Sandra Morris, VP and CIO of Intel Corporation:
On How Globalization is Transforming Intel

January 22nd – Sandra Morris, VP and CIO of Intel, kicked off SPRIE’s Winter 2004 Seminar Series on the limits of offshoring. Morris began her talk, “How the New Wave of 21st Century Globalization is Transforming How Intel Operates,” by answering critics who argue that outsourcing is a “race to the bottom.” The cost advantages of locating operations offshore, she countered, are short-lived. “Where we go, she said, “isn’t just about cost.”

Intel has chosen to locate operations in such places as Bangalore, Panang and Shanghai in order to “go where its business is.” Companies have to follow their markets – and the chip market is changing. In 1992 less than 30% of Intel’s revenues were generated in Asia (including sales in Japan). By 2000 that number had risen to more than 50%. Today, although 60% of Intel’s employees work in the US, 60% of the company’s revenues are generated in Asia. Ms. Morris asked “How will someone in Silicon Valley be able to develop the next wave of devices, such as wireless handheld devices” – and the chips that drive them – “when the great majority of the customers who use those devices live outside of the United States?” “Innovation,” she argued, “has to follow the market.”

Morris underlined the quality of these schools with a story about an Indian engineer working at the company’s Bangalore location. The man’s son had been rejected by his first-choice university, one of India’s top technical schools. The boy was disappointed but resigned to his second choice – MIT.

Ms. Morris went on to say that one measure of Intel’s offshore talent is the remarkable speed of its “time to productivity.” Only in its third year, the company’s Bangalore site is already in the midst of the maturation phase, finding ways to integrate its operations, overcome the challenges of time-differences, and mesh what Ms. Morris called the “DNA” of different work cultures. What is the trajectory from “time to productivity” to “time to innovation” for the company? As an example of what can be accomplished offshore, Morris cited the creation by Intel’s team in Israel of Centrino, the company’s new control chip for wireless applications. For that team, the time horizon was a mere 3 years. Ms. Morris predicted that the “time to innovation” will be impressive at the Bangalore site.

When asked about the limits of offshoring, Ms. Morris answered by saying that there were three conventional answers to the question: (1) “there are no limits”; (2) “the limits are wherever your business is”; and (3) “offshoring should be limited to non-strategic or commodity functions only”. After arguing for the value of the second view, she continued that the real question isn’t where the limits of globalization lie. “The question is how are you going to participate in the marketplace?”

In addition to changing world markets, a second key driver for shifting global activities is increasing talent pools around the world. There is “no issue with software talent or increased product design talent” in India, Ms. Morris said. India has six highly regarded institutes of higher learning from which Intel hires. Ms.