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Value Creation

Analysis of Synergistic Effect of SoftBank Group's Acquisition of ARM

Module | Strategic Change and Organizations LCDB7005

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1 Introduction to topic

On July 18, 2016, SoftBank Group Corp. (“SoftBank Group”) announced the acquisition of ARM Holdings plc (“ARM”) for about GBP 24.3 billion (SoftBank Group, 2016b), which was 71 times the ARM's 2015 net income (after-tax profit of 340 million pounds), a 43% premium over ARM's market value in the previous trading day (Huo, 2017). This acquisition was the largest one in acquiring the European technology companies, and it was also the one of the most important acquisitions of SoftBank, expecting ARM to be a key point of its development in the future. Most of the industry insiders considered that the acquisition was a far-sighted investment of SoftBank Group, aimed at the upcoming Internet of Things (“IoT”) era in the next five years (Wang, 2016). While, some people argued the reason of this acquisition was that Masayoshi Son wanted a leading company and ARM had good growth potential (Junko Yoshida, 2016).

In my opinion, this acquisition is successful, because that it is in line with the overall strategy of SoftBank Group, and both SoftBank Group and ARM get the synergistic effect in post-acquisition. The motives of SoftBank Group and the changes of these two parties is to be discussed in the following sections.

2 SoftBank Group Corp.

SoftBank Group Corp., as an operator of communication networks, was founded in September 1981 by Masayoshi Son. During the over 30 years' development, the SoftBank Group has invested in more than 800 companies throughout the world, mainly

focusing on Internet enterprises. On the basis of its corporate philosophy of “Information Revolution–Happiness for everyone”, SoftBank Group strives to constructing a healthy Internet society for future generations. As SoftBank Group considers that Singularity will change everyone significantly in the near future, it has laid out in IoT to prepare for this and want to meet the need of people throughout the world in the Information Revolution(SoftBank Group, 2019b).

Figure 1 Corporate Philosophy, Vision and Values of SoftBank Group

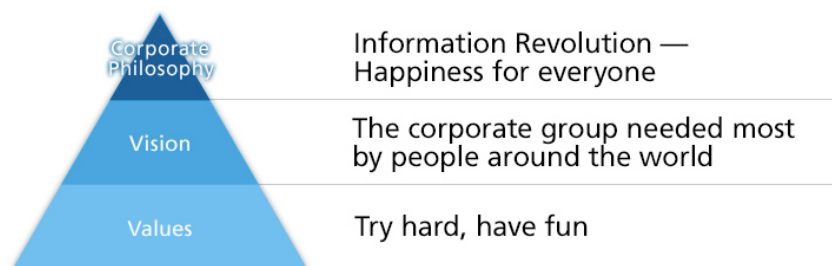
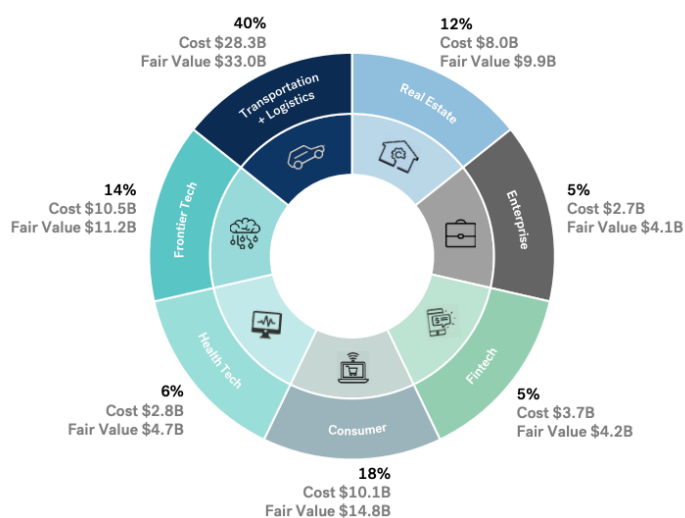


Figure 2 Portfolio Composition of SoftBank Group



2.1 Overall strategy of SoftBank Group - Focus and No.1

Given that the purpose is to maintain growth over the next 300 years, SoftBank Group strives for long-term development by corporation with these outstanding IT companies.(SoftBank Group, 2019g). Therefore, the overall strategy of the SoftBank

Group can be concluded into two words, that are focus and No.1. Focus refers to all the investment concentrated on the information industry. Masayoshi Son has invested in more than 800 Internet companies, making him the world's biggest venture capitalist in Internet industry. The success of these companies such as Yahoo and Alibaba due to the financial support from the SoftBank Group, which has also received a considerable profit return from these investments.

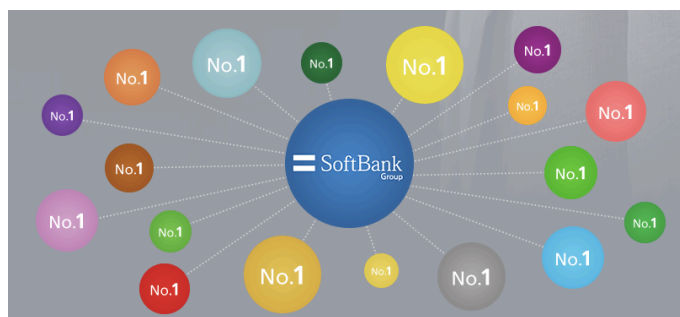
Table 1 Major investment in information industry

Sector	Name of companies	Region	Voting rights(%)	Year	Capital (dollar)
Telecommunication	Vodafone	UK	100	2006	15 billion
	Sprint	US	79.5	2013	21.6 billion
E- commerce	Alibaba	China	28	200	20 million
	Snapdeal	India	--	2014	627 million
Internet media	Yahoo! Japan	Japan	43	1996	72 million
	Acfun	China	--	2016	60 million
	PPLive	China	--	2011	250 million
Internet recreation	GungHo	Japan	41	1999	--
	Supercell	Finland	51	2013	1.5 billion
Robot	Aldebaran	France	60	2012	1 billion

No.1 means that all companies acquired by SoftBank Group are leading in their fields.

Masayoshi Son considers that the value of company comes from its customers' needs, no matter how small the field is.

Figure 3 SoftBank Group's Cluster of No.1 Strategy



2.2 Ecosystem of SoftBank Group

The SoftBank Group is an innovator based on internet, operating sector-leading enterprises in various industries. Its businesses cover a wide range of countries and regions, such as China, United States, United Kingdom, India, Netherland and etc., providing services for customers around the world. Since its founding, SoftBank Group has been seeking for achievement the well-being of people and the whole society through Information Revolution (SoftBank Group, 2019b). SoftBank Group always contributes to the happiness and joy of customers, and to the future of the world, rather than just seeking for profit. This vision drives SoftBank Group to continuously make progress(SoftBank Group, 2019g). SoftBank Group is now engaged in various segments of the information industry, including SoftBank Vision Fund and Delta Fund, SoftBank, Sprint, Arm and Brightstar segments(SoftBank Group, 2019d).

Table 2 Major Subsidiaries and Associates of SoftBank Group

Company name	Voting rights (%)	Main businesses
Domestic Telecommunications Segment		
SoftBank Corp.	99.99	Provision of mobile communications services; sale of mobile devices; provision of broadband services to retail customers; provision of telecom services to corporate customers, such as data communications and fixed-line telephone services in Japan
Wireless City Planning Inc.	32.2	Planning and provision of mobile broadband services
SoftBank Payment Service Corp.	100	Settlement services; card services and related services
Sprint Segment		
Sprint Corporation	84.7	Holding company
Sprint Communications, Inc.	100	Provision of mobile communications services; sale and lease of mobile devices; sale of accessories; provision of fixed-line telecommunications services in the U.S.
Yahoo Japan Segment		
Yahoo Japan Corporation	43.0	Internet advertising; e-commerce business; membership services
ValueCommerce Co., Ltd.	52.1	Affiliate advertising marketing service; StoreMatch online advertising distribution service
ASKUL Corporation	45.2	Mail-order sale of stationery and services
eBOOK Initiative Japan Co., Ltd.	44.1	E-book distribution
The Japan Net Bank, Limited	41.2	Banking business
Distribution Segment		
Brightstar Global Group Inc.	87.1	Holding company
Brightstar Corp.	100	Distribution of mobile devices overseas
SoftBank Commerce & Service Corp.	100	Manufacture, distribution, and sale of ICT-related products and ICT-related services
Arm Segment		
Arm Limited	100	Design of microprocessor intellectual property and related technology; sale of software tools
Arm PIPD Holdings One, LLC	100	Holding company
Arm PIPD Holdings Two, LLC	100	Holding company
SoftBank Vision Fund and Delta Fund Segment		
SB Investment Advisers (UK) Limited	100	Management company of SoftBank Vision Fund and Delta Fund
Company-wide (in common)		
SoftBank Group International GK	100	Holding company
SoftBank Group Capital Limited	100	Holding company
SB Group US, Inc.	100	Holding company

3 Arm Holdings

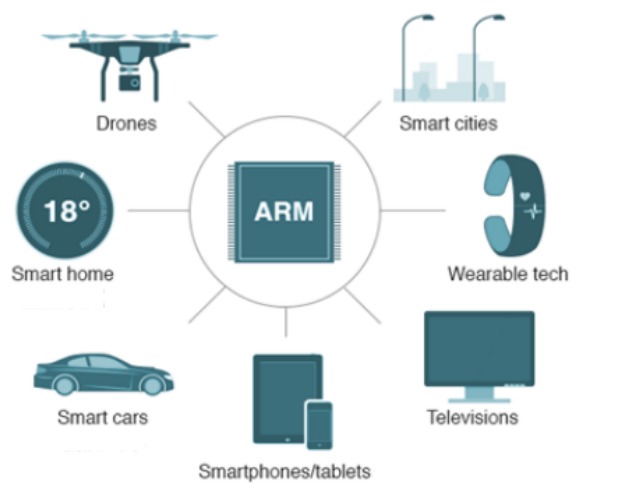
Founded in 1978 in Cambridge, England, ARM is the world's leading semiconductor IP company whose technology is everywhere. By now, ARM-designed processors account for more than 95% of smartphones sold worldwide each year (Arm Ltd, 2019b).

ARM technology can also be found in many other devices from digital TVs to automotive systems, to smart sensors and to data centers running cloud computing (Arm Ltd, 2019f).

- World's leading semiconductor IP company

- Arm technologies reach 70% of the global population
- More than 6,000 employees from 61 nationalities
- More than 130+ billion Arm-based chips shipped to date
- An ecosystem of more than 1,000 partners

Figure 4 Businesses of ARM



3.1 Development path

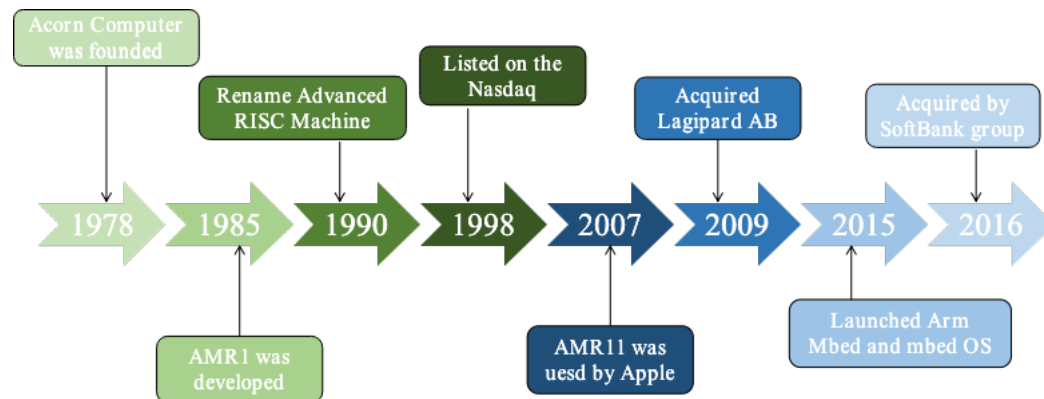
ARM, formerly known as Acorn RISC Machine, developed the world's first commercial RISC processor in 1985. In 1990, Acorn, Apple and VLSI Technologies jointly funded the creation of ARM. With the official launch of the collaboration, Acorn RISC Machine officially renamed Advanced RISC Machine. In 1997, ARM launched its landmark product ARM9, which marked the official entry of ARM into the field of microprocessors. In 1998, ARM was listed on the Nasdaq with price of £5.75 per share, and at that time the market value of ARM was totally £264 million. In 2009, ARM released the Cortex-M0, a compact 32-bit processor with small size and low energy consumption, which attracted many manufacturers worldwide. In 2015, Mbed OS was launched to lay out the IoT(Arm Ltd, 2019e). In September 2016, ARM was acquired by SoftBank Group and become a subsidiary of SoftBank Group. ARM's operations

are independent from the rest of the SoftBank Group, although ARM currently collaborate closely with other subsidiaries.

Figure 5 History of ARM



Figure 6 Great events during the development of ARM

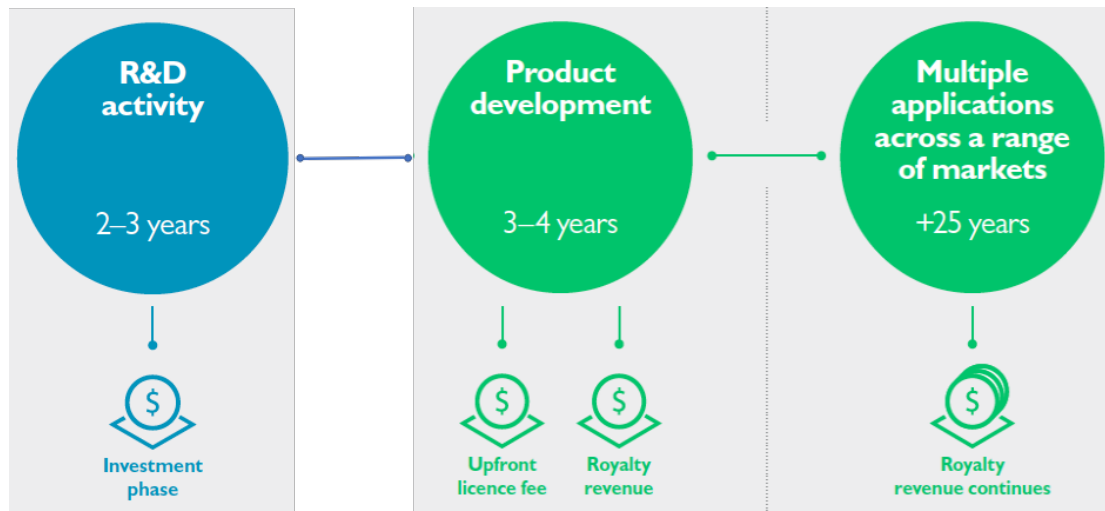


3.2 Business model

ARM has an innovative business model that licenses its technology to customers, which are the primarily leading semiconductor companies. In order to obtain the technical design of ARM, each licensee is required to pay an upfront fee. Then the customers make smart, energy-efficient chips based on ARM's design combining with their own technology. Every chip sold by ARM using its technology is patented and profit from the royalty on the basis of chip's price. The designs of ARM are suited to terminal applications broadly and can be repeated applied in distinct chip families to meet the

multiple needs. Moreover, every new chip family created by ARM will come out new royalties. Therefore, ARM's design can be applied in multiple applications across a range of markets and the revenue can continue over 25 years (ARM Holdings, 2015b).

Figure 7 Business model of ARM



Although ARM's full-year revenue in 2015 was just \$1.489 billion, about 3% of Intel's (ARM Holdings, 2015a), it has been still standing at the upstream of the semiconductor industry chain. In 2015, ARM-based application processors, which were applied in mobile devices, such as smartphones, tablets and laptops, was accounted for approximately 85 percent market share. During the period from 2011 to 2015, mobile devices market grew by 30 percent annually. Experts predict that by 2020, it will achieve about 7 percent annual growth. Although the growth rate is not the highest one, the mobile computing obtains a faster growth in semiconductor industry, which will make ARM benefiting continuously.

Figure 8 Total market share for mobile applications of ARM

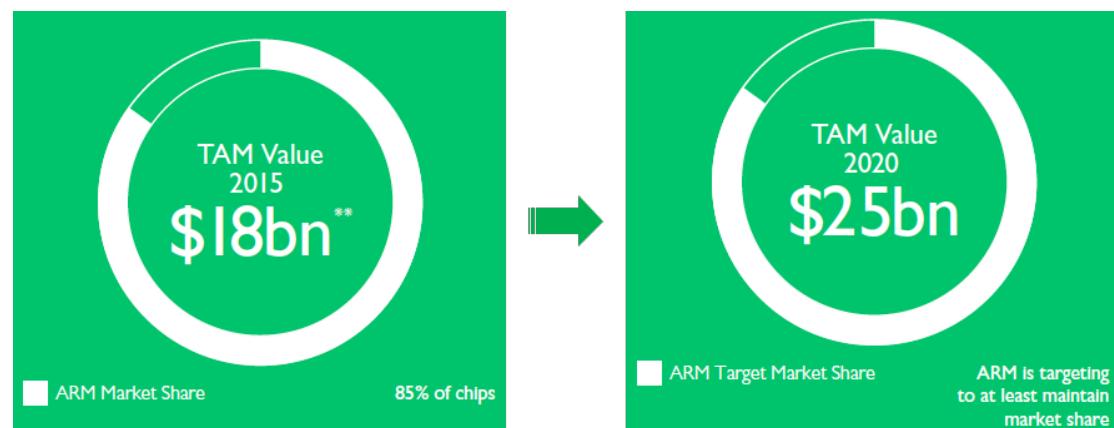
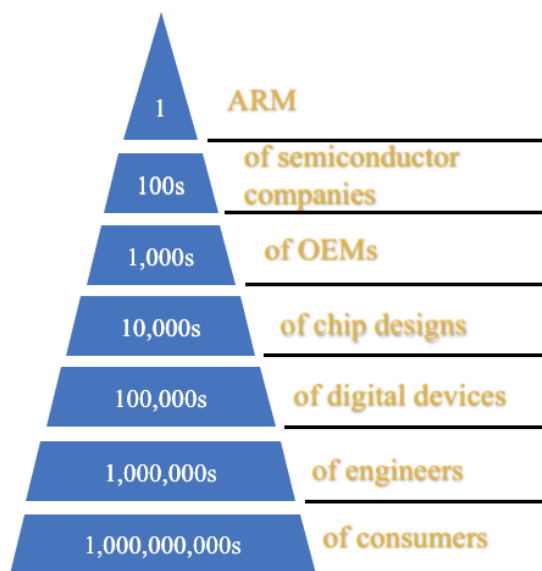


Figure 9 ARM's communities of partners



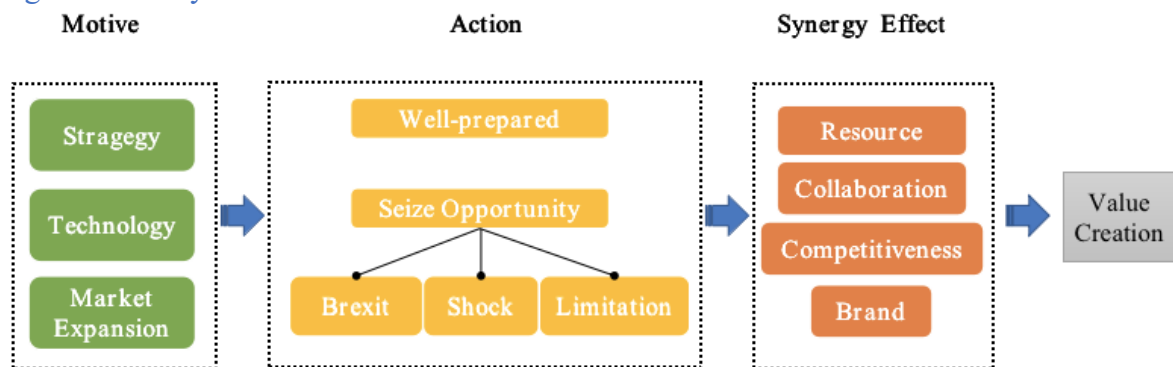
4 Acquisition

4.1 Concept of synergy and analytical framework

The concept of synergy was originally introduced by Igor Ansoff in 1965 from the science. In His book, Corporate Strategy is unique, he provides a well-organized, analytically sensible approach that enabled organizations to consider their strategies in a formal way (Hussey, 1999). T Ansoff considers that the production factors, business units and environmental conditions can be effectively allocated, and the synergistic

effect can be achieved through rational selling, operating, investing and managing. And then, the existing advantages of companies can be fully used, and the new development space can be explored (Ansoff and McDonnell, 1988). In the acquisition, synergy means that the overall benefit of the company post-acquisition is greater than the effect of the independent operation of the parties before acquisition, achieving economies of scale and scope through the collaborating, sharing of operations and resources(Chen, 2002).

Figure 10 Analytical framework



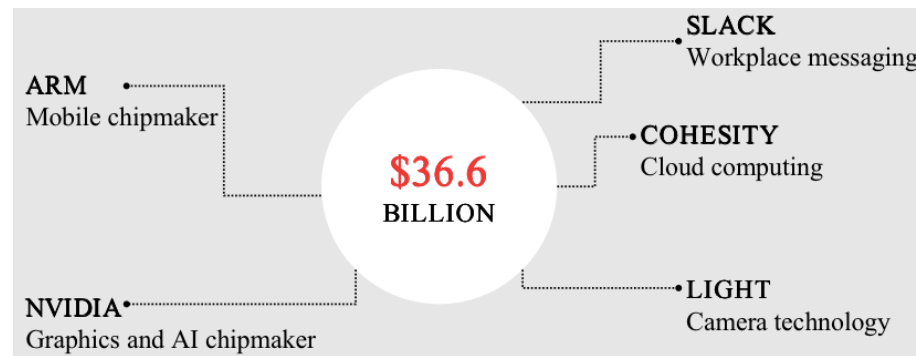
4.2 In line with the overall strategy

4.2.1 Building strategic synergy group

The purpose of SoftBank Group is to expand its Group companies which share the same vision to 5,000 in 30 years through building strategic synergy group which can make self-evolution and self-multiplication(SoftBank Group, 2019g). In order to achieve the goal, SoftBank Group strives to establish cooperation with the most outstanding IT enterprises for long term. Throughout the history of the SoftBank Group, there are four phases of development, and the fourth one is on the basis of the belief the symbiosis of humans and computers well lead to happiness for everyone. Given this belief, acquiring

ARM is the most significant step in the layout of future with the goal of entering the field of IoT and AI, hoping SoftBank Group to keep growing for the next 300 years (SoftBank Group, 2019e).

Figure 11 Key investments for the Future



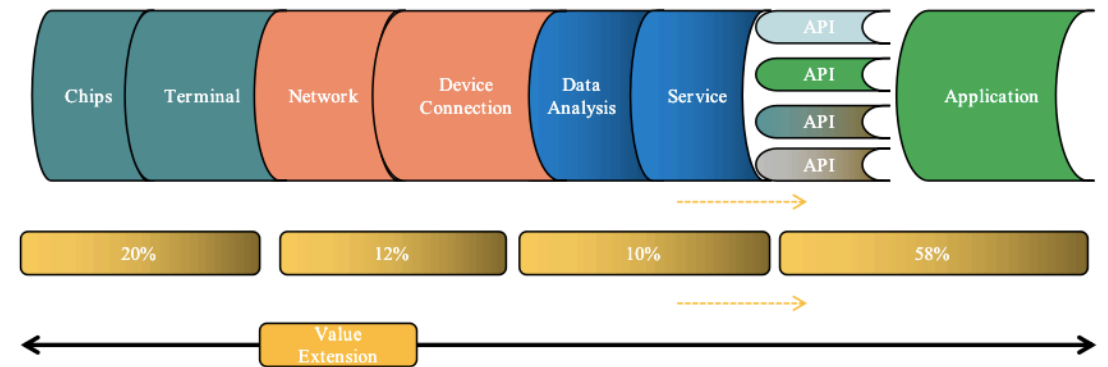
4.2.2 Aim at IoT

The concept of IoT was originated from America. It is a notion of network, through the Internet domain name to link all projects for information interchange and communication, to achieve intelligent identifying, positioning, tracing, etc. The official definition of IoT refers to the process of communicating between objects that unable to exchange in a natural position, which is based on the Internet. (Fireworks Daily, 2018). Since the official launch of the "Internet of Things" concept in 2005, it has been regarded as the third wave of the world information industry after computer, the Internet and mobile communication networks.

The industrial chain of IoT is relatively long, including hardware manufacturers that provide chip modules and terminals; network operators that provide device connections and network connections; Internet companies that provide platform services, big data

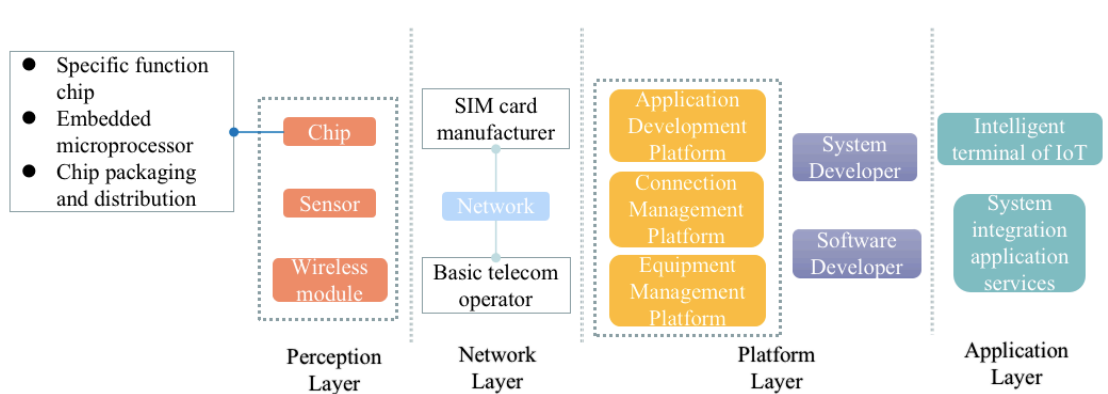
services, solutions and business applications, etc(West China Metropolis Daily, 2019).

Figure 12 The industrial chain of IoT



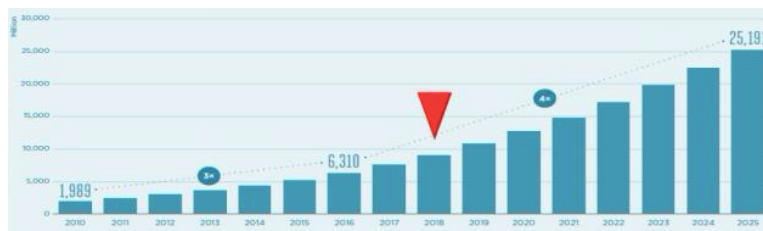
IoT involves multiple areas, including sensors, communications, Internet, software, cloud computing, big data, artificial intelligence, etc.

Figure 13 The related field of IoT



Since 2009, these fields have interacted and continuously achieved technological breakthroughs. At the end of 2018, the IoT technology was relatively mature and entered the popularization period. In 2019, the application of the IoT was being widely popularized in some leading industries. The period 2017 to 2018 was considered to be the turning point of the rapid development of the IoT throughout the world. In 2019, the number of global connections exceeded 12 billion. According to IDC statistics, the global market of IoT will grow to 1.7 trillion US dollars by 2020(Xu, 2019). It can be seen that the IoT has given birth to enormous social and economic benefits, and therefore, it is welcomed by the whole society.

Figure 14 Global IoT connections, 2010-2025



Masayoshi Son, a technology-born person, has seen in infinite potential of the IoT. He considers that the IoT, which makes all products intelligent and networked, will ignite the next technological explosion(Huayan Data, 2019). Just like the Cambrian explosion, which occurred in the history of the evolution of the Earth, created countless new species. IoT are prompting the arrival of Singularity, which refers to the point where computers exceed human intelligence. It will be happened in the next 30 years and on that day, the number of connected IoT devices will reach 1 trillion(Son, 2017).

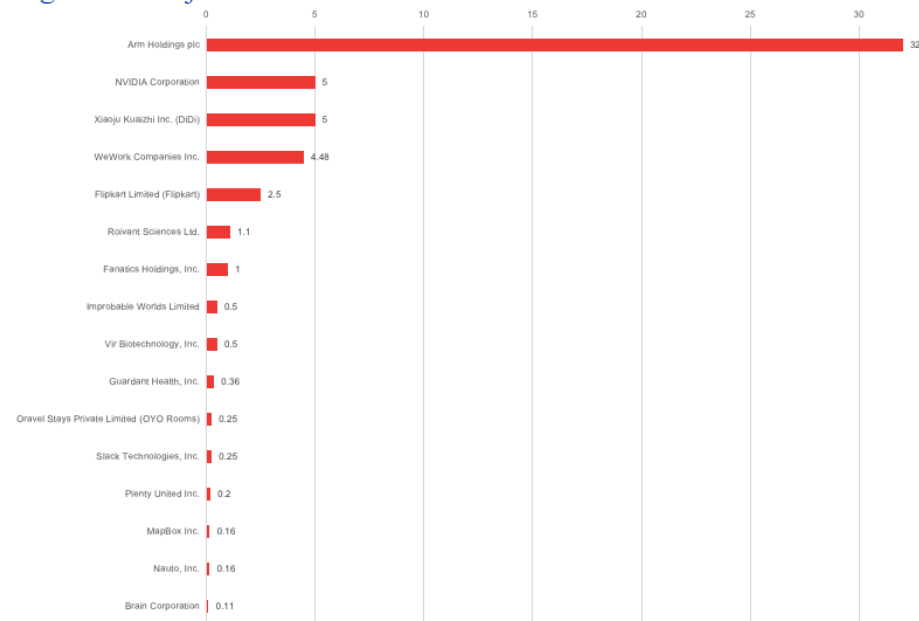
Figure 15 IoT in the next 30 years from the perspective of Masayoshi Son



In view of the ongoing vision and belief in the next phase of the information revolution, SoftBank Vision Fund and Delta Fund segment have been created. SoftBank Vision Fund engages actively in a wide range of technical fields, focusing on IoT and AI, investing in the basic platform business that seeks to open the next innovation era, and

discovering innovative technologies and entrepreneurs that will lead the future.(SoftBank Vision Fund, 2019). The capital of SoftBank Vision Fund reaches 100 billion US dollars, exceeding the total of all venture capital in the world (65 billion US dollars)(Son, 2017).

Figure 16 Major investments of the SoftBank Vision Fund



4.2.3 Layout of the IoT with chips

The environment around companies is dynamic and changeable(Johnson, Scholes and Whittington, 2005). When a company seeks to develop, its competitors are also doing the same things. Therefore, it is crucial for a company to catch an advantageous position before any others. However, there are a variety of obstacles to entering a new industry.

Competitors in IoT

The data shows that IoT market is predicted to develop at 16.9% per year and the global IoT market will grow to \$1.7 trillion by 2020(Caogen Guancha, 2018). Therefore,

technology giants are competing for layout of IoT.

Figure 17 World-renowned IoT companies



With the giants entering the market and deep integration between the upstream and downstream industrial chains, the process of IoT is expected to accelerate significantly, and the industrial space will also be greatly expanded. Given the purpose of the SoftBank Group to seize the opportunity of development in the era of IoT, the acquisition of ARM investing chip field is a good choice. Some experts predict that the professional device chip will be the most likely field of rapid emergence in the IoT era. Once the IoT process in related industries is accelerated, the demand for professional device chips will increase substantially and the prospects of ARM will be broad (Alonliu, 2019). Masayoshi Son believes that all the things will be connected to each other in the future, and super intelligence will link to cloud and enter the fields of automatic driving, health care, customer service, etc. The world is on the way of designing, developing, and connecting with one trillion intelligent devices over the next three decades. In the blueprint of Son, 99% of the chips in smartphones and 80% of the chips applied in the IoT within 30 years will come from ARM. (Jiang, 2017).

IoT (Internet of Things)

1trillion

100 things per person (2035)

2 devices per person (2010)

Population

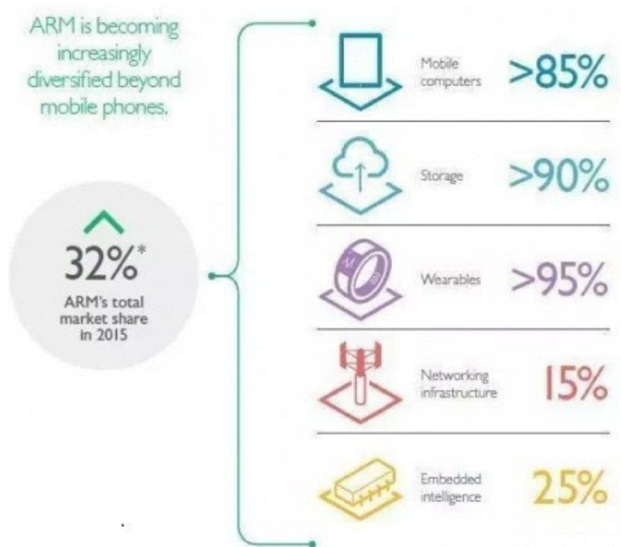
13bn
7bn
50bn
10bn

2010 2020 2035

Source: Created by Software Corp. Based on data by Cisco IBSG, 2015

Due to the business model, the revenue and valuation of ARM is significant less than that of Intel. Despite the downturn in PC market, intel's revenue still reached 51.69 billion dollars in 2015, while ARM's annual revenue was only 14.89 billion dollars, only 3% of Intel's revenue. However, as a matter of fact, ARM, which is based on technological innovation and technology licensing, has been standing at the upstream of the semiconductor industrial chain. ARM has sold more than 800 processor licenses to more than 250 companies worldwide, and the ARM architecture is used in 85% of mobile computers, 90% of storage, 95% of wearables, 15% networking infrastructure, and 25% of embedded intelligence(Chen, 2016). ARM has sold more than 20 billion ARM-based chips before the acquisition.

Figure 19 Market share of ARM



4.3 The right time for acquisition

4.3.1 Ten years of research

Vodafone K.K.(UK) and Sprint Nextel Corporation (U.S.) were acquired by SoftBank Group in 2006 with 1.75 trillion yen and 2012 with 1.8 trillion yen separately(SoftBank Group, 2019c), as a result that SoftBank Group entered the mobile and communication industry. Since then, Masayoshi Son has been looking for a big investment project that could keep the company profitable and stable for next decades. Therefore, Mr. Son found that there were profitable semiconductor components companies in the upstream of mobile phone industry, and then was the semiconductor design enterprises. After 10 years of search and observation, UK-based ARM was to be thought the best option to invest the future.

4.3.2 Seize the opportunity

Brexit

Just a few weeks before SoftBank Group announced its acquisition, UK launched the vote for whether withdrawal from the EU. Due to the Brexit, the pound has depreciated sharply. In 2015, the exchange rate of the pound against the yen fell by nearly 30%. Although ARM's share price did not fluctuate substantially, and the acquisition was priced in U.S. dollars. SoftBank Group promised to ensure that the number of jobs created by ARM in the UK will double in the next five years and develop this British company into a global company, which is a big temptation for the UK government(Sina IT, 2016). Furthermore, the acquisition was the largest investment in European technology company in history, which represented that UK has not lost its appeal to international investors. Moreover, the acquisition also showed the UK government's openness to business and ambition that the economy of UK would be expected to succeed after Brexit(EU times.com, 2016).

Shock from RISC-V

RISC-V, founded in 2015, is a free and open instruction set architecture (ISA). The purpose of RISC-V is to deliver freedom, extensible software and hardware of architecture at a new level, hoping to provide the computing design and innovation for the next 50 years (RISC-V, 2015). Therefore, users can customize them without having to pay an upfront fee. Compared with RISC-V, ARM is not flexible enough and the contracts are becoming more complex. Under the cost and time pressure, no one is willing to spend months negotiating on IP licensing. In the long term, RISC-V has already brought a shock to ARM(Dahad, 2019).

Limitation of ARM

According to Strategy Analytics (SA), the global smartphone shipments fell by 3% in the first quarter of 2016, from 345 million in the same period in 2015 to 334.6 million. Since the birth of modern smartphones in 1996, global shipments shrank year-on-year for the first time in this quarter. After nearly 10 years of rapid growth, the smartphone market has ushered in a turning point, as most people already own mobile phones or tablets. This trend is not good news for all chip makers, and of course, ARM revenue was also reduced. At this point, faced with SoftBank's \$32 billion (43% premium) offer, considered that ARM's revenue in 2015 did not exceed \$1 billion, the acquisition was warmly welcomed by shareholders of ARM(Chen, 2016).

4.4 Obtain Synergy effect

4.4.1 Ambition of formulating rule of IoT

Operational synergy refers to the achievement of economic integration through mergers and acquisitions and the formation of complementary business, thus production efficiency is significant improved, as well as economic benefits (Gupta and Gerchak, 2002).

Before the heavyweight applications of the IoT are generated, the dominant field is the software industry and while, its downstream, including application platforms, protocols, and hardware, requires for the support from chips. ARM is the standard manufacturer of chips. Therefore, for SoftBank Group, the acquisition of ARM is to get the "rules of

the game" in the future(IoT Think Tank, 2017). At the same time, the purpose of building a synergy group which could keep increasing in the next 300 years is expected to achieved through cooperating with the leading companies in the information industry(SoftBank Group, 2019g). Although ARM is the leader in the chip market, due to the business model, arm is only an IP manufacturer, selling IP licensing, and cannot get closer to the huge market than others like Apple, Samsung and Qualcomm. Therefore, it is vulnerable in today's mobile devices market. However, after being acquired by SoftBank Group, ARM, with the support of SoftBank Vision Fund, can invest more capital for R&D to achieve its goal(Han, 2017).

4.4.2 Collaborating across SoftBank Group

The demand for resource integration after the acquisition is primarily limited by the acquisition objectives. The main purpose of the post-acquisition integration operations is to take more effective advantage of current capability(Datta, 1991).

Since its establishment in 1981, SoftBank Group has invested in more than 600 companies worldwide and holds majority shares in more than 300 IT companies around the world. It has built a huge ecosystem with capital as a link, covering information technology, energy, media, publishing, medical, etc. As same as SoftBank Group, the success of ARM, in addition to its business model and product technology advantages, also lies in the construction of the industrial ecology. Its partners include chips, algorithms, protocols, operating systems, middleware, application software, whole

machine and other industrial enterprises(Lang Rui Zhi Ke, 2018). As ARM expects to expand in the areas of artificial intelligence, energy-efficient servers, next-generation telecommunications equipment, and IoT, its industrial ecology is more extensive and more difficult to construct. After this acquisition, ARM increased collaboration with many other technology companies across the SoftBank Group, which resulted in some important innovations, such as Sprint announcing its working with Cavium (an Arm licensee) to develop new networking technology(SoftBank Group, 2019a). Therefore, the value of Group will be enhanced through these collaborations(Liu, 2016).

4.4.3 Improvement of competitiveness

The acquisition can be performed in ways contributing to a company's competitiveness(Holsapple, Jones and Leonard, 2015). This means that competitiveness can be achieved through acquisition of a company(Holsapple and Singh, 2001).

In the "SoftBank's Next 30-year Vision" released in 2010(SoftBank Group, 2010), the core concept of the SoftBank group is to better serve users by Cloud Computing and Big Data. In the development of Cloud Computing and Big Data, the SoftBank Group actively invested in this field, trying to link its assets to cloud. As ARM has touched the ceiling in the field of mobile intelligent terminals, it has started Cloud technology program since 2010, and has successively released 64-bit core architectures such as A57 and A72. However, no substantial breakthrough has been made. But ARM can be

supported by operators and Internet companies in SoftBank Group after this acquisition, which will greatly promote the application of ARM architecture chips in the Cloud Computing and Big Data market. And competitiveness of Cloud technology of the SoftBank Group will also be enhanced from it.

4.4.4 ARM as an attraction of the foundation of Vision Fund

In order to attract the Mubadala Development Company(IoT Think Tank, 2017), the SoftBank Group sold 25% of ARM's share to the Vision Fund in 2017. Mubadala Development Company, founded in 2002, is an investment and development company wholly owned by the Emirate of Abu Dhabi. It is also one of the major investment sectors of the UAE government. The SoftBank Vision Fund was launched in October 2017 and the Mubadala Development Company was one of its important shareholders(SoftBank Group, 2019f). The objective of this fund is to become the largest investor in the tech industry over the next decade, which is expected to invest 20 billion dollars a year over five years. Since its establishment, it has entered the field of IoT with high-profile, and has carried out a series of large-scale investments. The SoftBank Vision Fund is centered on data, covering the field from the ARM (Sensing Layer) to the operators and satellite companies (Network Layer), and to the various startups (Application Layer), gradually investing in every aspect of IoT, including robots and AI.

Figure 20 Outline of the SoftBank Vision Fund and Delta Fund Segment

	SoftBank Vision Fund	Delta Fund
Major limited partnerships	SoftBank Vision Fund L.P.	SB Delta Fund (Jersey) L.P.
Total committed capital	\$91.7 billion	\$6.0 billion
	SoftBank Group Corp.: \$28.1 billion	SoftBank Group Corp.: \$4.4 billion
	Third-party investors: \$63.6 billion	Third-party investors: \$1.6 billion
Limited partners	SoftBank Group Corp. Public Investment Fund Mubadala Investment Company Apple Foxconn Technology Group Qualcomm Incorporated Sharp Corporation	SoftBank Group Corp. Mubadala Investment Company
Investment period	Five years from final closing (in principle)	
Minimum fund life	12 years from the final closing	

5 Changes of two parties

5.1 McKinsey 7S model

McKinsey 7S model was created in 1980s by McKinsey consultants Tom Peters and Robert Waterman. From then on, the model has been broadly applied by academia and practitioners and become one of the most popular business model to understanding the organizational change and strategy implementation (Ravanfar, 2015). McKinsey's 7S framework is used for analysis of an organization and its effective force (Singh, 2013). It emphasizes the sever elements of organization, including structure, strategy, systems, skills, style, staff and shared values(Alshaher, 2013).

Table 3 The changes of two companies

Dimension	Definition	Arm Ltd	SoftBank group
Strategy	Actions a company plans in response to changes in its external environment	Pelion IoT Platform	SoftBank Vision Fund
Structure	Basis of specialization and co-ordination influenced primarily by strategy, size, and diversity of organization	Board directors IoT Services Group	Segment Board directors
System	Formal and informal procedures that support the strategy and structure	No change	No change
Style	Consisting of two components as below: Organizational culture: the dominant values, beliefs, and norms which develop over time and become relatively enduring features of organizational life. Management style: more a matter of what managers do than what they say; how do company managers spend their time; what are they focusing on	Capital operation	No change
Staff	The people/human resource management-processes used to develop managers, socialization processes, and ways of introducing young recruits to the company	Number Region Type	No change
Skill	The distinctive competences- what the company does best	No change	No change
Shared value	Guiding concepts, fundamental ideas around which a business is built-must be simple, usually stated at abstract level, have great meaning inside the organization even though outsiders may not see or understand them	No change	No change

Adapted from Hanafizadeh and Ravasan (2011)

5.2 Change in Structure

ARM's old five-person board has been re-organized, with the SoftBank Group and ARM appointing three candidates separately. The new board included Masayoshi son and three others representatives of SBG, while Simon Segars (CEO), Graham Buddand(COO) and Mike Muller(CTO) represented ARM(Arm Ltd, 2019a). From the composition of board directors, the original management team of ARM can still control the company.

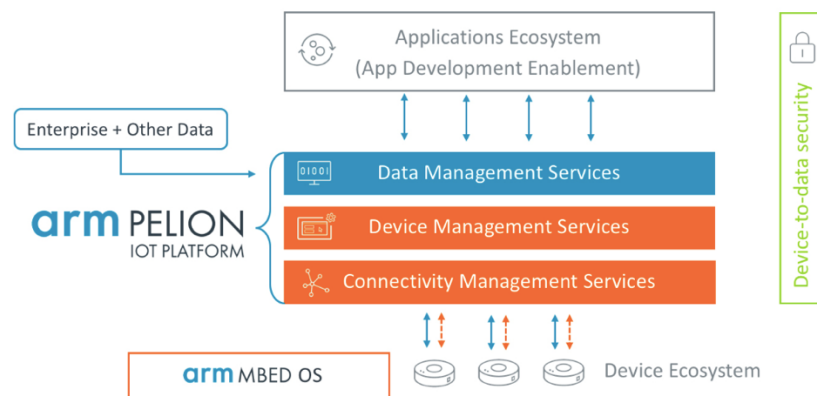
ARM has two main businesses by now. The one is IP Products Group (IPG) with existing IP products such as CPU, GPU, etc., which is the core business of ARM. Another is the IoT Services Group, which is a new business focused on MBED OS, providing services to securely connect and manage billions of new IoT devices(Arm Ltd, 2019d). After the acquisition, the new business rapidly expanding to seven times, with the support of Masayoshi Son, investing in new fields and technologies despite short-term budget pressure and social pressure(Wei, 2017).

ARM, as a holding company, is a segment of SBG(SoftBank Group, 2016a).In June 2017, ARM's CEO Simon Segars was appointment to the SoftBank Group Board of Directors, with the purpose to strengthen corporate governance and accelerate growth accelerate growth of ARM(Arm Ltd, 2017).

5.3 Change in Strategy

After the acquisition, ARM has received sufficient operating fund, so it is no longer limited in R&D investment and launches a longer-term technology development plan. It is currently working on the basis of ARM MBED Cloud to develop an IoT platform called “Pelion” , which is a secure and flexible foundation of IoT services for connectivity management, device management, and data management(Arm Ltd, 2019c). This new strategy means that ARM plans to move from the architecture designers in the mobile era to the founders of the future IoT world.

Figure 21 Pelion IoT Platform



While, after the acquisition, the SoftBank Group convinced Public Investment Fund, Mubadala Investment Company, Apple, Foxconn Technology Group, Qualcomm Incorporated and Sharp Corporation to develop the SoftBank Vision Fund together. The purpose of the fund is making extraordinary and massive investment to enable the next age of innovation.

Table 4 Major investees in different businesses

Investees				
	Company name	Businesses	Capital	Year
SoftBank Vision Fund	Arm Holdings plc	Semiconductor technology designer	\$32 billion	2016
	Brain Corporation	AI-based autonomous driving system developer	\$0.11 billion	2018
	Fanatics Holdings, Inc.	Online retailer of licensed sports merchandise	\$1 billion	2017
	Flipkart Limited (Flipkart)	e-commerce	\$2.5 billion	2017
	Guardant Health, Inc.	Cancer diagnosis through genomic analysis	\$0.36 billion	2017
	Improbable Worlds Limited	VR/AR development tools	\$0.5 billion	2017
	MapBox Inc.	Geographical information platform	\$0.16 billion	2017
	Nauto, Inc.	AI-based safe-driving support services	\$0.16 billion	2017
	NVIDIA Corporation	GPU developer	\$5 billion	2017
	Oravel Stays Private Limited (OYO Rooms)	Hotel booking site	\$0.25 billion	2019
	Plenty United Inc.	Indoor farm plant	\$0.2 billion	2017
	Roivant Sciences Ltd.	Biopharmaceutical drug developer	\$1.1 billion	2017
	Slack Technologies, Inc.	Business chat tool	\$0.25 billion	2018
	Vir Biotechnology, Inc.	Pharmaceutical drug development for infectious diseases using AI	\$0.5 billion	2017
	WeWork Companies Inc.	Co-working space services	\$4.48 billion	2017
Delta Fund	Xiaoju Kuaizhi Inc. (DiDi)	Ridesharing services	\$5 billion	2018

5.4 Change in Style

ARM is a British technology company; whose business model is to license technology

to a network of partners. ARM focused on innovative research and product service in the past, but now it has to make a change to get closer to the market, expanding its ecosystem due to downturn of mobile devices market. While, the SoftBank Group is a well-known Japanese company which famous for capital operation. In order to achieve vision that providing 1 trillion device networking in 2035, ARM completed the acquisition of Steam Technologies(eworld.com.cn, 2018a), which focuses on IoT connection management technology, and Treasure Data(eworld.com.cn, 2018b), which is the global leader in data management, in 2018, under the influence of SBG. The change of style reflects the determination of ARM to transfer into IoT.

5.5 Change in Staff

On the one hand, the number of ARM's employees has increased and ARM's IoT Services Group has grown seven times from a research team of about 30 people during the past three years after this acquisition. On the other hand, ARM will deploy engineers and HR teams closer to the terminal market, such as China and the United States(Yu, 2016), and plans to double figure of its UK team.

Table 5 The number of employees of ARM

Years	2015	2016	2017	2018
Total number of employees	4,064	4,852	5,886	5,987
Technical staff	3,262	3,960	4,812	4,858
Non-technical	802	892	1,074	1,129
Geographical breakdown				
UK	1,609	1,937	2,340	2,547
Rest of World	2,455	2,915	687	3,440

6 Conclusion

In this research, the ecosystem of SoftBank Group and ARM' business model is reviewed firstly, and then the synergy theory is used to analyze the motives, actions and effects of this acquisition. Finally, the changes of this two companies are investigated with McKinsey 7s model.

Based on the analysis above, I believe that this acquisition is a correct option both for SoftBank Group and ARM. From the perspective of motives, the acquisition of ARM is in line with SoftBank Group's overall strategy to build a strategic synergy group, and to layout the IoT by taking full use of ARM's leadership in the chip market and technical advantages. In terms of action, the acquisition is well prepared. SoftBank Group has conducted many years of investigations on the ARM which is to be thought great potential. Furthermore, it is the right time to acquire ARM as that British government expects to prove that the Brexit has no impact on the British economy. When it comes to the effect, the synergy is generated from this acquisition. On the one hand, ARM obtains the financial support from this acquisition, and it is beneficial to resisting the shock of RISK-V, and to overcoming its own limitation, exploring in a new field. On the other hand, SoftBank vision fund was set up in part because of SoftBank successfully acquiring ARM. In General, SoftBank Group (holds the capital) and ARM (maintains technology advantage) work together to embrace the IoT era, trying to formulate rules in the future. Apart from that, the acquisition also contributes to the cooperation between ARM and other subsidiaries of SoftBank Group, complementing

technology and enhancing competitiveness.

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