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## Future of ASICs business debated at Globalpress summit

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Despite what one insider described as the industry's best efforts at self-immolation, the Application Specific Integrated Circuits -- or ASICs -- business could remain strong and continue growing.

But the industry is divided on how exactly that should happen.

During an often-testy panel discussion titled "Can Anything Save ASICs?" held at Globalpress Connection's Electronics Summit 2007 in Monterey, leaders from Actel Corp., Cadence Design Systems, ChipX, eSilicon and Open-Silicon discussed the history and future of the ASICs market. The chips are custom designed for a specific application rather than as a general-purpose chip such as a microprocessor and are found in everything from musical birthday cards and toasters to missile guidance systems and jet airlines.

According to industry analyst Gartner Dataquest, the \$24 billion total ASICs market is expected to grow to \$27 billion by 2008.

Some industry leaders believe growth will come if companies concentrate on the fundamentals of performance and time to market -- two things over which they often have no control, owing to changes in customer plans and demands.

Others, though, believe that collaboration and design innovation will be of greatest benefit to companies jockeying for market share.

The Globalpress summit, held from Feb. 26 to March 2 in Monterey, brought journalists from 15 countries including China, Italy and Great Britain together with representatives of 50 technology companies for panel discussions, one-on-one interviews and keynote addresses.

Sponsors of the event included Cypress Semiconductors, Cadence, Xilinx, Texas Instruments and the VSI Alliance, an intellectual property standards organization for the semiconductor industry.

According to several panelists, companies should concentrate on finding emerging markets for their ASICs products, while others suggested the only way to maintain growth is on perfecting existing business, something the industry has struggled with in the past.

"ASICs don't need saving. It's a \$24 billion market and it's not going anywhere," says Elie Massabki, vice president of marketing for Santa Clara-based fabless semiconductor company ChipX. "What will drive growth is that ASICs are used early in product life cycles and you need emerging markets. We are seeing innovation come back."

The privately held ChipX, founded in 1989, announced in late February an asset purchase and business collaboration with Oki Semiconductor Co., a Sunnyvale-based company which has licensed embedded and gate array technology and intellectual property to ChipX.

Steve Carlson, vice president of marketing at Cadence, admitted that as its original incarnation, "ASICs are dying a slow and painful death.

"There has been a profound impact on trying to apply a one-size-fits-all mentality to this market, but in design, there is huge opportunity for ASICs vendors that can turn into substantial dollar margins in the next 18 to 24 months," Carlson says. "There are new and exciting things happening."

Former Intel microelectronics group manager Naveed Sherwani, president and CEO of Milpitas-based Open Silicon, notes that while the ASICs industry is growing, "we should have died because we have had such shameful performance."

Sherwani, according to one industry publication editor, wrote the seminal textbook on physical design. Sherwani declined to discuss revenue specifics of Open Silicon, a privately held, venture-backed company, but said it has grown "by a factor of 2.5x to 2.7x in the past two years.

"People say we do boring chips, but I'm proud we do boring chips because we do them efficiently, cost effectively and on time," he said. "We don't use risky IP, we use prequalified IP. Again, people say it's boring, but it works."

The area of intellectual property, especially independent IP companies, will continue to grow and if trends continue, creating proprietary IP will become a very large industry, speakers agreed.

Walden Rhines, CEO and chairman of Oregon-based Mentor Graphics, a provider of software tools and consulting services for the electronics design industry, echoed the sentiment that design innovation is how companies will gain market share, but collaboration in the highly competitive field has become more important than ever.

"The big wave hasn't fully occurred but it is moving rapidly. Design starts have been reduced, but the need to differentiate through design is generating specialties," says Rhines, who didn't participate in the panel but made his comments during a keynote address. "On the collaboration side, it has to change and it has to evolve to better address higher yields and lower costs. Without collaboration, it will be impossible to do that."

"That includes the large companies, but also garage shops and very innovative designers who create blocks of IP," said Walden Rhines, CEO and chairman of Oregon-based Mentor Graphics, a provider of software tools and consulting services for the electronics design industry. "The big companies will have to run fast on implementation and new functions to stay ahead of the independents."

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