MULTINATIONAL R&D CENTERS
FROM COST CENTERS TO
STRATEGIC ASSETS

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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; Expanding
- Intel
- HP
EVOIII NE 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!!!