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**CREATING SHAREHOLDER VALUE  
THROUGH PRODUCT INNOVATION**

A few years ago, I was interviewed for the company newsletter and one of the questions they asked me was – “When do you relax?”

At the time, my three daughters were seven, four and one --- so I told them I relaxed at work!

The truth is: I love my work.  
I feel I have the best job in the company.

My team gets to come up with new ideas – sometimes wild and crazy ideas - and try to make them work.

For an engineer like me, it doesn't get much better than that.

Fortunately, one of our ideas was the Athlon processor.

It made a difference for AMD -- and helped launch our financial turnaround.

Today I want to talk about the developmental process for the Athlon chip.

The key word here is PROCESS.

Like every major innovation, Athlon didn't happen overnight.

It was the result of a three-year process.  
It required support from the top and throughout our organization.

Athlon happened because management brought together a talented team from diversified backgrounds.

Then they gave us a sense of freedom that enabled us to do what we do best. Our structure and our process fostered creativity and allowed us to build off each other's strengths.

For years, AMD had been trailing Intel in the speed of our processors. That's the way it had always been and some people around here felt that's the way it would always be.

But not Jerry Sanders.

In 1996, Jerry was determined to design a chip that would outperform Intel's Pentium at every level.

In early 1997 he formed a team to make that happen.  
And I was lucky enough to be part of that team.

There were 120 of us.  
Now that's a big team – the size of ten NBA basketball teams.

Of course, we weren't as tall as the Spurs, but what we lacked in height we made up for in stubbornness!

In some ways we felt like those first astronauts.  
They asked us to go to the moon without a map.  
Without a rocket.  
Our job was to get there.

Our moon was a chip that would be faster than the Pentium.  
Our job was to design it.  
Test it.  
Make it fly.  
And to do that in two and a half years.

In anybody's book, that's a tight schedule and tough goals.

Some people had other terms for them – like insane.  
But we said we'd do it.  
Jerry has a way of getting you to sign on to the impossible.

The project officially began in January of 97.  
I'd only been around AMD for a little over a year.  
I didn't know some of my team members.  
And many of them had never worked together before.

Every company talks about teamwork.  
But not every company practices it.  
And not every management team will get out of the way so a team can work.

We did our best to eliminate hierarchies.  
Over the months of working together – days, nights and weekends - the group came tightly together.  
The pressure and deadlines didn't distract us.  
They made us closer.

We formed a bond.  
In fact, engineers who came from a variety of backgrounds found that they could often communicate with each other without using whole sentences.  
We developed a verbal shorthand.

After about the first mask release, we broke the teams up into smaller groups.  
I remember one team leader said, "Dirk, when we are really clicking, it's magical."

Now I realize engineers aren't supposed to talk about magic.  
But sometimes we do.  
However, let's keep that to ourselves.

Actually, the entire project seemed to be blessed.  
The sense of shared credit...of building on the best ideas of others...of working as a true team was absolutely amazing.

Because I was the lead engineer, I've gotten way too much press and too much credit.

Each person on that team made a valuable contribution – or they wouldn't have been there.

My role was to make sure that we stuck to the basic premise: the chip would be designed with a streamlined structure with the idea of making it run fast.

We would concentrate on clock speed – megahertz.  
Any feature that slowed the chip's speed was eliminated.

In addition, I believed that our key design work should be done by hand. Computer automated chips are great for designing simpler chips, but they are less useful in the design of high-speed processors.

What allowed us to move so fast and work so efficiently was a common sense division of responsibilities.

Randy Allen, who led the design implementation team, took over some of my management responsibilities so I could serve as a roving technical advisor.

I was able to get involved in any sort of technical problem for a short period of time – and together the team would resolve the problem on the spot.

We were blessed with a tremendous amount of talent.  
But we've always had talent at AMD.  
What we did was to bring the talent together and focus it with single-minded intensity on achieving our goal.

We were aiming to hit performance targets that no one in the Windows compatible market had ever hit. But by the end of '97, I could sense that this was going to be a strong chip.

At the end of our first year, even those people who had been doubters started to realize that this was going to happen.

You could feel a change in the entire atmosphere. It was magical – there's that word again – but there really was a feeling in the air when everyone started to believe. It was euphoric.

As new managers, it's important for you to value YOUR ideas --- whatever they are, in whatever area you work.

Whether it's a new system for recruiting employee, a concept to improve productivity, an innovative idea to recognize employee achievement – or a technological breakthrough – management needs to hear about it.

Even during those years when Wall Street undervalued AMD, we valued each other.

We are always open to new ideas.

And we reward people who come up with them.

How do groundbreaking new products – such as the Athlon – create shareholder value?

It goes back to the old saying that if you build a better mousetrap the world will beat a path to your door.

Athlon is definitely the better mousetrap.

And the industry knows it.

Product superiority is important to our customers because it allows them to deliver a better product at a lower cost.

That, in turn, makes AMD more valuable.

Coming up with the next Athlon is not MY job.

It's our job.

It takes all of us working together to create a company that is open to new ideas.

One that celebrates discovery – and likes doing things better, faster and smarter.

And is able to turn innovation into profit.

