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Digital master

CALL IT A surreal moment. Intel Corporation president and chief operating officer Craig R Barrett had just finished a presentation in Penang on the chip-maker's global business strategy and was moving around at the front of the room, speaking to journalists and posing (a tad awkwardly) for pictures.

Then, he stopped walking and unconsciously stood, all 1.88m of him, in front of a slide projector. Via a shaft of strong light, an image was emblazoned on his white shirt. It was the company's name in electric blue. There it was, so fortuitously symbolic, no public relations orchestration could have engineered it better - Barrett had Intel inside!

Indeed, this is the man who will soon be at the wheel of one of the most influential forces of the global digital revolution. Come May 20, Intel's board of directors will elect Barrett, 58, as the company's fourth chief executive officer (CEO) in its 30-year history. This was announced shortly before he arrived in Penang on the night of April 1 as part of a busy swing through five Asia-Pacific countries in as many days. He gave the talk the morning after.

Letting go of the CEO title is Andrew Grove, who has promoted 'only the paranoid survive' to a management creed. As chairman, Grove will continue to work full-time, dwelling more on 'broad strategic issues concerning the industry and Intel'. Intel's first two CEOs were the late Robert Noyce and Gordon Moore, now chairman emeritus. The duo, together with Grove, are widely seen as Intel's founding triumvirate. To an outsider, Grove's shoes seem impossibly large for Barrett to fill. After all, the former is an icon of commerce. He was Time Magazine's 1997 Man of the Year. A book, Forbes Great Minds of Business, says he is 'widely regarded as the best corporate manager in America'. Most importantly, nobody disputes that the highly-respected Grove has helmed Intel (and the computer industry, to a certain extent) to a lofty position during his 11 years as CEO. Its sales ballooned from US\$ 1.9 billion in 1987 to US\$ 25.1 billion last year (see chart 1).

Barrett too has an impressive record of his own, albeit one that is best appreciated by people familiar with the ins and outs of Intel. After getting his Bachelor of Science, Master of Science and PhD degrees in material science from Stanford University, he stayed on to teach. He was associate professor at Stanford when he left in 1974 to join Intel as technology development manager. He was named chief operating officer in 1993. Last May, he became Intel's fourth president.

Barrett is consistently singled out as the person who has transformed Intel's manufacturing operations into a remarkably efficient and productive machine that is the key to Intel's dominance in the microprocessor market. But why not let the straight-talking Grove hand out the endorsement? When announcing the decision to make Barrett CEO, he credited Barrett as the architect of Intel's operations throughout the last decade.

Analysts have given the thumbs up to the impending baton handover, pointing out that Intel now needs an experienced operational man as leader, someone who can slash costs in the face of falling prices of personal computers (PCs) and chips.

Intel executives, Barrett included, are apt to insist that it will be business as usual despite the leadership change. At the same time, in an

exclusive interview with Malaysian Business, Barrett reveals an acute awareness of the urgency for Intel to continue evolving as market conditions and the global economy shift. Excerpts:

You are among several prominent personalities in the information technology (IT) industry who have visited this region recently. Do you feel that Intel is spoilt for choice when deciding on investments in the Asia-Pacific region?

Not necessarily. The Asia Pacific is the fastest growing region for the PC industry and we intend to increase our presence in the region. We are always looking at investment opportunities but there are many factors to weigh. Malaysia is one of our choices because we've been here for 25 years.

Prime Minister Datuk Seri Dr Mahathir Mohamad was abroad when you came here last June and during this visit as well. If you had met him, what would you have discussed?

Yes, I am keen to meet him. I would like to ask him about the progress of the Multimedia Super Corridor project. And for the simple reason that we have a 25-year history in Malaysia, we hope to gain some insight on long-term prospects and plans.

We are also interested in his views on how we can contribute, educational initiatives regarding IT, electronic government ... There are many things we can talk about.

A recurring message in your visits to the Asia-Pacific is that developing countries need to spend between three and 3.5 per cent of their gross domestic product (GDP) on IT to make their businesses more competitive globally. What exactly needs to be done and who should do it? This is an observation based on the fact that the IT spending in the United States is between three and 3.5 per cent of its GDP. The figure in developing countries is certainly lower and should be increased for competitiveness. If others are spending more and you are not, you will be left behind.

It is a huge, complex effort. It should start with education and be carried over into government. Big business and small business must play a part too. The problem is some organisations are run by gray-haired people who look like me. They tend to resist such changes. This was the case in Europe until recently.

The government can help by playing a leadership role. Big business has to be aggressive in adopting IT as a productivity tool. If a government leader or a company president uses IT, the rest will follow.

Intel's mission these days is, in your words, 'to create more new uses for PCs and find more new users for PCs', thus assuming a leadership role to expand the industry. There doesn't seem to be any parallel to this in other industries. Will there come a time when Intel will feel that it is taking on too much?

As far as I can tell, there is no parallel to what we are doing in the IT industry. We are spending billions on our efforts. We have to. We are at the centre of the industry, not at its periphery.

We already have almost a 90 per cent share of the market (for PC microprocessors). We can't go much bigger than that. We have to grow the pie.

Take any IT industry survey and it will show a 15 to 18 per cent annual growth. This is a wonderful, unique industry. It is anti-inflationary. Not many industries can match such growth. It is a crazy industry, in a positive way, of course.

Industry watchers are upbeat about your impending appointment as CEO because of your operational expertise. Although you have already been overseeing Intel's operations for several years, will there be big changes

when you take over?

There will not be any revolutions. For me, regaining a strong growth rate for Intel is most important. Historically, we were growing between 25 and 30 per cent a year. We want to be back at that level. (Intel's revenue grew by 20 per cent last year. Its revenue for the first quarter of 1998 is eight per cent lower than that of the previous quarter. This was attributed to the unexpectedly weaker demand for its PC chips.)

I also want Intel to move aggressively into some new products and business areas, such as networking, electronic commerce, interactive entertainment and flash memory.

You have often been described as competitive. But is that the same as paranoid? Or is there a need to be paranoid at all?

Of course you have to be paranoid. One has to be paranoid in the IT industry. When you have a total turnover of your product line every 12 months, how can you afford not to be? If we are not paranoid, we stand to lose 90 per cent of our revenue. We like to compete very hard.

Grove was quoted as saying that Noyce (Intel founding CEO) insisted that there was a technical solution to everything, while Grove believed in organisational or process solutions. Where do you stand?

We have seen a transition in Intel's senior management from emphasising inventing to focusing on several equally important fronts. We progressed from a fundamentally technical venture to a combination of strong technology, products and marketing. Over the years, we have developed a wide-ranging approach to business with several degrees of expertise. We invest heavily in capital, research and development (R&D) and marketing. Very few companies have big budgets for all three areas. Take Microsoft for instance. It spends a lot on R&D and marketing but its capital cost is small; it costs next to nothing to manufacture software. (After elaborating on the different styles and strengths of Intel's previous three CEOs) Each CEO has shaped Intel in his own way.

So how do you hope to shape Intel?

Intel is increasingly becoming an international company. Today, less than 50 per cent of our products are sold in the US. We need to allocate resources to other countries to work with foreign companies and governments. We aim to have major market presence in these countries, not just by selling our products but also through other aspects such as brand recognition, awareness about IT and contributions to education and training. The other thing I would like to be remembered for is Intel expanding into new business areas and products.

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