

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



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

SILICON VALLEY  
JUNE 21 1980

## SHAKEUP AT THE FLYING F Hogan Returns to Head R:D

*Good Friend--*

TOMMY GUN. Just seven months after he succeeded the deposed president of Fairchild, Wilf Corrigan, new president Tom Roberts this week made the most sweeping--and for the most part, the best--organizational changes the company has seen in many a moon.

Most of Roberts' changes in the past half-year have been putting out fires, eliminating deadwood, and applying cosmetic touches. This time he has gone to the heart of the matter, and but for a couple of problematical appointments, has chosen well. The new top line looks like this:

- o Dick Abraham: all LSI and VLSI, both bipolar and MOS (except microprocessors)
- o Ed Browder: all jellybeans--SSI and MSI, both digital and linear, transistors, optoelectronics
- o Tom Longo: microprocessors
- o Les Hogan: R&D

The first two moves are bang-on. The last two less so, but perhaps understandable.

Dick Abraham is the best technical manager in the company, by far. He is the man to revamp operations in Building 20, and to get the too-remote South San Jose plant up to speed after years of floundering.

Ed Browder is the man for the jelly beans, the best commodities guy in the house.

As for Longo and Hogan, the best guess is that this is the last gasp for two losers who have bounced around the company with never much positive impact on the P&L.

Hogan was the president who destroyed the R&D organization he must now recreate out of whole cloth. Ousted in a power play by Corrigan, he has since had such empty titles as vice chairman and technical advisor to the president. His main

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functions in recent years have been glad-handing, backside-patting, speech-making and lobbying. Finally having something to do may prove to be therapeutic.

Longo is the guy who dropped large chunks of company funds into charge coupled devices, isoplanar integrated injection logic and the Micro-Flame microprocessor, all with scarcely noticeable return on investment.

The best that can be said for Hogan and Longo at this juncture is that they continue to enjoy handsome remuneration.

As for those further down the stick, there is naturally a frantic jockeying for position among those who don't like their new bosses, or don't like their market-segment assignments.

NEXT TO CLOSING. And now you're wondering what has happened to the canny Scotsman, George Wells, whose star seemed to be in rapid ascendancy in recent months. He is new director of marketing and sales, and international operations. This too is probably a good move, optimizing his talents.

The perturbations from this reorganization will be vibrating for months to come. And when the dust has finally settled, the org chart is likely to have yet a different shape. But scratch George Wells as heir-apparent.

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MUSICAL CHAIRS. The move of Pasquale Pistorio back to his native Italy from head of Motorola's international division will cue a string of moves in the land of Mr. Moto, so get out a pencil and your Moto org chart (MN, Sept. 15 1979).

The best guess in Phoenix is that, with discretos v.p. Gary Tooker replacing Pistorio, bipolar IC v.p. Henri Jarrat will slide over into Tooker's job, while linear operations v.p. Ken Wolf will move up into Jarrat's billet.

Don't discount the possibility of Pasquale doing a bit of raiding as well. It was he who hired Dedy Saban into Moto, after stints at Fairchild and ITT, among others. Dedy, who was Moto's distributor sales manager for Europe and is now general sales manager there, looks like a cinch to take over marketing at SGS-Ates under Pasquale. SGS-A was once SGS-Fairchild, and Dedy knows it well.

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BACK TO THE DRAWING BOARD. Those blow-ups of Ford LTDs can be traced directly to the car's microprocessor engine control, which has been known by Ford for some time, and will require major redesign.

In certain failure modes, the control calls for excess fuel, which overflows the engine onto the hot catalytic converter, resulting in a spectacular fireworks display.

It could happen to anybody, but General Motors and Delco anticipated the problem and averted it.

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MORE OF THE SAME. Demoralization at Intersil continues as predicted. The troops claim there is a communications gap between them and top management, which either doesn't know where it is going, or won't say. The result is a very edgy unease, and reappearance of updated resumes in the headhunter shops.



SUSPICIONS CONFIRMING. I've been saying for months that the most likely prospect for taking over American Microsystems is the combination of Robert Bosch GmbH Co. and Borg-Warner Corp., which has owned 25 per cent of the company since June of 1977.

There has been unusual activity in AMI stock in recent weeks, and word on Wall Street yesterday (20) was that B-W is about to make a takeover move, despite a contractual prohibition limiting the firms' holdings to their present amounts.

Considering AMI's present financial position, the caveat is academic anyway.

As AMI closed at 19-1/8 bid yesterday, word in the Street was that B-W would come in with a tender somewhere in the \$35-\$44 ballpark. At prices like that, Don Bell, who left 10,000 shares on the table at \$13.75, and Carm Santoro, who left 13,000 at \$14.13, must be gnashing their teeth that they didn't stick it out a little longer.

As for pres Glenn Penisten, he would not be expected to remain under the new ownership, but he could hardly care less. With all of his present holdings, plus exercised options and warrants, he would gross somewhere between \$3.33 million and \$4.19 million on such a transaction. In addition he would draw a half-salary of about \$120,000 a year for ten years.

ONE DAY AT A TIME. Until the millenium, however, Penisten still has his hands full. Yields in the Santa Clara plant are still stinko, and while plant manager John Edwards is technically competent, his management abilities leave something to be desired.

Jerry Coan, sales manager in Japan, is leaving to enter the distribution business with a Japanese partner, and must be replaced.

Marketing v.p. John Richardson remains unhappy and wishing to leave, but he has not been able to find an offer which will unlock his golden handcuffs.

The continuing quest of R&D v.p. Lee Seely for a bailout is known worldwide.

In short, morale remains extremely poor. Present and former managers say that, despite a reorganization that was supposed to force more responsibility down into the organization (MN, May 31), Penisten still preaches too much and delegates too little, makes too many decisions--and too many wrong ones.

On balance, it would seem that Glenn should welcome a takeover--friendly or otherwise.

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MOVIN' ON UP. New opportunities and new strategies with Western Digital's Pascal Microengine are causing the product's marketing director, Joe DeVita, and his staff to move into corporate headquarters under the protective coloration of pres Chuck Missler. Replacing Joe in the Computer Products division is Dave Renwick, former headquarters sales administrator. Replacing Dave is Ralph Bubank, former production control manager. No successor has been named for Ralph, pending the closeout of the fiscal year on June 30.

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STILL FOR SALE. Computervision's anticipation of selling Cobilt to Philips blew up this week, so the maker of assembly equipment and a wide variety of process equipment is back on the block. If interested, check v.p.-g.m. Sam Harrell at 408-984-2500.



EATING MY OWN WORDS (SORE GUT DIV.). Apollo 7, commanded by Walt Cunningham, was not "the first moonwalk" (MN, June 7). That didn't come until Apollo 11. No. 7 was the first manned test of the command module, featuring the first live TV transmissions from orbit.

Irv Barowsky's Bay Area Technical Associates is not a "headhuntery" and never has been (MN, June 14). Irv & Co. have been a materials rep for the past seven years.

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FLEXIBLE FLYER. When Jerry Sanders made his spectacular announcement that "No employee who is performing to Advanced Micro Devices standards will be laid off" (MN, June 7), he was asked what he would do if the recession got really nasty.

Before he could answer, a wiser in the audience piped up, "RAISE THE STANDARDS!"

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WHAT WAS THAT I JUST SIGNED? Bert Braddock is finding his C-MOSI (Custom MOS) high and dry because of a retroactive deal he signed with the city of Sunnyvale. Because of a waste-disposal problem, the town had a four-month moratorium on new construction and new water and sewer hook-ups.

Bert applied for a building permit late last year, before the moratorium went into effect, and it was granted in February, on the condition that C-MOSI agreed to abide by whatever directives the council came up with to meet the emergency. Bert thought they would be limited to economic matters, but later learned his water supply would have a ceiling of 3000 gallons a day for each acre of property, about 200,000 gallons less than his daily requirement.

He applied for a variance, which was denied by the community development director, who in turn was overruled by the planning commission. But he still must get the blessing of the city council.

At stake are 180 jobs. And Braddock is reviewing old George Goebel tapes.

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MEETINGS. International Congress on Transportation Electronics, Sept. 15-17, Hyatt Regency, Dearborn (Mi). Includes panel on electron devices for the 80s, chaired by Les Hogan of Fairchild, with panel including Jim Fischer of Texas Instruments, Bob Noyce of Intel, Charlie Sporck of National, John Welty of Motorola and Terry Nishijima of Toshiba.

Info: Convergence-80/VTS-30, c/o Allen-Bradley Co., 32660 Stephenson Hwy., Madison Heights Mi 48077.

All schedules subject to cancellations by race riots at Republican Convention in Detroit in July.

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SEASONAL NOTE. The calendar says this letter was written on the longest day of the year. But for Pennsylvanians, last Saturday got that distinction. It's the only state in the Union which closes its liquor stores and bars in observance of Flag Day. That's so you can't get Keystoned.

Oh, I'm not well... *Don C.*



# MANAGER'S CASEBOOK by Don C. Hoefler

CASE No. 552 SUBJECT: THE HOWGOZIT CURVES

## ENTERPRISE By DON HOEFLER



"My business is in GREAT shape!"

I think...???"

B-125

RATIO-NALIZING. Bankers, investors, security analysts, accountants and others who work with numbers are infatuated with ratios as indicators of the health of a business, to the point where they can find a justification for just about any conceivable kind of pairing.

Besides the most common balance sheet references, the current or banker's ratio (current assets/current liabilities) and the acid test or quick ratio (current assets minus inventories/current liabilities), plus inventory turnover (average annual inventory/cost of goods sold), there are quite a few more.

These include: working capital/inventory; working capital/total assets; owners' equity/debt; net worth/fixed assets; and not to forget trade receivables/inventory.

The income statement yields even more, beginning with the receivables turnover (sales/trade receivables), followed by: sales/inventories; sales/fixed assets; sales/net worth; costs and expenses/sales; purchases/trade payables; cost of sales/inventories; net income/sales; net income/owners' equity and net income/total assets.

And on and on they go. But this seemingly endless plethora of permutations and combinations should not deter the wise manager from selecting the most useful ones as periodic guides to his company's condition, especially in fast-changing recession times. Properly used, they can prevent panic and even disaster.

**THE BIG THREE.** The most useful of these division exercises are the current ratio, acid test and receivables turnover. The first two are a measure of company stability, and the third will flag cash-flow problems which, if not corrected, could lead straight into Chapter XI or worse.

One important measure of a company's performance is its ability to meet its obligations, which is called out by the current ratio. Since we live in a credit world, in which there are time lags in converting inventory into accounts receivable (through sales), and accounts receivable into cash (through collections), the company must have more current assets than current liabilities, in the form of working capital. The generally accepted ratio between the two is a minimum of 2:1, and preferably a few tenths more.

This ratio does not take into account, however, potential errors in taking or stating inventories. Hence the acid test, which factors the inventories out of the numerator. By separating the men from the boys, the ratio falls markedly, and under these conditions a 1:1 unity becomes acceptable.

Keeping these two ratios in mind will avoid "management by checkbook," where a fat bank balance invites a spending spree, or a slim one stretches out the payables.



**RECEIVABLES TURNOVER.** During the 1973-75 recession, the accounts payable schedule at National Semiconductor quickly slipped from 30 days (if the creditor was lucky) to 60 to 90 to 120 to 150 and 180. The return trip has been very slow indeed.

Anyone who was not aware of this interesting phenomenon, and prepared to deal with it, could find himself in a very deep ship indeed. The creditor would have been better informed--and therefore better prepared--if he had kept up-to-date tabs on his trade receivables.

The receivables turnover, in its simplest form, is computed by dividing the trade receivables by the annual sales and multiplying by 365. This will yield the average age of the receivables for the year, in number of days. Much better, it should be checked quarterly (and the ratio multiplied by 90 days) or even monthly (and the ratio multiplied by the number of days in the month).

This figure in days should then be compared with the terms on which the charge sales were made (cash sales, if any, are ignored), to determine the average delinquency of the accounts. If you find the age of the receivables is say 75 days, while your terms are net 30 or 2% 10 days, there is a good possibility that some of your accounts are delinquent by 180 days or more, since the average is lowered by current accounts. If the delinquent accounts take the promptness discount--as so often happens--then the matter gets even stickier. What's more, some of those delinquent accounts are teetering on the brink of uncollectibility.

The result is a decrease in working capital, the need to borrow, and a decrease in another ratio: net worth/debt.

Nor is an unusually low turnover cause for joy. This is a giveaway that some of the receivables have probably been sold or discounted (and a contingent liability should be found on the balance sheet), or that collections are being forced by offers of large discounts. Either way, profitability takes a bath.

And that's when the unwary manager laments, "I can't figure it out. Business has never been better, and I'm having trouble meeting the payroll."

**PLOT IT, DAMN IT!** The problem is, even if you have been calculating your ratios, you probably have been treating them as static numbers. It's time you heard about the Howgozit Curve.

This evolved in the early days of transocean flying, when the B-314 flying boats were not much faster than the DC-3 landplanes. The ocean flyers of those days would periodically calculate the elapsed time from takeoff, fuel consumption and distance out (with a geographical fix if possible), and plot it in the form of the curve. The skipper therefore had an ongoing real-time status report, devoid of surprises.

Do you do the same? If not, why not?

If you will plot, on a quarterly basis (or preferably oftener) your current ratio, acid test and receivables turnover on a set of Howgozit Curves, you will never again fear waking up to find you can't meet the payroll, or the sheriff is padlocking your front door, or an unfriendly takeover specialist wooing and winning your stockholders.

Elementary, you say? That's what Sherlock Holmes told Dr. Watson, while making Arthur Conan Doyle a very rich man.

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SILICON VALLEY

JUNE 28 1980

## AMD-PMI PATENTS IMBROGLIO

### Defender Strikes First Blow

*Good Friend—*

**MALICE IN PLUNDERLAND.** Advanced Micro Devices and Precision Monolithics are bickering and dickering over rights and responsibilities concerning three patents covering the manufacture of D/A converters. The patents belong to PMI, which is demanding royalties from AMD, while AMD is (or was) holding out for a lump-sum payment.

To this point the story is a standard Valley item, about worth the few sentences already devoted to it.

But the plot thickens with the realization that AMD is so anxious to evade royalty liabilities, that it is willing to sell one of its own key employees down the river.

AMD has now notified the United States District Court in a formal complaint that the patents of John Schoeff (who made the inventions at PMI but is now employed at AMD) are worthless, and what's worse, he engaged in subterfuge to obtain them.

In AMD's language, the patents are "invalid, void and not enforceable," and Schoeff has "unclean hands" because of his "failure to disclose known pertinent prior art."

**THE ISSUES.** The patents in question are these: "Multistage Electrical Ladder for Decrementing a Signal into a Plurality of Weighted Signals," filed December 22 1975, issued October 25 1977, No. 4,055,773; "Differential Input-Differential Output Transistor Switching Cell," filed January 6 1976, issued November 1 1977, No. 4,056,740; and "Digital to Analog Converter with Complementary True Current Outputs," filed January 6 1976, issued May 30 1978, No. 4,092,639.

At least two of the patents are applied in the DAC-08 family of converters, including the Comdac (PMI trademark) companding converter.

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(Continued  
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THE BACKGROUND. Eight companies besides AMD have copied the DAC-08 family. Seven of them have patents of interest to PMI, and thus have royalty-free cross-licenses. The eighth, Raytheon, had no such patents, and it has a royalty-bearing license from PMI.

In the case of AMD, PMI pres Earl Rogers notified AMD pres Jerry Sanders by letter that AMD was infringing, and suggested that it take out a license similar to Raytheon's. AMD said it would just as soon opt for a cross-license, like the other seven.

But AMD's bargaining position was weak, because the patents it would ante up were not yet issued. PMI's reply was that, if and when the patents did issue, it would take out licenses from AMD on the identical terms that it was now demanding for the DAC-08 patents.

Stalemated on that one, AMD then reluctantly entered negotiations, between its legal staff headed by Tom Skornia, and PMI's outside counsel. Eschewing the royalty route, AMD made a flat-payment offer that PMI says would not finance the development of even a single new part.

Feeling that AMD was stalling, PMI then began to apply pressure to an AMD customer, Datel Intersil. It also pointed out that AMD's applications notes on its version of the Comdac, which went public less than a year after Schoeff arrived at AMD, constituted a 40-page direct lift from confidential PMI documents on which Schoeff had signed off prior to his departure from PMI.

And then PMI issued an ultimatum to AMD: either sign a royalty agreement or get out of the DAC-08 business. Finding itself cornered, AMD decided its only remaining defense would have to be a counter-attack.

Now it is trying to void the Schoeff patents, while assuring the court it is the aggrieved party. After all, it has "negotiated in good faith," but the terms demanded by nasty old PMI "are so onerous for plaintiff that settlement is not possible."

That being the case, AMD begs the court to strike down the patents summarily, enjoin PMI from an infringement action, pay AMD's legal fees, and award "such other and further relief as the Court may deem just."

PMI has until July 10 to answer the complaint, and the presiding judge has ordered a conference between the parties on September 19 in San Francisco. Thus AMD has bought itself three months, but very little else.

THE TRAGEDY. Caught in the middle of this bizarre tale is the inventor of the patented techniques in question, whose overweening ambition is now backfiring in a way he never imagined. He is described by one former associate as wanting to be a "combination of Bob Noyce and Bob Widlar."

While John Schoeff was still in his twenties, he attended a manager's charm school, where he was told that the way to get ahead in this world is to set personal goals. The goals he set for himself, by age 30, would be a director-level title and a \$50,000 salary.

On his thirtieth birthday, in August of 1976, his title was design engineering manager and his salary rather less than 50k. So he demanded of PMI management that it meet his desires forthwith. Not surprisingly, his request was denied.

At this point the design engineering manager quit designing, quit engineering and quit managing. He set up an auction for his services between AMD and



Raytheon, with AMD offering him the coveted 50k at some unspecified time in the future. But instead of the written offers yielding the counter-offer he wanted from PMI, he instead was handed his walking papers.

It is patently clear, therefore, that AMD did not raid Schoeff from PMI, though not for lack of trying.

He went to AMD with exactly the same title he had at PMI. Even that has been truncated, as he is now some sort of superstar designer without manager's portfolio.

And the irony is that at PMI today he would be well past that magic 50k, perhaps pulling down \$60-70,000.

THE EPILOG. Perhaps it is still true that all is fair in love, war and commerce, but in this case AMD's treatment of PMI and of Schoeff does little to enhance Jerry Sanders' wish to have his company thought of as the Hewlett-Packard of the semiconductor industry.

If I were Earl Rogers right now, I would be hanging tough in the catbird seat.

If I were Jerry Sanders or Tom Skornia, I would be having second thoughts.

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SAVING GRACE. Advanced Micro Devices continues to share 10 per cent of its pretax profits with its employees, a record \$2.2 million for the six months ended March 28. This is an average of 12 per cent of an employee's base salary, distributed to 2478 people in the plan. It exceeds the previous peak of six months ago, which was \$1.8 million.

In making the announcement, pres Jerry Sanders put in writing the promise he had made in New Orleans (MN, June 7): "There will be no layoffs at Advanced Micro Devices. Persons performing to the company's standards have no fear of losing their jobs. You are our future, and we want AMD to be your future."

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ONE UP, ONE DOWN. Continuing the reorganization at Fairchild (MN, June 21), Dick Belcher has been relieved of command of the electro-optics department, and given the Conference Room H treatment. His replacement is Jerry Schoonhoven, lately out of MOS.

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ONE WAY UP. Motorola looks more and more like the Texas Instruments Alumni Association, with a move to be announced next week changing the shape of your org chart (MN, Sept. 15). Coming in from TI is Gordon Chilton, to head a new super-international organization in Mesa (Az).

As I hear it, Gordon will head international operations for all domestic plants (including Austin), both discrete and IC, and it is expected that many of the people in the Mesa bipolar group will be reporting to him.

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HE'S THE GUY. Contrary to the information received from his own partners, the Dave Davis at the newly-formed Quorum reppery (MN, June 7) is the former equipment salesman out of TI, Motorola and Hugle Industries.



BIZARRE AND BIZARRER. Says the June 20 issue of the Industrial Relations Bulletin of American Electronics Association: " 'Bizarre' is the word industry observers use for a growing anomaly in the national economy: a grim and growing list of layoffs in several hard-hit industries-- contrasting with the electronics industries which still are competing robustly for scarce talent."

That's nothing, AEA. Over at Intersil, heir-apparent Jack Gifford has a head-hunter looking for replacements for guys yet to be dumped ostensibly because of the recession.

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THE COMMODORE'S GROWING CREW. Commodore has succeeded in locating its eastern regional manager (MN, May 17). He is Jim Sundelin, who once held the same title with Precision Monolithics. He was most recently at Intech, and other stopovers have included Fairchild and TRW. He starts July 7.

The midwest job (Chicago or Dallas) remains open.

Ervin Bernotus, formerly of Electronic Arrays, is now Commo's g.m. in Hong Kong.

Elton Southard, manufacturing v.p., has relocated to Valley Forge (Pa), home of MOS Technology, soon to be followed by group v.p. Gary Summers, where I trow in due time he will become president of the subsidiary.

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ITTY-BITTY ONES. While most Valley companies are looking for an escape hatch, Harris will be moving in a microwave operation, to the dubious delight of Hewlett-Packard, Avantek and Communications Transistor. The unit will use gallium arsenide technology to build telecommunications devices.

Heading it will be Dick Soshea, formerly of H-P, Raytheon and Singer.

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DOWN THE TUBES. The Powertron division of Semikron has gone belly-up in Inglewood (Ca), near the L.A. International Airport, and is on the block. The deal includes installment payments and assumption of a "substantial" tax loss carryforward.

The 16,000+ sq. ft. facility includes two (semi) clean rooms, lap-and-polish, diffusion, assembly, offices and a DI water system.

Information: The Rader Co., 2999 Overland, Los Angeles (Ca) 90064, phone 213-204-3333. Ask for Damian McKinney.

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SHOWTIME. Plant Engineering and Maintenance Show, Anaheim (Ca) Convention Center, December 9-11. Information Clapp & Poliak, 245 Park Ave., New York NY 10017, phone 212-661-8410.

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GONE BUT NOT FORGOTTEN. Al Dawson, longtime v.p. at Corning and onetime chairman of Signetics, has moved on. You can find him now at Superior Cable, Box 489, Hickory (NC) 28601, phone 704-328-2171.

*Don L.*



# MANAGER'S CASEBOOK by Don C. Hoefler

CASE No. 553 SUBJECT: THE ILLUSIVE, ELUSIVE TAX CUT

## FREE ENTERPRISE By DON HOEFLER



"You SURE that guy with the collection plate is not IRS?"

*Heed this warning from Kiplinger: Sharply higher taxes are coming. Despite federal income tax cuts, your aggregate tax bite (federal, state, county and city) is already greater than before, and it's going still higher.*

Direct mail pitch for Kiplinger Tax Letter

TAX POLITICS MAKE BEDFELLOWS STRANGE. Okay, so it's an election year, and there is another four-plus months to go, but I have already had it up to here with the monetary cynicism and fiscal irresponsibility of these jerkoff politicians, both in and out of office, who so blandly tell you and me how much they are going to rip us off this year, so they can misuse and abuse our money.

And this week, in the latest fit of pecuniary idiocy, the Senate Republicans tried to cut taxes and raise the national debt limit in one fell swoop.

I swear these clowns are a bunch of foop birds, and I wish to hell you could tell me why we continue to tolerate them on our payroll.

I SAY OFF WITH THEIR HEADS! The whole rotten bunch of them.

Let's go back to the first of the year. The guy who-would-never-lie-to-us-but-has-been-lying-in-his-teeth-about-Iran assured us all that the country would have (1) a balanced budget with (2) no change in the tax rate.

Less than six months later, (1) is dead and (2) is dying. And the "mild recession" promised on January 30 by Jimmy Candor is now clearly anything but.

We cannot blame JEC, however. He set that up in advance. The information in his annual Economic Report was based on material fed to him by "my economic advisers" and "most private forecasters."

I don't know what his economic advisers really told him, but he sure didn't consult the same private forecasters I did. Otherwise the 8.5 per cent annual drop in gross national product would not have been the surprise to him that it allegedly was last week.

And since sales, not production, is the bottom line, the news is even worse. The new buzznumber for economists is "final sales," which is the total output less the change in inventories, and is down 10 per cent, the worst since the end of World War II. In short, the "mild recession" of 1980-8X is already worse than the one of melancholy memory of 1973-75.

Factor in an inflation rate still hovering around double digits, and unemployment still rising, and you see Jimmy Candor has a problem.



STOCK SOLUTIONS. Small minds find refuge in standard measures. Thus the Administration can be expected to prattle on about "inflation fighting" at the same time it increases spending of fiat money.

Since the fiat money is essentially worthless, the spending of it will have to be justified by an increase in the limit of the national debt.

That part of the debt represented by government bonds will have to be refinanced over and over, just as the railroads did for more than a century, right up until they quite predictably went bankrupt.

When unemployment reaches the embarrassing level, we can expect the creation of taxpayer-financed make-work jobs, plus increases in unemployment compensation and welfare payments.

And in every conceivable way, the government will continue to spend money it does not have, and make up the difference by running the printing presses overtime. (It will also increase our tax bills, but we don't talk about that in an election year.)

GOBBLEDYGOOK IN G-FLAT. Meanwhile our fatuous federalists, both elected and appointed, continue to run amok with foot-in-mouth disease. As the Congressional Budget Office forecasts a \$25 billion deficit in fiscal 1981, without a tax cut, we can safely conclude that the the widely-touted balanced budget of six months ago is now one throttled turkey.

In its place we find Mr. Candor's newfound court jester, G. William Miller, jingling bells and doing a crazylegs dance about reduced federal spending.

And then we have Charles L. Schultze, chairman of the Council of Economic Advisors, whose current thinking is summed up this way in the "New York Times":

*Mr. Schultze considers that the best single measure of fiscal restraint or stimulus is the change in the surplus or deficit that the budget would show if the economy were operating at high employment. The shift in the high-employment budget over the four quarters of 1980, according to Mr. Schultze's calculations, is some \$20 billion into surplus, and over the four quarters of 1981 is at least an additional \$50 billion into surplus.*

So we have Charlie Schultze making like Charlie Schulz in his "Peanuts" comic strip, and Bill Miller sounding like Uncle Bill in the old kiddie radio show, "Let's Pretend." Or maybe it's the other way around. I'm a little fuzzy on the whole thing.

One thing I am clear on, however. There will be a tax cut for fiscal 1981, and it will come when it will have the best effect for Jimmy Candor at the polls. And since fiscal 1981 begins in October, the timing for a November election--recognizing the attention span of the great American unwashed--is exquisite.

But then this week came Ronnie Reagan with his take-it-off-now demand, and now the public can't figure out who it really is who gets the tax cut for them.

No matter. Whoever it is, the same guy will increase the bite for 1982.

Substantially.

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JULY 19 1980

## INDUSTRY SECURITY A TRAGICOMEDY

### "Document Control" Two Words in the Dictionary

*Good Friend--*

**SUGGESTION BOXED.** A Signetics contractor was terminated on Thursday (17) as a reward for putting in writing one of the industry's worst-kept secrets--that the control of documents which are a company's very guts and sinews, is a shambles, a travesty.

While the industry spends millions of dollars each year on trade-secrets litigation, patent filings, license negotiations, secrecy agreements, alarm systems, uniformed (and plainclothes) guards, high-priced lawyers and detectives--and unfailingly rides a defector out the door on a rail--it yet permits free access to files which give away the company's entire game plan.

"It's very hard, when you are that sloppy, to start claiming trade secrets," says one company president. "It's like maintaining an attractive nuisance.

"Nobody has ever prosecuted in this area, that I recall," adds this veteran. "The thing is usually swept under the rug and hushed up."

"Many a lawsuit seeking to enjoin disclosure of trade secrets has been defeated on this point alone," points out trade-secrets attorney Stan Lieberstein, of the New York law firm, Ostrolenk, Faber, Gerb & Soffen. "It is as important as the confidentiality of the information contained in the documents.

"Remember that a trade secret will not be recognized as such unless positive steps are taken to insure confidentiality. When a 'trade secret' is widely and freely disseminated throughout the company, and readily accessible to virtually everyone in the company, a court may take that as evidence that the information is not considered of much value, that its ready accessibility permits an employee to conclude that it wasn't really secret."

**CASE IN POINT.** Probably more typical than otherwise is the situation in one Signetics section, where the manager enjoys an after-lunch nap in his office every day, while one of his lieutenants forges documents.

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WRITING HER OWN EXECUTION WARRANT. The case of Sleepy and Lecher has long been known inside the Signetics section (for when the lieutenant is not counterfeiting to replace lost documents, he is propositioning the young ladies who nominally report to him), but nobody has ever done anything about it. Nobody, that is, until a rather unusual person came on the scene twelve weeks ago--someone both bright and conscientious.

Although only a clerk and only a job-shopper, she was aware and alert, and she didn't like what she saw. Besides the boss who replaced missing documents the easy way, there was a free flow of data to anyone who requested it, no locks on any of the files, and cases of contractors who took out original drawings and specifications--and returned copies.

She was the seventh person in the job in the past year, but the first who gave a damn.

On her own time, she wrote a "critique" of this unholy mess, and distributed it to her superiors--thereby sealing her own fate. These are some of the things she reported:

"...there was a great deal of traffic. People would come in and out to make prints, to take drawings, to ask for supplies, or just to take a short cut... people were more or less doing as they pleased. None of the drawings were being checked out, nor were they being filed back after they were used... people abused the filing system as often as they could...(I received) several lists that contained the drawing numbers of missing originals...almost 50 per cent of all the originals were either missing or misfiled...when I was told that we were moving to a different building, I made several requests for the new document area. One request was that only one entrance be planned...There is only one entrance, and I can see anyone coming or going. That is, *when I am at my desk*...The files in the document control area are overcrowded now, and I suspect that within the next several weeks they will be totally inadequate...Is the document control an important integral part of the...group, and if it is, why is it so terribly abused and overlooked?"

After defining the problem and raising the questions, the young lady went on to suggest a detailed list of solutions. She submitted the "critique" a month ago to Signetics management--and nothing.

Undaunted, she proceeded to write a follow-on, much more detailed and much more hard-hitting.

On Wednesday (16), she was told to report for a meeting with Sleepy yesterday. On Thursday, she was told not to bother coming in to work on Friday.

One more prickly problem solved. But will the Dutchmen buy it?

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DOUBLE TROUBLE. Like, some guys never learn. Bob Carlson, whose year-end sacking out of the National computer products group caused his wife to place a want ad to get him out of the house (MN, Jan. 5), went back to his ex-employer for more punishment in April.

Then he replaced Dan Costa as q.a. manager for the microcomputer group under Mark Levy. But Mark is gone (MN, June 14), and successor Tom Griffiths wants his own boy. So for the second time Bob got the classy Natty bum's rush.

More friendly fire in the same area finds a quality engineer canned, another quit, and a third packing his bags.



CONSCAM MARCHES ON. Our old friend, "Dr." Gerald Schaflander and his Consumers Solar Electric Power grift, which for six years has been hustling God's photovoltaic answer to the energy shortage, is still at it.

The company proudly announces it has delivered the stupendous amount of 250 gallons of solar-hydrogen-generated fuel to an agricultural firm, J. R. Simplot, in Yuma (Az).

The fuel is "produced from hydrogen," says the company, which first surfaced here in MN on June 29 1974. The process uses "low-cost solar electricity which is generated from mass-produced photovoltaic cells developed by CSEP at its Culver City, California, plant."

The company says the customer can do whatever they want with the fuel--all 250 gallons of it: "Simplot has the license from us to use our HY-FUEL for ammonia production and/or agricultural machinery fuel to do with as they see fit."

But they also hope that old J.R. will send money: "CSEP also asked the Simplot organization for a significant pre-payment on the balance of the \$16 million order so that the company can expand production to fulfill the order."

CSEP has also called its annual meeting for August 4, "for the purpose of electing one Director and Inspectors of Election." Your intrepid reporter was unable to determine how many Inspectors of Election would be elected--or how they would inspect their own election--or what other duties they would assume thereafter.

But then the good doctor has been raising more questions than he has answered all these years.

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WHO'S WHO--AND WHO AND WHO. Since Toshiba has invaded the Valley through an under-the-table acquisition of Maruman, while the president moved up a notch as the former chairman was released to pasture, you might find the following laundry list useful for something or other.

New chairman is the former president, Kazuo Iwata, and new president is Shoichi Saba. Executive v.p.s are Ryoji Imai and Tomio Tanatsugu.

Following are senior managing directors, managing directors or directors, with their business areas: Yokichi Yoshida, heavy apparatus marketing; Teruyuki Nishijima, electronic components; Kimio Tsuzuki, industrial electronics and management information systems; Junichi Hiyoshi, consumer products; Sugiichiro Watari, heavy duty electrical; Seiji Tsukamoto, transportation equipment; Hisao Ikeda, electron tubes and devices; Joichi Aoi, nuclear energy; Fumio Ota, consumer sales; Kenichiro Ando, materials; Kazuo Otani, medical equipment; Kosuke Miyoshi, heavy-duty electrical marketing; Jun Kobayashi, heavy apparatus; and Ikuya Oto, semiconductors.

Staffers include: Kenji Kakizaki, corporate technology; Shinichiro Sumino, sales promotion and advertising; Masahide Nanbu, production and purchasing; Yuichi Yamada, planning and finance; Yoshio Sugiyama, administration; and Yasuhide Taku, affiliated companies.

Directors without portfolio are Taiji Ubukata and Goro Sudo. Statutory auditors are Tsuyoshi Hamano and Hikoichiro Nakamigawa. Counselors are Keizo Tamaki (former chairman) and Toshiwo Doko.

In the U.S., Mootoo Shinjo is president of Toshiba America and Kenji Takahashi is president of Toshiba Semiconductor.



JIMMY'S BACK IN TOWN. Jim LeBoeuf, demon copywriter and co-founder of Fleig and LeBoeuf, one of the hottest ad agencies around until it flamed out in the 1974 recession, is returning to the agency business.

The original huckster for Advanced Memory Systems, Four-Phase and Avantek, among others, Jim has more recently been consulting to Fairchild, Ampex and Memorex, among others.

When he joins Fabbri Tamura & Associates in Palo Alto (Ca), he will be handling --hold your breath--Hitachi and Fujitsu. If you have anything to say about that, give him a call at 415-324-8770.

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MORE TO COME. Shakeups in the Valley rep business, which have resulted in the death of Trident, cutbacks at Criterion, expansion at Elrepc, and the formation of Quorum and BayTech, are not yet finished.

Next to face a spinout, of junior troops who feel they are undernourished, is I<sup>2</sup>.

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GOOD NEWS, BAD NEWS. American Microsystems reported third-quarter sales up 25 per cent from the previous quarter, but earnings down 11 per cent from a year ago. Although sales were \$33.3 million, profits sagged to \$1.1 million.

Pres Glenn Penisten blamed the soggy performance on the future recession and past high interest rates.

He does not appreciate comparisons of AMI's performance to that of younger and more prosperous companies, such as two which reported last week.

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SHOWBIZ. Pat Westly, former executive secretary of SEMI, has two seminars set for early August on increasing effectiveness of trade show participation, on the 5th (San Jose) and 7th (Irvine). A battery of familiar names will fill out the day-long program. Fee (including lunch and workbook) is \$175.

Information Westly Enterprises, 3697 South Court, Palo Alto (Ca) 94306, phone 415-494-7115.

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THAT TIME OF YEAR. It's the fire season again at Ultratech, and founder Leo De Bos (also president of parent Xynetics-Electrogilas) has once again donned boots and slicker as acting g.m. with the hose.

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SMART MOVE. Motorola Semiconductor has quietly adopted a new slogan: "Innovative Systems Through Silicon." I guess this means that Mr. Moto and the Copycats have given up on innovative devices.

*Don C.*



# MANAGER'S CASEBOOK by Don C. Hoefler

CASE No. 556 SUBJECT: ONE FOR THE FOLKS BACK HOME

## FREE ENTERPRISE By DON HOEFLER



"As Public Director, I demand more open-handed handouts!"

haters have no requirement to adhere to the truth, and fancy unlimited will be passed off as fact.

The DSOC is equally blunt. Says its chieftan, Mike Harrington: "We want more democratic and social control of business investments."

**SOCIALIZING.** Under H.R.7010, any company wishing to close an uneconomic plant must first consider the vote of its "public" board member(s), and if approved by the stacked board, must then receive the approval of the U.S. Department of Labor. If DoL approves, then federal taxpayers' money would be used to reimburse the lost-plant community for loss of local taxes and income. If DoL disapproves, the uneconomic plant could be held open for years of bureaucratic appeals.

Similarly, any attempt to terminate an unproductive or dishonest employee would be subject to DoL approval and appeals. If the employee claims he/she was dropped because of race discrimination, age discrimination, sex discrimination, or for "whistle-blowing," or in violation of his/her civil rights, the person could remain on the company payroll for years while the case is adjudicated.

While Nader says that the bill is targeted on the Fortune 500 plus 100, to this I say "Bullship, Ralphie!" I have been watching the explosive growth of Big Government all my life, and if Mr. Darth Nader can show me even one that ever imploded, the dinner is on me.

IT COULD HAPPEN TO YOU. The possibility of a company management confronting a board of directors whose primary concern is not the welfare of the company or of its stockholders, but of the commonweal, as suggested in this pillar last week ("Manager's Casebook" No. 555), is not simply academic meandering along the ivy-covered walls, but in fact is at this moment a serious proposal in the halls of Congress.

It is found in House of Representatives bill No. 7010, which if enacted into law will carry the coy title, "The Corporate Democracy Act of 1980."

The bill is enthusiastically endorsed--if not in fact dictated--by Ralph Nader's "Americans Concerned About Corporate Power," along with the pink-tinged "Democratic Socialist Organizing Committee."

Although Nader's bumper, "Big Business Day," was a fine flopperoo, it was only the first lick in this misguided young man's 10-year plan to harass and bedevil American business. His ACCP is determined to "blow the whistle on corporate abuses," and exhorts its members that "your imagination is the only limit" when it comes to targets for charges and demonstrations. In short, Nader's

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(OVER)



ACQUISITION THROUGH NADER'S RAIDERS? Now let us consider the matter of the unfriendly takeover, a subject very much on the minds of semiconductor managements in recent years. Suppose it should be decided by some booboo guru in Washington, that as a matter of public policy, Malleable Piston Rings Corp., which has been quietly buying shares in your company in street name, should now be encouraged to take your corporation over in a bloodless coup. Your "public" director(s) will of course vote with his employer, the holy government of US&A, and will try to pressure your other directors to do likewise.

It will take more than an anti-takeover PR firm to get you out of this one. If this piece of offal becomes law, those who wanted the turkey as the symbol of America will be vindicated.

Until that fateful day arrives, however, Foremost-McKesson, which for years has been a target of raider Victor Posner, has developed a strategy which shows that a friendly takeover need not be the only alternative to an unfriendly takeover. Emulating them is too late for Wilf Corrigan, but might not be too late for you. It all comes to a head in San Francisco next Wednesday (23)-- assuming the hotel strike doesn't get really nasty.

CHANGING THE RULES IN MIDSTREAM. Foremost management had earlier tried to thwart Posner, who owns some 9.5 per cent of the company, by a friendly takeover and going private, but the deal came unglued because of the high interest rates and loan restrictions laid down by the dear old Federal Reserve Board.

Now Foremost is rewriting the rule book to keep Posner in his place.

Going before the stockholder electorate next Wednesday is an amendment to the corporate charter, wrapped in a six and one-half page "explanation" inside a 38-page proxy statement, all designed to save the company from any "person or persons determined to be unsuitable by governmental licensing authorities." When all else fails, wave the flag and sing "The Star Spangled Banner" off-key. That saved baseball during World War II, and on Wednesday it will make Foremost safe for its present management.

What the amendment does is take Foremost semi-public, by giving the board of directors the right to approve its own stockholders, instead of vice versa. The directors will be able to "restrict and limit" any "purchase, ownership and voting" of any Foremost shares if: (1) the federal government tells it to; (2) the board is so "advised" by the government.

And the board makes it clear that it will seek such advice "in the event that a person or group of persons acting in concert acquires 10 per cent or more" of the company's shares. So much for Victor Posner.

MON ONCLE A LA DELIVRANCE. Foremost's rationale for hiding behind the striped pants of Uncle Sam is that it is in the alcohol and drug business, two commodities which are heavily controlled by the selfsame uncle. Foremost is also in the dairy business, but apparently the management didn't think they could do much to upend Posner with a vat of sour milk.

But one wonders if Foremost is not merely swapping one monster for another. By inviting--no, begging--the government to look closely over its shoulder, the company seems to be casting the first corporate vote for The Corporate Democracy Act of 1980.

*Don C. Hoefler's*



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



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SILICON VALLEY  
JULY 12 1980

## MOS IN DEEP DIVE But Bipolar Steady as She Goes

*Good Friend*

FALTERING IN THE STRETCH. The metal-oxide-semiconductor technology, fighting for its place in the sun since the founding of General Micro-electronics in 1963, and about to overtake the older bipolar technology in 1980, is losing momentum in this summer of discontent, while bipolar is as yet feeling little effect of the recession.

The Semiconductor Industry Association sent its flash report to members this week, with the news that domestic orders and shipments in June resulted in a book:billed ratio which was the lowest in years. Perilously close to unity or less at 1.04, the ratio was dramatically lower than the most recent peak, 1.34 in February.

The SIA tabulation won't include a complete breakdown for two months, but it is clear that companies with strong bipolar positions are healthy, while those predominantly MOS are hurting. Doing well are such traditional bipolar strongholds as Texas Instruments, Fairchild, National, Motorola, Signetics and Monolithic Memories. Feeling the pinch the worst are the MOS-only and MOS-mostly companies, such as Mostek, American Microsystems, General Instrument, Synertek, Zilog and Western Digital.

REASONS WHY. There seem to be several factors conspiring to stick it hardest to the MOS side of the industry. Not to be overlooked is that the Japanese, still somewhat in a catch-up mode, have concentrated their chips on high-density MOS, and have therefore crowded the field (and are also hurt as much in the marketplace as are the U.S. MOS-only companies).

In the marketplace, on the one hand the more stable computer business is keeping the bipolar business alive, while the consumer-goods market for MOS-- notably hand-held games and appliance controls--has gone fishing.

Finally, we just may be entering an overcapacity period for MOS. New construction for MOS has greatly outpaced bipolar in recent years.

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THINK OF A NUMBER OVER SIXTEEN. Perhaps the most glaring example of MOS overcapacity today is in the 16k RAM market. It seems that part has had its day, as computer makers gear up for the next-generation 64k product.

On the other hand, Monolithic Memories points out in its red herring: "During the current period, prices for integrated circuits, particularly of the type produced by the Company (*bipolar digital ICs*), generally did not decline and, in some cases, increased. This lack of general price decline has been contrary to the traditional pricing activity in the industry and has reflected the increased demand for integrated circuits."

So as always, the customer pays his money and the customer takes his choice.

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CONTRARY OPINION. So successful has been the Northern Telecom codec designed for in-house consumption (nearly one-half million shipped since last September), that company brass are pressuring semiconductor v.p. Red Taylor to go public with it in the merchant market.

But Red--to whom the only conventional wisdom is the unconventional--is strongly resisting.

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ASSAULT ON BATTERY. Speaking of Red Taylor, if you have a long memory you may recall that he was once president of Standard Microsystems (west), which later became LSI Systems and then Altus. You may also remember that Altus tried to recruit Les Hogan to head its reorganization, but no go.

Well, now four years and XI Chapters later, Altus is headed by Doug Crane, out of Bendix, who led the company to a \$1.8 million gross in 1979, and \$1.3 million in 1Q 1980. Now out of semiconductors and concentrating on lithium batteries, Altus is playing a David-Goliath game with GTE, which is in the same business.

Altus stole researchers Mike Domenican and John Casey from GTE, but when GTE swiped Luther (Luke) Irwin from Altus, the smaller company sued, on the broad claim that no other battery company could hire any Altus employee. That was just a bit presumptuous of Altus, since the right to accept competitive employment was established in the "Dyer's Case" in England in 1414.

Nonetheless Altus tried for such a restriction, along with the right to make an on-site inspection of GTE facilities every quarter, to insure that none of its trade secrets were being used. What it got was a prohibition against Irwin revealing any such secrets to his new employer before January 1982, and a quarterly written statement from Irwin attesting to compliance. All that remains is the defining of the trade secrets, after which the suit will be dropped within ten days.

Well--almost all. For Altus has another suit--this one on letters patent--up its sleeve. This one is now in preparation by Blair Stewart of the Palo Alto (Ca) law firm of Wilson, Sonsini, Goodrich and Rosati, whose principal, John Arnot Wilson, just happens to be corporate secretary of Altus.

All in a day's work for an officer of the court.

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HE HAD THE RIGHT IDEA. Bill Hugle, prime mover of Semiconductor Equipment and Materials Institute in 1970, would be pleased to know that the equipment industry passed the billion-dollar mark last year, and also saw the emergence of its first two \$100 million companies. Although the Japanese and Germans are coming up fast, U.S. companies have managed to hold an 85 per cent market share, which breaks down this way worldwide (\$ in millions):

	1979	1978	% Change
Process	514.3	364.0	+41.3
Assembly	137.6	93.5	+47.2
Test	401.0	272.8	+46.2

These are the top ten companies (1979 capital equipment revenues only):

Fairchild	111.4
Perkin-Elmer	101.2
Applied Materials	54.1
GCA	54.1
Teradyne	53.4
Varian	50.8
Tektronix	39.2
Eaton	37.7
Kulicke & Soffa	37.0
Balzers AG	33.7
Subtotal	572.6
(Others)	480.3
Total	1052.9

These tables are taken from "The VLSI Capital Equipment Outlook," available for \$4000 from Electronic Trend Publications (Gene Selven and Bob Simko), 10080 No. Wolfe Rd., Suite 372, Cupertino (Ca) 95014. Phone 408-996-7401.

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SMOKING IN THE LOBBY. These are the business tax-cut measures now in Congressional hoppers which deserve your attention: "Research Revitalization Act of 1980" (H.R. 6632/S. 2355), 25 per cent credit for contributions to university research; "R&D Act of 1980" (S. 2906), 25% credit for increased R&D outlays over past three-year average; "Employees Incentive Ownership Act of 1979" (H.R. 5060/S. 2239), amends Internal Revenue Code to restore restricted employee stock options; "Capital Investment Incentive Act of 1980" (S. 2923), lowers maximum capital gains tax from 28 to 21 per cent.

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WELCOME TO THE PRODIGAL. California's Democratic Senator Alan Cranston yesterday (11) afternoon named a 59-man committee of business advisors in his bid for re-election, including the chairman of Hewlett-Packard, arch-Republican Dave Packard.

Since as deputy Secretary of Defense, Dave was one of the staunchest supporters of the regrettable Vietnam war, and was also one of the staunchest supporters of the regrettable Richard Nixon right up to the latter's near-impeachment, one supposes that somewhere along the way Mr. Packard picked up a little religion.

"Forbear to judge, for we are sinners all."

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ANOTHER CONFLICT OF INTEREST? A Federal Trade Commission judge ruled Thursday (10) that the sharing of directors by Robert Bosch GmbH and Borg-Warner is illegal.

Since RB and B-W share an interest in American Microsystems, and each has a director on the American Microsystems board, one wonders if AMI is soon to get the same treatment. If so, it will be a blow, since the two strongest members on the AMI board are Elmer Robinson of B-W and Horst Franck of RB, even though Franck seldom attends meetings because of scheduling problems.

As I have pointed out, the rest of the AMI board is near-impotent, and now it is facing a senility problem as well.

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CAPITAL GAINER. Among the larger selling shareholders in the forthcoming public offering of Monolithic Memories is one James F. Riley, onetime president of Signetics. If the offering gets away at \$18, Jimbo's 5000 shares will gross him a nice \$90,000.

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QUICK, HENRY, THE FLIT. Jim Riley's successor as president of Signetics, must sometimes be wondering why he didn't open a hot dog stand instead, as the unions, having found an opening, continue to pound on health conditions inside the plant.

The latest shot is that Sig was negligent in allowing fleas to get into the plant in an arriving overseas shipment, from which they are biting and causing an epidemic of typhus. The epidemic comes down to three cases, none of them yet confirmed.

And typhus is not communicable.

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IT'S ABOUT TIME. Synertek, which has had nothing but problems in placing a plant in Santa Cruz (Ca), finally got a stroke of good luck this week. Although test borings indicated the water table to be only 5 feet below the surface, and elaborate plans were made for pumping it away, this week they dug a 16-foot excavation--and it was a dry hole.

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HE'S GOTTA BE KIDDING. Don't miss the July 21 cover of Business Week, with a painting of Commerce Secretary Phil Klutznick by artist Al Reingold. Al makes Phil look exactly like Jack Benny, complete with his classic "W-e-e-ll!" expression.

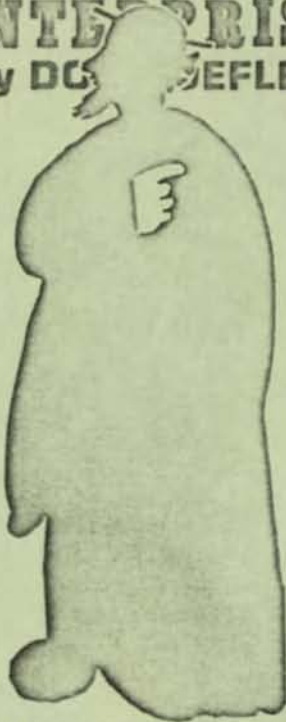
*don't*



# MANAGER'S CASEBOOK by Don C. Hoefler

CASE No. 555 SUBJECT: IN THE NAME OF THE FATHER...

## FREE ENTERPRISE By DON C. HOEFLER



"The anti-business convocation meets right after Communion."

B-128

When a religion is good, I conceive it will support itself; and when it does not support itself, and God does not take care to support it so that its professors are obliged to call for help of the civil power, 'tis a sign, I apprehend, of its being a bad one.

--Benjamin Franklin

BIBLE BELTERS AND IVY BENDERS. Although Big Business Day, that celebration of all that's wrong with free enterprise ("Manager's Casebook" No. 533) went over with all the smoke and fire of a cigarette butt in the urinal, this is no time for believers in the American industrial heritage to let their guards down.

Although I have never been one to find Communists under every bed, I can assure you that you and I are paying good money to support lobbyists and propagandists who are overtly and covertly striving to uproot the American system, under the cloaks of religion and education, with the tax-free blessing of the Internal Revenue Service.

And I am not talking about wild-eyed pamphleteers on street corners. I am talking about well respected and supposedly legitimate institutions.

FOR EXAMPLE. If you are a regular churchgoer, you are also probably helping to fund these subversive efforts every time you pungle up for the collection plate or basket. For you are quite likely to find some of the most militant expressions of Marxist doctrine emanating from 475 Riverside Drive in New York City, which happens to be the headquarters of the National Council of Churches.

Some of your offeratory money finds its way through NCC into organizations such as these:

- o World Council of Churches, which for five years has been hammering on multinational corporations, trying to achieve "JPSS" (a just, participatory and sustainable society), in which "the basic organizing principle is struggle."
- o Clergy and Laity Concerned, dedicated to "join those who are angry and hate the corporate power which the U.S. presently represents."
- o Interfaith Center on Corporate Responsibility.
- o Washington Office on Africa.
- o Washington Office on Latin America.

Not all of the Marxists are NCC-affiliated. Here are some others:

(OVER)



- o Maryknoll Mission Institute, which a year ago sponsored a "Christian-Marxist Dialogue," with the justification that "the inherent evils of gross capitalism and the inadequacies of our democratic system at this time have brought the social teachings of the Church in direct relation to the dynamics of Marxian thought." (The strident Jesus-thumpers overlook one of Karl Marx's most famous dicta: "Religion...is the opium of the people.")
- o Interchurch Center, which in turn funds:
- o North American Congress on Latin America in New York, which openly supports the Marxist Cuban government of Fidel Castro.
- o Institute for Policy Studies.
- o Corporate Data Exchange.

THE INDICTMENTS. The radicals' litany is familiar. U.S. corporations are guilty of: 1. supporting racist suppression in South Africa; 2. profiteering from starvation wages in Asia, Mexico and the Caribbean; 3. pillaging and polluting the planet; 4. building nuclear power plants with callous disregard for safety; 5. abandoning worked-out facilities to become ghost towns; 6. hooking innocent children on junk foods through TV commercials; 7. starving infants throughout the world through hyper-promotion of infant formula and elimination of breast-feeding.

Most of this may be as remote to you as the story of the Crucifixion, but take another look at items 2 and 5. The first might well be applied to you, and if business conditions get much worse in the Valley, No. 5 as well.

THE THREAT. The prognosis is not good, says Prof. Richard Eels of Columbia University B-School, in his new book, "The Political Crisis of the Enterprise System." Eels declares that "private enterprise is under pervasive attack, and its continued existence is in doubt."

The professor believes that the public company of the future will be truly public: "Control will rest increasingly with company directors representing various segments of the public economic and political sectors whose selection is made mandatory by law or custom."

Part of the problem, it seems, is management's reluctance to participate in the social arena. The American Management Association recently surveyed more than half of the Fortune 500 companies about the efficacy of a formal code of business ethics, and found their presidents strongly opposed to any such notion.

That will never do in the society of the future, says Eels. "They will have to develop clear positions on critical public issues and make them known," he says.

What bothers me is that the religious justification for the revolt against business seems based on the Christian prohibition against gambling, and the Moslem laws against interest as unearned and immoral gain.

Since there is a popular theory that the world's business is controlled by a conspiracy of the international Jewry, could this whole flap be a not-too-subtle anti-Semitic blast?

Just asking.

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SILICON VALLEY  
JULY 26 1980

## 16K MARKET SINKING FAST

### IBM Pullout Starts Domino Effect

*Good Friend—*

**NO CONTEST.** The question of whether the industry is merely in the typical summer doldrums or on the leading edge of a severe recession depends largely on where you sit with your product mix.

If you have a heavy commitment to that 20 per cent of the market represented by MOS memories--16k RAMs in particular--you are in a recession, no matter how those around you are faring.

If your emphasis lies elsewhere, you have probably felt little more than a jiggle.

For the supply and demand curves for 16ks have long since intersected and gone their separate ways, probably never to meet again. Allocations are at an end, prices are eroding rapidly, and the only question remaining is who will begin bombing prices in earnest, and when, as National did with TTL in 1974, while pleading innocence all the way to the bargain basement.

**CROWDED FIELD.** Not only has productivity reached commodity levels at most or all suppliers, but now there are simply too many players: Mostek, Texas Instruments, Motorola, National, Intel and Advanced Micro Devices domestically; plus the Japanese Nippon Electric, Fujitsu and Hitachi also muscling their way in.

While these nine all scramble for the same limited business, the big question mark, as always, is IBM. The computer giant has traditionally been digital in its ordering patterns, since the days of diodes and transistors, and 1980 is no exception. When IBM said that after the first quarter it would need no more RAMs for six months, that meant *no more*. The only question is whether the six months is real, or may stretch into nine or 12 or more.

That question will not be answered until IBM turns on again, and once again there is a mad scramble to meet delivery commitments. Oh, happy day far away!

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COURSE ALTERATION INDICATED. What the current situation means for the future of one company--Advanced Micro Devices--is prognosticated by Stuart Johnson, analyst at Wertheim & Co.:

"...the bulk of AMD's planned sequential output in the first half of fiscal 1981 will be in the form of 2716s (EPROMS) and 4116s (16k RAMs)...Thus AMD is in the position of budgeting little sequential growth to non-memory, non-MOS sources due to the lack of immediate capacity, and diminishing growth, even if projected output is sold, from MOS memories, due to eroding prices."

Stu's overview is right on, as far as it goes, but there is more to be said. AMD has the bipolar backup, being not one of those companies which put all its eggs in the MOS basket. Nor should one overlook the fact that Jerry Sanders can divine the marketplace as well as anybody in the business, and AMD can make a sharp left turn (excuse me, Jerry, *right* turn) while running at full gallop.

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CAVITIES FILLED. Bob Schreiner, who is his own best recruiter, has quietly sealed several serious gaps at Synertek.

Former operations v.p. Ken Yagura, now on open-ended R&R, has been replaced by Jack Bridges. Jack has been heading front-end operations at GTE in Tempe (Az), the former EMM-SEMI. Before that he rehabilitated the General Instrument facility in Chandler (Az) after its takeover from Bowmar. Earlier he was one of the founders of Western Digital.

Former logic products v.p. Ed Day, who decamped to Zilog, will be succeeded by Bill Jordan starting Monday (28). Bill will be remembered as the head of memory systems at Intel. More recently he was in the power supply business at Boschert, but is happy to be returning to semis.

The new post of director of R&QA will be filled by Dick Burke, arriving August 4 from Advanced Micro Devices. Not unhappy with AMD (where he had been for nine years), Dick could see no way of becoming No. 1 without doing violence to Gil Bowers. He was earlier at Rockwell and Teledyne.

Burke will report directly to pres Schreiner, indicating a greater emphasis on R&QA at Syn. Bob feels that the Japanese have gained the upper hand largely through a me-too-but-better approach, and he hopes to improve the odds.

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EMBARRASSMENT (?) OF RICHES. And speaking of Mr. R. J. Schreiner, president of Synertek, what do you think the takeover of his company by Honeywell did for him personally?

Just made him the largest individual stockholder in MiniHoney, is all.

That's a long, long way from the storefront on Middlefield Road, or from holding the sheriff at bay at Computer Microtechnology. Or need we mention the distinction of getting fired by the estimable Wilfred J. Corrigan?

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MORE OF THE SAME. Two more guys to whom firings were a blessing are Bernie Marren and Marshall Cox, whose Western Microtechnology distribberty bucked the recession by generating the most profits in its history in June.



AUCTIONEER. As I have been saying, American Microsystems president Glenn Penisten has been spending increasing amounts of time in the European money markets in quest of fresh capital. And as I have also been saying, Robert Bosch GmbH would be more than happy to increase its 25 per cent (with Borg-Warner) holdings, all the way to 100 per cent.

Accordingly, it has offered to give Glenn as much money as he wants, at a premium of \$5 a share. But Glenn is holding out for a gross of \$45 a share, just about a 100 per cent premium (AMI closed yesterday at \$22.75 bid, \$22.875 asked).

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CURSES! FOILED AGAIN! Alas, Consumers Solar Electric Power was turned back in its efforts to deliver the first 250 gallons of its solar-cell electrolysis hydrogen fuel, initial installment of a 32,000,000 gallon contract worth \$16 million (MN, July 19).

The customer, potato processor J. R. Simplot claims that CSEP breached the contract by failing to provide a chemical analysis of the fuel, specifications on its storage and use, information on engine modification, or to come up with a fuel suitable for motor vehicle use.

CSEP promoter Jerry Schaflander, fired back with a claim that the company's demurring is "false and libelous, and could not have been made by Jack Simplot" (founder of the customer company, who personally signed the contract last December). He labelled the customer spokesman "a simple ignoramus," and said the company is guilty of "ignorance and/or duplicity."

Meanwhile the CSEP annual meeting, scheduled for August 4, has been cancelled.

*Footnote: Some years ago, Fairchild's Les Hogan and Wilf Corrigan were both contemplating substantial investment in this scam, until waved off by an existing stockholder.*

*Last December 6, a columnist declared in the Santa Barbara News & Review, "I predict that in six months Gerald Schaflander will be a household word throughout the world."*

*Such are the forkings of the fickle finger of fate.*

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UPDATE--SORT OF. And what, you may well ask, has happened to the reorganization at Fairchild (MN, June 21), the one later cribbed and still later ingested by the butcher paper?

The shakeup was indeed in the works at the time I reported it. But it was known to only a handful of people at Fairch, not including the line managers involved. This was admitted privately by pres Tom Roberts, who also instituted an unsuccessful witch hunt to locate the source of the leak.

But president Roberts, apparently in the fashion of president Lyndon Johnson, is reluctant to publish orders which are first published in the press. But whether the plan is now aborted or merely postponed, is known only to Mr. Roberts.

But he should know that his lack of action is getting on the nerves of the troops. Even recognizing that he is careful and methodical, in this action-oriented industry his delays are being regarded by his people as indecision.



THE PASSING PARADE. Cary Summers, v.p.-g.m. of the Commodore semiconductor group, has found his marketing director (MN, May 17). George Nelson, former manager of microcomputer marketing and applications at American Microsystems (reporting to Carm Santoro), bailed out of AMI on Wednesday (23), and joins Commo on Monday (28). He will join Summers at the group headquarters in the MOS Technology facility in Valley Forge (Pa).

George appears to be but the first in a new wave of middle management defections at AMI, for the recent earnings report (MN, July 19) has been the source of considerable consternation and drooping morale.

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MORE OF THE SAME. Like American Microsystems last week, Intersil on Tuesday (15) reported sales up and earnings down. With sales of \$43.3 million up 12 per cent over a year ago, earnings of \$2.3 million represented a 15 per cent drop.

Pres Ori Hoch blamed "internal adjustments" in the advanced IC line for the poor showing, saying that margins remained "strong" in other product lines.

So now it's senior v.p. Jack Gifford who is in the dunking stool, a 180° switcheroo for Hoch, who six months ago dumped all the abuse on Bob Landee's systems division for soggy performance then (MN, Jan. 19).

Well, dammit, somebody's got to eat the birdshot, and it sure ain't gonna be the president.

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IT'S PAPA EMPLOYER WHO PAYS. As companies in the Valley and elsewhere know well, it is becoming increasingly difficult to recruit personnel when relocation is involved. A better offer is no longer enough to persuade a prospect to tear out roots. All of the pain of moving must be borne by the company, which usually hands the job off to a "relocation specialist."

Not only do companies now pay air or auto transportation, mover's charges and temporary living expenses. Now added are automatic purchase of the employee's former home, search for new quarters of similar quality, and even reimbursement for unforeseen miscellaneous expenses, such as correcting defective plumbing, wiring, even repainting.

Oddly enough, one of the relocation specialists is Control Data, through its Relocation Realty Service subsidiary. The company in fact has that market bracketed, with its Cybersearch headhuntery as well.

What ever happened to data processing?

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PAYDAY AMMUNITION. Has your bank or the IRS ever told you that your compensation package is too fat, more than your company can afford? A new survey of salaries, bonuses and perks for officers of companies in the \$250k-\$20M range may give you rebuttal material. It's available for \$250 from Growth Resources, 1 Newbury St., Peabody (Ma) 01960, phone 617-535-5500.

Don't spend all your winnings in one place.

*Don C.*



# MANAGER'S CASEBOOK by Don C. Hoefler

CASE No. 557 SUBJECT: You COULD LOOK IT UP

## FREIE ENTERPRISE By DON HOEFLER



"You don't think I'm a know-it-all? Try me!"

*The business community is under a heavy and growing obligation to the national government for the collection and dissemination of useful data on trade, markets, foreign exchange, labor supply, cost of living, consumer income, investment opportunities and thousands of other subjects...*

--Prof. William H. Young

IT IS A CRUEL JOKE of long standing in the semiconductor industry that the function of long-range planning is plugged into by a has-been, a never-was, a guy who has exceeded his Peter Principle, or a general foul-up with political clout.

That condition is changing, however, as companies which have roared ahead at breathtaking speed without a road map, are pausing for a breath and contemplating where they expect to be in five or ten years, and at the turn of the century.

As more capable people get their feet wet in this activity, however, too many of them are still trying to re-invent the wheel when it comes to data acquisition. The NIH syndrome is hard to cure, but its care and feeding is damnably expensive.

ONE OF THE BIGGEST SINS is ignoring the vast information-gathering resources of the federal government. We all bitch about inputting to still another survey form of some federal agency or another, but how many of us takes the trouble to get a copy of the results of that survey? We all moan about the taxes we pay to support these probings, but how often do we take advantage of the services we have paid for, and to which we are entitled?

In my judgment, every company should have a shopper of government services, someone whose primary function is to assure that the company is getting full value for its tax dollar. Such a hunter should be able to pay for himself many times over.

It takes digging. But there are mother lodes along the Potomac, awaiting the diligent miner. As in any other extractive industry, the first requirement is knowing where to look.

A basic reference is the "U.S. Government Organization Manual," available from the Government Printing Office, North Capitol at H Streets NW, Washington 20401, phone 202-275-3030.

Commercially expanded editions of the Manual are the "Congressional Yellow Book" and "Federal Yellow Book," available from The Washington Monitor Inc., 499 National Press Bldg. Washington 20045, phone 202-347-7757.

(OVER)



ANOTHER GOOD STARTING POINT is the Library of Congress' Referral Center, at 10 First St. SE, Washington 20540, phone 202-287-5687. The Center will not only steer you to the appropriate agencies in your area of interest, but trade associations as well.

If the overseas marketplace is one of your concerns (and whose isn't these days), you should be aware of the U.S. International Trade Commission, 701 E St. NW, Washington 20436, phone 202-523-0161. ITC investigates customs laws and duty rates, compares foreign and domestic manufacturing costs, and assesses unfair offshore competition.

Of major importance is the Department of Commerce, 14th St. at Constitution NW, Washington 20230, phone 202-377-3263. You can learn much in the international arena from their International Trade Administration, phone 202-377-3808, and Import Administration, phone 202-377-3050.

On the domestic side, you should be in touch with Commerce's Economic Development Administration, phone 202-377-5113, and Bureau of Economic Analysis, phone 202-523-0777.

Commerce also prepares three daily news tapes, with economic news on 202-393-4100, news highlights on 202-393-1847, and a weekend feature on 202-393-4102. Further information on materials presented on these tapes is available on 202-377-5610.

Highlights of what appears in the day's Federal Register may be heard on 202-523-5022.

WE'VE TALKED MUCH in these columns in recent months about impending legislation in the houses of Congress. To get an up-to-the-moment fix on the status of any of these measures, call the Legislative Information and Status Office at 202-225-1772.

After any bill enters the Congressional hopper, much legwork and spadework is done by the Congressional Research Service, which issues periodic reports and indexes them annually. The Congressional Information Service also maintains and indexes transcripts of all hearings, and other Congressional publications. Write them at 7101 Wisconsin Ave., Washington 20014, or call 202-224-3121.

A number of management studies and investigative reports are issued by the General Accounting Office, 441 G. St. NW, Washington 20548, phone 202-275-2812.

Market studies of industries in your area of interest may well have been conducted by the Federal Trade Commission, Pennsylvania at 6th, Washington 20580, phone 202-523-3598; or the Department of Justice, Constitution at 9th, Washington 20530, phone 202-633-2401.

You might be surprised to learn that the CIA issues dozens of unclassified reports on foreign countries and markets. Check the Central Intelligence Agency, Washington 20505, phone 202-351-7676.

Other useful numbers include the Patent and Trademark Office, 703-557-3428; Federal Reserve System, 202-452-3204; Interstate Commerce Commission, 202-275-7252; Securities and Exchange Commission, 202-272-2650; and the Small Business Administration, 202-653-6822.

But remember: obscene phone calls are made at your own risk.

*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

JULY 5 1980

## SHORT ORDERS--SIGN OF THE TIMES

### But What Time Is It?

*Good Friend--*

BACK TO THE ENTRAILS. The time has come for us to learn if the semiconductor industry is truly recession-proof, as last year was assured us by Intel, and suggested with somewhat less assurance by Intersil.

The Composite Index of Leading Economic Indicators was -2.4 per cent in May (not as bad as April's 4.8), continuing a downward trend begun in September 1978.

Layoffs in May were 3.5 per cent (up 25 per cent over April), the highest in 22 years.

Hirings (as judged by help-wanted advertising) were 42 points lower than a year ago (8 per cent lower than April), and lower than in the 1973-75 recession.

Shipments were off 1.3 per cent, construction down 3.6 per cent, orders down 2.6 per cent, and inventories edged up 0.2 per cent.

And in June, semiconductor bookings were stinko, especially for distributors.

Motorola, American Microsystems and Intersil were all said to be poised to kick up the layoff percentage even higher.

EITHER-OR. What makers are wondering as we have passed the summer solstice is whether this is the standard summer blahs--or signs of a recession getting close to home.

Although summer in the U.S. is not like in Europe, where everything simply stops, frantic salesmen often feel that way when a whole string of signatures are required to release a purchase order--and one guy (or gal) in the purchase chain of command is on sabbatical.

To know whether this is the annual summer slowdown or the quadrennial crunch, you can call in the oracles, mediums and diviners; the high priests of oneiro-mancy, necromancy, haruspication, ornithomancy, crystallomancy and bibliomancy; the readers of numbers, palms, tea leaves and cards.

Or you can relax and wait until after Labor Day. You'll sure as hell know then.

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NOW YOU SEE IT, NOW YOU DON'T. I missed the whole point in my coverage of the patents flap between Advanced Micro Devices and Precision Monolithics (MN, June 28). So says AMD's lawman, Tom Skornia.

The first point is that a grant by the U.S. Patent Office is rather tenuous until its validity is confirmed by the courts. The second point is that the invention must be "not in public use or on sale in this country for more than one year prior to his (*i.e.*, *the inventor's*) application."

Mere experiments, however, do not constitute prior use. For the invention to be regarded as "commercialized" for more than a year, therefore, it must "accomplish the result which it is intended to effect."

AMD says PMI's prior use was "complete" under the law, according to PMI's own statements to the patent office. PMI says those selfsame statements make it clear that the prior use was "experimental."

And how did I miss all this in the complaint (Civil Action No. C 80 2582 WHO, filed June 20 1980 in U.S. District Court for the Northern District of California)? Because it ain't there, that's why. All that is there is a glancing allusion: "This Court has jurisdiction under the provisions of Title 28, Section...2202, United States Code." After that, two and one-half more pages of whereases and prayers, as I reported last week, but not another syllable about the biggie.

AMD is not above rigging the officiating to get a home-town call in its favor. Says Tom: "The Patent Office accepted (*the PMI applications*) on the basis of a number of lower court cases in Eastern jurisdictions, which are much more liberal on use prior to one year than is the Ninth Circuit."

The suit was filed for AMD by Albert Hillman of Townsend and Townsend, San Francisco. He won a similar case a year ago, in which Kalvar sued Xidex for infringement, and ended up losing its patents. He assures AMD that its case is even stronger than that of Xidex.

Maybe so, but I sure hope Al is a better pleader than he is a draftsman.

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AUGURY? Perhaps some indication of the present state of the economy (page 1) is the fact that Monolithic Memories is again planning to go public, this time with 1.3 million shares somewhere in the \$17-19 range. The last time MMI issued a red herring was during the 1974 downer, when it quickly turned turtle.

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AS I WAS SAYING. This week Fairchild made it official. Its joint venture with British General Electric, another Wilf Corrigan incorrigible first kluged in August 1978, has flown the way of the dodo.

But then, as a sharp-eyed reader of MN, you have known that for months.

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LIKEWISE, I'M SURE. This one is not official, but take my word for it. The planned joint venture between Texas Instruments and Oki, which would have been the long-awaited invasion of the Valley by TI (MN, March 15), is like *shi*.



FLOATATION GEAR FOR THE INCOMING SHIP. It has been nearly a year since Jack Balletto and Gunnar Wetlesen left Synertek (MN, July 21 1979), and more than eight months since they with Dan Floyd formed VLSI Technology (MN, Sept. 29 1980). In February they added Doug Fairbairn out of Xerox Research Center as manager of VLSI engineering, but the company is still a long way from firing up its first furnace, thanks to the money crunch.

Balletto thinks he will have a financing deal nailed down within three months, but that leaves unanswered the question of how you keep alive a paper company for a whole year without income.

In the case of VLSIT, the answer is, you don't. You exercise some ingenuity and you find income from other sources. And VLSI has been doing it by selling technology in the classroom.

They have gone out to systems companies with the promise that they can have their systems designers able to design a VLSI chip after 25 hours of instruction. The first company started with 20 engineers, and the results were so successful that the firm intends to repeat the course every second month.

The chief instructors were Wetlesen and Fairbairn, abetted by lecturers from Cal Tech, Stanford, University of California (Berkeley) and MIT.

VLSI also video recorded all of the sessions, including the Q&A, and intends to offer the cassettes on a sale or lease basis, at terms yet to be determined. "It's not going to be cheap," says Balletto.

If you are interested in this kind of know-how, and are willing to pay for it, you might give Balletto a buzz at 408-395-5100.

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GOING, GOING. If you are interested in shopping the defunct Powertron down in Inglewood (Ca), you'd better hurry. Since my mention last week (MN, June 28), the broker has had several inquiries and a firm offer.

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PEOPLE PLEASER. Advanced Micro Devices, which has had much to say of late about job security and bonus compensation, this week added a new department for such matters and a v.p. to head it. Stan Winwick, for nine years the personnel v.p. at Syntex, joined AMD Monday (30) as v.p. for human resources. (Actually he's a "designate," as pres Jerry Sanders' nomination must be blessed by the board of directors at the end of the month.)

That's a long way since ad-PR man Elliott Sopkin managed personnel with his left hand.

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SANTA CRUZ BAD NEWS. For the Synertek plant in Santa Cruz (Ca), it has been just one damn thing after another. There the carpenters walked off the job they didn't even have yet, picketed the excavation site and kept bulldozer operators off the job.

The carpenters have settled, but companies contemplating expansion can expect trouble next from plumbers and painters and lathers/sheetrockers and on and on.

Well, who's in a hurry to add capacity these days, anyway?



TILT. Something is fishy in Hauppauge (NY), and it is not the aroma off Long Island Sound. If you can make sense out of this sequence of events at Standard Microsystems, then you know something I don't know:

1. For the fiscal year ending February 29, SMC reported earnings that were the best in its (or almost anyone else's) history: 31.7 per cent before taxes (v. 22.5 for Intel), and 19.2 per cent after taxes (v. 11.7 for Intel).
2. Morton D. Brozinsky divests all his SMC stock.
3. Mort resigns as chairman of SMC.
4. The company reports 1Q earnings down 69 per cent, because of increased cost of gold and higher "defect densities" (i.e., low yields).

You don't have to be able to read between the lines to realize there are some serious information gaps here someplace.

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QUOTABLE QUOTE: From Shoichi Akazawa, exec. v.p. of Fujitsu Ltd.: "I am afraid I must view the new decade as one of uncertainty, instability and complexity for my country...illness, which has reached epidemic levels in some countries, is characterized by a loss of vitality on the part of the people, a drop in human energy, in drive to get things done. In other words, we Japanese seem to lack *bushido seishin*--which means a strong sense of duty and loyalty...Development of high-technology industries will enable our country to take advantage of one of its greatest assets: the intelligence, discipline and talents of its people."

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MORE OF THE SAME. Matters have not improved one whit at the Storage Technology semiconductor operations in Louisville (Co), since the slam-dunking of the v.p.-g.m. and operations manager (MN, May 17).

The company has not been able to find a new topper (as manager of thin-film development Dave Norton sit in *pro tem*), and the restless rank-and-file continues a parade of bailouts.

STC's personnel policies are showing obvious signs of growing pains, and management is learning the hard way that a captive source does not guarantee a captive work force.

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HOME IS WHERE THE HEART IS. Digital Equipment decided to stay in Massachusetts for its next semiconductor expansion, to the great surprise of nobody (MN, March 22). The plant will be in Andover, in a partly-finished building abandoned by Polaroid (the video recorder kicked the shid out of Pola's shining plans for instant movies).

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HAPPY BIRTHDAY TO US. This Independence Day weekend marks the beginning of the ninth year for Microelectronics News, a publication born with high hopes and little capital, from a kitchen table in Santa Clara (Ca) on July 1 1972. Many thanks to you charter subscribers still with us.

*Don L.*



# MANAGER'S CASEBOOK by Don C. Hoefler

CASE No. 554 SUBJECT: THE IRATE ELECTORATE

**FRIDAY**  
**ENTERTAINMENT**  
By DON HOEFLER



"Politicians are no damn good."

B-127

Let's face it: Today you have to present a good candidate. You can't run the old political hacks.

--Chicago Ward Heeler

JOHN BAYARD ANDERSON this week threw his hat all the way into the ring and declared himself to be a full-fledged candidate for president. The reason he chose this week to do so is not generally known.

Anderson's go-no go was the electorate of the state of California, and the populace says YES. Precinct workers have amassed far more than the minimum number of petition signatures necessary to put his name on the November ballot, and thousands more are being collected daily. Before the August 8 deadline, several times--probably many times--the required number of signatures will have been submitted to the Secretary of State.

The Anderson for President Committee does not wish this to be generally known. They do not want to lose momentum, and they do want to be certain of withstanding the inevitable challenges. But a fact it is nonetheless.

Now how can a man unknown outside his congressional district in Illinois, and without party support or Federal funds, become a serious candidate for President of the United States? John Anderson has to be the embodiment of the stock recipe for success: "Find a need and fill it."

THE LAST PRESIDENT whose memory is still loved and respected, went out of office in 1952. He was the accidental president, the president whom nobody wanted, the president who couldn't win. But he won, and he is still remembered with great fondness.

His successor was a not-too-bright, kindly father figure, who fiddled on the golf course while the nation caught its breath after World War II. And his successor went out in a blaze of glory, but in retrospect his greatness pales. And his successor was an unlettered teacher, best remembered for his mishandling of the wrong war in the wrong place at the wrong time. And his successor quit his job, rather than be thrown out of it and possibly into prison. And his successor was an assistant football coach. And his successor declared the job is too demanding for any mere human being.

And that motley string covers an entire generation. Anyone younger than middle-aged knows of great presidents only from musty history books. Is it any wonder that disillusionment is abroad in the land? The wonder is that there is an awakening among the populace, an intangible feeling which is scaring hell out of the outmoded two-party old politicians. After a generation of dormancy, now coming to life is the Volatile Voter.



GENERATION GAP. The Volatile Voter is either middle-aged or beyond--or quite young, voting in a national election for the first or at most second time. The in-betweeners, the Vietnam Flower Children, are still dropped out and watching sullenly on the sidelines.

The Volatile Voter is not only either young or old. He/she may be blue-collar or white collar--rich or poor. He-she can be almost anybody.

A lady of my acquaintance is chairman of the Anderson campaign in Carmel, California, hardly a radical enclave, which is surrounded by such affluent communities as Pebble Beach, Big Sur and Carmel Valley. As soon as she sets up her table in a shopping center, she is surrounded by well-dressed people, with comments like these:

"Where have you been? I've been waiting for this opportunity."

"I don't know if he's any better, but I couldn't vote for either of the other two."

"I may not vote for him either, but I want the opportunity."

"Where do I sign?"

It is quite clear that the Volatile Voter, having been burned on Carter, still prefers a pig in a poke to a dog in the manger.

DEPLETED MARKET SHARE. The big loser to the Volatile Voter is the Democratic Party, but then, they had the most to lose, and the downward trend has been in motion long before John Anderson was a hothouse word anywhere outside of Rockford, Illinois.

In 1976 the U.S. voter breakdown was Democratic 51 per cent, Republican 24 per cent, and Independent 23 per cent.

In 1979 the U.S. voter breakdown was Democratic 38 per cent, Independent 37 per cent, and Republican 24 per cent.

Thus while the Republican following has remained absolutely static, there are many more Volatile Voters than Republicans, and as many as Democrats.

Add to that the fact that two-thirds of all voters now split their tickets, when only one-fifth did so two decades ago, and it is clear that the old pols have good cause to tremble. The two-party system which began with Abraham Lincoln is crumbling. Loyal party members are in the minority, and declining.

This year the Grand Old Party offers a second-rate actor who has switched from flaming liberal to arch conservative.

The even older party offers a peanut grower who has been tried and found wanting, even by his own reckoning.

It won't wash.

The Republicans, in their gross pandering to the working class by convening in Detroit later this month, have set off a time bomb. There will be riots and bloodshed in my home town this hot summer, and unlike Chicago in 1968, the cops will be looking the other way.

It's a recession year, and strange vibes are in the air. Your ballot on election day may look far different from what you anticipate today. ○○○○○●

*Don C. Hoefler's*



**MICROELECTRONICS NEWS**

*with Manager's Casebook*



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**MICROELECTRONICS NEWS**  
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SILICON VALLEY  
AUGUST 2 1980

## TRAVELING MUSIC FOR ZILOG Six-Year Loser to be No. 1 on Campus

*Good Friend—*

MAMBO TIME (ONE, TWO, THREE, KICK). Shortly after Terry Holt arrived at Zilog, nearly 16 months ago (MN, May 5 1979), he described the facility as the "most archaic" he had ever seen in the industry, in an eyes-only internal memo.

Not long thereafter, the facilities manager began looking for a new site, settling on one which neatly straddled an earthquake fault.

About the same time, Exxon Enterprises began looking for a large piece of property in California, one sufficient to house all of the companies with which it hoped to invade the office equipment business.

Yesterday Zilog learned that EE president Walt Geyer had nominated it to be the first settler on a plot it had purchased on the outskirts of southeast San Jose.

As noted here long ago (MN, Feb. 12 1977), this is the area for expansion, because there is plenty of land, plus many warm bodies which will not or cannot commute into the Mountain View-Sunnyvale-Santa Clara orbit.

MOUNTAIN GREENERY. The 200-acre Exxon site is in the Evergreen district, in the foothills of the Diablo mountain range, outside the San Jose city limits. It is near the intersection of the main north-south highway, U.S. 101 and Capitol Expressway, and has ready access to Interstate highways 280 and 680, and California highway 17. It is also less than four miles away from California's second most dangerous fault line, the Hayward-Calaveras.

The deal was put together by Valley realtors Renault & Handley, whose Rich Tryce had to negotiate with 17 separate interests to close, after availabilities in the International Business Park in San Jose's Foreign Trade Zone proved to be too small.

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(Continued  
Overleaf)



GET AWAY, KID, YA BOTHER ME. Rich's foresight, imagination and plain hard work saved Exxon \$1 million, which the gluttoned giant has chosen to overlook and would probably rather forget. At an average \$50,000 an acre, the whole tract comes in at \$100 million, but would certainly have come higher if the buyer was known.

In addition to Zilog, it will house Videx, Qwyx, Qwip Systems, Summit, and probably others including Emdex. Total employment is expected to be 8500 by 1990, about 40 per cent manufacturing and 60 per cent R&D and support. Total land use will be 20 per cent buildings (one- and two-story), 40 per cent roads and parking lots, and 40 per cent greenbelt.

One hitch is that the property lies outside San Jose's urban service area, and would have to be annexed to the city. San Jose is already a patchwork of annexations and unincorporated areas, the result of the city's land grabs in its aggrandizement period in the 1950s and '60s. This tack-on would have to be rezoned from residential to industrial, and blessed by the county's Local Agency Formation Commission. This will be opposed by the environmentalists, but supported by the Industry and Housing Management Task Force.

Assuming these hurdles are surmounted, Zilog will be in its new digs sometime early in 1983.

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STILL ON HOLD. The bigger question remaining about Zilog is how long parent Exxon, its own private Daddy Warbucks, will tolerate its running in place. It would never allow even one of its corner gas pumpers to operate at a loss for more than five years.

Despite the arrival of Manny Fernandez in late 1978, problems have persisted (MN, Feb. 10 1979), and profitability continues to elude the company (MN, Sept. 8 1979). There was a weak claim of profitability a couple of months ago, but it was thimble-rigged even before the books were closed for the month. The prestigious accounting firm of Price Waterhouse has told Exxon flatly that Zilog is "not viable" without the Exxon subsidy.

The facility is still as dirty as Terry Holt described well over a year ago, with the result that second-source Advanced Micro Devices is outselling the prime in the Z8000 market by two to one. The \$3 million backlog of a year ago in computer systems has shrunk to \$1.2 million.

Good people continue to bail out. Bob Davis, one of the key business managers in the Z8000 area has called it quits. So has Don Sink, manager of engineering support services. Controller Earl Bushman, who had perhaps three-quarters of the tangled financial affairs of the company straightened out until he was upstaged by the arrival of a financial v.p., took the same route himself yesterday (1), to become financial v.p. of General Instrument Optoelectronics, under Tim Da Silva.

After a year and a half, it appears that Manny Fernandez is not the Jesus that Exxon hoped he would be in this fouled-up mess. While no doubt a strong businessman, he has people problems resulting from his Fairchild days, as a graduate of the hard-ass school of his mentor, Greg Reyes, and going back to the days of Charlie Sporck & Co.

When will these kids ever learn that longrange such a route leads to a certain dead end?

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BOOB ON THE TUBE. It was a showbizzy week for your scribe this stanza, as National Broadcasting Co. on Wednesday (30) and Tokyo Broadcasting System on Thursday (31) interviewed Adorable Donnie on camera for their respective "Prime Time" TV shows.

The subject in both cases was technology transfer, theft of trade secrets, and offshore threats to the semiconductor industry.

The Tokyo show is scheduled to go in late August, on a Sunday evening, while the New York interview will run late in September, on a Friday.

More specific information as it becomes available.

After this, all that's left is ABC and Babwa Wawa.

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A LITTLE RIGHT MUSIC. Chuck Missler, c.e.o. at Western Digital, was jumping up and down yesterday, and no wonder. He had just buttoned up a five-point financial reorganization package which should keep WD solvent for all the foreseeable future. WD operated for a long, long time at the pleasure of United California Bank, which could have shot it down many times over--but didn't.

UCB has sold back to WD warrants it held for nearly 3 million shares of WD common, and has agreed to sell back another 3 million shares it owns, over a 10-year period, at market.

WD also retired \$1 million of a \$3 million term loan held by UCB, with the balance stretched out from September 1981 to August 1983, at a rate of one-half point over prime. Ceiling on a potential revolving loan for working capital was raised from \$2 million to \$3.5 million (current balance is \$0), while the interest rate was reduced to the prime from a half-point premium.

Finally the company sold (through Montgomery Securities, in only three weeks) 2.5 million restricted common shares, to individuals and institutions, for a gross of nearly \$7.6 million.

Getting major credit for the save is UCB v.p. Dick Starr, who stuck with WD through all the hell days, and who recruited Missler (through Jack Yelverton) to come in and rebuild the company.

The deal "completes the turnaround of Western Digital," said Chuck Missler yesterday, and who can say him nay?

And so we bid a firm and final farewell to the clods at Emerson Electric, who deserve zero credit for WD's survival.

They will never be forgotten. But for the survivors, the bitterness of the memory will long remain.

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HOW SWEET IT IS. Bill Sweet, ex-Zilog and ex-National, has a new deal--simmering, which looks like it will be a real grabber. Details should be wrapped in 6-8 weeks.

Bill is the guy who first postulated Perkin-Elmer's 32-bit minicomputer, the hottest thing in their line today. He also predicted that the National Starplex wouldn't fly (it didn't), and that the Zilog computer effort would take gas (it is).



DEPARTMENT OF AMPLIFICATION. More on the product mix at Advanced Micro Devices (MN, July 26): the company is not being clobbered by the 16k RAM falloff, simply because it was late getting into that business and is not a major factor.

The Austin (Tx) plant began shipping in quantity only in the first quarter of this year, when it grossed \$1 million in 16k. Sales in 16k in 2Q were \$4 million. Meanwhile, plans to move the Z8000 to Austin, have been accelerated to take up the slack.

On the bipolar side, all RAMs continue in high demand, and they can't make PROMs fast enough. At the top line, bipolar sales slightly exceed total MOS sales.

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HOW BAD IT IS. It appears the 16k price war has begun in earnest. This week I heard of some ticketed at \$3.25.

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CURRENT DOUBLER. Ron Floyd, military marketing director at Signetics, has doubled sales in recent months, and been rewarded with the takeover of the military programs group. This had been under Bob Beckwith, who returned to Sig from Monolithic Memories early this year (MN, Jan. 20).

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RECOGNITION. Defense Secretary Harold Brown hosts a meeting August 18 of the presidents of the companies involved in the very high speed integration (VHSI) program (MN, March 15). Present will be Charlie Sporck of National, Tom Roberts of Fairchild, Chuck Harwood of Signetics and Ori Hoch of Intersil. Also represented will be the systems houses involved (Westinghouse, Raytheon, Hughes and General Electric).

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REKINDLED. Ken Howser, materials manager at Advanced Micro Devices, took to heart my year-ago piece on executive burnout (MN, July 14 1979), and quit the rat race in favor of doing it his way. After more than two decades in manufacturing and materials management, at General Electric, Perkin-Elmer and Fairchild Systems Technology before AMD, Ken is now heading his own consultancy as Howser & Associates. You can reach him at 1208 Apollo Way, Suite 502, Sunnyvale (Ca) 94086. Phone 408-245-9274.

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CONVOCATIONS. John Shea of Integrated Circuit Engineering has booked two mid-year "Status" seminars, one on the Coast and one in the Capital. On August 28 he will present "Spotlight on the New Economics," covering such subjects as capacity/facilities/equipment, products/buyers/learning curve, financing growth, telecommunications, LSI, economics of VHSI, fab of high-performance CMOS, pricing, and the Japanese threat. Guest speaker will be Earl Rogers, president of Precision Monolithics. The meeting will be at the Cabana Hyatt House in Palo Alto (Ca).

In Arlington (Va) on September 9, guest speakers will be Dr. Arden Bement, deputy undersecretary of defense for research and engineering, and William Perigard, exec v.p.-g.m. of Communications Satellite Corp.

Info ICE, 408-248-1843.

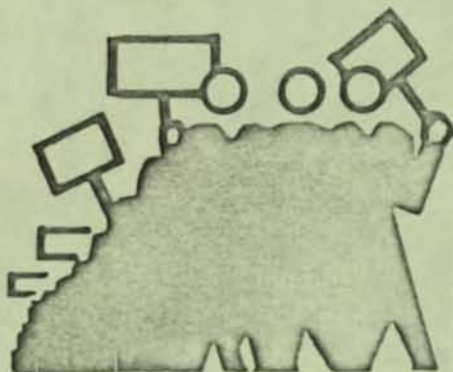
*Don C.*



# MANAGER'S CASEBOOK by Don C. Hoefler

CASE No. 558 SUBJECT: SOLIDARITY FOR NEVER

## FREE ENTERPRISE By DON HOEFLER



B-131

"WE CAN'T WIN A STRIKE, SO  
WE JUST PRACTICE PICKETING."

THREE TRADE UNIONS, the Screen Actors Guild, American Federation of Television and Radio Artists, and American Federation of Musicians, are now on strike against the U.S. television industry, a fact which is having an immediate effect on the fall viewing schedules, and could have far-reaching results as well.

At issue is a new product which was made possible by the ubiquitous semiconductor industry: the video cassette recorder. As with the earlier audio recorder, the user can record broadcasts off-the-air, but also purchase pre-recorded tapes of motion pictures, theatrical presentations and TV shows.

The performers, who are hired to do a journeyman job in these productions, are now trying to upgrade themselves to the status of creators or inventors, and thus claim royalties on the pre-recorded tape market.

Now there is no denying that show business is a rough business, demanding a large amount of dues paying for what is usually meager reward. But performers are no more creators than bonders on an assembly line, and no more entitled to royalties than the girls in the smocks in a semiconductor plant.

LEST I BE PUT DOWN as an anti-labor shellback, let the record show that as well as having held a variety of management positions, I also was a member of an airlines union in the 1940s, an officer in an engineers' union in the 1950s, and even today am a card-carrying member of the musicians' union, and damn proud of it.

But I daresay that if SAG or AFTRA or AFM were just starting in business today, they would hardly have the temerity to demand royalties for their members.

For the trade union movement has fallen on evil times, and probably for good reason. The heyday of union organization was the Great Depression, when everybody was broke, and business and industry and finance were thought to be the cause of it all, and the organizing appeal was a strong one.

But as soon as the unions got a few high cards, they immediately began overplaying their hands, while managements became more intelligent and more considerate of their employees' welfare. So the day of Big Labor is past. Unionism is weakening, and some existing unions are absolute anachronisms.

The trade union movement has been fading steadily for three decades. While more than 25 per cent of the nation's work force was organized in 1953, the percentage had dropped to less than 20 per cent by 1978.

(OVER)



THE DRAMATIC GROWTH of U.S. trade unionism in the second quarter of the twentieth century was dramatically reversed in the third quarter. While unions were winning more than 70 per cent of their representative elections in the early 1950s, victories were down to 59 per cent in 1967, and by 1979 they had dropped below the median to only 45 per cent.

Worse yet, the rate of decertifications of unions in subsequent elections has risen rapidly. In the old days, winning an election was a lifetime sinecure for a union. Kicking the union out was unheard of (although jurisdictional shifts from one union to another happened occasionally). But in recent years du Pont saw the International Brotherhood of Electrical Workers dumped from its Florence (SC) plant, and the United Steelworkers of America from its Martinsburg (WV) facility.

Two high technology companies have been successfully resisting union organization for many years, du Pont since 1802 and IBM since 1911. Yet both have been fat and profitable for years, both are in the top twenty of the Fortune 500, and both should have been ideal targets for organizing drives. Hewlett-Packard, No. 150 on the Fortune list, has not once been organized since its inception in 1939.

EACH OF THESE THREE COMPANIES has a great deal in common in its labor relations.

Each is as aggressively anti-union as any company in the the country, but each keeps such activities subtle and quiet. Each has carefully developed and fostered an image of distinction. Each is a relatively clean work environment. Each is transparently paternalistic. Each is generous in its compensation and benefits plans (but less so in stock ownership opportunities). Each is easygoing in its productivity demands. Each affords above-average job security.

In short, each of these companies which have avoided union organization have adopted and adapted techniques proved successful in Europe and Japan for generations.

The first effort is to establish a womb-to-tomb family relationship. Says a du Pont plant manager: "Our philosophy is to hire the best people we can-- and then hire their relatives." Employees are led to believe that not only does daddy have their best interests at heart--but never forget that daddy knows best.

This coalescence encourages the herd instinct inborn in most people. But at the same time it stifles individuality and blunts creativity. Entrepreneurial excitement and dazzling imagination are part of these companies' histories, not their present operations.

But this is even more flagrant in the unions, and companies have learned to play against it. "Equal pay for equal work" is the union credo since time began. "A plumber is a plumber," they argue, crushing all workers into a standard mold.

The smart companies know that standard wage rates don't always mean standard costs, and give their managers broad discretion in rewarding the exceptional employee.

Semiconductor managers would do well to study the labor relations of these successful companies, for the American Electronics Association warns there will be new organizing drives following the November elections. They say you should "clean up your act," especially in health and safety, or you could be in trouble.

*Don C. Hoefler's*



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SILICON VALLEY  
AUGUST 9 1980

## SANDERS DOFFS A HAT

### AMD Prexy No Longer to Call Marketing Shots (?)

*Good Friend—*

JERRY TAGS TERRY. Advanced Micro Devices president Jerry Sanders, who has been his own marketing director since the long-ago departures of co-founders Jack Gifford and Ed Turney, this week handed walking papers to the chair-warmer holding the title, Terry Jones.

The official AMD stance is that Jones had reached the limit of his Peter Principle, and was not the guy for the job as the company stretches for a sales goal of \$500 million. That is true, but it has always been true, and the full story has a couple of additional angles.

The fact is that, although Jones carried the title of sales and marketing v.p., he was always Terry-Who? inside the company, a surrogate, a go-fer who carried out the marketing strategies conceived by Sanders. He was an instant playback of Jerry's opinions, with very few of his own.

This arrangement had gone on far too long, as Sander's presidential duties became increasingly demanding. Thanks to him, AMD has made brilliant marketing decisions, but for several years the company has needed a full-time heavy-weight in the slot--and Jones is not that.

CUPIDITY. The awkward arrangement might have gone on for some time yet, however--because of close personal ties between Jerry and Terry--if Jones had not succumbed to his own avarice. Terry, who came into the company to head sales in the Orient, had made some side deals with the most recent holder of that job, Taki Oshima, a guy with a long reputation for under-the-table operations (MN, Aug. 4 1973 *et seq*). This has been an open secret at AMD for some time, but Sanders was the last to know.

Thus Terry this week was notified that he was being superseded by Steve Zelencik, sales v.p. for North America, a guy with considerably more horsepower. Steve has been with the company 10 years, while Jones' tenure was eight.

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(Continued  
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SWEET SORROW. The final chop was almost as hard on Sanders as it was on Jones. It was a tough decision, tough to implement. But one need lavish few tears on Jones, for he goes on indefinite leave, with full pay and all rights and privileges, including profit sharing, stock options, insurance, and a company car. Under that deal, we can expect that "indefinite" to last until Sanders loses patience.

As for Zelencik, does he really pick up the marketing reins? Probably yes--and no. He is a much stronger guy than Jones, and will likely shoulder a much heavier load. But will Jerry Sanders ever fully relinquish the marketing direction of AMD? Not on your tintype, honey.

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SIA IN NEED OF A PATCH. It's crisis time at Semiconductor Industry Association, which may spell the end of the six-year-old group. Most think its dues are excessive, and some think its viewpoint is too provincial.

Thus Mostek has resigned, and Schlumberger has determined that its cost-effectiveness is limited, which means that Fairchild will probably be the next defector. Since Fairch was the prime mover in the formation of SIA (in the heyday of Wilf Corrigan), this could be the mortal blow.

Originally an *ad hoc* committee to confront energy problems, the group was led into WEMA (now AEA) by Bob Noyce, and later led out of it into an independent organization by Corrigan (with an assist from Charlie Sporck). Under the management of Corrigan's hand-picked vassal, Tom Hinkelman, who had zero trade association experience, the group did little in its early years other than to attempt to assemble an annual sales forecast. Without the participation of Texas Instruments, by far the biggest factor in the business, this was a formidable task. The SIA forecasts have been far from accurate, but for a time were taken quite seriously by the financial community.

More recently the association shifted its attention to lobbying, under the direction of Fairchild's former government affairs director, Warren Davis. Lately there have been reports that Davis is due to replace Hinkelman. If so, he may end up as the undertaker.

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CLOSE CALL. I've been getting the needle from Inmos this week, after it got its much-needed second \$50 million from the British government, which I said 15 months ago "hasn't a prayer" of happening (MN, May 26 1979).

Well, I was right then--on no less an authority than minister of Industry Sir Keith Joseph--and I was right as recently as a few weeks ago, when Mostek president L. J. Sevin made a trip to Blighty in a last-ditch effort to buy the company.

That would have made an interesting juxtaposition, since Eljay and Inmos pres Dick Petritz were both founders of Mos, but you no longer invite this pair to the same parties.

Anyway, after two years, Dick is well into his first \$50M, and the boost from the British taxpayers will come in handy. Meanwhile the public waits with bated breath the arrival of the first parts bearing the Inmos logo.

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THE WELCOME MAT IS IN. Anybody hoping to build a new semiconductor facility in the Valley is going to have an uphill battle. If you think Synertek got a hazing in Santa Cruz County, catch these excerpts from the Proposed Land Use Policies of the Santa Clara County General Plan:

"BAYLANDS...Edges of the San Francisco Bay shall be preserved and restored as open space.

"HILLSIDE AREAS...Commercial, industrial or institutional uses may also be allowed which support recreation or the productive use or study of the natural resources...

"RANCHLANDS...commercial, industrial and institutional uses may also be allowed if they primarily support ranching activities..."

"RURAL RESIDENTIAL AREAS...Commercial, industrial and insitutional uses may be established only where they serve the needs of the resident population and result in a net overall reduction of travel demand.

"LOS GATOS WATERSHED...No new industrial uses shall be approved.

"SAN MARTIN...Industrial uses should be designated on the Plan only in locations where permits have been granted...New or significantly expanded industries should not be allowed on septic systems if they generate liquid industrial wastes, or generate greater amounts of sanitary waste than a single-family house...New industrial uses should be deferred until (1) a detailed plan can be provided specifying areas eligible for industrial development; (2) until provisions have been made for necessary governmental services."

In short, if you want to build in an unincorporated area, forget it. And if you want to build in a city, lots of luck.

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EGG ON VEST. I don't want to say I told you so, but Fairchild president Tom Roberts has now confirmed, with a few minor differences, the reorganization I reported some weeks ago (MN, June 21), after strongly denying it and thereby misleading other members of the trade press.

Mr. Roberts is described as a textbook manager, and unfortunately the book does not include a chapter on public relations. He may have to learn the hard way that it is very, very risky to try to bugger the Fourth Estate.

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POINT OF NO RETURN. Gordon Daggy, director of advertising and promotion at Fairchild, is departing for the Kasper Instruments subsidiary of Cutler-Hammer. Gordon, who was in, out and all over Fairch for a decade, under the aegis of the departed Fred Hoar, apparently exhausted the last of his nine lives.

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YOU KNEW IT ALL THE TIME. General Electric this week confirmed its new semiconductor facility in Research Triangle Park, (MN, March 15), prompting the governor to proclaim that "North Carolina intends to become the nation's second center for microelectronic research, development and production." Considering GE's track record in semiconductors and NC's available talent, that \$100 million opener may add up to a bucket of warm spit.



FLYING HIGH. Industry stocks in the Valley have been going crazy in the past seven weeks, far outpacing the composite indexes. Referring to June 20, while the Dow Jones Industrials closed yesterday (8) up less than 10 points, and the Standard & Poors less than eight, look at these price leaders:

National, from \$22.38 to \$35.00, up 56 per cent; Advanced Micro Devices, from \$35.13 to \$51.25, up 46 per cent; Intersil, from \$19.25 to \$27.63, up 44 per cent; and Intel, from \$65.25 to \$86.75, up 33 per cent.

Which all goes to show that the speculators have once again hopped onto the volatile semiconductor stocks for another round of yo-yo.

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REMINDER. Don't forget that every semiconductor company, as a generator of hazardous wastes, must file a report with the Environmental Protection Agency by a week from Monday (18), or face stiff penalties.

American Electronics Association counsel Scott Strickland has written a lengthy memo on the tricky aspects of making out the EPA form. If you are not a member of AEA, then beg, borrow or steal a copy of this report.

You might try Strickland himself at 95 So. Market, Suite 300; San Jose (Ca) 95113, phone 408-293-7203; or Dan Murphy at AEA, 2600 El Camino Real, Palo Alto (Ca) 94306, phone 415-857-9300.

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STRANGE AS IT SEEMS. Zenith has published a universal cross-reference guide to replacement semiconductors for consumer products. The guide lists more than 158,000 devices.

Available from Zenith Radio Corp., 1000 Milwaukee Ave., Glenview (Il) 60025, phone 312-391-8181.

Zenith Semiconductors????!!!

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IT'S GOTTA BE THIS OR THAT. TRW RF Semiconductors, long an exponent of the decentralized type of organization, is now studying the possibility of gluing some of the pieces back together again.

Heading the centralization study is Dan Newton, former operations manager. He is succeeded by Warren Gould, former CATV product line manager.

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PEOPLE. Lou Kish from Malaysia operations manager to wafer fab module manager at General Instrument Optoelectronics...John Archer from v.p.-g.m. at Rockwell Electronic Devices to group technology manager at Union Carbide Electronic Materials...George Sasaki from applications sales support engineer at Tektronix to western region senior sales engineer, and Dick Slusher from senior sales engineer at Computer Automation to southwestern region senior sales engineer, both at Microtest.

*Don L.*



# MANAGER'S CASEBOOK by Don C. Hoefler

CASE No. 559 SUBJECT: THE TUNNEL AT THE END OF THE LIGHT

## FREE ENTERPRISE By DON HOEFLER



"I've got top seniority on the company rowing team!"

B-132

THERE HE STOOD, Woodrow Wilson's vice president, presiding over the august United States Senate, and telling the venerable solons assembled that "What this country needs is a good five-cent cigar."

And here I sit, querulous columnist, in my cluttered cubbyhole with groaning IBM Selectric, 15-cent White Owl clenched in my teeth, and punching out, "What this country needs is a good 1930s-type depression."

Not one of those puny little postwar recessions that pop up with predictable regularity, but a real honest-to-god slambang go-to-hell down deep depression.

What leads me to this dolorous notion is the latest dolorous news out of Washington, from the Bureau of Labor Statistics.

I look over to Sunnyside, and see Jerry Sanders trying to bribe productivity with employee raffles, and loyalty with promises of womb-to-tomb security. And I smile.

I look over to Santa Clara, and see Charlie Sporck and his National Jockey Club, trying to buy *esprit de corps* with intramural athletics. And I laugh.

THEN I LEARN from the BLS that the nation's productivity has been dropping steadily, for six consecutive quarters, and indeed for most of the decade. And if I laugh, it is because I cannot cry.

It's enough to make you sigh for the bad old days, when there were no giveaways, no job security, no jockstrap fringe benefits, and no mollycoddling.

Just an honest day's work for an honest day's pay--if you could find work.

A job was a precious thing in those days, and anybody who had one worked his *tuches* off, just to put three square meals on the table. Some of them were not so square, but you could always find a 5-cent apple on any street corner. And go to a double-feature movie for a quarter--or less.

Production may have been down in the *merde*, but productivity was up in the paint cards. The "work ethic" hadn't been invented yet, but everybody damn well knew what it was.

Methinks the soft Spock generation has need to know what it missed.

Permissive parents that we all were, we toadied to the little darlings so as not to injure their fragile psyches. And now that they are mature adults, they come back to bust us in the chops.

(OVER)



THE LATEST PLUNGE IN A LONG TREND--a measure of the Gross National Product in terms of the employee-hours required to generate it--is the lowest ever, since the BLS began gathering the data in 1947; and it's the longest since the last recession. What's more, our showing has been the worst of any industrialized nation in the world.

This country has set a new world record for sloth. Get out the gold medals for us sterling performers.

But our economists toe-dance all around the simple fact that our populace is unmotivated and just plain lazy, that we have become a nation of goof-offs.

The real problem, they say, is the lack of sufficient capital to upgrade to more efficient factories.

And since productivity has been the traditional lever for wage increases when reopening a labor contract, they point out that compensation has not kept pace with inflation.

They even suggest that the BLS methods are out of date, because the economy is now more service-oriented and less product-oriented.

Bullschlitz. The simple fact is that nobody--repeat NOBODY--is functioning today at anywhere near his/her true capability. The whole country is coasting on one long siesta.

AND NOT ONLY has the quantity of output gone to hell in a handbasket--but so has the quality. Forget parochialism. Forget chauvinism. Forget jingoism. Just remember with humiliation that the traditional pride of craftsmanship, of a job well done, willed to most of us by our European ancestors, has faded into the history books and retreated into the Black Forest.

The Japanese are now taking our pants down with our own technology--not with dumping as they did with TV, hi-fi and cameras--but simply by *doing a better job at the same price*. And we let it happen. Made it happen.

This can't be blamed entirely on a generation of permissiveness, however. Workers follow the examples of their superiors, just as children follow the precepts of their elders. And we've all been acting like a bunch of sedulous apes.

Anybody who has been around the Valley for a while remembers well when Fairchild would knowingly ship bad parts--rejects and even empty packages. Charlie Sporck and Tom Bay played this flummoxing game for years while saintly Bob Noyce looked the other way--followed by Jay Farley's song and dance to reassure the befuddled customer. Wilf Corrigan was running a similar grift at Motorola, which hardly raised an eyebrow.

If this was standard operating practice, how could the workers be blamed?

So we have a real problem, but perhaps there is an alternative to another depression.

Let inflation drive the value of the dollar to zero, and let productivity follow its natural trend line to zero. Then everybody will get oddles of worthless money for doing nothing.

Of course, anybody who doesn't plant a prosperity garden will starve to death, and that will also take care of the population explosion.

*Don C. Hoefler's*



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SILICON VALLEY  
AUGUST 16 1980

## THE AMDSCAM FLIMFLAM

### A Story AMD Wants to Forget

*Good Friends*

A MATTER OF DEGREE. Around Advanced Micro Devices this week, they were referring to the ousted Taki Oshima (MN, Aug. 9) as "Mr. Shenanigans," which "The Dictionary of American Slang" defines as "tricks, pranks, nonsense; petty cheating or deception."

But a close observer expressed it more succinctly: "If you steal parts for nothing, that's criminal. If you take a part that's worth a dollar and sell it to yourself for a dime, that's white-collar crime. But it's still stealing as far as I'm concerned, and I think one is as guilty as the other."

That rather well describes the latest *modus operandi* of the fast-talking, deal-a-minute Oshima, a guy who has been working the angles for as long as he has been in this industry.

His most recent grift was to set up a sideline company, make it an unappointed distributor of his own employer's products, jigger delivery schedules of scarce parts to favor his dummy company, sell those products to his company at exceedingly favorable prices, and then resell them at very high markup into the gray market overseas.

To make the scheme work, he needed the help of others. He gave a share of his sideline company to marketing-sales v.p. Terry Jones. Mr. Jones is now on terminal leave, replaced by Steve Zelencik. Also enmeshed in the scheme--perhaps innocently--was Huromi Yoshida, area sales manager in Japan, who has been succeeded by Dan Barrett, formerly Fairchild's No. 2 man in Japan. This is regrettable, for Yoshida, who earlier sold for Fairchild and National, is considered a true heavyweight in Japan. Barrett is not.

When the caper was discovered, and cut off by the dumping of Jones, Oshima and Yoshida, it started a long round of musical chairs. Replacing Oshima is Jerry Lynch, of the headquarters marketing staff.

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ALSO PROMOTED. Lynch's new title is director of marketing for the Pacific area. Replacing Zelencik as North American sales manager (without v.p. stripes) is Jim Miller, a four-year AMD veteran who was director of major accounts.

Coming in for Miller is Russ Almand, an eight-year termer who most recently was southwest area manager in Los Angeles. Replacing him is Bill Caparelli, who for four years has been one of the regional managers in L.A.

A new title, director of special programs, concerned primarily with the marketing of the Z-8000 microprocessor, goes to Dan McCranie, former mid-America area manager (a title cooked up by pres Jerry Sanders, a Chicago native). Replacing McCranie in Chicagoland is Brian Currie, also a former regional manager in Los Angeles.

All of these guys, and all the rest of the AMD marketeers, will be whispering about the latest caper of the notorious Oshima, at the AMD annual sales meeting—beginning in Hawaii tomorrow (17), but not in the presence of Sanders. For Jerry finds the whole matter disgraceful and distasteful, and he would be very happy to forget it.

The week-long dog-and-pony show will be stage-managed by Art Heller, former ad manager at Signetics and Fairchild, who was hired for the occasion by AMD communications manager Elliott Sopkin. Although these meetings are supposed to afford the peddlers a certain amount of R&R, there are working sessions scheduled each day from 8:30 AM to 3:30 PM, except 8-1 on Wednesday. There are also two obligatory dinners and two lunches. The workbook is 3 in. thick, and every attendee will do a stint at the podium.

So there won't be much time to gossip about the absent Oshima anyway.

But there is already some black (or yellow, at least) humor afoot, with members of the Japanese contingent saying it's the first time they'll be seeing Pearl Harbor from the ground.

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TRADEOFF. Bill Hennigan, distributor sales manager at Zilog under national sales manager Bob Skinner, has bagged it, heading for Phoenix to sell subsystems at Motorola.

Skinner retaliated by picking up Hank Steenbeke from Motorola, to replace Bill. Hank had previously worked for Bob at Fairchild, but wags are saying that in the trade Bob should also get two draft choices from the crop of 1981 graduates.

But I doubt if Bob will be around that long. I hear he is *mucho infeliz*.

And word persists that Manny Fernandez is not long for this world either as parent Exxon runs out of patience with Zil's sluggish performance.

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HEAD MAN. Coming in as president of Litronix after Labor Day will be Dr. Werner Rech, now managing director of Heimann, a miniature lamp subsidiary of Siemens. Rech is the first true president the company has had since 1977, when Siemens ousted founder Bruce Blakkan. The place has since been run by a series of regents, the most recent of whom, Bill Chapman, remains as executive v.p.

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SIA IN NEED OF A PATCH (CONT'D). Semiconductor Industry Association, whose annual sales forecasts have been hardly more than guesstimates, lacking the vital Texas Instruments sales numbers, has tried to make up for the lack by extrapolating the sales of semiconductor-grade silicon. But now one of the biggest Si suppliers, Wacker Chemical, is dropping out of the silicon materials reporting group of SIA, charging bad faith on the part of Japanese suppliers.

So the future SIA figures will be more flights of fancy than ever.

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TIE A YELLOW RIBBON. Texas Instruments has gone commercial with the leadless ceramic chip carrier it developed for the Air Force two years ago, bowing the package with low-power Schottky, with other digitals, linears and memories soon to follow.

Two versions are presently available: 0.35 in. square with 20 contacts, and 0.45 in. square with 28 contacts. Both are 0.1 in. thick. Upcoming are 44-, 68- and 84-contact packages.

The LCCCs occupy 84 per cent less space and gross 92 per cent less weight, yet have thermal properties similar to a standard DIP, TI says. Because of the significant reduction in size, lead inductance and resistance is lower, and signal paths are much shorter, improving high-frequency and high-speed switching performance.

TI expects the LCCC to become the standard VLSI package.

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FLYING HIGH (CONT'D). Since the stock market zoomed to a three-and-one-half-year peak yesterday (15), let's take a look at how some of the semi issues have fared since the beginning of the year.

Western Digital was by far the biggest gainer, being up 163 per cent. National was up 56 per cent, Advanced Micro Devices 43 per cent, Texas Instruments 38 per cent, Intel 33 per cent, Motorola 16 per cent, American Microsystems 14 per cent, and Intersil less than 10 per cent.

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IT'S ONLY MONEY. Intel's offering of convertible debentures got the full Thursday (14), for a gross of \$150 million. Bearing a 7 per cent coupon rate, the obligations are due August 15 2005, when most of the present officers will be retirees. At that time they will be convertible into common shares at \$121 per, a mere 35 per cent premium over yesterday's price.

You wanna bet how many times Intel will split before then?

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WHAT, NO REBATE? UTI is having a half-price sale on its resinoid dicing saw blades from now until December 19. Only six to a customer, though, in quantities of two, four or six, in pairs of the same size.

To get in on this cutting deal, get on the horn to Rollie De Angelo, at 800-227-1617, in California 800-772-3545.

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MORE LIKE IT. While productivity and industrial output in the U.S. have been steadily dropping ("Manager's Casebook" No. 559), the semiconductor industry has been bucking the trend for at least the past four years, according to the latest update of an industry manufacturing model developed by Dataquest in 1975.

The author of the study, Howard Bogert, says the industry has made "major improvements" in productivity, largely because of new techniques and processes, including plasma resist stripping, projection printing, automated photoresist processing, low-pressure chemical vapor deposition, sputtered Al-Si metallizations and ion implantation.

The 130-page report is available from Dataquest (at \$2000 for a single copy, \$495 for additional ones), at 19055 Pruneridge Ave., Cupertino (Ca) 95014, phone 408-725-1200.

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UPCOMING MEETINGS OF INTEREST. SEMICON EAST, Hynes Auditorium, Boston, September 23-25. Semiconductor Equipment and Materials Institute, Mountain View (Ca) 94043, 415-964-5111.

EMPLOYMENT RELATIONS, A SURVIVAL KIT, Jack Tar Hotel, San Francisco, September 29-30. California Business Law Institute, Box 3727, Santa Monica (Ca), 213-450-0500.

COMPENSATION AND BENEFITS--PUTTING THE PACKAGE TOGETHER, Jack Tar Hotel, San Francisco, October 1-2. California Business Law Institute, Box 3727, Santa Monica (Ca) 90403, 213-450-0500.

INTERNATIONAL ELECTRICAL, ELECTRONICS CONFERENCE AND EXPOSITION, Exhibition Palace, Toronto, October 5-7. Canadian Region IEEE, 1450 Don Mills Rd., Don Mills, Ontario, Canada M3B 2X7, 416-445-6641.

ASSERTIVE MANAGEMENT: HOW TO SUPERVISE AND SURVIVE, Pasadena, October 6-8. California Institute of Technology Industrial Relations Center I-90, 383 So. Hill Ave., Pasadena (Ca) 91125, 213-795-6811 or 714-750-7084.

EIA INDUSTRIAL PARTS MARKETING COMMITTEE, "DISTRIBUTION TRENDS IN THE '80s," Century Plaza Hotel, Los Angeles, October 8. Electronic Industries Association, 2001 I St. NW, Washington (DC) 20006, 202-457-4981.

ISHM SYMPOSIUM, "INTRODUCTION TO HYBRID TECHNOLOGY," Hilton Hotel, New York, October 21. International Society for Hybrid Microelectronics, Box 3255, Montgomery (Al) 36109, 205-272-3191.

SEMICONDUCTOR INDUSTRY CONFERENCE, Conference Center, Scottsdale (Az), October 22-24. Dataquest, 19055 Pruneridge Ave., Cupertino (Ca) 95014, 408-725-1200.

SYMPOSIUM ON PLATING ON DIFFICULT-TO-PLATE METALS, Hyatt Regency Hotel, New Orleans, October 30-31. American Electroplaters Society, 1201 Louisiana Ave., Winter Park (Fl), 305-647-1197.

NEPCON 1981, Convention Center, Anaheim (Ca), February 24-26 1981. Industrial and Scientific Conference Management, 222 W. Adams St., Chicago (Il), 312-263-4866.

SEMICONDUCTOR AND PERSONAL COMPUTER FORUM, Lake Geneva (Wl), May 11-15 1981. Rosen Research, 1251 Ave. of the Americas, New York (NY) 10020, 212-586-3530.

*Don C.*



Case No. 950 SUBJECT: CLIMBING THE ZIGZAG LADDER



"I job-jumped to get ahead, but now I can't get it screwed on."

EMPLOYER-EMPLOYEE LOYALTIES have been unknown quantities since silicon first came to Santa Clara Valley in 1955. The first company--Shockley Transistor--was a spinout of Bell Telephone Laboratories.

Only two and one-half years later, eight Shockley employees spun out to form Fairchild.

Two years after that, twenty Fairchild employees, including the president, spun out to form Rchem (now Raychem) Semiconductor.

After another two years, four of the Fairchild founders spun out to form Amelco (Teledyne), and another four Fairchild employees spun out to form Signetics.

Today there are some 25 semiconductor device companies in Silicon Valley, depending on how you define your terms. Not one of them is an example of the Horatio Alger credo of starting with a single company as office boy, and retiring as its president.

JOB-HOPPING has been a way of life in the Valley since "the traitorous eight" began the parade in 1955. Of the two dozen or so companies begun since that time, only five--Advanced Micro Devices, Micro Power Systems,

Siliconix, Supertex and Synertek--still have their original chief executive officers.

Only four companies--Fairchild, Intel, Precision Monolithics and Signetics--have CEOs who might be termed career managers. And three of the four managers got their start as engineers.

Only one company--Fairchild--has a CEO who has spent most of his working life with one company, and he not with Fairchild, but with parent Schlumberger.

THE SEMICONDUCTOR INDUSTRY is unique in many ways, no more so than in its development of managers, and their propensity to job-hop. Except that job-hopping is no longer an exclusive property of semiconductors. The old-line companies, who only a few years ago thought we were the flakiest of the flakes, are now adopting our wicked, wicked ways.

Staple producers in such staid businesses as chemicals, food processors, rails, oils and paper mills, are hiring presidents who, if they came up through the ranks, it was someone else's ranks.

Take the case of Ed Hennessy, chairman and CEO of \$4.3 billion Allied Chemical. Starting as a bean counter for Price Waterhouse, he has successively held industry posts--mostly financial--at Textron, Lear Siegler, IIT, Colgate-Palmolive, Heublein and United Technologies.

(OVER)



THE NEW PRESIDENT of CBS, Tom Wyman, hardly knows a video camera from an LP record, his career path having swung from Polaroid to Green Giant to Pillsbury. His primary job, however, will be catering to the increasingly emotional crotchets of founder-chairman Bill Paley, scion of the La Palina cigar fortune. Mr. Paley likes yes-men who retire at age 65, while he does neither. For Mr. Wyman to become CEO of CBS will require Mr. Paley either stepping down or being carried out.

The new CEO of Burlington Northern, Dick Brossler, got there by way of General Electric, American Airlines and Atlantic Richfield.

Morgan Hunter took over Scott Paper after stopovers at R. J. Reynolds, American Cyanamid, Procter & Gamble and General Electric.

NOT ALL RETREADS are successful, however. Remember the strange case of Jane Pfeiffer, moving from IBM to the chairmanship of NBC, where she reported to the president ("Manager's Casebook" No. 497). This oblique relationship was doomed from the first day, and sure enough, Janie is no longer. (The survivor, pres Freddie Silverman, who came to NBC via ABC and CBS, may not be long for this world either.)

And then there was Maury Valente, pulled out of IIT to replace an RCA president who was absent-minded: he failed to file federal tax returns. Valente also went out the tubes in six months.

Not that this industry is immune to the syndrome. Companies where imported managements have failed (or at least have not yet succeeded) include Fairchild, Signetics, American Microsystems, Qualidyne, Nitron, Electronic Arrays, Standard Microsystems and Maruman.

There have also been some dramatic turnarounds, however, with imported managers: National, Signetics, Intersil, Precision Monolithics and Western Digital.

A MAJOR DISTINCTION between the job-hopping managers in semiconductors and in other industries is that our people are specialists while the others are generalists. Which begs the question of whether the notion that "a manager is a manager" is any more valid than the idea that "a plumber is a plumber" ("Manager's Casebook" No. 558).

Of course any head of a manufacturing company today must be a keen strategist in moving products in and out of markets, of welding people into an organization, of maintaining communications pipelines, and of understanding financial reports. And this industry has a few who fill the bill completely. But is that enough?

The current issue of the Harvard Business Review describes the generalist manager as one "having no special expertise in any particular industry or technology, who nevertheless can step into an unfamiliar company and run it successfully through strict application of financial controls, portfolio concepts and a market-driven strategy."

Several such guys have drifted into semiconductors from time to time, and not one has lasted. These are usually financial types, who don't recognize marketing opportunities or pitfalls, who are chary about investing in R&D, who know little of strategy, and who take forever to make a decision.

These good gray fellows may someday take over this industry, but by then you and I will have long since turned our attentions elsewhere.

*Doc C. Pfeiffer's*



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SILICON VALLEY  
AUGUST 23 1980

## ROCKWELL SPAWNS REPPERY

### Dwyer and Co. Snag Commodore, Oki

*Good Friend*

WHAT A DIFFERENCE A WEEK MAKES. A week ago Monday (11), Rockwell announced through a press release that Bob Dwyer had moved from worldwide marketing director in its Microelectronic Devices organization to the same title in the Electronic Devices division. On Friday (15), he quit. On Monday of this week (18), he was busy with a former subordinate, Ken Munsterman, setting up a new rep organization, Southern California Semi-Conductor Sales Company (SC)<sup>3</sup>. (The hyphen is their literary license, not my style.)

By last evening (22), the pair had locked up their first two principals, Commodore (lost by D'Angelo and Rothman) and Oki (lost by Orion).

By sometime next week, (SC)<sup>3</sup> will be a four-way partnership, all EEs, with two players yet to be named. The two additions are relatively new arrivals in Lotusland, with one to cover the west Los Angeles territory, and the other to open an office in the San Fernando Valley and cover northward to Santa Barbara. Neither is now with Rockwell.

Prime mover in the deal was Munsterman, who left Rockwell two months ago after having worked under Dwyer as national sales manager. He had been working on Bob to join the partnership ever since, while at the same time negotiating with Commodore western regional manager Howie Sharek and southwest area manager Bill Richmond, recently arrived from Precision Monolithics. Richmond had earlier been at EMM-Semi, national sales manager at Western Digital, and computer marketing manager at Fairchild.

Munsterman, who also has an MBA degree, before Rockwell was an area manager at Mostek, and before that a product marketing manager at Texas Instruments.

Dwyer had previously been director of MOS marketing at Fairchild, and before that held a similar title at Signetics. His first official act was to pitch his former Siggie compatriot, Jerry Crowley, now president of Oki.

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(Continued  
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• PLEASANT SURPRISE. As of mid-afternoon yesterday (22), Dwyer was still unaware that his pitch had succeeded, that Oki had decided to go with (SC)<sup>3</sup> as soon as it could disentangle itself from Orion, and he may first be learning the good news as he reads it here.

Oki products are all CMOS, mainly watch chips and memory, with a calendar-clock which delivers hard copy upcoming, along with other CMOS further back in the pipelines.

For Commodore, (SC)<sup>3</sup> will be handling both MOS Technology and Frontier lines, as well as opto products from Micro Display Systems.

GOOD PROGNOSIS. With strong technology know-how, (SC)<sup>3</sup> should do well in the Santa Barbara-San Diego orbit, where most existing reps are very big in electromechanicals, with founders from such esoteric areas as purchasing or QA. Very few could do a technical design-in.

As a result, most Valley companies have given the territory short shrift, even though the MOS market there is equal to or greater than Northern California. But the product mix is different, leaning more toward peripherals, ROMs and microcomputers, rather than RAMs and microprocessors as in the North.

DON'T LOOK BACK. The Rockwell defectors are reluctant to discuss their reasons for leaving which would cast aspersions on their former employer. But between the lines a fairly clear picture emerges.

The biggest problem appears to be sheer frustration. Rockwell seems to be a pig-headed company where nobody listens. When creativity is stifled, it must find an outlet elsewhere.

Next, being a systems house primarily, the company lacks the ability to understand the semiconductor marketplace. Its take-it-or-leave-it attitude does not fly too well in an intensely competitive environment.

Finally, the factory still needs fine tuning. Its ability to translate prototype to production still leaves much to be desired. Product therefore is not exactly gushing out of the ends of the assembly lines.

MEANWHILE, BACK AT THE RANCHES. With the rep appointment in Los Angeles, and Phoenix and Washington-Oregon soon to be signed, the only territory Sharek has remaining is Denver. And with regional managers in place on both coasts, and a marketing director at MOST, the only major billet left is the midwest region (Chicago or Dallas).

As for (SC)<sup>3</sup>, they are still open for additional lines. The firm is temporarily operating out of Munsterman's home, where they can be reached at 714-974-7758.

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PIRACY ON THE HIGH DESERT. Intel is housecleaning at Motorola, cherry-picking almost at will the key people it wants to staff its Arizona plants. Major targets are designers, process engineers and computer programmers.

Not only do the defectors like Intel's impeccable reputation and the better bucks, but the one thing Moto cannot match: stock options.

The glory days of Mr. Moto operating the only game in town are over, finished, dundee.

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A PIECE OF TALE. It's more of the same story at Intersil. Troops continue to be uneasy, morale is somewhere down in the noise level, and the résumés are again floating in the smoggy Valley air.

The reasons remain the same: the roughshod manners of senior v.p. Jack Gifford, and the seeming vacillation of pres Ori Hoch. Between the two, the underlying tiers of management are going bananas.

(Speaking of which, remind me one of these days to tell you about the X-rated contest erected by Captain Jack some years ago in Las Vegas, to motivate the forward thrust of the Fairchild linear troops, all in line. It was a co-educational pro-am event, the world's first oral competition in which not a speech was spouted.)

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MORE THAN MEETS THE EYE. The noise level at National is suspiciously low these days, like the lull before the storm. People are keeping a low profile and talking only in mutters, entirely out of character for this cage-rattling, slambang, go-to-hell, fugyu house.

But there are restless rumblings in the bushes, nonetheless. For example, a key heavyweight, who claims primary responsibility for getting the company into the add-in memory business, has registered his résumé with a talent agent in Phoenix.

Salary negotiable, references available on request.

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SIA IN NEED OF A PATCH (CONT'D). The Semiconductor Industry Association's flailing disarray (MN, Aug. 9, 16) is now clearly evident, to the distress of the shrinking membership, some of whom are now saying openly that executive director Tom Hinkelman must go if the organization is to regroup and survive.

One of the original Hogan's Heroes in the Fairchild fiasco, and the hand-picked lackey of Hero Wilf Corrigan when the latter pulled SIA out of WEMA, Tommy seems to have outlasted his usefulness. Certainly he can no longer do any good for Corrigan.

But the industry absolutely must have its own trade association, even if Texas Instruments does continue to sulk on the sidelines. So the time has come for Hinkelman to bow out gracefully, while at least a skeleton still remains.

Meanwhile Tom doggedly publicizes SIA's increasingly dubious guesstimates of industry shipments and bookings. He said this week that shipments rose 9 per cent in the second quarter, to \$2.17 billion, while book-to-bill fell below unity. The association says U.S. shipments for the year should come in at \$8-8.2 billion, up 20 per cent over 1979.

So book-to-bill had already fallen to less than 1 by the second quarter, and yet shipments will be one-fifth greater for the year. Can you believe that?

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SAY SOMETHING NICE, DAMMIT. Well, okay. Things finally seem to be looking up at American Microsystems, since pres Glenn Penisten has refocussed on the custom marketplace, the company's true forté. Stability--if not tranquility--are returning, recruiting has suddenly become much easier, and you can even see an occasional smile around the place.



GOOD NEWS, BAD NEWS. It was an uphill battle for Motorola, trying an MOS startup deep in the barren heart of Austin (Tx), coupled with inept initial management, but with the arrival of Jim Fiebiger, the place has been fine-tuned into the star of Mr. Moto's semiconductor operations.

The factory is ready to roar as soon as business picks up again after the summer doldrums--or whenever.

On the other hand, according to a recent report from International Resource Development, "Motorola may need help to sustain its semiconductor technology... it may have to make use of acquisitions and joint technology agreements in addition to its in-house R&D programs."

Since Mr. Moto has a long-standing reputation for exploiting every innovator in the industry, maybe it's time for him to formalize his lifestyle.

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MORE OF THE SAME. Economic signals continue mixed in the industry. Equipment and materials suppliers are being made nervous by stretch-outs and cancellations of orders. And everybody is waiting for the computer market to turn back on, while chewing fingernails over the uncertainty of the automotive market.

Still, there are some bright patches. Several companies this week have seen upturns in bookings from OEM customers, for September-October delivery.

If this signals the end of the summer drought, we are in fat city. If not...

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AGGIE HEIST. Fairchild was nicked for more than \$12,000 in silver early Wednesday (20), after an armed robber conned a gullible a guard. The hood's target was the precious metals storage area, but he had to settle for about 50 pounds of anode balls on the floor.

He got in by diverting the guard with a request for the night supervisor, then capturing both the guard and his boss, and handcuffing them to fixtures in the men's john. All in all, not a good night for top cop Roger Barney.

And when will the industry ever admit to itself that hiring dummies to maintain security is just asking for it?

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MOVING DAY. After years and years on Camelback Road, Integrated Circuit Engineering moves its headquarters to 15022 No. 75th St., Scottsdale (Az) 85260, effective October 1. New phone 602-949-5799.

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QUOTABLE QUOTE. From Mark Twain (1869): "The heaven-born mission of journalism is to disseminate truth; to eradicate error; to educate, refine, and elevate the tone of public morals and manners, and make all men more gentle, more virtuous, more charitable, and in all ways better, and holier, and happier...".

And don't you forget it!

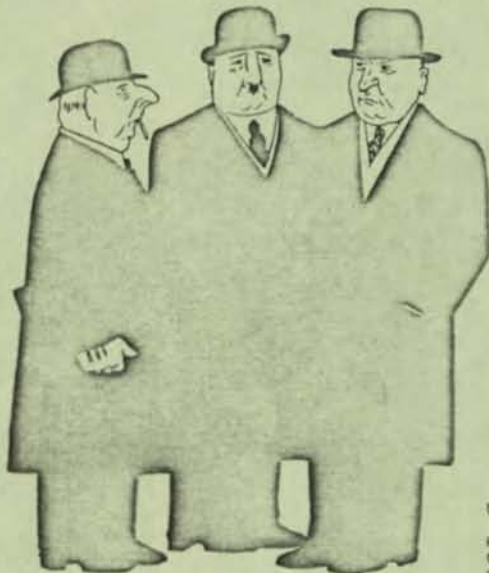
Don C,



# MANAGER'S CASEBOOK by Don C. Hoefler

CASE No. 561 SUBJECT: WHAT TO DO 'TIL RECOVERY COMES

## FREE ENTERPRISE By DON HOEFLER



"We've always had work-sharing  
on the Executive Committee."

THE SEMICONDUCTOR INDUSTRY has always prided itself on its short response times, to market shifts, to economic swings --and sometimes even to customer demand.

Old-line, heavy-laden companies who have tried to muscle in on the business, have learned the hard way that this is the only way to operate in this thin-margin industry. Trying to operate traditionally, these puffing powerhouses have taken some perturbatious pratfalls on their padded posteriors, because of their propensity to ponder problems and premeditate purposes with all the propitious pace of a pregnant pachyderm.

Nowhere has the industry been more responsive to the winds of change than in maintaining a flexible work force. Hiring and firing (well, laying off) is a full time activity. Thus job security has been a chimera, and therefore all workers and many professionals have had to keep bags packed and a sockful of mad money.

So when Jerry Sanders announced recently the institution of a womb-to-tomb jobs-security policy at Advanced Micro Devices, a large titter or two cleaved through an assemblage of his peers.

Good ol' Jer, highgrading and blueskying again. Asparagus and snake oil from OPEC. Good ol'

Jer, always the life of the party.

WELL, WHY NOT, GODDAMMIT? What's wrong with making an honest and earnest effort to maintain a stable and loyal work force? Never mind the humanitarian aspects and the social benefits. When did you last take a hard look at the substantial gouge taken out of your bottom line by the incessant turnover of personnel? I daresay the U.S. semiconductor industry has the largest industrial relations establishment per capita of any major business in the country.

So now, in this economic calm, when things are relatively stable and there is not yet any panic, this might be a good time to consider the alternatives to layoff. Some are obvious, but some you may not have thought of.

**ELIMINATE OVERTIME.** Lay down this rule and make it stick. The savings leverage is obvious, but unless you're tough about it, supervisors will still sneak it in on you, even in the leanest of times.

**SHARE THE WORKLOAD.** Cut up the workload and divide it equally among the entire force. This means a cut in wages and hours for everybody in equal proportion, but it beats standing in the soup line.

**CAUTION:** You must take this step unilaterally and firmly, and not subject it to a referendum. Take a vote, and your senior people will throw the juniors to the wolves every time.

(OVER)



If a 20 per cent cut in payroll will see you through a soft period, go on a four-day week, with the third day off rotated through the week. If you need 33-1/3 per cent cut, have employees take every third week off, on a staggered schedule. If you have to slash to 50 per cent, work two-on, two-off.

In California, schedules like these entitle your workers to partial unemployment benefits for as much as 20 weeks, which can maintain their gross at as much as 90 per cent of the pre-cutback level. You can even have the claims processed on company premises, benefitting the company, the employee and the state. You pay into the fund. Take advantage of it.

**REPLACE OVERTIME WITH PART-TIME.** If you must work round-the-clock, seven days a week, cut the 48-hour week-end into two 12-hour shifts each day. Even if you go to the extreme of paying 36 hours pay for 24 hours work, time-and-a-half is cheaper than double time. It also reduces absenteeism and injuries.

**CLEAN UP, FIX UP, PAINT UP.** Everybody lets routine maintenance, especially the cosmetic kind, slide until time permits. Well, now it's an idea whose time has come. There will never be a better time than now.

**CUT ACROSS THE BOARD.** If the problem is production coupled with cash flow, then you just must ask all of your employees to bite the bullet and accept less pay for the same amount of work. If they have a union contract, your chances are slim, but anything is worth a try.

**A LENDER BE.** If things really droop for you, chances are the guy next door is going through the same thing, but there's always the possibility that you can job-shop some of your surplus people to another employer--even if it's a competitor. This will not only polish your good-guy image, but will also save you money with the unemployment office.

The point is that the employee stays on your payroll, and his pay from the other company is funnelled through you, while you invoice the borrowing company for wages and benefits. You may even want to absorb some of the payroll cost yourself, or on the other hand you may want to add a markup, just like a job shop.

The temporary lend-lease job need not be a perfect hand-in-glove fit. This arrangement is used widely in Germany, and the transfers are not only often between different industries, but between different skill levels.

**ACCELERATE ATTRITION.** If you have any employees who are contemplating a change in status, goose them a little. Get them to take an early retirement. Or take that unpaid leave of absence now instead of next year. Even take that paid vacation ahead of schedule, now while things are slack and they won't be missed.

**IF ALL ELSE FAILS,** and you must lay off, please do it gently. There is nothing in this world as demoralizing, debilitating and humiliating for the family breadwinner as unemployment. But protect yourself too, by stepping up security before announcing the layoff.

When happy days are here again, hire back the same people, even other companies' layoffs. You can save yourself a bundle on unemployment and Social Security taxes this way.

Say, maybe ol' Peerless Ego has got something here after all.

*Don C. Hoefler's*



**MICROELECTRONICS NEWS**

*with Manager's Casebook*



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*with Manager's Casebook*



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SILICON VALLEY  
AUGUST 30 1980

## THE R&D TAX SHELTER

### A Game Where Everybody Wins

*Good Friend—*

**FOUR WAY PARLEY.** A new financial game in which R&D funds are obtained at low cost and low risk, while the investor gets high return at capital-gains tax rates, is getting increasing use in the Valley.

Its first use in semiconductors was probably that of Western Digital (MN, Oct. 13 1979), which has now cut three such deals. Solfan Systems in Mountain View has done two, and it is being studied closely by Memorex and Verbatim, as well as several Valley semiconductor companies.

The transaction involves three parties, although the three may be overlapping or even virtually identical. The three are an investment partnership, an R&D firm, and a manufacturing company.

Say the partnership comprises 10 individuals who put up \$50,000 each, for an original kitty of \$500,000. After commissions and other costs, perhaps \$465,000 goes to the R&D company to develop new product on behalf of the partnership. The partnership gets in return patents and patent rights valued at the same figure, \$465,000. The partnership then turns around and sells those patents to the manufacturing company, in return for a royalty on sales as they occur.

**FOR THE INVESTOR.** The payment made by the investor is tax-deductible, so he can write off as much as 85-90 per cent of it. Yet the proceeds coming back from the royalties are taxed as long-term capital gains.

Consider the case of one of these \$50,000 (pretax) investors. If he is in the 55 per cent bracket, he gets \$26,000 in tax benefits, so his net investment is actually \$24,000. What's more, when his full \$50,000 comes back, it is taxed as capital gains, so he gets to keep \$40,000 of it. Thus what appears to be \$50,000 on \$50,000 is actually \$40,000 on \$24,000.

But that's not all. It gets even better.

*(Continued Overleaf)*

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THE R.O.I IS A JOY. But don't look on this scheme as merely a way to launder your money so that less of it finds its way into the sticky fingers of the taxman, because the return to investors in these deals has been rather spectacular. Typically the after-tax R.O.I. is around 45 per cent annually. Before the deal has run its course, the investor will have run up his original investment four or five times over, which after taxes comes out to about seven times.

It is important to note that the R&D lab need not reinvent the wheel or find a replacement for the integrated circuit. The trick is to make merely a low-technology advance which is patentable. Essentially, take an existing plain-vanilla product and hang some bells and whistles on it.

The plan is ideal for established companies in the \$10-\$40 million range, companies which are up and running, with established product lines, a production capability, and distribution in place. For such companies this is an great way to obtain second-stage financing without giving up stock and diluting equity.

Say the company is grossing \$10 million, of which \$1 million is plowed back into R&D, and \$1 million remains as profit. But now, instead of funding its R&D out of past sales, it receives it as miscellaneous income from the partnership. Thus the company in effect gets an additional \$2 million income below the line this year, with a liability for royalties to come out of future sales.

Since this pushes off the R&D expense into the future, when it is offset by the sales which the R&D produces, it makes for a much healthier-appearing balance sheet. And since the size of the payback varies directly with the amount of sales, this means of financing is much less risky than having to meet loan payments, fixed in time and in amount.

The R&D and manufacturing functions need not be separate entities, and key people in the company can also be general partners. This makes an ideal way to reward exceptional producers, especially if the company is not public, and stock options are meaningless. (It is essential in fact that partners not also be stockholders in the manufacturing company.)

But while profit-sharing and retirement plans must apply to all employees of a class equally, the company can reward star employees under this plan discriminately, as management sees fit.

This scheme is not a junky scam such as the long-defunct Pacific Coast Farms and its Silicon Valley Ranch, in which many Valley dignitaries took a bath (MN, Dec. 21 1974). Locally, the R&D tax shelter has already been declared legal by the Palo Alto law firm of Wilcon & Sonsini, and an affirmative tax opinion has been written by Coopers & Lybrand.

A guy who probably knows as much as anybody about this kind of sheltering is Nick Feakins, a triple-threat (attorney, CPA and ex-IRS agent) who heads Prototype Funding Corp. Nick can be reached at 628 W. Poplar St., San Mateo (Ca) 94402. Phone 415-344-3397.

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NEW ERA. American Microsystems, which unsuccessfully tried to shoot down Synertek during the latter's swaddling days, has entered a second-source agreement in which the two companies swap masks and tooling for Syn's SY6551 UART asynchronous communication interface adapter and AMI's S68045 CRT controller.

I guess that means the two companies have kissed and made up. Nice.



EATING CROW, FEATHERS AND ALL. National, which has been proclaiming in double-truck ads to the hi-rel marketplace--in typically suave take-it-or-leave-it Natty fashion--that the day of the custom mil/aero part is over, has lately been quietly backing off its high horse, hoping none would notice.

Many of the sabre-rattling ads were signed by Gus Pfaehler, director of military/aerospace marketing and major programs, who is now ingesting his words.

There were some titanic struggles after Nat threw down the gauntlet, but this time the bull-of-the-woods discovered many major customers would leave it, not take it. So Natty could see close to a third of its hi-rel market flying off into the wild blue yonder.

This would never do for Pfaehler, who hopes to create an empire in Tucson, over which he will preside with flashing neon v.p. stripes.

The result is that at least four major customers have been told that they will be the one and only exception to the standard-parts ukase. The same story has been told to Hughes Aircraft, Boeing, General Electric and TRW (two locations).

Look for a new ad schedule to change the subject abruptly.

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DEEP IN THE HEART OF TEXAS. Advanced Micro Devices, which had the first 10 of its annual meetings of shareholders at its Sunnyvale headquarters, is going astray this year to its MOS quadrangle in Austin.

The meeting will be held a week from Tuesday (9).

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MORE THAN A BUCK WELL SPENT ON A SPRINGMAID SHEET. To sustain its present growth rate, the industry is looking at some rather staggering numbers for the five-year near term.

Earl Rogers, president of Precision Monolithics, said at an Integrated Circuit Engineering meeting in Palo Alto (Ca) this week. Extrapolating from return on assets, Earl pointed out that Intel must crank in another \$200 million into its five-year plan.

As for the U.S. semiconductor industry as a whole, a growth rate of 20 per cent per year will require an outside infusion of \$2.5 billion, and for 30 per cent there will be a need for \$6.5 billion.

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STIFF UPPER LIP. Although Earl Rogers didn't mention it at the ICE meeting on Tuesday (26), he was stunned that day by the resignation of sales-marketing v.p. Glenn Satterthwaite. Glenn is going to the bankrupt Granger Associates, to help turn it around and thereby make his fortune, it says here.

As long as Granger has been in the sauce, that's going to be a job and a half.

Since Glenn's departure was so unexpected, Earl is still mulling his options and has not yet made a decision about replacement. He may promote from within. He may recruit from outside. Or he may split sales and marketing, creating two jobs where there was one before. No decision is expected much before Glenn leaves, at the end of September.

Definitely open is the job of northwest regional manager, replacing Bob Debowey.



IT AIN't ALL BAD. While Precision Monolithics may be suffering from some temporary manpower shortages, it is very healthy from pres Earl Rogers' decision to enter the custom wafer fab business. That little sideline is running just eight times forecast.

Looks like there must be a lot more custom biz out there than anybody imagined.

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SOOTHING WORDS, BUT DON'T BE LULLED. Also at the ICE meeting, v.p. Mel Ecklund pointed out that the trade imbalance between U.S. and Japanese ICs is distorted by customs procedures, which classifies U.S. parts assembled offshore as "imported," while the relative growth rates of ICs in the two countries is skewed by the shifting exchange rates between the dollar and the yen.

But if you think that means it's OK to rest on your laurels, you're dead in the water.

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SILICON BOOSTER. Ed Spencer, chairman-c.e.o. of Honeywell (parent of Syner-tek), addresses the monthly dinner meeting of American Electronics Association September 17, at the Hyatt Palo Alto (formerly Cabaña).

Ed, who was Honey's man in Tokyo 1959-64, will discuss the need for leadership in electronics--management leadership, that is--to keep this country strong.

Information Penny Knapp, AEA, 415-857-9300.

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PEOPLE. Dr. Steve Forte, European managing director for American Microsystems, has been elected a vice president...Steve Vaatveit from analog fab manager at Signetics to director of PROM fab at Electronic Arrays...Hal Hervey from manufacturing supervisor at Signetics to marketing rep at Stanford Microsystems...Carl Gyurek from microprocessor product engineer at Advanced Micro Devices to manager of quality assurance at Monolithic Memories...Joe Scott from director of IC technology at RCA to director, corporate R&D laboratory at General Instrument...Travis Watkins from salesman to western regional manager at KTI Chemicals...Dr. Helen Solomons from independent consultant to director of human resources at Kulicke and Soffa.

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CONGRATS AND KUDOS. Dr. Daryl Ann Doane, member of the IC support laboratory at Bell Labs, has received the 1980 Distinguished New Engineer Award from the Society of Women Engineers.

Which reminds me that the late Dr. Fran Hugle would have nothing to do with that organization. "I am a woman. I am an engineer," she would say. "But don't call me a woman engineer!"

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PARTING THOUGHT. He that can't endure the bad, will not live to see the good. (Az men ken nit vi men vil, muz men veln vi men ken.)

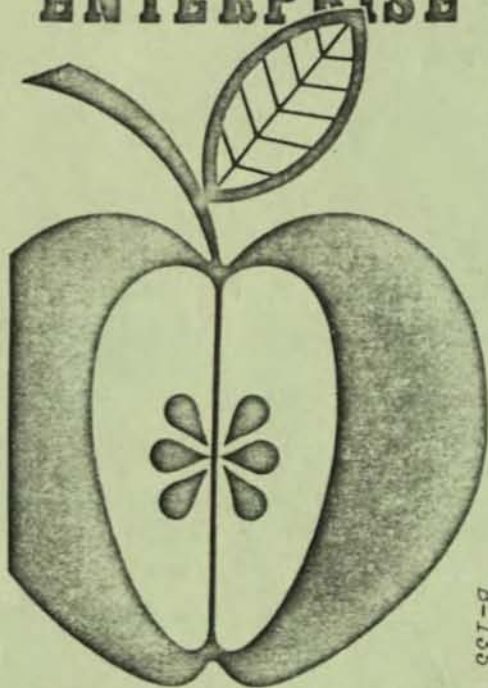
*Don C.*



# MANAGER'S CASEBOOK by Don C. Hoefler

CASE No. 562 SUBJECT: THROW A PARITY FOR SWEET MAMA

## FREE ENTERPRISE



B-135

"Never mind The Pill, Eve.  
Your boss will fix everything."

THE SEMICONDUCTOR INDUSTRY--in this here US&A at least--is still very much a labor-intensive business. While the economic system in Japan has permitted running rings around our domestic capital-poor industry with a high degree of automation on the archipelago called Nippon, we still struggle along with hand-made onesie-twosies.

Virtually all of these handworkers are female. The semiconductor industry has been far less successful in training male assemblers than the telephone companies have been in training male operators or hairdressing schools have been in turning out male beauticians.

So the industry here is not only labor-intensive, it is *female* labor-intensive, and the competition in East Asia is laughing all the way to the Bank of Tokyo.

Fortunately, most of this female labor force is to be found outside the Continental Limits. I say fortunately, because female employees of semiconductor companies on the Mainland have the same propensities as females the world over: they tend to become pregnant.

And under a federal law passed last year--the Pregnancy Discrimination Act of 1979--that fact is as much your affair as theirs. In the eyes of the law, pregnancy, childbirth or abortion are regarded as *disabilities*, and among your employees must be treated in precisely the same fashion as the guy who gets his metatarsus smashed by a falling crate, or an etcher who suffers second-degree acid burns.

NO MATTER WHETHER whether the pregnancy was accidental or intentional. No matter whether it happened before or after the lady was on the payroll. No matter whether it terminated in abortion or childbirth. No matter whether it occurred in or out of wedlock.

None of that is any of your business. But it's still your baby, and you are the Big Daddy who pays.

If a qualified job applicant shows up able to work, but obviously *enceinte*, can you refuse to hire her because of her "disability?" Not if you want to avoid the wrath of Title VII of the PDA.

If you have a marginal employee who knows she is in trouble, and she gets herself preggers to avoid the pink slip, can you still dump her for cause? Sure, but you could well be inviting a peck of trouble.

The administrators of the law, the Equal Employment Opportunity Commission, would have you believe that the changes in the law are purely cosmetic, just the minor addition of a "childbirth and related medical conditions" here, a "pregnancy" there, and now and then an "abortion." Bull dicky, pal.

(OVER)



THERE IS NOTHING COSMETIC about these EEOC guidelines, which state: "Any fringe benefit program, or fund, or insurance program which was in effect on October 31 1978, which does not treat women affected by pregnancy, childbirth, or related medical conditions the same as other persons not so affected but similar in their ability or inability to work, must be in compliance with the provisions of 1604.10(b) by April 29 1979."

Further, any company policy or practice, written or unwritten, which bars employment to applicants or employees because of pregnancy, childbirth or related medical conditions, is a *prima facie* violation of Title VII of the law.

Again, the termination of a pregnant employee, married or unmarried, because the company has made inadequate provision for maternity leave, is likewise a violation of the Act. The theory again is sex discrimination, because the termination policy has a "disparate effect" on female employees.

LET US EXAMINE SOME PRACTICAL ASPECTS to see how the law is interpreted. Your receptionist is seven months pregnant, and showing every hour of it. She is still able to do her job, but she is not projecting the image you want to present to total strangers the first time they enter your lobby. So you ask her to go home until the baby arrives, and come back after she has found a sitter. Can you do it? No. As long as she can perform the major functions necessary to the performance of her job, it matters not what you think, or her co-workers think, or what clients or customers think. Sending her home is sex discrimination.

So, let's say she gets even further along, to the point where she can no longer do the job. Now can you send her home? *Nein*. You should modify her tasks, give her an alternative assignment, or offer her disability leave. Only if you routinely put any other "disabled" employee on leave without pay, can you do so with your very pregnant receptionist.

Suppose her pregnancy doesn't go well, and she loses time because of morning sickness or worse complications. Can you require her to stay home until after the baby is born? Nope. She must be permitted to work at all times during her pregnancy when she is able.

So finally she has the baby. Must you hold her job open for her while she is gone? Absolutely, as long as she says she wants to return to work. Remember that she is "disabled," and therefore is entitled to the same treatment as any other employee on sick leave.

While she is out mothering, can you suspend her seniority accrual, or credit for vacation time or for pay increases? No, not unless that is your policy for all other types of employee "disability."

But aha! Suppose your entire work force, or at least certain departmental assignments, are 100 per cent female. Now how can you be accused of sex discrimination if you withhold maternity benefits from all? Sorry, pal, but you lose. If you provide "disability" benefits at all, then benefits for pregnancy etc. must be one of them.

And here is where I come down hard on sex discrimination in reverse.

What about all us fathers, and our birth traumas, our sympathetic morning sicknesses and labor pains? Aren't we "disabled" too?

I demand that Congress broaden the coverage immediately. And since my kids are all grown, I want it retroactive as well. Fair is fair.

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

SEPTEMBER 6 1980

## AMD OPENING SILICON VALLEY SOUTH Virgin Territory for Semis

*Good Friend*

IT HAD TO HAPPEN. After several false starts by other manufacturers, including Hewlett-Packard, it now appears that Advanced Micro Devices will be the first semiconductor company to break out of the jammed northwest quadrant of Santa Clara County (Ca), and expand into the wide open spaces to the south. AMD has plans to build a bipolar facility in Gilroy, the southernmost city in the county, and should be onstream there by early 1982, be the good Lord willing.

The company has an option on a 100-acre site, in a 527-acre parcel on the edge of town, and has already obtained the approval of the city council. The next step is approval of the Local Agency Formation Commission, for, as in the case of the Exxon industrial park outside San Jose (MN, August 2), the property lies outside the Gilroy urban service area. LAFCO meets on the matter in November, and approval is expected to be a mere formality.

The plant will be in Torfy Holbrook's domain, making microprocessors, logic and interface circuits. It will be a full-capability, stand-alone facility, from fab to assembly and test, in campus-like setting, not unlike the firm's MOS plant in Austin (Tx).

The plan is to break ground early next year, and be on the air in another 12-15 months. Employment should be 200 by the end of 1981, and 500 a year later.

The site is about 40 miles--an easy hour's drive--from the Sunnyvale headquarters. There still remains the 10-mile "Blood Alley" bottleneck between the IBM plant in South San Jose and the Morgan Hill city limits, but the missing section of the U.S. 101 freeway is now under construction.

It is an idea whose time has come at last. As I said (MN, Feb. 12 1977): "Anyone thinking of entering or expanding in Silicon Valley should be thinking of a bigger Silicon Valley, bursting out of the northwest quadrant."

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MASH NOTE. The following letter, dated August 26, was metered in Palo Alto (Ca) on September 1, postmarked in San Francisco September 2, and received in Pacific Grove on Thursday (4). It was posted not by the law firm, but by one Ralph Jack (or Audrey May) Geyer of Mountain View. The entire text follows:

FRANK LEE CRIST SR  
FRANK LEE CRIST JR  
JOHN R GRIFFITHS  
WILLIAM W BRYANT  
ROBERT E SCHULZ  
ROBERT E CRIST  
ROBERT A BIORN  
FRANK E CLOPAN  
CHILTON H LEE  
PATRICIA J GEBALA  
JO ANN ENSIGN  
JUDITH W OTT

LAW OFFICES  
CRIST, CRIST, GRIFFITHS, BRYANT, SCHULZ & BIORN  
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PALO ALTO, CALIFORNIA 94301  
AREA CODE 415  
TELEPHONE 321-5000

August 26, 1980

Don C. Hoefler, Publisher  
MICROELECTRONICS NEWS  
Box 239  
Pacific Grove, CA 93950

Re: Terry Jones; Our File # J 076-001.

Dear Mr. Hoefler:

This firm represents Mr. Terry Jones, who was the subject of two recent articles in your publication, Microelectronics News. Both of these articles contained statements and implications which are false, libelous and damaging to Mr. Jones. On behalf of Mr. Jones, we hereby demand retraction of all such statements, specifically the following:

Article published August 9, 1980:

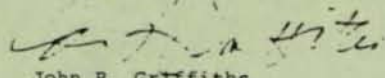
1. All statements and implications that Terry Jones was an incompetent employee, a chair-warmer, a surrogate, a gofer or an employee who had reached the limit of his Peter Principal.
2. All statements and implications that Terry Jones formulated none of his own opinions, but merely played back the opinions and strategies of Jerry Sanders.
3. All statements and implications that Terry Jones was retained in his position at AMD because of close personal ties with Jerry Sanders and that Terry Jones is on leave with full salary and benefits until Sanders tires of the arrangement.
4. All statements or implications that Terry Jones is avaricious or dishonest, or that he was involved in "side deals" with any other AMD employee or representative.

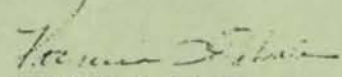
Article published August 16, 1980:

1. All statements or implications that Terry Jones was involved in any way with a company established for the purpose of buying AMD products and reselling them for profit in the "gray market overseas".
2. All statements which imply in any way that Terry Jones was dishonest in his relationship with AMD.
- e. All statements which imply in any way that Terry Jones is dishonest, a thief, or stole from AMD.

Mr. Terry Jones hereby demands that all of the above statements and implications be retracted on the front page of your publication within thirty (30) days of the date of this letter. If retraction is not forthcoming, Mr. Jones will be forced to pursue his legal remedies against you and your publication.

Yours very truly,  
CRIST, CRIST, GRIFFITHS,  
BRYANT, SCHULZ & BIORN

  
John R. Griffiths

  
Patricia J. Gebala

JRG/PJG:vg  
cc: Mr. Terry Jones



NOW AS TO THAT. It is ironic that, at the very moment the foregoing letter was being signed for in Pacific Grove, I was in Sunnyvale, being chided by an AMD manager for having thrown a nothing-ball in my first story (MN, Aug. 9), but finally having got my speed back the second time around (MN, Aug. 16).

The story I published then was and is the generally accepted version of what happened, among the second tier of management troops at AMD. As I have said, the man who has the full story, pres Jerry Sanders, doesn't want to discuss it. As far as he is concerned, Terry Jones and Taki Oshima and Huromi Yoshida were all fired for malfeasance, and as for any misfeasance, he would rather let sleeping dogs lie. He does not intend to bring any of them before the bar of justice.

The fact remains that there was a plot afoot to plunder AMD by its own employees, that the three men named knew about it (or should have known), that one or more of them benefitted by it, and all of them were discharged because of it.

If Terry Jones or either of the others were innocent dupes in this affair, I would be most happy to present their side of the story in these pages. Everybody who reads MN would like to hear the rest of the tale.

But until Terry comes forward, there's little more I can say, especially about Item 3 of the letter. For he most certainly is still on full salary and benefits at AMD, and this arrangement is most certainly at the pleasure of Jerry Sanders. Thus it is patently clear that Terry Jones has suffered no monetary damages at the hands of Microelectronics News.

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PROPOSITIONED. Intersil, virtually the last stand-alone company in the Valley (besides National and American Microsystems), has heard the siren call of a suitor, and likes what it has heard. The swain is General Electric, offering a dowry of \$35 a share, or \$237 million total.

Although Northern Telecom owns 22 per cent of Intersil, it will not stand in the way of the transaction.

Inter and GE first met on a blind date, when the government paired them up on the VHSIC (very high-speed integrated circuit) program (MN, March 15), and it was love at first sight.

The next sound you hear will be the Wedding March, followed soon thereafter by the sound of Capt. Jack Gifford marching toward the egress.

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THE PASSING PARADE. As I've been saying for months, morale at Intersil has been dismal for many months, and it is unlikely that the GE deal (above) will retard the outflow of warm bodies.

As predicted, Murray Siegel finally hobbled away, a victim of Jack Gifford's hit list. Captain Jack has a long list and a long memory of past slights. Another victim was Dick Staffieri, director of quality assurance since 1969, who now moves to Nitron, as director of reliability and QA.

Still another was Terry Ellis, now at Frontier (Commodore). Frontier has also wreaked havoc with Intersil's CMOS effort, having picked up Cathy Burke, former engineering manager of silicon gate CMOS, and also Ed Morkum. And if you see still another Intersilite CMOS type turning up in Orange County, here is where you read it first.

All in all, by the time the GE marriage is consummated (goodbye, options, goodbye!), Intersil could be an empty bag.



UNPOPULARITY CONTEST. There's a potential mutiny smouldering among the sales troops at Precision Monolithics, a reaction to the roughshod methods of n.s.m. Bill Johnson. Peddlers complain that he is a negative motivator, ruling by fear and generating an aura of mutual distrust. Behind his back they call him "The Ayatollah."

They say he was responsible for the departures of five highly-regarded people in recent weeks: Bob Debowey (to Exar); John Kenough (to Micro Power, although he has already left there too); and Rich McIntyre, Bill Richmond and Jim Sunderland, all to Commodore. Besides that, several have taken lateral transfers to get out from under Bill.

It's something of a shame, for two years ago PMI had one of the strongest, most highly motivated sales teams in the business.

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SORRY ABOUT THAT. San Jose (Ca) has had another failure of its sewage treatment plant, causing billions of gallons of partially raw effluent to pour into the south end of San Francisco Bay. It was a repeat of a year ago, when the season bulge at the canneries was held accountable.

But now it looks like one of our guys was the culprit. National dumped 50,000 pounds of lime down the sewer over a 12-day period, residue from cleaning PC boards. The gunk neatly wiped out the bacteria which digests organic wastes, and this is the reason that the sewage flowing into the bay was only partially treated.

Caught red-handed, Natty was cited, and the "oversight" could cost it a fine of \$10,000 a day.

If there's a corner to be cut, look for good old Natty to do the snipping.

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A LITTLE TRAVELING MUSIC. Joe Kroeger (kray-ger) has left Advanced Micro Devices, where he was MOS applications manager, to become technical marketing director for International Microcircuits. IMI, headed by Frank DeVerse, is a custom house, specializing in the master-slice technology.

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JUST ASKING. Is Russ Redhouse out as regional manager in the Sunnyvale (Ca) sales office of Advanced Micro Devices? Was he fired after a falling out with his boss, area manager Glen Balzer? Was the bone of contention the local rep, I<sup>2</sup>?

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FROM LOVE APPLES TO ROAD APPLES. The FCC has told Apple Computer that its Apple II model has too high a radiation level, and it must clean up its act by the end of the year, or get off the air. The company, which has been busting its buns on Apple III, which it announced too soon, now has to go back and retrofit with adequate shielding a model it regards as obsolescent.

Apple, incidentally, is one of the companies which has been having its PC boards stuffed in home sweatshops, paying c.o.d.--and no tax records.

*Don C.*



# MANAGER'S CASEBOOK by Don C. Hoefler

CASE No. 563 SUBJECT: INFLATION AD INFINITUM?

## FREE ENTERPRISE



"What gives ya th'idea it's ever gonna come down again, boys?"

*Money is no exception to the general laws of supply and demand. Its value is derived from relative scarcity. To the extent that an increase in the money supply tends to increase the flow of total spending relative to the flow of goods, prices will rise and the value of money will fall.*

**WHAT ELSE IS NEW?** During the 1950s and early '60s, the conventional wisdom among liberal economists was that a little bit of inflation--say no more than 5 per cent--was no worse than being a little bit pregnant. It was a spur to growth, an inspiration to the populace--and ever shall our team be champions.

The quotation above is from MIT Prof. Paul Samuelson, circa 1948. The professor is a disciple of the late British economist, John Maynard Keynes. Keynesians have always believed that inflation can be readily controlled by government fiscal policy--by jiggering the federal budget through variable tax rates and spending levels.

Who can forget the anti-depression battle cry of Franklin Delano Roosevelt: "We will tax and tax and spend and spend"? (Sit down, kid, and listen to your elders.)

And then along came World War II, and that theory went out the window. In its place we had mandatory controls of prices, wages and profits. These worked after a fashion, but they were regarded as anti-free-enterprise, and therefore unAmerican.

**LAISSEZ FAIRE AND HOLD ON TO YOUR HATS.** So the Office of Price Administration and all its trappings went down the toilet about 37.5ns following the signing of the last "unconditional surrender," and almost immediately prices started heading for the overhead. Shocked solons saw visions of galloping inflation such as Germany experienced after World War I (that glorious war to end all wars), and once again OPA became a part of the daily lives of American citizens.

By this time, some of the Keynesians were beginning to have second thoughts about fiscal controls, and began looking to monetary controls instead. Now to you and me those two words--fiscal and monetary--may be synonymous or at least closely related, but economists fight over them like cats and dogs.

The monetarists want to control, not the spending of money, but its very supply. To nip it in the bud, so to speak, mainly through the control of interest rates.

And that is the sum total of what the economists know about the containment of inflation, to this very day: (1) wage and price controls; (2) fiscal controls; and (3) monetary controls.

(OVER)



WHICH ONE WORKS? The reign of Richard Milhous Nixon was only a year old when, beginning in the 1970s inflation was really beginning to pinch. Richard I announced that in his regime the U.S. economy would be regulated by *general* measures (i.e., a witches' brew of fiscal and monetary policies, with the emphasis on the latter). Tossed into this gruel would be a soup-bone for the wage-pricers, in the form of *voluntary guidelines*.

The new C-in-C quickly latched onto military-aerospace jargon, and announced that there would be a *tradeoff* between price stability and employment. All the economy really needed was a *fine tuning*, as opposed to the coarse tuning of his predecessors.

Dicky even got tricky with mandatory wage and price controls briefly, but he quickly ran for cover on that one.

So what happened? By mid-1979, nearly a decade after Nixon made his tradeoffs and began his fine tuning (Ford and Carter have followed essentially the same course), a 1979 dollar would buy 55 cents worth of 1970 goods. Taking into account the increases in taxes (fiscal policy) and in interest rates (monetary policy), the bottom line was that a family grossing \$26,000 in 1970 would need \$50,000 to maintain the *same* standard of living last year.

AND ANOTHER TWELVEMONTH. Now prices and interest rates are both on the rise again, and the chairman of the Council on Wage and Price Stability assures us that the nation can look forward to double-digit inflation, in the amount of *11 per cent per annum* for as far as the eye can see.

Now we all know that Al Kahn has rubber teeth, with no authority whatsoever. He heads a cosmetic "Council," whose sovereignty is spectral and whose guidance is groundless. But as Peggy Lee asks, "Is That All There Is?" Is our whole economic thinking bankrupt? Is our economic imagination completely torpid? It has been more than two generations since Keynes came on the scene, and is the "Laffer Curve" the sum total of our progress?

I'll be dipped in squid if I can see anything more.

In ten short years we have gone from the attitude that <5 per cent inflation is acceptable, to the point where we'd be damn glad to settle for <10 per cent, while we know in our heart of hearts that we'll be damn lucky to get <20 per cent, and there's no way in hell we can be sure of holding it even there.

When the Nixon economists invaded the White House in January 1969, consulting economist Pierre Rinfret told his clients that the lid was off, and they could therefore expect wages and prices to fly off into the wild blue yonder.

A few weeks ago the Lynch International Investment Survey told a similar sad story to its current subscribers: "In the short term, particularly as the current recession continues--we do not see the end of the recession yet--we do not see the core of inflation being cut back below 10 per cent. In other words, as we will eventually be coming out of the recession, we will be living with a basic 10 per cent inflationary rate from which the next upward spiral will begin as the recovery gets under way in 1981."

Many years ago, Jim Riley assured me that "a problem defined is a problem half solved."

Jesus Christ, how badly we need that other half!

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  
SEPTEMBER 20 1980

## NATIONAL DROPS ONE-THIRD MILLION \$ Airway Robbery in Broad Daylight

*Good Friend—*

COULDN'T HAPPEN TO A NICER GUY. Thursday morning, September 18 1980. 8:30 AM. San Francisco International Airport. The beginning of just one more of the daily 24-hour grinds at a busy terminal.

The inhabitants are, as always, split down the middle. Half of them are jet-lagged, tired, hungry and constipated. The other half are harried and hurrying, frightened that they will miss their scheduled departure. Tension fairly crackles in the air. A major airport is seldom a happy place.

Through it all resolutely walks a casually dressed young lady, in her middle twenties, wearing a blonde wig. She has left her silver-gray, maroon-trimmed Chrysler Cordoba in the loading zone, as she heads for the baggage counter of Philippine Airways. There she produces a bill of lading for four packages from Manila, which had already passed U.S. Customs, duty-free, and scratches an illegible signature on a receipt.

Since the combined weight of the cartons is nearly 300 pounds, she enlists the aid of a skycap to load them into the trunk of the Cordoba, and drives off.

Shortly before 11:00 AM, a courier for the Dynacraft subsidiary of National arrives at the same counter with ostensibly the same documents. But the cartons are long gone, and the young honey and her accomplices are some \$300,000 richer, for the packages in the trunk of the Cordoba are brimming with gold and silver.

Now all hell breaks loose at National, for this is obviously an inside job, masterminded by somebody familiar with Dynacraft shipments and schedules, and the habits of the Dynacraft driver. In all likelihood, someone still on the payroll.

*(Continued Overleaf)*

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JUST DESERTS. Ordinarily I would be railing from the rooftops about this kind of chicanery on the part of trusted employees. But since National has a well-earned reputation as one of the industry's greatest rip-off artists (including Dyna-Craft's Dave Ritter strong-arming one of my customers for a weekly bootleg copy of this publication), I score this one: Christians 1; Lions 0.

Sorry, Charlie. If you can't stand the tuna, try eating crow.

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WHERE THERE'S SMOKE. Hard on the heels of the skimming scandal at Advanced Micro Devices (MN, Aug. 9, 16), investigation of kick-backs at Motorola has led to the resignations of the company's two top regional managers.

Don Fullam and Bob Brown, both demoted last year (MN, Oct. 13 1979), quit in anger--or under pressure--depending on which hearsay source you listen to. Mr. Moto is not speaking for the record, and his minions are also stonewalling, under pain of execution.

Recently Brown and Fullam had been dividing sales management duties, with Fullam handling the east and Brown the west. Earlier Brown, a 20-year veteran, had been national sales manager. Fullam, with much less tenure, had been distributor sales manager.

Only last year Fullam received divisional v.p. stripes, amidst rumors that he was being romanced for the presidency of the faltering Cramer distriberry (MN, Sept. 8 1979). But when it was learned that Arrow would be the new owner of Cramer, Fullam dropped out of the running (MN, Sept. 15 1979).

A month later, both Fullam's job and Brown's job were cut in half.

The latest move seems to be another case of the You-can't-fire-me-I quit syndrome. Just who fired the first shot appears to be academic. Fullam especially had more than his share of enemies, and if he wasn't pot-shotted now, he would have been later.

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NEW DAY A'DAWNIN'. Don Fullam and Bob Brown will be missing what could be the most interesting period in the history of Mororola Semiconductor, as king-to-be Al Stein is setting off the division into new directions.

In its early years the company outproduced and reverse-engineered the entire industry at will, earning widespread enmity for its willingness to take anything it wanted and give very little. Now, under Stein's prodding, the company is putting bucks into R&D, listening to its customers, and doing intelligent product planning. And despite Stein's personal reputation for being hard-assed and unlovable, the company is starting to take better care of its people

The result is that one company--Intel--has begun to sit up and take notice. In the first place, Intel is no longer able to pull off cherry-picking raids against Moto employees in Arizona. On the contrary, Mr. Moto's rerecruiting performance has picked up remarkably.

Even more astonishing, in the inner councils of Intel, they have picked as the guy to beat in the years upcoming: none other than Mr. Moto.

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PROUD AS A PEACOCK. It seems like eons ago that I told you I had taped an interview for a new NBC TV show for this fall (MN, Aug. 2). With the performers' strike screwing up the schedules this season, nobody in New York is yet quite certain what goes where. But since my part of the show may appear this coming Friday (26), I'd better alert you to what I do know.

The show is "NBC Magazine," on NBC Friday at 10:00 (9:00 CST). The anchor is David Brinkley, and the guy who interviewed me is Garrick Utley (good!). This show is NBC's answer to "60 Minutes," and last season was known as "Prime Time" (with Tom Snyder instead of Brinkley).

The subject we talked about was technology transfer worldwide--licit as well as illicit--but the NBC flacks have hypoed it into "Communist Rip-Offs of American Technology," so God knows what it may have been edited into.

It was originally scheduled to go in the first edition, but as of yesterday (19), it was still up in the air. The final decision won't be made until next week, probably by Freddie Silverman himself.

So what can I tell you? It will probably go next Friday (26). If not, then almost certainly the following Friday (3--oops, my birthday). And if not then--oh, the hell with it...

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IT SEEMS I'VE HEARD THIS SONG BEFORE. After repeated pratfalls in the 1950s and 1960s, the big boys are back for another try at semiconductors. While General Electric is still buttoning up its deal with Intersil, along comes Westinghouse again to swoop up the founding shares of Siliconix held by EECO (Electronic Engineering Company of California), which owns 14.6 per cent of Sili, for which West will pay \$9.15 million.

Westinghouse has already blown it three times in semis, on both coasts and in the midwest. Co-founder of Siliconix was Bill Hugle, who came to Sili from--Westinghouse (a now-defunct plant in Newbury Park (Ca)).

West will be the third biggie in Sili, after the British Lucas and German Siemens.

Meanwhile, discount heavily the public pronouncements that Intersil will remain active in the merchant market after GE takes over. You can put this one down as mainly captive, baby. As for what GE will do with the onetime mainstay systems division, *quien sabe?*

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COMING UP FAST. The "master-slice" technique of semi-customizing gate arrays, first propounded in the mid-'60s, is finally here with a vengeance. Companies now heavily involved in the technology include Mostek, Fairchild, Signetics, American Microsystems, Interdesign, International Microcircuits, Applied Micro Circuits Corp., Eurosil, Plessey, California Devices, along with some internal development work at National.

Better suit up, men. This thing is beginning to look serious.

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INTO THE BIG TIME. Industry showboats such as Bob Noyce and Jerry Sanders, who have long massaged the European market with personal appearances, will see Bob Schreiner of Synertek trying his hand at it next week.

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QUOTABLE QUOTE. If you are convinced that the sons of Nippon really are invincible, consider this viewpoint from the Persian Gulf, published in the Dubai, United Arab Emirates "Gulf News":

*Japan's changing population patterns could lead to serious social and economic problems. The country's young population is declining while the aged increases--a trend expected to continue until the next century --and social scientists are questioning Japan's ability to provide health care and lifetime employment for the new generation. More people are entering universities, and graduates have glutted the market for clerical and managerial jobs. There is speculation that the population shifts could seriously threaten Japan's international competitiveness by diverting investment capital to social welfare programs which are still largely a private responsibility in Japan.*

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BIENVENIDO A NUEVO MEXICO. The trend away from expansion in the Valley continues as Signetics announces that its next facility will be in Albuquerque (NM), well established as an electronics center, but new to semiconductors.

On a 58-acre site (under Mac MacPherson), the plant will open in 1982 with a force of 500, expanding to 2000 by 1986. A second facility is planned for the mid-'80s.

Product will be MOS-LSI, and area in which Siggie is still playing catch-up. Early technical management deprecated the technology, and then when the company tried to turn it on, it failed repeatedly. As a result, present product mix is 80 per cent bipolar and 20 per cent MOS.

For MacPherson, the field is wide open.

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GLAD TO HEAR IT. After telling security analysts in Atlanta that his company had just had the best year in its history (ended June 30), Harris chairman Joe Boyd added that the semiconductor group had the best performance of any, with sales up 56 per cent to \$148 million and earnings up 70 per cent to \$18.9 million.

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AVUNCULAR APPEAL. The American Association of Engineering Societies is lobbying for the federal government to establish a National Engineering Foundation, to "be a counterpart" to the National Science Foundation. Rationale (in order of importance?) is (1) public recognition for the engineering profession; (2) funding and tax incentives for applied research; (3) ensuring a sufficient supply of engineers; and (4) more comprehensive planning for future technologies.

I think I'll pass on this one, thanks.

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BIRTHDECADE? Hey, I'm the first guy to declare that my *alma mater*, "Electronics" magazine, is the publication that named an industry. But I can't buy the excuse for a new McGraw-Hill book, "An Age of Innovation, the World of Electronics 1930-2000," as being "in celebration of the publication's 50th anniversary."

The year 2000 is still 20 years away, and if memory serves, the rag's semi-centennial won't be until 1987.

*Don't*



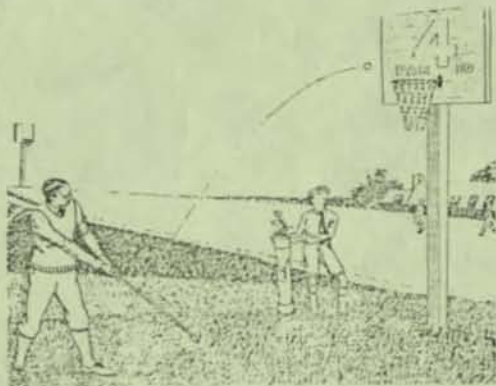
# MANAGER'S CASEBOOK by Don C. Hoefler

CASE No. 565 SUBJECT: PRODUCT SAFETY FOR THE NON-PERSON

*The limited liability corporation is the greatest discovery of modern times.*

--Nicholas Murray Butler

## FREE ENTERPRISE By DON HOEFLER



"Forget ten years ago, kid.  
Now it's a whole new ballgame."

CORPORATION VRS. CORPORATION. On the West Coast this week, Ed Spencer, chairman and c.e.o. of Honeywell (parent of Synertek), was boasting, "We're the hot industry. We've got everything that people want."

On the East Coast a few days back, Spencer and Honeywell were being told by a Federal District Court that one thing people don't want is companies whose products destroy other companies. And since a Honeywell H-110 computer system had done precisely that, according to the findings of the jury, Big Honey must pay nearly \$2 million in restitution.

Honey is of course appealing, on the grounds that the product liability strictures which have been sweeping the country in recent years ("Manager's Casebook" No. 379) have now been piloted into uncharted waters.

For until now, product safety has been concerned with life, limb and personal property. Now the charge was that, by overselling and underservicing its product, Honeywell was the sole and direct cause of the demise of one of its customers, a \$5 million corporation.

FIGURES DON'T LIE, BUT LIARS FIGURE. Charging Honeywell as the plaintiff in the case was Triangle Underwriters, a New York insurance firm, and its president and son of the founder, Robert Weinstein. Triangle, founded in 1930, had weathered the Great Depression and World War II, and in 1970 was in a major expansion mode.

Four years later it was dead, the complaint said, the victim of errors committed by the H-110, errors which multiplied at an exponential rate. The Honeywell honeymoon had become a homicidal hornets'-nest. Dr. Jekyll had become Mr. Hyde.

The two firms met on collision course a decade ago, and it was love at first sight. Triangle had a rapidly expanding client list, which was quickly outgrowing manual bookkeeping methods. Honey, which had never been a factor in the big mainframe marketplace, was trying to corner the small-business market with its smaller computers.

It had already locked up an insurance carrier and an insurance broker. Now it wanted to close the loop with a middleman, the reciprocal underwriter or inter-insurer. So \$1.5 billion Honey made its move on \$5 million Trixie, and wooed Weinstein right out of his jockstrap and yarmelkeh.

Honey convinced Trixie that theirs was a marriage made in Heaven, and all that could make it more blissful would be the arrival of that blessed event, the delivery of a baby H-110. Weinstein signed the nuptials and ordered the canopy.

(OVER)



A BIG DISAPPOINTMENT TO HIS FATHER. At last the kid arrived, and from the moment they tied the cord, he proved to be incorrigible. Cried all the time. Had to be changed all the time. Was constantly afflicted with diaper rash and colic. Repeatedly spit up on daddy's pin-stripe suit. Never did learn to sleep through the two o'clock feeding.

As he got older, he was disrespectful, ill-mannered and disobedient. Worst of all, he was a liar and a cheat.

To put it as delicately as possible, the son of a bitch was a bastard.

When he was old enough to go to work, he should have been declared unemployable and sent to Welfare Island. Instead, he started screwing up the books in Weinstein's office. According to little H-110, Triangle's business was great and lousy at the same time.

Sales were never better, and costs were well within tolerance. But cash flow was unidirectional: out and outer. Every day little H-110 would happily buzz along, humming "I'm in Love With You, Honey," while Weinstein started going a little bit bugs.

At last the president called in an independent consultant, whose bean counters found legumes spilled all over the place--some \$900,000 worth.

PRELUDE TO DISASTER. With the greatest of aplomb, it was discovered, little hyperactive H-110 had totally screwed up Triangle's accounts. It was Murphy's Law cubed. Accounts receivable were screwed up; commissions payable were screwed up; customer records were screwed up. The joint was a shambles.

While H-110 with a stroke would kick out paid-up policyholders for non-payment, it would also write new policies without ever bothering to send out invoices. It would withhold commissions from some agents, while paying others several times over.

By the time the mischief of little H-110 was discovered, it was too late for Weinstein. Triangle was in the tank, never to resurface. Not only was Weinstein unable to meet his obligations, H-110 had only the vaguest notion of what they were.

COMES THE RESTITUTION. With Weinstein's 44-year-old company headed down the toilet, Honey felt that punching his TS chit would be appropriate. But now it realized it had courted the wrong customer. As an insurance man, Weinstein had "Indemnity" as a middle name. So he did a little courting of his own, of the judge-and-jury kind.

In discovery proceedings, he determined that by 1972--two years after the arrival of little H-110--the Honeywell lackeys were engaged in the time-honored maneuver known as "covering your ass." And one of them had written an incriminatory internal memo admitting that little H-110 had been delivered as a premature baby, without adequate QA safeguards, "to insure 1970 shipment goals would be met for the sales office." That admission could cost Honey \$2 million.

Asked about the matter today, Honey will only say that things were a lot different 10 years ago.

God, let's hope so.

*Don C. Hoefler's*



**MICROELECTRONICS NEWS**

*with Manager's Casebook*



Don C. Hoefler's  
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SILICON VALLEY  
SEPTEMBER 13 1980

## RECOVERY STILL AROUND THE CORNER

### Hardly a Glimmer at the End of the Tunnel

*Good Friend—*

**SHELL GAME.** The chief economist for the Department of Commerce, Courtney Slater, yesterday (12) called a press conference to announce that "the recession is over." It ended in August, she says.

"What recession?" asks security analyst Ben Rosen.

Treasury Secretary Bill Miller finally admitted this week that there had been a recession, but it is now "virtually over."

The chief economist of Chase Econometrics, Larry Chimerine, says the recession will continue for "several more months."

The chairman of the Council of Economic Advisers, Charlie Schultze, told Congress on Monday (8) that forecasts of a year-end bottoming-out "might be a trifle pessimistic."

The president of Advanced Micro Devices, Jerry Sanders, told his stockholders on Tuesday (9) that for semiconductors the upturn would not appear until the first quarter of 1981.

And a key distributor said yesterday that he does not see an electronics recovery before mid-1981.

**ONE THING IS CERTAIN.** They can't all be right. And possibly none of them are. Skies remain cloudy and gray, and forward visibility is extremely limited. The summer letdown was just as lousy as feared (MN, July 5). And Labor Day has come and gone, without the hoped-for upswing. Now the most optimistic of the necromancers are looking for a turn at the end of this month.

"If you don't see marketing guys smiling again by early October, then you'll know we are really in the tank," a company president told me yesterday.

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(Continued  
Overleaf)



LINE OF SUCCESSION. And what should happen to Advanced Micro Devices if a mid-air collision should ruin Jerry Sanders' whole week-end? I believe you will find that Jim Downey has been designated as the heir-apparent, groomed to step into the breach.

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INTERMISSION TIME. Not to beat AMD to death, but I must share with you the lyrics to their latest pep song, performed with gusto at this year's peddlers' meeting in Hawaii. The melody is "California, Here I Come":

*AMD's day in the sun. You're the right choice, number one. Your circuits are sexy. They are the best! We all love your prexy. White hair, mustache, all the rest. And when good fortune smiles on you, you know how to follow through. LSI and mem'ries too, the right choice is AMD!*

*AMD just can't be beat. Your selections are so neat. Computers and software, telecom too! Your choices have such flair, no-one else can pick 'em like you! Z-8000's bound to win. You've hit Intel on the chin. Moore and Grove are caving in. The right choice is AMD!*

*MOS and LIC. RAMs and PROMs and A-to-D. Bipolars, high rollers, you've got 'em all! Your latest controllers have your rivals up the wall! Old Mo-to-ro-la, Nash-nal too, T.I., Sig-gy, they're so blue. Fairchild can't think what to do. The right choice is AMD!*

Congratulations must go to lyricist Art Heller, an alumnus of two of the competitors mentioned above. This is a stunt which many attempt, but very few can handle.

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AND THEN THERE WERE THREE. The Rockwell spinout reppery, Southern California Semi-Conductor Sales Company (SC)<sup>3</sup> (MN, Aug. 23), has picked up its third partner, but from out of left field.

Bob Wall, U.S. director of sales for Fujitsu, is packing his bags in Santa Clara and preparing to move his family to the southland. Founders Ken Munsterman and Bob Dwyer had been pitching Wall for the Fujitsu semiconductor line, and he became very intrigued with the possibilities in Southern California outlined by Ken and Bob. So (SC)<sup>3</sup> failed to pick up the account, but got a partner instead. This means that one of the two guys who had been expected to join the group as soon as he got his balls strapped on, will probably now drop by the wayside..

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PHASE TWO. Intersil and General Electric managements shook hands on an acquisition deal this week, which next requires a contract for approval of the stockholders of both companies in November.

The companies made the usual new-broom, no-boom bullship statement, as obligatory in these rituals as the face-off in a hockey match. But everyone knows that Intersil key people are still leaving in droves, and the two senior v.p.s will be departing soon after.

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ANOTHER DEFECTION. Bob Crever, director of finance for National's systems division, moves up to financial v.p. at Nitron.

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SMALL SOLACE IN STATISTICS. Semiconductor Industry Association got out its flash report at week-end, saying the industry book-to-bill for August was 0.78. You should be so lucky.

Jerry Sanders told a group of security analysts this week that he was damn glad to be in the bipolar business as well as MOS--and rightly so. For bipolar remains in far healthier condition than MOS (MN, July 12).

Since that SIA number of 0.78 is the result of a three-month rolling average, also rolling MOS and bipolar into one, it is obviously a sunny-side-up compromise. The real truth hurts much more than that.

Most companies got through the summer--and are still in reasonable shape--thanks to backlogs. But all of those will be worked off by year-end--and new orders are coming in at less than flood rate. So peddlers are stumbling all over each other out in the field, and while customers are generally optimistic, they aren't buying much.

Why should they, when deliveries are easy (except for bipolar PROMs, which are still on allocation) and prices are falling? Stuff which was recently on 22-week backlog is now available off-the-shelf, while the great price bombers, Texas Instruments and Motorola, are flying again (National is not this time, since it is not heavily overstocked). But Mr. Moto took it in the chops from cutbacks in the auto industry, while Big Tex was cowpunched by loss of a big dynamic RAM contract from old-standby IBM. Thus both have big chunks of MOS capacity and are schlepping product at desperation prices.

EPROMs are now being quoted at <\$5, and dynamic RAMs at <\$3.

But Intel continues to eschew the mob scene, and the Japanese also are remaining above the fray. When EPROMs sank to the \$6 level, Intel folded its hand, followed soon by the Japanese, who similarly are walking away from the pissing contest.

The bearish distributor who sees no surcease before mid-'81 (just in time for the summer doldrums again), bases his forecast on his traditional 3-4 month leading indication ahead of the device manufacturers. His sales went lousy in March of this year, so he was not the least surprised to see his suppliers go crunch in June.

So now he says the device makers can start queuing up 90 days after the ballgame starts in his court. Only it hasn't yet.

Meanwhile another sure-fire indicator is the creative outside contractor without leverage--mainly the advertising-PR agencies. With marketing budgets down, these are the first shooks to get "the-check-is-in-the-mail" routine, and they have been getting it all summer. The semiconductor companies would rather owe it to them for months than ever cheat them out of it.

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GIVE MY REGARDS TO BELLAGIO ROAD. Jerry Sanders, who began his California semiconductor career in Los Angeles, has re-established headquarters there, even though Advanced Micro Devices headquarters are 350 miles to the north.

During the summer he sold the mansion in Atherton, and moved Linda and the kids to Bel-Air, where the latter are now attending school. Jerry flies up Monday mornings, and back Friday evenings, while Linda makes occasional mid-week visits to a new, smaller home in Atherton.

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DEAR SIR, YOU CUR. It is axiomatic that whenever I receive a nasty letter from a "reader," the writer is someone for whom MN was never intended, and who never spent a nickel for the privilege of seeing it. Such a bootlegger and freeloader, a lady in San Jose, had (in part) comments such as these this week on "Manager's Casebook" No. 562. My replies follow:

"...Your 'keep 'em barefoot and pregnant' attitude shows<sup>1</sup>...we also...tend to be the sole support of our children<sup>2</sup>...The reason why the Japanese are laughing all the way to the bank is that they are getting more orders because of the higher quality of their work and the main reason for that is that they are treating their workers better<sup>3</sup>...Each time I had to quit a job as soon as my pregnancy became obvious (eight times--ed.) and each time I tried to get another job I had to start back at the bottom of the retirement/benefit ladder<sup>4</sup>...You seem to forget that those women who are not working will probably end up on welfare so Big Daddy will still be paying for their pregnancies or abortions<sup>5</sup>...Women comprise a large part of the work force and they're going to get pregnant or have an abortion when they choose to<sup>6</sup>..."

1. You're hallucinating, honey.
2. Criminal. Any woman who deliberately sets out to raise a fatherless family should have some parts altered at state expense, for the good of society.
3. You have obviously been freeloading MN for quite some time.
4. Regrettable, but who was at fault? After our first child was born, my wife's employer tried repeatedly to get her to return to work, perks and all. But although there were many lean times when a second income would have been most welcome, she steadfastly refused until the last one (No. 4) flew the nest.
5. See No. 2.
6. My point exactly. Since pregnancies and abortions are voluntary, what right do you have to demand that I or any other employer pay for them?

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ON THE SPOT. Maybe the recession won't be over until 1Q81, but Advanced Micro Devices begins its fall TV recruiting schedule on Monday (15), using the same "Catch the Wave" theme, but expanded from 10 seconds to 30. Shot in Hawaii, it opens with a bunch of engineers on becalmed surfboards, gabbing in semicon jargon *in business clothes*. Then one of them goes off, catches a wave and performs a series of unbelievable surfer maneuvers. The scene closes with a new tag: "AMD is not the easiest place to work--just the best."

The spot will hit all major stations in San Francisco, in prime time.

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Free from: China Dept., ITA International Inc., 4010 Washington, Kansas City (Mo) 64111. Phone 816-561-3955 (John Kirk).

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MEETING NOTICE. Fifth annual equipment and materials vendors night, sponsored by International Society for Hybrid Microelectronics. Bold Knight restaurant, 769 Mathilda, Sunnyvale (Ca), 4-8 PM, Thursday, Nov. 13. Admission free. Exhibitors contact Duane Wadsworth, 415-321-3619.

Don't.



# MANAGER'S CASEBOOK by Don C. Hoefler

CASE No. 564 SUBJECT: SITUATION NORMAL, ALL F---ED UP

## FREE ENTERPRISE By DON HOEFLER



B-137

"We monitor all our own insider deals in-house--brick by brick."

*The social object of skilled investment should be to defeat the dark forces of time and ignorance which envelop our future. The actual, private object of the most skilled investment today is "to beat the gun," as the Americans so well express it, to outwit the crowd, and to pass the bad, or depreciating, crown to the other fellow.* --John Maynard Keynes

THOSE OF US who bitch and moan about the never-ending output of new mandates, edicts, decrees, ordinances, orders and codes coming from Washington--especially most recently from the environmental freaks and social tinkers--can take heart in the fact that some of the intimidators of another day, such as the Federal Trade Commission and Securities and Exchange Commission, are keeping a relatively low profile. They prefer emasculation to elimination.

The SEC for example will in a few weeks blossom forth with some 200,000 carefully-chosen words in 700 pages on the subject of insider trading. The tome, which was three years in preparation, will be read by almost nobody. Which is just as well, as it says almost nothing.

But it will offer great consolation to those who subsist on insider information in their stock transactions, and those of us who eke out a living

by stitching words together, in an overcrowded field where everyone has a novel inside him clawing to get out.

And it will apall those who are concerned about this country's rapidly sinking productivity, and those little tape-watchers who think there is a buck to be made in the stock market.

LET US BE GENEROUS and assume that the SEC "staff" which composed this long-awaited report comprises no more than three people. Let us be especially generous and assume that these people had other things to do, and spent only half of their working time on the project. Thus the effort consumed as an auctorial minimum four and one-half man-years, or 54 months.

Any writer worth his commas could have done it in six months. Considering its cotton-candy content, I could have done it in three--and better.

For now the Securities and Exchange Commission, born in May 1933 following the stock market crash of 1929, has apparently switched over to the opposite side. The SEC was a creature of the Federal Securities Act, popularly known as the "Truth in Securities Act." Its purpose was to protect the small investor from the deprivations of the manipulator and the insider.

But a half-century later, the SEC staff assures us that all the old wives have been wrong all these years, and that it is really quite all right to leave the fox to guard the henhouse.

(OVER)



THE BOTTOM LINE the SEC staffers lead us to--with one minor exception--is that although insider trading is now probably a bigger problem than any time in the commission's 47-year history, it is also self-correcting. It shall be a closed loop, with the feedback provided by the offenders themselves.

This is the inescapable conclusion one gains (?) from reading the 700-page volume, for while it carefully defines the problem in all its permutations and combinations, it gracefully sidesteps all solutions, like a bevy of barefooted ballet dancers pirouetting through a field of cow cushions after milking time.

The insiders themselves, namely the officers and directors who first know a company contemplates actions which will sharply affect the price of its securities, are in the SEC view the ones who should strengthen their methods of self-governance. There is no need, evidently, for the SEC to step in with stricter standards of corporate accountability.

So not only does the SEC staff negate the adage about the fox and the chickens, but it also flies in the face of Murphy's Law No. 1, which says that whatever can happen will happen.

SO AS NOT TO APPEAR completely fatuous, however, the staff did toss in a dog biscuit about outsider-insiders in one event. Addressing itself to the case of the printer who made a bundle on a tender offer which passed through his presses before it became public (and who was found blameless by the Supreme Court), the SEC becomes bold and specific.

In future cases (tender offers only), the staff declares, anyone possessing such inside information should either disclose his perceptions or abstain from trading in the securities involved.

The new rule does not prescribe the manner in which the guy who stumbles on (or has dropped in his lap) this inside information, shall go about making prompt disclosure of his discovery. Buy TV time, maybe, and try to make a market?

The prospector has one of two options, it seems: (1) shout from the rooftops and run for his broker; or (2) hope he doesn't talk in his sleep.

So what's new? Isn't this the way it was always supposed to be? What is new, it appears, is clearing of other forms of information, such as negotiations for acquisitions or merger, signing of major contracts, major layoffs, key management changes, or arrest of the president on sodomy charges. If the printer or janitor knows of such impending event, he is apparently free to trade in the stocks with gay (or straight) abandon, without even telling his wife (or lover).

This relieves me greatly, for years ago when I was a drone for a nameless electronics newspaper, and all of my copy crossed the desk of a so-called bureau chief, he was on the phone to his broker even before the Teletype operator could cut a tape to New York. I always had visions of the joint being raided by an SEC gumshoe, and me being booked as an accessory.

But what the hell. If the SEC were not writing non-rules and meaningless ones, then it would be writing meaningful ones that were meant to be broken.

For the stock market is no less a game than horseracing, and it too has its touts and shills, even if they do go to work in morning coats.

So let these kids write their 700-page non-books. Otherwise they might try a newsletter.

*Don C. Hoefler's*



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SILICON VALLEY  
OCTOBER 18 1980

## OWNER SWITCH AT NITRON Bendix for McDonnell Douglas

*Good Friend*

**PINCH HITTER.** One \$4 billion aerospace-electronics conglomerate is preparing to realize its long-held hope of getting out of the Valley, to be replaced by another aerospace-electronics-automotive giant, also in the \$4 billion category.

The vehicle is Nitron, built up by McDonnell Douglas from an assemblage of cats-and-dogs originally put together by Varadyne, which McDD has been trying to unload for some years. Unable to effect an outright sale, McDD then entered a joint venture with Sam Nissim's Nanon, planned to be a major telecommunications systems house, but now a paper company after expected contracts in Israel and Ireland failed to materialize.

The newcomer is Bendix, which has an option to buy 20 per cent of Nitron from McDD by November 20, and ultimately to acquire all of the McDD shares, which constitute about 37 per cent of the company. If and when that happens, Bendix can then name its own directors to one-third of the Nitron board.

To acquire control, Bendix would have to deal with Nissim's management group, or go to the public, which owns nearly half of the shares, with a tender offer.

Bendix's chairman-president has said that high technology is the strategic direction in which the company must go. That's what McDD thought in 1972, when it bought Varadyne Semiconductor and renamed it Nitron. The company had been put together in 1970 by Varadyne pres Chuck Tobias, from Bob Cole's Cartesian, Frank Wanlass' Lab-Go and Don Farina's Integrated Systems Technology. But the high-flying Tobias ran into money problems even before the 1974 recession, and had to divest. Cole and Wanlass wound up at Nitron, with Wanlass as g.m., while Farina's group went to Commodore.

McDD soon demoted Wanlass and imported Bob Landee from Collins to run the show and build a new facility. No expense was spared, and for a time Nitron was

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a Valley showplace (although today it is showing signs of age). When Landee moved on to Advanced Memory Systems (now Intersil), McDD brought in Lou Sharif, who had left Mostek.

Then McDD decided it didn't want to be in the semiconductor business after all, and tried to sell out. But although many companies shopped the plant, there were no takers. Hence the deal with Nanon. For a time, the McDD management in St. Louis were quite enthusiastic about the arrangement, but when the off-shore customers evaporated, they lost interest again.

Presumably involved in this deal was Mary Cunningham, former Bendix v.p. for strategic planning, who recently resigned after c.e.o. Bill Agee publicly denied that the pair had anything going other than work.

Nitron just closed out its fiscal year on September 30. It lost \$3.1 million in 1978 and \$1.3 million in 1979. If it reports a profit in 1980, it will be the first time in history.

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HE WON'T STAY DOWN. Fairchild's deposed chairman-president, Wilf Corrigan, has a business plan for a new company, to make--what else?--programmable logic arrays.

Involved in the deal with him is another ex-Fairchilder, a director of marketing at another company. This is about the fourth potential deal this guy has been involved in within the past year.

Ironically, not long before he left Fairchild, Wilf had remonstrated with this guy's boss about talent raiding.

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CONSULTATIONS. Three former industry figures have banded together to form a consulting group specializing in areas of risk management, taxation, customs, licensing, environmental protection and site selection. The group, calling itself imaginAction inc., comprises Charles Fishel, an independent consultant formerly with Intel; Charles McCue, former head of customs and transfer pricing at Memorex, and Dave Olds, most recently doing business as Risk Analysis and Control.

The group sets up shop November 1 at 1333 Lawrence Expressway, Santa Clara (Ca) 95055, Box 2959. Phone 408-248-3006, Telex 17-1627, TWX 910-379-0029.

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LITERARY NOTE. A new book by Bantam contains the best layman's discussion of semiconductor technology and its implications that I have ever seen. The title is "The Techno/Peasant Survival Manual."

In it Bob Noyce is "King of the Valley," Jerry Sanders is demoted to "The Semiconductor Prince," Fred Terman is "founding father of the academic-industrial complex that made Silicon Valley what it is today," and yours truly is "The Silicon Snooper" and "the watchdog of the semiconductor industry," which finally explains why they've been calling me a sonofabitch all these years.

Price is \$8.95, \$9.95 in Canada.

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THE PARTY'S OVER. If you have been jobbing out work to any of the garage-and-bedroom operators that infest the Valley (as has Apple Computer), you'd better wrap it up, as the California Labor Commissioner is coming down hard as a result of recent newspaper publicity.

The state has an Industrial Homework Act, which prohibits "the manufacture or production of materials or articles by any person in a residence when such goods are not for the homemaker's personal use."

Violations call for \$1000 or 30 days on the first conviction, \$5000 or six months on the second, and \$30,000 or one year for the third. In addition, all work-in-process and finished goods will be confiscated.

If you have any questions about how the law is enforced, call deputy labor commissioner A. R. Hernandez at 1799 So. Winchester Blvd., Campbell (Ca) 95008, phone 408-866-7814.

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I GOOFED. Mike Economy was not too happy with my last week's story about the changes at DCA Reliability, and for good reason. Both he and the parent Peabody International deny that there was a palace revolution, or that DCA earnings have been off.

As for the alleged payroll padding, some relatives were working for the company at its inception (a common practice in startups, when budgets are tight), and three of them happened to stay on.

The other guy in the story, Tom Swanson, left when he learned that his job would be cut in two, with commercial products split off from mil-aero ones. He is receiving two months paid leave.

It appears I was gulled by a disgruntled employee, but the fault is mine for not realizing it.

Apologies to Mike, and to Peabody, who were more upset than he was. That was a hell of a way to kick off Steve Burack in his new job.

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POLLUTION PROBLEMS (CONT'D). California's Governor Moonbeam has signed some new laws "to prevent a toxic future" in the state, and you should be aware of them if you make, use, transport or dispose of hazardous chemicals.

One of them requires that you notify all employees of possible acute and chronic risks of exposure to certain chemicals specified by Cal-OSHA by July 1 1981. The listing is expected to follow the lead of federal EPA and OSHA.

Another raises the penalties for improper disposal of hazardous wastes, to fines of \$25,000-\$50,000 for each day of violation, and two years in the slammer for repeat offenders.

Still another requires more detailed reporting of spills of hazardous wastes, and sets stiff fines for discharging liquid waste into groundwater.

These laws can be identified by their bill numbers: A.B.2923, A.B.3132, and S.B.1874.

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WHICH PAGE OF THE FISH WRAPPER DO YOU READ? A page 1 headline in Monday's (13) industry blat states, "Recall JANTX Transistors: Fairchild Cites Burn-Ins."

The story jumps to page 6, where a Defense Electronic Supply Center officer is quoted as saying, "They're not lasting as long as they are supposed to be."

And then on page 10 we see a full-page, four-color Fairchild ad, that declares, "If you're looking for hi-rel products that perform above and beyond the call of duty, call or write us."

It's juxtapositions like that that give ulcers to ad managers and space peddlers. On MN, fortunately, we don't have that problem.

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THAT'S ONLY THE HALF OF IT. The return of venture capitalist Fred Adler to activities in the Bay Area is greater than I realized. He and his associates own more than 35 per cent of Semi Processes (as he says, "Jean (Hoerni), Bob (Freund) and I go back a long time, and Bob has always been one of my favorite managers"); also 400,000 shares of Monolithic Memories; a substantial position in Howard Bobb's new Applied Micro Circuits; and a startup which will make semiconductor CAD equipment.

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QUOTABLE QUOTE. From Bill Anderson, chairman of NCR: "That the United States in the year 1980 might need moral support and management assistance from its foremost international competitor--and former pupil--is surely one of the great ironies of our time. As recently as four years ago, when this country celebrated its Bicentennial, such a development would have been unthinkable.

"Yet unquestionably the American economy is in serious trouble. And although we appreciate the growing concern of our Japanese friends, I think we would all agree that since the United States has created most of its current economic problems, it is only the United States which can solve those problems."

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ALSO QUOTABLE. From a report on R&D from the U.S. Department of Labor: "Because U.S. exports of manufacturers are dominated by high-technology products, a future decline in U.S. R&D expenditures, in absolute terms or even relative to foreign competitors, would threaten the U.S. with a loss of foreign markets.

"Already, Japan has joined the U.S. in having a competitive advantage in a number of high-technology products, and competition between the two countries will likely increase in the future."

Nonetheless, the Peanut Farmer is firmly opposed to tax incentives for R&D. Instead he proposes to spend \$300 million (!!!???) in 1981, and a like amount in 1982, on industrial basic research projects to be selected by the government.

Jeez, it's enough to make you give serious consideration to The Actor.

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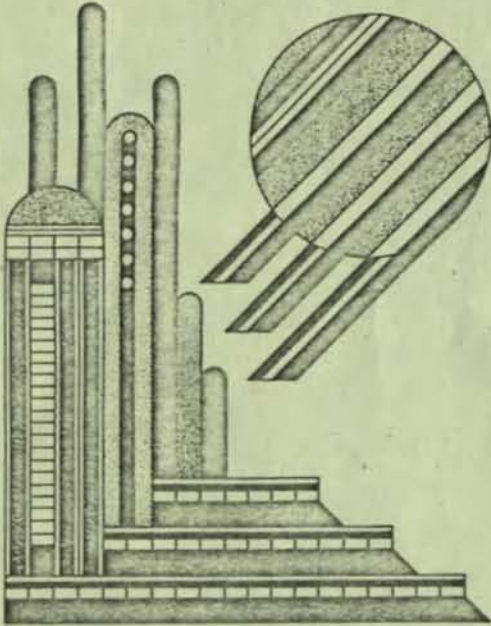
*Don C.*



# MANAGER'S CASEBOOK by Don C. Hoefler

CASE No. 569 SUBJECT: EVERYTHING IS MOVIN' TOO FAST

## FREE ENTERPRISE By DON HOEFLER



Dreaded 3-lead circular IC takes aim on obsolete manufactory.

For half a century before 1860, American industrialists had been altering the course of American history. Their corporations had affected property relations, their machines had revolutionized conditions of labor, their locomotives and telegraphs had speeded the pace of American life, their railroads had begun to draw outlying rural areas into the orbits of great cities. At every stage these changes had been resisted...

### The Age of Enterprise

You are welcome to use the school house to debate all proper questions in, but such things as railroads and telegraphs are impossibilities and rank infidelity. There is nothing in the Word of God about them. If God had designed that His intelligent creatures should travel at the frightful speed of fifteen miles an hour, by steam, He would have clearly foretold it through His holy prophets. Ohio School Board, 1823

THE MICROELECTRONICS REVOLUTION, which began with the invention of the transistor in 1947, might well be said to be--well, all right, I will say it--is the world's third and most important industrial revolution.

Purists will argue that there never was any such thing, that science and invention have been with us since the beginning of human history, and wealth has been with us just about as long. All that happened, they say, more than two centuries ago, is that the two got together and started to tango.

Not to quibble about it, I will simply and arbitrarily declare that Industrial Revolution I began in the Old World in 1750, Industrial Revolution II in the New World in 1800, and Industrial Revolution III in the New World in December 1947, whence it soon spread worldwide.

FOR THOSE WHO THINK IN MONOLITHIC TERMS, where the other industrial revolutions were cast in chunks of advances, such as the spinning jenny, the cotton gin, the steam engine, the reaper, the Bessemer converter, the electric light, the automobile, the motion picture and television, the invention of the semiconductor must appear to be of minor historical import.

I beg to disagree. Solid state electronics, and what it portends for the future of mankind, transcends all of those monumental inventions of the past combined. The potential is so awesome, that persons of limited imagination simply check out for a liquid lunch. Even the contemplation of it is too much heavy duty.

No problem there. The non-thinkers we can ignore. But this revolution, like all revolutions, is beginning to pick up its anti-thinkers, and these cannot be ignored. The naysayers and the doomsday prophets, who have not had an original idea since Queen Elizabeth I became a virgin, are again among us.

(OVER)



TWO WEEKS AGO an outfit calling itself The Worldwatch Institute issued a position paper under the byline of its researcher, Colin Norman, again clanging the tocsin against progress--especially the kind of progress foreboded by the specter of microelectronics.

Noting that the world economy is in p-poor shape, Norman says that "this gloomy economic environment makes the technology at once promising and threatening." This seems to promise a classic fence-straddle, in which the spear carrier either-ors the proposition to death. Not so with our protagonist, however. He comes right out with it. Microelectronics "threatens to aggravate unemployment in some industries and to reinforce the structural divisions that have been growing in the industrial countries."

Well, half-way out, anyway. Since Colin never does tell us what in hell he means by "structural divisions," we can't very well challenge him on that one. But "aggravate(d) unemployment" is clear enough. "Aggravate," according to my Merriam-Webster, is "to make more severe." Thus microelectronics, while it did not invent unemployment, promises to make a bad matter worse.

So we are back to the same old can of crap we've been hearing since John Gutenberg invented the printing press and put all those scribes out of work. Labor-saving devices eliminate jobs, when already there aren't enough jobs to go around. Phonograph records killed the concert stage and the ballrooms. The movies killed the legitimate theater. Radio killed records. Television killed them all, and now video tape is going to pauperize all entertainers.

THANK GOD this guy is a sideliner, a mere "watcher," not a doer, for he goes on to say that "the microelectronic revolution adds a new factor to international competition that could make it more and more difficult for poor countries to close the technological gap."

Good God, Colin, where have you been? Don't you know that the biggest poor country of them all, India, makes its own ICs? And do you have any idea what the transistor radio has done for the dissemination of information and education throughout the backward countries of the world?

Norman seems to feel that we who believe in the microelectronics revolution are spaced out on uppers: "The nostalgic hope seems to be that microelectronics, along with other high-technology industries, will lead the way back to the golden days of the postwar era, when the world economy expanded at a rate that provided high demand that in turn created millions of new jobs."

This Gloomy Gus is not only ignorant of the fact that microelectronics has already created millions of new jobs (and several dozen new millionaires), but continues to do so on a very broad scale. This is not nostalgia, Colin baby, it is fact. But he continues to moan that "it will do little to remove the underlying causes of sluggish economic growth."

So now we get down to our boy's problem. Even if the microelectronics revolution is stupendous, magical and mind-boggling, it is not a panacea. It does not miraculously solve all our problems of bloating energy costs, environmental degradation and inflation (although, it may be news to Colin that it does make major contributions in each of these areas).

I hope this guy sees a shrink before he becomes manic-depressive. He depresses the hell out of me already.

*Don C. Hoefler's*



**MICROELECTRONICS NEWS**

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SILICON VALLEY  
OCTOBER 11 1980

## CLASH WITH E.P.A. INEVITABLE

### Less Than Six Weeks To Go

*Good Friend -*

THEM DAYS IS GONE FOREVER. Time was when we perceived this as being a nice, clean, light industry. Scrub that. Only you can't scrub it well enough to satisfy the Environmental Protection Agency. The EPA is taking some hard looks at the liquid, solid and gaseous wastes produced by the semiconductor industry, and the means presently employed by the industry for their disposal. It wants some hard answers by November 19, and there is no chance at all it will like what it hears.

For pollution looms as large as any problem the industry has today. Even though millions upon millions of dollars have been spent by industry companies on control of effluvium, you'll find no bookie giving any odds on the EPA rating them as adequate. The problem is simply horrendous.

When the EPA snoopers get a close look at the kinds of chemicals used regularly by the industry--things like phosphene and diborane, liquid hydrogen, hydrogen chloride and fluoride, photoresist strippers 712B and J100, and a witches' brew of acids, the reaction is going to be simply appalling.

PROBLEMS ABOUND. In-Rancho Bernardo (Ca), Burroughs has just spent a very large sum of money to dig out an effluent pond which was adjacent to its Micro-Components Organization facility.

In Scottsdale (Az), Motorola is in deep sauce with the authorities, since it for years has been dumping plating solutions in the desert, to the point that the aquifer is now polluted.

In Austin (Tx), Motorola not only can't find a disposer to pick up its used photoresist stripper, but can't even find a supplier of drums to store the stuff in, so fearsome is the power of EPA.

*(Continued Overleaf)*

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PASS IT ON. In California, many semiconductor companies, both in the Valley and in the Southland, recycle their used acids to printed circuit makers. The stuff still has adequate purity to be used as an etchant for PC boards, and now disposal is somebody else's problem.

But waste disposal and potential pollution remain a critical problem for the entire industry. Jim Riley's dictum that "A problem defined is a problem half-solved" is due for the acid test this time.

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AS I'VE BEEN SAYING. The present flurry of résumés out of Intersil has to be the biggest blizzard ever witnessed in the Valley. They are everywhere, flooding the offices of every independent headhuntery and every company IR department.

If General Electric doesn't close its takeover deal quickly, it's going to find itself with an empty piece of real estate.

Meanwhile, the latest stirrings of Capt. Jack Gifford (MN, Oct. 4) may prove to be his last hurrah. His penchant for vengeance has caught the attention of guns bigger than his, and the distant drums are tuning up on the old refrain, "Don't Go Away Mad, Jack, But Do Go Away."

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THE WHOLE ENCHILADA. The acquisition of the EECO share of Siliconix stock by Westinghouse appears to be the prelude to a buy-out of the shares held by Lucas and Siemens, and a tender offer for the shares held by the public.

If so, the recent stockholders' meeting at Sili may have been the last--and a good thing too. For management tried to con the owners that its recent poor earnings performance was the result of a sag in the mil-aero biz, when in fact that market hasn't been so good in 15 years.

The hi-rel market has been rough for Sili, true, with many cancellations. But the fault is with the vendor, not the marketplace. Too many delivery dates missed by miles, and not enough attention to QA problems at management level. The result is great frustration among the R&QA troops.

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TRIPPING DOWN MEMORY LANE. Whatever you've been hearing about how great Motorola has been doing in the 16k RAM market, forget it, give it up. Mr. Moto's 16k effort is in a deep ship with every customer you can name.

The problem is that parts are crapping out in the field, unable to measure up to reliability specs. The IBM Caribou project is in a total-reject mode, and Digital Equipment has returned all shipments, and will accept no more. All future orders are cancelled.

The returns are in the multi-million-dollar category, and will have a notable negative impact on Mr. Moto's next earnings statements.

The guy who makes the stuff down in Austin (Tx), v.p. and director Charlie Silva, is said to be on a survival diet of pure Valium.

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WILL ONE OF OUR BOYS MAKE IT? We haven't heard anything in years about the political ambitions of Les Hogan, but a guy he once fired, and now one of our most illustrious presidents, has his eye on yet another presidency--the one that comes with an oval office.

Although his political colorations in the past have been of uncertain hue, he has been huddling with Democratic politicians in California. He has relocated his home, cut way back on out-of-town customer calls, and is making his heir-apparent familiar to the financial community.

The liberality of his company's employee relations can't hurt him at the polls, either.

Phase 1 of the plan is to go for the Senate seat of Sam Hayakawa, who is overdue for retirement. Since Republican congressman Pete McCloskey has his eye on that selfsame chair, our man has his work cut out for him.

If Hayakawa doesn't bow out early, the job doesn't open up again until 1984, so presumably the man from the Valley is shooting for 1600 Pennsylvania Avenue in the election of November 1988.

That's a long way down the road, but hell, I wish him all the best. They don't call him The King for nothing.

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DOUBLE HEADER. DCA Reliability lost its president and its corporate sales manager on Wednesday (8), but the partings were hardly related. Founder-president Mike Economy was nudged out of the way by the parent Peabody International, while s.m. Tom Swanson departed much against their wishes.

PI, which is the country's largest non-destructive test laboratory, provides geophysical services mainly to oil companies, and acquired DCA a year ago with the intention of building an electronics test and instrumentation division around it.

Economy at the time said he would subsequently be moving on, but no retirement date was set. Swanson meanwhile had been recruited from National, where he held the job now covered by Gus Pfaehler.

About five weeks ago, everything came to a head, with close to a palace revolution against Mike. Key employees charged him with mismanagement and nepotism, for losing money against ever-increasing sales, and loading the payroll with his relatives, including a sister and brother-in-law (the personnel manager).

About the same time, Swanson decided to pack it in, even though he has no immediate plans for anything other than r&r.

Peabody asked Swanson to stay, and Economy to leave. Orbiting in a holding pattern was Steve Burack, on staff to the chairman of the board. He is the new president of DCA, commuting from Connecticut for the nonce, but ultimately to relocate.

Swanson declined to remain, so his job is open. There will also be a billet for a top operations guy. Economy will remain as an on-call consultant, concerned primarily with expanding the company into the international marketplace.

And thus endeth the saga of the founders of DCA Reliability.

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BIG CATCH. Digital Equipment took a shot at National this week, by stealing away one of its best facilities managers, Bob Meyer. Natty made it easy for DEC by telling Bob in its usual suave fashion that he was being shipped to Austin. Bobby didn't much care for that idea, and instead of shipping he started shopping. He felt he had paid his dues in setting up Nat's Utah facility, and he'd be dipped in steer manure before he'd build a plant in Texas.

Also shopping was DEC, which needed somebody to set up its new Andover (Ma) semiconductor facility. Bob didn't object to New England, since he had cut his teeth at Fairchild's first low-labor satellite, South Portland (Me).

Nevertheless, it took a few zlotys to wean Bob away, like well into the \$50k range. To justify the tab, DEC had to invent a new title for him. Thus plain old "facilities manager" was hypered into "area administration manager." But DEC should care. They way they figure it, having Bob on deck should save them some \$2-\$3 million.

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FROM THE BIRTHPLACE. Bell Labs is funding a new "Initiatives in Research" award, to the tune of \$15,000 annually, in honor of silver-thatched Dr. Bill Baker, who retired as chairman in July. The award will be administered by the National Academy of Sciences, National Academy of Engineering, and the Institute of Medicine.

Lest anyone forget, Bell Telephone Laboratories is where the semiconductor industry was born, just before Christmas of 1947.

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MASTERSLICE MARCHES ON. International Microcircuits has cut a second-source deal with Supertex, in which Super will duplicate the two families of IMI gate arrays, totalling more than two dozen basic circuits. IMI uses metal-gate CMOS technology, with product density varying from 50 to 550 gate-cells per chip.

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THE YELLOWING OF THE EMERALD ISLE. Fujitsu is investing more than \$100 million in an LSI facility in the Dublin suburb, Tallaght. The plant will build memories and microprocessors (what else?), and will ultimately employ more than 1000.

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HOW HI THE FI? An Australian researcher, Prof. E. M. Cherry, claims to have developed an IC audio amplifier having only 0.0008 per cent distortion, using only standard parts, but pushing negative feedback far beyond the theoretical Bode's Limit.

Patent is pending, and first licensee is--you guessed it--Pioneer Corp. of Japan.

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LI'L OLD TOYMAKER. Considering how the industry busted its pick in trying to invade the consumer biz a few years ago, it's not exactly an upper to hear from International Resource Development that Mattel could well become "the industry leader in home entertainment systems." This from an outfit that started out with a hand-cranked music box with rubber teeth. Not even electromechanical, yet. Oy! Vey!

*Handwritten mark*



# MANAGER'S CASEBOOK by Don C. Hoefler

CASE No. 568 SUBJECT: UNDER THE FLIM-FLAM TREE

*If you like-a me like I like-a you  
And we like-a both the same,  
One live as two, two live as one  
Under the Bamboo Tree.*

Popular Ditty, 1902

IT TOOK THE JAPANESE not much more than a century to convert the international marketplace to which Commodore Perry introduced them into a one-way street in which the whole world is Japan's trading partner, and Japan is partners with nobody.

Any of us who did time in Uncle Sam's service during World War II--the one which Japan reportedly lost--should not have been surprised. Two of the most trenchant expressions to come out of that sad encounter were "one-way" and "Fujiyama." Both have identical meanings.

The imperfect acronym for Mt. Fuji tells it all: "Fork you, Jack, I am all right."

THE JAPANESE TODAY have heard our complaints about the one-way street, loud and clear, but rather than address them, they lard our rosy red ones with entreaties for even more *mutual* cooperation.

## FREE ENTERPRISE



"Piercing the bamboo curtain is as easy as cuffing black paper --and just as substantial."

Listen to Shoichi Akazawa, executive v.p. of Fujitsu Ltd.: "Let us liken the American system and the Japanese system to two great computer systems. The world needs to see our two machines working smoothly together. Mutual cooperation and mutual understanding are desperately required in this troubled globe."

So OK, there's the problem. Kenji Tamiya, executive v.p. of Sony Corp. of America, is confident it can be solved: "We have much to offer each other, and together we can accomplish common goals that might lie beyond the reach of either of us alone. Together, we can steer a course through the rapid social, economic and technological changes the future will bring. And combining the strengths of East and West, we can both continue to prosper."

Dr. Norihiko Nakayama, president of Fujitsu America, waxes lyrical as he contemplates our buddy-buddy future: "There is a proverb which is widely quoted in both Japan and China. It is: 'When the battle is over, the mountain remains.' When the storms relating to trade between the United States and Japan subside, our two great peoples will be there, in their two countries, living useful and, I devoutly hope, happy lives."

Rather than suggest bases for compromise, however, these pleaders for unity tell us that all of the problems come from our own wrong-headedness. Hear Nakayama again: "One of the obstacles to that harmony is the widely held belief in your country that Japanese industry has been economically successful because it appropriates American ideas, dumps products here at far below cost, and enjoys unfair government subsidies and other support which U.S. industry does not receive. You have been told that Japan engages in dirty tricks. It will hardly surprise you to hear that I do not accept that view."

(OVER)



THAT'S SCARCELY THE HALF OF IT, Nori-san. What really grosses us out is the gross protectionism of your Ministry of International Trade and Industry: those unconscionable tariffs; the bar to U.S. industry in your country; the sequestering of certain major markets.

We don't do that to you, pal, and that's what we mean by one-way/Fujiyama. To put it in good old A-A-American, that's chicken-schlitz.

You guys don't want mutuality. You want status quo. What scares hell out of you is that we might start playing the game by your rules. And we will, too, if your guys don't unbend--and soon. There's no more room for compromise on our part. The ball's in your court, kiddo. Don't force us to make the next move, or you're not going to like it.

LET ME GIVE YOU A CONCRETE EXAMPLE of what makes us uptight, pal. You people have told our people, with the rest of the world listening in, that you are going to take the products of our intellectual effort--computers and the semiconductors that made them possible--and use them to beat our brains out. You yourself are a part of this effort, even as you are a guest in our land.

Your regulations make it virtually impossible for us to make or sell these products in your land. In some cases, totally impossible: witness the telecommunications market.

Your boss, Akazawa, explains the tie-in: "The success of the Japanese computer industry is attributable to various factors: First, all our manufacturers were originally designers and makers of telecommunications systems, unlike their American counterparts. They had had long experience in switching equipment, carrier technology, and radio communications. This background served us well. Second, the Japanese industry--and for that matter the world industry--benefitted from the wide demand for on-line systems. Our history in telecommunications helped us to respond to that demand."

Well, if you guys are really such hot tickets in telecommunications, then what would the harm be in letting Uncle Sap's boys get a look at the biz? In a best-man-wins situation, they haven't got a chance anyway--right? So what's to worry?

BUT HI! A CRACK IN THE ONE-WAY DOOR! Last week your Nippon Telephone and Telegraph Public Corporation announced they were negotiating with IBM on a broad range of purchase and cross-licensing agreements, while strongly implying that the locked-up \$3 billion Japanese telecommunications market was now open for bidding. A government official, Yuji Ikeda of the foreign ministry, exuded that the talks "indicate NTT is not totally closed, and is one of the examples that NTT is ready to buy things from United States Companies."

Bullship!!!

In the first place, the licensing negotiations have nothing to do with the purchasing negotiations, and the purchasing negotiations have nothing to do with telecommunications. NTT is simply looking at an IBM standard product, its 5280 intelligent terminal, to insert in its customer-billing system. Total value of the contract: \$25-\$75 million.

As Tamiya says, "In many ways, I believe, Japanese and Americans are very different."

Wiley, meet Patsy.



*Don C. Hoefler's*



**MICROELECTRONICS NEWS**

*with Manager's Casebook*



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SILICON VALLEY  
OCTOBER 4 1980

## MAJOR REORG AT INTERSIL

### Rich Forte Takes Gas

*Good Friend //*

SHAKEUP, SHAKEDOWN AND SHAKEOUT. Intersil will formalize a major restructuring on Monday (6) or Tuesday, which will see the dissolution of its digital division, and the stripping of most of the powers of its v.p.-g.m., Rich Forte, even as the company awaits its takeover by General Electric.

As GE snoopers have been all over the place in the past couple of weeks, the move seems to be a power demonstration by senior v.p. Jack Gifford, as pres Ori Hoch remains tacitly in the background.

Forte, who was imported from Signetics last year to replace the departed Joe Rizzi, loses nMOS and CMOS fab, engineering, and production control, leaving him basically with assembly and final test. In his place will be three new managers reporting to Gifford.

Both MOS fabs will report to Terry Martin, who had been running metal-gate fab. The latter area is obsolescent, reduced to one line which is being price-bombed by the Koreans. While Inter is forced to sell at an a.s.p. of 55 cents, the Koreans are coming in at 38 cents, making it no contest.

All engineering, including the microprocessor development, memory development and design groups, will henceforth report to Dave Fullager. Dave is a hot ticket in op amps (Captain Jack's pet area), but how he will measure up in memories and microprocessors is open to conjecture.

All production control will now come under Jim Krehbiel, while Pete Bessey, who had been head of p.c. for the digital division is now reduced to manager of p.c. for final test.

The bottom line is that Gifford now has his own hand-picked people reporting to him, the people who had reported to Forte are kicked down one level, Forte

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himself is shot down in flames, and the entire digital effort is subordinated to Gifford's favored analog operations.

The move should have been foreseen, for the Captain has been strangling the digital division for many months. While digitals had no R&D budget of their own, they were being charged for all analog development. Similarly, standard CMOS was being charged for low-power CMOS development, which reports to the analog side. The arrangement made a shambles of Forte's P&L.

IT DON'T MATTER. The whole caper seems to be so much flatulent smoke. It will certainly hasten the departure of the people demoted, and it does nothing to enhance Gifford's position. His will surely be the first head to roll when the Electricians take over, and this latest grandstand play just might focus the attention on him a little sooner.

But he should care that he has again needlessly disrupted a lot of lives. He is independently wealthy from a number of wise investments. He could walk away from Intersil tomorrow and hardly feel a twinge.

Meanwhile, the impending GE takeover has a lot of people shopping anyway. The marketing people think the company will become a captive supplier and they will become expendable. The microprocessor systems group expects to be eliminated. The engineering people fear they will be "offered" transfers to North Carolina. And the entire systems division is hanging in suspended animation.

All in all, résumés are being updated and bags are being packed all over the company.

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THEY DO PROTEST TOO MUCH. National this week invested quite a few kilobucks to take a double-truck ad in the industry blat, proclaiming that everything is just jim-dandy in its move to standardize the hi-rel IC business. Actually, the power play, typical of Natty's damn-the-torpedoes attitude, lies dead in the water.

National is in second place in this \$420 million market, but it still controls less than 12 per cent of it, and sells not much more than half as much as No. 1, Texas Instruments. Thus when Natty declares that the entire industry is about to fall in line with its arrogant attitude, the claim is so much bilge water.

Is TI falling all over itself to join the parade? Motorola? Fairchild? Sig-netics? Harris? Advanced Micro Devices? Monolithic Memories? Intersil? Intel? RCA? Siliconix? Who?

And name just one of the customers who is overjoyed at the proposition. Hughes? General Dynamics? TRW? Raytheon? Loral? AIL? Where is all the support coming from?

Nowhere.

If it were, why would tight-fisted Natty be buying a spread in the butcher paper, and full-page slick ads in Electronic Countermeasures every month?

As the ad says, "National stands accused of heresay (*sic*) against the fundamental precept that the customer is always right. Our policy, say these few, amounts to telling rather than asking the customer what his needs are."

I couldn't have said it better myself. But what can you expect from a company run by a guy who has always preferred to stuff sausages rather than waste money on problem-solving?



NOT QUITE PROUD AS A PEACOCK. Sorry if you stayed home last night to catch my debut on NBC Television. Since it consumed the full day of two producers, a newsman, a cameraman and a soundman, not to mention three previous lengthy interviews with three different producers, my two-liner about Gordon Moore's lament that "loose lips sink chips" (MN, March 22) must have been the most expensive footage on the show.

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DIVORCE PENDING? Is Jim Riley on the verge of calling it quits with Data-Quest? Word is rumbling around the Valley that the contract of the former president of Signetics and Intersil will soon be up for renewal, but there will be no inking of documents.

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LEVERAGE. Although Harris Semiconductor is the second smallest "business segment" in the company, it is by far the most profitable. Although the division accounts for only 11 per cent of Harris sales, it contributes 24 per cent of the profits. The original printing equipment business kicks in 28 per cent of the profits, but it takes 29 per cent of the sales to do it.

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ENEMY TERRITORY. National just concluded its annual distributor sales meeting this week. Distrib sales manager Tom Recine convened his peddlers in--Phoenix.

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PARTY FAITHFUL. Teledyne Semiconductor (the former Amelco and Continental Device) had its first annual alumni bash last night (3) at the Moose Lodge in Sunnyvale. More than 300 showed up, many of them up from the Southland.

Among the dignitaries present were pres John Lemons, former pres Gene Blanchette, Joe Santandrea, president of Monosil, Amelco founder Jean Hoerni, CD process engineer Bill Tanner, Integrated Circuit Engineering v.p. John Shea, and military-aerospace marketer Doug Mincey, now at Advanced Micro Devices.

TeleSemi, by the way, has been turning nicely under the Motorola and Signetics veteran, Lemons, especially in CMOS and linears. He may yet turn this old clunker--the second Fairchild spinout--into a real company.

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QUADRUPLE DAMAGES. One thing Roy Pollack must have learned at Fairchild is the offshore assembly game, at the company which invented it. As head of RCA's consumer electronics division he has been using it extensively--but not too well, according to our diligent *federales*. According to the feds, RCA assembled TV sets in Taiwan, from parts not made in the U.S., and therefore not exempt from duty.

RCA evaded paying \$1.57 million in import duties, they say, and now they want \$6.28 million including penalties. That could make quite a nick in Roy's P&L. Doesn't he remember the RCA president who lost his job after he failed to file an income tax return?

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HAPPY BIRTHDAY. To Marshall Cox, who clocks another year on Wednesday (8).



SENSITIZED. Pickup in the automotive market has prompted Motorola (which is never very far from Detroit) to get into the transducer field. The company has introduced a silicon strain-gauge sensor at under \$20, and a transducer module employing at at less than \$50.

The activity has prompted Foxboro/ICT (formerly Integrated Circuit Transducer) --which spun out of Fairchild eight years ago--to name a marketing manager for the first time. Filling the slot is Roger Grace, former senior marketing engineer at Avantek.

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TOO LITTLE, TOO LATE. A recruiting ad this week trumpeted that "Fairchild Is Spending 50% More This Year On R&D Than Last. That's Only The Beginning."

Considering what happened to Fairch R&D during the Hogan-Corrigan decade, that's no beginning at all. It ain't even a P-hole in the snow.

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HOMECOMING. Don Share returned to National this week, as marketing manager for microcomputer systems. Don left Nat three years ago for Intel, but was trapped in the move to Oregon. To avoid that fate, he has lately been custom marketing manager at American Microsystems.

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ARRAY, HURRAY. Add IBM's name to the makers of gate arrays (MN, Sept. 20). The company this week announced an experimental masterslice chip containing 7640 logic cells to make up 5000 circuits. The technology is Schottky clamped TTL. Fab was done at the East Fishkill (NY) plant.

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GAP PLUGGED. Keith McDonald has moved up to national sales manager at Rockwell, replacing Ken Muenstermann, who with Bob Dwyer recently set up the reppery (SC)<sup>3</sup> (MN, Aug. 23). Keith was most recently manager of key accounts.

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DON'T OVERDO IT. GTI Corp. in San Diego is another to make use of the R&D limited partnership (MN, Aug. 30). But GTI pres Jim La Fleur cautions: "Organizers of such partnerships should abide by the intent of Congress in forming such partnerships, rather than pressing minor legal points to gain additional advantages, to avoid adverse legislative action in the future. Also, the underlying profitability of the project must be considered to be of equal importance to near-term tax benefits, to establish a sound reputation and to insure future public support."

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HONKY BLACK-AND-BLUES. Motorola, whose chairman once assured me in writing that it had never been guilty of race discrimination, is about to spend \$15 million for its innocence. As a result of a settlement made in U.S. District Court in Chicago, Mr. Moto will shell out \$10 million in back pay for blacks, \$2.5 million for a technician training program, \$1 million for creation of new jobs for minorities, and \$1.5 million in legal fees.

Would it be crass of me to say I told you so--quite a few years ago?

*Don Li*



# MANAGER'S CASEBOOK by Don C. Hoefler

CASE No. 567 SUBJECT: BACK TO THE SHOGUNS!

## FREE ENTERPRISE By DON HOEFLER



B-140

Commodore Perry leads his crew,  
armed with reject-marking pens,  
onto the shores of Tokyo Bay.

*Few events in modern history have had such far-reaching effects as the opening by the United States of the doors of Japan.*

--Rise of the American Nation

*The Japanese were amazed at these wonderful new machines. They decided to learn how to make them.*

--Story of the American Nation

IF YOU ARE STILL GOOSEY about the Japanese incursion of the integrated circuit market, you might hurl the blame at the companies who first sold them U.S. technology, such as American Microsystems and Rockwell (which was also founded on AMI technology).

Our you might blame the actions of a couple of meddlers 127 years ago.

For until then the Japanese were entirely turned in on themselves, shunning completely the rest of the world in general, and the Western world in particular.

The shoguns of Tokugawa, who ruled the islands from 1603 to 1867, ran an isolationist regime, in which Christians were tortured by decree beginning in 1612, and the early Portugese, Spanish and Dutch traders who had visited the country were ruled off-limits in 1624.

THERE MATTERS STOOD for more than two centuries, until the U.S. Fleet got into the act. The two meddlers who couldn't leave well enough alone were Millard Fillmore and Matthew Calbraith Perry. The first was the thirteenth president of the United States, and the latter was an ambitious commodore of the United States Navy. Lame-duck Fillmore was then 53 years old, and Perry was 59.

Fillmore penned a letter to the emperor, requesting that Japan be opened for international trade (beginning with coal and provisions for Perry's ships), and demanding that American sailors shipwrecked in Japanese waters be given humane treatment.

Three-striper Perry, with his missive and a division of four men-of-war, raised anchor at Norfolk on November 24 1852. The slow boats to Japan arrived at Yedo Bay (now Tokyo Bay) on July 8 of the following year, and to Japanese eyes they were a sight to see. Lacking either sails or oars, the vessels belching black smoke moved steadily against a strong headwind, and recalled to mind an ominous Japanese folk song:

*Thro' a black night of cloud and rain,  
The Black Ship plies her way--  
An alien thing of evil mien  
Across the waters gray.*

(OVER)



THE FRIGHTENED LITTLE NIPPERS promptly ordered Perry to get his infernal Black Ships out of their territorial waters. But the commodore stood his decking and demanded to see nobody less than the emperor. He apparently was not aware that Japan was then controlled by the militarists, and the big bopper really was the shogun. He saw neither, however, having to settle for an emissary of the emperor, as he was of his president.

(Although the letter he carried was signed by Fillmore, while Franklin Pierce had meanwhile been sworn in as president, Perry told the emperor's flunky that he would await an answer on behalf of the President of the United States of America. He had now been in the bay for six days.)

The reply was quick in coming, and unchanged: get out and stay out. Perry said he'd get out, but he would return. "Wait 'til next year, you bums," he intoned, thereby creating an anthem later to be adopted by the Brooklyn Dodgers. And with that he hauled anchor and steamed his slow boats to China--which would be happy for the coal business.

Perry twiddled his ships around the China Seas and the Philippine Basin for the better part of seven months, before returning to Tokyo in February 1854. His fleet had grown to seven ships, all heavily armed, but the Japanese were in no mood to fight. By now the Black Ships were known as "fire wheel" ships, and "she runs as quick as a dragon in swimming."

ON THE EIGHTH DAY of the month of March, near Yokohama there was a great party, with exchange of presents. The Japanese brought handiworks, including silks, brocades and lacquerware. The sailors responded with products of the industrial world, including rifles, pistols, a telegraph system and a quarter-scale model railroad complete with a 370-ft. circular track.

The Americans set up the telegraph wires, with terminals about a half-mile apart. Then they challenged Japanese runners to outrace the messages. Not even the fleetest of foot was able to run at the speed of light, however.

Although the steam railway was too small to carry passengers, the Japanese officials demanded rides, sitting on the roof of the engine cab, as the little chugger roared around at 20mph. As old Matt later described it: "It was a spectacle not a little ludicrous, to behold a dignified mandarin whirling around the circular road at the rate of twenty miles an hour, with his loose robes flying in the wind."

THE JAPANESE WERE HOOKED, and at the end of the month, on March 31, Perry signed an affirmation of peace, friendship and commerce. The Treaty of Kanagawa opened the ports of Shimoda and Hakodate to U.S. merchant ships, assured hospitality for American sailors, and opened diplomatic relations. By 1857, Nagasaki was opened, still others were opened in 1858, and Americans were granted residence status.

Before sailing home, Perry threw a party on his flagship "Powhatan, and a Japanese official, juiced on both sake and bourbon, threw his arms around the commodore's epauletted shoulders, and spouted, "Nippon and America, all the same heart."

As humorist Finley Peter Dunne was to have his *persona*, Mr. Martin Dooley, the Roscommon Irishman of Chicago's Archey Road, declare 50 years later: "We didn't go in; they came out."

Oh boy, did they ever!

*Don C. Hoefler's*



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