CASE STUDY

IBM vs. Hewlett Packard

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IT History

- First Networks
- Laser Printer Invention
- WWW Age
- Affordable Printer
- Simple Laptops
- Laptop Explosion
- PC Explosion
- Smart Phones Mobile Devices

- Early Computers
- Mainframe Computers
- First Hard Drive
- Birth of PC

- 50's
- 60's
- 70's
- 80's
- 90's
- 2000
- 2010
1924 – IBM was formed
1935 – IBM selected to maintain Social Security records, the biggest accounting project in history.
IBM offers equal pay for equal work, 28 years before it is mandated by law.
1943 – IBM promotes first woman to vice-president
1944 – IBM launches Mark I, the first automatic digital calculator
1953 – IBM institutes equal opportunity policy, 11 years before the Civil Rights Act
1957 – IBM introduces FORTRAN, which becomes the most widely-used computer language
1964 – IBM changes computing – and modern business – with the introduction of System I360
1971 – IBM begins series of enviromental policies that set the standard worldwide
1986 – IBM's scientists win the Nobel Prize for the Scanning Tunneling Microscope which allows scientists to image individual atoms
1987 – IBM's scientists win again, for their work in high-temperature superconductivity
1996 – with the creation of IBM Global Services, IBM defines the outlines of a new model for the IT industry
1997 – IBM coins the term „E – business“ and ignites a business revolution
2000 - IBM delivers the world's most powerful computer to the US Department of Energy and created flexible transistors, combining organic and inorganic materials as a medium for semiconductors.
2001 – IBM leads open standards movement, and invests $1 billion in LINUX, IBM researchers create the world's first logic-performing computer circuit within a single molecule.
2005 - The PC division (including Thinkpads) is sold to Chinese manufacturer, Lenovo.
2008 - Super computer leadership for a ninth consecutive time, IBM opens its “greenest” data center in Boulder, Colorado.

1939- David Packard and Bill Hewlett established Hewlett-Packard (HP) in Packard's garage
1941- The trademark was first used in commerce
1954- HP had long moved from their celebrated garage on Addison in Palo Alto, the company file for their HP ubiquitous trademark
1957- Hewlett-Packard's HP Associates division developed semiconductor devices primarily for internal use and instruments and calculators were using these devices
1960- HP partnered with Sony and the Yokogawa Electric companies in Japan to develop several high-quality products
1963- HP and Yokogawa formed a joint venture (Yokogawa-Hewlett-Packard) to sell HP products in Japan
1966 - HP entered the computer market with the HP 2100 / HP 1000 series of minicomputers
1968- HP is identified as the producer of the world's first marketed, mass-produced personal computer
1972- HP introduced the world's first handheld scientific electronic calculator
1975- started the 98x5 series of technical desktop computers which used a version of basic programming language which was available immediately after they were switched on,
1984- HP introduced both inkjet and laser printers for the desktop
1986- HP registered the HP.com domain name making it the ninth Internet.com domain ever to be registered
2002- HP merged with Compaq, the new ticker symbol became "HPQ", a combination of the two previous symbols, "HWP" and "CPQ", to show the significance of the alliance
2006 - HP began its campaign, The Computer is Personal Again.
2008 - HP purchased EDS. As of September 2009 EDS is known as HP Enterprise Services.
2009- 3Com and HP announced that Hewlett-Packard will be acquiring 3Com for $2.7 billion in cash. This was one of the biggest takeovers and acquisitions by technology giants.
2010 - Palm, Inc. and Hewlett-Packard announced that HP will be acquiring Palm for 1.2 billion in cash and debt.
MISSION, VISION, VALUES

VISION
“The business of ours has a future, it has a past of which we are all proud, but it has a future that will extend beyond your lifetime and mine.”  Thomas J. Watson Sr. (founder of IBM), 1926.

MISSION STATEMENT
At IBM we strive to lead in the invention, development and manufacture of the industry’s most advanced information technologies, including computer systems, software, storage systems and microelectronics. We translate these advanced technologies into value for our customer through our professional solutions, services and consulting business worldwide.

VALUES
dedication to every client’s success
innovation that matters – for our company and for the world
trust and personal responsibility in all relationships

STRATEGY
The main strategy of IBM is to deliver their high value added services (or software) to customers through their server product.
MISSION STATEMENT
Bridging the gap between business objectives and technical solutions to deliver better access to the information.

VISION
Differences to work across the world and diversity and inclusion will come from the conviction of every HP employee - making diversity and inclusion a conscious part of how we run our business throughout the world.

VALUES
Leadership, Customers satisfaction, Integrity quality, Good and motivated team, Customer satisfaction.

STRATEGY
Corporate Level: Global expansion
Business Level: Related diversification
Functional Level : Distribution
Business segments

IBM
- Services (Global Technology Services (GTS)),
- Global Business Services (GBS)
- Software
- Systems and Technology
- Global Financing

HP
- HP
- Enterprise Storage and Servers ("ESS"),
- HP ProCurve,
- HP Services ("HPS"),
- HP Software & Solutions,
- Personal Systems Group ("PSG"),
- Imaging and Printing Group ("IPG"),
- HP Financial Services ("HPFS"), and
- Corporate Investments.
<table>
<thead>
<tr>
<th></th>
<th>IBM</th>
<th>HP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>$97.757 billion</td>
<td>$114,552 billion</td>
</tr>
<tr>
<td>Operating income</td>
<td>$17.012 billion</td>
<td>$10,136 billion</td>
</tr>
<tr>
<td>Net income</td>
<td>$13.425 billion</td>
<td>$9.415 billion</td>
</tr>
<tr>
<td>Revenue growth (comparing with 2008)</td>
<td>(7.6%)</td>
<td>(3.2%)</td>
</tr>
<tr>
<td>Stock value</td>
<td>83,89</td>
<td>34,72</td>
</tr>
<tr>
<td>Total assets</td>
<td>$109.023 billion</td>
<td>$114.799 billion</td>
</tr>
<tr>
<td>Total equity</td>
<td>$22.637 billion</td>
<td>$38.942 billion</td>
</tr>
<tr>
<td>Employees</td>
<td>399.409</td>
<td>325.000</td>
</tr>
<tr>
<td>--------------</td>
<td>-----------------</td>
<td>-------------------</td>
</tr>
<tr>
<td>1.</td>
<td>Coca-Cola</td>
<td>68.734</td>
</tr>
<tr>
<td>2.</td>
<td>IBM</td>
<td>60.211</td>
</tr>
<tr>
<td>3.</td>
<td>Microsoft</td>
<td>56.647</td>
</tr>
<tr>
<td>11.</td>
<td>HP</td>
<td>24.096</td>
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</table>

<table>
<thead>
<tr>
<th>Rank</th>
<th>Company</th>
<th>Industry</th>
<th>Sales</th>
<th>Profit</th>
<th>Assets</th>
<th>Market Value</th>
</tr>
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<tbody>
<tr>
<td>28</td>
<td>IBM</td>
<td>Software and services</td>
<td>103.63</td>
<td>12.34</td>
<td>109.53</td>
<td>123.47</td>
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<tr>
<td>36</td>
<td>HP</td>
<td>Technology hardware and equipment</td>
<td>118.70</td>
<td>8.05</td>
<td>109.63</td>
<td>69.57</td>
</tr>
</tbody>
</table>
## SUCCESS FACTORS

<table>
<thead>
<tr>
<th>Success Factors</th>
<th>Weight</th>
<th>Rating</th>
<th>Score</th>
<th>Rating</th>
<th>Score</th>
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</thead>
<tbody>
<tr>
<td>Quality</td>
<td>0.13</td>
<td>3</td>
<td>0.39</td>
<td>3</td>
<td>0.39</td>
</tr>
<tr>
<td>Financial Position</td>
<td>0.15</td>
<td>2</td>
<td>0.30</td>
<td>3</td>
<td>0.45</td>
</tr>
<tr>
<td>Market Share</td>
<td>0.16</td>
<td>3</td>
<td>0.48</td>
<td>4</td>
<td>0.64</td>
</tr>
<tr>
<td>Technology/innovation</td>
<td>0.12</td>
<td>3</td>
<td>0.36</td>
<td>4</td>
<td>0.48</td>
</tr>
<tr>
<td>Global Market</td>
<td>0.10</td>
<td>3</td>
<td>0.30</td>
<td>4</td>
<td>0.40</td>
</tr>
<tr>
<td>Price Competitiveness</td>
<td>0.10</td>
<td>2</td>
<td>0.20</td>
<td>2</td>
<td>0.20</td>
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<tr>
<td>R&amp;D</td>
<td>0.14</td>
<td>3</td>
<td>0.42</td>
<td>4</td>
<td>0.56</td>
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<tr>
<td>Customer Loyalty</td>
<td>0.10</td>
<td>3</td>
<td>0.30</td>
<td>3</td>
<td>0.30</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1.00</td>
<td>2.75</td>
<td>3.42</td>
<td></td>
<td></td>
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</tbody>
</table>
COMPARATION ON KEY ISSUES

Quality
Financial Position
Market Share
Technology/innovation
Global Market

HP - ▲
IBM - ○
COMPETITIVE POSITIONING

IBM

HP

Scope of business

Hardware

Software

Core product

Product portfolio

Total solutions and services
| **STRENGTHS** | Advanced business performance management  |
|              | good organisational structure          |
|              | strategic outsourcing, mergers and acquisitions |
|              | high efficient fulfilment centre         |
|              | flexible marketing management           |
|              | creative services                        |
|              | Strong brand equity                     |
|              | Total solutions provider                |
|              | Diversified product portfolio           |
|              | Solid market position in key segments   |
|              | Strong financial position               |

| **WEAKNESSES** | High costs in the value chain |
|               | possible acquisition issues       |
|               | Price is high in China as compared to other |
|               | Product line management problems  |

| **OPPORTUNITIES** | Strong and stable economic market context   |
|                   | sophisticated service market              |
|                   | high individual consumption power         |
|                   | matured internet market                    |
|                   | high level of entry barrier to the server market |
|                   | wireless applications                      |
|                   | Emerging markets, particularly BRIC countries |
|                   | Imaging and printing businesses          |
|                   | e-Commerce expansion                      |
|                   | Diversification Related/Unrelated        |

| **THREATS**       | Customers have low switching costs       |
|                   | IBM has high switching costs on the core hardware |
|                   | High threat of substitutes                |
|                   | Apple computers (Macs) significant growth in overall PC shipments |
|                   | Dell direct-sale marketing               |
|                   | Intense competition from other PC manufacturers |
|                   | Slowdown in economic conditions in US, Europe |
CUSTOMER NEEDS AND RESPONSE TO THEM

Different groups of IT products for home and business use

Accessories for hardware products

Developed for professional and expert use

Focus on initiatives critical to business success

Solutions for management, security and more

NEEDS OF CUSTOMERS
OPPORTUNITIES AND THREATS TODAY

- New standards set by competition (Apple)
- High standards for multimedia content
- Economic crisis
- "Information is power"
- Demand for higher efficiency
- E-business
- Competitor's low-price products
- Environmental awareness (less printing and demand for cartridges)
- Being "on line" as a lifestyle
- Competition in software field
Both companies are aggressive in acquisitions.

Number of acquisitions in last years:

HP – acquisitions in the fields of:
- hardware,
- software,
- Services
- mobile devices

IBM – acquisitions in the fields of:
- databases, data, storage, servers technology
- statistics, analytics, optimisation, business intelligence software
- Software
- consulting
- networks
MAIN ACQUISITION FIELDS - IBM

- FileNet: An IBM Company, Content manager
- Cognos: Business Intelligence
- mro Software: Asset management
- DataMirror: Change Management
- ILOG: BRMS, optimization, visualization and supply chain solutions
- Lombardi: Business Process Management
- Informix Software: Online transaction processing
- SPSS: Statistical analysis software
- E-mail client
- Sequent Computer Systems: Multiprocessing Computer Systems
- Telelogic: Software development tools
MAIN BRANDS - HP

- Snapfish: web-based photo sharing and photo printing service
- VooDoo: high performance computing division
- Mercury Interactive: application management software
- Compaq: personal computers
- 3COM: computer networking
- EDS: Information technology consulting
- Opsware Inc: Automation software
BRANDING

ONE STRONG BRAND

MANY INDEPENDENT BRANDS
POSSIBLE SCENARIOS AND FUTURE STEPS FOR IBM AND HP
After all the data gathered and presented in our case study, we must say that both companies showed remarkable results, but if we were to invest in one of them we would definitely choose the IBM, which showed slightly better results in some parts of our multi-level comparison.
LINKS:

www.ibm.com
www.hp.com
http://en.wikipedia.org/wiki/IBM
www.gartner.com
www.islandnet.com/~kpolsson/comphist
http://en.wikipedia.org/wiki/History_of_the_Internet
www.morningstar.com
www.compaq.net
www.networkworld.com
Medals for previous work for IBM and HP

THE END