

Intel Manufacturing Computing

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Outline

- Why are we spending our time on this
 - Context
- How do we measure IT ROI
 - Productivity
 - How we measure cost
 - Benchmarking versus non-IT spending
- How do we reduce cost
 - h/c, consolidation, supplier cost red,

Why are we talking about IT costs?

Aren't there more interesting things to discuss?

Cost Management

Cisco Systems built six new buildings to expand its presence at the high-tech Research Triangle Park in North Carolina when the dot-com business was sizzling. All six buildings now are empty.

Banks will face an assortment of IT issues and challenges during 2003, according to a report, IT Issues for Banks, by Giga Collaboration.

Just last month, the leading trade group acknowledged there's been a long-term shift towards a lower growth rate for semiconductors

At the same time, U.S. companies are rapidly expanding their operations to low-wage countries such as China and India. There, Goldberg said, "People have become a commodity, so to speak, and you go where the supply is."

Koninklijke Philips Electronics NV plans to return its semiconductor division to profitability by the fourth quarter of 2003 by closing fabrication plants (fabs) and focusing on its core business.

Worldwide spending on software will increase 3.5 percent this year to US\$76.1 billion from \$73.5 billion in 2002, with buyers still cautious when spending their software budgets, Dataquest Inc.,

How Do We Measure IT Value?

- Cost versus Productivity
- ROI for IT projects
- IT spending versus non-IT spending

IT Business Value

- Productivity gains versus real cost reduction
- Have to spend money to save money
- Not as “scientific” as traditional improvement projects
 - Manufacturing equipment improvements

How Do We Reduce Costs?

The Case Study

Your Recommendations?

- What would you propose to achieve a 30% to 50% cost reduction from the events described in the case
- Pro's/Con's of each option
- Additional non-h/c spending cuts
 - Implementation risks
- Implementation logistics
 - People impact, operational performance

Intel Cost Reduction Direction

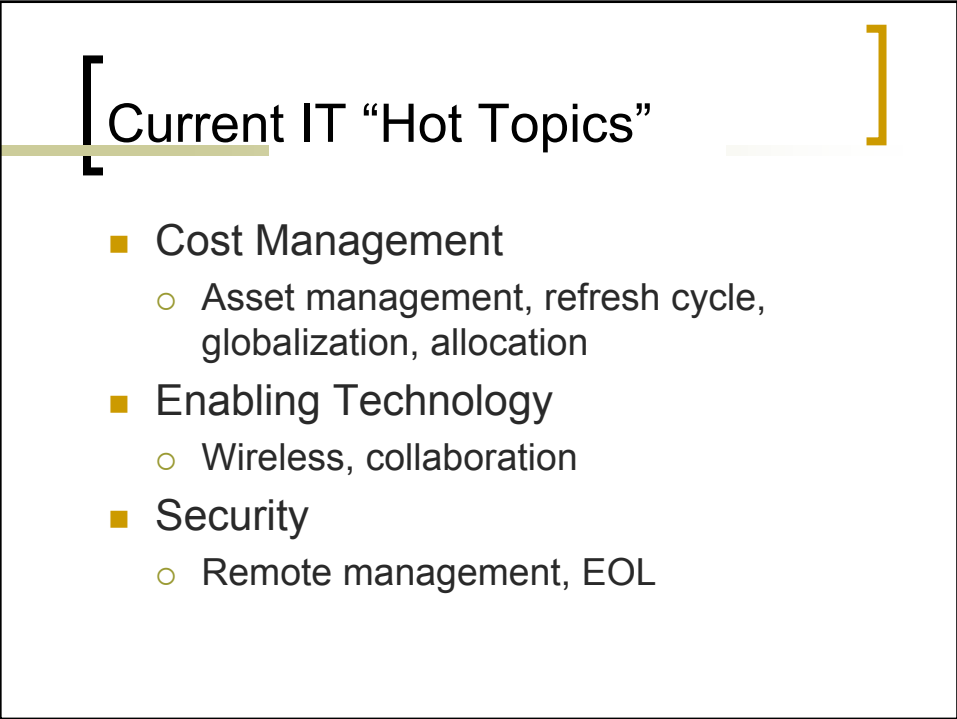
What are we currently doing?

Cost Reduction Current Status

- Implementing hubs in certain areas
- Centralized management within the manufacturing organization
- Grow centralized scope over time
 - Leverage LCG if/where possible
- Aggressively pursue non-headcount cost reduction



Backup



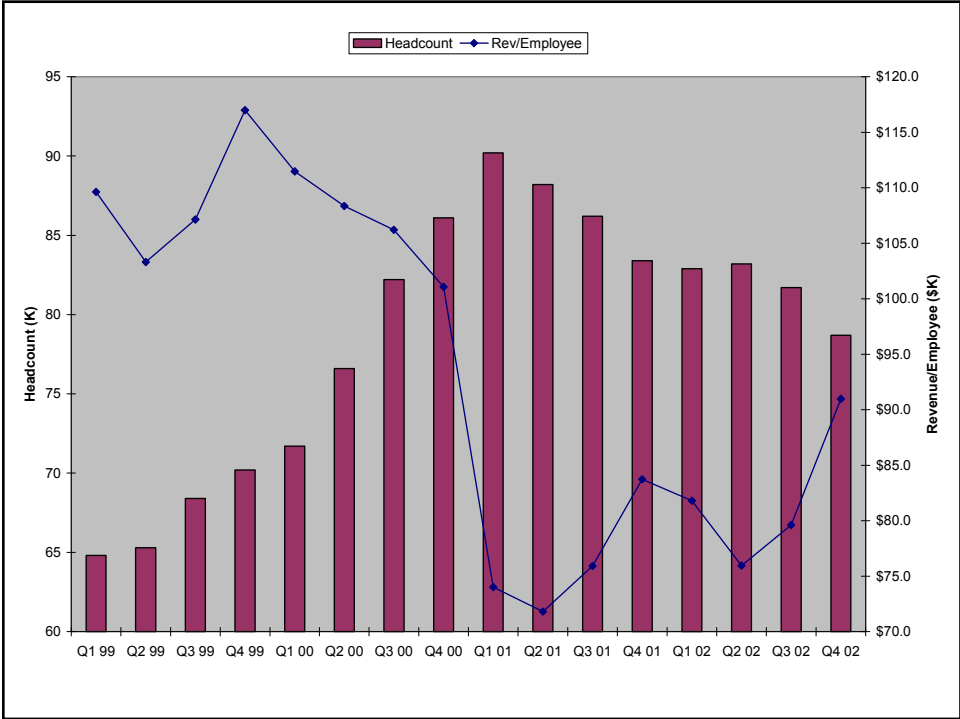
Current IT “Hot Topics”

- Cost Management
 - Asset management, refresh cycle, globalization, allocation
- Enabling Technology
 - Wireless, collaboration
- Security
 - Remote management, EOL

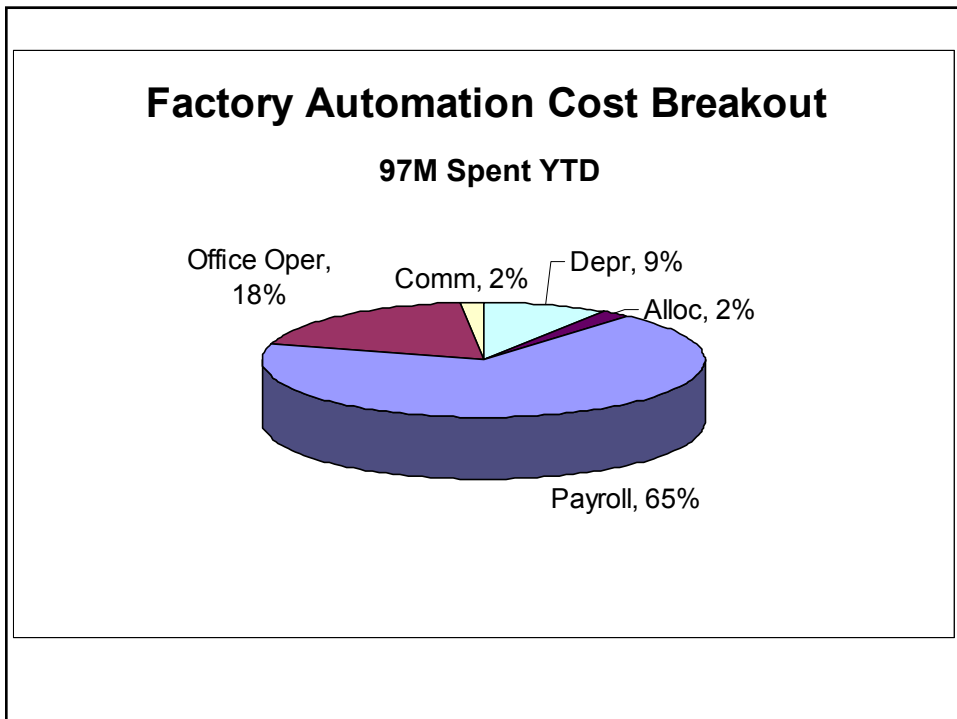
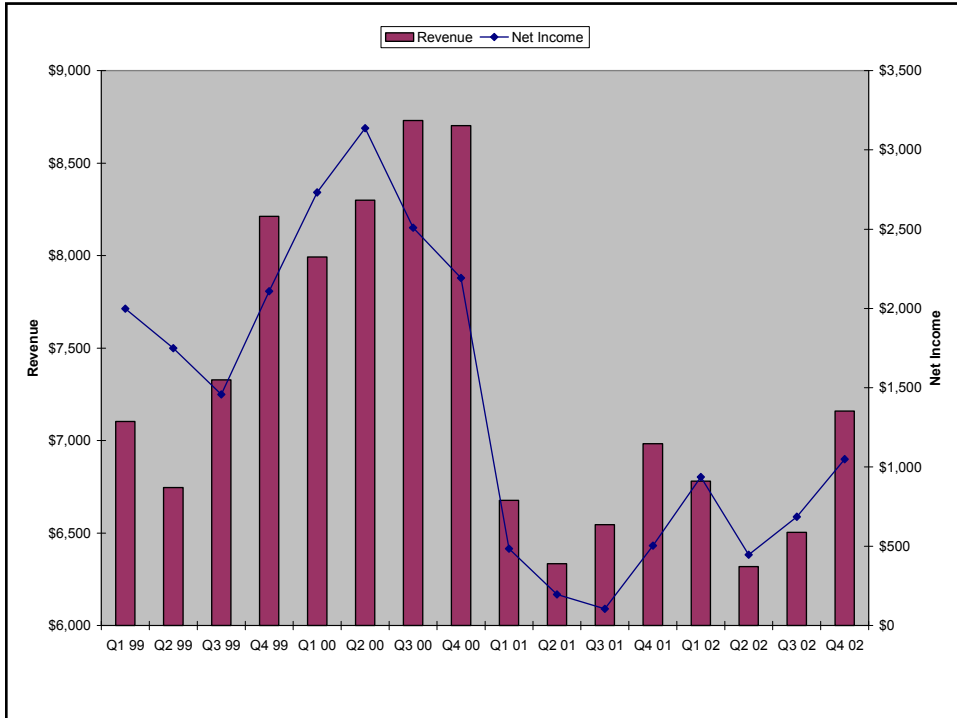
Presentation given to 15.566 Information Technology as an Integrating Force in Manufacturing.

Case Study

Review Details

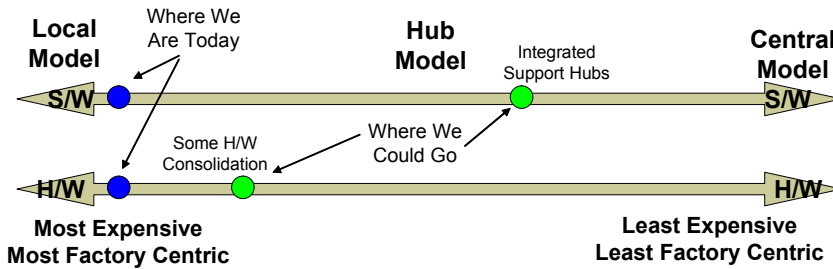


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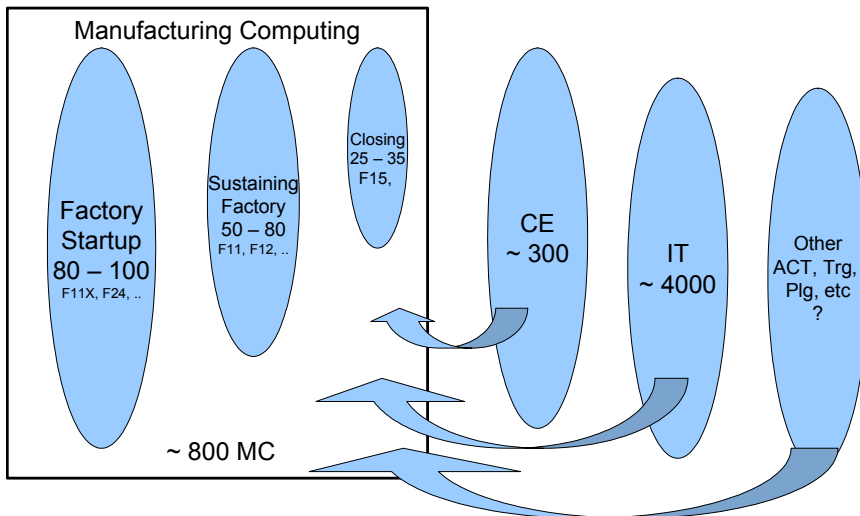
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Local versus Central



Domain	Current H/C	Local %	Remote %	Local H/C	Remote H/C	Total	Delta from Current	Percent Decrease
Apps/Reports	133	14%	86%	7	94	101	32	24%
Database Admin	106	12%	88%	6	74	80	26	25%
Station Controller Dev	14	0%	100%	0	14	14	0	0%
Infrastructure	128	17%	83%	16	74	90	38	30%
AMHS Apps	56	40%	60%	23	14	37	19	34%
AMHS H/W	37	43%	58%	17	11	28	9	24%
AMHS CWW	187	100%	0%	156	0	156	31	17%
Station Controller Apps Modeling	72	78%	22%	45	27	72	0	0%
Modeling	72	45%	55%	40	32	72	0	0%
Total	805	39%	61%	310	340	650	155	19%

Current Org Design



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[Future Org Design]

