

The outsourcing revolution and Danish marine equipment manufacturing

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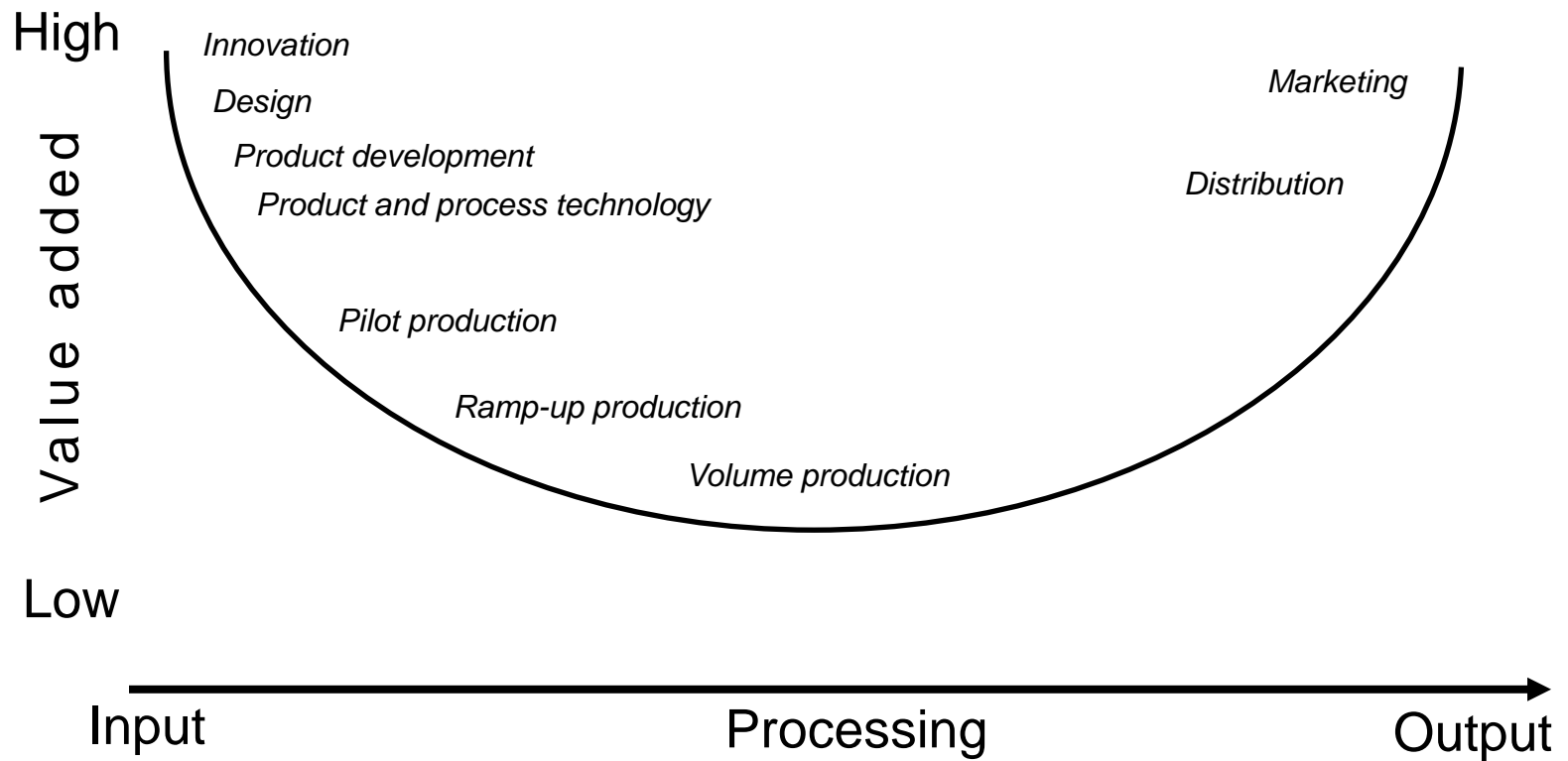
The outsourcing revolution

New business models in the making

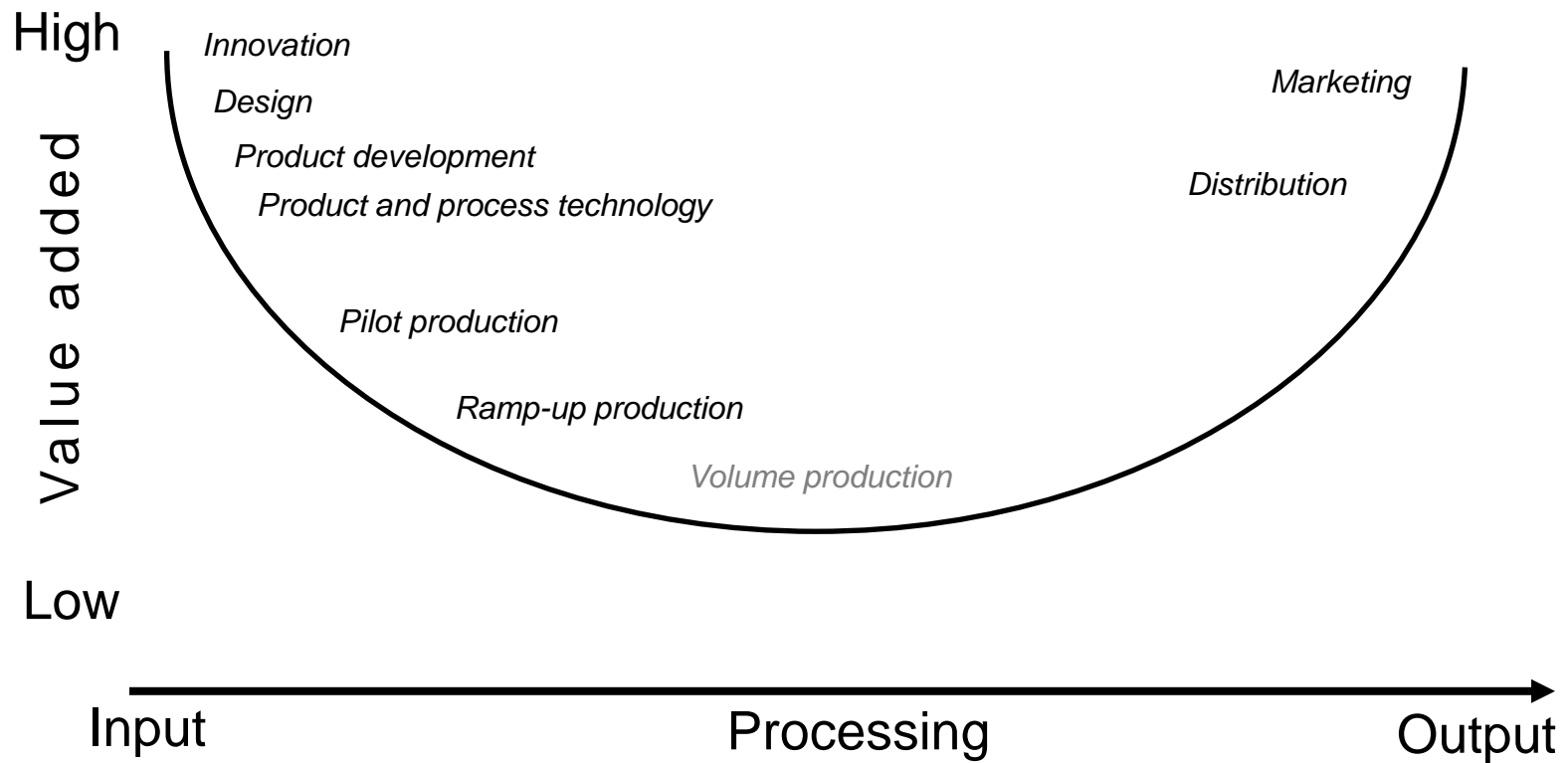
Outsourcing in manufacturing:

- creates new business opportunities
- reduces production costs
- enables companies to focus on core competencies
= knowledge intensive and profitable activities

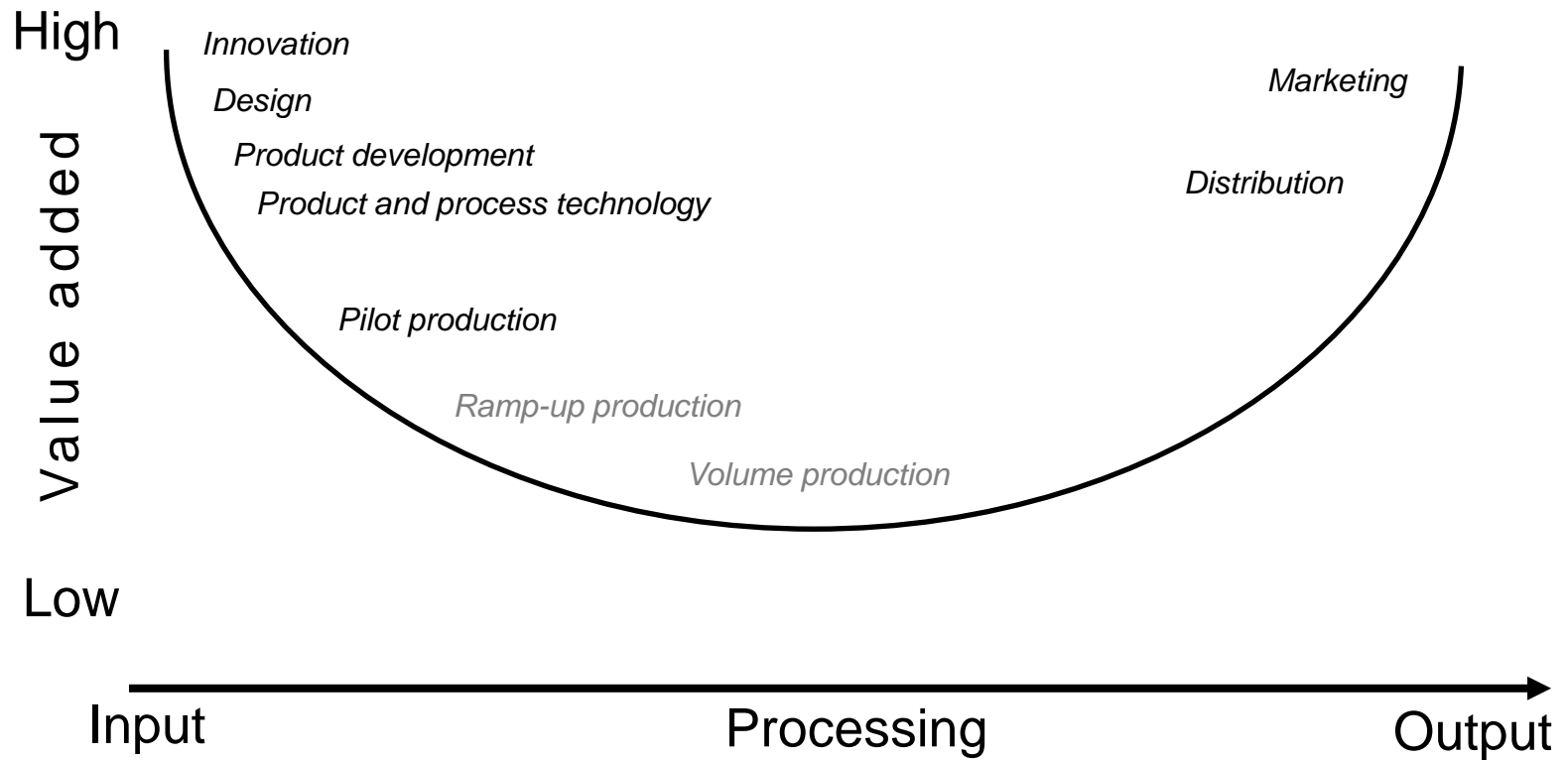
Value chain



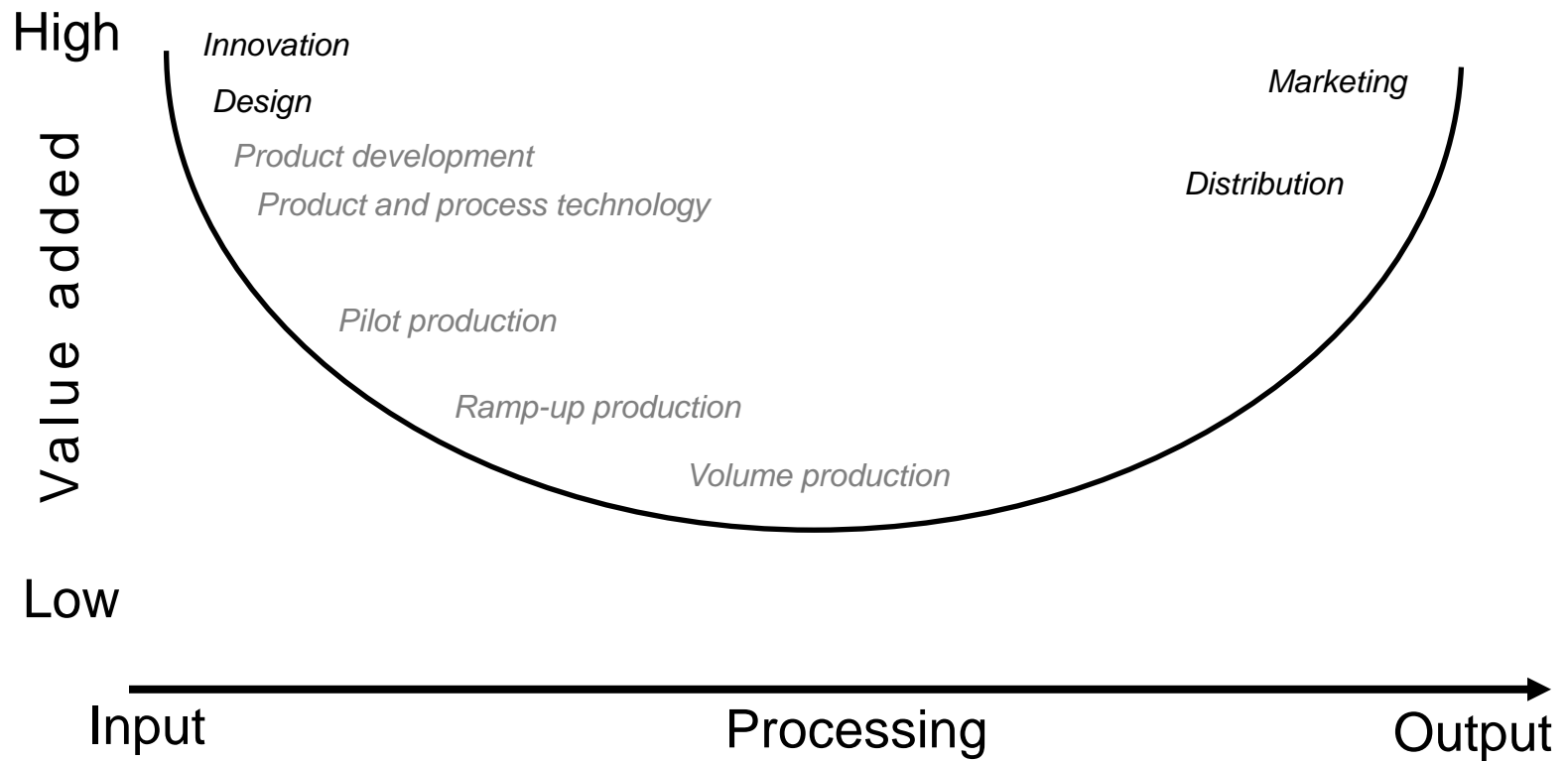
Value chain sliced



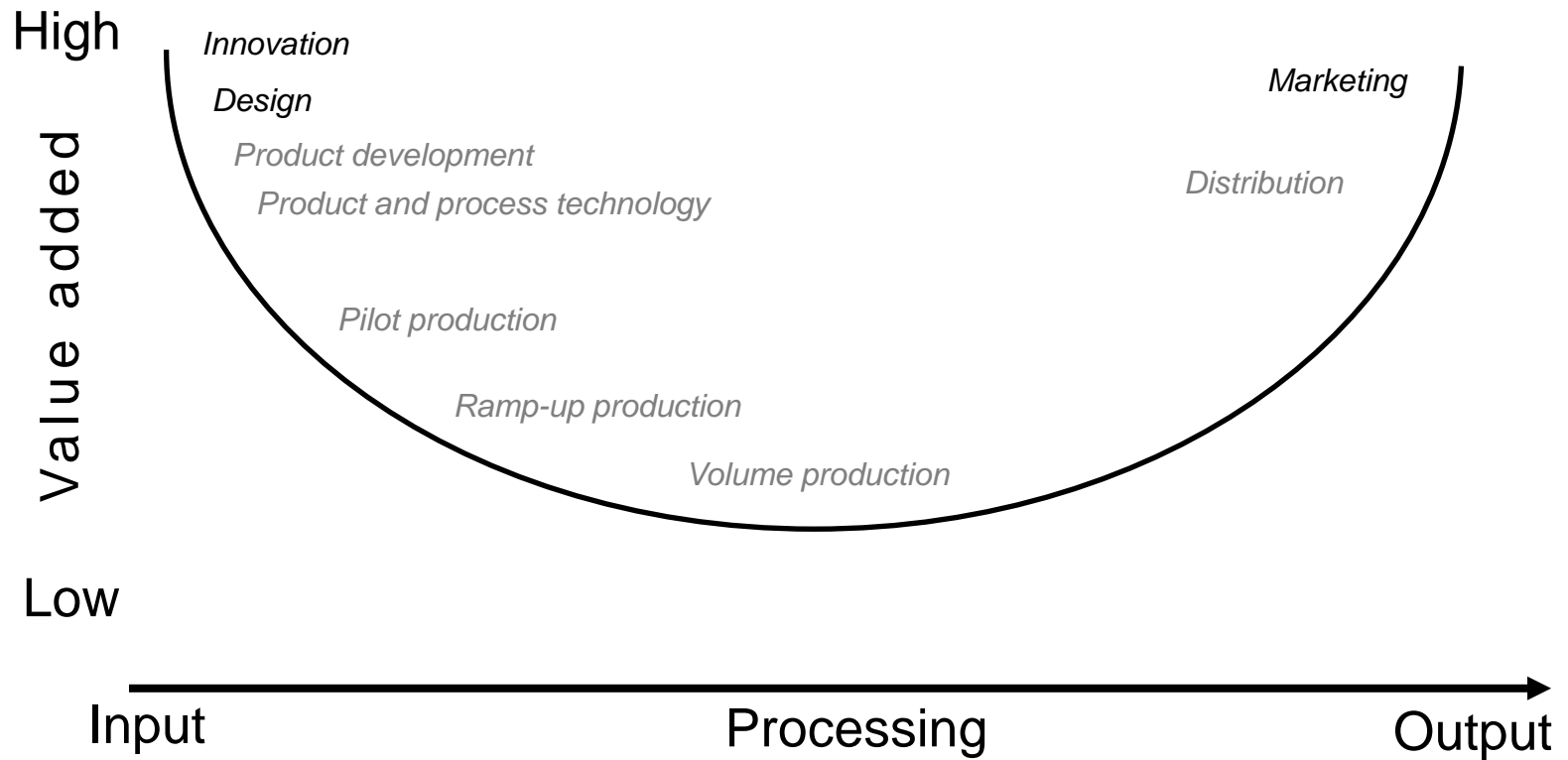
Value chain sliced



Value chain sliced



Value chain sliced



Research questions

What are the implications of outsourcing to:

1. Danish manufacturing companies?
2. Danish society?

Questions reposed:

1. Which manufacturing strategies are competitive?
2. Does Danish manufacturing hold a future?

GONE: Global Operations Networks

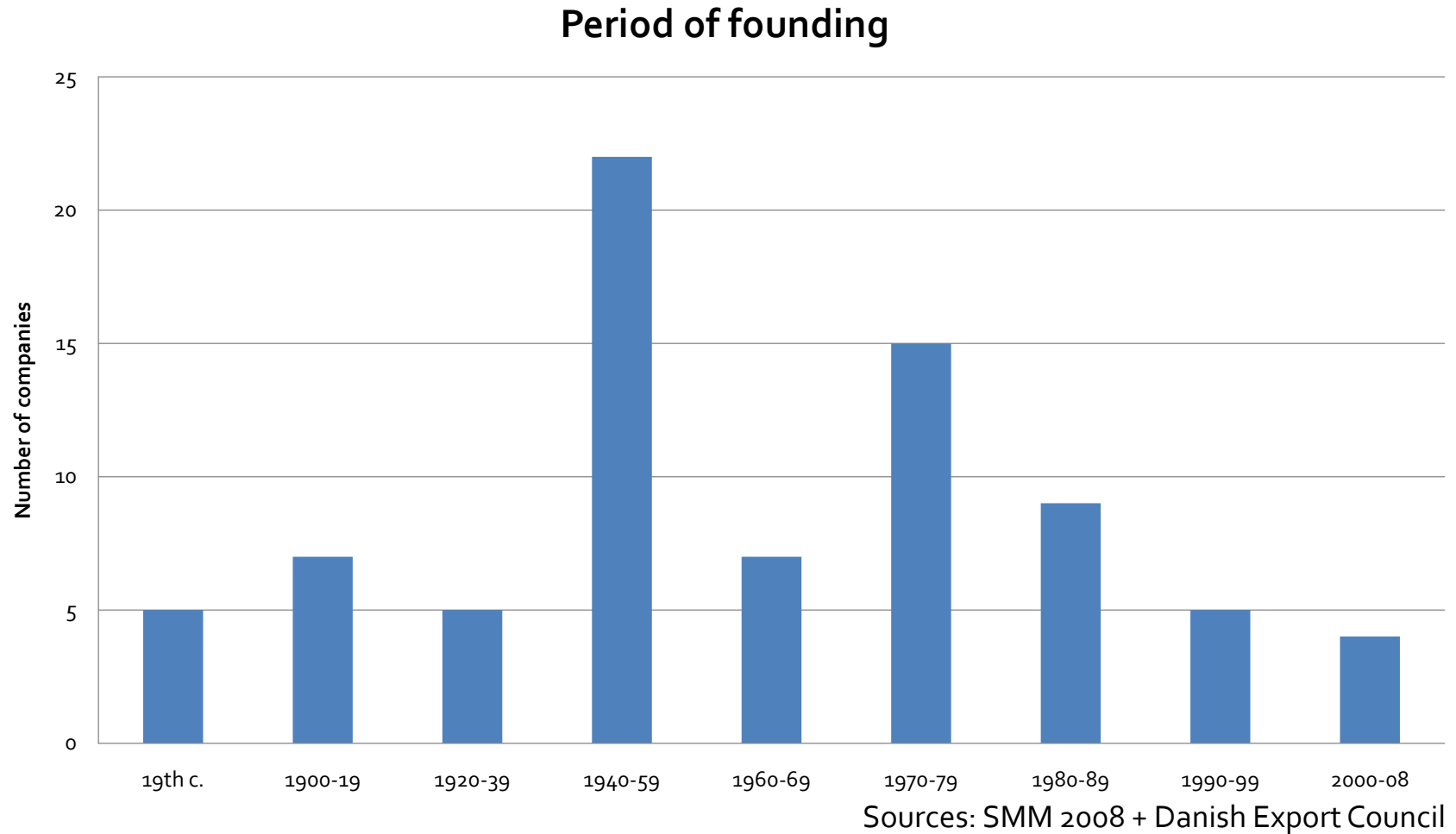
- The Strategic Research Council granted DKK 15 m.
- Interdisciplinary study:
 - Business economists (international business and supply chain)
 - Industrial engineers
 - Business historians
- Universities:
 - University of Aalborg
 - University of Southern Denmark, Kolding
 - Copenhagen Business School
 - Chalmers Technical University, Gothenburg
- Industry partners:
 - 16 case companies from four industries
 - Industry level representatives (Danish Marine Group)

Methods

- Interviews with CEOs and other top managers
 - Current manufacturing strategy
 - Experiences with foreign production
 - Future challenges in global value chains
- Archival studies
 - Changes in manufacturing strategy
 - Influence of strategy on corporate performance
 - Value chain changes and organizational change

Research results

Enduring players



Expansion and innovation, -1973

- Innovative technology
 - Management with engineering background
 - Close cooperation with Danish shipowners and yards
- International market penetration
 - Establishing a new market for new technology
 - Based on prestigious Danish references
 - Dominating international player
- Expansive strategy
 - Rationalization and automation
 - Danish technological superiority

Foreign server factories, 1970-80s

- Maturing technology: Loss of technological edge
- New shipbuilding markets
 - South Korea
- New foreign production sites
 - Market access (protectionism)
 - Reduction of transportation costs
 - Proximity to shipbuilding and offshore markets
 - Know-how acquisition
 - Foreign factories not equal status to Danish factories

Back to basics, 1990s

- Reconstruction
 - Sale of foreign production sites
 - Downscaling of company and product range
 - Focus on Danish site
 - Indian summer for Danish shipbuilding
- Problems
 - High Danish costs
 - Unstable ownership structure
 - Frequent management changes

Offshoring, 2000s

- Cost-driven relocation of production
 - Chinese growth as the driver
 - Cost reductions crucial
 - Danish costs too high
 - Unexpected consequences
 - Fast learning in Asia
- Development follows production
 - Survival of company ensured
 - Role of Danish site is changing
 - Erosion of know how in Denmark

Conclusion

- A company perspective:
 - Successful marine equipment manufacturers have endured
 - New models are required
 - Speed of change is accelerating
 - Unexpected consequences
 - Know-how challenges increase exponentially
- A Danish perspective:
 - Cost-driven relocation erodes Danish know-how
 - Development follows production
 - New models are required to bridge the increasing know-how gap