

Production Transfers/Relocations

Werner Schoeb, 19 August 2013

KEY REASONS

Costs

- ▶ General cost development and/or costs advantages at new location (ER, tax, social, duties, FTZ, operation expenses, consolidations/synergies...)
- ▶ Supply base (availability, competitiveness...)
- ▶ Customer locations (transportation, GIT...)

Risk management

- ▶ Business interruption risks
- ▶ Political risks, anti dumping risks, custom regulation risks

Others

- ▶ Employee skills, know how, availability, language...
- ▶ Location attractiveness (Ex-Pat, schools, connection...)
- ▶ Business ethic (green field approach, legal security)
- ▶ Expansion, facility or legal regulation limitations (chemical processes...)
- ▶ Made in, image
- ▶ Extraordinary income (property prices)

CHALLENGES

Decision Process

- ▶ Pro's and Con's are very difficult to bring on one page (evaluation/calculation)
 - ▶ Despite those difficulties, huge and detailed analysis and cost calculations are often done but still no clear answer for a decision due to uncertainty (soft factors, predictions). Get lost in too many details, update after update!
- *The art to being wise is to know what to overlook*
- *Complexity is not to be admired, it's to be avoided*

Implementation/Operation

- ▶ Resistance of team (mainly from “sender” organization)
 - ▶ Wrong project team members (insufficient skills & experience or wrong attitude)
 - ▶ Changes of predictions and assumptions, additional requests...
 - ▶ Different expectations/understanding of requirements
 - ▶ Violations against Code of Conduct
- *Never trust anyone you don't understand*

*Follow you own instincts, not those of people
who see the world differently*

*The real discipline comes in saying no to the wrong
opportunities*

Experiences/Learning's

- In real Estate it is about location, in Business it's about differentiation; If you are not different, you better have a low price → low cost country
- Budget and cost limitations/targets over smart business decisions, lack of strategic thinking → On the end higher spending's for sub-optimized set up's
- Underestimation of tax, transportation and image implications
- Wrong legal set up
- Rely too much on others
- Beggar in the City or a King in the Town (relationship with authorities)
- Pay doubled over the table or half under the table?
- Small start up problems will not disappear, they grow bigger and bigger → discipline
- Success or Non-Success relays on people (P-team, start up team, no relocation without expertise...)
- Lack of accountability (decision maker)
- Focus on values