

AMD cutting 1,400 workers in first move by new CEO

November 3 2011, By JORDAN ROBERTSON , AP Technology Writer

(AP) -- Advanced Micro Devices Inc. is cutting some 1,400 workers as a weak computer market and manufacturing delays have hurt the world's second-biggest maker of microprocessors for PCs.

The layoffs announced Thursday amount to about 12 percent of the company's 12,000 workers and are the first big move by AMD's new CEO, Rory Read, who was hired from Lenovo Group in August.

AMD is struggling with an industrywide problem: weak PC sales growth, particularly in the U.S. and Europe, which has been anemic because of the economy and competition from smartphones and tablets.

Although PC shipments continue to grow, the pace is slowing sharply. Shipments of PCs rose in the third quarter but at a more sluggish pace than market research firms IDC and Gartner Inc. expected. That has raised concerns about the strength of the market going in to the holiday shopping season.

Most of AMD's business comes from PCs, and it doesn't have a meaningful presence in smartphones and tablets.

Read's job in large part is to help devise a strategy for AMD to penetrate those new computing markets where it and rival Intel Corp. have been largely absent. The battle has taken on a new dimension as AMD's and Intel's market share in PCs has reached a steady balance for years - Intel's chips are in about 80 percent of the world's PCs, and AMD's are

in essentially the rest.

But the market for mobile devices is wide open, and AMD and Intel are both weak there. That has hurt AMD more because of its smaller size and was a key reason for AMD's ouster in January of Read's predecessor, Dirk Meyer.

Meyer in some ways had an excuse: He was orchestrating a triage as he tried to manage the company's spinoff of its manufacturing operations while fending off Intel and overseeing the launch of an important new type of chip for AMD. That chip has sophisticated graphics and general processing capabilities on the same piece of silicon, a technical achievement.

Another factor behind Thursday's announcement was that AMD has struggled with manufacturing problems that have postponed the shipment of those new chips, which are called "accelerated processing units."

The layoffs and other unspecified operational changes are expected to save \$200 million in 2012.

AMD shares increased 5 cents, or nearly 1 percent, to \$5.78 in extended trading Thursday after the cuts were announced.

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Citation: AMD cutting 1,400 workers in first move by new CEO (2011, November 3) retrieved 18 June 2024 from <https://phys.org/news/2011-11-amd-workers-pc-industry-stumbles.html>

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