

# Intel discussion questions

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Answer Media paid huge attention to the error in Pentium chip despite the fact that it occurred once in every 9 billion division. For typical customer of personal computers, the margin of error was negligible but nevertheless, company was ethically wrong to market a defective product. In the intensely competitive global business environment, high ethical considerations and excellence in quality of the products provide companies with cutting edge competition. Thus, it is important for the companies to ensure that they not only endorse TQM in their product development but they should ensure that products should not be marketed where defect is already identified. One year before bringing the new advanced Intel chips into the market, the company had started the massive advertising propaganda. At the same time, mass production of Pentium, the latest microprocessor chip was also started. The Intel scientists had become aware of the error that the Pentium chips make but they went ahead with the sale of the same. This was most unethical and also violated the trust of its customers. Indeed, while most personal computer users may not be significantly impacted by the defect of the chip, the error caused by chip did adversely impact some of the customers. The company had deliberately hid important aspect or defect in the chip for its vested interests. It had violated the trust of its customers and had also refused to replace the same with new ones or all its Intel based PC users who had defective Pentium chips. Thus, media was right in exposing the company for the intentional fraud that it had committed against innocent customers. (words: 270) Answer 2 Intel had released the flawed Pentium chip to the market instead of delaying its introduction until the flaw was fixed. A very important fact which influenced the decision was that the Intel

scientists believed that the probability of mathematical error caused by the chip was extremely low, just once every 9 billion times. An ordinary user of spreadsheet software would therefore, encounter the problem only once every 27000 years! This also meant that normal PC users would not become aware of this problem. Only small users who were using complex mathematical calculations could come across this problem. This was vital information that encouraged the Intel scientists to release the chip despite knowing its flaw. Other reasons that might have prompted the decision were that company had already spent a huge amount in advertising and mass production of flawed chip. The company was confident that with 80% of personal computers having Intel chips, the introduction of Pentium microprocessor would greatly improve its market position. It would also significantly impact its growth which was anticipated to be 30%. Mr. Andrew Grove, CEO of Intel, had therefore invested hugely in the advertising campaigns for the new Pentium chip. Withdrawing the campaigns and stopping the production for error that is not easily identifiable was probably thought to be too foolish. Hence, company carried forward the release of its flawed chip. (words 225) Answer 3 The company had applied standard Intel customer complaint procedures on its early customer complaints mainly because it believed that the complaints did not warrant any significant change in its policy of handling complaints related to performance of its products. The Pentium error was supposed to have occurred only once in 9 billion times and thus was not a recurring problem for common customers. It had specific procedures that catered to specific problems and Intel believed that the current problem could easily come under this clause. The few

customers, who did come across this problem in the mathematical calculations like divisions, got their chips replaced with new ones. Making managerial decisions under difficult conditions is an important aspect of effective management. The management decision making also relies heavily on procedures and planned strategies that are normally aligned to the long term and short term goals and objectives of the company. Strategic planning also anticipates the risks and uncertainties, which in this case, was deliberately overlooked for the wider financial interests of the company. In the current environment of competitive business, customers' needs and requirements must become the major factor for strategic changes within the company policies. Marketing of flawed Pentium chips was a huge blunder that went against the interests of the customers. With flawed goods in the market, the company is liable to lose its market credibility which it did after media exposed the reality of Pentium chips. Dynamic decision making is a critical element of competitive advantage which was not applied by Intel with its early customer complaints. Each customer is important and a decision to replace flawed chips should have been applied across the board for all its Pentium users rather than for a select few. (words: 283) Reference Case study. Intel Recalls Pentium Chips. Management Strategy and Decision Making.