



## Production Facilities Transfer

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Our client is a global medical device and software manufacturer headquartered in California.

### Challenge

In 2007, our client wanted to begin several strategic projects to optimize process flow, materials management, and space utilization in manufacturing, and other research related activities. The client requested that Tefen lead the effort through analysis and planning to provide best-in-class approach to consolidate and transfer existing operations into one location.

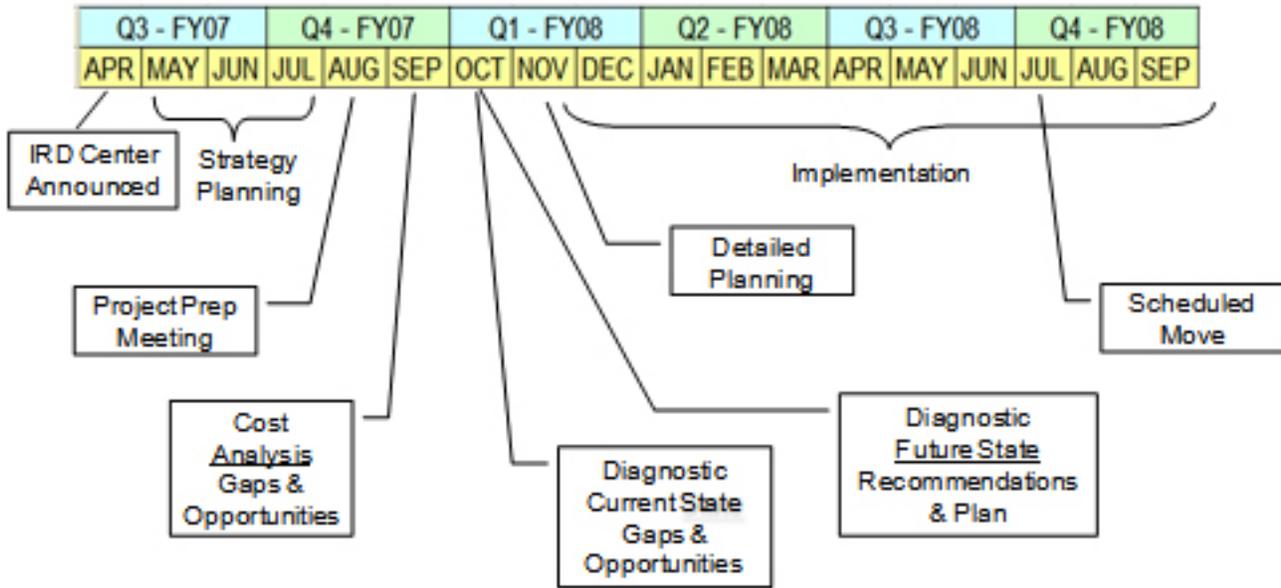
Key challenges for this project include:

- Develop and understanding current methods of calculating product cost and determining a future state costing model
- Validate recommendations from a previous October 2005 diagnostic, and conduct a current state diagnostic with the key objective to develop a detailed execution plan to integrate and transfer two operating sites to one.

### How Tefen Helped

Prior to execution, Tefen worked with key client personnel to identify critical areas “in scope” and “out of scope”. Based on this scope, the project proceeded in two phases: phase one, cost model development (4 weeks), and phase two, site transfer planning (4 weeks).

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Critical areas examined as input to the site integration planning include: product cost modeling, production rationalization, product customization process, management metrics, master scheduling and planning, materials location and replenishment, integrated factory layout and information flow.

The emphasis on phase one, the cost model, is to create an operational tool to assess the impact of operations change on margin, and to provide pricing insights for custom products. The client's business model is based on producing a major percentage of custom orders; however, the client currently does not have the capability to know if pricing is adequate to meet margin goals.

Emphasis of phase two of this project is to plan the integration of two separate manufacturing operations. Working within the facilities and management constraints of the final site, document current state, critical differences and gaps in site-site operations, then develop process flow, floor layout, and transfer plans to integrate Site "A" and "B" as Site "C".

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## Performance Excellence Delivered

### Phase 1 – Cost Model

Intent of the cost model is to provide a tool to provide a consistent method of collecting product costing data, calculate custom product pricing, and trend the cost of operations and impact of improvement initiatives.

A costing model was completed. However, lack of appropriate data in the client's current state prevented full utilization. Based on the new model, the client will collect data and develop the necessary trends to conduct pricing and COGS estimates.

Benefits of the model are:

- Clarity of Costs– Clear understanding and meaning of cost components associated with each of the product lines
- Predictive Tool– Product-line based cost structure enables predictive tools to drive market strategy and improvement projects
- Consistency– Standardizing cost collection methods yields proper product line comparisons
- Metrics– Enable product line based measurements and performance targets for operations improvement

## About Tefen

Tefen is an international management consulting firm, committed to improving overall operational effectiveness for Fortune 500 companies around the world. The firm's main areas of focus include operations excellence, manufacturing, quality, customer service, research and development and supply chain management. With its "hands-on" approach philosophy, the company has achieved tremendous success in delivering quantifiable and value-driven results for its clients in a variety of industries, including healthcare, life sciences, general manufacturing, high-tech and financial services. All of Tefen's support programs are ISO 9001 certified. Tefen currently employs over 300 professionals worldwide.

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