

Case Study

INDUSTRY > Aerospace

FUNCTIONAL AREA > Strategy

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Leading Aerospace Company Defines New Strategy for Manufacturing Business Unit

Summary

A major aerospace company wanted to develop a new strategy that would maximize the contribution of one of its largest manufacturing business units to its overall production system. With a new methodology for determining the value of each product line, the business unit developed a strategy that redefined its role within the context of the broader supply chain.

Customer Profile

A Global Aerospace Leader

Challenge

In an effort streamline operations, a major aerospace company was re-examining its supply chain strategy. As a part of this effort, the organization wanted to develop a new strategy for one of its manufacturing business units. As a captive supplier to the larger organization, the business unit had grown itself into a major operation, producing over 1 billion (\$US) in product annually. The organization needed a plan for how to maximize the value of this division moving forward—an effort that would include analyzing whether to sell the business unit or to keep it, and the strategy for successfully taking it into the future.

Solution

Working with the client, the consulting team first concluded that, as a supplier of mission critical parts to the company, the business unit had strategic value and

should remain part of the larger organization. From there, the team began to develop a strategy for how to best operate the business unit moving forward. They wanted to start by understanding where the business unit's strengths and strategic importance were in the supply chain. To do this, the consultants examined the business unit's product lines, the needs of the organization, alternatives within the supply chain, and the other elements of the market landscape to develop a strategic assessment of the supplier's business.

One challenge in creating an effective assessment was that the measurement system for evaluating the existing business practices for different parts was fairly limited in its scope, based primarily on cost-competitiveness. To address this, the team created a new way to evaluate products, taking into account a broader range of attributes, such as strategic importance and how well the business unit was positioned in the competitive landscape. For example, using this new assessment methodology, the team identified three core categories of products manufactured by the business unit: parts that only they could produce, complex parts that they were able to produce competitively, and more basic parts that were also supplied fairly well by third party vendors. With this new methodology, the organization was able to make more informed strategic decisions about which products to keep in-house and which ones to outsource to third parties.

Results

As a result of the project, the client was able to make significant improvements to the business unit's effectiveness. The internal supplier could put more emphasis on areas suited to the relative strengths of the organization and reduce production of parts that third party suppliers could provide more cost-effectively and at an equal level of quality. Creating a new process for measuring the effectiveness of the business unit also created a ripple effect through the rest of the organization, so that other business units began to adopt a more accurate and comprehensive way of assessing their business strategies.

