

# Coloplast a s organization challenges in off- shoring



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Coloplast A/S organization challenges in off-shoring Name: Houssam

Khawajkyia Date: Friday, July 18, 2009 Executive summary Coloplast, an international company which specializes in developing, manufacturing, and marketing medical devices, implemented an off-shoring strategy in order to be different, stay competitive and meet the dynamic market needs. In implementing this strategy, Coloplast had several issues and the first was the organizational structure.

Due to changes in the organizational structure of its Danish and Hungarian production plants, misunderstandings arose between employees which resulted in serious of organizational and managerial challenges. However, the management resolved these differences through holding a forum where employees openly raised issues affecting them. Another issue which arose was knowledge management and this became a problem since there was very limited documentation on inconsistencies in equipment operation or there was no proper standardization of systems in place and internal procedures.

This problem can be solved through proper keeping records on all machine processes in future. Employee training was also an issue and this was caused by problems with Danish labor movements. However, this problem was solved through the training of Hungarian employees by their Danish counterparts. Employee motivation and communication is the third issue and this is attributable to the resistance to change which many employees face. The management tackled this problem by providing direct and honest information on the impending relocation ahead of time in order to reduce anxiety among employees.

Finally, local sourcing was the last issue and the sourcing of materials from the Danish branch led to an increase in costs by over 60%. This problem can be solved through local sourcing in future. Introduction Coloplast is a Denmark-based international company which specializes in developing, manufacturing and marketing intimate medical devices, as well as the provision of other services associated with the medical field, in line with the objective of improving people's lives. Coloplast was founded in 1957 and operate around the world.

The company specializes in five key areas and these include continence care and ostomy products which are under the chronic care division. The others are wound care, breast care and skin health care products which are under the strategic business units. In efforts to improve productivity and meet the dynamic consumer needs, the company undertook a strategy which involved increasing efficiency and effectiveness in production (Nielsen, Pedersen, & Pyndt, 2008). One of the strategies used to achieve this objective was the relocation of part of production to Hungary.

This was aimed at minimizing costs and increasing efficiency in production since Hungary is a low cost area. However, certain challenges were experienced when executing this strategy and these will be analyzed in the paper. Solutions and alternatives to the problems will also be discussed in the paper as well as recommendations given on the implementation plan for this strategy. Identification of issues Organizational structure One of the challenges which Coloplast faced was the incorporation of the Hungarian production facilities into the overall Coloplast organizational structure which is practiced in Denmark.

Since Coloplast has a decentralized organization structure, the new production facility in Hungary posed a challenge and dispute in terms of communication and control since it was far away from the other Danish facilities. The fact that the Danish facilities were decentralized also complicated the documentation of planning and standardization of production systems. This was due to the fact that process operators in Denmark knew how to handle inconsistencies in operation of equipment but this knowledge was not documented in manuals. Knowledge management

The new production facilities at Coloplast also posed a challenge in transferring knowledge to local employees since this required training for new employees. An initial plan to train the Hungarian employees in Denmark failed due to complications arising from Danish unions. However, this challenge was solved through Danish employees training their fellow employees at Hungary, Tatabanya (Nielsen, Pedersen, & Pyndt, 2008).

Knowledge management was also affected by a difference in the organizational culture of the Hungarian employees and Danish employees.

Since Hungarian employees had worked in multinationals which had different organizational cultures, some employees tended to act passively or simplify instructions excessively. This made the Hungarian workers' skills to be underestimated and it also created some misunderstandings. Danish workers could also not learn useful skills from their Hungarian counterparts due to this challenge. Employee motivation and communication When the management at Coloplast formulated plans to relocate to Hungary, this posed a threat to employee motivation.

This is due to the fact that many employees become de-motivated whenever there are imminent changes in an organization due to opposition to organizational change. The Coloplast management recognized this fact and ensured that all employees had access to information about the impending relocation in order to reduce anxiety among them. The management was honest and open about the forthcoming relocation, and it ensured that it obtained feedback from employees on their opinions about the relocation to Hungary.