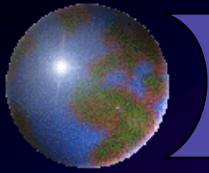


MULTINATIONAL R&D CENTERS FROM COST CENTERS TO STRATEGIC ASSETS

Dr. Giora Yaron



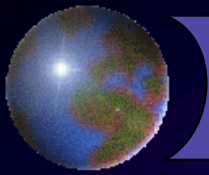
HISTORICAL PERSPECTIVE

❖ Mid 70's;

- ❖ Intel establishes R/D center @ Hof Shemen
- ❖ Focus; derivatives of existing products
- ❖ Motivation; High quality, low cost, stable workforce

❖ Early 80's

- ❖ National establishes R/D center @ Herzlia
- ❖ Focus; High end microprocessors
- ❖ Motivation; **High quality**, stable workforce ["Boca for IBM"]



HISTORICAL PERSPECTIVE [CONTINUE]

❖ Mid 80's

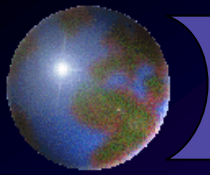
- ❖ Motorola emerges out of National
- ❖ DEC emerges out of National

❖ Mid 90's

- ❖ Rockwell, TI, Analog Devices open R&D centers in Israel

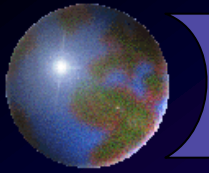
❖ Late 90's system companies move in;

- ❖ Cisco
- ❖ HP



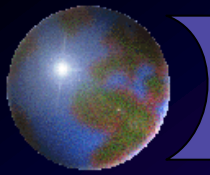
HISTORICAL PERSPECTIVE [CONTINUE]

- ✚ Early to mid 2000 SW Multi-Nationals move in
 - ▣ Microsoft
 - ▣ Yahoo
 - ▣ Google



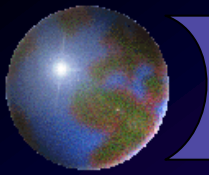
ISRAEL EMERGES AS A HIGH TECH POWERHOUSE

*MIGRATING FROM
SEMICONDUCTORS ONLY TO
SYSTEMS TO SOFTWARE*



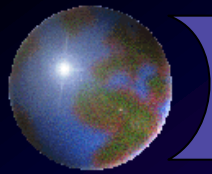
THE “SECRET SAUCE” OF THE EARLY SUCCESS

- ❖ “Unfair advantage” in the IT sector with defense industries bridging the “valley of death”
- ❖ High quality, stable, low cost workforce



...AND THAN CAME CINDIA

- ✚ Highly educated very low cost workforce
- ✚ Stability?
- ✚ Low end R&D programs start migrating to ChinDia



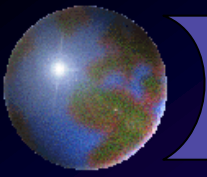
TWO CAMPS EVOLVE

❖ Camp I; Shrinking/closed/sold

- ❖ Rockwell/Conexant; Closed
- ❖ Analog; Closed
- ❖ TI; Shrinking
- ❖ Cisco; shrinking
- ❖ National; Sold

❖ Camp II; Expending

- ❖ Intel
- ❖ HP



EVOLVE INTO STRATEGIC ASSET OR DIE

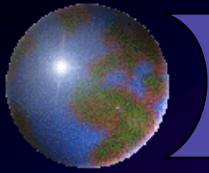
✚ Strategic asset

▣ Drive high end products and architecture

- Intel
- IBM; Storage?

▣ Assume business responsibility

- HP ;Indigo
- HP; Mercury?



SUMMARY

- ✚ R&D cost centers will continue to migrate into ChinDia
- ✚ Strategic assets will continue to prosper

KEY SUCCESS FACTOR; EXCELLENCE!!!