

Intel Case B: 1985-1998

The birth and growth of Intel

INTEgrated ELEctronics (or Intel) was founded on 18 July 1968 in Santa Clara, California, by what the company's historians refer to as "the triumvirate" – Robert Noyce, Gordon Moore and Andy Grove. Noyce and Moore were semi-conductor pioneers who left Fairchild Semiconductor to create Intel. Andy Grove had been Moore's Assistant Director of Research at Fairchild, which he also then left to join them.

Over time Intel grew through distinct phases corresponding roughly to the tenure of its successive CEOs. With a strong expertise in semiconductors, it was the first company to specialise in the manufacture of large-scale integrated circuit memory products and, under the leadership of Gordon Moore (1968-1985), it became the world's largest semiconductor company. In the early 1980s it was on the verge of a new phase in its development, from being a memory company to becoming a microprocessor company under CEO Andy Grove (1985-1998).

From a memory to a microprocessor company: a new business model

In 1968 the company's strategy was to build semiconductor memory products for mainframe computers competing with the 'core memory' standard of the day. During the 1970s Intel became a leader in fiercely competitive markets: Static Random Access Memory (SRAM), Dynamic Random Access Memory (DRAM) and Read-Only Memory (ROM), which represented the majority of Intel's business until the early 1980s.

By that time increased competition from Japanese semiconductor manufacturers, such as Fujitsu, NEC and Hitachi, had dramatically reduced Intel's market share in the memory market. It was also losing its strategic position in DRAMs, which had become a commodity product. By decreasing the commitment of its manufacturing capacity to DRAMs, Intel progressively shifted its focus away from the declining memory market and into microprocessors. Much of this transition was driven by the executive leadership and vision of Andy Grove.

When Grove took over, he quickly recognised that Intel's future lay in microprocessors rather than in memory products. He said, "I knew we had to get out of DRAMs and put all our brightest on microprocessors". Although Intel had created the first microprocessor chip back in 1971, it wasn't until Grove's tenure that this became the company's primary product. With the sudden growth of the PC market and Intel's winning the design award for the successful IBM PC, Grove directed all his efforts to shifting Intel's core business away from DRAMs. Jack Carsen of GM's Components Division recalled a conversation with Grove: "Grove said don't worry about the memory business, it is not important to our future".

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