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How Do Standards Impact EDA Mergers?

February 21, 2012 Steve 1 comment

The Synopsys acquisition of Magma has generated quite a bit of commentary lately, from how it will impact customer choice in tools, to pricing, to what it will do to EDA innovation, and more. The merger itself shouldn't really be particularly surprising, and in general these waves and troughs are a normal part of the business cycle adapting to a dynamic market environment. So whether it's Cadence in a hostile takeover bid, or Carl Icahn loading up on shares of Mentor in expectation of a sell-a-thon, or Synopsys acquiring its longtime adversary, some form of continual change ought to be expected at any point in time. This includes the inherent risk to stability for all those customers and partners who have a dependency that could suddenly go away.

Which brings me to my main point. Far too often, standards within the EDA world are oversimplified and mis-characterized as fairly small – in effort and in impact – with modest technical goals to align some file format syntax and reduce an engineer's inconvenience as he or she moves through the design flow. However, a significant merger can serve as a wake-up call and reminder of the critical business importance that standards can play in managing risk. Typically, the larger and more complex the standard, the larger the risk of not having an open, effective standard in place.

So, who benefits and who loses with more interoperability? Well, it's pretty clear that all customers will benefit, because it provides greater choice in tools, including alternatives that may suddenly be necessary when your favorite tool is discontinued. In addition, the customer's design data stored in that vendor's tool format over years of design cycles has a far easier means to be leveraged into new flows painlessly if open formats with documented semantics have been the foundation for their technical data — the customer's IP.

Similarly, partners who had depended upon proprietary formats with obscure semantics could find themselves much more at risk than if they had utilized interoperable formats that have no single point of control or failure.

Some might think that this means that the EDA vendors wrestling for control would somehow not benefit as much, however it turns out that the acquiring vendor also wins with open standards. For as soon as the deal

closes, they will suddenly have the necessity to either integrate the tools from across both companies into something that they can sell and support, or quickly offer a reliable path for their inherited customer's design data to migrate smoothly into their own anointed tools before lawsuits get filed.

This task is almost always harder in reality than it seems when the merger is initially conceived. First of all, a good portion of the top employees that created the "losing" sides' internal formats and data structures may have long left, or if still around will leave right after the merger – leaving the acquirer to figure out all those ugly details by themselves. This is "lossy" by definition, and without a broader community to draw from, can be error prone and can take a very long time to get it right. In one case in point, the adoption of OpenAccess at Cadence was reportedly seen to have a 20x or greater ROI because it would streamline re-engineering work after a merger, and would help in faster market-winning solutions. Remember: time is money, especially in the fast-moving semiconductor marketplace.

So, while there is always a place for proprietary formats and APIs in a changing EDA world, the majority of costly and risky "pain points" associated with data exchange and tool integration in mergers are best mitigated with a thoughtful and strategic business commitment to open standards in advance.

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