

# Case study: chipping away at intel (part 1)

Business



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I. Introduction Intel was in the bad shape in the Barrett's tenure and he had to implement changes to cope with internal and external pressures. The specific pressures that required Intel to change were Intel's bad products with delays and shortages, overpricing, bugs in its system, shares going down, slowing global chip demand, slowing economy under impact of September 11, 2001 and its rivals becoming stronger.

.. It was a really hard time for Intel and a big challenge for Barrett in order to remain the company's reputation. II. Analysis of the case The changes have occurred in Intel in the Barrett's tenure When Barrett came in Intel three years ago, he took some bold moves. He expanded into the production of information and communication appliances as well as services related to the internet.

He also reorganized internal system to avoid duplications and improve coordination within the organization. The example of duplication was that the network operations group and the communications unit sometimes were in competition with each other, selling similar products to the same customers and Barrett need reorganize them. Moreover, new business units were created to enable decentralization and delegation of decision making, which makes the company better coordinated and more nimble. Barrett also wanted to change the culture of the organization toward better customer relations and away from a perspective of being the only real competition in the marketplace. The causes of the changes Intel changed to respond to many external and internal pressures which caused many problems occurred as product delays and shortages, recalls, overpricing and bugs in its system.

External pressures leading to the Intel's change are Geopolitical, Declining markets and Hyper-competition.

The September 11, 2001 affected every technology company and Intel's shares going down sharply were the results of that catastrophe. The slowing economy together with this catastrophe gave bad impact on Intel's business, urging them to change. Declining market in global sales of chips were expected by 34 percent fall and people seemed to be more interested in how fast their modem connection was than in the speed of their computer chip. The rapid pace of change in the technology industry also brought hyper-competitive pressures in Intel's markets. They withdrew from the production of network servers when they had to compete with Cisco, a major client in the chip market.

Moreover, other rival Advanced Micro devices had produced its Athlon processor chip, which turned out faster than Intel chip. Beside external pressures, internal pressures also gave big impacts on Intel's change. Barrett saw the duplication and bad coordination among Intel's units and he decided to solve these problems by reorganizing of the business units and acquisitions of other companies. From his activities, integration and collaboration pressures became prominent, which was expected to make the company more nimble. The result of the changes Although a lot of Barrett's strategies were applied for three years in his tenure, most of his efforts were failing and Intel was in worse shape.

His changes did not bring many improvements for Intel as he expected. His changes were even considered by a former general manager as "dabbling in

everything and overwhelming nothing” and job cuts, with 5, 000 jobs lost also hampered Intel’s reputation. Barrett made the changes at Intel due to the external pressures and reorganized internal forces to cope with these pressures. However, the internal pressures were the result of the changes made to address external concerns. What caused the failure of Barrett in changing Intel was that Intel did not have effective internal processes and systems to implement successful changes initiated by environmental pressures. Even though Barrett tried to reorganize to make the company better coordinated and more nimble, his moves received the concern about Intel future from shareholders and commentators as well as the opposition from the staff.

As there was so much reorganization over three years, staff could not follow well. A typical example was that chip managers were now being put in charge of new markets and products about which they knew very little. It seemed that the Intel internal sources were not efficient enough to prepare for the changes as internal sources should have been the core competence of the company so that Intel could get success in changing to adapt to the changes of external pressures . That was the main reason why Intel’s changes did not bring efficiency as Barrett expected. III.

Recommendations for Barrett for coping the change pressures Barrett had better focus on internal change before implementing changes from the environment. What confronted Intel first were the problems such as product delays and shortages, recalls, overpricing and bugs in its system. If Barrett solved these problems well, it was easier for Intel to make any changes in the company as well as confront with the external pressures. Investing in <https://assignbuster.com/case-study-chipping-away-at-intel-part-1/>

research and development into new production technologies in order to cut chip-making costs was a good approach in his strategy and it need to be implemented soon to confront with the slowing economy and the chip demand plunged. It would take time but was a vital move of Intel to improve the internal sources in the global competitive market. Communication was also the key issues of Intel corporation and Barrett should use it to reduce the opposition and concern from the shareholders, commentators and staff.

If he had an effective and efficient communication, Intel's staff were on the way of changes and they would contribute to the successful change for Intel. Moreover, Intel need to supply efficient trainings for their staff , especially in the case that up to 80 percent of staff in the micro processing unit being given new jobs, to avoid the situation that staff did not understand their jobs, causing the frustration of customers. IV. Conclusion Intel's change strategies were not successful as expected and Barrett could not retain Intel' reputation in the global market. What Barrett lacked might be an overall solution which need an outstanding analysis about the interaction between internal sources and external sources.

From that analysis, he could highlight areas that required more attentions and focused on changes in those areas to cope with pressures.