

Analysis: Intel not expected to stray far from current path with new CEO

May 3 2013, by Steve Johnson

Despite being battered by the slumping personal computer market, Intel signaled its commitment to its current course with the [selection Thursday of chief operating officer Brian Krzanich as CEO](#) and software head Renee James as president.

In succeeding Paul Otellini, who will step down as CEO and president on May 16, the two longtime Intel insiders are widely expected to follow the path the world's biggest chipmaker already has taken. That primarily involves beefing up its leading-edge manufacturing technology and expanding its software offerings to take advantage of the fast-changing computing landscape, where just about every gadget imaginable is being made smarter and linked to the Internet.

"Krzanich's and James's appointments definitely indicate that the board is comfortable with the current Intel strategy," said tech analyst Patrick Moorhead. "If Intel executes flawlessly, this could, in fact, mean potential success."

But while Krzanich (pronounced krah-ZAN-ich) "is very well respected," according to the Sterne Agee analyst, he suspects some of the Santa Clara, Calif., chipmaker's stockholders had yearned for a different selection, considering Intel's marginal progress getting its brainy microprocessors into [mobile gadgets](#).

"Investors hoping for a tilt into mobile, we believe, were potentially hoping for an outside candidate," he said.

Intel itself raised that possibility when the company, which had picked its previous five CEOs from within its ranks, said it would consider hiring an outsider this time.

The market reacted with seeming ambivalence to Intel's choice of Krzanich, who has been with Intel since 1982. The company's shares rose a mere 12 cents, or about half a percentage point, to close at \$24.11.

Intel declined the San Jose Mercury News' request to interview the new CEO, as well as James and board Chairman Andy Bryant, who told [The Wall Street Journal](#) that Krzanich and James were selected after jointly presenting the board with an impressive "foundational strategy that takes Intel into new markets in new ways."

Bryant was vague about the plan's details. So was 52-year-old Krzanich, who told the newspaper the idea would exploit Intel's manufacturing-technology leadership and involve getting its chips into new types of computing devices, including some users can wear.

But that sounds similar to the business strategy laid out by the 62-year-old Otellini, who had surprised the company's board when he announced in November he was quitting three years shy of his mandatory retirement age. Besides trying to get Intel's chips into smartphones and tablets, Otellini had envisioned the circuits increasingly being used in a wide array of Internet-connected computing gadgets, from cars and TVs to smart refrigerators and other home appliances. He also had counted on Intel's leading-edge manufacturing to produce the advanced chips that would be needed for those gadgets.

While Intel sells more than 80 percent of the [microprocessors](#) in personal computers, PC sales have been dwindling and fell 14 percent in the first three months of this year, the largest drop in nearly two decades.

Mobile devices mostly use other companies' chips, which employ a design from British firm ARM Holdings that traditionally has been more power-efficient and provided longer battery life than Intel's processors.

Still, Intel's [manufacturing technology](#) is well beyond that of other chipmakers and it has been investing heavily to make it better, with \$12 billion worth of improvements slated for this year alone. Some analysts believe the company has been beefing up its factory capacity so it can make chips for other companies, including Apple. Although Intel has been vague about that, in the past two years it has made deals to manufacture chips for Tabula, Netronome, Achronix, Altera and Microsemi, with the last two announced just this year.

Because Krzanich has held leadership positions in Intel's manufacturing organization, his selection as CEO suggests the company plans to continue flexing its factory muscle, according to a note analysts at BMO Capital Markets sent their clients.

"Hard to say we're surprised," it said. "To us, it is in line with Intel's belief that its manufacturing and process technology prowess will pave the way for success in the new world order."

Tech analyst Jack Gold agreed, adding that Krzanich's operations background may make him inclined to keep expenses down and "limit the amount of infighting in the various business units that caused Intel in the past to move less aggressively into certain areas."

Gold also noted that the selection of 48-year-old James as president "signals the board wants to make Intel a much broader company" with greater emphasis on making money from software and services.

A 25-year veteran of Intel, James once had been chief of staff for former Intel CEO Andy Grove and most recently has overseen the

company's software operations, which Intel has been expanding. Intel has bought at least 14 software companies since 2004, including security firm McAfee, which it snapped up for \$7.7 billion in 2010.

Intel now employs thousands of software engineers, and in an interview with this newspaper several months ago, James noted that her workforce had probably quadrupled in the past four years, adding that "software has become a bigger part of what we do."

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