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THE EDITORIAL VIEW

INTEL'S COMEUPPANCE

By Tom R. Halfhill {9/25/06-03}

To be fair, nobody should gloat over Intel's recent troubles. At one time or another, we've all been there, right? But let's be realistic. Many folks throughout the industry are not-so-secretly enjoying Intel's upheavals. They aren't trying very hard to hide their smirks and

water-cooler jokes. It's the season of Intel's comeuppance, and it's been coming for a long, long time.

Veteran Intel employees are getting their first bitter taste of what it's like to work for a company like AMD, Apple, or Sun Microsystems. At those places, if a business magazine or trade journal isn't writing your obituary at least once every five years, the universe must be out of whack. In contrast, Intel hasn't faced a serious survival threat for more than 20 years.

The last crisis was around 1980–85, when Intel was forced to exit the DRAM business and raise cash by selling part of the company to IBM. Fortunes began turning around in 1986, when Intel introduced the 32-bit 386 processor, for which Intel was initially the sole source. Since then, an entire generation of Intel engineers and managers has climbed the ranks without thinking of their company as anything but a superpower, a rock-solid fixture of the industry.

Intel insiders may challenge that view. Intel has always been a hot-blooded competitor, they say. It's never been a place where employees could take success for granted and coast through their jobs. And I would be the first to agree. Yes, Intel has always been a highly competitive company. But the difference between Intel and most other companies is that much of Intel's competitive spirit is internally focused. Indeed, Intel is loath to even mention competitors—almost as if there is no credible competition.

I have never worked at Intel, but I have friends who labored there for years, people whom I consider competent,

hard-charging professionals. They tell me that Intel was the toughest place they ever worked. The corporate culture is rigid and demanding. It's not a forgiving environment. In some departments, the office politics are downright wicked. You're lucky to leave a meeting without a new knife in your back. It's a highly charged workplace where the internal competition might be fiercer than the outside industry competition.

That closed-loop corporate culture appeared to serve Intel well for many years. It kept Intel's employees on their toes during the easy days when competitors behaved like circus clowns. Then the competition unexpectedly stiffened, and Intel's microprocessor development took a stunning wrong turn. Attempts to diversify the company beyond PC processors either stumbled or generated profits that seemed insignificant against Intel's core line of business. Suddenly, Intel began looking almost…*stodgy*. This turnabout was so shocking that it took a while for the company's executives to acknowledge what was happening.

Over the past year, Intel has largely corrected its course and is now introducing some impressive new microprocessors. But the damage has been done, and Intel must pay the price. About 10,500 employees will lose their jobs by mid-2007. Some business analysts think that's not enough.

At *Microprocessor Report*, we are technology analysts, not business analysts, so we claim no special expertise in analyzing Intel's ledgers. However, we observe that Glenn Henry's team at VIA/Centaur has a track record of designing

some very good x86 processors (as judged by their design goals) with an engineering staff only a fraction the size of Intel's. AMD has been pretty efficient lately, too.

If Intel cuts wisely, it will become a leaner company. But lean doesn't have to be mean. If Intel learns to be a little more humble and flexible, it will become a much better company, and a better place to work. Inevitably, with so many layoffs, Intel will lose some good people. Intel needs to remember that every castaway will probably end up working for a competitor.

My assessment is that Intel has suffered a spinal jolt it will not soon forget. If anything, I expect Intel will be an even tougher competitor in the years to come. Gloat now, if you will. You won't be smirking for long. ◇

Tom R. Halfhill