

Business Context



The component division's purchasing department of a Fortune 100 industrial manufacturer was experiencing rapid sales growth due to an upturn in the market.

Since the client saw a volume increase of up to 100% with some suppliers, the supply network was extremely constrained and it reflected in the delinquent deliveries and performance, resulting in lost sales for the client company.

The client, while managing the short term objectives of meeting immediate production needs, had to take a proactive approach to assess the capacity of their highly constrained suppliers and understand what it takes, from an investment and a time perspective to meet increased demand. As it was hard to accurately forecast demand, the client chose different demand scenarios to substitute for the same.

Our Approach



CGN developed a highly customizable analysis process assessing challenges confronting individual suppliers. In doing so, CGN did the following:

- Analyzed supplier capacity & historical performance to develop a preliminary understanding of supplier capabilities
- Conducted focus interviews with the commodity procurement team for each supplier
- Visited supplier facilities to understand the manufacturing process, constraints, and conduct collaborative workshops
- Developed executive-level view of investment and downside risk dollar value, synthesized across all commodities
- Developed value-stream mapping of the client's supplier manufacturing facilities

Project Objectives



Our client's primary business objective was to create an actionable capacity management framework for 100 of its most constrained suppliers. This framework would ensure the supplier network would develop a streamlined capacity ramp-up process across their global facilities based on different demand scenarios.

CGN was tasked with conducting a capacity assessment of the suppliers and lead the discussions between the suppliers and our client, as well as develop collaborative scenario plans for suppliers for the following demand scenarios:

- Current demand
- Current demand + 50%
- Current demand + 100%

The Transformation



To complete the transformation process, CGN delivered:

- An actionable framework quantifying the timeline, investment and downside financial risk, collectively more than \$300 million, for the client to pull the lever on each of the scenarios for 80 key suppliers
- Insights and recommendations on strategic sourcing/resourcing of parts for each commodity based on the industrial landscape
- Consistent execution process and provided thought leadership for the problem at hand
- A 'burning platform' to help the client understand the focus for the execution phase of the capacity increase