

External factors that influence intel ireland



Economic factors affect financial costs incurred by capital loans and exchange rates will affect costs of exporting and supply of imported goods. Social factors can affect consumer demand for products and can influence Intel's workforce strategy based on culture and age. Other costs within Ireland (e. g. Labour, energy, construction and services) are high when compared to other Intel facilities therefore creating an uncompetitive cost base for Intel Ireland.[1] Jim O'Hara of Intel Ireland stated in August 2009 that ' energy costs were comparable to other Intel facilities in 1989 and rose to twice as much before recent price cuts.'[2]

Ireland's labour market and its standard of knowledge have helped to create a successful facility in Lexlip over the last 20 years; can be largely attributed to the educational level of the Irish labour market. However with strong competition from lower cost manufacturers it is therefore necessary to look at higher valued work utilising the smart economy. Jim O'Hara stated that " it is self evident that we must have a world-class, digitally connected education system and a coherent strategy that maps across all four levels of education and beyond into lifelong learning"[3]

The biggest competition within Intel will come from the fab facility currently under construction in China that is expected to come on stream in 2010. This facility will have manufacturing limitations due to US proprietary laws and with competition also coming from contractor companies (e. g. Taiwan Semi Conductor Mfg Co.), indicates that it is sometimes cheaper to manufacture lower technology products in the Far East.[4] Therefore Intel Ireland must demonstrate the ability to compete not just on basic labour costs, but also productivity and quality. Intel were severely fined for their monopoly link

with Microsoft through an EU anti-monopoly ruling which will provide Intel's main competitor AMD processors with easier access to the PC market.[5] New strategies for ensuring that Intel products remain the "chip of choice" for PC manufacturers will have to be employed.

EU & Government regulations, economic and environmental policies have serious influence over the operation and cost of businesses. Ireland's low corporation tax has helped to make Intel Ireland more competitive but with the deepening centralisation of the EU post-Lisbon treaty and complaints made by larger EU nations, it's possible that this tax will be examined as an anti competitive EU subsidy. Governments are also responsible for legal policies on consumer law, employment law and health and safety law all of which Intel must apply to their business. These issues may drive up the cost base of Intel, further eroding profitability and competitiveness

Technological advances can only be achieved through research and development which provides opportunities to develop new products and reduce costs through improved quality, automation and innovation. Intel Ireland should ensure that their facility is efficient as this will influence decisions by corporate headquarters on outsourcing of work. Intel Ireland should continuously invest in research and development to achieve these technological breakthroughs in order to remain competitive within the Intel network. It is important to remember that all of the factors mentioned that can affect Intel's business strategy are interrelated.

Q. 2 Select two of these external factors and evaluate how they will also be important in shaping HRM functional strategy and policy choices within that timeframe.

Social and economic conditions

Jim O'Hara explains that the current economic downturn ' has already accelerated the demise of older products that might have lasted for some time longer' and has resulted with the announcement of 300 compulsory redundancies.[6]Increasing energy costs, local rates & services, labour conditions, taxes, local and national government regulations will require Intel Ireland to demonstrate that it is cost effective in comparison to others in the Intel network in order to achieve new investment and business. Intel Ireland have no unions and believes its comprehensive compensation and benefits package is designed to attract, retain, and reward the people necessary to create long term growth and profitability.

HRM would generally focus on creating more productive and innovative workers who produce more output without significantly increasing costs. HR should also focus on generating revenue as an alternative strategy.[7]Short term cost savings can be achieved by implementing policies such as a hiring freeze, mandatory vacation, reducing pay & overtime, temporary shutdowns and looking for cost reduction ideas from employees.[8]Long term policies will require either voluntary or compulsory redundancies for those no longer required and should be carried out in an extremely fair and respectful manner.

Generating revenue can be achieved through policies by improving their current workforce to perform higher value work by developing skills required to meet future needs through training, redeployment, increased utilisation or introduction of new work concepts (e. g. Lean Management). Most of the cost reduction outcomes are as a result of the failure of effective HRM or poor market conditions. This requires senior management to set short term measures and explain why these measures must happen in order to prevent future layoffs. HR will need to communicate and implement effectively these cost reduction methods & policies.

Competition

Intel's competitive strategy will be influenced by economic conditions, industry structure, its cost advantage, its market and its overall business operation. Manufacturing in Intel Ireland in recent years has been heavily driven by lean manufacturing models; this has enabled them to measure its wafer cost which can be easily compared to other Intel sites. Lean principals involve optimising human effort, reducing capital investment, reducing inventories and reducing the time to deliver. Joe Foley manager of Intel Fab operations explains that " What lean teaches you is if you reduce your setup times and waste, that reduces costs and you can serve customers better. Five years ago it took us 14 weeks to introduce a new chip in our factory: now it takes 10 days. We were the first Intel factory to achieve these times using lean principles." [9]

Intel are supported by its research and development department providing a new generation of products which will involve new technologies and which

will require a large degree of corporate cultural change within its current workforce. This will result in the need to accelerate recruiting of new skills and invest heavily in retraining and redeployment in order to meet this competitive challenge. Therefore Performance management, compensation, training and development & career management should be aligned with Intel's HR strategy. Performance culture strategy assumes the responsibility for shifting the entire corporate culture so that every aspect of it reinforces performances and results with the net result, is that excellent people practices becomes a sustainable competitive advantage.[10]

Q. 3 Internal factors that you believe relevant in shaping HR functional strategy and HR policy.

Intel Irelands success has been achieved by continued investment in research & development, strong corporate culture, low cost structure, excellent employee conditions supported by strong links with educational bodies. Intel Ireland has invested over one billion in education over the last decade worldwide.[11]If the Government reduce educational support to 3rd/4th level, we have to question the impacts this will have on the flow of educated graduates and in times of cost reductions will Intel pay more for internal education of workers?

HR is a support function which will come under pressure to reduce its costs because it is easier to cut an in-direct variable cost. A lot of HR functions such as payroll and compensation benefits groups are being contracted out to outside vendors and consolidated into single sites. Intel Ireland should look to position itself as the EMEA (Europe Middle East Asia) headquarters for

some of the HR functions to retain its position within Intel. Intel have already created a web portal that empowered employees by giving them control of information they needed, direct access to and responsibility for certain content and making them more self reliant.[12]Intel implemented the necessary activities to drive this behavioral change.

Redundancies have occurred over the last few years with employees taking voluntary redundancy except for recent announcements. Consequence effects of redundancies are a turnover of employees, lack of morale, lack of motivation & low employee approval. Intel's Hr strategy should focus on how they lose these people from the organisation without any loss of skill while maintaining enthusiasm and confidence of existing employees. As people leave and are not replaced, remaining employees will need to become more adaptable and take on more responsibility. A feature of this strategy is that responsibility for a lot of HR activity will be incorporated by front line management. HR can conduct a review of required changes based on information provided by managers and assess to see if they have the people, technology, skills and resources to meet ongoing and future requirements.

HR strategy should include a policy on Knowledge retention and answer questions on, how do you hold on to the knowledge that you have without an extra cost? How do you manage the non performers to ensure everyone is actively contributing? HR will need to communicate clearly the employees' roles and responsibilities and implement an effective training and education program so that expectations of Intel Ireland are met. This will require to be continually challenging employees to innovate and create value in their

work. All of these items can be measured & individual performance is achieved through the annual review process.

Intel should assess the internal economic pressures created by high competitive costs in Ireland e. g. Wage costs, HRM functional strategy can have an impact on cost through its remuneration program, policy development, staffing program, re-location programmes, training and development programs. There is a link between individual performance and the rewards and recognition that the individual receives. This requires Intel to have a selection of financial and non-financial mechanisms that can vary for individuals and work groups which can be used to reward, recognize the individual's achievements and performance in a consistent and timely manner. A performance system will not work, unless it is flexible to meet Intel's requirements whilst remaining true to accepted and consistent principles of performance evaluation. Identify under-performance and explain clearly the reasons for under performance to these individuals and provide the necessary resources to assist them in improving their situation and performance.

Fact based decision making strategy which makes HR more scientific through the use of measures, analytics and metrics. The goal is to continuously improve everything done in HR through the most up to date and intelligent use of data.[13]Ensure that recognition and financial rewards for employees and managers are linked with their contribution to strategic goal. HR must develop criteria for hiring, promoting and retention to ensure all new hires have skills and experiences in line with strategic goals.

Implement internal changes with care and understanding to ensure that it

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has a positive benefit on employee so that they recognize that their interests are best served by Intel Irelands success in achieving its objectives. HR strategy must be effective in all its activities including employment practices and policies while keeping in line with Intel's values.