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Semi industry good at managing down-cycle; 'appalling' at managing up-cycle.

David Manners

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The semiconductor industry was good at adjusting to the recent down-cycle but appalling at adjusting to the up-cycle, Malcolm Penn, CEO of Future Horizons, told the European Nanoelectronics Forum 2010 in Madrid today.

"Recessions teach you that they don't change life that much," said Penn, the rule has always been that you have good visibility for two quarters and the further you go out from that the less clear it gets."

"Markets don't stabilise," added Penn, "if you build a business model which doesn't have cyclicalty built in, you'll fail."

Penn pointed out that from first R&D to getting a product onto the market could take eight years, but asked: "How many chip companies take a long-term view? Long-term for most chip companies is this month. That's prejudicial to their future."

The industry is expecting 7% growth next year, but it is "absolutely wrong", said Penn. "In units, the market grows at 11% a year and it's been like that for 30 years. I see nothing which will change that. ASPs have been increasing for the last 18 months – although people refuse to accept it because it doesn't fit into their plans – so 11% unit growth plus ASP growth equals positive double digit value growth for next year."

Penn poured scorn on the advice given by the Wall Street analysts weaned on MBA shibboleths like: specialise, focus your R&D, be fab-less or fab-lite, cull your product line, outsource everything.

"The reason why STMicroelectronics is a great semiconductor company is because it has a broad product line."

The fab-lite trend is just that – a passing trend. "People think they can get wafers at ever-decreasing prices – that's unproven," said Penn, "fab-lite looks great on paper but in ten years' time it will seem like an ill-conceived strategy."

Penn also poured scorn on the blueprints for success in the semi industry drawn up by governments and trade organisations round the world. "They have a complete lack of passion – nothing that says 'kill, win, succeed'."

Penn had three rules for success: build products the market wants; service the hell out of your customers; start wafer-fabbing again."



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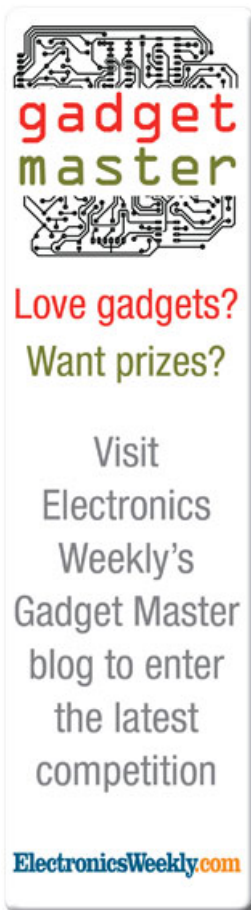
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