

2012 Q9 .B

Examine how corporate strategies influence the opening and closing of branch plants of one multinational company that you have studied.

The multinational (MNC) that I have studied is **Dell**. The corporate strategies that has lead to both the opening and closing of this plant is Labour and Government policy.

The Dell computer corporation has its headquarters in Austin, Texas USA. Yet, it set up a branch plant in Rathlin industrial estate, Limerick in 1991. Dell's setup was largely due to the of Government policies that are in Ireland. Firstly, Ireland holds a corporation tax of 12.5%, the lowest in Europe, meaning that they only have to pay 12.5% tax on all their profits. Ireland is also holds an agreement with forty eight other countries called the " double taxation agreement", allowing the MNC to pay tax in their own country or their branch country whichever better benefits them. However, when Ireland was chosen, the industrial development authority allowed a period of ten years in which corporation tax did not have to be paid providing a competitive incentive to set up in Ireland. Dell was also granted a government grant of 14,000 euro per job created in the MNC plant.

Labour was another corporate strategy which encouraged Dell to set up in Ireland. Ireland holds English as it's first language and therefore, has a English speaking workforce. This is largely beneficial as English is the global language of communication. Dell had employees that were highly educated which many having achieved Technology and Business degrees from the university of Limerick that was close by to the plant. Altogether, Dell employed 4,600 people in Rathlin, Limerick. Ireland also has a young workforce with an average age of 36.4 years of age compared to Germany with an average workers age of 46.5 years old. The Young people are highly motivated and provide new ways of thinking that encourage corporations to set up in places as Ireland.

However, despite the benefits brought to Dell in Ireland, Dell's branch plant closed in Ireland and moved to Lodz in Poland in 2007. The biggest pull to leave was due to the corporate strategy of labour. As 20% of the workforce in Limerick were Polish, they moved with the company to Poland. This provided an already trained staff for the new facility. The rest of the vacant jobs were easily filled in the second largest city in Poland that had an unemployment rate of 11%. It employed 100 new people with the hopes of creating 3000 new jobs in the future. Dell also saved money through the relocation through the decrease in wages paid. The average wage in Lodz is 7500 euro where in Ireland it was 37,500 euro. Lodz is also a university town that has approximately 100,000 third level students providing a large educated labour force.

Government policies also had a strong influence on the movement of Dell's branch plant. Poland's corporation tax is 19.5%, higher than Ireland's but still lower than the European's average of 24.6%. The money saving factors of the labour force suffice for the small loss. The Polish government has invested in science and technology parks in the Lodz region, where companies such as Dell can work together and aid in each other's productions. The Polish government also provided a huge incentive for Dell to move to Poland through a grant worth 52.7 million euro.