

Motorola follows the classic semi spinoff

Motorola is to divest its semiconductor operations from its cellphone and communications equipment businesses, just as Siemens did successfully with Infineon in 1999. The move follows the announced retirement of chair and CEO Christopher Galvin, who said that the recommendation to shed the semiconductor unit he called 'core business,' came from him and that he proposed this after a four-month review of the company's businesses.

Motorola's semiconductor operations had a \$4.8bn revenue, or about 18% of its \$27.3bn total revenue. About 20-25% of its chip production is sold to other group enterprises. It is also large supplier of chips for embedded car and vehicle electronics and about 25% sales are for wireless and mobile communication devices. Under Galvin, the company abandoned production of memory chips.



Consumer promotion for mainline products by Motorola

The second-largest cellphone maker after Nokia, Motorola competes in telecommunications e-business with Ericsson, Lucent Technologies and Nortel Networks. It dominates the market for two-way radios and communications systems used by police agencies. The company is a leader in broadband equipment for cable television systems, where its big rival is Scientific Atlanta. It also integrates communications and electronics for a variety of industrial products.

The spinoff unit hopes to take advantage of an improving semiconductor industry, that has recently picked up, with worldwide sales of all chips expected to be up 10% this

year. According to market research firm IC Insights, in the first six months of 2003, Motorola fell from the top 10 semiconductor ranking for the first time since it opened a fab in 1959.

Analysts say the unit would incur Motorola with at least \$300m losses this year, but it should be profitable by 2004. There is an expectation that the semiconductor unit will sell several operations and try to buy others on its independence.

Motorola has worked to license its technology to others. Last year, it offered 'chip sets' as the building blocks for products like cell phones, that other companies could assemble and sell. Its major fabs are in Austin, Texas, and Phoenix, Scottsdale. Scott Anderson who heads the unit is expected to lead the spinoff and become the new company's CEO.

A European Research Council with new funding moves closer

The move to establish a European Research Council (ERC) has the firm support of EU Research Commissioner Philippe Busquin, although the source of funding is still debated.

"Supporting basic research at European level is more than ever a decisive factor for our competitiveness. The commission has decided, with the full support of European research ministers, to come forward with a report before the end of this year. It will clearly set out why more support to basic research is needed in Europe and... strive to clarify the concepts and provide a roadmap and options to make a reality of the European Research Council," he said.

Six European Nobel Laureates representing a group of 45 Nobelists are campaigning for the ERC to be established. Erwin Neher, Christiane, Nüsslein-Volhard, Klaus von Klitzing, James W. Black, R. Timothy Hunt, and J. Georg Bednorz gave their support to the movement as does Euroscience and the European Life Sciences Forum.

An ERC Expert Group was set up to consider the purpose and scope of the research council. Its interim report endorsed the need for the European Research Council and proposed that it should be funded (with the provision of new money, not just redistribution of existing funds) from central EU resources, while maintaining strict scientific independence and autonomy. The Group presents its final recommendations in December.

Silicon Valley unions protest outsourcing

By 2004 about 10% of all US IT jobs will move to emerging market countries, according to Forrester Research. Within the next 15 years a total of 3.3m US IT jobs will move overseas. All large companies like IBM, HP and Microsoft are moving jobs to low-cost countries. The US West Coast's Silicon Valley currently experiences around 7.9% unemployment rate against a national unemployment rate of 6.1%, leading Silicon Valley trade unions to a first joint protest against outsourcing. The unions are about to start a long-term programme of informing politicians as well as the public about the assumed consequences of outsourcing of IT jobs.

Would DARPA agree?

Research grants do not attract growth-oriented companies. A study by the European Commission on 'growth paths of technology-based companies' outlines conditions necessary for founding high tech start-ups. Among the key findings are high tech start-ups are not a homogenous group of companies and development is dependent upon a region's entrepreneurial climate. Availability of pre-seed capital, incubation services and the an entrepreneurial community are all pre-conditions for existence and success of start-ups, claims the study.

In those regions where few high-tech start-ups are found - despite the availability of technological research - those 'three dimensions are not developed at all'

Reliance on research grants, instead of pre-seed capital, is not sufficient, according to the study: 'R&D grants do not attract growth-oriented companies.' The dominant type of start-up in a given region will depend on the entrepreneurial climate. So in entrepreneurially poor climates, technological SMEs tend to prevail, venture capital-backed firms are a rarity. "Regions should develop the model appropriate to the environment, not seeking to emulate 'ambitious, usually US-based models, which are founded on a rather limited degree of real hands-on experience."

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