

Transfer of Work: Structured implementation of relocating manufacturing services to suppliers

Transfer of Work refers to the systematic transfer of manufacturing, assembly or service processes from one company to an external supplier or between two suppliers. The term is particularly relevant in outsourcing and supplier changes, as it covers the entire handover process including tools, drawings, qualifications and contractual relationships. Those who manage the transfer in a structured manner minimise downtime risks, quality drops and delivery delays. This article explains the definition, process, KPIs and risks of Transfer of Work from a buyer's perspective.

Key facts

- Transfer of Work covers the complete handover of processes, tools, documentation and responsibility to a new or existing supplier.
- Typical triggers are insourcing/outsourcing decisions, supplier changes, capacity bottlenecks and site relocations.
- A structured transition timeline, often three to twelve months in practice, significantly reduces downtime risks.
- Tool handover, first article sampling (PPAP) and dual sourcing during the transition phase are proven control instruments.
- Key KPIs are transition lead time, first delivery quality and on-time delivery after go-live.
- Contractually, retention of title to tools, limitation of liability and knowledge retention are central stumbling blocks.

Definition: Transfer of Work

Transfer of Work is the organised relocation of defined work content – such as manufacturing, inspection or assembly processes – from one organisational unit or supplier to another. The term originates from the project and outsourcing environment and describes more than mere commissioning: it includes the handover of technology carriers, documentation and process knowledge. It must be distinguished from a pure supplier change, in which only orders are transferred without processes physically moving.

Distinction from outsourcing and supplier change

Outsourcing describes the fundamental decision to procure a service externally; Transfer of Work is its operational implementation. A supplier change, by contrast, can take place without genuine process relocation if the new supplier can draw on its own manufacturing capabilities. In practice the two terms overlap, but the transfer emphasises the physical and organisational handover. For buyers, what matters is: without a clear transition, every outsourcing is a risk.

Typical triggers in industrial procurement

Common triggers include capacity bottlenecks in the in-house plant, price pressure, site relocations, insourcing brought back after supplier failures or strategic focus on core competencies. Transfer-of-Work situations also arise in the OEM/ODM model when an ODM manufacturer relocates production to a second site. The trigger situation determines transition depth and duration: a tool move is implemented faster than a complete assembly production with a supplier network.

Process and methods: How to succeed with the transition

In practice, a Transfer of Work follows a multi-phase approach from decision-making to stable series production. Key methods include transition timelines, milestone reviews and a dual sourcing phase in which the old and new suppliers manufacture in parallel. Project management should sit with procurement, technically supported by engineering and quality assurance.

Phase 1: Assessment and preparation

First, the parts and processes to be transferred are completed along the data model – drawings, bills of materials, inspection specifications, tool lists – and assessed for transferability. In parallel, supplier selection takes place, often with a bidder meeting and defined service level targets. This phase also involves decisions on ownership of tools and fixtures, which must be contractually secured through retention of title and rights of use.

Phase 2: Technical transfer and sampling

The core consists of tool and fixture transfer, process release and first article sampling according to PPAP logic: the new supplier demonstrates that it achieves the required process capability. With lower requirements, a simplified sampling suffices; for safety-relevant parts, full evidence is customary. In parallel, quality assurance defines the incoming goods inspection, often as an AQL sample, until the process has stabilised.

Phase 3: Parallel operation, cut-over and stabilisation

The actual change rarely happens as a hard cut. A staggered cut-over is common, with delivery plan tolerance bands that control transition quantities and sequence, plus a safety stock that buffers supply gaps during the transition period. Only when on-time delivery and quality have been stable for several weeks is the previous supplier fully ramped down. The conclusion is a lessons-learned review as input for future outsourcing transitions.

Key KPIs for Transfer of Work

Without KPIs, a transition remains a gut decision. KPIs that capture time, quality and continuity and are agreed as target values before the start have proven effective. They should be integrated into procurement controlling and reviewed in the project weekly meeting.

Time and process KPIs

The key metric is the transition lead time from kick-off to released series production; in practice, three to twelve months are common depending on complexity. In addition, the milestone adherence index and the timeliness of transition tasks are suitable. Schedule monitoring should take place at the level of critical path activities – such as tool transfer or qualification runs – not only at overall project level.

Quality and delivery KPIs

After the cut-over, first delivery quality, scrap and rework rates as well as on-time delivery (typically a target value above 95 to 98 per cent) count. Additionally, carrier performance can be evaluated if the change is accompanied by logistical adjustments such as new shipping routes or Incoterms DPU. All KPIs belong in the supplier evaluation criteria so that the new supplier does not fall out of focus after the transition.

Risks and controls in Transfer of Work

Transfers rarely fail because of the technology, but rather because of unclear responsibilities, incomplete documentation and contractual gaps. The greatest risks lie in the transition phase, when old and new suppliers are loaded in parallel and capacities are lacking. Structured controls and clean contracts significantly mitigate these risks.

Contractual and legal pitfalls

Tools located at the previous supplier are a classic point of conflict: without clear ownership rules and a return commitment, delays or ransom demands loom. Agreements on delivery date commitments, penalty clauses, limitation of liability and safeguards such as bank guarantees/sureties belong in the transition supplementary agreement. Since detailed provisions may be assessed differently depending on the legal jurisdiction and individual case, the contract design should be legally reviewed.

Operational risks during the transition phase

Safety stocks sized too small, lack of capacity at the new supplier during ramp-up and loss of knowledge carriers at the previous supplier are the most common stumbling blocks. Control instruments are dual sourcing, extended incoming goods inspection and close schedule monitoring. The previous supplier also needs farewell management so that it does not preemptively treat remaining orders and spare parts supply less favourably.

Securing knowledge and communication

Process knowledge rarely migrates automatically. Workshops, documented work plans and short co-creation with the supplier during ramp-up sustainably accelerate onboarding. Internally: involve affected departments such as engineering, quality, logistics and sales early on, otherwise friction losses arise that later become visible as delivery problems at the customer.

Current developments around Transfer of Work

Transfers are increasingly accompanied digitally in practice and assessed from a sustainability perspective. At the same time, geopolitical and regulatory requirements mean that relocations often have to be planned more frequently and implemented faster. For buyers, this changes both methodology and assessment.

Digitalisation of the transition

Master-data-based workflows and standardised data models for drawings, inspection tolerances and process parameters significantly shorten the handover. A rising touchless rate in order and material planning reduces manual rework during the transition period. Digital transition timelines with shared dashboards increase transparency between buyer and supplier and make progress measurable.

Sustainability and resilience as transfer criteria

For site relocations, the CO2e balance of the new manufacturing site is increasingly entering the assessment, for example regarding transport routes and energy supply. Resilience considerations mean that companies use transfers to build parallel capability rather than completely replacing the previous supplier. Aspects of complexity reduction – such as part standardisation before the transfer – are also gaining importance because they simplify the handover.

Financial impact and cash flow

Transfers tie up liquidity in the short term: duplicate inventories, tool investments and additional ramp-up costs temporarily increase the cash-to-cash cycle. This only becomes plannable with clean procurement controlling that reports ramp-up costs separately and makes them transparent to management. In practice, payment term negotiations during the ramp-up phase have also proven effective as a liquidity buffer.

Typical metrics

Transition lead time: 3–12 months

depending on part complexity and scope of sampling

On-time delivery after cut-over: > 98 %

typical target value during the stabilisation phase

First delivery quality (AQL): 0 defects at AQL 0.65–1.0

common sampling requirement during the ramp-up phase

Transition milestone adherence: > 90 %

share of transition milestones achieved on time

Practical example

A mid-sized mechanical engineering company relocates the manufacturing of a welded assembly from its own plant to a new supplier because in-house capacity is needed for a new product. The project runs over six months with a defined dual sourcing phase. Particular attention is paid to four key measures:

- Complete recording of the data model including weld inspections and tool list before the kick-off.
- Contractual securing of the tool takeover including retention of title and right of return.
- First article sampling according to PPAP logic plus tightened incoming goods inspection as an AQL sample in the first eight weeks.
- Building up a safety stock of four weeks of demand as a buffer over the cut-over period.

Conclusion

Transfer of Work is more than a supplier change: it is a structured handover process that addresses technology, contracts, knowledge and logistics together. Those who manage transitions with clear phase logic, measurable KPIs and dual sourcing avoid the typical delivery and quality problems. Contractual details on tools, limitation of liability and delivery date commitments should never be clarified retrospectively. Digital tools and standardised data models noticeably shorten lead times. For buyers, competent handling of transfers thus becomes a core competence in supplier strategy.

Frequently asked questions

What does Transfer of Work mean in procurement?

Transfer of Work refers to the systematic transfer of manufacturing or service processes to another supplier or site. It covers tools, documentation, process knowledge and contractual arrangements. The term describes the operational implementation of outsourcing or supplier change decisions.

How long does a typical Transfer of Work take?

In practice, three to twelve months are common depending on complexity. Simple mechanical parts with existing tools can be handed over in a few weeks. Complex assemblies with qualification and sampling requirements take considerably longer.

What risks arise when relocating manufacturing services?

Typical risks include supply failures during the transition phase, quality drops at the new supplier and disputes over tool ownership. Added to this are the loss of knowledge carriers and capacity bottlenecks when orders run in parallel. Safety stocks, dual sourcing and clear contracts mitigate these risks.

What belongs in a Transfer of Work contract?

Key elements are provisions on tool ownership and return, delivery date commitments, penalty clauses and limitation of liability. Also included should be safeguards such as bank guarantees or sureties as well as rules on costs for the ramp-up phase. Detailed questions should always be reviewed legally on a case-by-case basis.

How is quality assured during a supplier change?

Proven approaches include first article sampling according to PPAP logic, tightened incoming goods inspection as an AQL sample during the ramp-up phase and a staggered cut-over with dual sourcing. In addition, supplier evaluation criteria define the requirements against which the new supplier is measured. A safety stock buffers residual risks.

What is the difference between Transfer of Work and outsourcing?

Outsourcing is the strategic decision to procure a service externally. Transfer of Work is the operational handover of processes, tools and documentation. A supplier change can occur without a transfer if the new partner can provide the service independently.