

Don C. Hoefler's  
**MICROELECTRONICS NEWS**

with *Manager's Casebook*



BOX 2343, SANTA CLARA, CALIFORNIA 95051 • TELEPHONE: 408-373-6688

SILICON VALLEY

JULY 7 1979

## *Good Friend =*

**CLOSE CALL.** Those of us who consult the stars and probe the entrails of pregnant werewolves in an attempt to divine the future of this industry, were jolted this week to learn of several major order holds on Perkin-Elmer projection mask aligners, a product which had been back-ordered some two years out.

For if several major companies almost simultaneously backed off from firm commitments in printers, could other process and assembly equipment not be far behind, and would this not presage the long-anticipated slowdown in device production? Well, not quite yet. While all makers of capital equipment are facing the near future with extreme caution, and device makers are exhibiting clear signs of nervousness, the P-E case appears to be an isolated problem rather than a straw in the wind.

The P-E situation seems to be brought on by two factors, neither related to an imminent recession. First, the technical superiority long enjoyed by the Wilton (Ct) firm in this field has been eroded (mainly by Cobilt), while related equipment made by other manufacturers remains in extremely short supply.

P-E had been quoting printer deliveries at 14-16 months and more, and buyers are becoming convinced that the present generation of P-E product is becoming obsolescent already. The P-E aligner has a built-in yield limitation when dealing with 4-in. wafers, since it is unable to expose the entire surface, and although it has automatic alignment in development, it does not yet have it in the marketplace. Cobilt has leap-frogged P-E in both of these areas, which is probably the best explanation for the recent caution of P-E customers.

Add to this the longterm delivery wait on wafer steppers--by Electromask and D. W. Mann--and it is understandable why aligner buyers are pulling back for a wait-and-see on the next generation of P-E machines.

So we can rest a little easier for the nonce. There is not yet an across-the-board slowdown in semiconductor capital equipment, nor has Fairchild, the traditional downside bellwether among the device houses, yet showed signs of tilting out of bed. The summer of 1979 is not the summer of 1974.

0

0

0

**MORE LIKE IT.** Quotable quote overheard from a company president yesterday (6), an intuitive thinker who is seldom far off the mark: "If there is a recession coming, you'll never know it by watching Intel. It's the commodity guys who are going to get killed."

Full contents COPYRIGHT 1979 Don C. Hoefler. Copying by any means is a Federal offense.

Price information and sample copy will be furnished in response to letterhead inquiries.  
The editor and publisher DOES NOT buy, sell or hold securities in any company mentioned.

IT'S ONLY MONEY. Although American Microsystems president Glenn Penisten had been heavily huckstering his firm's VMOS process in the traditional premature-announcement fashion of his alma mater, Texas Instruments, the stuff has indeed been emerging in reasonable quantities in recent months, which is good for cash flow but not yet positive in the P&L.

The company has been cranking out 64k ROMs (the most successful to date) and 4k RAMs, with a 16k static RAM in the offing. The problem is that each shipment is wrapped in dollar bills (or "Suzie" cartwheels starting this week), for each part is being brute-forced as yields remain spotty and billings are below cost.

That VMOS is a reproducible, high-volume, cost-effective process, has yet to be demonstrated. Deliveries, yes. Profits, no. Another question mark in the continuing saga of the AMI "turnaround."

0 0 0

SONG WITHOUT END. I hate to keep harping on this, but the jump of Bill O'Neil to Exar from linear IC development manager at Intersil is just one more example of the malaise that engulfs Inter's semiconductor products group. Many professionals have determined that the company is simply no longer one that they wish to continue working for, and the flow of resumes of available troops continues on the increase.

These are all carefully-considered decisions, not panic moves, and the persons involved are each slowly mulling potential deals which will settle them in the most compatible new homes. So it may take a while, but without a reversal of this trend Intersil's silicon side will be skin-and-bones by year-end.

This week an entire department (approximately 10 professionals) decided to leave en masse, and is negotiating to transfer elsewhere as a team. Failing this, they will split up if necessary, but they are determined to leave--jointly or severally.

0 0 0

THREE-WAY STRETCH. Gary Summers, who arrived at Synertek last fall from Motrola's Austin (Tx) to head microprocessor manufacturing and marketing, has quit following the split-up of his job in which he felt he got the short end. Gary was assigned the marketing billet under v.p. Bill O'Meara, while a search was begun for a manufacturing guy.

Gary then bailed to Commodore as engineering manager for systems (including the PET and Super-PET personal computers), heading an entourage of some 30 bodies.

Replacing Gary in  $\mu$ proc manufacturing at Synertek is Dave Masters, most recently engineering manager for the Datachecker point-of-sale group at National, and once a co-founder of the defunct Tenet, along with Tom Bay, John Ready and Bill Bridge.

And now it is O'Meara's turn to search, for a  $\mu$ proc marketing type.

0 0 0

PROMOTION. National meanwhile has found its  $\mu$ comp peddler, as Ray Mrofka has moved up from product manager for the "Starplex" development system to marketing director of Nat's microcomputer systems group. Ray joined the company last September.

YOU SHOULD LIVE SO LONG. The signs and portents point to closing of a deal for Rockwell to second-source Motorola's 68000 microprocessor--if the product isn't obsoleted first. With two industrial behemoths negotiating toe-to-toe, each side with a battery of barristers with bulging briefcases who are trying to justify their gray-flannel salaries, it could be the first snowfall before there emerges a contract roughly the size of the Manhattan Yellow Pages, which will be promptly filed and forgotten.

At any rate, negotiations are still on the track--and so is a slow freight.

0 0 0

AS TIME GOES BY. The exclusive second-source deal between Zilog and Mostek for Mos to make Zil's Z-80, is on the verge of expiration and will probably not be renewed giving Mos exclusivity in the U.S.

The part, a pin-for-pin replacement for the 8080 (which originator Intel would like to abandon because of low profitability, and National would like to take over), has been delivered in much greater quantity by Mostek than by Zilog.

Although Intel has nearly doubled the price of the 8080 in recent months, it would still rather push the 8048, 8049 and 8085. Nevertheless there is still a lot of life left in the 8080/Z80, and it is not likely that Zil will continue to give Mos an exclusive ride.

0 0 0

ROOM WITHOUT BOARD. Joe Rizzi's new company now has a place to call home, although it will be a month or more before Mother Bell comes up with a set of growlers. Meanwhile callers must dial Joe's home/office phone in Los Altos (415-948-6459), with Joe's wife relaying the message by radio, and he returning the call on the phone of a compassionate neighbor, General Electric command and information systems.

If you want to communicate with Joe, it might be easier to hop on your moped, or write him at 420 Persian Drive, Sunnyvale (Ca) 94086.

More on this continuing saga next week.

0 0 0

PERSONALLY, ONE KILOBUCK. John Ready's California Technology has entered the personal computer market with "Tel-It," a plain-language machine for people to whom BASIC is not basic enough. A fast machine with 32k capacity, it is designed for either home or small office.

The pre-programmed computer has been price-tested through shipment of several hundred units, and will be offered this fall at about \$1000 through two larger tests in credit-card envelope-stuffer mailings.

If you have been out of touch with this onetime Fairchild, he is at 2960 Gordon Ave., Santa Clara (Ca) 95050 (the former American Microsystems Om:Ex). Phone 408-737-1530/1580.

0 0 0

AND THAT'S THE END OF THAT (WE HOPE). Fairchild has finally bailed out of the remainder of its digital panel meter business, the chip-and-wire kits called Models 30, 31 and 35. Scavenger is General Microwave of Farmingdale (NY).

GOOD SPORT. Ken Leonard, National's new resident jock, has taken in good part my recent jesting at his expense ("Manager's Casebook" No. 498). Ken says he got 13 inquiries from other companies about Nat's recreation program, 10 of which were traceable to the column, adding "I appreciate the exposure you provided."

(But no, no, Ken! It is SILICON, not *silicone!* Besides, the honeys on the Nat girls' cross-country swimming team will never need the Carol Doda booby treatment.)

Anyhow, Ken got things off and running with a 3-mile "Fun Run" last month, an all-day family affair at Santa Cruz Boardwalk today (7), a family night at San Jose's Frontier Village next month, a volleyball competition, a San Francisco Giants baseball night, and a number of local and offshore tours.

And you thought lean-and-mean old Nat wasn't a fun guy to work for!

o o o

ON THE OTHER HAND. It is a shame that semiconductor firms in the Valley have stayed at arm's length from the local Comprehensive Employment and Training Act (CETA) programs, because they are administered by the United Automobile Workers, and the industry is strictly non-U.

In the Southland, where CETA is administered by the city and county of Los Angeles, Pertec Computer has been cleaning up in the recruiting of hourlies, who get a 17-week course in electronics, courtesy of the taxpayers, followed by a 6-week session in the Pertec factory, after which they are moved on-line. So successful is the program, that a third group will move into PCC peripherals this month.

o o o

MARK YOUR CALENDAR. Semiconductor seminars: "Understanding Design Rules," Larry Luckock, Data General, July 11; "Semiconductor Wafer Cutting," Dan Brors, Polyohm, July 18; "Comparison of Cerdip Solder Glasses," Maurice Dumesnil, Technology Glass, July 19; "Re-examination of Mil Std 883," Ken Ecklund, DCA Reliability. Each session two hours, starting at 10 AM. Fee \$20 each per person. Information Metallographic Industries, 1190 Miraloma Way, Sunnyvale (Ca) 94086, phone 739-6611.

"The Impact of Microelectronics on American Industry," Sept. 25-26, Fairmont Hotel, San Francisco. David Bursky, "Electronic Design;" John Carson, Carson Alexiou; John Connell, Office Technology Research; David Elliott, Shipley; Federico Faggin, Zilog; Gilbert Hoxie, Booz Allen & Hamilton; Jan Loeber, AT&T; Richard Lowenstein, IBM; Joeseeph McDowell, E-H Research; Richard Pick, Pick & Associates; Howard Raphael, National; Thomas Rindfleisch, Stanford University School of Medicine; Peter Rosenthal, Atari; J. F. Rulifson, Xerox; Donald Spalinger, Exxon Enterprises; Samuel Suratt, CBS News; Ulric Weil, Morgan Stanley. Fee \$285, including conference materials and lunches. Information Continuing Education in Business and Management, University of California Extension, 2223 Fulton St., Berkeley (Ca) 94720, phone 415-642-4231.

"International Electrical, Electronics Conference and Exposition," Automotive Building, Exhibition Place, Toronto (Canada), October 2-4. IEEE Canadian Region.

"Telecommunications and Teleprocessing in the 1980s," Innisbrook, Tarpon Springs (Fl), Nov. 7-9. Information Kate Dalton, Arthur D. Little, Acorn Park, Cambridge (Ma) 02140. Phone 617-864-5770 X3407.

Price information and sample copy will be furnished in response to letterhead inquiries.  
The editor and publisher DOES NOT buy, sell or hold securities in any company mentioned.

*done!*

# MANAGER'S CASEBOOK by Don C. Hoefler

CASE No. 505 SUBJECT: CAN IT!

## FREE ENTERPRISE By DON HOEFLER



"Yes, Sidney, this is your  
canned spiel for August."

A-122

THERE IS A SCHOOL OF THOUGHT among some sales managers that the members of his sales force are just so many dim-witted dummies sitting on his knee, uttering his immortal verbiage and thereby bowling over the customers like a set of duck pins.

Actors cannot perform without playwrights and directors. Most stand-up comics would wilt without a gaggle of jokesmiths offstage, sweating over their typewriters to make their funnymen funny. Why should the peddler be any different? After all, all the world's a stage, the Bard once wrote.

The sales manager of this school—who is probably a frustrated playwright or gagwriter—calls his canned pitch a "presentation." And woe betide the commission slave who cools his hot heels in crowded lobbies, should he deviate from the presentation by so much as a comma.

Maybe it works to sell jelly beans, but I think that anybody who tried to pitch even the commodity end of a semiconductor product line by rote would find himself pitched right back out onto the visitor parking lot without benefit of a contractor badge.

THE BIGGEST ARGUMENT in favor of the canned commercial, say its proponents, is that it is effective. It works for beginners, for cagy old-timers, in entering new markets, by even the most unimaginative salesman, and even when the prospect reads it instead of the salesman pitching it from memory.

And there maybe we begin to see why harried sales managers may use it to try to meet quota. It is safe, for even the most mediocre peddler is unlikely to botch it too badly.

"All of life is just one big bell curve," one of the industry's great salesmen, Jim Riley, once said to me, referring to the Gaussian distribution of every thing and every event encountered in nature. There are precious few cracker-jack salesmen out on the lip of that bell, and few really bad ones on the opposite lip, but in the hump in between there are plenty of common, ordinary, plain-vanilla, garden-variety peddlers. For this lumpen mass, for the majority whose main claim to fame is that they are warm bodies which get out of bed each morning and go out and make calls, perhaps for these plodders who simply go through the motions day after day, a prefabricated pitch might improve their order-writing percentages by a few points.

As for the dolt who hands his script to the customer, who needs to pay a commission to a messenger boy? Uncle Sam's sometimes swift couriers will do it just as well for 15 cents. It's called direct-mail advertising, and here an advertiser may adhere to a sure-fire formula for years and years.

(OVER)

RATHER THAN TRY to improve upon the content of the sales presentation--which management has already graven in marble--the salesman is encouraged instead to improve on the form. What he brings to the party is the ability to dramatize the story, to bring it to life. Once again the peddler is an actor on a stage, enthralling his audience with a theatrical performance.

That may be all right, but it gets us right back to the bell curve again. How many salesmen are there who are also consummate actors, and are they not also those same few super-salesmen we have already identified?

I mean, how many Jerry Sanders' are there, even in this very hip industry?

Furthermore, while the actor's task is to evoke an emotional response in his audience, he wants his auditors passive, not active. But the acronym AIDA begins with attention, moves on to interest, arouses desire, and finally calls for action. Whether scenery-chewing is the best way to inspire the ultimate action--approval of a purchase order--is problematical.

Another objection to the quick-frozen spiel is that it is bo-o-o-ring. After the salesman hears himself deliver it a half-dozen times, strictly verbatim, he gets bored out of his skull. His brain shifts to automatic, his eyes glaze over like hollandaise sauce, and the words come out in monotonic monosyllables. Then it's a race to see who craps out first, the peddler or the prospect.

With scenes like that, one can hardly argue with the claims of the proponents that the canned talk saves the salesman's energy. So does not exercising, and so does going to the beach instead of calling once more on that tough prospect. But as every night-blooming tomcat knows, you've got to make calls to get results, and you've always got to give it your best shot.

COOKIE-CUTTER PRESENTATIONS are better, proponents say, because the home office can come up with better buzzwords, stronger sell words, than can the foot-slogger in the trenches. They point to the success of the carnie-type pitchman in Woolworth's basement, hawking a left-handed tomato slicer or combination potato-peeler/cigar-lighter. This fast talker tips a crowd and converts gawkers to buyers with the same identical singsong gab, performance after performance.

The first important difference here is that this fellow is not working one-on-one, but has the mesmerizing influence of crowd psychology going for him. Did you ever try laughing at the comedy up on the screen when you were the only one in the movie house?

The other advantage this guy has going for him is that he is not going for repeat business, nor does he have to face dissatisfied customers. By the time you nick three fingers with your tomato slicer and remember that you've been right-handed all your life, or that your potato peeler won't light your cigars because you don't smoke cigars, he is in the next county and gone for the season.

But the biggest thing wrong with the canned pitch is that it doesn't let the salesman do the broken-field running which is the very essence of salesmanship. The canners argue that all prospects are 95 per cent alike (that old bell curve again), but it is that remaining 5 per cent that makes all the difference.

It is in the eyeball-to-eyeball that the true pro analyzes the customer's wants, recognizes the true objections, and knows when to close. You can't get that off tape off tape off tape off tape off tape off...

*Don C. Hoefler's*



**MICROELECTRONICS NEWS**  
*with Managers' Quizzes*

BOX 2343, SANTA CLARA, CA 95051

Don C. Hoefler's  
**MICROELECTRONICS NEWS**

*with Manager's Casebook*



BOX 2343, SANTA CLARA, CALIFORNIA 95051 · TELEPHONE: 408-373-6688

SILICON VALLEY

JULY 28 1979

*Good Friend -*

**MAKE-AND-BUY.** Digital Equipment, which thinks it may be the world's second largest consumer of ICs (after IBM), will be consuming less from the merchant market in three weeks, as its second captive silicon facility comes onstream on August 20.

Visitors returning to the Valley carry fabulous tales of a plant which is first-cabin in every respect, able to turn out n-channel silicon-gate HMOS, as well as conventional bipolar, with the finest equipment at every station, including a pair of ion implanters.

The 225,000 ft<sup>2</sup> structure alone cost DEC \$20 million, the shiny new equipment another \$8 million.

DEC now makes somewhere around 1/20th of its requirements in-house, and wants to boost that to 1/5th at least. To that end, it has still a third IC facility on the drawing board, although its site has not been selected yet.

Arriving concurrently with the new plant's opening will be Fabio Restrepo, now closing out at EMM-SEMI in Phoenix, and due to be MOS process engineering manager at DEC.

**MADE-AND-BOUGHT.** The DEC move is the latest evidence that the make-or-buy decision has become academic with the advent of VLSI. It no longer makes any sense at all for the semiconductor producer to be in VLSI unless he is also in systems, where the profits are. Since the semiconductor maker must move into the systems arena to preserve his asset turns, so must the the systems house move into silicon in self-defense, to protect its margins.

As the amount of assets required comes closer to equalling the amount of semiconductor sales produced (presently \$1 in assets generates about \$1.50 in sales), the semiconductor maker must move in to where the margins are better. At Intel, for example, observers marvel at the company's ability to generate 22 per cent in pretax earnings when the semiconductor industry norm is 15 per cent or less. But that higher number gets a healthy boost from the systems side of the house. Broken down, systems produces 26 per cent while components does 17 per cent. There is nothing wrong with 17 per cent in a 15 per cent world, but it is clear that the real fat comes from systems, not components.

So both the systems houses and the semiconductor houses are adopting a posture of, "If you can't lick 'em, join 'em." But while for the semiconductor houses this means upward mobility, for the systems houses it means biting the bullet.

Full contents COPYRIGHT 1979 Don C. Hoefler. Copying by any means is a Federal offense.

Price information and sample copy will be furnished in response to letterhead inquiries.  
The editor and publisher DOES NOT buy, sell or hold securities in any company mentioned.

• USEFULNESS ENDED. Intel continues to lop off his own creations which have become commodities with flimsy markups. Latest to the heave-ho are low-end 4k RAMs 2104 and 2107, which are now fetching a fast \$1.50 in the marketplace. Intel much prefers the \$100+ of the 8086.

As long as Intel can continue to be the innovator, it need not concern itself with--indeed, cannot afford--the rattle-taggle end of the business. Intel's assembly facilities, both here and offshore, are still some of the most labor-intensive in the industry, for the company never intended to compete with the foundries.

0 0 0

AMALGAMATING? American Microsystems stock continues to inch upward for no apparent reason (MN, May 19), certainly not last week's running-in-place quarterly report.

But all things in nature are motivated, even when the prime mover is hidden, as in this case it is hidden halfway around the world--in Europe. For that is where the action has been in this O-T-C stock, and the buyer is doing a good job of concealing his identity.

Could it be Siemens, which seems to have an insatiable appetite for silicon and gallium arsenide (Advanced Micro Devices, Siliconix, Litronix)?

Or could it be Bosch, limited to a 25 per cent piece of AMI but known to want more?

Or how do you like Philips? Remember, we have postulated that Phil has written off MOS at Signetics--more than \$10 million down the tubes in converting the former Stewart-Warner facility from bipolar to MOS and back to bipolar (MN, May 26). If Phil could not put together a Sig-Mostek deal, then how about a Sig-AMI deal? There are several insiders at AMI who like that one quite a bit.

0 0 0

OUTFOXED. Don't look for Bill Fox to return to designing microprocessors at Synertek when he gets back from his leave of absence in Ohio. The designer of PACE at National, Bill feels like a lame duck in the µproc metamorphosis at Syn (MN, July 21), but didn't mind travelling under the company's group insurance policy. When he returns, he will probably shift over to one of the Exxon subsidiaries in the systems business.

0 0 0

YES AND NO. The rumors persist that Siemens is going to make a run at the remainder of Advanced Micro Devices at \$50 a share (MN, July 14). And the feeling persists that AMD pres Jerry Sanders will spike the deal with the same alacrity that he grabbed \$45 in October of 1977.

0 0 0

YES AND HOLD. Synertek cleared another hurdle on its way to dropping \$40 million in Santa Cruz (MN, May 28), as the local Chamber of Commerce gave the project its unanimous endorsement this week. Already having the blessing of the University of California, and the Santa Cruz planning commission and city council, all that remains is the California Coastal Commission, coming up next week. This was a toughie when the conservationists were hardlining a couple of years ago, but the commission has been much more reasonable of late.



YOU CAN'T KEEP A GOOD MAN DOWN. Howard Bobb, founder of American Microsystems who moved to Orange County (Ca) following his departure from his own company and the failure of a subsequent venture, vowing never to return, is back in the Valley with a new deal.

Along with Fairchild and AMI veteran Joe Mingione, the new startup is International Micro-Energy, probably in San Jose. Looks like the business plan calls for making uncommitted logic arrays (gate arrays customized by aluminum interconnects).

Publicity-shy as ever, my old buddy has disconnected his phone down south, and I haven't caught up with him yet. But I will, I will.

0 0 0

RESPECTABLE. Commodore Business Machines, a bootstrap outfit if ever there was one (originally out of Canada, now headquartered in tax-haven Bahamas, procurer of distressed companies) appears to have a winner in its PET computer (picked up at the MOS Technology fire sale). The closely-held company did \$50 million sales in 1978, anticipates \$70 million this year, and is shooting for a doubling to \$140 million in 1980.

0 0 0

WHY DIDN'T I THINK OF THAT? With the appropriation of the creative output of others a way of life in this industry--through reverse engineering or more sinister methods--why not an annual award (why not lots of them?) to the industry's outstanding plagiarists?

The notion is passed along by Gene McClenning of Precision Monolithics, who points out that a 1979 "Plagiarius" statuette recently went to Imarflex Mfg., Osaka, Japan, for a direct swipe of a Contempra Industries product, designed for it by Morison S. Cousins and Assoc., New York.

The sculpture is a black dwarf with a gilt nose and appropriate inscription.

Do you suppose we could get a quantity discount?

0 0 0

WHAT'S SAUCE FOR THE GOOSE. Intel announced this week that it planned to second-source a Nippon Electric part. Which has to be some kind of put-on, since NEC has made a career of doubling the Intel product line.

Or is this a case of the best defense being a good offense?

0 0 0

SHORT-SIGHTED. With scarcity of high-technology products only getting worse, some distributors are succumbing to the temptation to deal in the gray and black markets. But one distrib says he wants no part of that action: "Even if you do a guy a favor and buy gray-market to help him out, all he remembers is the final price," says he. "Sell him a two-bit part for a buck, and you really won't make much on the deal, but the customer will only remember that buck, not that you got him out of a jam."

0 0 0

APPOINTMENT. Rich Simone from Atari to director of technology at Marumun.

WHAT DID HE SAY? Advanced Micro Devices president Jerry Sanders, one of the most eloquent wordsmiths in the industry, who can make a trip to the latrine sound like a visit to the queen, found himself chewing his own moccasin at the recent dinner of the AMD linear department.

After waxing fervently about linears as the backbone of AMD ("our sustenance," he said, without once mentioning that this was the baby of long-departed founder Jack Gifford), Jerry capped the dissertation with this mind-boggler:

"Because of Linear, we would not be where we are today."

0 0 0

CONFIRMATION WITH QUALIFICATIONS. Paul Davis, managing director of linear circuits at Advanced Micro Devices, whom I recently characterized as the latest example of industry burnout (MN, July 14), thought the description was a little heavy, but concedes he will leave the industry when he leaves AMD, provided the opportunity arises to go elsewhere.

He told his boss, Jim Downey, he would stay until year-end, but Jim says he may cut it off at the end of the third quarter.

But Paul admits he may be back with us after a long rest. "I may have no choice," says he.

0 0 0

CONGRATULATIONS. Gary Sipple, an industry veteran who hearkens back to the Charleston Rd. days at Fairchild, with stopovers at Motorola, Union Carbide, Siliconix and American Microsystems, got his v.p. stripes this week, moving up from marketing director to marketing-sales v.p. at Adcotech.

0 0 0

DIRECT HIT. Constant Reader reminds me that, although my H-bomb bull's-eye (MN, July 21) would probably do the most Valley damage, there is a plant just a stone's throw away from the 101-17 intersection which might as well be described as on the nose. That would be the HPA microwave semiconductor facility on Trimble Rd. in San Jose.

I never did like that part of town, anyway.

0 0 0

WHAT'S IN A NAME? Don Edwards, now with Digital Equipment, is hopping mad that his former headhuntery, Personnel Resource in Phoenix, is still soliciting resumes in his name.

It may have something to do with Don's handle being a *nom de guerre*.

0 0 0

OH, SHOW ME A HOME. An unconfirmed rumor was making the rounds of the Valley this week that a movement is afoot to create a Silicon Valley East in the region of the westernmost major city of New York State.

The product: Buffalo chips, of course.

*Don C.*

# MANAGER'S CASEBOOK by Don C. Hoefler

CASE No. 508

SUBJECT: THE GOOD-TASTE TEST

## FREE ENTERPRISE



Copyright © 1979 Don C. Hoefler

"One final question: how do you  
feel about love at first sight?"

A-125

LONGTIME READERS AT THIS CORNER will agree that I have never taken potshots at pre-induction psychological tests, job evaluations, time studies, personnel reviews and other such purely academic pursuits undertaken in the holy name of commerce and industry.

What business does is its own business. But when the federals in the peanut gallery presume to use some of the more arcane business practices as if they had invented them, and worse yet, to play them back to the business community without shame, then I say it is time to call a halt.

Take the most recent "crisis of confidence" in the White House, when the President punches the lights out of nearly half his Cabinet, and then has his newly-appointed "chief of staff" (formerly his political campaign manager) promulgate a 30-point "staff evaluation" which is right out of B-school Personnel Management 101.

But the Secretary of Labor, who escaped unscathed in the Cabinet carnage, was way ahead of C-of-S with his department's "Situation Adaptability Evaluations for Management Personnel." This is an eight-item examination, in which speed is as important as accuracy, with the candidate being given only 30 seconds to answer each question. Witness:

(1) You have prepared a proposal for the regional director of purchasing for your largest customer. The success of this presentation will mean increasing your sales to his company by 200 per cent. In the middle of your proposal the customer leans over to look at your report and spits into your coffee. You:

- (A) Tell him you prefer your coffee black.
- (B) Ask to have him checked for any communicable diseases.
- (C) Take a leak in his "out" basket.

(2) You are having lunch with a prospective customer, talking about what could be your biggest sale of the year. During the conversation a blonde walks into the restaurant, and she is so stunning, you draw your companion's attention to her and give a vivid description of what you would do if you had her alone in your motel. She walks over to the table and introduces herself as your client's daughter. Your next move is to:

- (A) Ask for her hand in marriage.
- (B) Pretend you've forgotten how to speak English.
- (C) Repeat the conversation to the daughter and hope for the best.

(OVER)

- (3) You are making a sales presentation to a group of corporate executives in the plushiest office you've ever seen. The hot enchilada casserole and egg salad sandwich you had for lunch react, creating a severe pressure. Your sphincter loses its control and you break wind in a most convincing manner, causing three (3) water tumblers to shatter and a secretary to pass out. What you do next is:
- (A) Offer to come back next week when the smell has gone away.
  - (B) Point out their chief executive and accuse him of the offense.
  - (C) Challenge anyone in the room to do better.
- (4) You are at a business lunch when you are suddenly overcome with an uncontrollable desire to pick your nose. Remembering this is definitely a no-no, you:
- (A) Pretend to wave to someone across the room and with one fluid motion, bury your forefinger in your nostril right up to the fourth joint.
  - (B) Get everyone drunk and organize a nose-picking contest, with a prize to the one who makes his nose bleed first.
  - (C) Drop your napkin on the floor, and when you bend over to pick it up, blow your nose on your sock.
- (5) You've just spent the evening with a supplier who invited you to an all-night boilermaker drinking party. You get home just in time to go to work. You stagger to the men's room and spend the next half-hour vomiting. As you're washing up the sink, the marketing director walks up, blows cigar smoke in your face, and asks you to join him for drinks after work. You:
- (A) Look him straight in the eye and launch one last convulsive torrent at the front of his Hart Shaffner & Marx suit.
  - (B) Punch him right in the crotch, banking on the fact he'll never recognize your green face.
  - (C) Grasp his hand and pump it 'til he pees his pants.
- (6) You are at dinner with a customer and his wife, who looks like the regional runner-up of the Marjorie Main look-alike contest. Halfway through dinner you feel a hand on your lap. If you are resourceful you will:
- (A) Accidentally spill hot coffee in your lap.
  - (B) Slip a note to the waiter to have your customer paged and see if the hand goes away when he does.
  - (C) Excuse yourself and go to the men's room. If he follows, don't come out until you have a signed order.
- (7) You're on your way to see your best account when your zipper breaks, and you discover that you forgot to put on your jockey shorts that morning. You decide to:
- (A) Call on the customer's secretary instead.
  - (B) Explain you were just trolling for gays.
  - (C) Buy a baggy raincoat and head for the school playground.
- (8) You've just returned from a trip to Green Bay (Wi) in January, and you tell your boss that nobody but whores and football players live there. He mentions that his wife comes from Green Bay. You:
- (A) Ask what position she played.
  - (B) Ask if she's still working the streets.
  - (C) Pretend you're suffering amnesia and don't remember your own name.

*But the last joke is on the taxpayers. This "exam" is not for salesmen. It is a requirement for mine safety instructors.*

Don C. Hoefler's  
**MICROELECTRONICS NEWS**

*with Manager's Casebook*



BOX 2343, SANTA CLARA, CALIFORNIA 95051 · TELEPHONE: 408-373-6688

SILICON VALLEY

JULY 14 1979

*Good Friend*

HOW DO YOU SPELL RELIEF? Cops do it. Lawyers do it. Dentists do it. Teachers do it. Physicians do it. Welfare and social workers do it. Sales clerks do it. Air traffic controllers do it. Even housewives do it.

This week Paul Davis, managing director of linear circuits at Advanced Micro Devices, did it, like John Carey before him did, and like an increasing number of semiconductor professionals are doing.

This is not an update on the suggestive lyrics of the old Cole Porter ditty, "Let's Do It." Besides what the birds and bees do, more and more semiconductor pros are burning out on their jobs, to the point where they can't stand the thought of going to work in their old job any more, and want to get entirely out of the industry, never to return.

The industry has long been known as a most effective home-wrecker, and has been named as co-respondent in hundreds of Valley divorce actions. Now the earnest young man who sacrificed his home and family to pursue his beloved temptress, Mlle Silicon, is middle-aged, and it is he who is seeking the divorce. For he has succumbed to Job Burnout.

No trial separation will do for these guys, not a few weeks at the mountains or the seashore to get their heads back together. It has gone beyond that. They want out. Fully. Finally. Irrevocably. When next we see them they are consultants or real estate investors or stockbrokers or security analysts or venture capitalists. Or artists or writers or hippies. Many of them even go back to college for a whole new start.

MANY ARE CALLED. Consider the number of Valley companies that has burned out one or more chief executives in just the past decade: American Microsystems; Cermetek; Communications Transistor; Data General; Electronic Arrays; Exar; Fairchild; Intersil; Litronix; Molectro; Monsanto; Nortec; Precision Monolithics; Rheem-Raytheon; Signetics and Teledyne-Amelco.

Add to this the two or three present chief executives who look in the mirror each morning and ask themselves, "Why am I doing this?" or "I know why I'm doing this, but is it worth it?"

Add to these the many staffers who have left virtually every company in the Valley, never to return.

With the infusion of new blood a mere trickle, not even enough to offset attrition, we have here an industry which cannot sustain its own growth. Trouble. Full contents COPYRIGHT 1979 Don C. Hoefler. Copying by any means is a Federal offense.

Price information and sample copy will be furnished in response to letterhead inquiries.  
The editor and publisher DOES NOT buy, sell or hold securities in any company mentioned.

NO HURRY. Although Paul Davis has definitely determined that he is leaving Advanced Micro Devices and the industry (page 1), and the company agrees, there is no urgency. Paul will probably be around for most of 1979.

0 0 0

AND NOW THE GOOD NEWS. On Tuesday (17), Dick Kotel becomes MOS microprocessor marketing manager at Advanced Micro Devices, reporting to Dave Simpson. Still in his prime, Dick was most recently product marketing manager at Raytheon, and before that held marketing posts at Fairchild and General Electric semiconductor.

The move was good news for Ben Anixter, AMD marketing director who had been filling the post on t.a.d., but bad news for Fran Dowd, Ray v.p.-g.m., who was unsuccessful in trying to rerecruit Dick.

0 0 0

CHEAP AT TWICE THE PRICE. There was active trading in Advanced Micro Devices shares this week, as word careened around the Wall Street canyon that Siemens had made its takeover move at \$50 a share. There was little substance to the story, and AMD closed yesterday at 32 bid.

"Hell," said one AMD insider, "fifty bucks would be a forking insult to ol' Peerless Ego (Jerry Sanders). Let them come in at one-fifty and he might talk turkey."

0 0 0

THE HIGH-PRICED SPREAD. High-level Fairchild insiders are saying that new parent Schlumberger will not tamper with present Fairch management for 6-18 months, and to them that means a year-and-a-half honeymoon.

They base this on the fact that Fairch is now the U.S. flagship for the multinational, which is up to its ears in petrodollars and really has no conception of the true performance or non-performance of its trendy acquisition.

Wishful thinking, says I. I'll bet the low end of that year-long spread, and say you'll see some major changes at Fairch by the beginning of 1980, not 1981.

0 0 0

ASSUME THE ANGLE. There was some hefty ass-kicking at National yesterday, an unhappy Friday the 13th thanks to a major linear customer in from the East. The customer feels that Nat has let it down severely on its rather finicky requirement which is more rigid than Mil-spec 883B, but not quite up to the 38510 slash sheet which requires a government source inspector on the scene looking over everybody's shoulder.

It seems Nat has shelves loaded with LM108As, which has inherent offset voltage drift problem with temperature change, but which inventory is supposedly all of 883B quality, yet it somehow can't get past the source inspector. The major customer in question is understandably wary.

But what tore it was a shipment last week of LM117 voltage regulators, each individually serialized and specified, and each accompanied by a 10-page supporting document of test data. Yet the entire shipment failed the customer's incoming inspection. The reason: the parts were LM108s, not LM117s. The prognosis: Nat will be a disapproved vendor for this customer by year-end.

THIN ICE. As noted here earlier (MN, April 21), Al Stein appears a certainty to take over as the regent of Mr. Moto in Geronimo-land, so long as he keeps his nose clean between now and the time John Welty retires as head of Motorola semiconductor.

More and more is he interfacing with key customers, and more and more is he being paraded before the security analysts.

Also more and more is he overlaying Mr. Moto with a Texas Instruments patina. Thus the 60-hour week of six 10-hour days is becoming *de rigueur* for professionals, and emphasis is being shifted even more heavily onto production, in a company never noted for R&D in the first place.

Keeping Stein's nose clean, however, will require keeping Mr. Moto in the forefront of the marketplace, and keeping the white collars out of the union, two eventualities which at this juncture appear problematical.

0

0

0

HELP WANTED. Expansion at Precision Monolithics has been so rapid that pres Earl Rogers has given up trying to fill all billets by promotion from within. Hence three nice openings now exist at PMI.

The company moved into its new 4-in. fab area last week--without a manager. A job awaits a heavyweight bipolar fab manager to run this show, in one of the most ultraclean rooms in the Valley.

With Donn Soderquist moving over to fulltime international marketing-sales manager, his former job of markets manager is up for grabs. This would be a guy who would focus on specific market segments, with a staff of market specialists reporting to him.

Also open is the job of distributor sales manager.

If interested, call Earl at 408-246-9222.

0

0

0

DEPT. OF AMPLIFICATION. Word from Andy Allison, industry vet now consulting, on my discussion of the tax problems faced by Fairchild option holders as they are forced by Schlumberger to exercise at once (MN, June 30). The situation is not as bleak as I painted it, says Andy:

"Although, as you pointed out, there is a tax liability that the IRS requires the company to withhold...although the liability arises at the time of sale, there is no penalty for not paying the tax due until April 15, so long as at least the same amount of tax has been withheld by year-end as was due the previous year.

"There are some other ways around the instant-payment problem, but for most people, rising salaries take care of the withholding automatically. So, since most companies will want to withhold something, they should be instructed to withhold that percentage of the income which equals the actual percentage paid in the prior year. After that, the taxpayer can take a look at how much has been withheld to date and adjust his future withholding accordingly. None of this changes the amount of tax due, but it does prevent overpayments and provide the ability to decide when (prior to April 16) to pay."

If you are looking for a real estate tax shelter, check Andy at Pathfinder Properties, 27360 Natoma Rd., Los Altos Hills (Ca) 94022, fone 415-941-6065.

BACK IN THE SADDLE AGAIN. It was like old-home week at Data General on Monday (9), as Stu Simpson and Dave Sell rejoined g.m. Jeff Kalb, Stu as production control manager and Dave as manager of test. Both had reported to Jeff at National. Both jobs are newly created.

It has been a long pull, but Jeff is convincing the Bay State parents that he and his Sunnyvale (Ca) troops know their business, and "help" from headquarters is something they can do without. It has been difficult for the deCastro mob to clip the umbilical, however, especially after the unspectacular performance of the founding (Pete Noto et al) management.

0 0 0

HALF A LOAF. My item chiding the industry for failing to take advantage of the UAW-administered CETA program (MN, July 7) was okay as far as it went, which wasn't nearly far enough. For there is another CETA program, at Foothill College, which has been in operation for more than three years, teaching hourly skills in terms of four to 16 weeks.

The program has been well received by the industry, notably Advanced Micro Devices, National and Intersil. The trainees, who are literally street people, have exhibited high retention rates and high promotion rates, and some 40 per cent of them have subsequently enrolled in other college courses.

Olé!

0 0 0

MORE DETROIT IRON. Intel this week joined Texas Instruments, Motorola, National, Fairchild and Signetics as a supplier to the Motor City, having signed a \$2 million deal this week for 250,000 microprocessors for carburetor controls in 1980 models of four-cylinder Ford cars. The deal should balloon to \$10 million for 2.1 million pieces in 1981, and even more in 1982.

0 0 0

THE GOOD BOOK. Semiconductor Industry Association will have available in a couple of weeks a yearbook-directory, listing more than 200 semi companies plus industry statistics 1954-1979. Price \$35 (1-9), \$25 (10-24), \$20 (25-up). Order from SIA, 20380 Town Center Lane, Suite 155, Cupertino (Ca) 95014, fone 408-255-3522.

0 0 0

FRIEND IN COURT. Semiconductor Industry Association has appointed Washington counsel to represent its members in trade matters. Specialists in this area are Rivlin, Lambert & Meyers. Partner in the firm, who will handle SIA dockets, is Endicott Peabody, former governor of Massachusetts.

0 0 0

HAPPY BIRTHDAY TO US. It completely slipped my mind, but at the beginning of this month Microelectronics News embarked on its eighth year in business. Yeah, I know what you're thinking. Beats the hell out of me, too.

*Don C.*

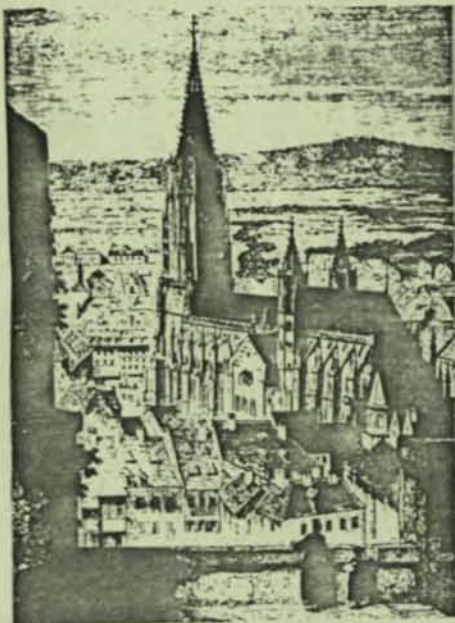
Price information and sample copy will be furnished in response to letterhead inquiries.  
The editor and publisher DOES NOT buy, sell or hold securities in any company mentioned.



# MANAGER'S CASEBOOK by Don C. Hoefler

CASE No. 506 SUBJECT: CREATE, NOT ADJUDICATE

## FREE ENTERPRISE



"When the Japanese get VLSI, dear, Daddy says Silicon Valley won't have a prayer."

A-123

*When the going gets tough,  
the tough get going.*

THE HOMEY LITTLE APHORISM above, despite the fact that it was uttered under oath by the only U.S. Attorney General ever to be imprisoned for a crime, is nonetheless good advice for the U.S. semiconductor industry in its ongoing dispute with its Japanese competition.

The local industry has been beefing and bellyaching, and crying to Big Daddy for two years, and nothing of any consequence has improved. It is time for the industry itself to address its own problem, to do some creative thinking to achieve some positive results.

It seems incredible that this magnificent industry, which has created and developed one of the most awesome technologies in the history of mankind, could allow itself to be frustrated and thwarted by a small island nation whose people are Mongolian, whose language is Chinese, whose culture is Chinese and Korean, and whose entire 26-century history is a record of aggressive exploitation of the creative output of others.

The Japanese are Lilliputians who have beguiled us into playing their Gulliver and seeing them as Brobdingnagians. Like all modest talents, they live by their wits, and we like a bunch of fathead saps let them continually outwit us.

THE VERY BEST we have been able to come up with so far is a crybaby appeal for sympathy, sobbing that they are unfair because they don't play by our rule book. That gambit has failed, as well it should and as it always will. Their rule book is much older than ours, and they like it just fine. To argue that they are unethical because they do not embrace the much newer Judeo-Christian ethic which we were taught in grammar school and Sunday school only begs the question. They don't know what in hell we are talking about, and they could care less. Most important, they have no intention of changing. Why should they? What's in it for them?

Since all efforts to alter these verities have failed, it behooves us to recall the sage words of Dale Carnegie, written nearly a half-century ago: "There is only one way under high Heaven to get anybody to do anything. Yes, just one way. And that is by making the other person want to do it. Remember, there is no other way."

But there are two ways to motivate the other party to act: the stick or the carrot. All are agreed that we don't want a reversion to the high tariff nonsense of Hawley-Smoot of the 1930s and its attendant "Buy American" chauvinism. Instead the industry has pleaded its case in the public arena, evidently trying to pursue the myth of Japanese "face-saving." Of course the Japanese have responded, but with rebuttals, not affirmative actions.

(OVER)

WHAT'S THE POINT? Consider the most recent go-round on the Japanese question, the recently concluded hearings of the International Trade Commission in San Francisco. Once again there was much moaning and groaning and wringing of hands, an umpteenth recitation of the same old problem, and a great paucity of specific recommendations for specific actions. Not that the ITC has authority to take any action anyway. Its function is to "study."

But the bigger question is whether the problem should be dumped in the lap of Government, at all. The leaders in this industry are largely *laissez faire* loners who deplore any kind of government intervention as a matter of principle. We especially deplore the intervention of the Japanese government into the Japanese semiconductor industry, which is at the heart of the problem. By running to Uncle Sam for succor, are we not being suckered into playing the game by the rules of the opposition?

But let us suppose that somewhere there is a super-power or super-intellect that can take the problem off our shoulders and magically hand down a beneficent solution--beneficent to our interests, of course. Now put yourself in this super's super-shoes.

You are a manager, who has subordinates coming to you with problems all the time. That's part of your job. The buck stops with you. Now which kind of bearer of problems do you most appreciate: (1) the one who simply pitches it at you, then sits back and waits for a miraculous solution; or (2) the one who defines the problem in careful detail, then presents an analytical selection of potential solutions, and finally lays his judgment on the line with the solution he favors, with compelling reasons why?

TIME TO GET OFF THE DIME. The Nippon enigma has been examined, studied, scrutinized, dissected, investigated, discussed, massaged, flogged, blewed, screwed and tattooed. Yes, the Japanese have dumped product on the U.S. market. Their business is subsidized by their government, more so if they are exporters. Their profit margin requirements are much lower than our own. They find it much easier to obtain venture capital. They fix prices. They cut up world markets into non-competing areas. They are highly protectionist against imports. And they export their unemployment.

Yes, our *judicial* minds have told us more than we ever want to know about the Japanese problem. All but one thing: how to resolve it. And as long as we rely solely on the judicial side of our thought processes, we are never going to know. Never.

To divine the answer to the problem we must go to another part of the brain, that which visualizes, foresees and generates ideas: the *creative mind*. It operates mostly at the subconscious level. It produces results almost as simply as feeding in the problem definition data, switching it to automatic, and awaiting the result.

Has anyone ever done this? I seriously doubt it, for in all the reams of bitching about the problem I have yet to have heard one single creative idea which might lead to a solution.

Can we really believe that the Japanese semiconductor merchant is invulnerable? Or does he have an Achilles' Heel on which he is running scared?

You're damn right he does. And what is he scared of? That you will discover it.

Don C. Hoefler's



MICROELECTRONICS NEWS  
with Manager's Casebook

Don C. Hoefler's  
**MICROELECTRONICS NEWS**  
with *Manager's Casebook*



BOX 2343, SANTA CLARA, CALIFORNIA 95051 · TELEPHONE: 408-373-6688

SILICON VALLEY

JULY 21 1979

*Good Friend=*

ONE OF OUR BOYS COULD MAKE IT. Perhaps at last we are seeing the reason for the movement in Intersil stock, despite the fact that heavy people continue to bail from the semiconductor products group, and the paucity of R&D expenditures does not position the company well for the next generation of product. What may be in the wind is the acquisition of the company in order to acquire its president.

The acquiring company would be Memorex, where a search for a new president has been going on for some months. Pres Bob Wilson, having brought the company back from the brink of disaster, where it was led by the ego of founder Larry Spitters, wants to retire, and the sooner the better. Wilson has been a trans-continental commuter since he came to Collins on the West Coast, with his family remaining in the East.

Now it appears that Intersil pres Ori Hoch may be in line to succeed Wilson, Hoch being another turnaround type who was snaked out of Litton by ace recruiter Jack Yelverton to rescue the fortunes of predecessor Advanced Memory Systems.

Although Memorex is not itching to have a captive semiconductor facility, the backers and bankers seem agreed that if picking up Intersil is what it takes to get Hoch, so be it.

0 0 0

005 MINUS 003 LEAVES TWO. It was double trouble for Synertek pres Bob Schreiner this week as Jack Balletto, badge No. 003, longtime Schreiner sidekick and marketing-sales honcho who was recently moved to long-range planning, and memory engineering manager Gunnar Wettelsen, badge 005, both bailed out. Founders remaining are two: Schreiner and Dave Isert.

0 0 0

WELL, THAT WAS SHOW BUSINESS. Golden Gate Enterprises and Bill Hickey were creamed in Superior Court yesterday, by a preliminary injunction prohibiting GGE from implying that its planned shows are connected with SEMI, from appropriating hotel and facilities reservations it had made on behalf of SEMI, and a temporary restraining order was lifted which had prevented former GGE employee Shirley Pelnar from becoming Semicon show manager.

The divorce between SEMI and GGE becomes effective immediately, which means that Hickey loses Semicon East in September, and Europa and Japan in 1979. Full contents COPYRIGHT 1979 Don C. Hoefler. Copying by any means is a Federal offense.

Price information and sample copy will be furnished in response to letterhead inquiries. The editor and publisher DOES NOT buy, sell or hold securities in any company mentioned.

(CONTINUED  
OVERLEAF)

FOOT-IN-MOUTH DISEASE. One of the most telling indictments against Hickey was an affidavit by Barry Hart, sales manager of Tencor Instruments, that in Hickey's pitch to him he was told that the move to the Cow Palace in San Francisco (for his own spinout) was the result of the need of Semicon for more space. Semicon has been in the Hall of Flowers in San Mateo since it began in 1970.

Since Tencor is a longtime member of SEMI, the founder and still sponsor of Semicon, this guy Hickey has to rank as a strategist along with George Armstrong Custer. You can now color him as finished with any part of the trade show business that relates to semiconductors.

0 0 0

ANOTHER KIND OF BOMB. The Arms Control and Disarmament Agency and the Office of Technology Assessment, in a typical burst of duplication of effort at the expense of the taxpayer, have simultaneously published estimates of the potential damage to strategic U.S. targets if some unnamed aggressor should start a nuclear war by lobbing a 1-megaton hydrogen bomb into our midst.

To do maximum damage to Silicon Valley, say the Potomac pundits, the target bull's-eye would be the highway intersection of U.S. 101 and California 17. Leave us hope the hostiles think so too, for the Washington wiseacres are wrong as hell.

To reduce this industry back to the era of Texas Instruments and Motorola, the optimum blow-off would take place at the intersection of Lawrence Expressway and Kifer Road in Santa Clara.

This would be a direct hit on National, and would wipe it out as well Signetics, Advanced Micro Devices, Monolithic Memories, Maruman, part of Intel, and incidentally Aertech. The blast would destroy all buildings and equipment, and winds would exceed 500mph. If there were any human survivors, life would not be worth living, for the place would be highly radioactive for years.

The 2-mile perimeter would take in Intel headquarters, Synertek and Siliconix. Their buildings, even the multi-story concrete ones, would go down, while the heat of the explosion would cause third-degree flash burns and clothing would go up in spontaneous combustion. Winds would be as much as 300mph.

At 5 miles, add in Micro Power, Precision Monolithics and Monosil to the east, the AMS facility of Intersil to the north, American Microsystems and Intersil to the south, Data General to the west, Fairchild, Raytheon and Electronic Arrays to the northwest, and Zilog and Nitron to the southwest; not to mention Supertex, Lockheed, Cermetek, Exar, Foxboro/ICT, Litronix, two facilities of Hewlett-Packard, and Four-Phase. Here the buildings would go too, if not reinforced, and there would be more flash burns and clothing fires. Winds would diminish to 160mph.

Now all that is left is Teledyne, Monsanto, H-P Associates and Communications Transistor, all specialty houses. And all of them--with the possibility of CTI up in San Carlos--would be subject to extensive fire damage, and their people to second- or third-degree burns. Furthermore, fire-fighting would be impossible because of the severe radiation environment and the elimination of a water supply.

If you would like to try out this scenario on your own Pianola, send to the Government Printing Office, Washington (DC) 20402, for "The Effects of Nuclear War." Price \$4.75.

MORE THAN MEETS THE EYE. My item about the departure of Gary Summers from Synertek because "he felt he got the short end" (MN, July 7) was a tantalizing iceberg tip, which hinted at another poignant story of the agonizing decision trade-offs which top management must sometimes make, and of the painful adjustments of an acquisition. Here is Gary's version:

"When they recruited me from Motorola in Austin last summer, it was primarily for me to head the design engineering, applications engineering and marketing for the chips, plus the software development tools. The manufacturing setup was headed by Ed Day on the old 3-in. line and Ken Yagura on the new 4-in. line, and I was contracting out wafer starts to both of them.

"When I arrived early in September, things were going good at Synertek, they were profitable, and I started recruiting some design types. Among them was Bill Fox, a heavy guy who had been six years at National, and a guy who worked for him who had done the Western Digital floppy disk controller. So the first thing we set out to do was reverse-engineer the WD floppy.

"Then the fourth quarter came along and profits went to hell. The reqs froze, and I couldn't recruit engineers or buy a light table or drafting supplies. It was pretty depressing. I told the v.p. of finance that we'd idle for a quarter, but he had to understand that you don't design microprocessors in six months. It takes a year and a half to get these things out the door. So he'd better let me get some drafting people, some layout guys and some more engineers, or we'd never keep the ball rolling.

"So the fourth quarter went by, and they deferred the costs of the startup of Fab 3 to the first quarter, and that meant the shutoff of reqs for another quarter. So I had to tread water for six months with no people.

"But the clincher came when Honeywell said they wanted us to design custom single-chip microprocessors for the Controls division, because that's where the profits come from. That was when my people and I started asking ourselves whether we had come to Synertek to do Honeywell chips, or to do standard products to beef up the 6500 line. It was pretty disappointing to all of us, because the guys I recruited and I had had high hopes that we were going to make a go of it.

"Rockwell wasn't participating in the marketplace, and MOS Technology had been out of the loop for quite a while. We had a lot of momentum going with the communications chip, the CRT controller chip and the dual-density floppy, and we were looking to do a next-generation microprocessor.

"I had my knowledge of the 6809 design, which I was a part of at Motorola, and Bill Fox was the father of the PACE at National, and I had hired Chuck Peddle as a consultant to define the pseudo-16. We had a damn good product on the drawing boards, but Honeywell just kind of put the skids to all that. So momentum was lost and my people lost interest and were very down, and that's when things pretty much started going to pieces.

"About that same time Bill O'Meara came on from Fairchild, and he wanted to get all of marketing back from all the product groups. We had just decentralized from the former Jack Balletto structure, where marketing had been diffused into the P&L centers under Day, Yagura and myself, and now O'Meara wanted it all back the way it was. That was kind of against the grain.

"My group was the most susceptible, because I didn't have manufacturing and my design group was really pretty small. So he grabbed us off and the group was split up. Three or four marketing and applications guys under me and I found ourselves working for the sales manager--which was really a blow--while the

engineering guys went over to Ed Day's group.

"So things just didn't work out. It's unfortunate, because we had some momentum going, and we could have done some good things for Bob Schreiner over there. But he decided for whatever reason that this was one area where he didn't want to put his beans in the basket.

"I couldn't see it, so I started interviewing for another position."

Summers was so frustrated by the experience, and so anxious to get on to other things, that he left a \$3000 commission check on the table which would have been payable about two weeks following his resignation. Today he is engineering v.p. at Commodore, shooting to get Commo into the business computer market through "Super-PET."

0 0 0

ADVANCE TO THE REAR. While just about everybody in the business is trying to drop the 2102, including originator Intel, Fairchild is trying to buy the business with gay abandon. That is now the sole product at the South Portland (Me) plant.

Even anybody who wants to keep the thin-margin 2102 in the catalog as a cash-flow commodity must be prepared to buy the business back from Fairch, which is bombing the price with payloads of red ink.

0 0 0

WHICH REMINDS ME. A fitting quotable quote had me in hysterics yesterday (20), comparing the managements of Intel and Fairchild: "Noyce and Moore know more about what is going to happen in 1984 than Corrigan knows about what happened in 1978."

0 0 0

PERSISTENCE PAYS OFF. Coming from a start of negative infinity, and against overwhelming odds, Phil Gregory this week was named to the fulltime job of executive director of Semiconductor Equipment and Materials Institute.

Having no business in SEMI in the first place, the Raytheon purchasing agent originally joined the club because he was one of the few customers of SEMI founder Bill Hugle's Hugle Industries (now part of Tempress/General Signal).

When Phil started his campaign more than a year ago, he was pointedly rejected by a resolution of the SEMI board that no former officer or director would get the job (no other officer or director wanted it).

But the outsider appointed to the job fell on his dork, and the new board had to eat the old board's words. Phil now takes early retirement from Raytheon and joins SEMI "at a date to be arranged with his present employer."

0 0 0

HOT STUFF. "We have good news for you! We are still alive and well." This from our old solar power man of confidence, Jerry Schaflander. Jer's latest communique is addressed "To: CSEP, ISP, IDA-CAL, HFI, & SHD Creditors." You've got to give the man credit.

*Don C.*

# MANAGER'S CASEBOOK by Don C. Hoefler

CASE No. 507

SUBJECT: MY BLUE HAVEN

## FREE ENTERPRISE



"It's not the greatest place to live, but it's TAX-FREE!"

A-124

MANY ENTREPRENEURS and managers in Silicon Valley have taken advantage of the tax shelters provided in the Internal Revenue Code, some to their considerable regret, for the tax shelter is no free lunch.

The tax shelter is a means of deferring tax liability on personal earned income until some time in the future when the taxpayer is in a lower tax bracket than he was at the time the income was earned. To earn this privilege, the taxpayer invests disposable income in ventures which the great brains in Washington deem to be beneficial to the commonweal, but which for a variety of reasons are not attractive investments.

The taxpayer may lose his entire investment, in which case the tax collector loses too.

THE TAX HAVEN, by contrast, is not a method of tax deferral, but a place of tax avoidance or even evasion, made possible by some political entity which is outside the jurisdiction of the United States. Tax havens vary widely, but all have two characteristics in common: (1) lax or non-existent income tax laws for both individuals and businesses; (2) strict laws protecting the secrecy of business and banking transactions.

THE LEADING TAX HAVENS in today's world are these: Andorra; Antigua; the Bahamas; Barbados; Bermuda; British Virgin Islands; Cayman Islands; Channel Islands; Gibraltar; Hong Kong; Isle of Man; Liberia; Liechtenstein; Luxembourg; Monaco; Montserrat; the Netherlands; Netherlands Antilles; New Hebrides; Panama; Singapore; Ireland; Costa Rica; Switzerland; and Turks and Caicos Islands.

This list will be quickly pared by the serious tax-haven seeker, for many of these countries present problems which limit their attractiveness. Andorra, for example, no longer permits formation of non-resident companies. Barbados collects a 30-40 per cent death duty on holdings of non-resident owners. Although Bermuda permits registration of non-resident companies, the procedure is loaded with red tape. The Channel Islands are attractive primarily to U.K. companies, since they are in the Pound Sterling area; the same for the Isle of Man. Ireland's tax break is mainly for artists and writers.

Some semiconductor companies have taken advantage of the tax situations in Hong Kong and Singapore, while Panama is the most popular tax haven in the Western Hemisphere, with more than 35,000 foreign companies registered there. But the hot new haven in this part of the world is the Cayman Islands, a trio of sandspits in the Caribbean, south of Cuba and northwest of Jamaica.

In the Caymans there are no income taxes of any kind, either individual or business. The costs of operating the government are borne by import duties, document duties and business fees (low). Although the major Island, Grand Cayman, is only 22 miles long by 4 miles wide, and an hour by air from Miami, it has more than 200 banks, probably including yours.

(OVER)

NONE OF THIS has been lost on the IRS, of course, which established "Operation Tradewinds" in 1965 to apprehend U.S. tax expatriates in the Bahamas, later broadened to "Project Haven" after the Cayman Legislative Assembly formalized the tax-haven status of the islands in 1966.

The Oversight subcommittee of the House Ways and Means Committee has stated: "The obscure Cayman Islands in the Caribbean are the leading haven for U.S. tax dodgers who are a new generation of pirates bilking the U.S. Treasury out of billions of dollars," adding that these billions were hidden in bank accounts in the Caymans by "giant corporations."

Among the banks doing business in the Caymans are American Express International, Bank of America, Barclays, Canadian Imperial Bank, Chase Manhattan, Citibank, Morgan Guaranty Trust, Chase Manhattan, Royal Bank of Canada, and U.S. regional banks including American National Bank and Trust Company of Chicago, Central Penn National Bank, City National Bank of Detroit, Crocker National Bank, First National Banks of Nashville, Dallas, Louisville, Minneapolis, Oregon, and New Jersey, First Virginia Bank, Georgetown Trust Company, Industrial National Bank of Rhode Island, Irving Trust Co., LaSalle National Bank, Mellon Bank N.A., Mercantile National Bank of Dallas, National City Bank of Minneapolis, New Jersey Bank, Pacific National Bank of Washington, South Carolina National Bank, State National Bank of Connecticut, The Arizona Bank, The Bank of New York, The Detroit Bank and Trust Company, Wells Fargo Bank N.A. and many more.

The tax-haven business is obviously big business, and the IRS has not been above using CIA-type tactics to combat it.

In 1971 an IRS agent named Richard Jaffe bribed an immigration officer in the Bahamas to do undercover work and provide confidential information to the gumshoe. The immigration fink was subsequently fired, but not until after the Bahamian security was broken.

Another IRS agent fixed up the manager of the Castle Bank and Trust Company in the Bahamas with a date with an IRS female spy, Sybil Kennedy, and while the manager went out to dinner with the lady of easy virtue, his briefcase was lifted from her apartment and its contents photographed.

Later the same chick gained access to the bank and lifted a Rolodex file of bank customers. "The only problem," she recalled, "was that every desk in the place had a Rolodex."

NOR WAS IRS ATTENTION LIMITED to the Bahamas. The case of Antony Field, also a Castle manager, in the Caymans, is related in *United States v Field* (532 F.2d 404) (5th Cir. 1976). Field was hit with a subpoena while passing through Miami Airport and ordered to testify before a grand jury investigating tax havens. When asked about bank customers, Field refused to answer, on the grounds that to do so would be a violation of the Bank & Trust Companies Regulation Law of the Caymans, and that he would be liable to criminal prosecution there for so testifying, or for failing to divulge to the Bank Inspector there that he had done so. He also pleaded the Fifth Amendment against self-incrimination, and the international legal doctrine of comity between nations. His pleas were denied on all counts, but the matter died when his subpoena expired and was not renewed.

So go the tax-haven route if you dare, but keep a low profile. Big Brother is watching, and it will soon be 1984.

*Don C. Hoefler's*



**MICROELECTRONICS NEWS**  
*with Manager's Casebook*



Don C. Hoefler's  
**MICROELECTRONICS NEWS**  
with *Manager's Casebook*



BOX 2343, SANTA CLARA, CALIFORNIA 95051 • TELEPHONE: 408-373-6688

SILICON VALLEY  
AUGUST 4 1979

*Good Friend =*

**SILICON ROCKIES?** The need for data processing companies to acquire silicon processing capabilities with the advent of VLSI (MN, July 28) may make the Centennial State of Colorado the next major concentration of semiconductor activity, with NCR Microelectronics and Honeywell Solid State Electronics already in Colorado Springs, 65 miles south of Denver, and facilities of Storage Technology and Control Data upcoming in Boulder, 30 miles northwest of Denver.

Next onstream, in November, will be STC, with a \$30 million investment crammed into only 60,000 sq. ft. The high ratio of dollars to square footage is the result of a heavy outlay for automation of MOS, bipolar and thin-film lines.

After some false starts, STC has succeeded in weaning Larry McMillan, formerly out of American Microsystems and most recently director of engineering at NCR Microelectronics, to become director of semiconductor operations at STC. When first approached a year ago, Larry turned down the offer on the grounds that the STC approach was naive. The company subsequently was turned down by several others--which modified its thinking--and meanwhile at NCR the troops were becoming disenchanted with local management and more receptive to outside offers.

First came McMillan, and although he has been recruiting from all over the country, he of course cherry-picked his former cohort at Colorado Springs, now making him *persona non grata* around his previous digs.

Larry characterizes his new layout as "one of the most advanced semiconductor lines in the world" and says "we're serious as hell about this." First production in prototype quantities will begin emerging early in 1980, but full production with a staff of 200 people will not be achieved until the third quarter or even later. Reason for the long lead time is the wide diversity of products to be produced, including a number of proprietary thin-film semiconductors.

Among the features of the new facility--in environmentally-conscious Colorado--is a zero-effluent water system, which will return to the sewer system water which is as pure as received at the intake.

**THERE'S MORE.** In a parallel move, STC has also acquired Micro-Technology Products, a small (empl. 20) custom house back in Sunnyvale in the Valley. MTP president Fred Buelow, an ex-IBMer who for several years has been on the board of IMB-spinout STC, is now v.p. in charge of all microelectronics at STC, with McMillan reporting to him.

(CONTINUED OVERLEAF)

Full contents COPYRIGHT 1979 Don C. Hoefler. Copying by any means is a Federal offense.

Price information and sample copy will be furnished in response to letterhead inquiries.  
The editor and publisher DOES NOT buy, sell or hold securities in any company mentioned.

ABSENTEE MANAGEMENT. MTP had an automated technology contract with Fujitsu, which has now ended. McMillan picks up everything at MTP except the digital automated design group--including process, development and a pilot assembly line--while still reporting to Buelow in Sunnyvale from the plant in Boulder.

Lurking in the background of this drama is one Steve Popovitch, onetime director of corporate technology at STC, who conceived the Boulder facility and who recruited McMillan. Not a semiconductor type, Popovitch is one of the finest storage-media specialists in the country.

When McMillan signed on, both he and Popovitch thought Larry would be reporting to Steve, but when Larry arrived he learned that Steve had been shunted aside to a planning spot, and Larry would be reporting in directly to a v.p.

Understandably, the transfer which stripped him of his microelectronics baby did not sit well with Steve, who decided to get out while still trying to save his investment in an elegant new house in Boulder. And lo and behold, who should be sitting in Boulder with plans for a semi facility of its own but the Minneapolis-based Control Data.

So that is where Steve Popovitch landed on his feet, and that is what he will be doing. More to come.

0

0

0

CELL DIVISION. Western Digital has split its three sales regions into six, and shifted one guy while adding three others and creating two more unfilled openings. Central division manager Dave Renwick, formerly of Microdata, has moved from Chicago to the home office in Newport Beach (Ca) to become manager of headquarters sales administration.

The north-central portion of Dave's former bailiwick goes to John Karas, out of Texas Instruments and General Instrument. The south-central region, headquartered in Dallas, is under Dan Ray, out of Standard Memories and Applied Magnetics. The former eastern manager, Bob Green, will concentrate on the northeast, although he will also continue to look after the southeast as well, with that billet to remain open for another nine months.

On the west coast, Ed Raether has left the company, while Joe Silk comes in from EMM-SEMI to pick up the northwestern region headquartered in the San Francisco Bay area. This leaves the southwestern regional job, headquartered in the Los Angeles area, wide open, and WD pres Chuck Missler is actively looking for a strong sales type to fill the spot. It will be largely a missionary job at first, as Missler feels the area has much greater potential than the company has been exploiting.

The long-range plan is for each office to have a pair of field applications engineers as well, reporting to the regional manager.

0

0

0

ALTERNATIVE. The IBM facility in Boca Raton (Fl) and Digital Equipment in Maynard (Ma), both of which have been anxiously awaiting a second source for the Western Digital 1791 floppy-disk controller (authorized alternate National has been dragging its feet, while reverse-engineers including Synertek are still in the woodshed), now hear that a new source will be sailing in from offshore.

Although some Is must be dotted and some Ts crossed, it looks like AEG-Telefunken will be hopping into the 1791 bed with WD.

NO-NAME JIVE. Although MN has a longtime reputation for calling the facts as the editor sees them, without fear or favor, we also try more quietly to avoid damaging innocent parties. Thus we must for the moment conceal the identities of the persons in the story that follows, but even in that form it is too important to ignore. It concerns a serious personnel problem faced by a company president with a division manager, and how he coped with it. I'll let the pres tell the story in his own words:

"Jerry was v.p.-g.m. of a division whose schedule had slipped badly. It was obvious that he was intensely over-committed, and his response was to work his ass off, around the clock, seven days a week. He had augered himself into the ground to the point where he was acting irrationally and becoming disruptive. He was trying his damndest to make things happen, but he had not solidly analyzed what needed to be done. So it became necessary to pull him out of the picture to get things stabilized.

"But while it is very easy for the rest of us to sit back and look at all the things he should have done in the past year, the truth of the matter is that he had a lot of help getting into the hole he was in. The guys who really caused him to get so deeply into trouble were we who were just standing around. He may be one of those executive burnouts you talked about recently (MN, July 14), but if so it's our fault because we allowed him to become so overcommitted.

"So what I did was call him in, and under the circumstances he fully expected to be fired. He knew that the pressure was on and I really had to act. But instead I said, 'Jerry, here is a check for two months' pay plus all your accrued vacation. I am not firing you, but I am relieving you of your duties and I am asking you to take a 30-day vacation, to get reacquainted with your wife, walk the beach, catch your breath, and just get your personal health back together.

"There are two reasons I am taking this action: first, I think it's called for to get things restructured; but also I think for you personally it is absolutely urgent that you recover your health.

"So I am asking you to take a rest, during which time--and I wouldn't blame you if you did--you may choose to decide that I, the company and everybody in it are a bunch of sonsofbitches, and the hell with all of us. I could understand why you might feel that way, especially when you have worked so hard and now get pulled out just when things seem to be starting to turn.

"Please understand that you retain your master key to the facilities and your credit cards, for I am in no way relieving you of any of the accouterments of office. What I am hoping is that, with the security of cash on hand and the realization that you do not have to move fast, you will get your act together and you will come back, and you and I can then redefine a meaningful set of officer-level responsibilities. Get pissed off at me meanwhile if you like, but then come on back and let's see it we can make the whole thing work.'

"This whole thing was extremely painful for me, because in the interpersonal sense Jerry and I really hit it off. He is an exciting, extremely creative guy. But he had also backed into a situation where he had successfully alienated a substantial portion of the organization by his style.

"There is enough going on around here that we can certainly carve off a piece for him to run with, or there are several things it might be appropriate for us to tackle if I could intrigue him with one of them.

"The question is whether we will be skillful enough to allow him to patch up a bruised ego and rejoin the team. Maybe I'm naive, but I feel it can be done."

THE OTHER SHOE THAT WON'T DROP. It seems that all U.S. economists (except those beholden to the Administration) are agreed that the country is on the precipice of a recession--if not already in it.

But most of these economists (and all of those in California) are agreed that the effect of such a downturn will be minimal on the West Coast.

Thus the honchos in the Valley keep waiting for the bottom to fall out, while sales and earnings continue to roll at a brisk pace.

Now we learn that unemployment is up in the U.S. but down in California, which seems to support the bears until we realize that the U.S. figure in July rose from 5.6 to 5.7 per cent, while the drop in California was from 6.0 to 5.8. And the industry in the Vally continues ready to Shanghai any available warm body--lukewarm, even.

Next we move to the heartland, where in DeKalb (Il) a major user of semiconductors reports a quarterly loss due to sluggish sales of electronic organs. Says Bill Herleman, chairman-president of Wurlitzer: "The continued weakness of the industry's sales of electronic organs, a product which is considered a luxury item by many consumers, is a further indication that consumer fears of a possible recession are affecting our business."

Thus the crystal ball continues to fill with smoke as the Mighty Wurlitzer wails in a minor key.

0 0 0

ROOM AT THE TOP. Managers are not yet feeling any income pinch, according to a survey of American Electronics Association (ex-WEMA). The group as a whole enjoyed base salary increases of an average 8.6 per cent over the past year, better than the gain of 7.5 per cent a year ago.

As might be expected, the c.e.o.s took care of themselves first, with salaries and bonuses up 11 per cent (although the average must have been fattened by recent grabs by Fairchild's Wilf Corrigan, who was once sued by Motorola for "unjust enrichment.")

Manufacturing types gained 9.2 per cent, while bean counters added 8.5 per cent. Seniors in marketing, sales, engineering, R&D, administration and IR, swung between 7.3 and 7.9 per cent.

Sucking hind tit were the perennial bridesmaids: R&QA types with 6.2 per cent.

0 0 0

DOCTOR IN THE HOUSE. Fairchild has picked a plum in Europe, taking on Dr. Jerry Thomas--who a couple of years ago succeeded Joe Hurley as head of ITT Semiconductors in Europe--as v.p. for semiconductor products. Thomas will continue to be headquartered in England.

Reporting to him, and moving from Munich to Mountain View (Ca), is Horst Sandfort, as director of European marketing programs. Horst had been stranded as central European g.m. for the near-invisible Time Products division.

Don C.

0 0 0

# MANAGER'S CASEBOOK by Don C. Hoefler

CASE No. 509 SUBJECT: GO FOR BROKE THE EASY WAY

## FREE ENTERPRISE



"If this is Chapter V, fellas,  
I'm never gonna make it to XI!"

A-126

*I bin rich.  
I bin poor.  
Rich is better.*  
--Joe Daffron  
1955

THROUGHOUT THE GREAT DEPRESSION the sachems in D.C. were assuring the penniless peons that "Prosperity is Right around the Corner." That corner, however, proved as elusive as Nixon's latter "light at the end of the tunnel."

Now the sachems assure us that a recession is not right around the corner--and once again it would behoove us to believe the opposite.

For it does appear that the economy is again down-cycling, and if this industry is recession-proof, it has yet to prove it. Hence the prudent man would once again anticipate some business failures, and in this other-people's-money way we have of doing business, it is the creditors who will be hurt the most.

Bankruptcy is no disgrace. A Chapter XI reorganization is often the only alternative to total dissolution, in which everybody loses. The companies in this industry which have resorted to it include: Western Digital; Litronix; Frontier; MOS Technology; Varadyne; and Kinetic Technology.

ALL OF THESE COMPANIES SURVIVED, although most of them had to be acquired in order to keep their doors open. One can think of an equal number which, had they availed themselves of the shelter of Chapter XI, might have survived until better days rather than being stone cold dead in the market.

Business is a game and business involves risk. It is not unlike poker or blackjack or craps in Las Vegas, except in Vegas you play against odds which favor the house, while in business you are the house. But if the recession of 1979-80 catches you on the short end of the game, you should--as in Vegas--accept your losses philosophically.

Bankruptcy is simply another part of the game, and should be played as such. It should not blow your mind if you or one or more of your debtors must resort to Chapter XI, nor should your creditors get red-assed if you are the one to go into the tank.

Bankruptcy is merely a time at bat when somebody strikes out. And nobody bats 1.000. A strikeout may be the end of the inning, but it need not be the end of the game, and certainly not the end of a career.

If you are temporarily on the ropes, however, by all means lean on Chapter XI before someone forces you into Chapter X, where you can lose control to the creditors or the stockholders.

(OVER)

IT WAS DURING THE AFOREMENTIONED GREAT DEPRESSION, when companies large and small were dropping like flies, and stockbrokers were flying like sandbags, that Congress conceived the Chapter XI notion, which put the creditors of a harried company into suspended animation while its management figured a way out of the mess.

This is particularly helpful if the key to getting out from under is the liquidation of a valuable but slow-moving asset. In any case, the court will hardly reject a plan of arrangement which is fair to all interested parties.

Not that the Chapter XI proceeding is a free ride for an errant c.e.o. He is the one who has stubbed his toe, and it is he who must convince a number of skeptics that he has the physical property and mental smarts that will enable him to come up with a profitable solution to the dilemma if he is given a second chance.

As opposed to Chapter X, whose plans require the blessing of two-thirds of the creditors and two-thirds of the stockholders, a Chapter XI plan needs the approval only of creditors representing 51 per cent of the dollars outstanding, while stockholders and secured creditors have no say in the matter.

THIS IS NOT TO SAY that creditors must be made whole, but only reasonably well. No realistic creditor in such situations expects repayment of a full 100 cents on the dollar, and the debtor has the weight of history on his side.

Even under the protection of Chapter XI, the rehabilitation rate of companies is not high, so the debtor is not wholly lacking in bargaining power. He is able to offer a creditor the hard choice of perhaps 10 cents on the dollar repaid in installments--or nothing at all if the company goes under. There may be considerable grumbling, but the ultimate selection is obvious.

The c.e.o. of the failing company must be gutsy, and he must act fast. He dare not panic, dare not let the bars down, dare not let the business die a slow, painful death. He must remain the man in charge of a company which he believes has had only temporary reversals, and which still has excellent prospects of success.

And if he and his attorney agree that Chapter XI is the wise course, then they should get on record with it as quickly as possible, lest a creditors' committee force the issue through Chapter X. The next thing is to begin working the plan as quickly as possible, and getting back out of Chapter XI as quickly as possible. The manager who thinks Chapter XI is merely a chance to stall in a do-nothing breather, is kidding himself. He will soon be just one more of those total-failure statistics.

The c.e.o. must begin by making all reasonable operating economies, cutting costs until it hurts and raising efficiency to levels previously unknown in the company. The next step is good public relations, not a luxury here but an absolute necessity. The company must regain credibility with customers, with creditors, stockholders, and the court which holds jurisdiction. Each of these publics must be fully convinced that the company is still viable, and the very management which got it into its present trouble can yet lead it to new heights.

It is no easy task, but Chapter XI is one last chance to use other people's money for a soft-landing bail-out. It's the final case of shape up or ship out.

*Don C. Hoefler's*



**MICROELECTRONICS NEWS**  
*with Manager's Casebook*

Don C. Hoefler's  
**MICROELECTRONICS NEWS**  
with *Manager's Casebook*



BOX 2343, SANTA CLARA, CALIFORNIA 95051 • TELEPHONE: 408-625-4090

SILICON VALLEY  
AUGUST 18 1979

*Good Friend*

ONCE A KING, ALWAYS A KING. Jerry Sanders, chairman, president and chief executive officer of Advanced Micro Devices, where he revels in the sobriquet of "The King," was reported in the February 25 "New York Times" as having two primary missions in life: (1) building a fortune for Jerry Sanders; (2) advancing the fortunes of AMD. In that order.

The AMD proxy statement announcing the annual meeting on September 11 demonstrates conclusively that The King is still taking care of No. 1. For the fiscal year ended March 25 1979, Jerry received \$303,078 in salaries, fees and bonuses, plus \$15,809 in "personal benefits," plus \$70,757 in "contingent remuneration," plus \$48,000 as president of Advanced Micro Computers, a total of \$437,644 in coin of the realm.

This has to make Jerry the highest-paid manager in the semiconductor business, which isn't bad for a company which ranks No. 7. But don't go away. There's more.

In future years, Jerry gets an automatic 7 per cent increase, plus a cost-of-living increase, plus a bonus of 0.5 per cent of AMD pretax profits.

The AMD board established a "compensation committee" on February 9, but the proxy statement tells us, "To date, the committee has not met." Obviously, for Jerry's No. 1 objective, it didn't need to.

The company carries a minimum \$1 million "key-man" life insurance on Jerry, of which Linda and the kids get at least half on his demise, or he may get after retirement as "deferred compensation." Also if he dies in office, the heirs get a year's salary as a "death benefit."

Jerry also has an option from AMD to purchase 108,000 shares at \$6.36, which at yesterday's (17) price of \$37.50 would have netted him a profit of another \$3,363,120.

He also has a warrant from Siemens to purchase 112,500 shares of AMD stock at \$19.11, which on yesterday's market was worth another \$2,068,875.

So it seems clear they will be holding no benefits for Mr. Walter Jeremiah Sanders III. As another company president said this week, "Compared to Sanders, Corrigan is a piker."

Sorry about that, Wilf.

Full contents COPYRIGHT 1979 Don C. Hoefler. Copying by any means is a Federal offense.

Price information and sample copy will be furnished in response to letterhead inquiries.  
The editor and publisher DOES NOT buy, sell or hold securities in any company mentioned.

THE TRUTH WILL OUT. When I speculated last spring that the return of Mas Shima from Zilog to Intel would presage his setting up a design center in Japan (MN, March 31), Intel chairman Gordon Moore denied it, saying it would be too expensive.

Yesterday (17) in Tokyo, Intel pres Andy Grove confirmed that Shima will head an LSI design center in Japan, to open just a year after I reported. The unit, to have a staff of 20 by the end of 1980, will probably be in Tsukuba, a new city designed as an academic and research center.

0

0

0

AND THERE WAS ONE. Corporate Technology, one of the hottest headhunters in the Valley, has a new president in John Reinhardt, third and last of the founders to take the job. At the same time, Ken Armstrong was named v.p. in the Sunnyvale office, and Don Mitchell v.p. in Seattle.

The first president, Ed Duggan, left to form his own executive search service, and this week Jim Morgan left to form Zero-N Systems in Sunnyvale, a computer dating service for headhunters. CTI is his first customer.

The Z-N system puts resumes of job-seekers into a computer memory bank, using any plain-language terminal, then searches out candidates by key words which the computer automatically adds to its own vocabulary. Morgan and the designers originally thought that a vocabulary of 6000 words would be adequate, but with only 20 per cent of the CTI file entered the number is now 15,000 and still slowly growing.

The concept began a decade ago at Fairchild, when Morgan was trying to catalog interchangeable parts, carrying near-identical specifications by dissimilar part numbers. He worked out such a system with Tymshare, but it was ahead of its time, being too slow and too costly.

When Morgan entered the employment agency business in 1971, he started looking for a system which could match people to jobs through EDP. Two years ago he saw the advent of microprocessors and cheap memories making the concept feasible. The timeshare and computer service companies he contacted all told him that the cost-performance he hoped to achieve was impossible--all except one.

Two guys at National CSS, marketer Jim Gast and systems analyst Larry Schork, became intrigued with the idea, and a year ago Morgan and Schork began developing the software in earnest. The hardware is now in place, and Larry has joined Morgan in the new business.

The system can store 20 megabytes of data for pennies a day, with a capacity of 30 million resumes all of which can be searched in seconds. Morgan thinks it may ultimately have even more usefulness in filling technician-level jobs than in locating professionals. Besides operating the search service, Z-N will also license the software package to large companies which have their own large computers.

Morgan retains his stock in CTI, but Reinhardt has no position in Z-N, wanting to avoid any appearance of conflict of interest.

Zero-N is in place at 525 Del Rey Ave., Suite D, Sunnyvale (Ca) 94086. Phone 408-735-1634.

0

0

0



A-B COMPARISON. A Hewlett-Packard employee who is delighted to be a former Motorola employee, has rated the two companies as places to work. Copies of his 3-page handiwork have proliferated around H-P. Now maybe we can get a few to Mr. Moto.

HEWLETT-PACKARD

MOTOROLA

10 years = 10 shares of stock	10 years = turned into a vegetable
Profit-sharing: 12 per cent of profit before taxes, in cash twice a year; Does not require employee contribution	They "invest" your money, then you wait to get it while it loses value through inflation
Encourages personal projects, borrowing equipment, using company materials	Will clap you in irons if they catch you
WATS line available for personal use	Check phone bills monthly for abuse
Free coffee and pastries during scheduled break	Buy your own refreshments, sit around and grouse for 45 minutes
No rumor mill	Rumor mill more active than factory
Sponsors athletic events with \$	Nil
Maintains a mountain recreation area with cabins, other facilities	Nil
No class discrimination beyond direct-indirect (company cars for upper levels, however); no ass-kissers' parking lot or office discrimination	Rigid class distinctions in terms of desk size, office size, secretary, ass-kissers' parking lot
Employee attitude toward management: "I hope they never change"	Employee attitude toward management: "If I can hold out another six months, maybe these assholes will be gone"
Management attitude toward employee: Trust the employee, delegate authority; people-oriented management by objective; no mahogany row or executive suites	Management attitude toward employee: Management by power trip: "If I can two more promotions based on my aggressive tendencies before I'm canned, I can get a good job somewhere else; as for the employees, screw 'em
Employee security: almost infinite; no fear of losing job; no layoffs	You gotta be kiddin'! security only in extreme cases of trapped personnel; constant fear of being considered cannon fodder for next purge
Flexible work hours	Be there at 8:00 AM--or else
Calculators for employees	Nil
Quality is part of the corporation's goodwill, the basis for the company's niche	Talk quality, ship shit
Bring in guests any time, except children under 11 after hours, week-ends	Guards hunt you down, especially ex-employees (To be continued)

OUR SPIES ARE EVERYWHERE. We have tracked down Don Black, reported last week as becoming disenchanted with NCR and heading out for parts unknown (MN, Aug. 11). The Nortec-Integrated Technology veteran was indeed unhappy with the slow pace in Boulder, and frustrated with lack of feeling of accomplishment. He is now IC design manager at the Frontier subsidiary of Commodore. With his office chair barely warm and his new house still unsettled, poor Don left today (18) for three weeks in Hong Kong. Or maybe it's Mrs. B. who should get the condolences.

0 0 0

SORRY, GALS. Sheryl Novello, center fielder for the Ultratech-Xynetics entry in the girls softball league, chewed me out this week for saying in the last issue that Intel had been league champion in 1978. The true *ne plus ultra* was U-X.

Intel was actually No. 3--and oddly, I didn't hear a peep out of them.

0 0 0

HOTTING UP. It looks like a free-for-all in production equipment trade shows in the Valley next year. First comes Linda Cartlidge's Advanced Semiconductor Equipment Exposition, on January 22-24, in San Jose.

Next will be Semicon on its usual date (May 20-22), in San Mateo.

And Bill Hickey of 'Golden Gate Enterprises, despite getting creamed in the courts by SEMI (MN, July 21), insists he is going to mount his own show to compete day-and-date against Semicon, at the Cow Palace in San Francisco. Ya wanna bet?

Finally, Milt Kiver has discovered the Valley, and promises a Nepcon Northwest in San Jose on November 19-21.

Meanwhile Cartlidge is expanding into the Phoenix area, with Southwest Semiconductor Expo on March 25-27. Wonder how long it will take the others to follow her there?

0 0 0

IF AT FIRST. Northern Telecom, the former Bell System Northern Electric which took a semiconductor shellacking with Microsystems International a few years ago, plans a full-bore facility in the U.S., as predicted here (MN, Jan. 27). The new plant will be in the San Diego orbit at Rancho Bernardo, not far from Burroughs (the former Garrett).

The NTL outlay will be right in the ballpark for a new semi plant, budgeted at \$32.5 million. Meanwhile the company will sock another \$36 million into expansion in Ottawa.

0 0 0

DEFUSED. Zilog had a wild celebration at its sales meeting in Monterey (Ca) this week, and it won't happen again. The company shot off a half-hour of fireworks without official sanction, and had the whole peninsula up in arms. Since fireworks were banned there even on Independence Day, and since Fort Ord is nearby, residents thought it was the beginning of World War III.

Price information and sample copy will be furnished in response to letterhead inquiries. The editor and publisher DOES NOT buy, sell or hold securities in any company mentioned.

*done*

Don C. Hoefler's  
**MICROELECTRONICS NEWS**

with *Manager's Casebook*



BOX 239, PACIFIC GROVE, CALIFORNIA 93950 • TELEPHONE 408-625-4090

SILICON VALLEY  
NOVEMBER 3 1979

## *Good Friend—*

**TECHNOLOGIES DISUNITED.** Hardly was the ink dry on Mostek's agreement to be acquired by United Technologies, than Mos quietly told customers that it is withdrawing from the add-on memory business, which it entered with great flourish only last year.

The firm built probably no more than 14 systems, with only two in the field, both on consignment. One of them is at Clemson University, in the cotton country of South Carolina, not too far from Nine Times, Pickens and Liberty; the other is at the Transamerica facility in Los Angeles, not too far from the smog belt.

Mostek has withdrawn its outstanding proposals, and is offering for sale to the highest bidder the whole shootin' match: finished goods inventory, stores, tooling and designs—everything but the people. The company says that all employees in the division will be absorbed elsewhere into its operations.

Maybe the company had some misgivings from the outset, however, for the engineering director on the project was never on the payroll, but a consultant. That was Tom Hong, late of Intersil and formerly of National.

The entire future of the add-on memory business is in doubt, furthered by IBM's announcement this week of a one-third price cut in its own memories. Intel is soft-peddalling its own activity, and National, with its typical counter-PR, is doing a clog dance about how great its memories are doing, when in fact they are in deep trouble. Even the originator of the concept, Intersil (Advanced Memory Systems), is scrambling to diversify its product line.

As IBM's slick lawyers continue to turn back antitrust litigations against it, the company is being emboldened to come out of the closet and once again put the screws to the competition. It looks like another cat-and-dog fight on the horizon.

0 0 0

**LOOKIN' GOOD.** Wells Fargo Bank has joined its fellow Bank of America in predicting another good year for aerospace and electronics in California in 1980, in the face of a still-expected recession which will have a negative effect on construction, business investment, auto sales and other consumer spending.

Electronics firms will be saved by their heavy backlogs, says Joe Wahed, v.p. and manager of the bank's economics department, while record defense spending (\$13 billion)

Full contents COPYRIGHT 1979 Don C. Hoefler. Copying by any means is a Federal offense.

Price information and sample copy will be furnished in response to letterhead inquiries.  
The editor and publisher DOES NOT buy, sell or hold securities in any company mentioned.

will bolster aerospace.

# Texas Instruments is coming back for more.

**GLUTTONS.** Those bodacious tinstars were back in the Valley this week on another talent raid, so successful was their earlier body-snatch (MN, Aug. 25). The hell of it is, for Valley companies, is that the cost of living in California has gone so far out of sight, that budget-minded housewives are urging their breadwinners to forego the good life in the Golden State in favor of such backwaters as Dallas-Fort Worth, Houston, Lubbock, Austin--and Johnson City (Tn).

It's a complete reversal from a few years ago, when it was a snap to cherry-pick warm bodies out of TI with promises of California sunshine, greater recognition and faster promotion, and remuneration substantially in excess of TI's starvation wages.

Now the economy has come to TI's rescue, and the company has helped itself by bringing its salary schedules into the twentieth century (something Motorola has yet to do, which is why Valley companies have shifted their own cherry-pickers to Phoenix and environs).

Not too many years ago, when a professional recruiter from the Valley checked in at a Dallas hotel, he soon heard a knock at his hotel room door, to be greeted by a longhorn goon who told him he could best retain his health by catching the next plane out of town.

When the 44 TI troops arrived at the Marriott in Santa Clara on Wednesday (31), each was greeted with a bottle of wine, plus a covering letter from Mike Oliver of Signetics, welcoming them to the Valley and suggesting that they execute the enclosed employment application. Mike added, however, that Siggie has too much regard for a potential future relationship to make "firm offers right on the spot" (one of TI's major gimmicks on these carpetbagging forays).

It's all a matter of class. While Advanced Micro Devices has been buying slick magazines and prime TV time ("Manager's Casebook" No. 520), TI promoted its invasion with want ads and a cheap film crawl on all-night movies on a San Jose UHF station. One appeared at 2 AM Monday (29), a piece of rollover copy read by a voice-over announcer like an idiot board. It was followed back-to-back by a Tampax commercial, which should have told us something.

o o o

**MORA TORA TORA.** The Japanese invasion of the U.S. semiconductor industry continues without letup, with two more acquisitions imminent. A deal will soon be closed for Maruman, probably going to Toshiba. Meanwhile, serious negotiations are in process for the Phoenix and Tempe operations of EMM Semi, with another Japanese company as yet unidentified.

o o o

**WONDERING OUT LOUD.** With nearly everybody's third-quarter earnings statements now matters of public record, why is there no word from American Microsystems? Dilatory reporting is usually a good tip-off that bad news is in the offing, and that the financial masseurs are frantically trying to slap more icing on the cake that has already fallen.

o o o

CIRCUMSTANCES ALTER CASES. When National recently inherited the remnants of Intel's Data Products group, it also inherited Rex Rasmussen, president of the Systems Development division and head of field engineering.

Nat also inherited, Rex thought, Intel's obligation to keep him in wheels--a Mercedes 450SL to be exact. Charlie Sporck nearly swallowed his cigar when Rex hit him with this one a few Fridays ago. Charlie promised to consider it over the week-end and come back with an answer on Monday. Rex should have known at that moment what the answer would be. You and I would have, wouldn't we?

Not to stretch it into a shaggy-dog story, Rex is no longer on the payroll. Neither is the Mercedes.

Which raises the question of what Charlie will do with the palatial Intel office in Palo Alto, second in opulence only to the firm's headquarters in San Francisco and only a little grander than the Taj Mahal. It is in shattering contrast to the gas-pipe-rack environment at National. Look for Sporck to call in Butterfield & Butterfield, auctioneers.

0

0

0

THE BEST DEFENSE IS A GOOD OFFENSE. Following Charlie Sporck's puerile outburst about how he will defense any takeover attempts, at National's annual meeting last week (MN, Oct. 27), he got his flacks to get out a press release concerning his howgozit comments, including those of two of the company's weak sisters.

Of the ailing Systems division, which is being sorely pressed by heavyweight competition, he said it is "very strong in sales and profits, with demand continuing to exceed supply."

Of the near-invisible Consumer division, he said it "was clearly profitable and had a high return on investment."

Of the Intel deal, he said only that it was a "smooth transition" and should be profitable by the end of fiscal 1980.

Of computer products, he said nothing for publication.

And the moon is still made of green cheese, Apollo-Saturn 10 to the contrary notwithstanding.

0

0

0

MORE OFFENSE-DEFENSE. As Arrow has cherry-picked the top line of Hamilton-Avnet, and then dug into the second tier, there will soon follow a lawsuit alleging misappropriation of customer information, interference with advantageous relationships, and all those other wherefores and whereases dear to the hearts of barristers and solicitors.

None of which is deterring Arrow in the slightest. On the contrary, they are racing the calendar with further raids before being hit with the inevitable temporary restraining order and/or preliminary injunction.

0

0

0

APPOINTED. Jack Senoski is new eastern regional sales manager of Precision Monolith.

0

0

0

NEAR-MISS. ECS Microsystems will have to continue its search for an operations manager (MN, Oct. 27). Although Ed Sherman was expected aboard on Thursday (1), he decided to keep on doing what he is doing--which is putting Signetics on the map as a military-aerospace supplier.

0 0 0

NOBODY'S PERFECT (THOUGH IT KILLS ME TO ADMIT IT). I goofed last week in saying the proposed Capital Cost Recovery Act contemplates accelerated but straight-line write-offs ("Manager's Casebook" No. 521). Actually the bills (HR 4646 and SB 1435) are front-loaded.

Under the 10-5-3 plan, Class I assets (buildings and structural components) will depreciate 20 per cent the first year, 18 the second, 16 the third, and on down to 2 per cent in the tenth year.

Class II assets, including furniture and capital equipment, are written down 20 per cent in the first year down to the final 8 per cent in the fifth year.

Class III assets, comprising automobiles and light trucks (up to a maximum of \$100,000 in any year), are written off in three years, at 33, 45 and 22 per cent of the purchase price.

The whole thing is loaded with provisos, however, so you had best contact your Senator or Representative for a copy of the bill.

0 0 0

OFF THE SHELF, OFF THE WALL. These idiotic interest rates ("Manager's Casebook," Sept. 1) are making life miserable for distributors, whose already thin margins are being squeezed even further. Suppliers continue to demand prompt payment (Motorola discounts distribs 2 per cent 15 days, but insists that they take it and pay twice a month), and with nearly everything in short supply, producers can be very choosy about avoiding slow-pay outfits. In sum, no check, no inventory.

Customers, on the other hand, who are paying 16-19 per cent for their money, want to stretch out their payments as long as possible.

Thus the distributor's payables are typically remitted in 32 days, while the receivables are paid more like 48-52 days. Thus there is a continual 16-20 day gap between receivables and payables which keeps the distrib in hock to the banks.

Add to that the increased cost of carrying inventory. Traditionally, slow-moving merchandise on the distributor shelves eats up 1 per cent of its acquisition cost each month. At today's high money rates, that storage cost is up to 1.5 per cent a month.

One distributor's formula for survival: "Keep your inventories lean; get as much credit as possible; pay as slowly as possible."

I hear he also prays a lot.

0 0 0

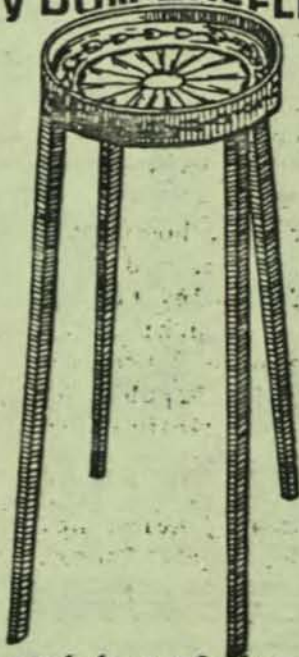
THEIR EARS MUST BE BURNING. Job-seekers out of Intersil (and there are many) are vehement in their distaste for the state of affairs at their present employer. The political infighting in Roger Smullen's semiconductor division has reached the unbelievable level, they say, while they dope pres Ori Hoch as a mechanical man who lives by the numbers, devoid of any feeling for people or the technology.

*Don L.*

# MANAGER'S CASEBOOK by Don C. Hoefler

CASE No. 522 SUBJECT: THE RUSSIANS ARE COMING ALL OVER

## FREE ENTERPRISE By DON HOEFLER



Early prototype of plug-in VLSI of Azerbaidzhan (actual size).

A-139

THIS SUMMER OF 1981 has been so damn hot, the Japanese cherry trees are demanding to be sent home. You can throw an egg against the Washington Monument, and it will fry in place without spilling a drop.

Add to that this Great Recession we're in, and it's no wonder that Senators and Representatives all over town are demanding a recess before the schools open and the swimming pools close.

But President Connally has warned leaders of both Houses that an adjournment will only result in his declaring an emergency session, with the lawmakers staying through Christmas if necessary to get a ratification of the SEMI I Treaty.

The entire nation has been traumatized ever since last November, when that first vague newscast sputtered out of the British Broadcasting Corporation in London, that while all the semiconductor companies in the Free World had been trying to beat one another's brains out, a sneaky band of Turks in Soviet clothing had perfected Very Large Scale Integrated Circuits. Not only did they have VLSI, but it was VLSI an order of magnitude faster and denser than the Japanese were about to announce. First products, already appearing in sample quantities, included one-chip mainframe computers and 512k dynamic RAMs.

PRODUCERS EVERYWHERE on the fair side of the Iron Curtain immediately ceased their name-calling and bickering. Companies in Japan, Germany, Italy, France, U.K. and Israel applied for most-favored-nation status in the U.S.-based Semiconductor Protective Association.

This unexpected move by former enemies of the Republic posed a sticky problem for Tim Dangleman, SPA president. Since both of his sponsors and mentors, Shifty Willie Harrigan of Barewild and One-Track Harley Sprocket of Fashional, had departed the industry shortly after their companies were acquired (Sprocket having left scorched earth from the exhaust of a spectacular lift-off), this left Dangleman not knowing what to think.

Details of the discovery leaked out in slow dribbles. The development work was done, it was learned, in the constituent Soviet Socialist Republic of Azerbaidzhan, at the Academy of Sciences in the capital city of Baku, on the shores of the Caspian Sea. (Far from Siberia, this is in South Russia, where things are also tough zhitsky, y'all.)

The theoretical work was performed under the direction of Prof. Ivar Nokurkokoff, every inch an Academy man, all 6 ft. 7 in. of him.

Semiconductor scientists in the U.S. were later stunned to learn that Academy

scientists had been able to isolate and refine a wholly new substrate material--sheepchips--which are readily found in nature in the grazing areas of the nearby Caucasus Mountains.

This stinkbomb would normally have had wide-ranging repercussions in the U.S. wool-growing state of Montana, but the sheep-herding population was decimated by suicides following a proclamation by the Governor that there would never be another ewe.

THE AZERBAIDZHANIANS had also found a new dopant, a direct steal from the U.S. The rascally Soviet Turks (two-thirds of the population) had at last discovered a viable use for CheezWhiz, something the Americans had been seeking for generations. Kraft stock shot up 12½ points, only to peter out again almost immediately, when the Commerce Department put CheezeWhiz on the Prohibited Exports Schedule, invoking the Trading-with-the-Enemy Act. But they were too late, as usual. The Soviets already had a two-year supply in inventory, and there was a contract out with Silicon Valley Felonies for a certified copy of the formula, no questions asked.

It was the Azerbaïdzhanian advances in fabrication technology, however, that completely crushed the British, who until now had managed to affect a debonair attitude toward semiconductors, while strolling down Bond Street with holey pockets and tattered spats. But when it was learned that the Soviets were achieving ultrafine generation of mask patterns through neutrino-beam projection, and the neutrinos were being imported from a plant in Ireland controlled by the Irish Republican Army, an immediate cry went up in Parliament for a non-confidence vote against the Thatcher government.

THE SITUATION WAS A POWDER KEG, when two weeks ago the industry guru, Dr. Norbert Royce, testified before the Senate Committee on a Favorable Imbalance of Trade.

"That R&D was subsidized by the government," said Royce.

"That's what you said about the Japs," snapped the committee chairman, Yameltin Jerdin.

"They are combined in restraint of trade."

"That's what you said about the Japs."

"They don't have to make a profit."

"That's what you said about the Japs."

"The next thing you know, they'll be bombing prices and dumping all over us."

"That's what you said about Fashional."

At this point President Connally stepped in, and sent his special emissary, Jed Goosey, to hammer out the SEMI I Treaty with the Azerbaïdzhanians.

Under it, Connally's favorite company, Texas Indigents, becomes sole U.S. source for the VLSI of Azerbaïdzhani. All other U.S. companies will continue to be permitted to make discretes.

Well, if SEMI I passes, we won't be hearing any more about the Japanese for a while!

*Don C. Hoefler's*



**MICROELECTRONICS NEWS**

*with Manager's Casebook*

BOX 239, PACIFIC GROVE, CA 93950 • 408-625-4090



Don C. Hoefler's  
**MICROELECTRONICS NEWS**  
*with Manager's Casebook*



BOX 239, PACIFIC GROVE, CALIFORNIA 93950 • TELEPHONE 408-625-4090

SILICON VALLEY  
OCTOBER 27 1979

*Good Friend*

THE PASSING PARADE. Takeover fever abounded in the industry this week, as United Technologies made its move on Mostek (including a \$2 million sweetener for key employees, not made public), Intersil stock yo-yoed on rumor that Gould was about to make its move (MN, Oct. 6), and National huffed like a puff adder in an effort to scare off an unfriendly takeover.

UTC, through its subsidiary, CTU of Delaware, has run its tombstone ads offering \$62 a share for Mostek (MN, Sept. 29), without mentioning how it won over the Mos officers and got unanimous approval of the Mos board for the deal. Added to the publicized purchase price is an incentive package containing some \$2 million in heart balm, to keep Mos key employees aboard, and healthy and happy. The deal could even go higher than that, some say to as much as \$700 million including the purchase price.

Intersil stock took a big jump this week, but later slacked off, on Street rumors that Gould would soon make its move. Although Gould will probably open the bidding at \$32, the smart money says it is prepared to go as high as \$46 a share, which would make yesterday's (26) closing price of \$28.50 still a substantial bargain. But Intersil is still stonewalling with a no-comment, saying on Tuesday (23) that it "has no material developments to announce."

National's latest strategem, approved at its annual meeting on Thursday (25) was to more than double its authorization of capital stock, from 13.2 million shares outstanding today, to an additional 30 million common shares plus another 1 million preferred shares. Now all Charlie Sporck has to do is find a buyer--a friendly one.

At the meeting he blustered that any potential purchaser will run into a rough time: "The first son of a bitch who brings it up will hear our answer: that we are violently opposed to takeover, either by foreign giants or local monoliths." He added that the company will adopt a "scorched earth" policy if an outsider moves in on it.

This rather artless fellow has once again demonstrated that the only philosophy he understands is brute force, with all the subtlety and finesse of Two-Ton Tony Galento. If by "scorched earth" he means that Nat's top management would bail out, the acquirer could care less. Charlie has reached his Peter Principle, and his second-tier managers have undistinguished track records, partly because he runs a one-man show and has never allowed them to develop. The entire bunch could walk off with their 3.7 per cent ownership of the company and hardly be missed. But would the working stiffs in the trenches fall in line? Not a chance.

Full contents COPYRIGHT 1979 Don C. Hoefler.

Copying by any means is a Federal offense.

Price information and sample copy will be furnished in response to letterhead inquiries.  
The editor and publisher DOES NOT buy, sell or hold securities in any company mentioned.

SELF-DEFEATING? But if it is sabotage Charlie is hinting (hinting?!) at, he could be headed for *mucha pena*. There would be a class-action stockholder suit against him and his, not to mention a swoopdown by the federals in the Securities and Exchange Commission, which could result in a substantial shrinking of his net worth. He would do well to remember that another guy who had similar ideas, Larry Spitters, founder of Memorex, ended up in paying nearly \$2 million out of his own pocket, and his fellow officers and directors were also well nicked.

The bottom line is that the systems houses are taking charge of this Valley, and the changes in this industry are getting up to speed. The log-cabin and covered-wagon days are coming to an end, and soon there will be no place for the Charlie Sporcks in the semiconductor world.

The mentality of the systems people who hold all the paint cards is totally alien to that of most semiconductor people, and most of the people who are running semiconductor companies today will be disappearing in the next few years. No longer will there be more and more capital investment for less and less return on investment. No more will there be price bombing to buy market share at the expense of profits. No more will there be highbidding venture capitalists looking for a quick killing.

Management styles will change radically. As the free-swingers and hipshooters are phased out, they will be replaced by transferees from parent systems companies and imports from conservative houses such as Texas Instruments and Motorola. There are plenty of potential replacements out there, ready to go.

There will be changes at every level, from product definition to product planning to customer relations to warranty and field service. Anyone unable to adjust to the new scheme of things will have to find himself a different line of work.

Above all, for the first time there will be some semblance of price stability, a virtually unknown quantity in this industry for two decades, but without which no economy can survive.

The new investors will be coming in with corporate funds, not venture money or public money. Any present chief executive who thinks he can stave them off with an owner of a 20-25 per cent friendly block is whistling Dixie. While many buyers are uncomfortable at the thought of getting into bed with a minority partner, many others, such as Gould, simply don't give a damn. So there will be many multi-owner takeovers.

But the other possibility--no, probability--is that minority owners will become controlling owners. Siemens already has control of Litronix, and it is only a matter of time before it gets control of Advanced Micro Devices. The first time American Microsystems gets into further trouble--and that could be any edition--watch for the AMI board to cave in and sell out to Bosch, prior limiting agreements notwithstanding. Lucas Industries, which already has two directors on the Siliconix board, will not be content to remain a minority stockholder, and it has already been made clear that Electronic Engineering Co. of California is ready to unload its major block when the price is right. And there still remains Monolithic Memories, which although a bipolar-only house, does have MOS experience, and it cannot stand alone indefinitely.

The other side of the coin is that there will be a new wave of startups, since there are not enough potential acquisitions to meet the demand. Disgruntled employees of acquired houses, who have the entrepreneurial urge and who can adjust their thinking to a Big Daddy parent, will have ample opportunity to show their mettle.

So life in the Valley may be different--but it certainly won't be dull.

TWO-WAY STREET. Jeff Kalb, who came in from National to rescue the Sunnyvale semiconductor facility of Data General, is being rewarded with a transfer to the mother church in Westboro (Ma). The timing of his move depends upon his finding a successor in the Valley, getting a home set for the cross-country hegira (and selling his present home in Saratoga), and scheduling schooling for his six kids. All this will probably take until year-end at least.

When it is done, Jeff will become the new engineering v.p. at DG. Although the company won't admit it, there is no likelihood that the new Sunnyvale g.m. will be a promotion from within. It could be a transfer from home base, but most likely a new recruit will come in to take over the 90,000 sq. ft. facility.

When he gets settled into the Bay State, his cohort will be amazed at a nervous habit he displays at meetings. Somewhat reminiscent of Capt. Queeg in "The Caine Mutiny," who fingered three ball bearings under stress, Jeff's *schtick* is a finger-wrap of Scotch tape. If he fails to bring a dispenser with him, or can't find one, he paces like a caged tiger. The only antidote is to wrap a few layers of tape around his thumb, sticky side out, thence to transfer it to fore-finger, middle finger, ring finger and pinkie, and then to retrace the route, over and over.

If that doesn't further convince Massachusetts that Californians are a little bit crazy (although Kalb is a native of Ohio), it's not to worry. We'll think of something else.

0 0 0

THE SHAPE OF THINGS TO COME. Jeff Kalb has a different semiconductor product mix to contemplate in the future, according to his counterpart, Dick Clayton, engineering v.p. at Digital Equipment, making one of DEC's extremely rare public appearances at the DataQuest seminar last week.

Dick says custom and customizable circuits will take a quantum leap in the typical computer company of 1985, from 5 per cent of the total semiconductor dollar today to 35 per cent. About half will be true custom, and half customizable (EPROMs, PLAs, master slices, etc.). Memories will be down slightly to 55 per cent, with the final 10 per cent being discrettes and SSI.

0 0 0

INSIGHTS IN DEUTSCHLAND. Although most Americans are still vaguely aware at best of the future impact on their lives to be wrought by semiconductors, the German government has completed a survey which should stun even those of us who think we are in the know.

While we think of end products which will pervade the lives of users, the Germans have been concerned with the effect of semis on the work force. They say that the proliferation of LSI in the 1980s will have a direct effect upon 70 per cent of all industrial jobs in the country. The government is already planning for the social upheaval to be caused by displacements and the need for retraining.

As for the marketplace, they see total semiconductor consumption in 1985 in Western Europe to be \$4 billion, nearly half of it (\$1.8 billion) VLSI.

0 0 0

PETRODOLLARS. Arab nations are still quietly shopping the Valley for a take-over or startup. Kuwait is already the landlord of Intersil and American Microsystems, through ownership of Vallco Park and Vallco Village, and there is also money from Libya, Algeria and Iraq looking for a home. Besides, Pakistan needs ICs to control those nice, new, shiny atom bombs.

UNREST ON LAURELWOOD ROAD. Employees at Siliconix are becoming increasingly restive at the company's seeming inability to get off dead center, and at the Rolls Royce management style of v.p. Harold Molyneux. Never a card-holder in the Progressive Party, Sili shows operating results below plan, shipments up only 17 per cent against an industry average of 40-50 per cent, sales flat for the past 12 months, and a book:bill ratio of 1.1:1, lowest in the industry.

The frustration level has led to the loss of many good people recently, and those who remain are strictly 9-to-5ers.

0

0

0

INVASION FROM DOWN UNDER. An Australian company has invaded the Valley, and although its products are small computer systems for telecommunications applications, it has raided the semiconductor industry for its entire second-tier management.

The new firm is ECS Microsystems, a subsidiary of the 10-year-old Aussie Electronic Control Systems. Marketing manager is Dan Seale, former microcomputer marketing manager at Fairchild; operations manager, arriving next week, is Ed Sherman, v.p. at Signetics; engineering manager is Sved Zaid, and controller is Lloyd Combs, also out of Fairchild.

The president (from Australia) is Mike Roberts, who has already made many friends in the Valley because of his charm and candor.

The primary product, a business communications system based on the Zilog Z-80, emulates terminals of and interfaces with mainframes of IBM, Burroughs and Honeywell. It includes keyboard, a pair of floppy disks, and scads of software.

Although it has had good acceptance in Australia and Europe, this is the first pass at the U.S. market. The firm is located in a new 48,000 sq. ft. facility at 215 Devcon Drive in San Jose, phone 408-225-8288.

0

0

0

MURPHY'S LAW. Advanced Micro Devices' latest flashy effort at newspaper advertising ("Manager's Casebook" No. 520) came a cropper in a couple of important instances. Full-page ads were designed to announce AMD's listing on the Big Board, with a simulated stock table carrying only AMD's listing and quotations for the previous (and first) day. But the San Jose Mercury gowd up the AMD stock symbol, and the New York Times didn't show it at all.

But maybe it serves AMD right for still claiming to be "the fastest-growing integrated circuits company in the nation." That was true until fairly recently ("Manager's Casebook" No. 495-3), but no longer. Mostek beat out AMD in total sales and growth in the second quarter of 1979, and repeated in the third quarter.

No doubt Jerry Sanders will be delighted to see Mos' future results tucked away inside the consolidated statement of United Technologies.

0

0

0

BOOB TUBE. Synertek got itself a lot of TV exposure this week, and although it was free, pres Bob Schreiner could have done without it. The environmentalists were out in force to protest Syn's proposed plant in Santa Cruz, because it might disturb the nesting place of a brood of Monarch butterflies. Since the nature-lovers had no data, the application finally passed. But there are many hurdles ahead.

*Don C.*

Don C. Hoefler's  
**MICROELECTRONICS NEWS**  
with *Manager's Casebook*



BOX 239, PACIFIC GROVE, CALIFORNIA 93950 • TELEPHONE 408-625-4090

SILICON VALLEY  
SEPTEMBER 15 1979

## *Good Friend*

**JUST A MATTER OF TIME.** The disastrous foray of American Microsystems into VMOS moved a couple of steps closer to a mercy killing this week. Members of the field sales force have been told that they are no longer to submit quotes on RAMs made with the process.

Meanwhile the young developer of the system, T. J. Rogers, embarrassed by the recent ukase that he either succeed in turning the experiment into profitable product or it would be shut down (MN, Aug. 25), caved in this week and submitted his resignation to pres Glenn Penisten.

But letting Rogers get away would be an admission on Penisten's part that VMOS is a failure, and he would prefer a quiet phaseout. Thus he spent more than an hour asking T. J. to reconsider, and finally succeeded in getting him to tear up the resignation.

But after sleeping on it, T. J. came in next morning with a new letter bearing the same message. The second resignation is being stonewalled by Glenn, sitting on his desk unresolved.

Everybody left on the project is now resolved that only a miracle by T. J. could save the process. And the first thing he would have to do is change his initials to J. C.

0 0 0

**ADMISSION OF TRUTH.** National this week finally admitted that it has written off its System 400, once hoped to be its flagship entry into the computer regatta. With it this week went 100 more jobs.

This layoff, coupled with an earlier 50 in Santa Clara and 150 in San Diego, will devastate Nat's recruiting at a time when warm bodies on the hoof are worth more per pound than gold in Zurich.

Already noted for being a hipshooter at retrenchment time, National can ill afford these notches on its gun barrel.

0 0 0

**I'M EATING ONE, WITHOUT MUSTARD.** From Raytheon v.p.-g.m. Fran Dowd, on my story Sept. 1): "I wish to inform you that we have no such plan and, moreover, none was ever contemplated." Damn. Damn. Damn. Sorry about that.

Full contents COPYRIGHT 1979 Don C. Hoefler. Copying by any means is a Federal offense.

Price information and sample copy will be furnished in response to letterhead inquiries.  
The editor and publisher DOES NOT buy, sell or hold securities in any company mentioned.

THAT AIN'T THE WAY I HEERED IT. A major shift at Intel this week, as co-founder Les Vadasz relinquishes P&L responsibility for microcomputer products in favor of a corporate staff job as strategic planner, picking up senior v.p. stripes en route.

Les is succeeded by Jack Carsten, who came in from Texas Instruments five years ago to become sales v.p. Jack also takes with him the telecommunications unit which he founded.

Carsten is succeeded by Hank O'Hara, and at the same time financial v.p. Larry Hootnick also becomes a senior v.p.

Intel vehemently denies that Vadasz was kicked upstairs as the result of a rift between him and pres Andy Grove, but rather says that the move was long contemplated to fill a vacuum where the company is weak. (Can you imagine Intel weak in anything, and especially in long-range planning?)

Carsten denies that he has said he was glad to be rid of P&L responsibilities, and would be happy never to get back into operations. (But one of my spies swears he heard him say it.)

Oh, well. That's what makes horseraces.

0 0 0

NO BEANTOWN FOR DON. We can scratch Motorola distributor v.p. Don Fullam as potential president of Cramer (MN, Sept. 8). Don called a meeting of his staff this week and informed them that Cramer did offer him the job, but he turned it down.

But don't credit his recent elevation to division v.p. at Moto. The real reason is that the on-the-ropes Cramer was negotiating on Tuesday (11) for its acquisition by Arrow, and Fullam and Arrow are a twosome you don't invite to the same party.

If Cramer isn't bailed out by a merger with somebody, you can be sure the bankers will be picking at its bankrupt bones by November. And you can also be sure that Cramer president Walter Senges and executive sales v.p. Tom Martin won't be invited either.

0 0 0

RECOVERY ALREADY? Industry leaders are laughing about the slight summer slowdown as "the shortest recession in history--two months." The order rate is booming, offshore assembly facilities are hanging up "Sold Out" signs, and consumer-goods buyers, who normally demand third-quarter delivery for the pre-Christmas season, will still try for it but settle for as late as December, expecting to make after-Christmas deliveries on goods sold from samples.

So whatever the future holds, we seem to be good until year-end at least.

0 0 0

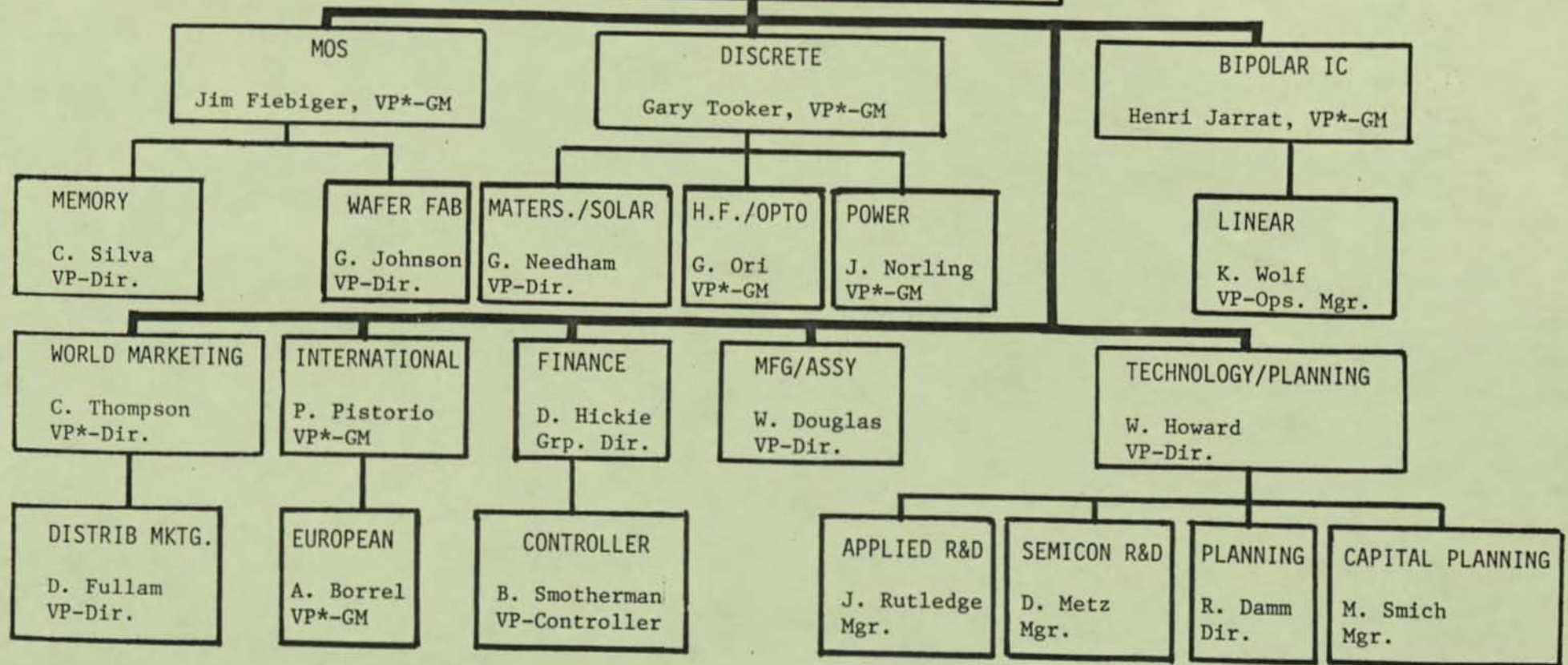
PROGRESS IS OUR MOST IMPORTANT PRODUCT. "I congratulate all of the above in their new assignments." So said Motorola v.p.-g.m. John Welty on August 17, in an organizational announcement including the names of Al Dulac, Ted Gallagher, Hank Bried, Wayne Pearson, Bill O'Conner, Larry Emmans and Weldon Douglas.

Exactly three weeks later, all of these were reassigned, along with many others, in a memo which confirmed Al Stein as No. 2 (MN, April 21). The current lineup is on the following news page, but don't bet beyond a five-day forecast.

# MOTOROLA SEMICONDUCTOR GROUP

## OFFICE OF THE GENERAL MANAGER

John Welty, VP\*-GM  
Al Stein, VP\*-Asst. GM



\* Corporate Vice President

Per John Welty Organizational Announcement, Sept. 7 1979

*Don C. Hoefler's*



**MICROELECTRONICS NEWS**  
*with Manager's Casebook*

COPYRIGHT 1979 Don C. Hoefler. Copying by any means is a Federal offense.

BOX 239, PACIFIC GROVE, CA 93950 • 408-625-4090

QUOTABLE QUOTE. From Steve Levy, John Welty's predecessor at Motorola: "We know that as a corporation, Motorola must substantially improve its performance in the area of productivity, cost effectiveness, and quality of product and service to the consumer."

And now for the good news, Steve?

0 0 0

JUST WONDERING. When is Zilog going to admit that Manny Fernandez is really the president of the company, and that Marty Cohen is not a marketing director?

0 0 0

IT'S ABOUT TIME. American Electronics Association this week withdrew its pledged support of the President's wage and price guidelines, until they stop hypoing the basic money supply and availability of credit. He never once mentioned the Federal Reserve discount rate ("Manager's Casebook" No. 513), but that's the way the pernicious tinkering is done.

0 0 0

FEW REMAINING AVENUES OF ESCAPE. When Fairchild pioneered offshore assembly with a plant in Hong Kong nearly two decades ago, who would have imagined that the "low labor rate" area of East Asia would become as competitive for warm bodies as the Valley itself?

But that is what matters have come to, with the same kind of recruiting razzmatazz in Singapore as here, including radio-TV spots and outdoor billboards.

Consequently both Fairchild and Synertek are looking to the Philippines for their next offshore expansion. But not Manila, which is already blanketed by Stanford Microsystems and Interlek.

Fairch and Syn are looking 400 miles to the south, to Cebu City. Fairch is already committed, with two new buildings totaling 100,000 sq. ft. to be ready by next spring. Since Fairch expects to employ 3000, Syn may take a second look at the labor market in the Cebu area.

Another advantage of Cebu over Manila: less risk of typhoons.

0 0 0

ASPARAGUS SEASON. Advanced Micro Devices this week forecast 50 per cent growth in its current fiscal year, and the board aproved another stock split in like amount. The 3-for-2 split will increase AMD shares from 4.8 million outstanding to 7.2 million. Shares will be delivered in late October, by which time AMD hopes to be listed on the Big Board of NYSE.

0 0 0

DIVERSIFICATION. Uthe Technology, longtime maker of bonder components, process instrumentation and test equipment, next month will enter the dicing business with a family of saw blades. Heavy-duty sintered blades will be offered for cutting ceramics, metal-bonded blades for silicon wafer dicing, and resinoid (phenolic resin molded with diamond particles) blades for quartz, glass and sapphire.

Price information and sample copy will be furnished in response to letterhead inquiries. The editor and publisher DOES NOT buy, sell or hold securities in any company mentioned.

*Donal*



Don C. Hoefler's  
**MICROELECTRONICS NEWS**

with *Manager's Casebook*



BOX 239, PACIFIC GROVE, CALIFORNIA 93950 • TELEPHONE 408-625-4090

SILICON VALLEY  
OCTOBER 27 1979

*Good Friend—*

THE PASSING PARADE. Takeover fever abounded in the industry this week, as United Technologies made its move on Mostek (including a \$2 million sweetener for key employees, not made public), Intersil stock yo-yoed on rumor that Gould was about to make its move (MN, Oct. 6), and National huffed like a puff adder in an effort to scare off an unfriendly takeover.

UTC, through its subsidiary, CTU of Delaware, has run its tombstone ads offering \$62 a share for Mostek (MN, Sept. 29), without mentioning how it won over the Mos officers and got unanimous approval of the Mos board for the deal. Added to the publicized purchase price is an incentive package containing some \$2 million in heart balm, to keep Mos key employees aboard, and healthy and happy. The deal could even go higher than that, some say to as much as \$700 million including the purchase price.

Intersil stock took a big jump this week, but later slacked off, on Street rumors that Gould would soon make its move. Although Gould will probably open the bidding at \$32, the smart money says it is prepared to go as high as \$46 a share, which would make yesterday's (26) closing price of \$28.50 still a substantial bargain. But Intersil is still stonewalling with a no-comment, saying on Tuesday (23) that it "has no material developments to announce."

National's latest strategem, approved at its annual meeting on Thursday (25) was to more than double its authorization of capital stock, from 13.2 million shares outstanding today, to an additional 30 million common shares plus another 1 million preferred shares. Now all Charlie Sporck has to do is find a buyer—a friendly one.

At the meeting he blustered that any potential purchaser will run into a rough time: "The first son of a bitch who brings it up will hear our answer: that we are violently opposed to takeover, either by foreign giants or local monoliths." He added that the company will adopt a "scorched earth" policy if an outsider moves in on it.

This rather artless fellow has once again demonstrated that the only philosophy he understands is brute force, with all the subtlety and finesse of Two-Ton Tony Galento. If by "scorched earth" he means that Nat's top management would bail out, the acquirer could care less. Charlie has reached his Peter Principle, and his second-tier managers have undistinguished track records, partly because he runs a one-man show and has never allowed them to develop. The entire bunch could walk off with their 3.7 per cent ownership of the company and hardly be missed. But would the working stiffs in the trenches fall in line? Not a chance.

Full contents COPYRIGHT 1979 Don C. Hoefler. Copying by any means is a Federal offense.

Price information and sample copy will be furnished in response to letterhead inquiries.  
The editor and publisher DOES NOT buy, sell or hold securities in any company mentioned.

**SELF-DEFEATING?** But if it is sabotage Charlie is hinting (hinting?!) at, he could be headed for *mucha pena*. There would be a class-action stockholder suit against him and his, not to mention a swoopdown by the federals in the Securities and Exchange Commission, which could result in a substantial shrinking of his net worth. He would do well to remember that another guy who had similar ideas, Larry Spitters, founder of Memorex, ended up in paying nearly \$2 million out of his own pocket, and his fellow officers and directors were also well nicked.

The bottom line is that the systems houses are taking charge of this Valley, and the changes in this industry are getting up to speed. The log-cabin and covered-wagon days are coming to an end, and soon there will be no place for the Charlie Sporcks in the semiconductor world.

The mentality of the systems people who hold all the paint cards is totally alien to that of most semiconductor people, and most of the people who are running semiconductor companies today will be disappearing in the next few years. No longer will there be more and more capital investment for less and less return on investment. No more will there be price bombing to buy market share at the expense of profits. No more will there be highbinding venture capitalists looking for a quick killing.

Management styles will change radically. As the free-swingers and hipshooters are phased out, they will be replaced by transferees from parent systems companies and imports from conservative houses such as Texas Instruments and Motorola. There are plenty of potential replacements out there, ready to go.

There will be changes at every level, from product definition to product planning to customer relations to warranty and field service. Anyone unable to adjust to the new scheme of things will have to find himself a different line of work.

Above all, for the first time there will be some semblance of price stability, a virtually unknown quantity in this industry for two decades, but without which no economy can survive.

The new investors will be coming in with corporate funds, not venture money or public money. Any present chief executive who thinks he can stave them off with an owner of a 20-25 per cent friendly block is whistling Dixie. While many buyers are uncomfortable at the thought of getting into bed with a minority partner, many others, such as Gould, simply don't give a damn. So there will be many multi-owner takeovers.

But the other possibility--no, probability--is that minority owners will become controlling owners. Siemens already has control of Litronix, and it is only a matter of time before it gets control of Advanced Micro Devices. The first time American Microsystems gets into further trouble--and that could be any edition--watch for the AMI board to cave in and sell out to Bosch, prior limiting agreements notwithstanding. Lucas Industries, which already has two directors on the Siliconix board, will not be content to remain a minority stockholder, and it has already been made clear that Electronic Engineering Co. of California is ready to unload its major block when the price is right. And there still remains Monolithic Memories, which although a bipolar-only house, does have MOS experience, and it cannot stand alone indefinitely.

The other side of the coin is that there will be a new wave of startups, since there are not enough potential acquisitions to meet the demand. Disgruntled employees of acquired houses, who have the entrepreneurial urge and who can adjust their thinking to a Big Daddy parent, will have ample opportunity to show their mettle.

So life in the Valley may be different--but it certainly won't be dull.

TWO-WAY STREET. Jeff Kalb, who came in from National to rescue the Sunnyvale semiconductor facility of Data General, is being rewarded with a transfer to the mother church in Westboro (Ma). The timing of his move depends upon his finding a successor in the Valley, getting a home set for the cross-country hegira (and selling his present home in Saratoga), and scheduling schooling for his six kids. All this will probably take until year-end at least.

When it is done, Jeff will become the new engineering v.p. at DG. Although the company won't admit it, there is no likelihood that the new Sunnyvale g.m. will be a promotion from within. It could be a transfer from home base, but most likely a new recruit will come in to take over the 90,000 sq. ft. facility.

When he gets settled into the Bay State, his cohort will be amazed at a nervous habit he displays at meetings. Somewhat reminiscent of Capt. Queeg in "The Caine Mutiny," who fingered three ball bearings under stress, Jeff's *schtick* is a finger-wrap of Scotch tape. If he fails to bring a dispenser with him, or can't find one, he paces like a caged tiger. The only antidote is to wrap a few layers of tape around his thumb, sticky side out, thence to transfer it to fore-finger, middle finger, ring finger and pinkie, and then to retrace the route, over and over.

If that doesn't further convince Massachusetts that Californians are a little bit crazy (although Kalb is a native of Ohio), it's not to worry. We'll think of something else.

0 0 0

THE SHAPE OF THINGS TO COME. Jeff Kalb has a different semiconductor product mix to contemplate in the future, according to his counterpart, Dick Clayton, engineering v.p. at Digital Equipment, making one of DEC's extremely rare public appearances at the DataQuest seminar last week.

Dick says custom and customizable circuits will take a quantum leap in the typical computer company of 1985, from 5 per cent of the total semiconductor dollar today to 35 per cent. About half will be true custom, and half customizable (EPROMs, PLAs, master slices, etc.). Memories will be down slightly to 55 per cent, with the final 10 per cent being discretetes and SSI.

0 0 0

INSIGHTS IN DEUTSCHLAND. Although most Americans are still vaguely aware at best of the future impact on their lives to be wrought by semiconductors, the German government has completed a survey which should stun even those of us who think we are in the know.

While we think of end products which will pervade the lives of users, the Germans have been concerned with the effect of semis on the work force. They say that the proliferation of LSI in the 1980s will have a direct effect upon 70 per cent of all industrial jobs in the country. The government is already planning for the social upheaval to be caused by displacements and the need for retraining.

As for the marketplace, they see total semiconductor consumption in 1985 in Western Europe to be \$4 billion, nearly half of it (\$1.8 billion) VLSI.

0 0 0

PETRODOLLARS. Arab nations are still quietly shopping the Valley for a take-over or startup. Kuwait is already the landlord of Intersil and American Microsystems, through ownership of Vallco Park and Vallco Village, and there is also money from Libya, Algeria and Iraq looking for a home. Besides, Pakistan needs ICs to control those nice, new, shiny atom bombs.

**UNREST ON LAURELWOOD ROAD.** Employees at Siliconix are becoming increasingly restive at the company's seeming inability to get off dead center, and at the Rolls Royce management style of v.p. Harold Molyneux. Never a card-holder in the Progressive Party, Sili shows operating results below plan, shipments up only 17 per cent against an industry average of 40-50 per cent, sales flat for the past 12 months, and a book:bill ratio of 1.1:1, lowest in the industry.

The frustration level has led to the loss of many good people recently, and those who remain are strictly 9-to-5ers.

0 0 0

**INVASION FROM DOWN UNDER.** An Australian company has invaded the Valley, and although its products are small computer systems for telecommunications applications, it has raided the semiconductor industry for its entire second-tier management.

The new firm is ECS Microsystems, a subsidiary of the 10-year-old Aussie Electronic Control Systems. Marketing manager is Dan Seale, former microcomputer marketing manager at Fairchild; operations manager, arriving next week, is Ed Sherman, v.p. at Signetics; engineering manager is Sved Zaid, and controller is Lloyd Combs, also out of Fairchild.

The president (from Australia) is Mike Roberts, who has already made many friends in the Valley because of his charm and candor.

The primary product, a business communications system based on the Zilog Z-80, emulates terminals of and interfaces with mainframes of IBM, Burroughs and Honeywell. It includes keyboard, a pair of floppy disks, and scads of software.

Although it has had good acceptance in Australia and Europe, this is the first pass at the U.S. market. The firm is located in a new 48,000 sq. ft. facility at 215 Devcon Drive in San Jose, phone 408-225-8288.

0 0 0

**MURPHY'S LAW.** Advanced Micro Devices' latest flashy effort at newspaper advertising ("Manager's Casebook" No. 520) came a cropper in a couple of important instances. Full-page ads were designed to announce AMD's listing on the Big Board, with a simulated stock table carrying only AMD's listing and quotations for the previous (and first) day. But the San Jose Mercury gowd up the AMD stock symbol, and the New York Times didn't show it at all.

But maybe it serves AMD right for still claiming to be "the fastest-growing integrated circuits company in the nation." That was true until fairly recently ("Manager's Casebook" No. 495-3), but no longer. Mostek beat out AMD in total sales and growth in the second quarter of 1979, and repeated in the third quarter.

No doubt Jerry Sanders will be delighted to see Mos' future results tucked away inside the consolidated statement of United Technologies.

0 0 0

**BOOB TUBE.** Synertek got itself a lot of TV exposure this week, and although it was free, pres Bob Schreiner could have done without it. The environmentalists were out in force to protest Syn's proposed plant in Santa Cruz, because it might disturb the nesting place of a brood of Monarch butterflies. Since the nature-lovers had no data, the application finally passed. But there are many hurdles ahead.

*Don C.*

# Don C. Hoefler's MICROELECTRONICS NEWS

with Manager's Casebook



BOX 239, PACIFIC GROVE, CALIFORNIA 93950 • TELEPHONE 408-625-4090

SILICON VALLEY  
OCTOBER 13 1979

## Good Friend =

**DOMINO EFFECT.** The rising cost of money, resulting in cutbacks of customer inventories, forced a retrenchment and reorganization at Intersil Systems division on Tuesday(9). Some 50-60 employees were laid off or transferred to the Semiconductor division, and both the IBM and Microsystems departments in Systems were realigned.

All Intersil customers--with only a single exception--have cut their order rates severely for the fourth quarter, one of them down to zero. The drop-out is Itel, which has ordered nothing since it got into financial problems and part of it was acquired by National. Presumably some of that business--which had accounted for some 10-15 per cent of Inter Systems sales--will go to National, never to be recovered. But since Inter has such a much broader line than Nat, and because there will be demand for upgrading of systems already in the field, Inter expects in time to regain about half of the lost Itel business.

Also down severely are Control Data and Storage Technology. STC has been carrying an overall inventory of \$40 million, and chairman Jesse Aweida has decreed that that must shrink to \$10 million by year-end. The only customer that continues buying at the former rate is Memorex, most of whose Intersil sales have been overseas.

Things will never be the same at Intersil, for some of this lost business is gone forever, and probably no customer will again let its inventory levels match its previous peak. In the past, each customer has maintained a substantial warehouse in the Intersil area, for purposes of quick turnaround. When an order was placed, Intersil would retrieve a nearly finished machine from the customer warehouse, do the final customizing and tweaking, and ship it to the end user within a week to 10 days. In the future, almost certainly, Intersil is going to have to carry some of those inventories itself. This will require a tremendous cash investment, and the days of riding on Other People's Money are over.

Another factor in the cutback is the shift from 4k to 16k RAMs, and the consolidation of seven models into one Universal Memory System. Intersil can now emulate an IBM 370/138, 148, 158, 168, plus 3031-2-3, with a single cabinet, power supply and memory cards, simply by changing the cards which interface with the CPU.

The problem was further complicated by the fact that the Microsystems (subsystems) department was not operating up to the growth plan expected by division v.p. Bob Landee, so there was some restructuring along with the layoff. Landee felt that the department was weak in both engineering and marketing, so he assigned new heads of both groups. Lee Jensen, who had headed engineering, marketing and field engineering in the IBM department, has added Microsystems marketing. Gene  
Full contents COPYRIGHT 1979 Don C. Hoefler. Copying by any means is a Federal offense.

Price information and sample copy will be furnished in response to letterhead inquiries.  
The editor and publisher DOES NOT buy, sell or hold securities in any company mentioned.

Stewart, who was manager of field support vowing never to return to engineering, finds himself managing Microsystems engineering. Bob Depweg, who was Jensen's counterpart in Microsystems (MN, Feb. 3), has been transferred to a staff job, where he will develop in detail a new-business plan which in outline already had the blessing of Landee and pres Ori Hoch.

Jensen has promoted Maurice Henschey to succeed himself as head of IBM marketing, and will hire or transfer somebody into a similar job on the Microsystems side. In addition to Jensen, Depweg and Stewart reporting to Landee, he also has reporting directly to him manufacturing and test engineering.

Although some exempt employees were dropped from engineering and marketing, all hourly and salaried non-exempt employees were offered lateral transfers to the Semiconductor division, with v.p. Roger Smullen offering to take everybody sight unseen. Many took advantage of the offer, but of course some declined.

In any case, Landee believes his division will be back in the labor market in December, in anticipation of an upturn in the first quarter of 1980.

0 0 0

HEGIRA. National is consolidating all of its computer operations to its San Diego facility, but only about 15 key people will be making the move. As with Intersil, most of the others will be absorbed into the semiconductor, consumer and point-of-sale operations in Santa Clara.

0 0 0

THE BEAT GOES ON. Get out your Motorola org chart and body lists (MN, Sept. 15, 22), for an update on the latest antics of the inscrutable Mr. Moto, which will be announced internally on Monday (15). Bob Brown is no longer national sales manager, Don Fullam is no longer distributor sales manager, and Jerry Stewart is no longer western area manager.

Brown's territory is cut down the middle, with him retaining only the western half. Fullam picks up the eastern half, and Stewart moves from San Jose to Phoenix to replace Fullam. Stewart's area job is up for grabs.

0 0 0

TURNABOUT. So great is the shortage of Schottky parts of all descriptions that Japanese OEMs are creating havoc in the U.S. marketplace. For what was formerly a commodity item in the 25-50-cent range, the Japanese are now offering \$4-5 and stripping distributor shelves.

Meanwhile the 16k RAM crunch goes on and on. Texas Instruments is telling customers that it won't catch up on its back orders until mid-1980, and do you want to bet that is a fanciful estimate?

0 0 0

COMMITTED. If you think of Philips as a \$16 billion Dutch maker of light bulbs which is dabbling in semiconductors through Signetics, you should see what is going on in its R&D laboratory in Eindhoven. More than 800 people are working on far-out projects alone, and in semis this includes machines for direct stepping on wafers (several different prototypes), automatic test equipment and automatic lead and die bonders. The steppers are still rather slow, but the fine-tolerance capabilities and quality of results are in the gee-whiz category.

DON'T BELIEVE EVERYTHING YOU HEAR. Although National claims it has a high-venom defense against an unfriendly takeover, it was listening to an overture this week. An eastern company, after engaging the Diebold organization to do a secret evaluation of Nat, decided to proceed and this week made its opening move. Of course Nat and the potential buyer are apart on price by a factor of 2:1. The buyer's (not Gould) ballpark is \$600 million, while Nat management prays for \$1.2 billion.

0

0

0

HOW LONG CAN THIS BE GOING ON? Chuck Missler, president of Western Digital, has come up with a couple of loopholes in the Internal Revenue Code to enable WD to convert R&D from an expense item to an income item, while at the same time providing a tax shelter for investors.

Needing R&D bucks, but not wanting to assume more debt nor to dilute the shareholders further, Chuck first looked at Sections 46 and 1.46 for an investment tax credit. Since semiconductor tooling normally has a life span in excess of seven years, Chuck's initial idea was to sell basic reticles to investors for leaseback. But he dropped the idea as too complicated to be salable even to sophisticated investors.

Next he looked at a couple of other sections of the IRC, and came up with a scheme which seems to be foolproof (provided an IRS auditor sees things his way). In the first deal he was the sole investor, to the tune of \$300,000. This money funded a research grant to a southern California university, which in turn subcontracted the R&D to WD, with WD also to get first refusal rights on the results. Out of this came WD's proprietary data encryption chip.

For Missler, who put up the money in the first place, he gets a 100 per cent tax writeoff on his R&D investment under Section 174 of the Code. Now he also gets royalties on the resulting patent, which under Section 1235 are taxed at capital-gains rates. The royalties begin at 10 per cent for new products and trickle down to 5 per cent for mature products.

Having proved it out, Missler is now trying to sell general partnerships, one for each project, with each of 35 individuals putting up \$50,000, the maximum package allowed under the law. This would take in \$1.75 million per deal, still quite adequate for most semiconductor developments today.

The investor would get a 300-400 per cent run-up on his money over a five-year period, not as high a leverage as most tax shelters, but considerably less risky. As for the company, it gets paid for its R&D up front, and the royalty burden can be handily absorbed for proprietary products, especially in the high-margin early years.

0

0

0

FORTRESSED. Rich Forte, recently arrived at Intersil as digital v.p. (replacing Joe Rizzi), didn't like what he inherited in the marketing department, and as a result Jim Coe is stepping down from digital marketing manager to microprocessor product manager. A replacement will be hired from the outside.

Meanwhile Forte's counterpart in linears, Jack Gifford, definitely is moving to take control of recently-acquired Datel, as noted here earlier (MN, Sept. 22).

After trying a palace revolution against Jerry Sanders at Advanced Micro Devices, Gifford tried a similar power play against former Inter pres Marshall Cox. What saved him that time was former chairman Fred Adler, who overruled Marsh. What next?

NO CONTRACT, NO WORK. Roger Bender, president of NEC Microcomputers, didn't like my saying last week that he had breached contracts for 1980 with Intel and Intersil (MN, Oct. 6). He was still operating under 1979 contracts, he says, when in March he had to refuse Intersil's demand for a doubling of its allocation, and in July told Intel that its 1980 allocation would be reduced to zero.

He has since received a revised factory schedule (including the 16k output of Electronic Arrays), and has told both customers that they can have some parts in 1980, but not as many as either wants.

So although there was no breach of contract, both Intel vice chairman Bob Noyce and Intersil v.p. Bob Landee feel there has been a breach of faith, since Bender sold out his entire 1980 output, largely to a new customer (Hewlett-Packard), before looking into the requirements of his two largest existing customers.

(Ironically, it was I who brought Intersil together with NECMic--with Intel following suit later--and it was Landee who got H-P together with NECMic.)

So why did Bender do it? He waffles when asked if this isn't a cruddy way to treat good customers, but I'll take a couple of guesses at his motivations.  
1. Short-term, neither Intel nor Intersil need consistently the kind of speeds of which the typical NEC part is capable, so NECMic can get a better ASP from H-P. 2. Long-term, both Intel and Intersil should ultimately be capable of fulfilling their RAM requirements internally, leaving NECMic out in the cold. Add to that Intel's pugnacious stance against Japanese competition, and Bender should be more comfortable in bed with H-P.

Meanwhile neither Noyce nor Landee is a paid-up member of the Roger Bender Fan Club.

(Although I never reveal my sources except when released by them to do so, I must issue a disclaimer on this story. I have been told that last week's yarn looks like a direct lift from an Intel trip report, which must have been fed to me by another Roger B., legal v.p. Borovoy. As it happens, I did converse last week with Rog, for some memory jogging on some public-record information for "Manager's Casebook" No. 518, but the first he will know of my reporting of this story will be when he catches up with his reading on return from vacation.)

And Rog Bender, who is presently a traffic cop in a seller's market, puts the capper on this story: "When the crunch is over, we're all going to have to learn how to sell again."

0

0

0

GOOD NEWS, BAD NEWS. I erred in chiding Siliconix pres Dick Lee for reporting the profits on the sale of a building as ordinary income (MN, Oct. 6). The accounting flummery is required by law, described by one of Lee's colleagues, another company president, as a "case of another dumb, ill-advised SEC rule."

What really pulled the chain of the stockholders, however, was that despite a booming market and runaway inflation, Sili's sales have been f-l-a-t all year. Annualized, they come out to 1Q \$52.5 million, 2Q \$52.6 million, and 3Q \$53.0 million. And in A.D. 1979 that is not good.

0

0

0

TAKE MY PARTNER. PLEASE. Fed up with month-younger Marshall Cox's jibes as an "old man," Bernie Marren on Monday (8) gave Marsh the "1979 Henny (Youngman) Award," a plaque "in Recognition of the Ninth Annual Bernie-Bugging as the Longest-Running Joke of Least Taste or Redeeming Social Impact."

*Alan C.*



SELF-ACTUALIZATION IS A DREAM which comes true for only a very few people, but the employer who ignores it as a universal human objective does so at his own peril. The employer who does violence to it through harboring job dissatisfiers is certain to pump up his turnover rate.

Those job dissatisfiers are: 1. Irritating company policies and administration; 2. Inadequate or authoritarian supervision; 3. Low-quality or dangerous working conditions; 4. Remuneration not commensurate with performance.

So you see that monetary considerations do play a role, but only as a negative running counter to the job satisfiers of recognition and advancement.

These then are the general negatives and positives in the motivation of subordinates. But the manager must also remember that every single person on the planet is unique unto himself. No two people in the world are exactly alike, not even identical twins. Even they are mirror images of each other, one being right-handed and one left-handed, and one often liberal and the other conservative.

So there is always the question of whatever turns the employee on. If you try to motivate a money-hungry person with a promotion, he is immediately going to demand a salary increase. Similarly, the person who yearns for recognition will not be too happy with a raise which does not have a new title attached to it.

SINCE ANY MANAGER is only as good as the people under him, the biggest favor he can do himself is to help those people to improve. Since no two people are alike, the notion of the "average employee" or "organization man" is a myth.

But one thing that every one of your employees has in common is that *not one is fully taught*. They may not admit it, even to themselves, but each one is constantly learning, changing, adopting new ideas and changing values. And one of the first places they look for learning and guidance is you, their manager.

You in turn cannot begin your teaching until you know what each employee needs to learn. Sure, you know what school he or she attended, what he studied, and his standing in his class. But that does not mean you know the person, his or her motivations, desires, strengths and weaknesses. Do you really know the person's ambitions and goals? How he feels about his family? His family problems? His hobbies? His special talents? In short, what makes him unique among men?

You cannot help each of your charges to grow until you get to know each one as a person, and you will know only after you talk to him or her at length and at ease. Not only is this time-consuming, but it also must be done with delicate subtlety or it will lose its impact.

Yes, it takes time, effort, tact and understanding. But you must do it, and not cop out with the excuse that you are too busy. You are never too busy to strengthen your employee base, to generate loyalty and team spirit.

For no matter what a departing employee tells you in an exit interview, the truth almost certainly is that he first began to think about whether he might do better elsewhere as a direct result of the way you treated him.

This does not mean that you mollicoddle your people, but you do help them grow. You set a good example, make them think, expose them to new experiences. Do it and they'll grow on you, not go on you.

Don C. Hoefler's

MICROELECTRONICS NEWS

with Manager's Casebook

BOX 239, PACIFIC GROVE, CA 93950 • 408-625-40

# MANAGER'S CASEBOOK by Don C. Hoefler

CASE No. 519 SUBJECT: MOTIVATION, HIDDEN KEY TO PROFITS

## FREE ENTERPRISE By DON HOEFLER



Copyright © 1979 Don C. Hoefler

"Sorry about that, boss. I am motivated by job dissatisfiers to get the hell out of here."

A-136

IT IS DIFFICULT not to ascribe at least some of the excessive personnel turnover in this industry to mismanagement. Certainly that is the reason that young college graduates are staying away from the industry in droves. Ask any one of them, and if he/she is candid with you, you will learn that the person would prefer to do without the hassel.

Even if you reject that premise, you must concede that an inordinate percentage of your budget is dedicated to recruiting. When you pay double the first year salary for each warm body that you get and keep, something is wrong--seriously wrong.

We are just beginning to understand that the key to keeping good people lies not in accentuating the positive but eliminating the negative. In the parlance of the industrial psychologist, it is not the "job satisfiers" that make a lasting relationship, but the elimination of the "job dissatisfiers."

All the satisfiers are soon taken for granted, and even when eliminated are not sorely missed. But the dissatisfier is like a toothache, and if it is not eliminated the employee will eliminate himself.

LET'S BACK UP, HOWEVER, to see what these job satisfiers are, according to a group of engineers surveyed. The survey was later broadened to a variety of other job categories (by psychologist Frederick Herzberg), and the results were the same: 1. Achievement; 2. Recognition; 3. Work itself; 4. Responsibility; 5. Advancement.

Add these together and you get the essence of Hoefler's First Law: *Everybody wants to be somebody*. Learn that law, and learn how to apply it, and I promise you your turnover and your recruiting costs will lower dramatically.

Note that salary does not even rank in the top five. Actually it comes in eighth out of ten items cited. There is good psychological reasoning behind this also.

As every Psych I student knows, all human beings have basic needs, now generally regarded as these: 1. Physiological requirements; 2. Safety; 3. Belonging; 4. Self-esteem; 5. Self-actualization. These needs constitute a ladder, with each individual striving for the next higher rung only after securing the one on which he is standing.

Money rewards alone will satisfy only those of your workers whose needs are still operating down at levels 1 and 2. Money alone is not an effective motivator at the higher levels. The top rung in the hierarchy of needs--self-actualization--represents the best that a person is capable of achieving. In this ideal state he/she is completely fulfilled, satisfied and contented. At work, he knows that he is doing the very best he can in a job that he regards as worthwhile.

Don C. Hoefler's  
**MICROELECTRONICS NEWS**  
with *Manager's Casebook*



BOX 239, PACIFIC GROVE, CALIFORNIA 93950 • TELEPHONE 408-625-4090

SILICON VALLEY  
SEPTEMBER 22 1979

*Good Friend--*

GIFFORD'S GUILF. The Intersil Wescon reception at San Francisco's Coit Tower Wednesday (19) evening was carefully orchestrated to be a love-in for Inter's new acquisition, and on the surface so it appeared. Just below the surface, however, were seething resentments which indicated the new relationship with Datel is already off on the wrong foot.

Prime mover for the dissensions was the industry's leading exponent of Machiavellian management ("Management and Machiavelli," by Antony Jay, Bantam Books, \$2.50), Jack Gifford.

For the Intersil linear v.p. had just appointed the Datel field sales force to distribute his analog devices, operating in direct competition with Inter's own peddlers under sales v.p. Ed Turney. The rationale was that linears require a high-technology type of salesman, as opposed to Turney's less sophisticated, high-volume troops. But the true reason was Gifford's long-range plan to bring Datel under his full control.

So what we have is a brouhaha in which Turney and Gifford are hardly speaking, and the Datel management is pistoff at both sides. The senior v.p. and sales v.p. of Datel were at the affair Wednesday night, and there was more seething than smiling.

Meanwhile one of Turney's boys, northeast regional manager Al Morris, upon learning that a Datel peddler had quoted to one of "his" customers, told the customer in writing that they were to deal with him alone and ignore Datel. So now customers are caught in the middle, and tempers are flaring there as well.

If Gifford does get his hands on Datel, between him and components v.p. Roger Smullen they would control about 75 per cent of the total sales of Intersil. And where would that leave pres Ori Hoch and systems v.p. Bob Landee? Ori could well find himself treading the same fatal path that Wilf Corrigan suckered Les Hogan down at Fairchild a few years ago.

And if Gifford does pull off a palace revolution (his shot at Jerry Sanders at Advanced Micro Devices a few years ago backfired), how much longer would it take for him to stick it to Smullen as well?

0

0

0

PLAY IT AGAIN, SAM. Veteran market researcher Sam Wauchope has evidently tired of the bullship he has had to feed security analysts about the fortunes and misfortunes of American Microsystems. He has left the company, with no firm plans for the future.

Full contents COPYRIGHT 1979 Don C. Hoefler. Copying by any means is a Federal offense.

Price information and sample copy will be furnished in response to letterhead inquiries.  
The editor and publisher DOES NOT buy, sell or hold securities in any company mentioned.

CAUGHT IN THE ACT. My spies have tracked down Howard Bobb, founder of American Microsystems, and his new company, Micro Energy Systems (MN, July 28). He is renting space in the Timex building on Valley Green Drive in Cupertino (Ca). Phone is 257-4030, or through the Timex switchboard, 996-7822 Ext. 273.

Working with him, besides Joe Mingione, are the two Dan Yoders, Jr. and Sr. They are developing new watch chips for Timex.

Howard's old buddy and co-founder of General Micro-electronics, and the man who conceived the electronic watch at Fairchild back in the early 1960s, Bob Norman (also the founder of Nortec), has been consulting for Timex for several years and living in Connecticut. He told me recently he might be returning to California. And to Micro Energy Systems?

0

0

0

MR. MOTO MARCHES ON. There wasn't enough space last week to list all the changes at Motorola, but if you will refer to last week's organization chart, we can bring the laundry list up to the moment.

Out of the MOS division in Austin goes Wolf Loescher, from operations manager for logic and special functions to g.m. of the East Kilbride (Scotland) plant. He is being replaced temporarily by v.p.-g.m. Jim Fiebiger.

Under International v.p.-g.m. Pasquale Pistorio, in addition to European v.p. Andre Borrel, are Murray Duffin, Paul Rode, Dan Queyssac and Don Smith.

Under George Needham's Electronic Materials and Solar Energy Products is Wayne Pearson, v.p. and director of materials. Also Bill O'Connor, director of solar energy operations; Ted Gallagher, president of Tegal; Hank Bried, PMP coordinator; the subsystems organization; and Bill Seiferth, manager of equipment engineering and manufacturing support.

Reporting to Seiferth are John Seeger, manager of facilities engineering, and Don Polytika, industrial engineering manager.

Reporting to Geno Ori's High Frequency and Optical Products are Dick Jacobs, r.f. operations manager; Al Dulac, v.p. and LCD operations manager; as well as Bruce Brammer, Dick Potter, Scott Robinson, Nick Schaefer and Frank Shroff. Reporting to Brammer are Danny Schnell and the r.f. product marketing organization.

Reporting to Jim Norling's Power Products division is Ivars Reimanis, v.p. and operations director for zeners and rectifiers. Also Bill Dickie, Kelvin Blair, Ron Hendricks, Dick Skinner, Fred Tucker and Paul White. Reporting to Reimanis are rectifier manager Rick Younts, zener manager John Rogers, and marketing manager Jim Wick.

Also reporting to Gary Tooker, v.p.-g.m. of Discrete Electronic Components Divisions and Materials, is director of materials management Paul Shimp, controller Tom Lorig and R&QA director Steve Stephens. Reporting to Stephens is R&QA manager Larry Emmans.

But it's not over yet. As Tooker says, "This divisionalization will lead to some further changes in the organizations which will be announced during the coming weeks."

Meanwhile in the honors department, Moto has wiped out the title of (founder) Paul Galvin Fellow, changing it to Officer of the Technical Staff. Recently elected were Jim Black, analytical lab manager; Walt Krolikowski, bipolar R&D lab manager; Arnie Lesk, solar energy R&D manager; and Arturo Krueger, Europe.

WANTED

E. E. ENGINEER

APPLICATIONS/TEST ENGINEER  
DISCRETE TRANSISTOR/DIODE DIVISION

- CIRCUIT DESIGN
- TECHNICAL CUSTOMER SUPPORT
- PROFILE PRODUCT PARAMETERS
- RF TEST CIRCUIT DESIGN
- LAB. SUPERVISION
- PRODUCT ANALYSIS

**FAIRCHILD**  
CAMERA AND INSTRUMENT  
CORPORATION

(415) 479-8000

STAN MANNING  
MANAGER  
APPLICATIONS & TEST ENGINEERING

4300 REDWOOD HIGHWAY • SAN RAFAEL, CA 94901

LAWS MADE TO BE BROKEN. Two activities which are strictly *Verboten* at Wescon are (1) writing orders on the exhibit floor; and (2) active recruiting.

The latter prohibition did not stop a Fairchild manager from posting this announcement on a message board at Brooks Hall this week.

Since the pitch was quickly removed by one of my spies, however, I will here run Stan Manning's ad gratis.

Mayhap somewhere in this world there is a nebbish who would like to revert to discretetes--for Fairchild--in marvelous Marin County.

(Apologies to Jack Yelverton, a Marin resident, who convinced Fairch nearly two decades ago that San Rafael would be just a jim-dandy place for a diode plant.

0

0

0

A COPY OF A COPY OF A COPY. Hey, did you catch that double-truck Fairchild MOS memory ad, the one headlined, "We put our money where our MOS is," declaring the company has made a "huge commitment" in manpower, facilities and equipment, and illustrated with a mob scene outside the San Jose (formerly automotive linears) plant?

Well, take a closer look at the faces in that scene, and you will see that many of them appear over and over, some even four or five times. It appears that Fairch's "huge commitment" was mainly to the ad agency's art department. Right, Bruce Trewitt?

0

0

0

THE SHOEMAKER TAKES A WALK. Shel Schumaker, veteran peddler (Fairchild, Electronic Arrays, Intersil) is departing as western area manager for Synertek. He'll stick around a few more weeks while marketing-sales v.p. Bill O'Meara looks for a replacement, and then will move on to Syn's local rep.

Shel will continue to handle the Syn line at Brooks Technical Group in Palo Alto. Founder Rex Brooks plans to phase himself out of the business slowly, with Shel ultimately ending up as the principal.

The parting from Syn is friendly--or as friendly as can be hoped, considering that Syn hates to lose him and O'Meara doesn't relish the recruiting job.

LETTER TO THE EDITOR. From Gary Schwartzkopf at Precision Monolithics: "Enjoyed your casebook ("Manager's Casebook" No. 515) as usual. However, you missed an opportunity to identify the other co-author of Proposition 13...Since everyone knows Governor Brown was the real other co-author, you could have identified him without changing the description beginning with 'nondescript...'.  
0 0 0

FIFTEEN BACKERS IN SEARCH OF A VENTURE. Walt Mathews has compiled a list of venture capitalists in the Bay Area for the Regis McKenna PR agency, all of whom are interested in microelectronics deals. Here in precis form are their identities:

Asset Management Co., 1411 Edgewood Dr., Palo Alto 94301, 415-321-3131 (Craig Taylor); Neill H. Brownstein Corp., 3000 Sand Hill Rd., Menlo Park 94025, 415-854-2606 (Neill Brownstein, Sol Miller); California Northwest Fund Inc., 3000 Sand Hill Rd., Menlo Park 94025, 415-854-2940 (Kirk Knight, Glenn Mueller); Capital Management Services Inc., 2200 Sand Hill Rd., Menlo Park 94025, 415-854-3927 (Don Valentine);

Continental Capital Corp., Bank of America Center, San Francisco 94104, 415-989-2020 (Frank Chambers); Golden Gate Investments Inc., 750 Welch Rd., Palo Alto 94304, 415-326-3313 (Larry Lindsey); Hambrecht & Quist, 235 Montgomery St., San Francisco 94104, 415-433-1720 (Bill Hambrecht, George Quist); Institutional Venture Assocs., 3000 Sand Hill Rd., Menlo Park 94025, 415-854-0132 (Reid Dennis, Burt McMurtry);

Kleiner, Perkins, Caulfield & Buyers, Two Embarcadero Cntr., San Francisco 94111, 415-421-3110 (Gene Kleiner, Tom Perkins); Mayfield Fund, 2200 Sand Hill Rd., Menlo Park 94025, 415-854-5560 (Tom Davis, Gib Meyers); Oscoco Ventures, 3000 Sand Hill Rd., Menlo Park 94025, 415-364-4121 (Ward Paine, Steve Halprin); Rodal Corp., Two Palo Alto Square, Palo Alto 94304, 415-493-0141 (Bob Sackman, Dave Berliner);

Sutro & Co. Inc., 460 Montgomery St., San Francisco 94104, 415-445-8576 (Charles Murphy); Sutter Hill Ventures, Two Palo Alto Square, Palo Alto 94304, 415-493-5600 (Bill Draper, Paul Wythes); West Coast Venture Capital, 10375 Bandlely Dr., Cupertino 95014, 408-996-2702 (Gary Kalbach).  
0 0 0

PLAINTIFF LOSES. Perkin-Elmer has lost on its complaint, filed in November 1977 and alleging that Cobilt-Computervision had infringed two of its patents for projection aligners. A jury in San Francisco has found in favor of the defendant.  
0 0 0

MEETING NOTICE. "Productivity + Quality = Profitability Insurance," American Society for Performance Improvement, LeBaron Hotel, San Jose, Oct. 18 (all day). Fee \$50 members, \$60 non-members, includes coffee breaks, lunch, copy of proceedings. Limited to 200 registrants. Info Tom Gardner, California Microwave, 968 Almanor Ave., Sunnyvale (Ca) 94086, 408-732-4000.  
0 0 0

LETTERS I NEVER FINISHED READING. "May of 1979 marked a significant event in the evolution of contemporary microprocessors. That's when the first functional MC68000 was processed by Motorola after a significant period of incubation. Now, the MC68000 is coming off the production line in large enough quantities for world-wide sampling and..."  
*Don C.*

*Don C. Hoefler's*  
**MICROELECTRONICS NEWS**  
*with Manager's Casebook*



BOX 239, PACIFIC GROVE, CALIFORNIA 93950 • TELEPHONE 408-625-4090

SILICON VALLEY  
SEPTEMBER 8 1979

*Good Friend*

**REDISTRIBUTION.** Lots of action in distributing this week, as two v.p.s leave Hamilton-Avnet, the g.m. of Wyle/Elmar takes an indefinite leave of absence, and the distributor sales manager at Motorola appears poised to jump ship.

Leaving H-A for Arrow were Don Sweet, v.p. and director of purchasing, and Vance JuDay, v.p. and director of sales. It appears they will be putting Arrow into business in the Los Angeles, as both will remain in the area, reporting to new Arrow pres Duke Glenn. They will have to start from scratch, for although Arrow recently bought the former Cramer operation in Sunnyvale, its counterpart in Irvine is already shut down.

The move will probably hurt H-A in two ways. JuDay has a considerable following, and will probably be able to take a number of H-A people with him. Sweet is not so popular, but he wields a sharp pencil and will probably be able to lure lines away from H-A with sweetened price-protection deals.

**PERSONALITY CLASH.** Meanwhile Don Fullam is reportedly ready to bail out of Motorola, probably to become president of Cramer. With the shape Cramer is in, he has his work cut out for him. But matters have not been going well at Moto, where he has been knocking heads with heir-apparent Al Stein. This is not hard to do, since Al has yet to win his first Mr. Nice Guy trophy.

o

o

o

**DRIFTING.** National's Computer Products division continues to go noplance, but sopping pres Charlie Sporck's ego as another unsuccessful trip in vertical integration (MN, Jan. 6). Although the company refuses to admit it, the System 400 mainframe is dead, killed by the forthcoming IBM E-series. The guy who headed the project is gone, and will not be replaced. Some 40-50 other exempts have also been dropped from the San Diego operation.

The add-on and add-in memory business is languishing, badly hurt by price bombing.

The microprocessor and Starplex development systems have been taken out of computer products and returned to the semiconductor division, with Frank Zercher now reporting to Pierre Lamond.

One must now wonder about the fate of Dave Martin, who sees his empire evaporating. There are many who believe he has exceeded his Peter Principle, and that his departure is overdue.

Full contents COPYRIGHT 1979 Don C. Hoefler.

Copying by any means is a Federal offense.

Price information and sample copy will be furnished in response to letterhead inquiries.  
The editor and publisher DOES NOT buy, sell or hold securities in any company mentioned.

REPRIEVED. There was freer breathing in the portable executive offices at National this week, as Gould Inc., earlier thwarted in a takeover attempt at Fairchild, dropped for the moment a possible pass at Nat, and instead concentrated on boring into Mostek through acquisition of the 21 per cent share of Mos owned by Sprague Electric.

Nat chairman Peter Sprague, nephew of the founder of Sprague Electric but not involved in the company, was probably the guy who steered Gould onto bidding for the Sprague ownership of Mos.

Gould is offering Sprague \$42 a share, or \$51.5 million for its holdings in Mos. This would mean a capital gain for Sprague of \$48 million, for it got its shares in return for \$3.5 million in seed money it provided in 1969. Mostek has the right to match the Gould offer out of its own treasury (not likely, since the company earned \$9 million last year on sales of \$134 million), or within 60 days find another buyer more to its liking.

Gould says the buy would be for "investment purposes," but admits it may seek to gain control. If so, this would be an unfriendly takeover, and Mos is trying to stop even the minority buy in the courts. L. J. Sevin told the Federal District Court in New York that the buy would be an antitrust violation, since Gould makes programmable controllers and its Instruments division in Cleveland has a small captive semiconductor operation. Ol' Eljay conveniently forgets that Sprague also makes semis, although strictly bipolar while Mos is strictly MOS.

The conglomerating Gould management has a reputation for being hard and predatory, operating strictly by the books with small regard for people. If so, they have a lot to learn, for semiconductors are a people business. In a Gould takeover deal, the acquired management is usually gone within a year. But if Sevin should walk off with a handful of Mos' best memory and process guys, Gould would be left with a lot of empty tubes and girls in smocks.

Nobody has yet successfully brute-forced his way into this industry, and Gould's heavy-handed style is unlikely to be the one to break precedent.

0

0

0

WINNIE THE POOH-POOH. My comment last week that Zilog would have the capacity to be at a 275M rate by the end of next year (MN, Sept. 1) moved a Zil stockholder to comment that I must be talking of lire. Here is the balance sheet and P&L for the quarter ended June 30:

<u>ASSETS</u>		<u>LIABILITIES AND CAPITAL</u>	
<u>Current Assets</u>		<u>Current Liabilities</u>	
Cash	( 3951)	Notes Payable	( 3200)
Accounts Receivable	1393	Accounts Payable	140
Inventories	2614	Deferred Sales	1234
Prepaid Expense	9	Other Current Liabilities	132
Total	65	Total	( 1694)
<u>Property and Equipment</u>		<u>Capital</u>	
Gross	4320	Capital Stock	8020
Accumulated Depreciation	( 502)	Returned Earnings	
Total	3818	Prior Years	( 6296)
		Current Quarter	4410
Other Assets	557	Total	( 1886)
Total Assets	4440	Total	6134
		Total Liabilities and Capital	4440





IT IS STILL A PEOPLE BUSINESS. Defections at NCR Microelectronics (MN, Aug. 4, 11) are beginning to impact the bottom line. The company admitted this week that "lower than anticipated internal yields" and inability to make up the shortfall from commercial vendors, will cut into second-half earnings. End products affected are "selected terminal products."

0 0 0

PEOPLE ON THE MOVE. Dick Pinto, most recently head of operations at Rockwell, and before that g.m. of the ITT facility in West Palm Beach (Fl), has been lured back to RCA with a very glittery package...Frank Schmiedel, v.p. and head of testing for Trio-Tech since its inception in 1966, is getting ready to clean out his desk (and replace Eli Goldfarb at Pacific Reliability?) ...Don MacLennan from market planning at Honeywell Aerospace-Defense to director of marketing at the company's captive Solid State Electronics Center...Paul Meyrowitz from domestic and European sales manager at Itac to northeast regional sales manager at Synertek...Jerry Leever from marketing administration manager to international sales manager at Perkin-Elmer/Ultek.

0 0 0

ISOLATIONIST. Honeywell sequestered its top management team at Vail (Co) this week (pop. 484), to get them away from jangling telephones. The trouble was that the guys couldn't call home to momma either, as all the phone lines in the tiny town were constantly jammed.

0 0 0

SLIGHTLY OVER FORECAST. When TRW announced its \$39 "demonstrator" last January, a wideband hybrid linear r.f. amplifier in a test fixture, it expected to sell somewhere between 150 and 300 of them. Instead it has moved nearly 2000 and is eight to ten weeks behind in filling orders.

Since the gadget contains about \$135 worth of parts, TRW needs the volume to show a profit.

0 0 0

INNOVATING. For a preview look at some of President Carter's expected recommendations concerning government action to encourage technological innovation, you may wish to attend the Symposium on Industrial Technology at Massachusetts Institute of Technology, Oct. 16-17. Eight of the papers to be presented will be based on reports prepared by MIT's Center for Policy Alternatives for the Commerce Department's Domestic Policy Review on Industrial Innovation, ordered by Carter last December.

0 0 0

HURRY, HURRY. The third annual SIA industry dinner forecast will take place three weeks from Thursday (27) at Rickey's Hyatt House in Palo Alto. Speakers will be Wilf Corrigan, president of Fairchild, Jerry Sanders, president of Advanced Micro Devices, Paul Ely, v.p.-g.m. of Hewlett-Packard computer systems, John Cosgrove, v.p.-g.m. of Collins telecommunications, and Jerry Jasinowski, assistant Secretary of Commerce for policy. Tickets \$35. Semiconductor Industry Association, 20380 Town Center Lane, Suite 155, Cupertino (Ca) 95014. Phone 408-255-3522.

*Don C.*

Price information and sample copy will be furnished in response to letterhead inquiries. The editor and publisher DOES NOT buy, sell or hold securities in any company mentioned.

Don C. Hoefler's  
**MICROELECTRONICS NEWS**  
with Manager's Casebook



BOX 239, PACIFIC GROVE, CALIFORNIA 93950 • TELEPHONE 408-625-4090

SILICON VALLEY  
SEPTEMBER 1 1979

*Good Friend*

FAREWELL TO ELLIS ST., HELLO, MR. MOTO. Raytheon is quietly making plans to fold its tent in Silicon Valley and pitch anew in The Valley of the Sun. The restrictive economy and tight talent market (and inability to recruit with stock options) have caused Fran Dowd & Co. to look toward Arizona, where the competition is not so stiff. The move is fairly imminent, as it is being discussed with employment candidates who would also like to leave California.

The Raytheon facility was the first plant on Ellis Street in Mountain View, and the first spinout (in 1959) from Fairchild. Originally sponsored by Rheem Manufacturing, it headed what was to become a long parade, but as the first it was, positively scandalous. It was also the first recipient of a string of lawsuits which have kept Superior Courts in Palo Alto and San Jose occupied ever since.

Rheem could not stand the gaff, and in two years bowed out to Raytheon. The plant was a loser under a string of managers in the 'sixties, until Dowd took it over about a decade ago and turned it around.

The move is not without precedent. Philco-Ford moved its General Micro-electronics acquisition to Pennsylvania in 1968, a move which also quickly returned g.m. John Welty to Motorola. Let us hope Raytheon's move is more auspicious than Philco's. Philco-Ford Microelectronics no longer exists.

0 0 0

FAREWELL TO OLD ARIZONA. Steve Marcy, v.p.-g.m. who recently moved the headquarters of EMM-Semi from Phoenix to Tempe, is no longer running it. The word is that the division has been losing scads of money, and EMM president Trude Taylor would like to unload it.

It may be just retribution, for Taylor is the guy who, after providing the seed money for Semiconductor Electronic Memories Inc., foreclosed on it, then bought it back as the sole bidder in a bankruptcy sale.

0 0 0

ALTERNATIVE. Zilog should be announcing this week that it has a second source for its Z-8 single-chip microprocessor. A press release should be hitting the mails any day now, identifying Synertek as the me-too.

0 0 0

Full contents COPYRIGHT 1979 Don C. Hoefler. Copying by any means is a Federal offense.

Price information and sample copy will be furnished in response to letterhead inquiries.  
The editor and publisher DOES NOT buy, sell or hold securities in any company mentioned.

UP ON INTERSTATE 80. Zilog will also be revealing one of these days that it is carrying its potatoes to Idaho. The firm is building a large new facility in Nampa, about 20 miles west of Boise. Plant manager is Jerry Robinson, an innovator in both manufacturing and management.

Zilog is also increasing capacity in its smaller Cupertino headquarters, and with demand exceeding supply at all companies, Zil could easily be a \$275 million company a year from now.

0 0 0

UNCERTAIN FUTURE. Steve Sherman, longtime plant manager at MOS Technology, has been reassigned. Steve is now on "special assignment" to the president of parent Commodore, Jack Trameil.

Those in the know say that the ex-Texas Instruments production hand, who has been with MOST since its inception, is being set up. Kept out of the plant with very little to do, he is expected to rust out, and then in a year or so quit of ennui-- or be fired.

0 0 0

PENTAGONNING. Integrated Circuit Engineering continues to expand under the impetus of dynamic John Shea. Now heading a new Government Services division (military-aerospace, energy and reliability-safety), Shea was in Washington this week in preparation for the opening of an office there.

Now under construction in Crystal City (Va), the facility is adjacent to the Pentagon and airport. Occupancy should begin sometime in February. Branch manager will be Marie Alexander, out of Army intelligence. She will start work in Santa Clara (Ca) two weeks from Monday (17), training with Shea until the Washington office is ready.

Shea's expansion plans include addition of three additional consultants in Santa Clara in 1980, and four to six in Washington within two years.

0 0 0

IT'S CUSTOMARY. Ernie Scharpf, former manager of customs planning and analysis at National, has cut out on his own as a consultant. He'll be developing customs analysis and materials control systems, all aimed at lowering tariff costs through Item 807 exemptions. First client aboard is Signetics.

He can be reached at Ernest J. Scharpf Jr. & Associates, 18754 Wood Dell Court, Saratoga (Ca) 95070. Phone 408-996-7622.

0 0 0

NO FOLLOW-ON? Ron Bishop, manager of technical training and field support at Motorola, has produced a handy book, "Basic Microprocessors and the 6800," which as its name implies includes seven chapters on general principles of microcomputers, followed by four on Motorola's pride and joy.

Rumors that Ron now has in work, "Advanced Microprocessors and the 8080," is vehemently denied by his publisher.

0 0 0

OUT OF THE CLOSET. Oki Semiconductor, which under the normally flamboyant Jerry Crowley has been nearly invisible (his sponsors are hypersensitive to the anti-Japanese flap which has been roiling the industry), will be more in evidence next year.

Although the company has been designing and selling watch chips and modules, the fab work has been farmed out. Next year, however, Oki will have a facility of its own and an expanded product line.

Chief designer Jim Brennan (ex-National) has some ideas for proprietary products which Crowley thinks will find a niche in the burgeoning telecommunications market.

0 0 0

THE WINNER AND NEW CHAMPIONS. This week saw the conclusion of the season for the Silicon Valley Bloomer Girls Softball League, with Synertek the new champion. First the Synners eliminated the 1977 champions, Intel, by a score of 7-3, and came back the following night to shut out last year's champs, Ultratech, by 4-0. The final game ended in a double play, and the Synful ladies went absolutely crazy wild bonkers bananas.

It still looks like a neighborhood conspiracy, however, with the Intel, Synertek and Ultratech plants all nestled together in the same corner of northern Santa Clara.

0 0 0

DESERVEDLY. Two ad-PR guys who received less than elegant treatment at National in recent years, have moved on to greener pastures. Longtime marketing services manager Chuck Signor, who headed all advertising and PR for the company until marketing was decentralized and he ended up with a lone division, has bagged it for the top m.s. slot at Intersil.

Roy Twitty, who had reported to Signor until he was shunted aside in a Steve Fields power play, now heads TFB Public Relations in Palo Alto. His semiconductor accounts include Zilog, Monolithic Memories, Exar, Oki, Electronic Arrays and Avantek.

Twitty and Dan Bellack, of TFB advertising, played twin Grouchos in a fondly-remembered SEMI Lamppoon a few years ago.

Fields has had little luck finding a replacement for Twitty. The first two guys who were offered the job turned it down.

0 0 0

QUOTABLE QUOTES. "We live in an area of unusual hazards. There is potential for huge property damage or loss of life, but the reason Silicon Valley doesn't blow itself off the map is the preparation of industry officials. They've set up emergency response teams so sophisticated that they have equipment superior to that of fire departments, better than anywhere else in the nation."--Alfred Smith, Santa Clara County fire marshall.

If there is something you want to get off your chest, drop a note to the editor --anonymously if you wish.

0 0 0

REVERSE DRAIN. After all the industry dropouts in recent months, it is a pleasure to report that ex-Fairchild, ex-Raytheon Dick Blanchard is returning to the industry from a life of teaching, consulting and writing (co-author of "Semiconductor Technology Handbook").

Dick is now a v.p. at Supertex, responsible for design, development and manufacture of the firm's VMOS power transistor line.

0 0 0

MEETINGS. "Distribution in the '80's." Electronic Industries Association central region distributor products meetings, Chicago, Sept. 25, Nov. 1, Dec. 4, Feb. 5, March 18, June 3. Topics include "Psychology of Selling," "Growth and Change," "New Directions for General Line," "New Dimensions in Specialty Distribution and Value Added," "Emerging Markets for Specialized Products" and "Direct Factory Salesmen vs. Manufacturers' Reps." EIA Central Region, 222 So. Riverside Plaza, Chicago (Il) 60606, phone 312-648-2300.

"Management Institutes for Executives." Oklahoma State University Management and Organizational Development Center, Stillwater, Nov. 8 *et seq.* Opening topic is "Management: A Proactionary Approach." OSU Engineering Extension, 301A Engineering North Bldg., Stillwater (Ok) 74074, phone 405-624-5146.

"Cryptography and Data Security." Hellman Associates Seminars, Washington, Oct. 29-31; Dallas, Nov. 7-9; New York, Dec. 10-12; Los Angeles, Jan. 28-31. Hellman Associates, 730 Alvarado Court, Palo Alto (Ca) 94305, phone 415-328-0647.

"NEPCON West '80." Anaheim Convention Center, Anaheim (Ca), Feb. 26-28. Sixty-three technical sessions plus workshops, professional advancement courses and forums. Industrial & Scientific Conference Management, 222 W. Adams St., Chicago (Il) 60606, phone 312-263-4866.

"Southwest Semiconductor Exposition." Phoenix Civic Plaza Convention Center, Phoenix, March 25-27. Papers now being solicited (100-word abstracts) on: fine-line photolithography; process control; metalizing techniques; robots and automated assembly; reliability and testing; thick- and thin-film materials; hybrid circuit construction and packaging; resistor trimming; discrete wire boards; multilayer technology; automatic component insertion and testing; infrared soldering; fluxes and cleaning; advances in bare board testing. Cartlidge and Associates, Suite 1014, 491 Macara Ave., Sunnyvale (Ca) 94086, phone 408-245-6870.

0 0 0

ALSO QUOTABLE. "I think an insidious practice is that which is used to lure men from one division of the same company to another--talk about loyalty! Why should a man be worth more doing the same job in another building? If he's good, he should be paid for it. Do they actually think he will perform at a higher level if he's paid more to do the same job a mile away?"--Anonymous Secretary, Phoenix (Az).

0 0 0

PRODIGAL SONS. Paternalistic Intel has declared a General Amnesty Plan for all employees lost to Zilog "in the quickly forgotten Z-8000 campaign." Deserters are offered many inducements to re-up back at the Santa Clara womb, but no mention is made of the most important: shares of stock which have true market value.

Don C.  
Price information and sample copy will be furnished in response to letterhead inquiries.  
The editor and publisher DOES NOT buy, sell or hold securities in any company mentioned.

Don C. Hoefler's  
**MICROELECTRONICS NEWS**

*with Manager's Casebook*



BOX 239, PACIFIC GROVE, CALIFORNIA 93950 • TELEPHONE 408-625-4090

SILICON VALLEY  
NOVEMBER 17 1979

*Good Friend—*

THE GHOULS COME TO LIFE. Headhunters are taking advantage of the confusion following an acquisition or merger to get a fresh infusion of their life-blood, names, addresses and phone numbers of professionals who might be pirated into new jobs.

So scarce are the warm bodies, and so high is the bounty on their heads, that the less scrupulous of the abductors will employ any ruse they can to identify new prospects. The situation is aggravated by the fact that, as the extreme shortages push salaries over the \$25,000-a-year range, the employment agencies in California are no longer under the jurisdiction of any licensing authority.

Here's how the latest scam works: A guy will call the newly-acquired company, posing as the industrial relations manager of a sister division of the parent company. He says his division is preparing a proposal for a highly-classified contract in which the acquired company will be involved, and he needs immediately the names and telephone numbers of all of the engineers or technicians or managers in the department, for security clearance and inclusion in the proposal. In short, he will take any information he can get, from any informant gullible enough to give it to him.

He will try it out on any potential source, from switchboard operators to clerks to secretaries--in any department, excepting a wide bypass around IR and administration. If the switchboard refuses to cooperate, the interrogator may pick dummy names out of the air, such as Bob Smith or Jack Jones.

Does it work? In far too many cases. Frequently the caller will get into some internal staff function whose people are not accustomed to dealing with the outside world, such as PC or QA. When he invokes the name of the parent company to a minor clerk or junior secretary, who probably never heard of the takeover company until last week and is awe-struck at the sound of its name--and who has a company phone roster directly in front of him/her--the odds are better than even that the faceless voice will get precisely the information that it wants.

The stunt backfired on one headhunter recently, when he encountered the secretary to the president. She stalled him and took a callback, and the prexy returned the call a few minutes later.

The number went into a blind line, which the receptionist merely answered "hello." She stalled when a certain name was mentioned, but put the call through when the pres asked if this wasn't XYZ Agency, and would they give him some recruiting help. When he got the guy, he simply informed him that he is filing a criminal complaint. And he will, too. Stay tuned. And alert your staff.

Full contents COPYRIGHT 1979 Don C. Hoefler. Copying by any means is a Federal offense.

Price information and sample copy will be furnished in response to letterhead inquiries.  
The editor and publisher DOES NOT buy, sell or hold securities in any company mentioned.

AND NOW, THE AFTERMATH. If you still have any lingering doubts about whether Wilf Corrigan jumped or was pushed out of Fairchild (MN, Nov. 10), consider this: On the last Friday (2) before his resignation was announced, Corrigan shot down the last vestige of Tom Longo's diminished empire, the development of the 9445 microcomputer, follow-on to the 9440 "Micro-Flame" (MN, Oct. 20). The rationale was that the development costs would not generate an adequate RoI. The following Tuesday (6), Corrigan's demise was made public. The next day (7), the 9445 was reinstated.

Oyez, oyez, it happened just as I told you. Corrigan made a run at J. Riboud, Schlumberger chairman, like the greenest peddler who fails to qualify the prospect, and was dumped at the line of scrimmage.

If you rate Wilfie by the usual manager criteria, with zero being neutral, you find that his plusses are considerably outweighed by his minuses:

Objectivity	0
Judgment	-
Initiative	+
Dependability	-
Drive	+
Decisiveness	+
Interest in people	-
Emotional stability	0
Maturity	-
Desire to achieve	+
Ability to cooperate	-
High personal integrity	-

It was his flashy characteristics of drive and decisiveness which gulled the out-to-lunch Fairchild board. And it was his lack of judgment, lack of integrity and lack of people sense that brought him down.

NOW THE GUESSING GAMES BEGIN as to who will walk the plank behind him. Certainly the chameleonic communications v.p., who absorbed the protective coloration of all of Corrigan's worst characteristics, Fred Hoar, will depart quickly. General counsel Nelson Stone, one of the last of the good old boys from the Sherman Fairchild days, can look forward to retirement. IR v.p. Warren Bowles, an import from Texas Instruments who never quite overcame his TI training, will probably have to find a new home on the range. And of course Les Hogan, who has been a supernumerary for five years (some say 10), will find himself pasture-ized. Ditto Andy Procassini, last remaining Hogan's Hero whose main claim to fame is survival, who surely has used up all nine lives.

It would be a shame, however, if Schlum were to lower the boom on such stalwarts as George Wells and Dick Abraham, merely because of their identification with the the discredited Corrigan. These guys have done yeoman service, and have certainly demonstrated loyalty above and beyond the call of duty.

Also not to be forgotten is Tom Sherby, whose handling of the systems side of the house has prevented Fairch from becoming a total disaster in recent years.

0

0

0

GEOGRAPHY LESSON. If you have been wondering why sloppy members of the Fourth Estate have insisted on identifying the French Schlumberger as "French-Dutch," you must know that Schlum's world headquarters is in the Netherlands Antilles, formerly known as the Dutch West Indies, which is as Dutch as American Samoa is American.

(Continued)



Now you might attribute that off-trail location to the fact that those six islands are just offshore from Venezuela, the founder of OPEC. Me, I attribute it to the fact that the Netherlands Antilles is one of the world's great tax havens, where there is no capital gains tax, no sales tax, no withholding taxes on dividends or interest paid to non-resident shareholders, and the income tax rate on holding companies is less than 3 per cent.

NA is an autonomous territory of the Netherlands, so you can call this one a Dutch Treat.

0 0 0

READY WHENEVER YOU ARE, BofA. The Micro Energy Systems of Howard Bobb (MN, July 28, Sept. 22) may develop into a full-bore company. The founder of American Microsystems now has a business plan making the rounds of the financial community, proposing a company not unlike what AMI was in the beginning: a high-volume MOS custom house.

0 0 0

TIMELY. An eventful Telex was received at Western Digital yesterday morning (16), just in time for chairman-pres Chuck Missler to tell the shareholders in the afternoon that Siemens had agreed to second-source the WD 1791 family of floppy-disk controller circuits.

WD has a lock on this market, the poor second being Nippon Electric with its 765, which came on the scene a year later and has as alternate source--are you ready for this?--the former Jap-baiter, Intel, which has had its problems with NEC (MN, Oct. 6, 13). (Perhaps that is why Intel has yet to produce the 765.)

WD had first tried to cut a deal with Intel, but that company was too far down the road with NEC, so despite the fact that Siemens also has some projects pending with Intel, Missler dangled the 1791 in front of the \$16 billion company, and they bit. Not stated in the agreement, but certain to be included, is WD's 1691 data separator, the first circuit able to reduce read-write timing control to a single chip.

Also reported at the WD annual meeting:

WD will once again produce the LSI-11, which it originally developed for Digital Equipment, but got kicked out of bed by DEC during the heavy-handed Emerson days. Missler waved the purchase order, which he said was worth "several million dollars."

WD backlog now stands at \$15.6 million, and booking rate is \$1 million a week. Not bad for an outfit that shipped \$ 10 million in all of 1978.

Congratulations to Guelda Shotts, Missler's good gal Friday who has a paralegal background, for being elected an officer. Guelda is now secretary of the corporation.

0 0 0

SETTING THE RECORD STRAIGHT. Despite his appearance at the ECS Microsystems open house last week (MN, Oct. 27, Nov. 3, 10), Ed Sherman assures me that he is merely a friend of the family, and is definitely remaining as a v.p. at Signetics.

0 0 0

MORE REDACTION. Although Ed Day is no longer responsible for wafer fab at Synertek, pres Bob Schreiner has no present plans to step up, down or sideways (MN, Nov. 3). When he does, however, Ken Yagura is still the heir apparent.

As for the fab performance, Fab 1 is indeed down, and Fab 3 has some problems, but Fab 2 is running at record levels.

0 0 0

ANALOG ALTERNATE. Jean Hoerni's and Bob Freund's Semi Processes (MN, Jan. 13) have cut a second-source deal with Signetics to make Sig's DMOS FETs, including the SC210 single analog switches, SD5000 quad analog switches and SD305/306 dual-gate r.f. amplifier and mixers.

SPI will also develop other DMOS products for the exclusive use of Sig and SPI, under Jean's direction.

0 0 0

IR TRIO. Three industry IR veterans have banded together in a human resources consulting firm. Although they would do a search for you, their main bag includes advice on compensation, labor relations, affirmative action, management development, climate surveys, ERISA and policy-procedures.

The principals are Rita Coleman, John Richey and Sid Wilkins, whose background includes Fairchild, National, Advanced Memory Systems, Intersil and Siltec.

You can contact Coleman, Richey & Wilkins at 1000 Elwell Ct., Suite 215, Palo Alto (Ca) 94303, phone 415-961-9556.

0 0 0

SURVIVING. Integrated Technology, the remnant of Standard Microsystems (west), later known as Altus, has been acquired by Comdial Corp., a San Francisco R&D outfit that designs ICs for telecommunications. Renamed Comdial Semiconductor, the former ITC now makes components for hand-held electronic games. Current sales are \$100 million a year.

0 0 0

ATTENTION, SECRETARIES. After my two recent columns on all you lovely ladies, one of which drew love letters and the other drew hate letters, I want you to know that I still have your best interests at heart. If you don't already know that you have a National Secretaries Association (48,000 strong), you may want to look into it. Contact Jean Drake, 1st v.p., NSA California Division, 3669 Lake Grove Drive, Yorba Linda (Ca) 92686. (If you are outside California, I'm sure she can direct you to your local chapter.)

0 0 0

CHECKOUT COUNTER. National's Datachecker had a record month in October, booking \$10.4 million, divided \$7.4 million for scanners and \$3 million for key entries.

0 0 0

TURKEY WEEK. Don't forget that MN does not publish during Thanksgiving week-end. We will be back with you the following week, December 1.

*Don E.*

Don C. Hoefler's  
**MICROELECTRONICS NEWS**

with *Manager's Casebook*



BOX 239, PACIFIC GROVE, CALIFORNIA 93950 • TELEPHONE 408-625-4090

SILICON VALLEY  
NOVEMBER 10 1979

*Good Friend*

THE TURKEY HAS LANDED. Wilf Corrigan, the semiconductor industry's own Napoleon Bonaparte, was deposed from the top of Fairchild this week, the victim of his own delusions of grandeur.

Like the little emperor of 164 years ago, Corrigan met his Waterloo when he tried one power play too many. Using the same bullhead tactics that had been so successful for him over two decades, he let it be known to the powers that be at his new parent, Schlumberger, that he should not be reporting in at mere divisional level, but should be reporting up to the top with executive v.p. stripes.

What he failed to realize was that he was now in a new ballpark of heroic dimensions, where his sales were equalled by the parent's earnings, and his contribution to the total company was a mere 2 per cent.

Nor did he reckon with Schlumberger's realization that he had led Fairchild through the wilderness for more than five years while never leading it out, and during his regime the company's market share had dwindled, dropping it from a solid No. 3 position to No. 5 in the last half of 1979 (as predicted by Integrated Circuit Engineering, MN, March 24). Fairchild reported third-quarter sales of \$174 million, bumped down by Intel's \$176.6 million.

Ironically, just as his elevation to general manager nearly a decade ago was casually announced at a key-man dinner meeting, so was his termination as president just as casually announced at a key-man dinner meeting Tuesday evening (6). He will remain as chairman temporarily, while his successor cuts a new key to the executive men's room.

Schlumberger just as casually announced that the successor would emanate from inside the parent company, not from inside Fairchild, because it had not had time to become acquainted with the capabilities of the Fairchild staff. The new president is Tom Roberts, most recently chief financial officer in the New York office of Schlumberger, and before that g.m. of the company's measurement and control operations in Farnborough, just outside London, where Corrigan attended college in the mid-1950s. Even more ironic, and a direct slap in the face to Corrigan, Roberts picks up the exec v.p. stripes which Wilf so sorely coveted.

Weep no bitter tears for Corrigan, however. Although he loses the grand salary of \$200,000 a year which he generously voted himself (largest by far in Fairchild history), he already has the lion's-share bonus he also generously voted himself (MN, March 10), and he still owns or has already cashed in \$3.6 million in Fairchild stock. (A review of the Corrigan career is in "Manager's Casebook.")  
Full contents COPYRIGHT 1979 Don C. Hoefler. Copying by any means is a Federal offense.

Price information and sample copy will be furnished in response to letterhead inquiries.  
The editor and publisher DOES NOT buy, sell or hold securities in any company mentioned.

ANOTHER TAKEOVER AFTERMATH. Look for a new organization announcement to be coming out of Synertek any edition now. There will be a new assignment for Ed Day, and a new chief executive officer.

The fab areas, split a year ago upon Day's arrival, will be combined again. At that time, Day, who headed custom products, also took over Fab 1 and Fab 2 (85 per cent of the plant's output), while founder and manufacturing manager (since departed) Dan Floyd concentrated on getting the new Fab 3 up to speed (staff of 45). Now all three fabrication areas will be recombined under Dan Barbados (ex-Intel, ex-Texas Instruments).

Outputs of Fabs 1 and 2 have fallen off over the past year, complicated by the introduction during the year of the 2716 EPROM.

At one time v.p. Ken Yagura appeared to be the one being groomed for succession to the top slot. Is he now in line to become CEO? Time will tell.

0 0 0

GUESSING GAMES. While Gould continues to massage the timing of its run on Intersil, don't discount any dark horses. Northern Telecom is still very much a minority owner, and another shopper has been the Krupp steel works of Germany.

0 0 0

ONLY HIS CONSCIENCE KNOWS FOR SURE. Last week Ed Sherman made a special plea from a sick bed through an intermediary, to convince me that he had no intention of jumping from Signetics to ECS Microsystems (MN, Oct. 27, Nov. 3). Yet yesterday (9) there he was, at the ECS open house, being introduced as the new manufacturing v.p.

It seems increasingly obvious that Mr. Sherman is trying to use someone, and the suspicion is growing that the fall guys are my source and me, acting in good faith on blind faith.

It's a risky business, trying to fool Mother Nature, Eddie.

0 0 0

AT LIBERTY. It has taken a while for news to drift up to the Valley from Orange County, but Dave Beadling is no longer national sales manager at Western Digital--nor anything else. After the n.s.m. assignment didn't pan out, the company tried to find something else for him, but those efforts didn't pan out either.

It's the story of Dave's life, being on the leading edge of seemingly good deals, only to have high hopes dashed. He has had offers to return to the Valley, but is still hoping to hang on in the southern Orange County--northern San Diego area.

0 0 0

CLOSE THE DEAL OR CLOSE THE DOORS. Maruman appears about to be saved by a second Japanese company, after its first backer backed off. While takeover negotiations are in process, the potential buyer is putting up operating capital to keep the company from keeling over from malnutrition. The benefactor appears to be Toshiba.

0 0 0

FIGURES DON'T LIE. As I mentioned recently, the nip-and-tuck race for growth leadership, between Advanced Micro Devices and Mostek, turned over to Mos at mid-year (MN, Oct. 27). Mos retained the leadership in the third quarter, with sales up 78 per cent, against AMD's 60 per cent.

Mos also beat out Intel in terms of operating income as a percentage of sales (25.5 per cent vs. 22.6 per cent), and had a very respectable percentage of earnings before taxes of 22.6 per cent.

0 0 0

PEAKING OUT? And while we are nitpicking financial statements, a little arithmetic with your handy-dandy Novus calculator shows that sales for the third quarter, when converted to sales rate in dollars per week, is down-down 9.3 per cent from the rate of the previous quarter.

Isn't it interesting what you can bury when your "quarters" are of different sizes?

0 0 0

CHEAP AT HALF THE PRICE. National announced yesterday that it had nailed down a seven-year revolving credit agreement with five U.S. and two overseas banks, for a maximum of \$50 million. Potential application is the usual: "working capital and general corporate purposes."

The "smart money" that crapshoots in Nat shares apparently doesn't realize that this kind of deal--unlike a straight line of credit--requires an annual commission up front, on top of interest for any money actually borrowed. For the stock jumped 87.5 cents a share yesterday (9) on the news.

0 0 0

QUOTABLE QUOTES (JAP-HATERS PLEASE COPY). From Fujitsu Ltd. 1979 Annual Report: "To meet the ever growing demand for our high-quality IC products, during fiscal 1978 we undertook two important initiatives. On the one hand, a new building outfitted with today's most advanced production facilities was added to our existing Aizu Works, Fujitsu's main IC production plant. On the other hand, a brand-new subsidiary, known as Kagoshima Fujitsu Ltd., was established in Kagoshima Prefecture for the purpose of producing IC products. Together, these two new facilities played a large role in Fujitsu's ability to expand its IC markets during the past fiscal year...Aiming toward higher price performance, we completed development of our 64Kbit RAM and other outstanding LSIs."

From Dick Anderson, g.m. of Hewlett-Packard Data Systems: "Hewlett-Packard is now using as many Japanese memory products as it is using U.S.-manufactured products, because we couldn't get the supplies that we needed here. The quality of Japanese semiconductors exceeds that of U.S. products. Never have the Japanese in my memory been the low-priced bidder."

0 0 0

NO EMBELISHMENT NECESSARY. In announcing that National semiconductor division v.p.-g.m. Floyd Kvamme has also taken on the remnant of Itel known as National Advanced Systems, Nat's flackery identifies him as "one of the founders of the parent company." Bullchips. Nat was founded before Floyd knew the difference between a Bessel Function and a Bissel Sweeper.

OVER THERE. Market researchers Frost & Sullivan say the European semiconductor market will grow at 6 per cent a year (constant dollars), from \$2.4 billion in 1978 to \$4 billion in 1987, as a result of the advent of the microcomputer plus "an important patent expiration." (Could the run-out of Fairchild's Planar patents be another nail in Wilf Corrigan's coffin, or was that just happy coincidence?)

In any case, there will be a considerable shift in market share, F&S says:

	1978 %	1987 %
Discretes	49	31
IC: Memory, MPUS	12	35
Analog	13	10
Digital	18	16
Hybrid	8	8

End-product market shares will not vary greatly, however:

Consumer	32	27
Medical, Industrial	24	25
Computers	19	22
Communications	25	26

The 8-bit microprocessor will remain the big seller, going to \$200 million by 1987, while 32-bit  $\mu$ comp sales will be only one-tenth as large.

Higher capacity will dominate the memory market of the future, with 64k dynamic RAMs selling \$125 million in 1987; 128k, \$25 million; and 256k, \$10 million.

Perhaps the most important F&S comment of all concerned price-bombing: "The era of steadily falling prices (in real terms) is now at an end."

0 0 0

COMMITTED. Harris thinks it is in the semiconductor business to stay, having budgeted \$25 million for expansion in the coming year, in addition to its commitment to its 49 per cent interest in the \$21 million Matra-Harris joint venture in Nantes, France.

The first phase of \$17 million at Palm Bay (Fl) will add a mask shop, warehouse, and expand the headquarters. Most of the remaining \$8 million will go for expansions of capacity in Florida as well as the Kuala Lumpur, Malaysia plant.

0 0 0

THEY ATE ALREADY. Ken Jacobs and Dick Lucey have spun out of Accutest to form KDJ Associates, engineering and marketing consultants for makers and users of automatic semiconductor test equipment. Ken's pre-Accutest experience was with Tektronix, while Dick had been with Transitron and Varadyne.

KDJ is at 45 Northwood Drive, Nashua (NH) 03060, phone 603-882-3643.

0 0 0

1980 FUTURES. SEMI dinner, January 9, Colonnade Hotel, Boston. Speaker: Mike Krasko, v.p. Merrill Lynch Technology, on "Growth in the 1980s for Semiconductor Equipment Manufacturers--A Worldwide Perspective." Info Marlene Whitney, GCA, 617-275-9000.

*Don C.*

Don C. Hoefler's  
**MICROELECTRONICS NEWS**  
*with Manager's Casebook*



BOX 239, PACIFIC GROVE, CALIFORNIA 93950 • TELEPHONE 408-625-4090

SILICON VALLEY  
DECEMBER 1 1979

## 1980 RECESSION MONTH EARLY

Shipments flat, deliveries ahead of schedule, parts shortages ended, falling index of leading indicators, combine to confirm the long-awaited recession has arrived.

*Good Friend:*

GET READY FOR A BLOW. The U.S. Commerce Department's index of leading indicators yesterday joined one of the semiconductor industry's own leading indicators to herald the business slowdown which has yet to affect bookings.

In Washington, the index of leading indicators was down 0.9 per cent in October after a tepid 0.2 per cent rise in September, but down 4.8 per cent from a year ago. The index yesterday stood at 138.8, referred to the 1967 base of 100.

In New York, wholesalers were offering the popular Schottky-clamped TTL at reasonable prices for immediate delivery, a sharp reversal from even a month ago, when none were to be had, except in the black market.

When Texas Instruments was quoting year-away delivery times on low-power Schottky logic, black marketeers were offering immediately delivery at \$2.50-5.00 on parts listed at 50-60 cents. Now these same black marketeers, seeing dwindling backlogs and easy delivery by spring, have started dumping.

As recently as late October, systems houses were desperate for low-power Schottky, and willing to do nearly anything to get it. One company, which has a semiconductor subsidiary which does not make Schottky, tried to get the subsidiary to use its influence with friendly competitors to divert an allocation. Now the stuff is readily available from fringe distributors, which means it will soon be available factory-direct.

The arrival of the turndown is itself good news in an ironic way. Most economists have agreed that the longer it took to start, the longer it would last and the deeper it would be. Now the consensus seems to be that it will be milder than the last one, in 1974-75, when unemployment rose to 9 per cent. This time, economists don't see it going over 8 per cent. Short-term interest rates should drop 5 percentage points, and long-term rates 1-2 points. Inflation should drop from 12 per cent down to 9.

But it also means a 2-3 per cent drop in GNP this quarter and 6 per cent in 1Q 1980, and a hefty 12 per cent fall in pretax corporate profits next year.

Full contents COPYRIGHT 1979 Don C. Hoefler. Copying by any means is a Federal offense.

Price information and sample copy will be furnished in response to letterhead inquiries.  
The editor and publisher DOES NOT buy, sell or hold securities in any company mentioned.

ON DISPLAY. A new LCD firm has been formed by a husband-wife team of display veterans, using new materials which considerably extend the permissible range of operating temperatures. The firm is Cockroft International, self-financed by Bob and Ellafe Cockroft, formerly with National's facility near Salt Lake City, and more recently founders of Ladcor, in which they are selling their interest.

Using the multiplex dot matrix technique with new combinations of materials, the Cockrofts have reduced labor content by a factor of 4-5, and have expanded temperature range from a former  $-10/20^{\circ}\text{C}$ -to- $+60^{\circ}\text{C}$  out to  $-27^{\circ}\text{C}$ -to- $+107^{\circ}\text{C}$ . Because of the low labor requirement, Cockroft will do all its manufacturing in the U.S. (as opposed to Ladcor, which assembles offshore).

The displays are rather sizable, ranging from large watch displays 1 in. square, up to 9 in. square.

The firm is located at 777 No. Pastoria, Sunnyvale (Ca) 94086, phone 408-739-5720.

0 0 0

'TIS THE SEASON TO STAY PUT. One thing the holiday season does is curb the wandering eye of employees, as everybody wants a reliable paycheck for Santa time. Hence industry turnover, which averages 5-6 per cent, is now less than half of that.

0 0 0

NOT HERE YET. Although consumer spending is generally off about 10 per cent below last Christmas, no slump is being felt by makers of electronic games. Every one is materials-limited by an IC shortage. Many of the products use 4-bit microprocessors, and makers of such devices, such as National and Rockwell, have been sold out since mid-year and are heavily back-ordered.

0 0 0

NEW BALL GAME. This is Atari's first Christmas season under Ray Kassar, and it is a wholly different company from the days of Nolan Bushnell and Joe Keenan. Gone are the long faces from merchandise returns (130,000 units in 1977 and 400,000 in 1978), and gone are the games, draft-beer dispenser and hanging plants from Bushnell's office.

Soon to be gone are the ICs which the company overbought, but no longer does. It now buys only what it needs, for units it knows it can sell, and demands vendor compliance with delivery schedules. Gone also are the days of beer-busting, game-playing and bullshipping the customer about slipped schedules.

Kassar may lack the imagination of his predecessors, but he is considerably more businesslike. And he could wind up the season grossing \$200 million.

Meanwhile vendors have had to adopt new tactics (Atari buys microprocessors from Rockwell and Synertek, ROMs from Texas Instruments and Signetics, and custom parts from American Microsystems, Maruman and Synertek).

0 0 0

THIS'LL SCORCH CHARLIE'S MOUSTACHE. Guess who is shopping the possibility of a tender offer for National, the loudest anti-Japanese shouter of all? Try Nippon Electric.

0 0 0



TAKING UP THE CUDGEL. Speaking against the Japanese semiconductor invaders at the House subcommittee on trade hearings in San Jose yesterday were not the two independents who started it all--National and Intel--but three companies having vested interests in Europe: French-owned Fairchild, Dutch-owned Signetics, and German-invested Advanced Micro Devices. Pres Chuck Harwood spoke for Sig, and v.p.s Andy Procassini and George Scalise spoke for Fairch and AMD, respectively, with George the keynoter.

Under the sponsorship of Semiconductor Industry Association, none of the speakers said anything that has not been said repeatedly by Nat and Intel, but argued that the recent study prepared by the International Trade Commission should have gone a step further and recommended that the U.S. government take prompt steps to offset the "target industry actions" of the Japanese government.

Those steps would be: stiffer penalties for dumping of Japanese imports; tax incentives for R&D; trade negotiations to open up the Japanese marketplace.

Oh yes, here's a new one: surtax on U.S. operations of foreign companies, to wipe out any advantages they receive from their own governments.

Considering who was talking, they could be opening up a Pandora's Box.

0 0 0

GOES WITH THE LEASE. The recent second-source deal for DMOS between Signetics and Semi Processes (MN, Nov. 17) has resulted in one of Siggie's key men in the art, Tom Cauge, moving over to SPI. The shift was Tom's idea, and both Sig and SPI seem to be happy about it.

0 0 0

WHERE'S FRANKIE? Does anybody know what happened to Frank Alvarez, the fall guy last year for National's neglect of its Danbury (Ct) plant? There's a company president out there who would like to get in touch with him.

0 0 0

PERISH THE THOUGHT. The current issue of Forbes magazine is playing with the notion that Wilf Corrigan, recently deposed as president of Fairchild, will be the long-sought successor to Bob Wilson at Memorex. Oh, God! After all that Bank of America put into getting that place turned around?

But then, the Forbes track record is something less than spectacular. Let us hope they are playing up to their usual par.

0 0 0

DIRTY POOL. Hey, what ever happened to the gentlemen's agreement that a prospective employee has the right of confidentiality in his dealings with a prospective employer?

It was breached wide open recently when Applied Magnetics ratted on some IBM slaves who were considering making a change. IBM immediately called in the would-be defectors and warned them to cease or be ceased.

Is IBM an AM customer? You'd better believe it. And does AM qualify for the MN Crud-of-the-Month Award? Right on!

0 0 0

SURPRISE ENDING. Ed Rocha, head of CAD layout at Siliconix, recently had an uninvited visitor at his front door, bearing a bottle of wine for Ed and a bouquet of flowers for Mrs. R.

The guy was recruiting, and the big fuss was because he wanted Ed to kiss off Sili and come run CAD at his company instead.

Did the gambit work? Like greased owl shid.

And who was the resourceful recruiter? I can't keep you in suspense any longer. It was none other than Charlie Sporck himself, president of National.

0 0 0

A MOTHER HAS A RIGHT TO CHANGE HER MIND. Everybody knows that telecommunications will be one of the huge new semiconductor markets, but that little old niche-finder, Western Digital, seems to have found a market segment which has caused even Mother Bell to sit up and take notice, and go back to the drawing board.

The subject is "packet switching," an exceedingly efficient way to interconnect high-rate data streams in digital telephones, which is already well advanced in Europe. The international standards body, CCITT, some time ago issued its X.25 packet switching protocol, which WD alone has reduced to a single monolithic chip.

Every packet switching network in the world has known this on a non-disclosure basis for some time--all except the Bell System, which will not agree to non-disclosure. Then a few weeks ago, WD went public in one of the technical journals, and Ma Bell, who was about to announce her own advanced communications system (ACS) version of packet switching, thought better of it and pulled back because of "recent developments in input-out technology."

Non-fans of AT&T are not unhappy about the delay, for they see ACS as "A Clever Scheme" to sneak into the EDP marketplace through the back door.

0 0 0

A LADY REPLACES HER BOSS. Once upon a time, many moons ago, Roy Twitty was public relations manager at Signetics, and pretty Pattie Atteberry was his secretary. The department was wiped out in a cutback panic a few years ago, and Pattie ended up on the American Microsystems payroll, while Roy went to National to head PR for the semiconductor division.

Roy recently left to go into the agency business, and guess who has succeeded him at National? Yup, petite Pattie herself.

0 0 0

NATURE ABHORS A VACUUM. Union organizing activity has been active along the entire west coast, except for the Valley. In Washington state, the Machinists have been pushing in Everett and Redmond. Both the Teamsters and Auto Workers have made moves on the new facilities in Oregon. In the San Fernando Valley it's the Teamsters and the Electrical Workers, while in Orange County it's the Clothing Workers trying to organize Xerox Century Data. In San Diego it's the Communications Workers. But in the Valley? Nary a thing but a one-shot handbill stab at Computervision by the Machinists.

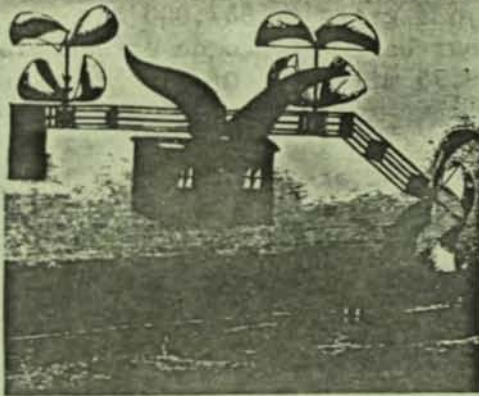
How long can this be going on?

*Don C.*

# MANAGER'S CASEBOOK by Don C. Hoefler

CASE No. 525 SUBJECT: STILL ALIVE AND KICKING

## FREE ENTERPRISE By DON HOEFLER



Copyright © 1979 Don C. Hoefler

"The Concorde supersonic transport? Lemme tell ya, pal, getting there is half the fun!"

A-142

JUST ABOUT EVERY semiconductor executive who is Europe-bound these days is taking the Concorde supersonic transport, "just once, before they cancel it."

They need not be concerned for the aircraft's demise, for although the British-French consortium that makes them has halted production, there are 16 such airplanes flying, and on the runs most used by Valley managers--New York-Paris and New York-London--the craft are operating at a profit. (This is not true of the Washington-Dallas leg, however, so Texas Instruments and Mostek will have to get on the stick.)

Although it will never be as economic as subsonic airplanes which burn only a little more than one-fourth the fuel and carry double or triple the number of passengers, the Concorde has nonetheless been comfortably profitable on the New York trans-Atlantic runs. With a break-even load factor of 63 per cent, the Concordes in and out of New York have been averaging 91 per cent. This has not been true of British Airways' London-Washington or London-Singapore runs, nor of Air France's Paris-Washington or Paris-Caracas runs. The Paris-Rio De Janeiro run, however, is close to break-even.

SINCE FEBRUARY, BA's thrice-a-week Washington run has continued on to Dallas-Fort Worth, with the domestic leg being flown by Braniff crews. Although most of the passengers are oil men, there are not enough of them to make the trip profitable.

Although the Concorde began flying in 1976, it was more than a year later before it got into New York, because of local resistance to the noise it would generate. But a takeoff pattern mostly over water abated that problem, and since many of the subsonic ships now use it as well, the surrounding neighborhoods are quieter than before the Concorde arrived. And if City Hall had to decide between giving up the Concorde or giving up government loans, it just might say goodbye to Washington.

If the Concorde is ever grounded, it will be the combination of low seating capacity and high fuel costs that does it in. That 100-seat cabin is positively dinky by Boeing 747 standards, and the rising fuel bill has more than doubled the price of tickets.

Compared to subsonic fares, however, a Concorde flight is a real bargain, if you place any value on your time. When the airplane reaches supersonic cruising speed of 1450 (Mach 2.02), it is moving at more than 2.6 times the speed of the subsonic jet airliner. Thus you can make the 3636 miles from to New York in 3 hours 45 minutes, against nearly 8 hours for the subsonic. London is 10 minutes less, and either city is still another hour closer out of New York, because of the prevailing winds in the jetstream.

THE ONE-WAY FARES (tax included) are London-New York \$1113, Paris-New York \$1167, London-Washington \$1172, and Paris-Washington \$1231. That's about 20 Per cent more than a first-class ticket on a subsonic airplane. And what it comes down to is whether your time is worth \$50 an hour. Unless you are a Wilf Corrigan in his most recent job, you probably don't pay yourself such a salary.

But don't either tell me about all that work you carry with you on the airplane. Sure, you carry it, but do you do it?

So then it comes down to, do you want to spend eight hours, or less than four, cooped up aboard an airplane? Personally, I get cabin fever, so I'll take the short route.

Although British Airways doesn't peg your time at \$50 an hour, it does say you are worth on the average \$25 an hour, figuring your gross at \$52,000 a year and you put in an average of 40 hours a week. On that basis, Concorde passengers have saved 350,000 hours of flying time worth \$8.75 million. Of course BA doesn't say what they paid to gain those hours.

In any case, 80 per cent of those who fly the Concorde are businessmen, and most of those are either bankers, lawyers, or oil executives. Which ought to tell us something. What's more, it is largely the same bankers, lawyers and oil executives, for 70 per cent of Concorde riders are repeat customers.

Well, you probably now know more about the Concorde than you ever wanted to know. But here's one more tidbit you might find handy: if they were still being made, you could buy one for about \$100 million, but that would include a kit of spare parts.

0

0

0

*Don C. Hoefler's*



**MICROELECTRONICS NEWS**  
*with Manager's Casebook*

Don C. Hoefler's  
**MICROELECTRONICS NEWS**  
*with Manager's Casebook*



BOX 239, PACIFIC GROVE, CALIFORNIA 93950 • TELEPHONE 408-625-4090

SILICON VALLEY  
DECEMBER 17 1979

## LAST HURRAH IN BLIGHTY

### Ferranti Slips Under the Wire

*Good Friend—*

**LAISSEZ FAIRE.** The opening of the Ferranti microelectronics center in the hamlet of Hollinswood, east of Liverpool in north central England, is the last facility to go onstream with U.K. government support, leaving the matter of second-round financing for Inmos still up in the air (MN, May 26).

With a complete reversal in government philosophy from socialism to conservatism, Ferranti is the last to be funded under the Microelectronic Industry Support Project, and the government's half-interest in the project, held by the phasing-out National Enterprise Board, is for sale to private interests.

Ferranti is committed to an outlay of \$40 million over the next three years to upgrade its semiconductor capability, but where the remainder of the funding will come from is problematical.

The firm's two main product lines are the F-100L microprocessor, used primarily in defense applications, and a set of programmable logic array chips, which have found use in communications, and consumer applications including cameras, video games and automobiles. Ferranti continues to focus on the custom market, while Inmos and GEC-Fairchild expect to be volume producers.

But whichever way they go, they will do it on their own.

**DISSENSION IN THE RANKS.** The free-enterprise philosophies of the new administration of Prime Minister Margaret Thatcher are far from universally popular, especially as they pertain to Great Britain's position in microelectronics. Since it has always lagged, critics feel this is a terrible time for the government to leave high and dry the companies that are trying to play catch-up.

The general secretary of the Association of Scientific, Technical and Managerial Staffs, Clive Jenkins, has scored the government for virtually ignoring the need for his country to take a major position in the microelectronics technology and marketplace. He says the present government policies are "very antipathetic" to public support of microelectronics, and he finds it "difficult to find anything positive" in those policies.

He calls government antipathy toward the industry "an act of insanity."

Full contents COPYRIGHT 1979 Don C. Hoefler. Copying by any means is a Federal offense.

Price information and sample copy will be furnished in response to letterhead inquiries.  
The editor and publisher DOES NOT buy, sell or hold securities in any company mentioned.

• GHOST LINEUP. Howard Bobb may not yet have the backing for his new company (he doesn't; his business plan is still making the rounds), but he is already trying to recruit the starting team. Phones are ringing at plants all over the Valley, with Howard calling former associates from the good days at American Microsystems.

0 0 0

LEASE NOW, BUILD LATER. Several manufacturers are now in the process of increasing capacity, but pres Earl Rogers of Precision Monolithics is holding off starting construction on a new headquarters building "until interest rates return to a more reasonable level." (Don't hold your breath, Earl; that will happen when the Fed freezes over.)

Meanwhile Earl has leased an adjacent 36,500 sq. ft. building, thus increasing PMI's floor space by about 50 per cent. Into it will go regional sales, advertising and publicity, literature distribution, stockrooms and possibly shipping-receiving.

The good news for PMI arose from bad news for Quantor, whose severe reverses made the building available.

Monolithic Memories is projecting an 80 per cent growth for 1980, and has undertaken a \$20 million expansion program to double capacity over the next year and a half. The firm has moved much of its support functions into a nearby 15,000 sq. ft., to permit expanding its present 4-in. line and conversion of the existing 3-in. line to 4-in.

The company is also adding 17,000 sq. ft. to its assembly and test facility in Penang, Malaysia, and will add another fab facility starting early in 1980. The site is undetermined, but you can bet it won't be in the Valley.

Underestimating the need for support space, a common industry malady, is also evident down in Tempe (Az), where General Semiconductor has leased an additional 32,000 sq. ft. to accommodate sales, accounting and purchasing. That brings GSI up to 84,000 sq. ft.

0 0 0

WELL, THAT'S SHOWBIZ. The popular media have finally caught up with the Valley, and both local and national TV, plus regional and national mags invading and looking for angles. The story most of them are grooving on is the shortage of chips for toys and games. CBS has already had its shot, and NBC has one upcoming. Ditto New West and Playboy.

In similar vein, I at last will be coming out next year with that long-awaited book on who is and was who in the Valley. I'll keep you posted.

0 0 0

SCRATCH ONE. Dan Dooley's business plan for a new company has been having tough sledding with the not-so-venturous venture capitalists, and he will soon be back on the job market, if he is not already.

0 0 0

QUOTABLE QUOTE. From Kit Menkin, president of American Leasing: "We hear from most everyone there is some slowness in comparison to the the fast flying boom. There is a definite change in the climate."

•STEINIZING. Motorola this week began shifting to the decentralized product marketing concept, as the Strategic Marketing and Industrial Market departments (including, computer, federal and telecommunications) were fragmented and absorbed into the respective operations centers.

It is another prelude to the imminent takeover of the division by Al Stein, and more in the style of Texas Instruments ("Manager's Casebook" No. 285). Which figures, since Mr. Stein is a TI alumnus.

0 0 0

NATIONAL NATURAL. Semiconductor stocks have been getting a fling again, as the sheep of Wall Street have been hearing buy recommendations predicated on the suspicion that this industry may finally have become recession-resistant.

An especially good performer was National, which gained \$3 over the week and was the most actively traded on Tuesday, after a delayed opening.

0 0 0

QUESTIONABLE. Siliconix has formed a joint venture with a Japanese trading company to improve its market share in that country. The partner is Teijin Advanced Products Corp., Tokyo, and the subsidiary will be called Nippon Siliconix Inc.

Teijin has been Sili's exclusive rep in Japan for seven years, with Sili providing a backup sales in Tokyo, which will now be closed. Japan has absorbed about six per cent of Sili output in past years, and the objective is to improve the percentage.

Well, I wish pres Dick Lee the best of luck, because I think he'll need it. My problem is not in getting in bed with the Japanese, but with the fact that the deal is cut down the middle. I have seen a lot of 50-50 deals in my time, but never one that did not eventually turn to merde.

0 0 0

TOMORROW THE WORLD. Siemens continues to expand its semiconductor holdings in the U.S. (Advanced Micro Devices, Litronix, Siliconix), now relieving FMC Corp. of its little power transistor house in Broomfield (Co). The deal is for cash, and will probably close before the end of January.

0 0 0

INFLATION. Intersil pres Ori Hoch was in New York this week, doing a dog-and-pony show for the security analysts, predicting a 30 per cent increase in sales and earnings for his company in 1980, even more if the industry weathers the recession.

All of which should improve the offering price by the takeover artists.

0 0 0

SPUN OUT AND MICROPROCESSED. E-H International is going the exclusive rep route with its line of microprocessor development systems, ICEs and programmers. Worldwide marketing arm is newly-formed Advanced Technology Resources, Sunnyvale (Ca), a group out of Data I/O headed by Grant Record.

IT STANDS TO REASON. Just as a glut of boxcars is the certain concomitant of preferential depreciation, so the ultimate is HPIW. It's simply a matter of comparative degree. First our solicitous solons allow some businesses, under some circumstances, to shorten the lives of their capital equipment. Now they are considering shorter. Well, what can be shorter than Instant?

Look at the way it is now. If you can shorten the book life of your equipment, you get all of your tax deduction over a shorter period of time, right? Then if you take a front-loaded writeoff instead of the old-fashioned straight-line, you get more of it sooner. The problem is that depreciation allowances are now so complex that even your friendly IRS man of the gimlet eye can't figure them out.

So I say away with all this nonsense. We take all of it, all at once, right away. That is the essence of HPIW. It is so simple, it may force tax accountants to find honest work.

For the first time in your life you will have written off your equipment before it is obsoleted by advancing technology. And for the first time in your life, you will stop the accounting double-talk in which you tell your stockholders one thing and the IRS something else.

OH, YES, YOU DO TOO. Take a look at your annual report. What is that item called "Deferred Income Taxes"? At least part of it is the difference between straight-line and accelerated depreciation, that's what. Under HPIW you would be required to reflect accurately in your financial reports the actual tax treatment, which is as follows:

1. All newly-acquired capital equipment will be written off in full in the year it is acquired.
2. When the equipment is subsequently disposed of, the resulting gain or loss will be treated as ordinary income or loss in the year of disposal.

You expense your cost of selling and your R&D, the other two elements of growth and profits. Why not your equipment as well, and especially in such a fast-moving industry as this one?

Everybody complains about sluggish capital formation. HPIW is a much more sensible approach to the problem than investment tax credits and accelerated depreciation.

Investment in capital equipment is a come bet, in which you hope a future cash flow will give you an adequate return on investment. In a stable economy, that is tough enough. But in a crazy world where the purchasing power of the dollar shrinks at the same time it becomes more expensive to rent those dollars, HPIW gives you some kind of a fighting chance. At least the effect of inflation is restricted to the year of acquisition.

I know what you're thinking: that this is another rob-Peter-to-pay-Paul scheme, a Townsend plan in reverse, a slick con to shift the tax burden. And I don't deny it; that's the American way.

But I must also admit that the poor old IRS has to make a living too.

And I say let them start by selling off all those surplus box cars. 🚚 🚚 🚚 🚚 🚚 🚚

*Don C. Hoefler's*



**MICROELECTRONICS NEWS**

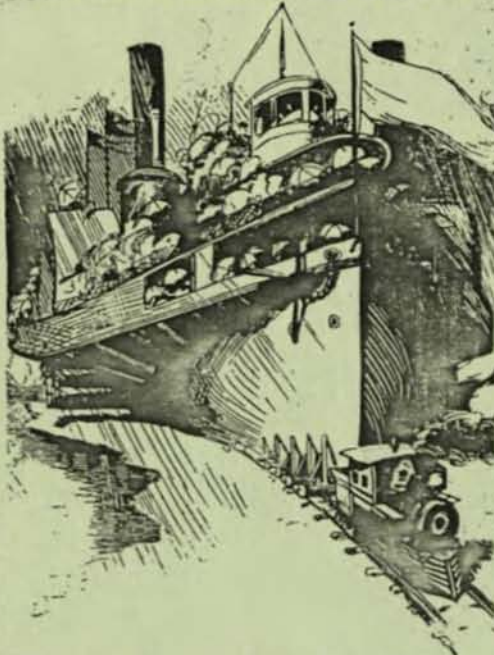
*with Manager's Caseload*



# MANAGER'S CASEBOOK by Don C. Hoefler

CASE No. 527 SUBJECT: WHAT THIS INDUSTRY NEEDS

## FREE ENTERPRISE



Copyright © 1979 Don C. Hoefler

"Every piece of our rolling stock is on fast write-off."

A-144

IF LIKE ME, you thought that the root of all evil at Itel was the bombing by IBM of prices on products such as Itel leased at a profit, then both of us didn't know the half of it.

The other half was Itel's other sagging product line, please believe me: boxcars.

Yes, the computer leaser (lessor?) is also the leaser-lessor of railway rolling stock. I speak not of the pair of sixes which will earn you an instant crapout at the dice tables, but rather those noble conveyances which go clic-kity-clack, a-echoin' back the blues in the night.

And now Itel is doing not only the IBM Indigo, but also the Boxcar Blues.

For the time is quickly passing when the eight-wheelers were the darlings of the sophisticated investor with heavy sugar, who found in them a handy tax shelter through fast writeoffs and investment tax credits. Leasing of them was highly profitable, since they often moved on per diem contracts.

THE TROUBLE WAS, everybody wanted to get into the act. In order to take a "liberalized" writeoff on a boxcar, first you have to build it. The logical extension of this is a country which is wall-to-wall boxcars.

Then the law of supply and demand takes over. Boxcar "utilization" falls off and railway agents sharpen their pencils when negotiating leases. And "declining-balance" and "sum-of-the-years-digits" writeoffs aren't fun any more, when actual depreciation is even faster than what the Internal Revenue Service allows.

Then the final blow is that the Interstate Commerce Commission is considering wiping out those juicy per diem contracts in favor of cheaper long-range ones, which is good for the railroads which own the ICC, but bad for the boxcar leasers on the outside.

If things continue at the present rate, we are going to have Victoria Station restaurants on every street corner, or we'll have to cut the ends off all those surplus cars and weld them together into the world's longest pipeline. But then we'll have the tankcar guys in the same box the boxcar guys are in now.

TO THE RESCUE comes my proposal in response to the depreciation problem, one which will aid you and me immeasurably, and put us at least on parity with the boxcar owners. Since Congress is even now considering further liberalization of depreciation allowances, so I ask you to lobby for the ideal solution: The Hoefler Patented Instant Writeoff.

AND THEN THERE WERE FIVE. Steve Pass, one of the original trio that founded the Thresum reppery, was voted out by his partners. Remaining is founder-president Dave Conrad, plus latecomers Jerry Thomas and Ken Thomas, Mike Feldman and Rocky Triantos.

0 0 0

FURTHER CONFIRMATION. I don't know why people are having trouble accepting my statement that Wilf Corrigan was fired out of Fairchild, for anybody who was at a gathering at Tom Hinkelman's house in Los Altos hills the weekend before the blood-letting knows it well. At the party, Wilf was waxing eloquent about the great things he was going to do with and to Fairch in the coming months and years. By Tuesday he had become a statistic, having had considerable help on Monday in reaching his decision to resign.

0 0 0

SYNERGY? Another result of the shotgun marriage between Fairchild and Schlumberger is Fairch's decision to market a PC board tester made by a Schlum subsidiary in England, Membrain. The unit, which will go for \$US in the \$125,000-\$300,000 range, will be marketed by Fairch's Sub-assembly Test Systems division in upstate New York, soon to move to Boston's Route 128.

0 0 0

HANDS ACROSS THE SEA. And while we are on the subject of offshore testing (did you notice that neat segue?), the International Electrotechnical Commission has just issued its latest measuring method standards for diodes, transistors, ICs and optoelectronics. Subjects include current drain, clock-line power, I/O impedances, characteristic times and switching frequencies.

Price of IEC publication 147-2L is 70 Swiss francs (~ \$112). Information: International Electrotechnical Commission, 1-3, Rue de Varembe, Geneva 20, Switzerland.

0 0 0

SWITCHED. Zilog grabbed a body from one of its second-source partners last week, as Doug Swartz shifted from engineering manager at Advanced Micro Computers to manager of systems engineering in the Microcomputer Systems division of Zilog. Swartz will be in charge of developing computer systems based on the Zil Z8000, which AMD also makes.

0 0 0

SORRY ABOUT THAT. This issue is being mailed two days late, as a bulldozer driver blacked me out in the most crucial of my newsgathering hours on Friday (14). It's the third such delay in the 388-week history of MN.

Please note also that we will NOT be publishing on the Xmas weekend. We will return with the annual year-end roundup on December 29.

*merry Christmas!  
Don C.*

**Peninsula Loses  
Link to World  
—Temporarily**

Long-distance telephone service to and from the Peninsula was curtailed for about five hours Friday by the accidental cutting of an underground cable

Don C. Hoefler's  
**MICROELECTRONICS NEWS**

with *Manager's Casebook*



BOX 239, PACIFIC GROVE, CALIFORNIA 93950 • TELEPHONE 408-625-4090

SILICON VALLEY  
DECEMBER 29 1979

## LAST OF THE 'SEVENTIES

### *Good Friend-* The Year That Was

NOT THE END OF THE DECADE, 1979 nevertheless was the end of independence for Fairchild and Mostek, both gobbled up by conglomerates. It was the end of the robber-baron presidency of Wilf Corrigan at Fairch, and of the reign of Zeev Drori at Monolithic Memories.

There were aftershocks from new-product and price-cutting announcements by IBM, at semiconductor companies with systems divisions, particularly National, Inter-sil and Intel. Mostek dropped out of the add-on memory business altogether.

A recession was watched for all year long by wary managers, but only at year-end was there any evidence of its impending arrival.

National and Intel pulled back markedly from their strident anti-Japanese stance, and decided that since they couldn't lick them, they had better join them. By year-end, both were heavy buyers of Japanese goods, and both were plotting Japanese second-source agreements and/or joint ventures.

The labor market in the Valley got even tighter, made worse by drop-outs, burn-outs, split-ups, outside raids, and an out-of-sight real estate market in California.

Fairchild turned its Micro-Flame computer to low, its charge-coupled devices to very low, and American Microsystems turned its VMOS development to off.

Expansion in the Valley was at a virtual standstill, while the growing areas were Colorado and Oregon.

While most company sales and earnings were going through the roof, Fairch and AMI were still in bed with the blahs.

There were top management shifts at Zilog, and a rep revolution that was successful.

Longtime racial bias at Motorola erupted in Federal court.

Conservative election in England spelled bad news for Inmos and Ferranti.

Those were some of the industry highlights of 1979. A weekly recap starts overleaf.

Full contents COPYRIGHT 1979 Don C. Hoefler. Copying by any means is a Federal offense.

Price information and sample copy will be furnished in response to letterhead inquiries.  
The editor and publisher DOES NOT buy, sell or hold securities in any company mentioned.

- JANUARY 6. National drops out of computer end-user marketplace, will sell only to private labellers and third parties. Atari stuck with more than \$25 million unsold Christmas goods, as founder Nolan Bushnell departs. Glenn Penisten's meeting with money manager backfires at American Microsystems. Manager's Casebook: Recollections by Les Hogan.
- JANUARY 13. Jean Hoerni returns to U.S. semiconductor industry as director of Semi Processes, with old buddy Bob Freund in as president. Carm Santoro, president-elect at Monolithic Memories, returns to AMI. Shortages stir double-ordering again. Most résumés from National, Raytheon, Precision Monolithics. Manager's Casebook: What makes an entrepreneur.
- JANUARY 20. Zilog founder Ralph Ungermann loses in power play, goes up and out, as the company continues to look too much like a country club, performs poorly against same-age Synertek. AMI sales remain flat, while Fairchild under Corrigan can't even keep up with inflation. Predict drive for circuit copyrights will fail. Manager's Casebook: Inside China.
- JANUARY 27. Red Taylor gets v.p. stripes at Northern Telecom, will oversee IC purchases of \$60 million in '79, increasing to \$200 million in 1983. Storage Technology starts IC plant in Colorado. Large Atari inventory signals levelling off of video games market. Carl Bascom out after five months as exec. dir. at SEMI. Manager's Casebook: Investment Tax Credit.
- FEBRUARY 3. Fairchild earnings report proves to be large crock, as company finally admits it is out of watch business. Tom Maher, former head of video games at Fairch, moves to Synertek. Bob Depweg in at Intersil as v.p. for subsystems, as company gears to import 1,000,000 ICs from Nippon Electric, Fujitsu and Hitachi. Manager's Casebook: Marketing Jellybeans.
- FEBRUARY 10. Top-management problems continue to plague Zilog, along with high turnover at middle levels, serious disenchantment. John Luke off beach and into Signetics. Factional squabbles at Intel. AMI growth rate charted at 1.5 per cent. Intersil sales troops demoralized. National double-crosses Western Digital. Manager's Casebook: Handling of lawyers.
- FEBRUARY 17. Advanced Micro Devices and Siemens split interests in Advanced Micro Computers, after Sie opts for Intel 8086 while AMD second-sources Zilog Z-8000. Silicon Material reclaimer sold to Ametek. Intel pushing telecommunications with Tony Livingston as marketing manager. Co-founder Bob Barringer quits Synertek. Manager's Casebook: Turnaround at Western Digital.
- FEBRUARY 24. MOS snafu continues interminably at Fairchild. Exxon taking closer look at financial management of Zilog, same with Philips and Signetics. Nippon Electric automation technology to be transferred to Electronic Arrays. Low asset turns numbering the days of stand-alone components makers. Manager's Casebook: Fight for control of Welch Scientific.
- MARCH 3. Motorola convicted of race bias in federal court, tells employees it didn't really mean it. Moto has second source for 68000  $\mu$ proc, which it can't even make itself. Gordon Moore to chairman at Intel, Bob Noyce to vice-chairman, Andy Grove president. Layoff at National Computer Products. Bill O'Meara from Fairch to Synertek. Manager's Casebook: End of reps at H-P.
- MARCH 10. Predict Fairchild to be acquired by European company, Wilf Corrigan to be out as president. Corrigan greed spurs high turnover on Mahogany Row. Valley companies shopping Oregon for expansions. Semiconductor Equipment and Materials Institute again looking for executive director. "Captain Crunch" goes to prison. Manager's Casebook: Employee marijuana addiction.

- MARCH 17. Irwin Federman becomes president of Monolithic Memories, filling the shoes that had been tailor-made for Carm Santoro, while founder Zeev Drori remains as chairman. Stress the importance of making planning more than a figurehead job. AMI Pocatello plant in disarray under Bill Baker and Ken Moyle. Manager's Casebook: The management of the conference.
- MARCH 24. Zeev Drori message to employees concerning promotion of Irv Federman to top slot at MMI looks a little murky. National to second-source MMI PLA. Les Hogan relinquishes fakey title of vice-chairman at Fairchild. Zvi Grinfas becomes fourth Synertek founder to bail out. See Fairchild dropping to fifth place in IC sweeps. Manager's Casebook: Income tax avoidance.
- MARCH 31. Mas Shima returns to Intel from Zilog, while Zil reps in open rebellion against contract renegotiation. Peak in Fairchild stock indicates takeover move coming closer. General Motors to consume 27,000  $\mu$ procs a day by 1981. Predict Mostek 1Q earnings to slump. California governor says Japanese will own the industry in 5-6 years. Manager's Casebook: A failure.
- APRIL 7. Zilog n.s.m. Marty Cohen backs off from attempts to screw reps, on advice from on high. Predict Gould will make tender offer for Fairchild, while Wilf Corrigan awards self lion's share of bonuses. When Carm Santoro left AMI for MMI, he also left \$100,000 in options on table. Xerox Development looking for entrepreneurs. Manager's Casebook: Profitability survey.
- APRIL 14. Zilog's Marty Cohen denies 4/7 story, not that he reconsidered rep renegotiation, but that he did so under pressure from Exxon. George Marr jumping from AMD to Zilog, Ken Zerbe from AMI to Apple. Motorola annual report is mysteriously late. Intel quietly spinning a "solid state disk." Manager's Casebook: Company comparisons in manufacturing cost and S&A.
- APRIL 21. Fairchild recruits customer employees after they are trained by Fairch at customer expense. National underbids to buy business it has no intention of delivering, simply to screw competitors. Professionals quitting Burroughs Micro-Components in droves. Predict Al Stein next honcho at Motorola. Manager's Casebook: Companies compared in growth and R&D.
- APRIL 28. Confirm Gould as Fairchild suitor with \$300 million tender offer, again predict imminent departure of Wilf Corrigan. Fairch test systems bookings way below forecast, expenses curtailed. Layoff in National plant in Danbury. British and Israelis looking for takeover opportunities in Valley. Manager's Casebook: Companies compared on asset management.
- MAY 5. Fairchild annual meeting plays like canned tape, except Corrigan loses bid for new preferred issue to stave off takeover. Corrigan threatens to sue Gould for improprieties in takeover attempt. National files trade-secrets suit against Zilog in brazen PR maneuver. Big motivational promotion at AMD. Major reorganization at Signetics. Manager's Casebook: The unsung secretary.
- MAY 12. Gould sues Fairchild, raises offer from \$54 to \$57, Fairch countersues. Again predict Fairch finished as stand-alone company, Corrigan finished as president. Fairch watches phased out with National chips inside. Lionel Kirton to call it quits at Signetics. Intel targets shift from growth to profits. Manager's Casebook. When the president outranks the chairman.
- MAY 17. Ailing Nitron badly in need of transfusion. AMI stock price jump has no basis in sales or earnings. Industry orders on downtrend from 1Q, but still capacity-limited. Companies compared for return on stockholders' equity. Jerry Schaflander back in the news with his solar-cell scam. National to build in Arizona. Manager's Casebook: Motivation and fringes.

- MAY 26. Philips shopping Mostek for takeover, as way to get Signetics out of MOS bind. Predict Inmos destined for disappointment in bid for another \$50 million from British government. Schlumberger gallops in as white knight to snatch Fairchild from Gould. Repeat prediction that Wilf Corrigan on way out. Manager's Casebook: Semiconductor company takeovers.
- JUNE 2. National scrambles to avoid Fairchild takeover fate. Ford says semiconductor content in automobiles will jump from \$11-\$13 today to \$150 by 1982. Intersil slashes capital investment as company awaits inevitable takeover onslaught. Fairchild second tier quakes in prospect of blood-letting. Manager's Casebook: Dissecting the DC-10.
- JUNE 9. U.S. Labor Department conspires with aerospace unions against immigrant job-seekers, a grim warning to talent-short semiconductor industry. Intel recruiters having field day in cherry-picking Motorola. Howard Moss of Texas Instruments as supernumerary on SEMI board in fishy deal. AMI president still bullshipping his company performance. Manager's Casebook: Deadwood.
- JUNE 16. Takeover of Intersil inevitable, merely a matter of time. India hoping to get into LSI with investment of \$10 million. Confirm Lionel Kirton has kissed off Signetics. Semi Processes to second-source Sig DMOS product line. Shorter work weeks, longer work days trend continues. Ex-Intersiller Joe Rizzi plotting downscaled mainframe. Casebook: Safety hazards.
- JUNE 23. Panic in 16k RAM marketplace, Japanese mopping up, while cutbacks in National Computer Products cause 16k dumping. Nat ousts Fairchild for No. 3 spot, after Texas Instruments and Motorola. Schlumberger to call all Fairchild options immediately. Exxon beefs up Zilog retaliation against National suit. Manager's Casebook: Stock options.
- JUNE 30. Headhunting becomes a game of Dirty Pool, with no holds barred. Bernie Aaronson and Pico Designs are swallowed whole by Motorola corporate. National again cuts peddler commissions, for second time in five years. Takeover of DCA Reliability comes closer. Schlumberger takeover of Fairchild options causing individual hardships. Manager's Casebook: Maturation.
- JULY 7. Order holds on Perkin-Elmer mask aligners attributed more to rapid obsolescence than to impending recession. AMI shipping VMOS, but at huge losses. Bad scene at Intersil, with low morale and high turnover. Gary Summers leaves Synertek in huff, bound for Commodore. Mostek to lose exclusivity as alternate source for Zilog-Z-80. Manager's Casebook: Canned presentations.
- JULY 14. Key-employee burnout becomes severe industry problem. AMD stock jumps on rumor that Siemens plans offer that pres Jerry Sanders would kick out of bed. Fairchild management belief that Schlumberger plans no major changes for 6-18 months called wishful thinking. Hanky-pank at National losing it a major linear customer. Manager's Casebook: Creativity against Japanese.
- JULY 21. Postulate takeover of Intersil by Memorex, with Ori Hoch succeeding retiring Bob Wilson as president. Synertek loses two more founders, Jack Balletto and Gunnar Wettlesen. Golden Gate Enterprises enjoined from its attempt to take over SEMICON. Two U.S. agencies individually and wrongly assess potential enemy Valley attack. Manager's Casebook: Tax havens.
- JULY 28. Digital Equipment to open \$28 million LSI plant next month. Intel continues to close out low-profit product lines. Howard Bobb trying another startup. Predict  $\mu$ proc designer Bill Fox will not re-join Synertek after sabbatical. Commodore, shopper of fire sales, wins again with PET computer out of MOS Technology. Manager's Casebook: Pre-induction visibles.

AUGUST 4. Colorado becoming major microelectronics center, with NCR, Honeywell, Storage Technology, Control Data and Inmos. Sales reorganization at Western Digital. AEG-Telefunken to second-source WD floppy-disk controller. Salary gains for industry managers. Dr. Jerry Thomas from ITT to Fairchild Europe. Manager's Casebook: The bankruptcy game.

AUGUST 11. Intel microcomputer development systems lose entire top line. Personnel relocaters find business drying up. AMD very generous to pres Jerry Sanders. Bob Skinner replaces Marty Cohen as n.s.m. at Zilog. Mick Denham out as g.m. of NCR Microelectronics. Intel loses to Synertek-- in softball. Manager's Casebook: Insight into international marketing.

AUGUST 18. Jerry Sanders income at AMD approaches half-million-dollar level. Confirm Mas Shima opening Tokyo design center for Intel. Compare Motorola and Hewlett-Packard as employers, by one who worked for both. Don Black from NCR to IC design manager at Frontier. Northern Telecom to sink more than \$30 million in IC plant near San Diego. Casebook: State of the economy.

AUGUST 25. Texas Instruments comes to Valley for talent raid. Heavy turnover at Intel microcomputer group. Leo Dwork of AMD scored by SEC for insider trading. Eli Goldfarb retires after selling Pacific Reliability. Predict National to pick up piece of Intel. VMOS in jeopardy at AMI, may be killed by year-end. Wes Miles quits industry. Manager's Casebook: RoW economy.

SEPTEMBER 1. MN commits goof of year, moving Raytheon out of Valley to Arizona. Steve Marcy out as v.p.-g.m. of EMM-Semi. Synertek to second-source Zilog Z-8. Zilog to open plant in Idaho. Predict Steve Sherman on way out at Commodore. Ernie Scharpf leaves National to start customs consulting business. Manager's Casebook: The fickle Federal Reserve Board.

SEPTEMBER 8. Key men jump from Hamilton-Avnet to Arrow. Cramer romancing Motorola's Don Fullam. National System 400 dead, but company won't admit it. Gould attempts takeover of Mostek. Zilog still far from profitable. Yield problems at NCR Microelectronics. Dick Pinto returns to RCA from Rockwell. Manager's Casebook: Recalling the Great Depression.

SEPTEMBER 15. VMOS continues to sink at AMI, inventor T. J. Rodgers wants out. National confirms end of System 400, drops 100 workers. Les Vadasz moves from microcomputer products at Intel to senior v.p. for strategic planning, replaced by Jack Carsten. Don Fullam rejects offer of Cramer presidency. Motorola org chart. Manager's Casebook: Aftermath of Proposition 13.

SEPTEMBER 22. Jack Gifford trying to take over Intersil acquisition Datel. Sam Wauchope takes a walk from AMI. Howard Bobb floating new startup, Micro Energy Systems. Additions to Motorola organization chart. Fairchild recruiting ad uses faked photo. Shel Schumaker leaving Synertek for Brooks Technical. Manager's Casebook: The Foreign Corrupt Practices Act.

SEPTEMBER 29. AMI drops VMOS, T. J. Rodgers out. SIA predicts annual growth for industry of 25-30 per cent. Jack Gifford loses self control at SIA meeting. Three Synertek founders, led by Jack Balletto, form VLSI Technology. United Technologies rescues Mostek from Gould takeover try. Joe Keenan to move from Atari to Pizza Time Theaters. Manager's Casebook: The model secretary.

OCTOBER 6. Predict next Gould try will be for Intersil. VMOS foldup costs AMI \$10 million development contract from IBM. Inmos breaks ground in Colorado. NEC cuts off two biggest customers. Jerry Starek and Carl Story plead guilty to shipping contraband, fined. Phil Gregory becomes executive secretary of SEMI. Manager's Casebook: Who invented the IC?

OCTOBER 13. Tighter customer inventories cause cutbacks at Intersil systems. National consolidates its dwindling computer activities in San Diego. More shifts in Motorola marketing, including less responsibilities for Don Fullam, who just turned down better job. Japanese bidding up Schottky parts. Manager's Casebook: Employee motivation.

OCTOBER 20. Tom Longo has wings clipped at Fairchild. Musical chairs continue at Motorola. Emerson shoots down Cognition, maker of solid state transducers. Bob Dwyer returning to industry, joining Rockwell. Lionel Kirton back in business, at AMD. Zilog loses \$1.9 million on sales of \$8 million for 2Q. Manager's Casebook: Consumer advertising by industry.

OCTOBER 27. National says any takeover attempt will result in "scorched earth," as UTC nears close of deal for Mostek. Jeff Kalb looking for successor at Data General, as he prepares to move to headquarters as engineering v.p. Predict custom circuits in computers to jump from 5 to 35 per cent by 1985. Manager's Casebook: Accelerated tax writeoffs.

NOVEMBER 3. Mostek pulls out of add-on memory business. Texas Instruments makes second foray into Valley, looking for warm bodies. Maruman, EMM-Semi both for sale. Rex Rasmussen, inherited by National from Intel, is disinherited when he wants Nat to pick up his car lease. High interest rates raising havoc with distributors. Manager's Casebook: VLSI behind the Iron Curtain.

NOVEMBER 10. Wilf Corrigan ousted as president of Fairchild, as predicted here eight months ago. Reorganization at Synertek. Dave Beadling out at Western Digital. Maruman buyer likely to be Toshiba. National sales down nearly 10 per cent from previous quarter. Harris budgets \$25 million for expansion. Manager's Casebook: The rise and fall of Wilf Corrigan.

NOVEMBER 17. The latest in the headhunters' bag of tricks. Doping the first heads to roll at Fairchild, following Corrigan ouster. Siemens to second-source Western Digital floppy disk controllers. Howard Bobb's business plan for Micro Energy Systems making the rounds of venture houses. Integrated Technology acquired by Comdial. Casebook: The Chrysler loan guarantee.

DECEMBER 1. Dumping by black marketeers indicates leading edge of recession. Cockcroft International formed to make wide-range LCDs. It's a new ballgame at Atari. NEC considering tender offer to National. House subcommittee hearings on effects of Japanese competition. Applied Magnetics breaches confidentiality of job applicants. Manager's Casebook: The fastest way to Europe.

DECEMBER 8. Fujitsu shuts down plant in Valley. American Microsystems due for substantial body losses after holidays. VLSI Technology talking with Atari as potential backer. Roy Pollack back in town to talk on Japanese competition. NBK ends negotiations for possible takeover by Kayex. Manager's Casebook: The union president as company director.

DECEMBER 17. Ferranti is last semiconductor facility to receive financial help from British government. Motorola heads for decentralized marketing. Siliconix forms joint venture in Japan with Teijin. Siemens continues to expand in U.S., buys FMC power transistor business. Steve Pass out of Thresum. Manager's Casebook: The instant 100 per cent tax writeoff.

0

0

0

AND THAT'S ALL HE WROTE. Have a Happy New Year. Be back with you January 5.

*Don C.*