

Title: Ireland Region Analysis Report

Course: MGMT 781 – International Business  
Strategy

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## **Executive Summary**

After careful evaluation of Ireland using the Porter Diamond Model and the Hofstede Cultural Dimensions, the Ireland group chose to look closely at the beer and IT industries. Upon careful analysis of both industries, based on the country risk assessment and investment horizon, along with the Porter and Hofstede models, this group has made the determination that the IT industry has a greater potential for global growth. Ireland has as a comparative advantage low tax burden in the E.U. community for foreign direct investment, a stable and rich economy, and a young and highly educated workforce.

Guinness and Connect Electronics are the representative companies of the Beer and IT industries respectively. Ireland is the leading manufacturer of software computers and other computer products. The country produces one third of all the computers sold in Europe. Ireland has over 900 software companies that employ an estimated 24,000 people. The beer industry on the other hand, represents about 52% of all alcoholic beverage consumption per year and has experienced a 4.8% growth in 2006. However, the beer market is considered mature and is struggling to compete with new beverage consumption trends, such as spirits and wines, and consumer new taste buds.

Since 2000, Connect Electronics has transformed itself into a large European independent distributor of electronics components. Connect Electronics specializes in fulfilling orders for hard-to-find computer parts for its local and global customers. Connect Electronics has also expanded its products and services to the United States and the U.K. Guinness' location, contrary to popular belief, has a large impact on the global competitiveness of the company. By the 1900's, Guinness was considered one of the largest employers in Ireland with over 10,000 people financially dependent upon the success of the brewery. Since then, it has expanded and is distributing beer all over the world. However, the beer industry in the UK is currently being threatened by new consumer trends such as spirits and wines.

These companies have different Firm Structures, Strategies, and Rivalry. Connect Electronics' strategy is a commitment to quality and excellency in service in a niche market. The company aims to meet and exceed all quality requirements expected by customers by dealing with customers efficiently, professionally and in a cost-effective manner. Guinness' strategy is product positioning and branding. Guinness leverages its storehouse in Ireland to create a unique visitor experience by associating a product brand with a destination. In combining an engaging visitor experience with a successful brand, Guinness successfully established one of Ireland's most popular visitor attractions.

Ireland economic growth started in the early 1990's and has continued to sustain it till date. The economy has continued to grow in excess of the average growth rate for developed worlds. It has the highest GDP growth amongst EU nations at 5.3% as at 2005.

Undoubtedly, Connect Electronics will face some stiff competition from other electronics component distributors such as Avnet and Arrow Technologies. In order to stay competitive, the company has to be able reach new customers while holding on to its customer base and continuing to provide excellent customer care.

## **COUNTRY ANALYSIS: IRELAND**

### **Facts on Ireland**

Ireland is a hotbed for business activity as it offers organizations a highly skilled English-speaking workforce to serve their global market needs. More than one thousand organizations have moved overseas and have made a committed to Ireland as the place they chose to do business.<sup>1</sup> Ireland has positioned itself as the 11<sup>th</sup> best country for international business based on the following offerings:

- The lowest corporation tax rate in Europe -- 12.5%
- A well-educated young workforce
- A competitive economy by insuring advancements within competitive infrastructure

In addition, the Irish Government has been driving economical growth by focusing on advancements in manufacturing, pharmaceuticals, medical technologies, information communication technologies (software), engineering and consumer products. This is the above industries are the top players in Ireland.

Based on the Ireland industry strengths, we choose to further research companies that are within the growing industries:

Consumer Goods: Guinness

Information Communication Technologies: Connect Technologies

### **Facts on the Beverage Industry**

Overall, the beer industry represents about 52% of all alcoholic beverage consumption per year and has experienced a 4.8% growth in 2006. However, in Ireland the beer market is considered mature and is struggling to compete with new beverage consumption trends such as spirits and wines. Although Guinness has successfully dominated the Irish brewing industry for decades by preventing market entry of other breweries through licensed trade restrictions, it is also faced with the challenge of innovation and product line expansion in order to meet the demands of consumers and new market trends.

### **History of Guinness**

Guinness was invented near Dublin in a town called Celbridge around 1760 by Arthur Guinness. At that time a new type of beer was introduced to consumers called porter and Arthur began brewing this darker stronger beverage, which is known today as Guinness Genuine Draught. The product was distributed throughout Ireland and then exported to England in 1769. By 1840 this family owned business was fully entrenched in the global economy, distributing beer around the world including the United States, London, Trinidad and the West Indies. Market expansions into South America, Africa, Asia and Australia occurred twenty years later. By the 1900's, Guinness was considered one of the largest employers in Ireland with over 10,000 people financially dependent upon the success of the brewery.

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<sup>1</sup> IDA Ireland

The 20<sup>th</sup> century was a time of innovation, focusing on expanding brewing capabilities and product-lines to support the needs of the global market. Guinness introduced the Harp Lager in the mid-1950 followed by acquisitions of distilleries and foreign breweries such as Distillers Company-Jonnie Walker and Schenley-Dewars.

In 1997 Guinness merged with fellow British food and drink conglomerate Grand Metropolitan to form Diageo, a deal valued at over nineteen billion dollars. Today over two billion pints of Guinness are sold a year across the globe, over 1 million pints of Guinness are sold a day in Great Britain alone.

### **Industry Leaders**

Industry competitors/leaders in Ireland -- based on similar product features and taste -- are Murphy's Ireland (owned by Heineken) and Beamish & Crawford (owned by Scottish & New Castle). The beverage segment of consumer goods experiences competition from various angles. Consumers have a large range of product choice that includes non-alcoholic beverages, wine, sprits, microbrews, domestic ales, stouts and lagers. Therefore at an indirect level, Guinness not only encounters competition with other stout/microbreweries but also wines, spirits and non-alcoholic products. What is unique to Guinness is that its consumers have a distinctive palette for heavier brewed beers.

### **Strengths and Weaknesses**

Strengths include strong brand recognition, consumer loyalty and appeal to consumers with a selective palette for dark premium beer. In addition, as a mature company with mature products, Guinness is driving innovations in order to remain competitive in the very changing market place. Early on, Guinness recognized the importance of global expansion. Today this allows the company to brew and produce Guinness throughout the world, effectively lowering product cost to the consumer.

A major weakness of Guinness is that it has many stagnant products, such as Guinness Genuine Draught and Harps. With the exception of new markets, these produce very little revenue for the company and sales have declined in some markets. In addition, the beer industry in the UK is currently being threatened by new consumer trends such as spirits and wines. Another factor is that pubs, which are associated with beer and stouts, are no longer as popular to local crowds as they were in the past. This may be due to the society moving more towards white-collar jobs as industries that hire white-collar workers continue to relocate to Ireland.

### **Factor Conditions**

Guinness is a perfect fit for the Porter Diamond Model. The model suggests that a company's location, contrary to popular belief, has a large impact on the global competitiveness of the company. Michael Porter discusses and emphasizes the impact of factor conditions. A few factor conditions for Guinness are a specialized skill pool, applied technology, and sources of capital. It is specifically these types of specialized factors that can give an organization a competitive advantage. The key factor conditions from yesteryear such as transportation, and telecommunications are now viewed as necessities and no longer sources of advantage. A company has an advantage when it or the environment it is in, creates these key factors, because

similar companies can simply duplicate all other factors. As stated earlier, Guinness has a widgee; this means that they have a certain advantage that no other beer company has. Guinness therefore introduces and uses new technologies to continuously improve its product. Ireland, as a whole has a specialized pool of knowledge, because they are the second largest beer consuming country. Brewery workers are extremely knowledgeable about the product. Lastly a major source of capital is through marketing. Company-sponsored events lead to increased sales. The company's capital can then be funded via revolving credit facilities. The company has a 9,000-year contract on the facility in Dublin.

### **Demand Conditions**

The competitiveness of a company is also determined by its demand conditions. The local customers, whom are demanding and sophisticated, add much needed input and at times criticism to better a corporation. These customers pressure companies to improve their product or service. This type of pressure is a healthy pressure that a good corporation can use to become a great corporation. Guinness for example, fulfilled customer demand by manufacturing a product that is consumed by all legal drinking ages. Guinness drinkers come from all walks of life. It is not uncommon to see an elderly sophisticated drinker and a "college frat party drinker" both choosing Guinness at the pub or liquor store. Aside from performance demands, Guinness is also known to meet the demands of consumers all around the world. This is why Guinness has different lines of product and style.

### **Related and Supporting Industries**

The agricultural industry is responsible for the production of the raw materials such as malt used by Guinness in the production of its stout. Another related industry is the technology industry because Guinness uses high tech machinery in its breweries. Technology comes in handy in the research and development of new products, with the intention of producing better stouts more efficiently. Technology plays a big part also in statistical analysis of markets and in daily operational processes.

The Tourism Industry in Ireland is a related industry. Due to the fact that Ireland is synonymous with Guinness, tourist comes from all over to see the famous Guinness Storehouse for the experience. The finance industry is also very important, as it is a source of funding for Guinness.

### **Firm Strategy**

Guinness' strategy is product positioning and branding. Advertisements for Guinness tell the consumer that Guinness products are the best for events such as parties and weddings. Consumers therefore associate Guinness products with a good time. The Guinness slogan is "Guinness is good for you." The company strives to be good to its employees also. In over 150 countries where Guinness is sold, the company exhibits social responsibility, making sure that is "good" to the people of the community. The company plays a leading role in encouraging moderate drinking through bodies such as the Amsterdam Group. It takes a responsible position towards the principal social problems associated with alcohol in the western world today.

Guinness' storehouse in Ireland is a perfect example of how brand association between a product and a destination has been leveraged to create a unique visitor experience. In combining an

engaging visitor experience with a successful brand, Guinness successfully established one of Ireland's most popular visitor attractions.

Guinness spends a huge sum on advertisements. In 1998, it invested £750,000 in its Extra Cold ad campaign. The campaign included TV, radio and outdoor advertisements focusing on the smooth quality of the stout's latest iteration. The TV ads employed sparse, hypnotic music in an effort to evoke sensuality and to appeal to the younger generations of Irish beer drinkers who were turning to more American brands such as Budweiser.

Guinness spends over about \$40 million a year on branding. The firm has launched various types of Guinness stouts (e.g. Guinness Draught and Guinness Extra Cold) in a bid to appeal to various tastes and to increase market share.

### **Firm Structure**

Guinness recognized that to thrive in today's world, it needed to develop an empowering culture that fostered growth and shared big ideas. The company worked closely with the Guinness Global Leadership team, shaping and managing an Organization design program. The program involved 3 main phases: Design of a new corporate structure, Design of the core processes – sales, marketing, HR and Supply chain and a communications program for sharing and gaining real involvement in the corporate design. By the end of 1999, Guinness global had implemented the new corporate structure, with the new HQ and significantly reduced base line costs.<sup>2</sup>

Guinness Ireland Group is an excellent example of quality in action. The Total Quality Management (TQM) philosophy is applied both within the five breweries owned by Guinness Ireland and to the process by which the product reaches the consumer in prime condition. Research and Development is also very important at Guinness (see figure 4).

### **Firm Rivalry**

Guinness stout has its biggest rivalry from Beamish and Murphy's. These companies also produce strong black stouts, both brewed in Cork, Ireland.

Beamish' froth does not linger as long as Guinness', although its rich taste may surpass that of Guinness. The bitter but rich flavor, produced by maximizing the aroma of hops, prompts many stout drinkers to purchase this brand. Value-wise, it is more attractive as it is cheaper than Guinness.

Murphy's is the favorite of Cork citizens. It boasts of more than 140 years of history and features a good malt flavor. It is less bitter and has a softer aroma than Beamish, which makes it easier to drink.

Kilkenny Beer is another rival, brewed in Kilkenny brewery, just 90km away from Dublin, Ireland. A nitrogenated beer, it is the answer to Guinness nitrogenated stout. This means that for non-lovers of stout who want that nitrogen technology that Guinness offers, this is the solution.

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<sup>2</sup> <http://www.e-penna.com>

Irish Bailey's Cream is a sibling rivalry for Guinness, as it is owned by Guinness parent company, Diageo. Even though manufactured by the same company, both are in strong competition in the same markets.

### **Facts on the IT Industry**

Since the 1990s, Ireland has emerged as an international IT sanctuary. Ireland's IT industry consists of local and foreign technology companies in telecommunications, software development, computer components manufacturing, and customer service support call centers. Ireland is the world's largest exporter of software computers, and the largest European manufacturer of computer products. Ireland produces one third of all the computers sold in Europe. At the end of 2005, Ireland had 900 software companies (140 of which are foreign) that employ 24,000 people.<sup>3</sup> In the manufacturing sector, there are more than 300 electronics manufacturing companies, which employ more than 30,000 individuals. The IT industry averaged a growth of 9% a year for the past three years and 15.7% in 2006<sup>4</sup>. The success of the IT industry in Ireland is mainly due to the new Irish governmental policy that allows foreign direct investment, and its unique education system that helps its young, trained, and educated citizens to find available positions at low wages in local and foreign IT companies in Ireland.

### **History of The Industry And Its Current Conditions**

For more than two centuries, Ireland was considered one of the poorest countries in Europe. Ireland was plagued by low economic growth, high unemployment, and mass emigration. This is no longer the case. During the 1990s, Ireland experienced a major economic boom called the "Celtic Tiger", an analogy similar to the name applied to the rapid economic growth in Hong Kong, Singapore, South Korea, and Taiwan. From 1990 to 1995, Ireland's economy grew at an average rate of 5.14% per year, and from 1996 through 2000 it increased at an average rate of 9.66% (see figure 1). By the end of the decade, unemployment went down to 4.5% and the nation's GDP per capita stood at \$25,500, higher than both the United Kingdom at \$22,300, and Germany at \$23,500<sup>5</sup>. Figure 2 shows the unemployment rate in Ireland from 1990-2000. During this decade, Ireland became one of the wealthiest countries in Europe.

Ireland's economic boom is due to numerous factors. First, the Irish government and the Investment and Development Agency of Ireland (IDA) decided to attract foreign direct investment (FDI) by developing a 20-year tax incentive benefit package with a 12.5% tax rate for local and foreign companies. Second, to further attract FDI, the government and the Higher Education Authority increased investment in education in order to create a highly trained and educated workforce in the IT sector. In addition, the government sponsors four universities and 11 Institutes of Technology in Ireland.<sup>6</sup> This sponsorship allows universities to work with local and foreign firms, utilizing the skills, knowledge, and experience of the students and faculty. Third, the Irish government established high capacity lines using high-bandwidth fiber optic cable that connect Dublin, its capital, with other major European cities to facilitate firms communications outside of Ireland. In addition, the government passed a legislation called the E-

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<sup>3</sup> <http://www.nsd.ie/hm/ssii/stat.htm>

<sup>4</sup> <http://www.ucc.ie/icms/irishmigrationpolicy/>

<sup>5</sup> <http://www.celtia.info/culture/economy/celtictiger.html>

<sup>6</sup> <http://www.american.edu/academic.depts/ksb/citge/Ireland%20.htm>

commerce Act of 2000 to reduce piracy in the public and private sector, and facilitate the growth of the IT industry.

Although the IT industry is still growing and expanding in Ireland, despite minor economic issues such as labor shortages and rise in consumer price, the government is focusing on investing on research and development in the IT and science related fields in order to reduce its dependency on imported technologies. The government believes that this will increase innovation in the IT industry and subsequently, grow the economy.

### **History of Connect Electronics and Its Current Conditions**

Starting as a small company, Connect Electronics has transformed itself as the largest European independent distributor of electronics components. Connect Electronics prides itself on fulfilling orders for hard-to-find computer parts for its US, UK, and Ireland customers<sup>7</sup>. With its headquarters in Dublin, the company has numerous offices in the United States and in the U.K. The company also stocks end-of-life and older generation computer parts for companies like Pentium and IBM when these companies update their product lines<sup>8</sup>. It ensures the highest level of customer service by requiring that each of its offices certify in ISO9002, an IT certification for IT specialists.

To remain competitive, Connect Electronics acquired Notebook Express, which specializes in selling and repairing new, damaged, and used notebooks, computers parts and accessories from major brands such as IBM, Toshiba, and Compaq, in Europe and US.

Connect Electronics has been struggling with the labor shortage that has affected the IT industry in Ireland. In order to gain and retain employees, the company has decided to offer its employees' stock options and educational assistance for employees that want to further their education.

### **Industry Leaders/Key Competitors**

The companies in Ireland that are recognized as leaders in global electronics are IBM, Dell, Hewlett-Packard, Microsoft and 3Com. However, with regard to the IT electronics manufacturing industry, the companies in direct competition with Connect Electronics in Ireland are Avnet and Arrow Electronics.

Avnet is considered one of the world's largest distributors of semiconductor, enterprise networking and computer equipment. In contrast to Connect Electronics, Avnet partners with independent technology suppliers to provide components to independent software vendors and manufacturers<sup>9</sup>.

Arrow Electronics is a U.K. distributor of semiconductors and conductors for electronics components. Unlike Connect Electronics, Arrow Technologies only extends its services to manufacturers of Arrow PCs and provides IT solutions to brand computers such as Lenovo, HP, and Acer.

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<sup>7</sup> <http://www.connectelectronics.com>

<sup>8</sup> <http://www.ucc.ie/icms/irishmigrationpolicy/>

<sup>9</sup> <http://www.avnet.com>

## **Strengths & Weaknesses**

The greatest weakness or issue for Connect Electronics is competition. With the tremendous growth in technology and in personal computers, there is more competition now than ever before. In Ireland, the largest computer companies in the world are competing for the many resources offered by this country. Even with the tremendous success of Connect Electronics, the company must always strive to maintain good customer relationships through service and sales. The slowdown in the computer industry from the previous decade is also a big concern. Sales numbers may not be as high as in the past. For a global firm, other issues to consider are currency exchange rates, governmental regulations and customer tastes.

In examining the weaknesses of Connect Electronics, we should also consider its strengths. Every company has a unique set of strengths. For Connect Electronics, its strengths are in the following areas:

1. Low-cost supplier: By selling its components at reduced prices, it is effectively underpricing the competition. This way, it achieves greater volume, which drives costs down even further by realizing economies of scale.
2. Supply or distribution leverage: Each company in the group is its own specialist supply center, designed to ensure that all customers receive the highest levels of service and support for all their requirements. In the most volatile of markets, Connect Electronics can offer the fastest delivery world wide through our European and US offices.
3. Market Niche: Connect Electronics occupies a market niche, one that has been neglected by the dominant firm in the industry. As companies grow, decisions often have to be made to discontinue servicing a particular segment. That spells immediate opportunity for a smaller, leaner organization. By focusing on obsolete, hard-to-find parts, Connect Electronics provides a special service and occupies a special niche in the industry.

## **Factor Conditions**

### I. Tax

The overall tax burden in Ireland is the lowest among all other EU member states. A focus of Ireland's strategy to attract investment is to create a favorable economic and fiscal environment which is supportive of industry. This is evidenced by various investment incentives which are in place, creating a unique business opportunity in Ireland.

### II. Economy

Ideas and knowledge have transformed business and industry and have been crucial in the development of the Irish economy. The Irish Government's economic policies are directed towards the creation of a stable economic environment that is supportive of the needs of business. Ireland's economic growth rates in recent years have consistently been among the highest of the OECD countries. The forces of growth are firmly rooted in Ireland's economy, through favorable demographics, increasing investments in education and a high rate of technology-oriented investments.

### III. Quality People

One of the reasons why so many companies choose Ireland is because of the unique workforce. Ireland has one of the youngest population in Europe with over 36% under the age of 25. Ireland's unique population and age structure that has fuelled much of Ireland's recent prosperity will continue for the next 15 years with a key focus on education and research in Ireland. Surveys show that foreign investors consider the quality and the 'can do' flexible attitude of Irish people to be two of the country's greatest advantages.

In a study of demographic trends, economists forecast that projected population declines across much of Europe means that Ireland's already strong economy would look even more attractive in a European context over the next decade. The population between the ages of 15 and 64 will rise by 700,000 in the next 15 years. Sustained strong growth in the labor supply will maintain a capacity for growth in Ireland that will far outstrip that in other EU countries where the demographic outlook is much less favorable.

### IV. Infrastructure

IDA Ireland works closely with the private sector to ensure the availability of high quality property throughout the country. Up to €64 million is being invested by private sector developers in new high quality property across the country. A range of options are available to meet foreign investors requirements. IDA Ireland is also closely involved in the development of new Digital Parks in order to support e-Business and internet developments in Ireland.

### V. Education

Ireland's educational system has reflected, benefited from and reinforced some important cultural characteristics: creativity, flexibility, agility, nimbleness, pragmatism and informality. The education system in Ireland is one of the best in the world according to the 2006 independent IMD World Competitiveness Report. Almost one million people are in full time education. Figure 3 illustrates the country score assigned to several major countries around the world. This score examines how well these countries can meet the needs of a competitive economy.

### **Demand Conditions**

Ongoing advances in information technology; expansion of the global Internet infrastructure, new generations of handheld and wireless devices, and rising electronic content in original equipment products are the key demand factors in the growth of this industry. The long term global demand for electronic components will remain strong during the current decade. Due to the growth in this industry, high-end integrated circuit devices offer the best growth opportunities.

The Government sector and private businesses in this industry spend huge amounts of money on electronics components. The vast majority of both active and passive components are installed in "original equipment make" (OEM) products: consumer electronics, motor vehicles, telecom equipment, factory automation systems, military hardware, and other goods. A far smaller portion enters the maintenance/repair/operations (MRO) sector.

Higher disposable income on the part of consumers also creates increased demand. The population is knowledgeable and demands better components for their products. Lower prices

are a positive influence in both the industry and consumer sectors. However, the demand is derived from the spending patterns of final users. The current slowdown in shipments and sales can be traced to a slowdown in the acquisition rate of major durable goods and small appliances by households as well as in the capital spending plans of companies.

Highly industrialized countries have a large, albeit more mature, cyclical market for components. In newly industrializing countries, markets are smaller and less evolved; but they tend to grow faster. There is a "boombust" cyclicity in components that follows that of OEM products. This phenomenon happened most recently in the case of mobile phones and portable computers. In the boom phase, shortages in components prompt rapid expansion in fabrication, followed soon thereafter by excess capacity, perhaps exacerbated by sluggish demand for OEM products. When demand for OEM products recovers, the cycle begins again. This cyclicity is especially prevalent with memory chips and other commodity-like integrated circuits.

### **Related Industries**

Related industries include health and safety, test and certification services, tools and mould-making, subassembly, drafters, engineering, and mapping technicians, sales and related occupations. A health and safety company like Olive Safety Services in Dublin provides health and safety consultancy and training for OEM companies. Acquirer Systems, founded in 1997 in Dublin, Ireland, develops high performance, windows-based test and certification software. New Horizons Computer Training allows corporate training managers the ability to easily administer training and certification programs and track the progress of all participating employees. Over the last number of years, the sales industry has grown to become a dominant form of employment in Ireland.

### **Supporting Industries**

Supporting industries include shipping and receiving, customer service representatives, administrative assistants, office clerks, Office and administrative support occupations. Customer service representatives and clerks ensure that orders are taken and imputed into the system correctly. Working with companies that provide access to a growing global marketplace such as FedEx, TNT, EMS, UPS and DHL, Connect Electronics ensures that costumers' orders are received in a timely fashion. This means that in the most volatile of markets, Connect Electronics can offer the fastest delivery worldwide.

### **Firm Strategy**

Connect Electronics' strategy is a commitment to quality and excellency in service. The company aims to meet and exceed all quality requirements expected by customers by dealing with customers efficiently, professionally and in a cost-effective manner. By forging a niche business in fulfilling orders for obsolete and hard-to-find parts for US customers in Ireland, Connect flows business back to the US, having recently expanded its operations in Florida and Ireland.

Connect Electronics aims to provide a working environment that encourages all employees to contribute positively to the improvement of the company's market position, and enhance their own status and profile within the company. Each employee is committed to ensuring that these objectives are reached and the quality of the service is improved on a continuous basis, with a

view to growing the customer base and business network through the provision of a quality service, and, by the constant adherence to the highest quality standards.

### **Firm Structure**

The company is an international private company with offices in the UK and US. It has also expanded into the Scandinavian and Mediterranean markets. Connect Electronics competes on the basis of consistent delivery of global support and competitive pricing structure. Each company in the group is its own specialist supply center, designed to ensure that all customers receive the highest levels of service and support for all their requirements. To ensure the highest standards are maintained throughout the entire group, each facility has its own independent ISO9002 certification.

### **Industry Rivalry**

Top Competitors in this industry are Celestica, Flextronics, Sanmina-SCI and Solectron.<sup>10</sup> In 1996, IBM opened its European strategic operating site in Ireland, a \$350m investment. Other major competitors such as Dell Computers, Hewlett-Packard, Microsoft and 3Com, have major operations in Ireland.

However, with regard to the IT electronics manufacturing industry, the companies in direct competition with Connect Electronics in Ireland are Avnet and Arrow Electronics.

Avnet is considered one of the world's largest distributors of semiconductors, enterprise networking and computer equipment. In contrast to Connect Electronics, Avnet partners with independent technology suppliers to provide components to independent software vendors and manufacturers.<sup>11</sup>

Arrow Electronics is a U.K. distributor of semiconductors and conductors for electronics components. Unlike Connect Electronics, Arrow Technologies only extends its services to manufacturers of Arrow PCs and provides IT solutions to brand computers such as Lenovo, HP, and Acer.

### **Tentative Opinion of which Industry has the Greatest Global Potential**

It is our opinion that the IT Industry in Ireland has greater global potential over the beer industry because the IT industry is a dynamic and evolving industry. IT is relevant to all areas of business, regardless of industry. Also, based on the Porter Diamond model, Ireland's IT industry appears to have the greatest potential because the country is emerging as a key global location for foreign direct investment. The IT industry has limitless possibilities for product expansion, market growth, and continuity.

### **Analysis of Cultural Aspects of Ireland**

According to Geert Hofstede, there are national and regional cultural groupings that affect the behaviour of organizations, and that are very persistent across time. Hofstede invented five dimensions of culture – power distance, uncertainty avoidance, individualism, masculinity and long term orientation. When working in other countries and with people from overseas,

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<sup>10</sup><http://finance.yahoo.com/q/co?s=CLS>

<sup>11</sup> <http://www.avnet.com>

companies tend to research the national culture along these dimensions. In looking at Ireland, the culture dimensions play a very integral part.

Ireland's power distance, at 28 points, is low in contrast to a country like Malaysia, which ranks 104. Managers run a more decentralized structure; superiors and subordinates are apt to regard one another as partners. A manager may stop at his secretary's desk for a friendly banter. The form of address is informal and the Irish are quick to call one another on a first name basis even where new acquaintances are concerned. Professional titles are rarely used, appointments are easy to schedule and the Irish are not strict on punctuality for business or social meetings.

Uncertainty Avoidance reflects the extent to which a society attempts to cope with anxiety by minimizing uncertainty. Cultures that score high in uncertainty avoidance prefer rules and structured circumstances. Ireland once again is relatively low here, with a ranking of 35. This means the Irish culture is relatively open to taking risks and dealing with change. On a micro level, conflict or disagreement in the workplace, even with superiors, is considered healthy. This is good news for companies intending to do business in Ireland.

For individualism, Ireland scores 70, a relatively high score. This means that the Irish culture values and promotes individuality. Initiative and achievement are highly valued. Reward and recognition are important in managing Irish employees. Employees are not afraid to speak their minds as creativity is encouraged.

Masculinity pertains to the degree societies reinforce, or do not reinforce, the traditional masculine work role model of male achievement, control, and power. Ireland scores 68, which is above average. This may reflect the fact that the Irish society and culture aims for equality between the sexes. Both men and women drink Guinness. The Irish are not physically demonstrative and are not comfortable with public shows of affection.

Long Term Orientation is the cultural trait that shows to what extent the group invests for the future, is persevering, and is patient in waiting for results. Here, the UK scores 29 (there is no score for Ireland). Low LTO cultures tend to approach tasks more aggressively, aiming at immediate results and focusing on a short resolution.

### **Comparison of Ireland and Baltimore Regions**

From the above analysis, it would appear that the US and Ireland are somewhat close culturally. For US companies trying to do business in Ireland and vice versa, this is good news. Looking at the Power Distance Value dimension, The US and Ireland are very similar as they both have low power rankings (see figure 5 for Ireland/US comparison), though the Irish ranking is lower than that of the US. Both regions favor a decentralized structure where subordinates are given the freedom to use their initiatives and are regarded as almost equal in power. Under the Uncertainty Avoidance value dimension, both regions are open to risk-taking and dealing with change and conflict in the workplace. For Individualism, the US scores 91 in comparison to Ireland's 70. This means that although both tend towards high Individualism, the US is clearly more Individualistic than Ireland. A US team meeting with an Irish team will have to be careful not to appear pushy as it appears that the Irish team may want to confer longer before reaching a decision. The two regions value initiative and personal achievement and recognition. For

Masculinity, both regions rank high, with Ireland just slightly higher at 68 compared to the US at 62. This implies that both regions aim for equality between the sexes. Female managers are common in both regions. For Long Term Orientation, the US and the UK have a score of 29. Although Ireland is yet to be ranked here, we believe that it will most likely have a low LTO, in line with the UK and US. This would imply a freedom in the culture from long term traditional commitments, which allows greater flexibility and the freedom to react quickly to new opportunities.

### **Problems that Might Arise from the Differences**

In the area of individuality, a US company that is used to quick decisions may feel some frustration while doing business with an Irish company. In order to avoid this, the US team will need to exercise patience, giving the other side more time to arrive at a decision.

In the United States, punctuality is important whereas in Ireland, it is not. This might be another source of frustration to an American company. While a US company may have to grin and bear it, an Irish company will have to work harder to show respect to the other side by arriving on time.

### **Synergies that Might Arise from the Differences**

Ireland and Baltimore are very similar with regard to Hofstede's value dimensions. This means that conducting business between them should be relatively uncomplicated. Both regions value individuality and creativity. This means that each side will be happy to hear the other's ideas. Both regions are not averse to risk taking which is important in any business dealing. Agreements will be reached quickly here, with minimal time wasted. Both sides believe in equality of the sexes so the issue of having a woman in charge will not present an obstacle.

### **Conclusion**

The IT and beer industry both have great potential for global expansion. However, the IT industry appears to have greater potential than the beer industry. The beer industry is a more mature industry. Beer producers like Guinness are seeking new ways to maintain profitability and expand new markets. The IT industry, however, has limitless possibilities for product expansion, market growth, and continuity. Companies such as Connect Electronics have sustained continued growth in Ireland and abroad. Connect Electronics is a young company in its growth phase and has a lot of potential for international globalization.

Ireland's IT industry has the advantage of being recognized in the global market as an emerging giant. It also has the advantage of attracting a large array of high tech companies. Companies such as Microsoft, IBM, and Dell have already set up offices and manufacturing facilities in Ireland, taking advantage of the country's many incentives such as low foreign corporate taxes, and a young and highly educated workforce. Focusing on the IT industry in Ireland for global expansion would be a more advantageous choice with regard to competitiveness and growth.

**Figure 1**

Output, Population, and Employment Growth For Ireland

Year	GDP* change (%)	Population growth rate	GDP* growth per capita	Employment growth (%)
1990-91	1.9	n.a.	1.4	-0.4
1991-92	3.3	n.a.	2.5	1.5
1992-93	2.7	n.a.	2.1	1.5
1993-94	5.8	0.3	5.4	3.2
1994-95	9.7	0.4	9.3	5
1995-96	7.7	0.7	7	3.6
1996-97	10.7	1	9.7	3.9
1997-98	8.6	1.2	7.3	8.3
1998-99	9.8	1.1	8.7	6.5
1999-2000	n.a.	1.1	n.a.	5

\*GDP Growth is at constant 1995 Irish market prices.

Source: CSO Statistical Releases.

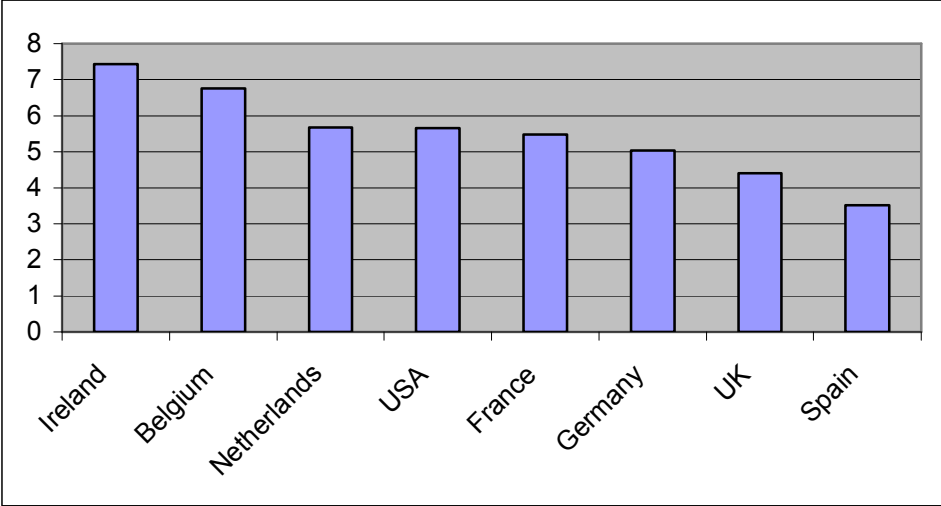
**Figure 2**

Unemployment rates for Ireland

	Overall	Men	Women	Long term
1990	12.9%	12.7%	14%	8.3%
1991	14.7	14.2	15.6	8.8
1992	15.1	15	15.2	8.5
1993	15.7	15.6	15.8	8.9
1994	14.7	14.7	14.8	9
1995	12.2	12.1	12.2	7.1
1996	11.9	11.9	11.9	6.9
1997	10.3	10.4	10.3	5.6
1998	7.8	8.1	7.4	3.9
1999	5.7	5.9	5.5	2.5
2000	4.3	4.3	4.2	1.6

Source: CSO Labour Force Survey.

**Figure 3**



Source: IMD World Competitiveness Yearbook, 2006

Figure 4

Guinness Product Development Article

**IRISH**  
**line**

**The Perfect Pint presented in the perfect glass**

**Total Quality Management (TQM)**

Under the influence of Japanese business successes, a philosophy called Total Quality Management developed in the west during the 1980s. TQM is an improved way of managing a whole company, not merely of judging its products or the way they are manufactured. In practice it means that every member of staff is committed to the culture of quality. The following are some of the key requirements if a company intends to adopt this philosophy:

makers of electric goods and breakfast cereals. While bottled or canned beer can largely be treated like other supermarket goods, a brewer's main product is draught beer, sold by the pint or glass in pubs, restaurants and hotels. The beer comes from a keg delivered from the brewery. However, the condition in which it reaches the customer is determined by a number of

the beer at an important stage in its development, to ensure that the product is of a consistent high quality.

**Product development**

Product development is carried out at the GUINNESS Dublin Research and Development Department. Highly skilled

**The Perfect Pint**

The diagram illustrates the 'QUALITY CHAIN' for 'The Perfect Pint'. It consists of five interlocking rings arranged in a circle, with a sixth ring, 'Crafted Presentation', positioned to the left. The rings are: 'Perfectly Brewed', 'Correct Dispense Equipment', 'Consistent Dispense Temperatures', 'Clean Beer Lines', and 'Clean Glasses'. The central text 'QUALITY CHAIN' is surrounded by these rings.

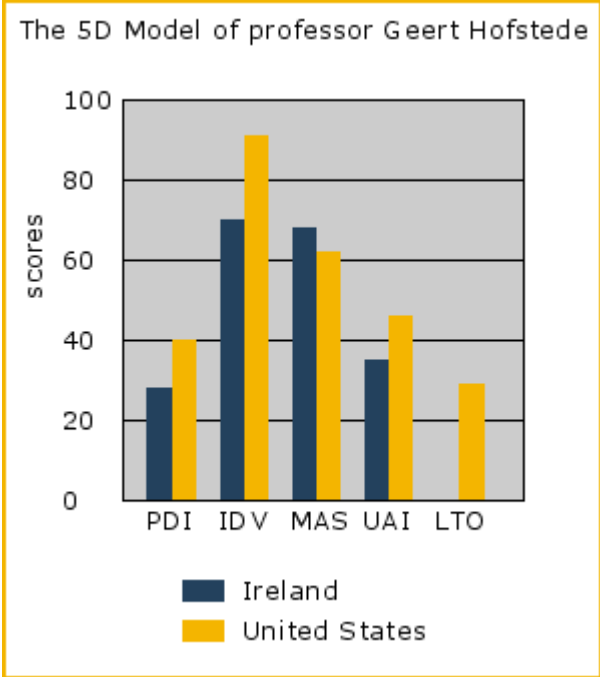
**IRISH TIMES**  
**Business 2000**

The first to present this hot new GUINNESS C's pint

Source: The Irish Times

**Figure 5**

Comparison of Ireland and the United States



Source: [http://www.geert-hofstede.com/hofstede\\_dimensions.php](http://www.geert-hofstede.com/hofstede_dimensions.php)

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