

Success with Production Relocation – 6 important lessons

Several people have encouraged me to make an English version for use by people working with relocation of production to foreign countries.

The article is original written in Danish and some illustrations refer to a new book, which unfortunately only is available in Danish. Even though, I have chosen to keep the references as I am sure there will be Danish speaking readers of this English version who will be able to take advantage of the book.

It can be expensive to outsource or move production to new locations – and then later to have to bring it home again. Currently there are a number of examples in Denmark about companies bringing their production back to Denmark. Either due to lack of realizing the expected savings, or because of the technological development again making it possible to produce the products in Denmark. I have through the last years thought about the reason why the companies might have had problems realizing the expected benefits.

I will describe here 6 areas that I believe can have a significant impact for ensuring success with relocation of production.

1. Regard it as a complex project
2. Be open on all levels in the organization – both concerning the progress and the aim
3. Get the implied work processes described



4. Ensure that production documentation is up to date and unambiguous
5. Building of competences takes time – usually longer than expected
6. Avoid the classical cultural pitfalls – Danes are different

If the purpose, the plan and the consequences of the relocation is not visible from the beginning for those affected, it will have a demotivating impact on them. This effect is easy to underestimate and can easily put the whole purpose and plan in jeopardy.

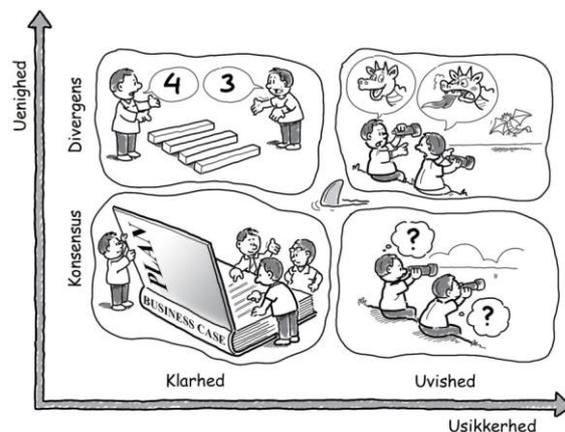
A lot of companies have often grown from nothing. Often their development, tool shop and production have been within the same address. Co-workers have had an unformal working relationship with implied working methods, processes and agreements. Problems in the production would be taken care of on-the-fly by people from the development department, production or quality department. But did the solution and the lessons ever get documented and the production documentation updated?

When a company has moved the production away from the original location and problems occur in the production with a new or old product, the development department can no longer just walk the few meters to the production and solve the problem ad-hoc, as they could earlier. The quality of the documentation and work methods/procedures therefore becomes more important compared to earlier. In the following, I will elaborate on my 6 points.

1. Regard it as a complex project

The moving of production to another location (in another country) is a complex project, as it is associated with both a high degree of uncertainty and disagreement. There will be political issues connected to such a project, unexpected things will happen on the way. Some stakeholders will have a negative mindset towards the project, at is can have a huge and negative impact on them. Demotivation, changes, delays, cultural differences will be a part of the project. Off course there will also be elements which are more straight forward, driven by the plan and others can be handled in an agile way.

Not long ago, I had the honor of being asked to pre-read and give my inputs to a new Danish book prior to its publication; “Ledelse af komplekse projekter - med agilitet og et fast greb” by Mogens Frank Mikkelsen. In English, the title translates to something like “Management of complex projects – with an agile and fixed touch”. In this book, Danish speaking readers can get inspiration and good tips about the handling of a complex project.

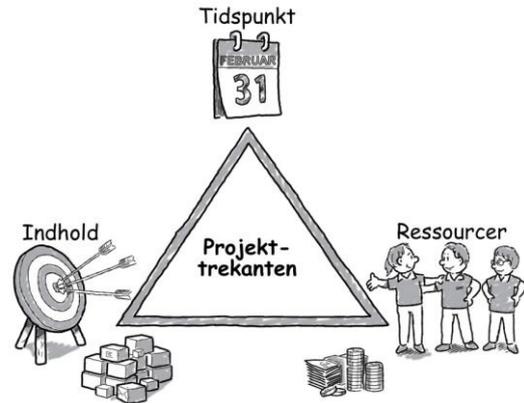




It is important to assign a competent project manager to drive the project. The project manager needs to be supported by an appropriate steering committee, resources and budget. Ensure balance exist at all time in the project triangle.

With few words, treat it as a project from the beginning. Such a maneuver should not be made ad hoc. Involve all stakeholders, to ensure a continuous balance in the project triangle – from start to finish.

Illustrations with consent of the author of the book "Ledelse af komplekse projekter", Mogens F. Mikkelsen



2. Be open on all levels in the organization – both concerning the progress and the aim

For many, a move of production can have a high impact, going from uncertainty about what is happening, future work tasks, to a real fear of losing their job. Such nervousness can quickly cause rumors, demotivation and can easily kill an existing good working spirit and culture in the company.

Recognize this, include the workers in the process and give them a chance to speak – and most importantly – listen to them – they might have some good ideas and solutions.

If such a project is to succeed well and the full potential to be harvested, it is important, that for all affected, the aim, success criteria's and especially the plan for the change is clear and continuously communicated.

When the project is running, ensure openness through all levels of the organization regarding status, problems and expectations for the relocation. Nervousness and rumors cannot be totally avoided, but a lot can be done to avoid them by ensuring communication and solving conflicts quickly with openness and involvement.

Focus on not creating a "them and us" environment, both between the colleagues on the different locations, as well as between management and employees.

Pay attention to the type of culture that already existing in the company, and which one is desired.

3. Get the implied work processes described

Before (and during) the relocation, work processes and procedures need to be revised. Where one doesn't exist, then it needs to be created. This is to be done primarily for the departments and/or products that are being relocated. But remember that processes can be like a spider's web. Make a detailed analysis, involve the employees in the mapping, revising and describing the existing and new procedures. Ensure that the focus is, that some tasks no longer will be conducted in



the same location, they might even be spread over two or more locations. If the company is not used to work systematically with processes and procedures, it can be necessary to get support from external consultants. It is important not to have implied processes, as they will cause confusion, misunderstandings and resulting in the 'falling between 2 stools' situation.

4. Ensure that production documentation is up to date and unambiguous

If the product documentation; drawings, cad-data, production descriptions etc. are not up-to-date for the items/products which are now to be produced away from the people who know them in detail, there is for sure a higher risk of problems. In the worst case resulting in lower quality and delivery problems. In other words, the benefit of the relocation will start to vanish into thin air. Be sure that all product and production documentation has been evaluated and updated, to minimize the risk of misinterpretations. If needed, seek help from externals. It can be difficult to self-evaluate the documentation as you already have an implied opinion on what is stated and how it should be interpreted. An external can easier give an objective view. Alternatively, arrange extensive reviews with the colleagues at the new location who will be taking over the product and production responsibility. However, this might expose other pitfalls like competence levels and cultural differences.

5. Building of competences takes time – usually longer than expected

It takes time to build knowledge and competences for the given technologies, products and production set up. Often the aim of production relocation is to save expenses, especially when a heavy manual processes is needed. Naturally there will be considerable pressure to realize the opportunities as fast as possible, maybe even to try to transfer more technically complex tasks too hastily. Detailed and focused competence planning and development is a must. It might even be necessary to relocate employees for shorter or longer time. But it is naturally not possible to relocate all employees, or transfer all the knowledge through a limited number of people. It is therefore crucial to have planned the competence development thoroughly on both the new and the existing location. What competences are needed, how to develop and evaluate them. How to retain and develop the employees in the original location, e.g. the development department, now that they do not have the close and direct feedback from the production, as they had when it was "next door". How to secure that knowledge sharing is continued, how is "New Product Introduction" best done in the new organization? These questions need to be thought about and agreed how to be done. But be ready to adjust them as the relocation progresses. Competence levels and culture also plays a significant role in this, which brings us to the last experience.



6. Building of competences takes time – usually longer than expected

The following section is written with Danes in mind, but I am sure that some of it also can apply to other nationalities.

Danes are different in many cultural aspects, among others regarding reporting structures, confidence and independency. It is wise to remember, that in this respect, it is the Danes that are different in an international context.

In Denmark, we often see a more pragmatic approach to the company hierarchy and a greater readiness to discuss decisions than in other countries/cultures. You do not need to move far south of the Danish/German border to experience a more hierarchically company culture where the boss's word is law becomes more pronounced. When moving to the east, this becomes much more pronounced. It is well known between people working with suppliers from Asia that a “yes” can be both a “yes”, a “maybe” and a “no” – depending on how it is emphasized. The Asia suppliers are of course also becoming more and more used to work with the European cultures. But if the production is relocated outside Denmark, it should be remembered what the norms and values are, in the receiving culture, and act accordingly. That's not to say said, that you should not bring along the Danish culture and values, but you need to show appropriate respect for the culture you move to – like we also expect from foreigners coming to Denmark. It is important that colleagues on both the new and the existing locations get to know each other's culture, its values and especially expectations regarding the approach to work and the desirable company culture. An area where this is very visible is around decision making. In Denmark, it is often the case that the employee has a high level of self-determination on the tasks, the execution and the decisions derived; freedom with responsibility. This is not necessary the case in Asia. If it is desired, it will need to be developed.

The above learnings are, as mentioned in the beginning, my own take on things, based partly on my own experiences and those of others. It is of course not a fully detailed list and I would like to hear others experiences as well. Feel free to contact and connect with me, e.g. through LinkedIn.

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