

WHAT MAKES GEN X EMPLOYEES TICK? And how boomer bosses should manage them

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DAVID CHALK
Co-founder of
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clippings

by david leidl

A fast schematic here, a quick illo there. Felt marker in hand, Derek Spratt strides back and forth, rapidly sketching out the Entire History of the Computer—the growth, changes and dangers ahead, why Microsoft again walks the earth, why Intel will likely come a cropper. Woven throughout, how “little” Vancouver-based Intrinsyc Software Inc. positions itself among the giants. Brisk, lucid, the hour-long precis clips along neatly and completely, almost all questions anticipated.

Not bad for a guy just in from Southeast Asia (jet lag be damned; here's a chance to push my company). “He's always ‘on’,” confides communications director Murray Duncan. “I've been on conference calls with him and five analysts; they ask one question and an hour later they'll say, ‘Oh, I guess that's everything, then.’”

Ever since Intrinsyc appeared on the scene two years ago, analysts have come calling and company prez and CEO Spratt has been pushing. The big heads up: Intrinsyc (along with 13 others) was invited to display its software at mighty Microsoft's ‘booth’ at Comdex in Las Vegas last November and selected to present to the international financial community at the companion Comdex Venture Forum. To sit at the right hand of Bill and the global bankers, amazing.

So why is Microsoft (fiscal 1997 revenues: US\$13.1 billion) eager to cozy up to tiny Intrinsyc (fiscal 1997 revenues: C\$100,000)? Bill Gates seeks a foothold in the ‘embedded’ computer biz, which comprises those small but ubiquitous microprocessors found in anything that buzzes or chirps—from cell

phones to production lines to automobiles to whatever.

Another quick scrawl. Of the 4.2 billion microprocessors shipped in 1997, fewer than three per cent went into personal computers. The rest are embedded.

These chips need custom software; in 1997 the embedded systems software market was worth US\$2.5 billion. By 2000 Spratt says it should double to US\$5 billion... and keep climbing. Estimated potential market: 10 to 20 times the size of the entire PC market.

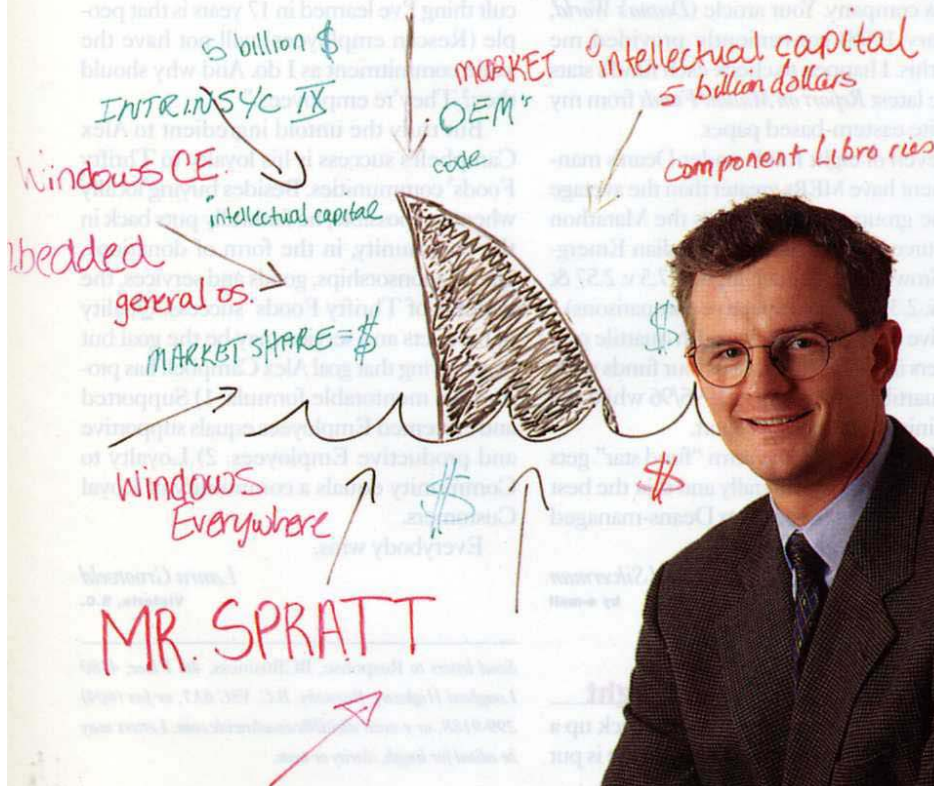
But even as Bill Gates slavers, he also weeps. Although Microsoft/Windows has a 90-per-cent stranglehold on PC software, it's but a babe in the embedded universe. Rather than stick with PCs and the Windows/Intel cabal (aka Wintel), Microsoft is gearing up for Bill's Next Big Plan: unify embedded computers with the pint-sized scaleable Compact Edition (CE 2.0) of Windows that can fit on a single floppy. The battle cry: ‘Windows Everywhere’—and watch out, rival proprietary embedded software firms.

Enter Intrinsyc. Its forté: identifying, developing and marketing software tools and components for manufacturers making their living in the Windows-everywhere scenerio. So why is Bill getting friendly?

In this new software environment where ‘time to market’ is everything and you're a mega-shark like Microsoft, why heave your great bulk about in all directions searching for minor prey (and

swim with the sharks

A tiny Vancouver firm gets cozy with Microsoft... very carefully



peevish the shareholders)? Much more cost-efficient to gather a school of hungry independents such as Intrinsyc. Be nice to them. Tell them things. Let them dart ahead of your protective bulk. When they hit something potentially tasty, they're the ones who take the chance, develop the latent potential—or possibly die trying. Then they sell or license the software to Microsoft for a good price and ongoing royalties. While the shark swallows, the small guys streak to the next target.

Call it corporate symbiosis with an edge. Make a strategic mistake, get in with the

Derek Spratt and cunning plan—leap into the multi-billion dollar ‘embedded computer’ software ocean, swim like crazy, keep just ahead of Microsoft’s huge restless maw, make lots of money. And try not to get ripped apart

Then Again, How Many CPUs Will Give You a Manly Hug If Necessary?

wrong school and you're a floater, belly up and vulnerable. "You take a massive risk to make a massive upside," says Spratt.

Further to massive and Windows CE, we have to ask, "What about 'bloatware'?", the strange Wintel game of leapfrog: each time a new must-have operating system comes in, it somehow exceeds the capacity of the industry-standard PC. So you upgrade the hardware to gain more performance and, voilà, the next you-gotta-have-it OS is even more feature-heavy.

Spratt winces at the 'bloat' word, then launches into Moore's Law: computer chips double in performance and halve in price every 18 months. In 1998 expect 32-bit chips at \$10 per. Gates is no fool; at \$10 per, the embedded world will become a high-power universe.

Your own background? Spratt pauses in mid-stride. (Isn't this other stuff much more interesting?) The reply is almost perfunctory. An engineer by profession, "I was designing circuits when I was 10 years old." Now 36, Spratt was a former VP with Nexus. When the core of Nexus was sold in 1993, Spratt and an outsider acquired one of the divisions, formed PCS Wireless and took it public. The stock hit \$4, then went down to \$1.65 before Spratt left to start anew. (It later hit 35 cents before climbing back to \$1.).

Back to the marker board.

Intrinsyc was formed in August 1992. In 1996 Spratt came aboard and it went public under the name ITC Microcomponents. In its first year as a public company, Intrinsyc turned three "significant" technology acquisitions into product launches. The company is making strategic alliances with other embedded Windows-based developers and "grabbing" market share. It has grown from six to 30 plus employees.

"Startups can do stuff that defy the laws of physics and do things big guys can't afford to do," says Spratt. "Our major mission: attack these new markets, stay six months ahead of the trends."

And perhaps grow into a big, toothy contender. □