



Stanford eCorner

The Value of Corporate Venture Capital

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You and your company don't own all of the smart engineers in the world. But how can one capitalize on that talent, asks Craig Barrett, former Intel COB? Fund research and start-ups that compliment your own work, including university research, to unearth emerging talent and move the industry forward. Barrett discusses why Intel spends over six billion dollars on hundreds of companies every year outside of their own walls and the tremendous benefits that the practice reaps. Remember that a single bright idea from a small research team can bring a large corporation to its knees overnight. Says Barrett, "We don't want you eating our lunch."



Transcript

The third observation I have is no matter how big your company is and how good you think you are, you do not own all the smart engineers in the world. There are lots and lots of smart ideas and smart engineers that don't work for you. So, how do you capture their talents? How do you use them? We've talked about this a lot internally in the early 1990s and said, well, one of the ways you can do that and one of the ways you can use all that smart engineering talent to your advantage is, in fact, to become the world's largest high-tech venture capital company and to fund research and startups in your general computer Internet area that compliment your own work. And Intel is today the largest high-tech venture capital company in the world. We have billions of dollars in our portfolio and hundreds of companies in our portfolio. And the process of thought there was simply there are a lot of bright engineers out there. We would like them working around our general space, creating technology into the marketplace that complements our own to grow the market so we can grow our sales of microprocessors. Again, it's changing the rules of the game but also recognizing where the talent resides. We also recognize not just Intel but the industry as a whole that universities like Stanford and Berkeley and Michigan and many others are top-flight universities with great researchers. And that's why we put together basically \$100 million a year where we fund university research activities to complement our industry, to make sure that Moore's Law continues to move forward.

But it's that basic concept that you're not an island, you don't own all the resources, you need to figure out how to make use of those resources to your benefit even if they don't work for you. And if you make intelligent venture capital investments, then you not only get the output of those people but you get the benefit of, in fact, their success that flows back to you as the equity investment you've made in them. Along those lines I'm always drawn by the power of universities like this type to be disruptive influences on industry. And the way I usually like to describe this is Intel Corporation has an R&Dbudget of about \$6 billion a year, which I think is even bigger than the Stanford School of Engineering's research budget. Microsoft has a budget probably of about \$7 or \$8 billion. If there's a Microsoft person in the audience, you can correct me, but in that range, slightly more than Intel. And every time I look at those two companies, and I'll pick Microsoft as an example here, and look at the challenges that those companies have with their huge R&Dbudgets, absolutely huge R&Dbudgets, what are the life-threatening challenges that occur and where do they come from? And the life-threatening challenges to Microsoft have not come from IBM or Hewlett-Packard or SAP, Oracle or any other big company with a big research budget. But the three near-death experiences for Microsoft came from one or two researchers at a university with a bright idea. Netscape, the Internet browser, University of

Illinois or the Illinois Supercomputing Consortium, whatever it was called, and Yahoo!, Stanford University; Google, Stanford University. Each one of those instances was one or two graduate students, bright engineers with a bright idea, able to challenge a company with a multibillion-dollar research budget.

And that's why I think research universities like Stanford are so important. And that's why it's so important for companies to maintain a good relationship with you guys. We don't want you eating our lunch routine basis. We'd like to have access to your ideas before you take them out in the marketplace. But the individual idea is, in fact, really the key strength around the world. And there is no underestimating the value of this single smart idea. It can take on the largest corporation and bring it to its knees almost overnight. And it doesn't take a big research budget to do that.