

Contingent Workforce strategies™

Chipping Away

By Subadhra R. Sriram

Intel conducts a pilot study
before implementing its VMS

Andy Grove, the famed former CEO of Intel, is fiercely competitive. The semi-conductor company became known for pursuing his guiding motto: “Only the paranoid survive.” During his 11-year tenure as CEO, Grove oversaw a 4,500 percent increase in Intel’s market capitalization.

Though Grove is no longer at the helm (he continues to play a role as senior adviser), his strategy is still maintained. Despite suffering a revenue and market loss in 2006 thanks to rivalry from other semiconductor firms like AMD and relative newcomer VIA Technologies, the \$133 billion Santa Clara, Calif.-based chip maker has bounced back, announcing a record first-quarter 2008 revenue of \$9.7 billion.

“Our first quarter results demonstrate a strengthening core business and a solid global market environment,” says Paul Otellini, Intel president and CEO. “We saw healthy demand for our leading-edge processors and chipsets across all segments.”

THE NEED

And that’s where Intel’s staff augmentation contingent workforce comes in. Skilled manufacturing technicians — who account for 49 percent of Intel’s non-IT temporary workforce — process wafers (see chart, page 4). These wafers are made into chips that power the tools that are indispensable to our working lives, such as computers, cell phones, calculators and cars.

The manufacturing technician is as essential to the semi-conductor company as the engineers and research and devel-

opment specialists who design and work on the chip. But the nature of the industry is cyclical. The need for workers, especially manufacturing technicians, is dependent on demand, which goes up or down.

So the flexibility that using a contingent workforce can bring is unparalleled. To stay viable, companies need to have a well-developed temporary workforce. Around three years ago, Intel, in its efforts to stay competitive, examined its contingent workforce by benchmarking how some other Fortune 100 companies acquire their labor.

THE PROBLEM

“The exercise revealed that Intel was lagging behind some companies in this area,” says Clare Grief, Intel’s global supplier manager for temporary and permanent staffing. Intel recognized that relying on the old-fashioned way of acquiring labor wasn’t efficient. “We wanted to be using the most up-to-date technology and garnering available potential savings,” Grief says. The immediate next step was to examine various solutions including implementing a vendor management system (VMS).

At this juncture, it became apparent to Intel that most other companies used a VMS only for high-end skill sets. At the end of 2005, Intel finally decided that it would implement a VMS for all of its skill sets. In addition, it would go with a MSP model.

Intel’s contingent workforce program, Talent Source, is administered by Kelly Vendor Management Solutions (KVMS), a division of Kelly Services Inc. The company, headquartered in Troy, Mich., offers temporary staffing

Thanks to the VMS, Intel's CW team, (L to R) Clare Grief, Jill Matalon and Robert Webb, are now able to tap a large group of suppliers quickly.



services, outsourcing, and vendor on-site and full-time placement.

As a managed service provider (MSP), KVMS has two program managers to help administer the Intel staff augmentation contingent workforce program — which includes all temps outside of information technology — at Intel's Ocotillo, Ariz. and Portland, Ore. locations. Kelly also provides workers through its outsourcing and consulting divisions. But all of Intel's IT talent requisition, traditional and contingent, is managed by a separate in-house program. (Intel declined to name its VMS provider, citing company policy.)

PILOT STUDY

In keeping with its conservative style, Intel first conducted a six-month pilot study in the first half of 2006 to determine whether using a VMS for low bill rates would deliver actual savings. "For Intel, the VMS was a dramatic shift from the earlier vendor-on-premise [VOP] model," says Grief. Besides, many internal groups were happy with the way the VOP worked.

"We don't generally recommend pilot studies because of the amount of effort that goes into it," says Stephen Holmes, Kelly Services VP, contingent workforce outsourcing. "It can be more complex than the actual implementation itself." But Kelly went ahead with Intel's proposal. Three of Intel's sites were selected to participate. A VMS was deployed and six

sub-vendors signed on.

"Initially, we had to train the sub-vendors. We had to really educate and counsel them on the type of jobs in the factories," Grief says. These jobs involved contingents wearing bunny suits and working on technical details in a clean room, so it was not easy finding the right contingent and turnover was high. Once suppliers became educated, the quality of the candidates improved, which led to a reduced turnover rate. Intel achieved savings of 1.6 percent over traditional negotiated bill rates.

The pilot program concluded in October 2006 and the resulting data were presented to senior management, who saw the savings and efficiencies involved. They recommended that the program be implemented across the board in the United States.

MANAGING CHANGE

It was imperative that as the company transitioned to the new system, things worked smoothly in the factories. "So we did need analysis and risk assessment of how we were going to manage the change," Grief says. Intel decided to install the VMS in a piecemeal fashion, site by site. Through presentations, Webinars, and meetings, Grief and her team educated Intel employees about the CW program, while detailed articles on the process ran in the company's online magazine.

Managers were educated on how their temporary work-

PHOTOGRAPHY BY ROGER HAWKINS

ers were going to have to go through a new system, and contingents were trained on how to use the new timecard. Because it was important to the company that there be no surprises, all on-site contingents are in a database and tracked through an internal software tool.

Contracts with contingents notwithstanding, Intel's agreements with the VMS and MSP are autonomous. For example, if there is a problem with the VMS provider, Intel can replace the vendor with another. "We would do this collaboratively with our MSP to ensure ease of transition," says Grief. Because its VMS and MSP can be substituted independent of each other, Intel is better prepared to deal with unanticipated circumstances, like the January 2008 bankruptcy of Ensemble Chimes Global.

Kelly has helped the semiconductor company carry out its pilot program effectively. "Intel is a heavily quality-driven organization. They like their suppliers to deliver innovative solutions continuously," says Holmes. Having been the company's vendor-on-premise for the last 16 years, Kelly has understood the chip maker's needs, especially in the factory. That is also Grief's strength. She has managed Intel's field service engineer programs for the last five years. "The reason I was hired was because of my knowledge of the factories," says Grief. She in turn insisted that Kelly provide the workers for the pilot study because it knew the factory environment.

BENEFITS

But it's important to Intel to have a strategic alliance with its MSP. The 23 sub-vendors have a contract with KVMS. Intel's accounts payable department gets a single, consolidated invoice from its MSP. Kelly pays the VMS provider and the sub-vendors who in turn pay the workers.

Since the implementation of the VMS, Intel has seen

savings of up to 8 percent on certain skills sets. Other goals have also been met: Contingent workforce turnover has been reduced and the company has been filling temporary positions in around 8.3 days, faster than its goal of 10 days; traditionally, Intel's fill time has been 11 days.

The advantage of an automated system is that Intel's contingent workforce team is able to tap a large group of suppliers simultaneously, which respond quickly. It's extremely important to Intel that suitable candidates be on hand to work the different shifts at the factory. Thanks to the VMS, suppliers are now able to provide groups of 100 or more skilled manufacturing technicians easily and quickly.

In fact, the Intel CW team has spent a lot of time educating new suppliers. For example, Grief's team found that one of its suppliers was providing poor-quality workers to a factory. When it investigated the problem, the team found that this factory had not been part of the pilot study, so the suppliers were unaware of what the factory required. Intel then organized a supplier's day. Recruiters from participating suppliers were shown around the factories, complete in bunny suits. This experience enabled the recruiters to understand precisely the type of worker required, which resulted in better quality candidates.

Safety of their contingents working in the factories is also crucial to Intel. The semiconductor company makes sure that KVMS provides safety orientation and training to all sub-vendors, which in turn educate their personnel.

TRAINING

But once the contingents are approved to come on site, they are given unique training. Administrative personnel receive the standard one- to two-week training. The factory workers, meanwhile, receive specialized instruction that could last two or three months.

How Intel Chips Are Created

A semiconductor manufacturer takes bare silicon wafers (which resemble large CDs) and sends them through complex machines that build, layer by layer, the transistors for its chips. Contingent manufacturing technicians perform a variety of functions in this process, including processing these wafers on machines called tools in the clean room, conducting wafer box washes and chemical delivery to the fab (factory). Higher-level contingent technicians are used for preventative maintenance, trouble-shooting and repair of the tools.

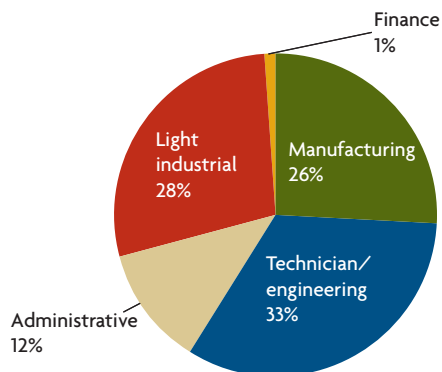
The wafer goes into making the processor or chip that runs the computers, cell phones, microwaves and many other gadgets essential to modern life. It takes six to eight weeks for the wafer to get through the production line.

The more powerful the processor, the more a device can do. In 1972, a digital watch containing a microprocessor had 3,500 transistors per processor and an initial clock speed of 800 KHz. Less than 10 years later, in 1981, IBM's first personal computer ran with a microprocessor that involved 134,000 transistors and an initial clock speed of 6 MHz.

In 2003, Intel-powered laptops had processors with 291 million transistors and an initial clock speed of 3.6 GHz.

Today, 30 million of Intel's 45 nm (nano meter) transistors can fit on the head of a pin. Intel's current quad-core processor, which is in many laptops today, is made up of 800 million transistors.

Intel's Temporary Staff



So it's essential that suppliers understand the intrinsic nature of the tasks and provide suitable recruits. Training is expensive and turnover impacts costs even more. Many of these workers are contracted for a one-year period.

As a precaution, Intel has a stringent background check, which is provided by a third-party firm. Sub-vendors also use the same firms and the MSP has negotiated a standard rate. The checks include drug testing and criminal background verifications. Intel is unforgiving of any negative entries on a check.

But the demand for factory workers is so great and immediate, that Intel can't afford to wait for the background checks to be completed. Often these checks require two weeks. In the first week at Intel, these workers are exposed to company culture, policy and other small details of the job like learning how to manage a box of wafers, putting the bunny suit on and off etc.

As the chip maker's upfront investment in the temporary worker is high, the burden is on the suppliers to find suitable

workers. Intel has high standards. "They set a benchmark and you meet it, the next year, it's higher," says Holmes.

However, it's not just the suppliers who are challenged and trained to understand Intel's needs. On its part, the semiconductor company made sure that its hiring managers not only comprehend CW program benefits, but were also instructed on how to use the VMS. On-site training and Webinars were most effective. "If it's a brand new business partner, we'll spend time one-on-one training them each and every time," says Grief. During the implementation, hiring managers could also approach Kelly staff — which was around for that very purpose — with questions.

Intel's goals in using the VMS have been met. It has an increased supplier pool — 23 vendors — better-quality candidates and up-to-date technology to make its CW program efficient and productive. The hope is that the company gains savings in the \$5 million range over five years.

Going forward, expectations are to take the CW program global. However, at this juncture it is unclear whether the chip maker has the numbers needed to make it a positive ROI for the suppliers involved. The future will also bring about automation. As factories become more mechanized, fewer contingent manufacturing technicians will be needed.

The company believes that as the face of its workforce changes, its need for low-end skill sets will be replaced by high-level engineers. But a constant is the chip maker's focus to keep its processors ahead of the game. The company hopes that, regardless of the type of worker involved, Intel's CW program will chip in. 🍌

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