On the heels of its acquisition of Japan's Sharp, Taiwan giant **Foxconn** intends to buy Canada's **SMART Technologies**, a leading brand in whiteboards.

The proposed US $200 million deal is hailed by the Canada-based AV company as a “new chapter” that will bring financial stability and future growth.

While the value of this deal to SMART is clear, it is less obvious what masterplan Foxconn may be following.

Let’s first consider SMART: best known for its patented interactive whiteboards for education, last October SMART undertook a strategic review (compelled by slower-than-anticipated sales growth and a weaker-than-expected fiscal outlook for 2016) that ended with a conclusion one option was the sale of the company. It has been courting potential buyers since then, according to industry sources.

SMART Technologies grew (from the two-person startup of David Martin and Nancy Knowlton — the husband-and-wife founders) into 600 employees worldwide (400 of those based at its

Calgary headquarters) and a global brand with sales in 170 countries annual revenues that once almost reached $800 million.

After going public in a high-profile IPO in 2010, the company crashed along with a global economic downturn. Education institutions stopped spending, sales slowed and stock plummeted (from $17 in 2010 to $1.30 in 2012).

In April 2012, David Martin and Nancy Knowlton resigned their roles as executive chair and CEO, respectively. Neil Gaydon *[photo, right]*, former head of UK-based STB maker **Pace**, was brought in as President and CEO-- tasked with turning around the company.

By all accounts, Gaydon did the tough job of cost-cutting-- layoffs, selling off its Calgary building and closing its Ottawa product assembly facility. Gaydon also re-focused the company’s efforts around new products, ones aimed at the corporate clientele.

The Foxconn deal will help SMART accelerate its new strategy—it could significantly improve their supply chain and financial stability.

Says Gaydon, "SMART has built an enviable global brand in both the education and enterprise spaces. The proposed transaction with Foxconn provides us with one of the strongest global electronics partners with access to significant resources, a broad range of new technologies, markets and financial resources that will enable us to accelerate our strategy and position SMART for significant future growth."

But what does the $150 billion Foxconn get out of this deal? As the world’s largest contract manufacturer, you can understand how Foxconn envies their clients, the biggest electronics brands in the world. And, the grass always greener, so you can imagine Foxconn executives believe they do all the hard work and these brands…well, they just sell… Why should those brands enjoy more fruits of the labor than the heavy lifter?

And, frankly, it doesn’t take a Chinese business attitude to figure out if you can absorb the last part of the product cycle (selling it to the end customer) like you did all the others (you started with supplying one component and then took over the entire chain of components)—then you can have the additional profit.

Plus, Taiwan’s big dream is to break into brands (from the days of guru Stan Shih at Acer).

But why these brands, Sharp and Smart technologies? Why are these brands the very first brands that the $150 billion dollar conglomerate tackles?

There’s a joke that goes, “What does the 500-pound gorilla take from the grocery store? “ The answer: “Anything he wants.”

To comprehend the scale of Foxconn, you might want to consider Terry Gou’s mega-company (one of the top 30 companies in size in the world) is bigger than Microsoft or AT&T—in fact, you could add the Pentagon’s Top 10 defense contractors all together and they would be smaller than Foxconn.

So out of all the choice in the world of electronics, do we believe Foxconn “bumped” into these two opportunities as the only two…as the best two…as the right two deals?

Foxconn, of course, had a significant investment in Sharp which it rationalized with the full purchase. Then, it appears more than a coincidence that Smart Technologies makes products that could fit into Sharp's purview?

So we end up with two Foxconn brands both selling display and presentation products into education and corporate.

While they will, in the near future, operate as separate entities… it appears the Master Plan for Foxconn may be as simple as "buy up many brands as possible targeting B2B, learn the brand business as it goes along" (avoiding B2C as they learn from the pain of the Japanese electronics companies).

One day, sitting with a barn full of brands, Foxconn may confront the ultimate decision of all conglomerates. Do we consolidate and centralize, creating a Borg-like B2B corporation – made in the image of Foxconn who controls centrally 1.2 million employees?

Or do we run parallel, separate businesses supported by central organizations?

In the meantime, be prepared for Foxconn to continue down the B2B acquisition trail…

Go Smart Technologies