

# StrongArm Longing For Intel's Embrace

## *Lengthy Indecision Is Dampening Spirits, Chances for An Ideal Match*



The two seemed to make a perfect couple, but, as the saying goes, there are issues. Pending approval from the U.S. Federal Trade Commission (FTC), stewardship of StrongArm could change hands by summer. But Digital may be an unwilling partner, and the FTC's well-intentioned investigation may break up the wedding party.

On the surface, StrongArm is an ideal fit for Intel. It's everything Intel's chips are not: fast, inexpensive, and low-power. StrongArm would perfectly complement Intel's i960 and embedded x86 lines, allowing the company to attack new consumer and communications markets it cannot otherwise reach. Technically, it would be an ideal marriage.

But hesitation is keeping the two apart. Intel's apparent indecision and the government's investigation may stand in the way. And while all concerned parties make up their collective minds, nervous StrongArm customers—not to mention its creators—are looking elsewhere for opportunities.

When the merger was announced, both companies made happy cooing noises about how Alpha, the Hudson fab, and all of Digital's employees would continue on unchanged. Reassurance regarding StrongArm was conspicuous by its absence. StrongArm was the bath water that came with the Hudson baby, and Intel didn't know whether to throw it out, keep it, or pass it along to someone else.

I believe Intel was—and possibly still is—deeply conflicted about what to do with StrongArm. Intel could have helped StrongArm's future immensely simply by stating, one way or the other, its intentions. Publicly pronouncing that Intel would spike StrongArm at its earliest opportunity would have dampened the FTC's enthusiasm for the deal, of course. But avowing eternal devotion to StrongArm would have helped both Intel's and Digital's customers. Yet Intel remains mum. A case where no news is bad news.

In the interregnum, the power of StrongArm steadily weakens. Many of Digital's key designers have already left, taking other engineers with them. By the time the FTC finally assesses the deal, the talent pool may have already been drained. Queasy about StrongArm's future, customers are bailing out, flattening sales going into 1998.

Some background on the suitor may explain its reluctance. Intel has never in its history produced a product that it did not develop. The company has licensed its own designs to others (the 80286, the 8051, etc.), but it has never produced a licensed part. The company's history and its mindset—some would call it NIH—discourage such a move.

StrongArm's dependence on advanced process technology—and one specific process, at that—doesn't fit Intel's Copy Exact policy or its strategy of building embedded chips on older, amortized fabs. To build StrongArm today, Intel has to maintain the Hudson fab just as Digital left it. Revising the design for Intel's fabs would take months and could do violence to some of StrongArm's most charming characteristics, but such a change seems inevitable in the long run.

Ironically, the FTC may be hurting the very customers it is charged with protecting. Nobody wants to invest in a microprocessor without a future, and StrongArm's future is looking iffy. For turn-of-the-century trust busting, a year-long investigation didn't matter much. In this industry, delay spells doom. Satisfied StrongArm customers must be pleading with the FTC to stop helping them so much. As Digital's future hangs in limbo, StrongArm's fortunes hang with it.

(To the cynical, the acquisition of Digital Semi could point the way to a wicked new potential business strategy: offering to buy a product as a way of killing it. Knowing that FTC approval generally takes several months, and that sales of affected products are likely to tank in the interim, it almost doesn't matter whether the acquisition gets approval or not. By that time, sales will have vanished, along with most of the key personnel and any prospects for future success.)

Intel has always ignored the portable, handheld, and consumer markets, viewing them as distractions from its purposeful PC-centric plan. Yet that view is changing. Digital cameras, electronic organizers, and media processors may not be PCs, but they help sell PCs, particularly high-end units with the fastest processors and all the latest features.

Intel has three alternatives: make, buy, or quit. That is to say, Intel can develop its own CPU for the low-power and consumer markets; it can keep StrongArm and raise it as one of its own; or it can simply choose not to be a player in those areas. Embracing StrongArm is definitely the right choice, if the company would just hurry up and say so.

Intel should speak out—soon—about its plans for StrongArm. Assuming the FTC approves the deal, Intel should follow Digital Semiconductor's lead and push StrongArm hard, moving it rapidly onto more advanced manufacturing processes. Combine that with Digital's equally aggressive pricing. With some careful attention, Intel can still make up for time lost toying with StrongArm's affections. □