



NXP's journey ...from Philips... to Outsourcing.. ...to the Cloud

Fontys, 28th of June, 2011
Herwig Wens, Enterprise Architect
NXP, IT Strategy & Architecture



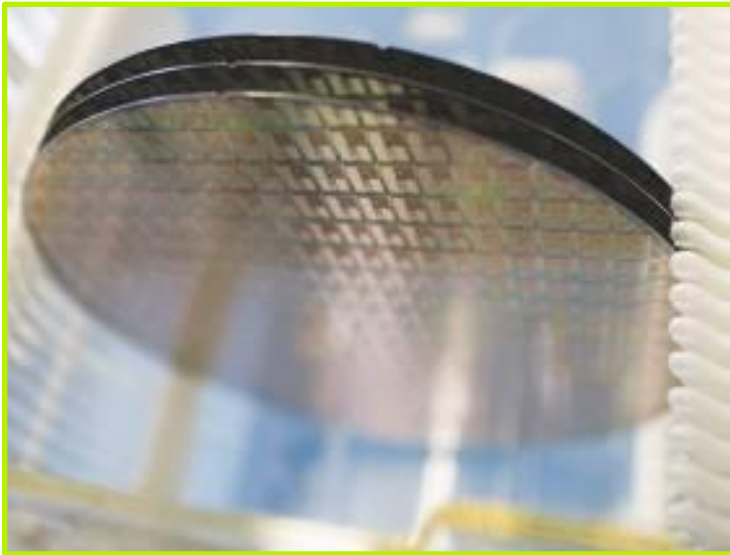
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About NXP Semiconductors

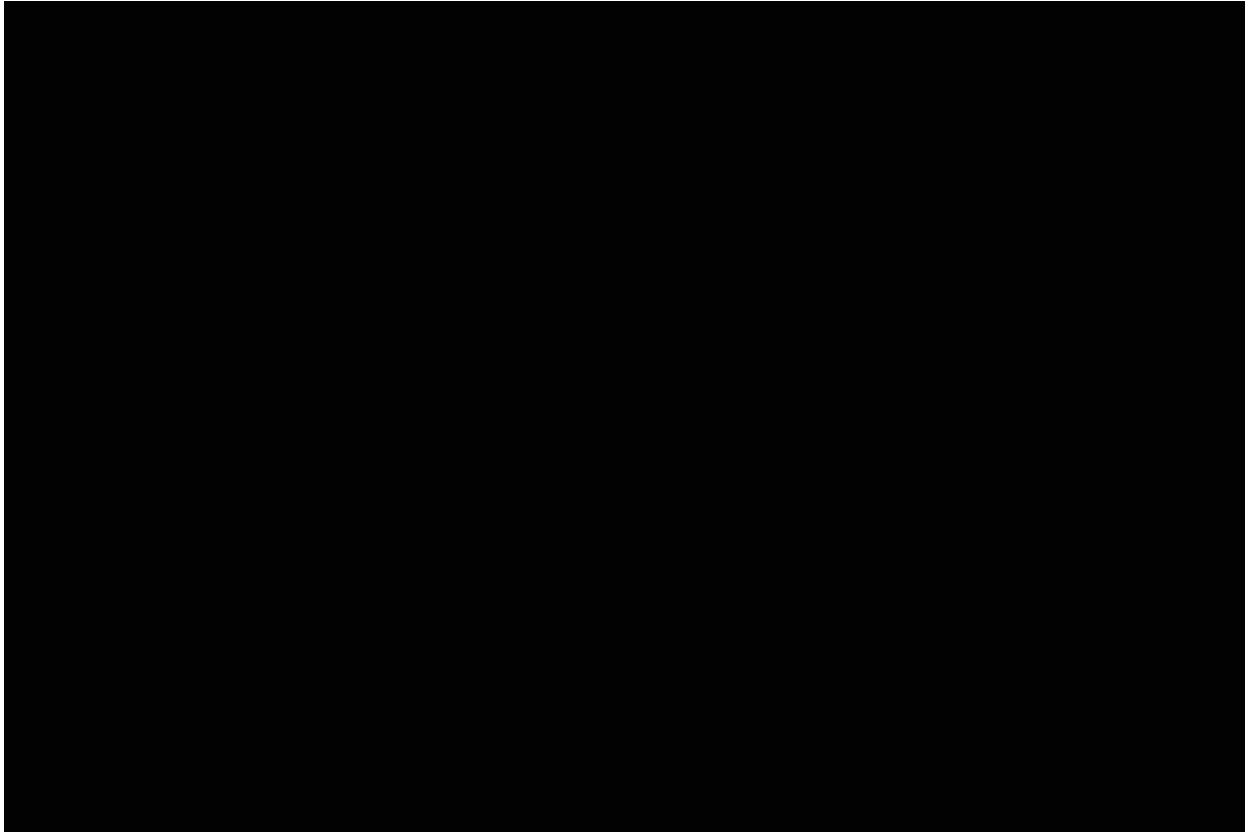
NXP Semiconductors N.V. (NASDAQ: NXPI) provides High Performance Mixed Signal and Standard Product solutions that leverage its leading RF, Analog, Power Management, Interface, Security and Digital Processing expertise.



Our innovations are used in a wide range of automotive, identification, wireless infrastructure, lighting, industrial, mobile, consumer and computing applications.

A global semiconductor company with operations in more than 25 countries, NXP posted revenue of \$4.4 billion in 2010.

NXP ([Corporate introduction movie](#))



<http://youtu.be/w6Ua1R8M6Qs>

NXP's innovations are used in a wide range of applications

Wireless infra



Lighting



Industrial



Mobile



Automotive



Identification



Consumer



Computing



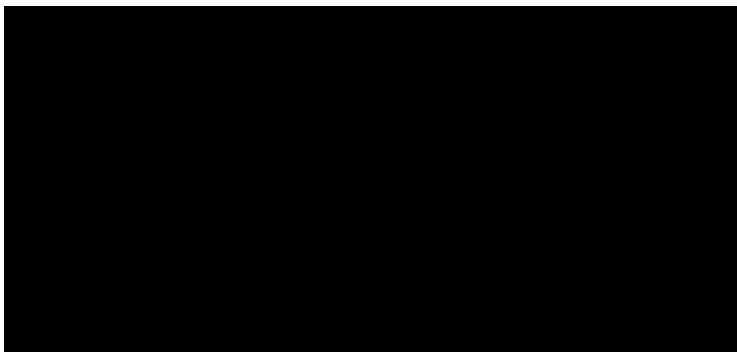
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From Philips to NXP

- ▶ August 31, 2006 ... the disentanglement
- ▶ A once in a life time opportunity for IT!
 - “What if you could be reborn?”



News & Analysis



0

Philips Semiconductors to become NXP

Junko Yoshida

8/31/2006 6:00 PM EDT

PARIS — With a change of ownership from Royal Philips Electronics to a consortium of private equity investment companies, Philips Semiconductors will simply become NXP.

NXP stands for the consumer's "next experience," according to CEO Frans van Houten. NXP is also associated with Philips Semiconductors' Nexperia platform where audio and video processing technologies reside.

The NXP trademark will include a "Founded by Philips" tagline as part of its branding. "We want to create the bridge between the 'next experience' and our rich heritage," said van Houten. "We have agreed as part of the disentanglement that we can use the Philips brand link to NXP."



In an interview, van Houten laid out several new business priorities. First, NXP is planning a strategic investment in cellular baseband technologies in order to save what appears to be a lackluster baseband business. The move would also help it gain substantial market share in the mobile wireless sector.

NXP will also make a sizable investment in development tools to increase product quality.

NXP CEO Frans van Houten

"Quality, too often, has become an odd one out," he

<http://youtu.be/72T0wwkeDZk>

Source: [EETimes](#), 2006

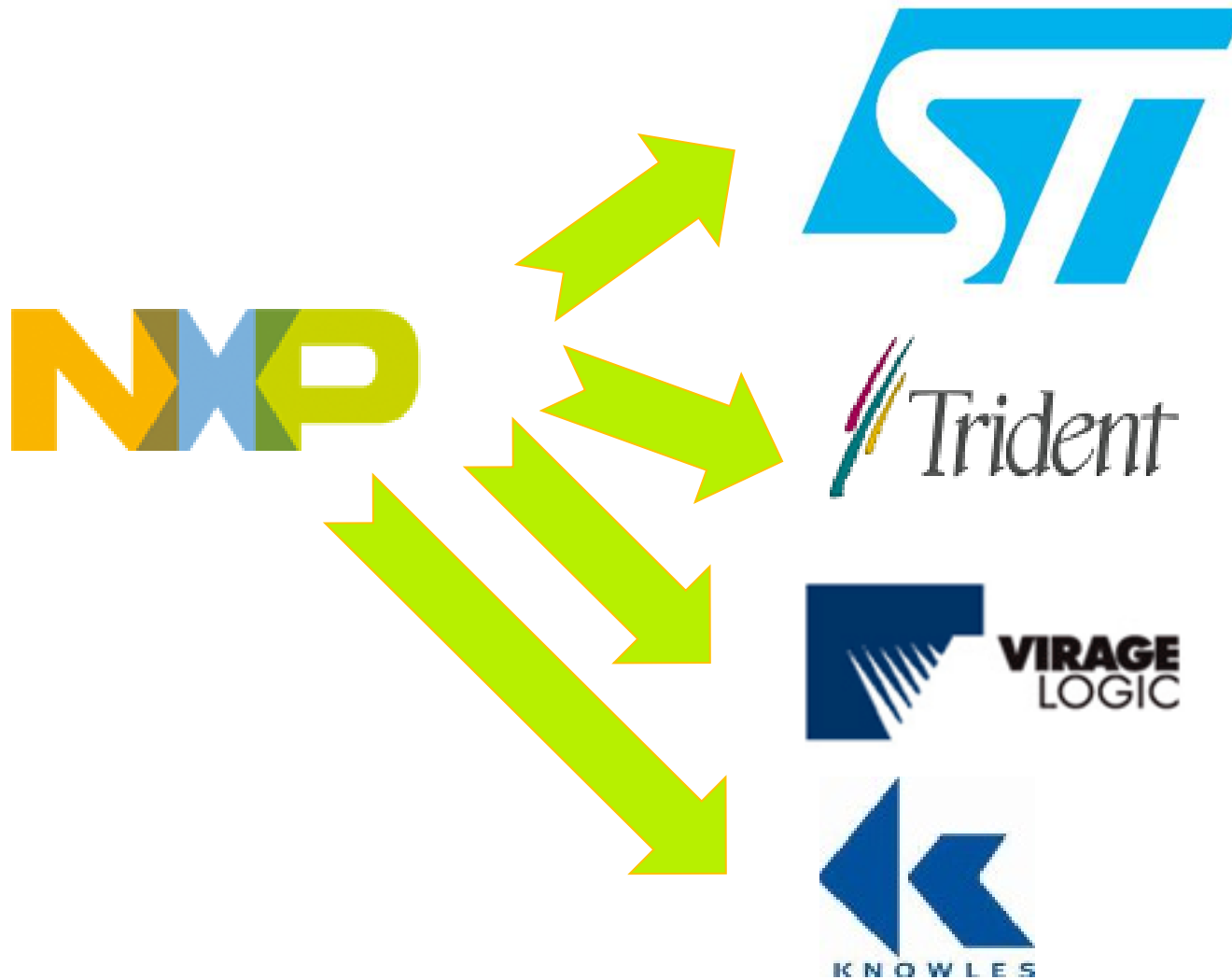
The Disentanglement puzzle [2006-2007]

- ▶ A **disentanglement puzzle** is a type of mechanical puzzle that involves disentangling one piece or set of pieces from another piece or set of pieces.
- ▶ The reverse problem of reassembling the puzzle can be as hard as—or even harder than—disentanglement. There are several different kinds of disentanglement puzzles, though a single puzzle may incorporate several of these features.



Source: [Wikipedia](#)

Divestments...[2008-2010]



The Financial Crisis...

Analysis: Should NXP file for bankruptcy?

Posted: [06 Mar 2009](#) [Print Version](#) [SHARE](#) [Subscribe](#)



Keywords: [NXP option](#) [Chapter 11 bankruptcy](#) [market downturn](#)

NXP B.V.'s management should begin to consider filing for [Chapter 11 bankruptcy](#) reorganization in order to improve its chances for surviving and emerging stronger from a rapidly deteriorating [semiconductor](#) market. Such a move would lessen the huge debt burden loaded on the chipmaker by former parents Philips Electronics and its private equity partners.

To be sure, a bankruptcy filing wouldn't be welcomed by Philips or the Kohlberg Kravis & Roberts-led (KKR)

group of equity investors that took the company private in a leveraged buyout deal in 2006. But recent events point to more difficulties ahead for NXP unless it is able to shed more than \$6 billion in debts and the huge interest expense it must pay annually to service those notes.

The company's latest offer to swap portions of its existing debts for new secured notes represent only a Band-Aid that will only provide temporary relief, not the total cure NXP urgently requires. The bond exchange represents only about 25 percent of NXP's outstanding debt, Standard & Poor's analyst Patrice Cochelin said in a report, leaving the company with almost \$5 billion in long-term debt.

Source: [EETimes Asia](#)

The IPO [2010]

Can Chipmaker NXP's \$1.15 Billion IPO Warm Up a Chilly Market?

By [TOM TAULLI](#)

Posted 3:00PM 04/17/10 | Investing

[Comments](#)

Text Size [A](#) [A](#) [A](#)



In 2006, a group of private equity investors -- including KKR and Bain Capital -- [agreed](#) to pay \$11.1 billion for an 80.1% stake in NXP, a semiconductor firm that was a part of Royal Philips Electronics ([PHG](#)).



Unfortunately, the deal came at the height of the buyout bubble. Within a few years, there was talk that NXP would file for bankruptcy because of the semiconductor business' steep fall and the enormous debt load.



But things can change quickly in the private equity world. NXP has now [filed](#) for an initial public offering, which is expected to raise as much as \$1.15 billion. The underwriters include Credit Suisse ([CS](#)), Goldman Sachs ([GS](#)) and Morgan Stanley ([MS](#)).

Source: [Daily Finance](#)



NXPI [2010-2011]



Source: [Daily Finance](#)



What's next? [2011...]

Let's Get Together

NXP Semi Talking Takeover With Intel, Broadcom and Qualcomm

MarketNewsVideo.com , 04.08.11, 11:30 AM EDT

NXP Semiconductor is reportedly in takeover talks with Intel, Qualcomm and Broadcom. Dutch newspaper Telegraaf reported the story today.



NFC Enables Secure Mobile Transactions

Today we announced that our world leading near field communication (NFC) technology enables the newly announced Google Wallet read more

NXP Semiconductors 06/09/2011 4:00PM ET NXP Semiconductor is

\$25.12 -\$.1

At A Glance Cf

1d 5d 1m 3m



+ Embed Chart

Full NXPI Chart

GreenChip smart lighting



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What does this mean for

IT?



IT as a partner of the business

- ▶ The disentanglement:
 - Solve the IT disentanglement puzzle...
- ▶ The start of a new IT Strategy
 - **Flexibility** and **costs** were (and still are!) important drivers
- ▶ The start of a new IT Organisation
 - Based on an “IT light model”
 - Multisourcing

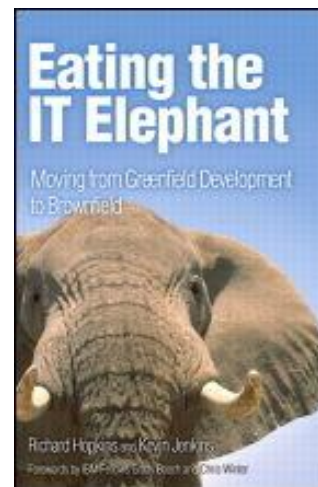
IT as a partner of the business

- ▶ The retained IT organisation:
 - Less people, but with new skills!
 - Smaller budget
 - Focus on:
 - Managing and controlling outsourcing partners
 - Strategic business processes & projects
 - Innovation

IT Tactics

▶ Operations:

- Rationalise
- Standardise
- Consolidate
- Outsource



▶ Strategic Projects: (examples)

- Flexible, standard Engineering centers
- Sales & Marketing
- S&OP ,.....

Multisourcing...

- ▶ *Multisourcing is the disciplined provisioning and blending of business and IT services from the optimal set of internal and external providers in the pursuit of business goals.*

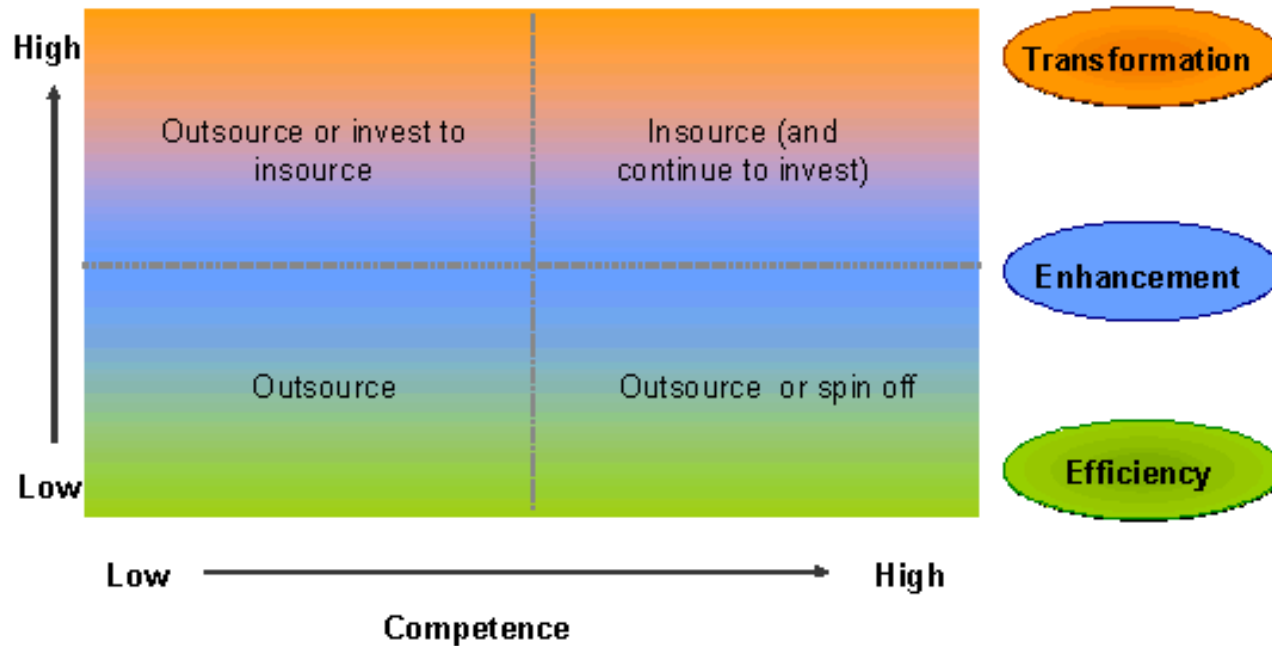
Source: Linda R Cohen, Gartner, 2006

Multisourcing...

- ▶ *Why* are we sourcing? (Is the business goal to save money, improve operations or boost business performance?)
- ▶ *What* services and functions should we consider to meet those goals? (Across the enterprise, what services or processes are candidates for a sourcing review?)
- ▶ *Who* can best perform or deliver these services to meet the goals? (Should the job be performed in-house or outsourced to external resources?)
- ▶ *How* should the work be done? (Do we want a customized or standard service/process?)
- ▶ *Where* should the work be done? (Will this work be performed domestically/onshore or nondomestically/offshore?)

Outsourcing

Value to Differentiate



Source: Linda R Cohen, Gartner, 2006

Content

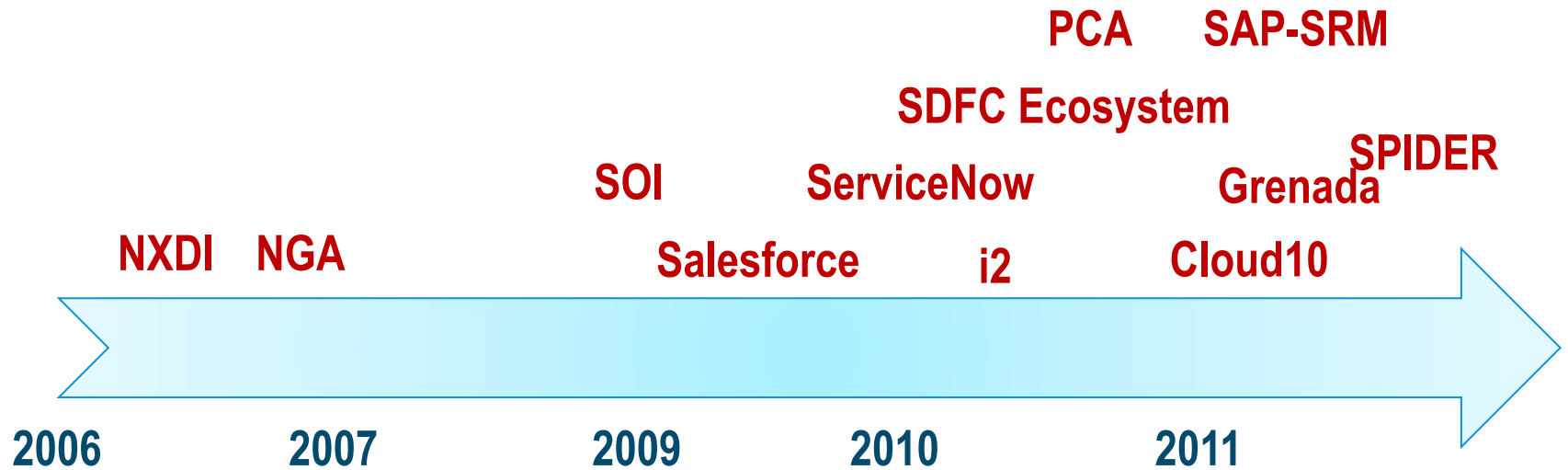
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The way to the cloud...



Clouds @ NXP



The start of the Cloud for NXP [2006]

Engineering IT: NXDI

- ▶ Internal cloud for our engineers (NXDI):
 - The design environment is an integrated solution and service of Design Infrastructure.
 - NxDI is our centralized infrastructure for the engineering IT environment allowing to deliver and improve upon the Global R&D support.
- ▶ Basically an internal managed IaaS environment
- ▶ We did not call it Cloud or IaaS at that moment:
 - it was just plain old Business Value (differentiating for NXP)
 - Cost competitive

The start of the Cloud for NXP [2006]

Engineering IT: NXDI

Global Service

Design Data, Application Mngmt, SysAdmin, Desktop & Access Mgmt

Virtual Storage Layer

Elastic Storage, Apps and Libs, Design Data Vaults

Application Layer

(grid of App Servers (batch & interactive))

Access Layer

(global access management)

The start of the Cloud for NXP [2006]

Engineering IT: NXDI

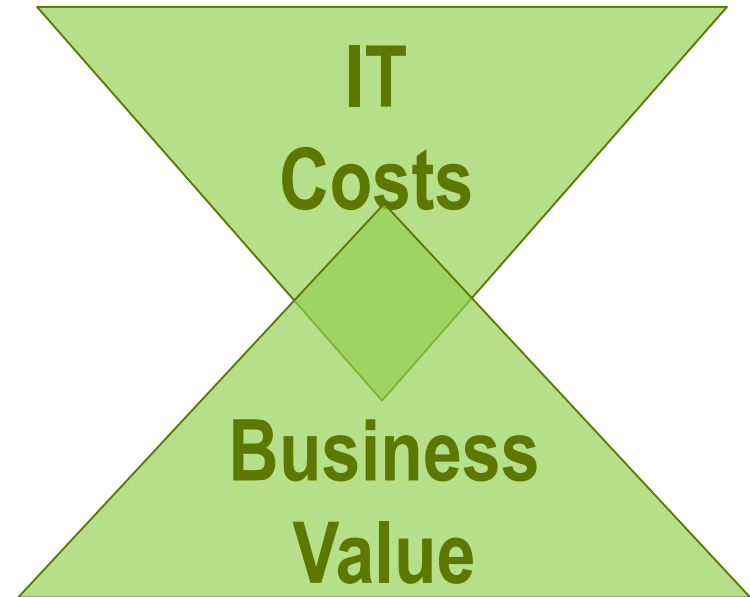
- ▶ NXDI has proven its value during the Mergers, Acquisitions and Divestitures...
 - Scale up , scale down
 - Speed of entangle & disentangle...



Agility !

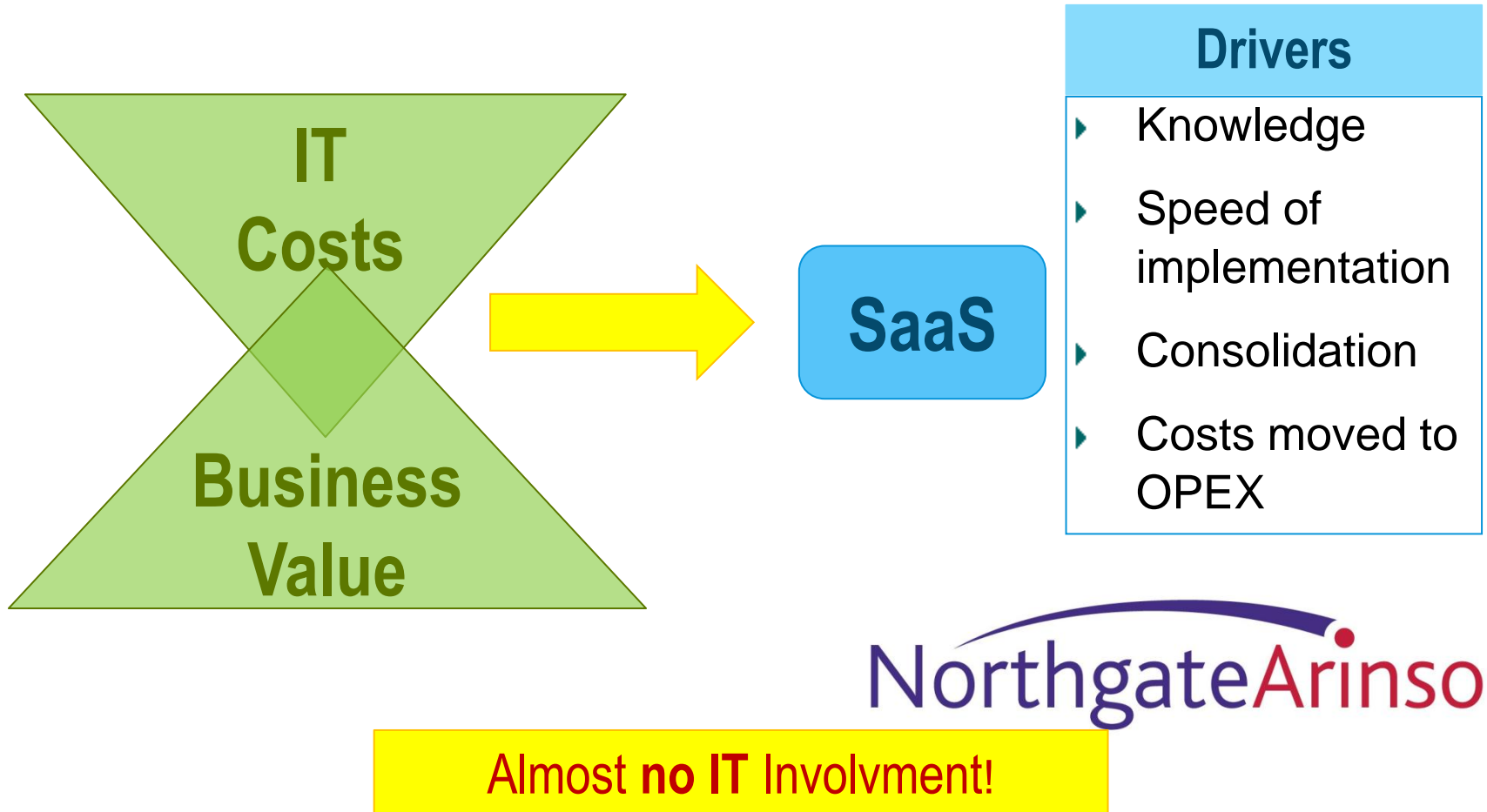
Another early adopter: HR [2007]

- ▶ The disentanglement
 - NXP did lose some skills..
 - Whilst HR was seeking for (IT) help...
 - IT was struggling setting up an all new IT organisation



The business went for the external cloud

HR jumped second in 2007



NorthgateArinso

Global Sales organisation [2009]

- ▶ A disappointing opportunity mgmt and CRM project and roll out in 2007-2008
- ▶ New package selection started in 2009:
 - Business in the lead
 - IT supporting for the method of package selection, IT criteria and vendor selection criteria
 - Business and IT convinced: Saas is a knockout criteria!



- ▶ Huge success:
 - Global roll out in 3 months!
 - Great adoption
 - Basically a new ecosystem for Sales
 - User friendly
 - Flexible (all configuration)
 - Out of the Box (without the business complaining..)
 - Mobile by default!
 - 3 to 4 upgrades a year, almost without any downtime
 - Nice surprises with each update: e.g. chatter
 - The speed of innovation is dazzling...

Expansion of the Cloud [2010-211]

▶ Salesforce ecosystem:

- Apptus
- Xactly
- Box.net integration
- Chatter rollout



▶ HR:

- Incentive Management: based on PeopleClick
Authoria (PCA)



▶ SAP SRM in the Cloud

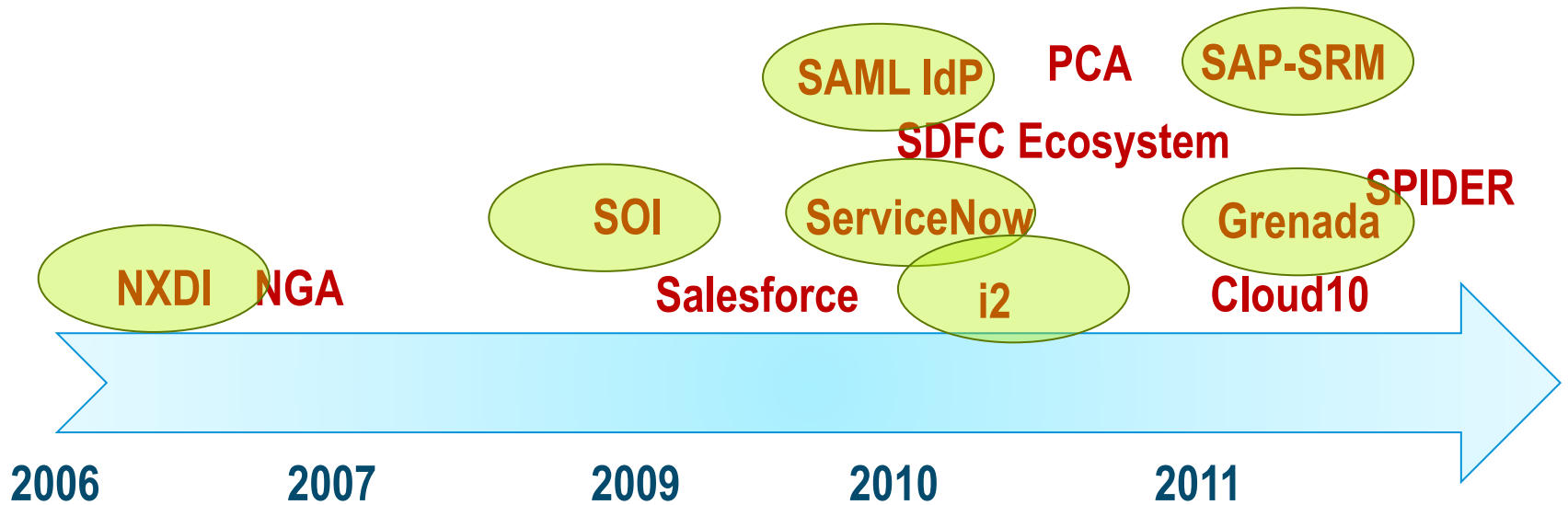
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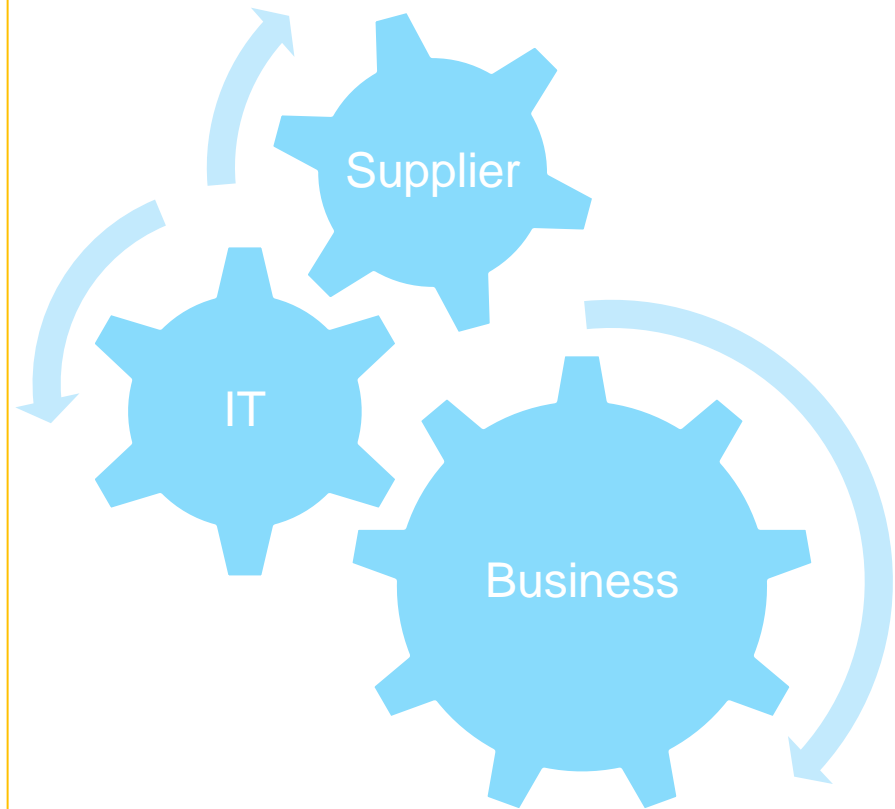


IT initiatives in the cloud @ NXP



IT had mixed emotions....

- ▶ IT was the first to go... but than **Private**...
- ▶ Especially **mixed feeling** on going Public...
 - Believers and disbelievers...
- ▶ In a number of “deals”, **IT was left out** or had not a lot of involvement
- ▶ However, **IT itself was anxious** in striking “Cloud Deals”



IT going for SaaS [2009]

- ▶ 2006—2008:
 - NXP IT had a mixed success of rolling out a collaboration platform
 - Implementing an on premise collaboration landscape was/is not easy..
- ▶ 2009: a new collaboration strategy, reborn in the cloud
 - First steps:
 - The logo for Microsoft SharePoint Online, featuring a stylized orange and yellow globe icon to the left of the text "Microsoft SharePoint Online".
 - Excellent adoption
 - By default open!
 - 100% out of the box

IT going for SaaS [2009/2010]

- ▶ 2007—2008:
 - Difficult and expensive roll out of an on premise service/ticket platform
- ▶ 2009: Roll out stopped!
 - Package selection started
 - Knock-out criteria: SaaS..

Service-now.com

- Huge savings
- Roll out in less than 3 months
- Most difficult part: integration!

IT going for IaaS [2010-2011]

- ▶ 2010: I2 planning engines in the Amazon cloud
 - Huge cost reductions!



- ▶ 2011: Grenada
 - From datacenters → private cloud

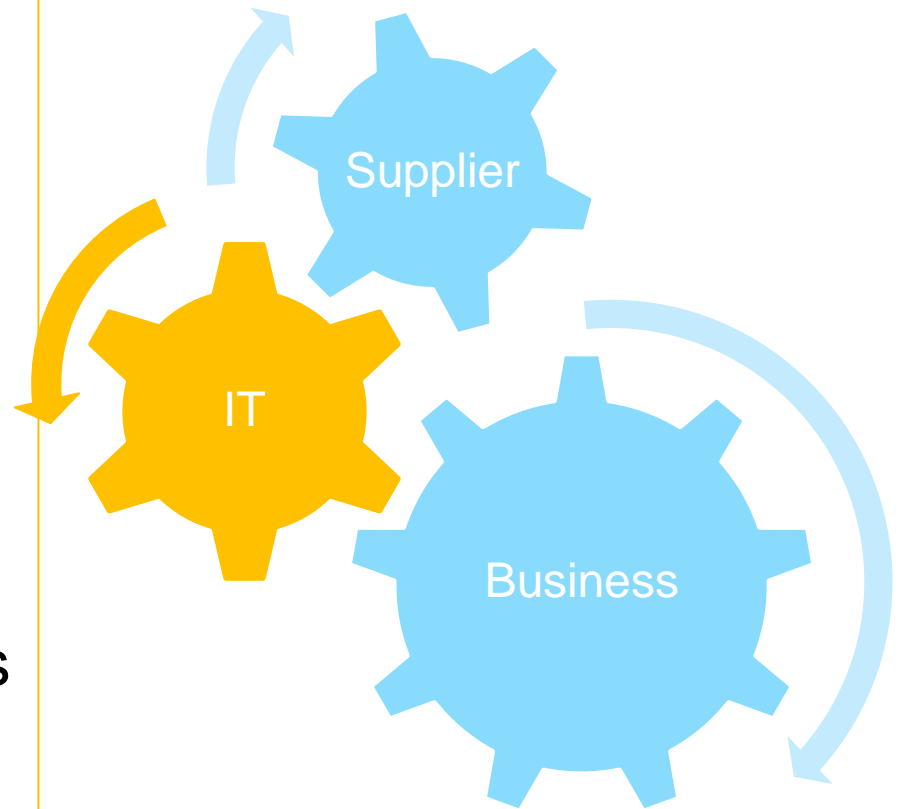
IT corporate Cloud Initiatives

2007

- ▶ Cloud Awareness
- ▶ SaaS & Cloud Principles
- ▶ Cloud checklist/ vendor selection
- ▶ Cloud Risk/Security Policy
- ▶ Cloud IAM roadmap
- ▶ Cloud Integration principles and patterns

2011

- ▶ → Cloud Adoption Framework



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Prepare for the future

Governance: What is IT's new Role?



The End of Corporate Computing

By Nicholas G. Carr

[\[download excerpt responses\]](#)

This article, appearing in the Spring 2005 issue of the [MIT Sloan Management Review](#), is something of a sequel to my 2003 Harvard Business Review article [IT Doesn't Matter](#). Whereas the earlier piece examined the demand side of business computing (how companies use IT), "The End of Corporate Computing" examines the supply side (how the technology industry will be organized to supply IT to companies). In particular, it shows how the wastefulness of the current, fragmented model of IT supply is unsustainable. As with the factory-owned generators that dominated electricity production a century ago, today's private IT plants will be supplanted by large-scale, centralized utilities. The transition to the new supply model promises to bring challenges and opportunities to the users of IT while upending the status quo of the computer industry.

The title of the article has a dual meaning. Computing utilities will bring to an end the traditional model of "corporate computing" in which computing is carried out within individual corporations - just as electric utilities made "corporate electricity generation" obsolete. And utility computing will represent "the end" toward which business computing in general is heading. It's IT's destination.

7 lessons learned



- ▶ Lesson 1: Law is not in line with 'online'
 - Privacy, Export Control...
- ▶ Lesson 2: Your Mileage and Costs may Vary (in different ways..)
 - It's Cloud Jim, but not as we know it...
- ▶ Lesson 3: Decentralization has become a FACT:
 - learn to live with it 😊: think standards, interoperability and portability
- ▶ Lesson 4: It's not over yet, it is just starting...
- ▶ Lesson 5: Security is a Red Herring
 - Think one level up... → Risk & Compliancy Management!
- ▶ Lesson 6: The cloud can take you places you couldn't go before
- ▶ Lesson 7: The business runs faster and harder than IT
 - Proper IT Governance and (new) Business-IT alignment is essential

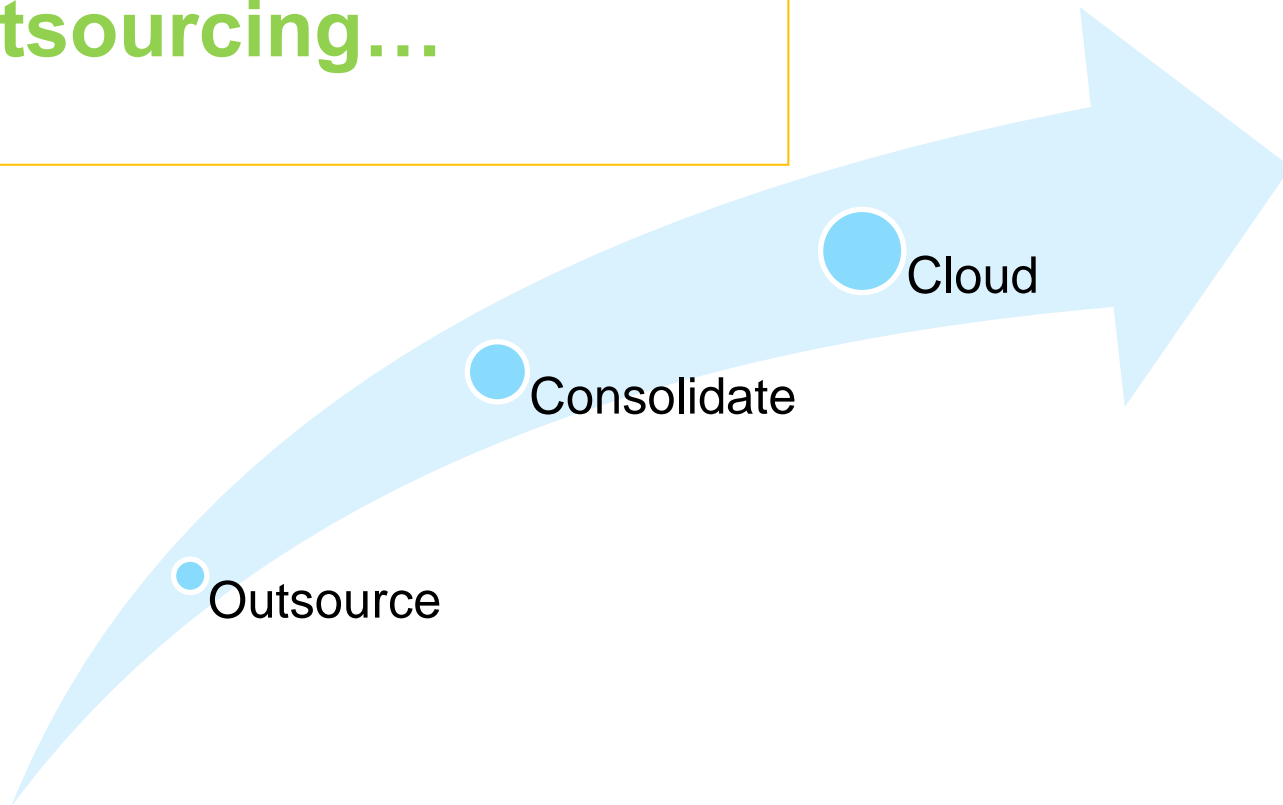
4 Questions we asked ourselves



1. Do we have the right insights and skills?
2. Do we see the right opportunities?
3. Are we partnering sufficiently and timely with the business?
4. Do we think enough out of the box?



Conclusion for NXP IT:
Cloud is just a next phase
in Outsourcing...



To summarize...



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Let's have a beer discussion





