

CASE-07 · SUPPLY CHAIN & RESHORING

Reshoring the production of a critical component: €120 million

Bringing a strategic component «back home» to reduce geopolitical risk, with public incentives covering part of the cost.

THE JUDGMENT

single site → two suppliers

CALIBRATED CONFIDENCE

43%

SECTOR

Supply chain

EXECUTIVE VERDICT

You don't remove the risk — you **move it**, from one single supplier to another.

THE CALL

single site → two suppliers

CONFIDENCE

43%

IN ONE LINE

Real security instead of shifted risk, with half the capital exposed.

§ THE PROTAGONIST & THE CONTEXT

The global operations director, with a board mandate to reduce dependence on a single geopolitical region and a public-incentive window open for another eighteen months.

A mid-sized industrial manufacturer relying on a critical electronic component assembled in a single Asian region. Eighty percent of annual demand flows through one supplier; the component cannot be substituted in the short term without redesigning the end product. The incentives cover up to 35% of the capex of a new domestic plant.

§ BACKGROUND

Global supply-chain disruptions in recent years have exposed a risk that traditional cost models ignored: the geographic concentration of a critical component. Reshoring has become a political priority in many industrialised countries, with dedicated incentive packages. But the track record of large reshoring programmes shows a recurring pattern: the new domestic plant reduces the original geopolitical risk but introduces local vulnerabilities — energy, skilled labour, raw materials — that are typically underestimated at the assessment stage. The structural cost of domestic production remains 20–40% above Asian alternatives even after incentives, which means the economic viability of the project depends entirely on the duration of public support.

§ COUNTER-INTUITIVE SCENARIO

Reshoring doesn't eliminate risk: it **shifts** it. The new factory has its own weak points — energy, water, a single local raw-material supplier: if one fails, everything stops. And the incentives are temporary: without them, the total cost stays structurally higher. Real security is having **two suppliers in different regions**, not a single new plant.

IMPLICIT ASSUMPTIONS

- ◆ The higher cost is offset by security plus incentives.
- ◆ The new site will have the skills and the workforce.
- ◆ The «political» advantage lasts for the whole life of the plant.

FALSIFICATION TESTS

- ◆ Map of the new points that, if they fail, stop everything (energy, materials, logistics).
- ◆ Without incentives, how much more does it really cost than today?
- ◆ How long to reach full capacity, and are the skills there?

QUESTIONS THAT RAISE THE BAR

- ◆ Which risk are you removing, and which new risk are you adding?
- ◆ If the incentives end in 5 years, does the calculation still hold?

CALIBRATED CONFIDENCE & PROVENANCE

that a single new site beats dual sourcing

Provenance: supplier risk map · total-cost analysis · incentive duration · red-team base.

Unit cost: full reshoring vs dual sourcing

ILLUSTRATIVE DATA

Full reshoring (with incentives)

€142

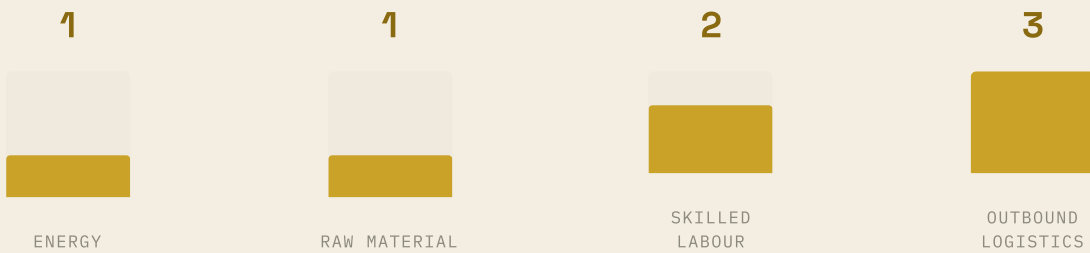
Multi-region dual sourcing

€118

Estimated component unit cost under each strategy, including incentives for the first and geographic diversification for the second (illustrative data).

New single points of failure at the domestic site

ILLUSTRATIVE DATA



Number of sole suppliers in each critical category of the new domestic plant (energy: local grid; raw material: regional supplier) — any category with a single supplier is a single point of failure (illustrative data).

OUTCOME

Chose **dual sourcing across multiple regions** with a partial reshoring; investment staggered and tied to the incentive duration.

VALUE

Real security instead of shifted risk, with half the capital exposed.

METHODOLOGICAL NOTE — READ FIRST

Composite cases, in the method of the Harvard Business Review: reconstructions based on real, recurring situations in each sector, merged and anonymized to protect confidentiality. The decision dynamics are authentic; names, figures and details are altered and not traceable to any single client or case. The «provenance» notes describe the type of evidence the engine cites with traceability in production. The Δ -CSI values illustrate the intensity of the pressure the contradiction put on the assumptions.