

Adding Value to Intel Acquisitions with IT

"Our disciplined approach to IT integration helps Intel achieve early value, builds momentum, and instills confidence among our business partners."

—Brian McPeak, Director of IT Mergers, Acquisitions and Construction

Acquisitions are a critical component of Intel's corporate growth strategy. Intel IT plays a key role in the smooth integration of new Intel acquisitions and in helping to achieve the unique business objectives for each one.

Intel IT's disciplined and flexible approach to integrating acquisitions (Figure 1) helps Intel achieve value from the acquisition early by enabling continued employee productivity during the transition, and thus instilling confidence among our business partners.

Using different IT integration models, Intel IT successfully integrated 12 acquisitions in 2011, which involved adding more than 10,000 new employees.

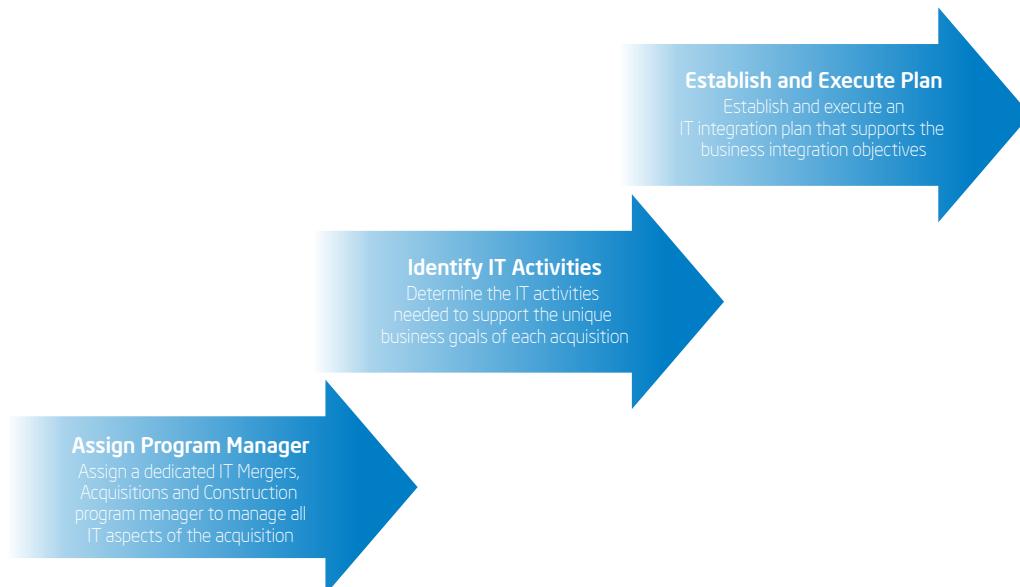


Figure 1. IT Mergers, Acquisitions and Construction applies a disciplined approach to every integration project.

Intel IT Guiding Principles for Acquisitions

We follow these guiding principles to help ensure a smooth integration for acquisitions at Intel:

- Comply with Intel legal guidelines to ensure all intellectual property (IP) and other transitions are handled correctly.
- Preserve the revenue and customer base of the acquired business.
- Minimize loss of productivity and limit disruptions or actions that put the base business at risk.
- Support the growth of the business.
- Conduct a thorough and complete transfer of data and IP.
- Keep it simple: Make changes only where necessary and migrate only where it matters.
- Work together through collaboration and joint problem-solving.
- Maintain respect for the talent, expertise, and culture of both organizations.
- Openly communicate with the newly acquired employees to proactively address their questions and concerns.
- Focus on the transition experience, including the following:
 - Concentrate on eliminating errors while transitioning employee data.
 - Ensure a robust support function is in place.
 - Acknowledge that capabilities important for day-to-day productivity, such as printing, e-mail access, and cell phone use, are especially important for transitioning employees.
 - Ensure information assets such as data repositories are transitioned properly to ensure minimal downtime.
 - Provide an overview to new employees on Day 1 to ensure they know how to access the IT tools and services they need.

Background

IT integration of an acquisition is carefully orchestrated to maximize value, minimize costs, and realize overall integration objectives. To ensure a smooth transition, Intel IT follows several guiding principles (see sidebar). While these principles apply to every acquisition, variables such as the size of the acquisition, culture, and location of the acquired company require that we manage each acquisition uniquely.

At the beginning of each acquisition, Intel IT assigns a Mergers, Acquisitions and Construction (MAC) program manager to manage all IT aspects of the project. Depending on the size and type of the project, additional IT project managers may be assigned to specific functional areas.

IT integration activities typically fall into one of three acquisition integration models:

- **Full.** In a full acquisition, the company being acquired becomes fully integrated into Intel,

including all intellectual property, assets, IT infrastructure, and other systems associated with the acquisition.

- **Partial or Hybrid.** In this model, Intel may integrate only certain components of the company.
- **Standalone.** This model typically leaves a company functioning independently from Intel's core infrastructure, systems, and business processes, and is often referred to as a wholly-owned subsidiary.

IT touches all aspects of business at Intel, and all of these areas must be considered during integration. We define and segregate our work using the DOMES model, as shown in Figure 2, which maps to five main functional business areas: Design engineering, Office, Manufacturing, Enterprise, and Services computing. To ensure that each acquisition activity is completed successfully, the acquisition team includes experts from each of the five DOMES areas.

Data Center Vertical Integration

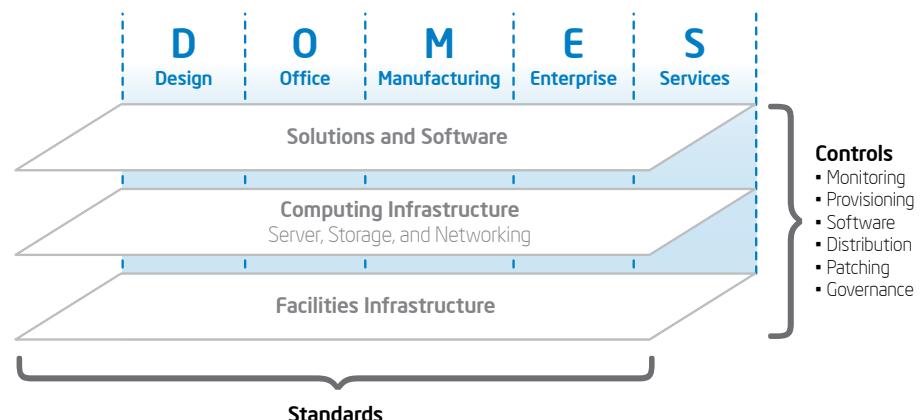


Figure 2. Computing solutions align to five business computing solution areas: Design, Office, Manufacturing, Enterprise, and Services (referred to as DOMES).

Phases and Key Milestones

With the specific integration areas defined under the DOMES model, each acquisition project uses a well-defined process to evaluate and plan the work that needs to be completed. In each of these phases, Intel IT has an opportunity to add value to the business (see Table 1).

- **Exploration.** The beginning of the acquisition is an exploration, or due diligence, phase in which Intel IT builds partnerships with other MAC functions at Intel to help streamline the acquisition process.
- **Planning.** We form an IT team specific to the acquisition, develop a preliminary strategy for each IT area, create a preliminary budget, and form a plan for "Day 1" services.

- **Day 1.** This milestone is the result of execution of the plan and marks the first working day after the deal is signed.

At this time, IT contracts are reviewed to identify potential cost efficiencies and are modified when savings opportunities can be realized. Once the review is completed, it is handed off to the appropriate team

for future support as needed by the newly acquired employees or teams.

- **Day 2.** This milestone marks the completed transition from the old systems to Intel systems with limited downtime. The duration between Day 1 and Day 2 can vary greatly depending on the complexity of the project, but most often takes three to four months.
- **Sustaining.** The project reaches the sustaining phase when the contract review phase is completed, and the support function is seamlessly transitioned from the dedicated IT MAC team to regular sustaining IT services such as the Technical Assistant Center (TAC).

Intel IT Acquisition Success Stories

Careful attention to planning results in acquisitions that are smoothly integrated with limited interruption to the business. During 2011, using different integration models, Intel successfully integrated 12 major acquisitions, which involved adding more than 10,000

new employees. Two examples include the acquisition of McAfee, which was integrated using the standalone acquisition model and operates as a wholly owned subsidiary of Intel, and Infineon Technologies AG Wireless Solutions, now Intel Mobile Communications (IMC), which is a partial integration into Intel's operations using the hybrid integration model.

ACQUISITION OF A WHOLLY-OWNED SUBSIDIARY

The McAfee transaction closed on February 28, 2011 as a wholly-owned subsidiary of Intel. Because McAfee is operated as a standalone subsidiary (not integrated into Intel systems), IT performed a different role than would be required under the standard integration process. First, to maximize cost savings Intel IT worked with the McAfee IT team to review all contracts for hardware, software, and services. This process identified many areas where contract changes and purchasing alignment between the organizations resulted in millions of dollars of savings.

Table 1. Business value of the key phases of each acquisition project

Key Phase	Business Value
Exploration	Because we engage early in the process, we can identify significant IT integration risks that may not be apparent to the business unit. Early engagement also helps us identify the business unit's key priorities and provides an opportunity to set realistic expectations for IT services.
Planning	During this phase, we can assist other corporate functional teams, such as Human Resources and Corporate Services, by determining the best options for transitioning the newly acquired employees with the least impact and overhead.
Sustaining	This transition from dedicated support to the regular IT support desk minimizes confusion and ensures customer satisfaction because new employees have a single resource for support.

To facilitate collaboration, Intel IT implemented an advanced portal solution to allow McAfee employees access to internal Intel systems. This portal, known as the Intel Employee Gateway, provides controlled access for subsidiary workers to quickly gain access to internal systems.

We also implemented External Rights Management, which provides a secure way to share sensitive information between Intel and McAfee. This capability was originally available only within the Intel network, but IT modified the capability to extend it to our acquired companies operating as standalone subsidiaries.

Our relationship with the IT group in an acquisition such as McAfee is mutually beneficial because both companies have unique expertise. We share our knowledge, technical skills, engineering capabilities, resources, and best-known methods.

HYBRID ACQUISITION

The IMC acquisition was a complex transaction in that it involved a purchase of a portion of an ongoing global company. We transitioned IMC into a standalone business entity reporting into an Intel division. For the first time, we applied a hybrid integration model in which the company operates as an independent business while using the backend IT infrastructure that Intel's corporate IT team provides. To continue differentiation of its products and its business model, IMC operates with a high degree of independence from Intel in a number of areas, including sales and marketing, Human Resources, and corporate services.

Adding to the complexity of the integration, transitional service agreements were in place that required IT to complete the integration process in six months. We completed this transaction within the promised time and brought in cost savings by negotiating lower rates for IT services for the new company. We also saved in software licensing fees by adopting Intel's existing pricing structures and supplier relationships.

Conclusion

IT integration of acquisitions involve complex projects that require IT team members from across both affected companies. IT MAC coordinates all the required IT services such as network connectivity, telephony, e-mail, collaboration software, and TAC support that transitioned employees expect for a positive integration experience. IT considers the acquisition process complete when the team has achieved the desired goals of completing the integration and transition with minimal disruption to the business and employees.

A positive outcome depends on a number of complex and interrelated activities, and is backed by an infrastructure of careful planning and key milestones. Intel IT MAC is built on the principle that we are a trusted and influential business partner providing agile and innovative ideas with flawless execution to realize the full value of our corporate acquisition strategy.

**For more information on
Intel IT best practices, visit
www.intel.com/it.**

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