

Coloplast case study

Business



Chloroplast, an International company that specializes in developing, manufacturing, and marketing medical devices, implemented an off-shoring strategy in order to stay viable, competitive and keep in focus the dynamic market needs. Implementing this strategy has brought some issues that were unexpected for Chloroplast. One of the issues was with the organizational structure. Chloroplast's off-shoring involved moving operations to Hungary. They would be operating with Danish and Hungarian production plants, where production processes were not the same.

Misunderstandings and miscommunication arose amongst employees and created managerial and operational challenges. Another issue that arose was knowledge management and this became a problem since there was very limited documentation on inconsistencies in equipment operation as well as no proper standardization of systems in place. The solution to these problems is to implement company-wide processes that help standardize both Hungarian and Danish plants. Employee motivation and communication is another issue and this is attributable to the resistance to change which many employees face.

Chloroplast TLD look at these issues with offspring as their costs were rolling locally and they needed to amalgamate that cost.

Another solution is Chloroplast expanding to China where labor is even cheaper than Hungary. Issue Identification One of the issues faced was that of the interdependent relationship between the Danish and the Hungarian. There were operational assumptions and activities. Nobody factored in how significant the language barrier would be. It proved to be a significant

enough factor that it warranted unexpected time and money to rectify the problems Chloroplast faced.

There was a lack of knowledge transfer from the Danish operators to the Hungarian operators and this resulted in operational inefficiencies.

The other issue involved the human resource aspects such as limiting attrition rates, limiting social hardship, and transferring knowledge effectively. Environmental and Root Cause Analysis Although Chloroplast saw the need to offshore or outsource, their decision was based on them trying to focus on their core business and to increase efficiency, the prime motive was to cut costs.

They chose to offshore as this entailed lower cost and availability of skilled workers. They did not want to rely on third parties, and third parties lack the in-house knowledge needed for Chloroplast's operation. Chloroplast was seriously considering relocating to a low cost location for some time. It was in danger of certain factors such as reimbursement, policy changes, price pressures due to wholesaler concentration, and powerful insurance companies.

Their establishment in Hungary was due to the significant savings in production costs, which were 20 percent less than Danish levels.

After they had factored in wage increases, Chloroplast was convinced this offshore move would be financially advantageous in the long run. Building costs were 50% less in Hungary than Denmark. Cost considerations were an issue, but logistical considerations were weighed to be more important.

Large regional differences existed within Hungary in terms of wage and infrastructure. Chloroplast was located on the attractive side of Hungary and other major companies were close by, which played a part in their decision to offshore.

Although the relocation of operations involved mature product lines, the decentralized structure still made documenting planning and production systems difficult. The operations at the Danish site were not standardized, thus making it harder to offshore to Hungary, where they had their own operations. Alternatives or Options Expand in Europe. Many locations were scouted before Hungary was implemented, and there are several Eastern Bloc countries with low wage, and production costs.

However, there is more risk in operating in one of these countries as the geopolitical implications in these countries can cause cost savings to be eroded. Recommendation and Implementation Relocate to china.

Now that Chloroplast has realized it's deficiencies in their process tit the offspring to Hungary, they can mitigate these for the future in their relocation to China. The whole initial decision to offshore in the first place was to reduce cost. Hungary was less costly than Denmark, and China is less costly than Hungary.

It makes business sense to relocate to China production wise as the wages are significantly lower than the Danish and Hungarian. There are organizational challenges in this implementation in that the geographical distance between Denmark and Hungary can amplify many of the scenarios

that arose from their offspring to Hungary. Their knowledge transfer must be coordinated well in advance with any offshore implementation.

They must establish well set corporate guidelines on how to relocate and manage production sites in advance of any physical offspring move.

They must learn from the mistakes identified with their previous project.

They must also apply the best practices from Hungary and include the idiosyncrasies of the Chinese business environment. Monitor and Control Pipit production apneas - R, design and marketing Ram-up phase - resources of in building and fine-tuning machinery Volume production phases Range care Function for plant conjunction primary support functions quality, engineering, maintenance, planning and logistics.