

## Viewpoint

# A Smooth Transition Approach to Facility Relocation

## INTRODUCTION

Among the major justifications for relocation are downsizing, expansion, consolidation, reorganization, and outsourcing. During downsizing, companies often consolidate operations to fewer facilities. If expanding, relocation to a larger facility is often required. Outsourcing operations to a third party is another reason to relocate. Regardless of the reason, all involve moving equipment, inventory and processes from one existing location to another. The challenge for all is maintaining the required service levels and budget performance during the transition period.

Failure to implement the move properly may result in major service and performance issues. These include unhappy or lost customers, poor budget performance, misplaced assets, loss of inventory accuracy, inventory shrinkage, and organizational finger pointing.

## PITFALLS

Order fulfillment is a major risk during relocation, especially since there is usually not much transition time between the old and new operations during cutover. Planning and timing is critical. Late, missed or incorrect orders may lead to major customer problems resulting in short or long term loss in revenue.

During transition, a major loss in physical inventory and/or in inventory accuracy may occur. Care must be taken in planning the transfer of on-hand inventory, cutoff of new

receipts, and having inventory on hand at the old location until shutdown and having it at the new location at go-live.

Performance losses may be incurred on both sides during the start-up period. If using a significant percentage of new personnel, a learning curve period will occur prior to hitting normal budgeted production metrics. During the final days of the existing operations, lower efficiencies may be experienced from "lame duck" employees.

Due to potential inventory and performance pitfalls, the operating budget may be over extended. Timing of the cutover and migration may effect costs as well. Frequently, cutover timing is based on a major constraint such as a building lease or union labor agreement and cannot be postponed. If rushed, some level of chaos may result at startup and even loner, resulting in budget overruns.

Project budgets are developed in part based on the timing of major milestones in the transition. Missing, rushing or changing the timing of the transition may have a drastic effect on project costs.

## OPPORTUNITIES FOR SUCCESS

Success is defined in three areas:

1. Develop a Strategy
2. Plan and design
3. Execute

## Strategy

Success starts with a well defined move strategy. Too often companies fail to have a defined strategy with corresponding defined scope and objectives prior to beginning the project. Many times, strategic decisions are made "on the fly" through the course of the project. Strategic level planning should include the following:

- **What is moving** — operations, assets, systems, personnel?
- **When is the move** — start date, operational startup dates, shutdown dates?
- **Where is the new location** — building site and facility?
- **What is the cost** — impact on project budgets, impact on operational budgets?
- **What is the impact on customer service?**
- **What are the additional risks?**

Once the strategy is defined, planning of the details is more straight forward.

## Planning and Design

Planning involves a project plan which includes the strategy and details of the facility design, IT infrastructure and systems, and the transition.

**Project Plan:** A comprehensive time-phased project plan which incorporates the strategy, scope, goals and objectives, as well as the details will greatly enhance the opportunities for success. Communication of the plan is every bit as important as the plan itself. Effective communication requires that there be a structured project team in place with an established protocol. The project team must be

an integrated part of the strategy and detail development. The project plan must incorporate all elements of the project including strategy, facilities, IT, and transition.

**Facilities:** The new facility should be up and ready to operate with all infrastructures including power and data distribution and with much of the production equipment as possible already installed prior to any operational cutover.

**IT Infrastructure and Systems:** Infrastructure and systems such as EDI, servers, warehouse management and RF should be fully installed, configured and tested prior to any move or cutover. An effective relocation is often limited to one long weekend of operational downtime to minimize service interruptions.

## Transition Planning

Transition planning is a very critical part of the relocation project. An effective transition plan will consider cutover strategy, product, customers and suppliers, procedures, personnel, test and training, inventory, and other assets.

**Cutover Strategy:** Develop a smooth cutover strategy. Basically, transition plans fall into three categories, simultaneous operations, discrete cutover, and smooth cutover.

- The Seamless Transition Model requires duplication of facilities, systems, and operations. The idea is to have the new operation fully functional and operational while the existing operation is still running. The cutover is then entirely seamless. This model requires little to no downtime, assumes the least risk, but is the most expensive.

- The Discrete Transition Model assumes that only facility infrastructure is operational prior to cutover, power, data runs, etc. At cutover, all operations cease at the existing facility and everything is picked up and moved to the new facility. This model requires downtime, enough to shutdown, move, startup, and debug everything. Very little duplication of operations or resources is required. Cost is low, but risk is very high in this model.
- The Smooth Transition Model is a hybrid of the two plans custom designed for the particular set of constraints. Smooth transition is designed to reduce risks and cost. A balance is sought between the simultaneous and discrete strategies.

**Product:** Determine which products are relocating and when. A product line is a good method in which to plan a smooth cutover strategy. By time-phasing the transition by product line it is often possible to minimize cost and risk.

**Customers and Suppliers:** Notify suppliers and customers of the plans to relocate and of the details such as time, location, impacts, risk, overall expectations.

**Operating Procedures:** Maintain up-to-date operating methods and procedures with corresponding metrics. Often changes or improvements in process are made "on the fly" during a consolidation or move. New facilities, layout, procedures, equipment, personnel, and IT systems may introduce change to the process. Although improvements in business processes are encouraged, keep in mind the risks involved when combining process

changes with relocation. Have the new process documented with associated changes in operating requirements and budget.

**Personnel and Training:** Plan a ramp-down/ramp-up strategy for personnel. Incorporate training of new hires into the pilot program or go-live testing phase of the project plan. If moving existing personnel, plan to conduct transition training prior to the cutover.

**Pilot Program:** Implement a pilot program to facilitate the smooth cutover model. Once the facility and IT are running, consider using a pilot program as a vehicle to conduct actual production testing, training of personnel, debugging of systems, and startup operations.

**Inventory Transfer:** Minimize the moving of inventory; this is a very time consuming and difficult part of any move. Plan to have inventory in place at the new location prior to cutover.

- Move excess inventory to new location in advance of cutover
- Divert inbound orders to new location in advance
- Maintain only enough inventory at the old location to fill orders up to cutover
- Plan the physical move of the inventory to the last detail. Consider physical inventories both outbound and inbound during the transfer, systemic transfer of product from old to new locations, methodology, scheduling of outbound trucks, outbound and inbound material handlers, and auditing of transfer.

**Other Assets:** Schedule the move of other assets such as production equipment, workstations, racking, lift-trucks, and office furniture according to the strategy and project plan. Use professional moving companies to move equipment and office furniture.

## Execution

Having a well developed project plan presents only the roadmap. Precise execution of the plan is all important. Execution involves the following points:

- Stick to the plan - once implementation begins, minimize changes to the plan. Follow the plan, making changes only when necessary and keep to a minimum.
- Communicate the plan. Hold recurring project meetings with the project team.
- Maintain an issues list
- Have and use a check list. Update checklist daily

Execution of a successful move and cutover involves everyone performing tasks in sync. A project team usually consists of several functional leads, engineering, facilities, IT, inventory, purchasing, customer service, and operations. One of these also may be the overall project manager, or the project manager may be an additional person on the project team. Regardless, the project manager must communicate to and direct the project team in detail during execution. It is usually one or two areas where something lags behind or goes wrong that holds up the entire project. Finally, having effective feedback mechanisms in place will provide information necessary to gauge the effectiveness of the team, the plan and the execution.

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