

Intel CEO out after consensual relationship with employee

June 21 2018, by Barbara Ortutay



In this March 13, 2017, file photo, Intel CEO Brian Krzanich is interviewed on the floor of the New York Stock Exchange. Krzanich is resigning after the company learned of a consensual relationship that he had with an employee. Intel said Thursday, June 21, 2018, that the relationship was in violation of the company's non-fraternization policy, which applies to all managers. (AP Photo/Richard Drew, File)

Intel CEO Brian Krzanich resigned after the company learned of what it

called a past, consensual relationship with an employee.

Intel said Thursday that the relationship was in violation of the company's non-fraternization policy, which applies to all managers. Spokesman William Moss said Intel has had the policy in place for "many years." He declined to comment further.

Chief Financial Officer Robert Swan will take over as interim CEO immediately. A search for a new CEO is underway.

Corporate America is under intense pressure to enforce workplace policies on gender equality and sexual harassment. Thanks largely to the #MeToo era, even relationships that appear consensual are closely scrutinized—and often prohibited by companies—if they involve a power imbalance such as the one between a manager and an employee.

Intel said it has enforced the policy, which has been in place since 2011, against managers on several occasions. It applies to both direct and indirect reports of managers. If an employee suspects such a relationship, they are required to report it.

Workplace impropriety that has cost executives their jobs runs a broad range from consensual dalliances to accusations of assault.

Earlier this month, Guess Inc. co-founder Paul Marciano stepped down following a company investigation into allegations of sexual harassment and assault.

John Lasseter, co-founder of Pixar Animation Studios and Walt Disney's animation chief, also recently said he was resigning over what he called "missteps" with employees.

Years before #MeToo, the CEO of Hewlett-Packard Co., Mark Hurd,

was ousted following accusations of sexual harassment by a female contract worker. Hurd settled with the woman in 2010.

In 2012, Best Buy CEO Brian Dunn resigned abruptly after the company launched an internal investigation into what the company called his "personal conduct" unrelated to Best Buy's business. An audit later revealed the issue was an "extremely close personal relationship with a female employee."



In this Jan. 8, 2018, file photo, Intel CEO Brian Krzanich delivers a keynote speech at CES International in Las Vegas. Krzanich is resigning after the company learned of a consensual relationship that he had with an employee. Intel said Thursday, June 21, that the relationship was in violation of the company's non-fraternization policy, which applies to all managers.(AP Photo/Jae C. Hong, File)

The male-dominated tech industry has been a hotbed for allegations of harassment and discrimination, and in some ways foreshadowed #MeToo as female employees began speaking out. In February 2017, former Uber engineer Susan Fowler wrote an explosive, detailed blog post about the culture of systemic harassment and abuse that she experienced at the ride-hailing company. It wasn't until the fall that #MeToo began taking off.

Krzanich joined Intel Corp. in 1982 as an engineer and rose through the ranks until he became CEO in 2013. During his tenure, Intel worked to push into growing businesses such as internet-based computing, high-speed memory chips and smart, connected objects that make up what's known as the "Internet of Things," or IoT—along with fields such as artificial intelligence and self-driving cars.

Earlier this year, Google security researchers announced that they have discovered serious security flaws affecting computer processors built by Intel and other chipmakers. Google's Project Zero team disclosed the vulnerability not long after Intel said it's working to patch it.

Krzanich sold about \$39 million in Intel stock and options in late November of last year, after Intel was notified but before the security vulnerability was publicly known. Intel had said it was notified about the bugs in June. But the company also said at the time that the stock sale was unrelated to the security flaws.

Krzanich had also been a champion of workplace diversity. In 2015 at the CES gadget show in Las Vegas, Krzanich challenged the tech industry to increase the hiring of women and minorities, and he set a goal of full representation in his company's workforce by 2020. Intel said it was investing \$300 million to improve diversity at the company.

Krzanich's resignation "comes at a difficult time for Intel," said Cowen

analyst Matthew Ramsay in a note to investors. He added that he does not see a "clear internal long-term successor" given recent high-profile departures at the company. Diane Bryant, the former president of Intel's data center group, went to Google in 2017. Former CFO Stacy Smith announced his retirement last summer and Renee James, Intel's former president, left in 2015.

Given that so much change at the company was driven by Krzanich, Ramsay said his departure could make succession planning and further transitions "challenging."

His abrupt departure overshadowed otherwise positive news for the giant chip maker.

Intel said Thursday that it expects to post a per-share profit of 99 cents in the second quarter, 13 cents better than Wall Street was expecting, and revenue of \$16.9 billion, which is also better than had been projected by industry analysts.

Shares of Intel Corp., based in Santa Clara, California, closed down 2.4 percent at \$52.19.

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Citation: Intel CEO out after consensual relationship with employee (2018, June 21) retrieved 3 May 2024 from <https://phys.org/news/2018-06-intel-ceo-consensual-relationship-employee.html>

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