

Dov Frohman, the general manager of Intel Israel, faced a tough decision in 1991: With Operation Desert Storm looming, should he keep his plant open—especially given the fact that Iraqi Scud missiles stood ready to strike Israel in just minutes? There was also reason to believe that missiles might be equipped with chemical warheads. Moreover, Israel's civil defense authority had suggested that the country's nonessential businesses temporarily close.

Frohman said one of the top factors influencing his decision was the uncertainty of the situation: "The radical uncertainty of the situation—not knowing how many missiles would fall, where they would fall, what kind of destruction they would inflict—threatened to bring our business to a halt, even before a single missile had been launched." He also took into account the general business implications of shutting down. On one hand, he was confident senior executives at Intel's headquarters in California would understand if he decided to shut down until the crisis passed. On the other hand, he knew Intel would need to get the microprocessors his plant normally produced somewhere else in the world. From Frohman's perspective, "Managing a major unit in a global corporation is a continual fight for resources." Therefore, a production interrupt, even a temporary one, might cause the company's senior executives to think twice about making any future investments in Intel Israel.

Frohman said he was concerned not only about the survival of Intel Israel but of Israel's entire high-tech sector. Intel Israel was a key anchor of the country's still small but high-tech economy. "If we couldn't operate in an emergency situation, the trust of multinationals and venture capitalists in the stability of the Israeli business environment might crumble," he noted. Ultimately, though, Frohman's big concern was the safety of Intel Israel's employees: "People had a sealed room at home, and we had created them in all our main facilities, including the Jerusalem fab [fabrication plant]. But what about the daily commute?" He believed it was while commuting that employees would be at the greatest risk.

If Frohman decided to keep the operations running, how would he present the decision to employees? Should he order, request, strongly encourage, or simply offer them the option of showing up for work? After discussing the issues at length with his team, Frohman decided to keep the operations open. However, he would ask, not order, employees to come to work. "No one would be punished if they decided to stay home. I made it extremely clear to my direct reports that there would be no coercion: No manager was to pressure employees to come to work who did not want to."

Frohman said he communicated the decision to Intel Israel's workforce on Wednesday, January 18. The following day, with still no sign of missile attacks, most employees came to work. However, two days later, eight

Iraqi Scud missiles hit Tel Aviv and Haifa around 2 AM. Fortunately, the missiles weren't laden with chemical warheads. However, at that point, Frohman had another decision to make: Should he stick with his original decision or close the plant and tell employees to stay home?

Frohman quickly met with members of his management team. The team had roughly 30 minutes to make a choice. The decision? To remain open. That morning, 75 percent of the employees scheduled to work the 7:00 AM shift at Intel's fab plant just outside Jerusalem arrived. Scud attacks continued on Saturday, but employee turnout at both the company's Jerusalem plant and its design center in Haifa remained at 80 percent.

Frohman talked to executives at Intel's headquarters about the situation. "I explained that we had decided to remain open, but we weren't forcing any employees to come to work who didn't feel comfortable doing so, and that so far turnout was quite good. They asked a lot of questions; we discussed the potential risks. But in the end, they were 7,500 miles away. Under the circumstances, they had to trust us." All totaled, the Scud attacks continued for six weeks, during which time, 39 Scuds fell in 18 separate attacks. Intel Israel operations remained open and up and running the entire time.

A few years later, Intel decided to invest in and build a second semiconductor plant in Israel. Thereafter, the Haifa design center won the assignment to develop the Centrino portable-computing microprocessor. Then in 2005, Intel announced that it would spend an additional \$3.5 billion to build a new fab plant in Israel. The investment was the single largest ever made by any company in Israel. Following the investment, Intel Israel's exports soared to \$1.2 billion, accounting for 14 percent of all of Israel's electronics- and information-industry exports. Today, the company is the largest foreign-owned employer in Israel.

Questions

1. Do you agree with Dov Frohman's decision in advance of the actual missile attacks to keep Intel up and running? What about after the actual missile attacks began?
2. Do you agree that Frohman should have made the decision to remain open or close or should executives at Intel's corporate headquarters have made it?
3. What criteria would you have considered if you were in Frohman's position? How would you have weighted these factors?

Sources: Adapted from D. Forman and R. Howard, *Leadership the Hard Way*, San Francisco, CA: Jossey-Bass, 2008; P. Margulies, "Dov Frohman Leads the Hard Way" *Strategy + Business*, May 26, 2009 (http://www.strategy-business.com/article/09208?_gko=01786); V. Burkhardt, "Embracing Fear and Turbulence," *IdeaConnection*, May 25, 2009 (<http://www.ideaconnection.com/articles/001119-Embracing-Fear-and-Turbulence.html>); and D. Frohman, "Leadership Under Fire," *Harvard Business Review* (December 2006).