12-month period, an average of 80+ FTE's per month worked towards this integration. IT planned for onboarding employees across 50 locations. Infrastructure and Cybersecurity teams had to survey all locations coming as part of the integration, work with business on the site requirements and determine network type. For example, the factory in Weihai will continue to use some existing hardware for some time, requiring the provision of a quarantine network

Regulatory approvals and data

Given the nature of regulatory laws in South Korea and China, acquiring production data during integration for testing and Day 1 readiness was challenging. HP IT worked with the IMO and legal teams to identify and segregate commercially sensitive and non-sensitive data. A plan was laid out to mock up commercially sensitive data, while non-sensitive data were made available to HP for testing purposes. With a proper data governance and management in place, HP was able to mitigate these challenges.

In closing

A well laid out roadmap went a long way towards preventing potential issues and allowing for quick solutions. This was complimented by clearly assigned ownership and a robust governance and communication plan. Throughout the unique challenges presented along the way, IT and Samsung partnered to ensure fast, creative solutions. The end product was a highly valuable deal for HP which greatly strengthened its position in the market.