

SUPPLY CHAIN RESILIENCY: HOW TO SURVIVE, THRIVE, AND INNOVATE IN A PANDEMIC WORLD



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COVID in Context

- Fragile by nature – susceptible to many interruptions
- Weather, wars, political instability, terrorism
- Recent examples: 9/11, Japan earthquake/tsunami (2011), Hurricane Sandy (2012)
- Nothing has had such a severe and widespread impact as COVID-19



COVID By the Numbers

- U.S. travel spending to fall 40% in 2020 = \$396B in cumulative losses for the U.S. travel economy (Tourism Economics/US Travel Assn.)
- Total online spending in May hit \$82.5B, up 77% year-over-year. (Adobe study)
- Automotive sales to fall 14 to 22% in China, U.S. and Europe in 2020. (BCG)
- Trucking: 48% of carriers reported “significantly” decreased freight levels in U.S./ industry lost 5.8% of its jobs in one month (March to April)

COVID Creates Supply & Demand Chaos

- Demand surges for toilet paper, sanitary wipes
- Food – huge demand for flour, pasta as home-based cooking increases/plummeting demand from restaurants
- Capacity issues for shippers like FedEx due to e-commerce spikes
- Amusement and Recreation industry – theme parks, casinos saw 60% of jobs lost in 2 months

Tactics for Tough Times

- Some good news (and don't we need some!)
- The tactics to help manage the crisis are already out there – none are radical departures
- They are things the strongest supply chains have already been doing



Know Your Suppliers

- Do a deep inventory – Tier 1 down to Tier 3 or 4
- Will identify potential and active weak spots
- First step to establishing a backup plan
- “A lot of companies will treat that as a nice-to-have, but this year has shown that you absolutely need it.” – Cathy Roberson



Set Priorities

- Identify most important suppliers – not by volume, but by criticality
- Be intimately familiar with their operations – be nosy, ask questions, understand their finances, ask about their issues
- Examine workflows and eliminate ones that are routine but not essential (reporting, etc.)

Increase Communication

- Be willing to alter pre-pandemic routines
- Increase supplier check-in frequency – Don't over-complicate things
- Check in on customers, employees



Increase Collaboration

- Goes beyond communication to taking concrete actions
- Start with the question, “How can we help?”
- Relaxing some previously rigid terms of typical supplier-manufacturer agreements
- Creates sense of goodwill – will be remembered post-pandemic

Add Expertise

- Good talent is available – be on the lookout
- Within the supply chain, 27% of surveyed companies will reduce headcount. (Institute for Supply Management)
- Bring in a consultant for key areas that need help
- Cost of consultants – consider the alternatives



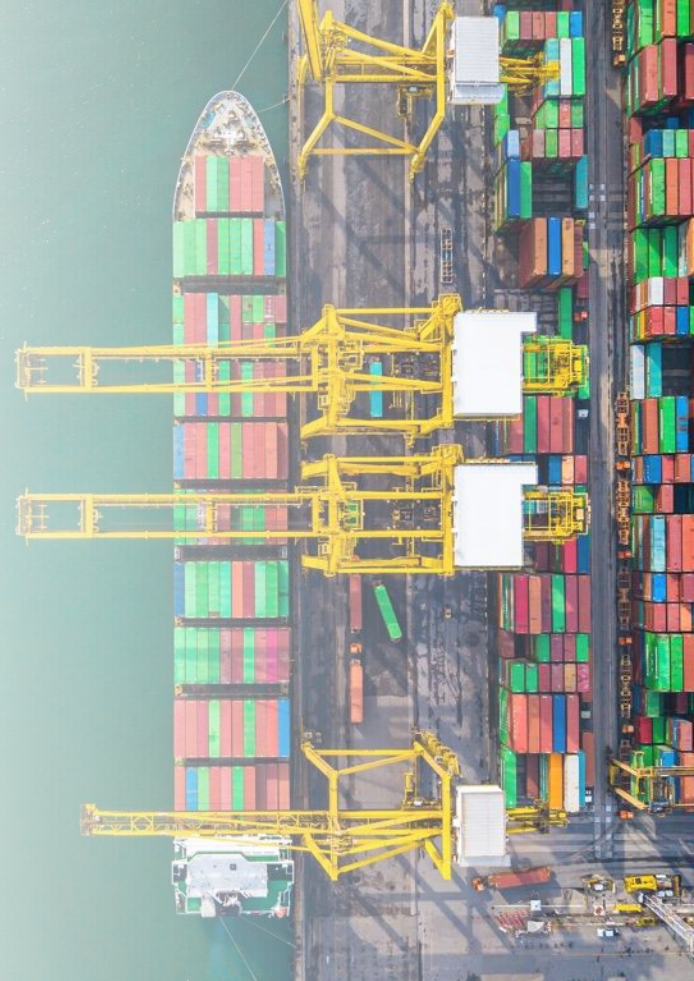
Technology


- Digital supply chain
- Reducing paper
- Using analytics
- Invest when feasible, but make it an objective so you're prepared for future crises



Long-Term Effects

- Re-shoring/Near-shoring
- Just in Time → Just in Case (Develop back-up supply sources, increase inventory)
- Will get companies carrying out the best practices that have always been recommended
- Historical parallel – Great Depression



An aerial photograph of a city skyline at dusk, featuring a dense cluster of skyscrapers in the background and a large, multi-level highway interchange in the foreground. The sky is a mix of purple and blue, and the city lights are beginning to glow. A semi-transparent text box is overlaid on the left side of the image.

The Great Reset

COVID-19 introduced unprecedented disruption into life around the world, and as a result accelerated the need for digital transformation across Quality and Supply Chain management programs.

The Before and After

Life Before:

- Stable demand patterns
- Complex global supply chains
- Lean manufacturing and distribution
- Focus on physical work
- Growth a key business priority

The New Normal:

- Shifting and uncertain demand patterns
- Unprecedented supply chain disruption
- Alternate suppliers and buffers
- Focus on virtual work
- Continuity a key business priority

What We've Learned... And What We Already Knew



Demand can change in an instant



The supply chain wasn't as resilient as we believed



Changing behaviors have immediate impacts

What Do We Mean By Agility?

a·gil·i·ty

/ə'jilədē/

noun

ability to move quickly and easily



Changing market conditions



Supply chain disruption



Workforce disruption



Emerging protocols and changing processes

What Do We Mean By Resiliency?

re·sil·ience

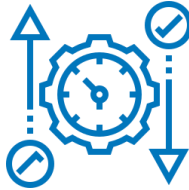
/rəˈzilyəns/

noun

the capacity to recover quickly from difficulties;



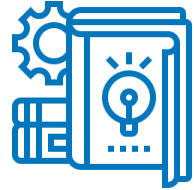
Strategic connected
supplier relationships



Process design for
agility and flexibility



High bandwidth
workflows and
communications



Training and
knowledge
management

Moving Forward in a Post Pandemic World

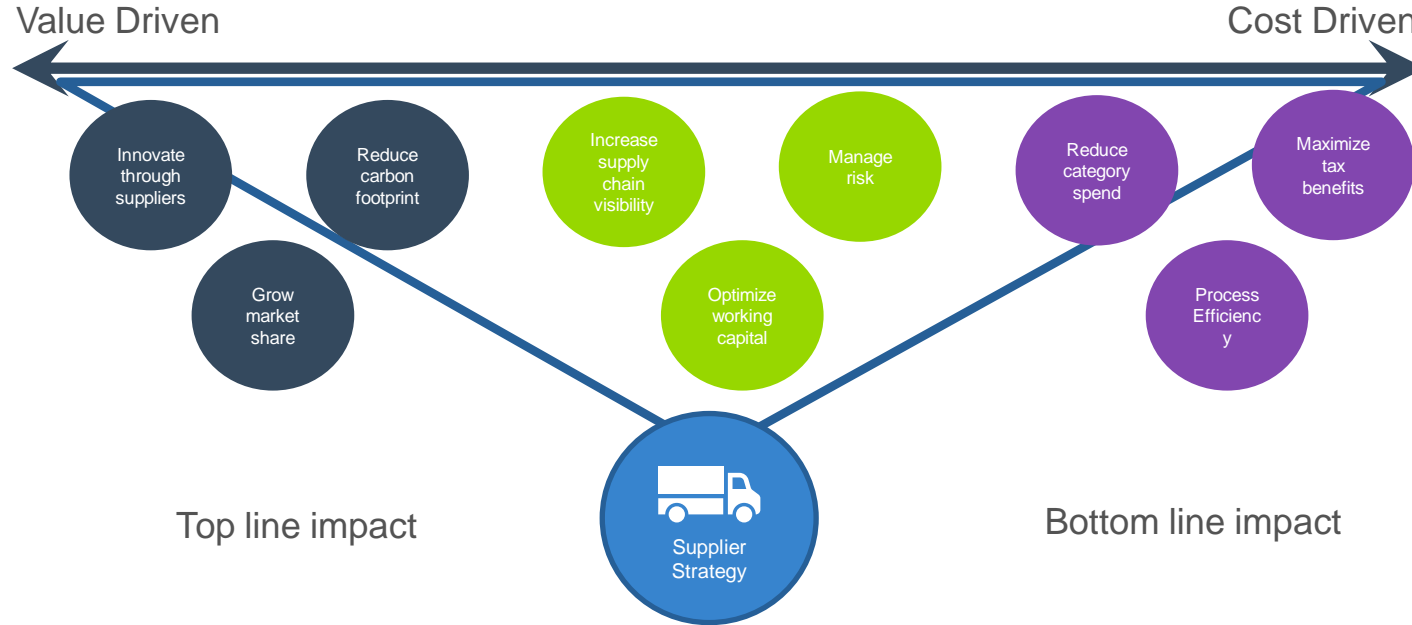
What does success look like in a post-pandemic world? Innovative organizations are realizing the importance of laying the groundwork today, and the lessons learned from COVID-19 are providing a canvas for continuous improvement across four key areas.



Strategic Quality and Supplier Management

The management and continuous improvement of your Quality and Supplier processes can contribute significantly to a more resilient approach – building in agility for an uncertain future and driving greater efficiencies when needed most.

Moving from Tactical To Strategic



Process Agility and Flexibility

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High Bandwidth Workflow and Communications

Real-time, targeted, and high-bandwidth communications and workflows are required to deal with a complex network of suppliers, vendors, customers, regulators, and business stakeholders. Quick dissemination and synthesis of data-driven insights and reporting is critical.



Training and Knowledge Management

As processes change with changing business and market demands, training and knowledge management programs must be flexible in order to adapt. An increased demand for training and knowledge management will have to be balanced against the risk of information overload.



Industry Lessons

The COVID-19 crisis has highlighted the need for additional resiliency and agility in Quality and Supplier management programs, with these industries at the forefront.



Food and Beverage

The COVID-19 pandemic has put the focus squarely on the resiliency of the food supply chain. Quality and supplier programs continue to adapt to shifts in demand from consumers, additional operational protocols within production lines, and rapidly evolving supplier relationships.



Life Sciences

The COVID-19 pandemic has accelerated the need for pharmaceutical manufacturers and medical technology companies to scale up production of critical medical products to battle the pandemic in addition to accelerated therapeutic and vaccine research.



Manufacturing

While cost-optimization remains a key focus, COVID-19 has put the spotlight squarely on resilience, which has impacts across the supply chain. Discreet and process manufacturers will need to evolve to a more holistic supplier management model to better understand constraints in the supplier network.



Putting It All Together

Increasing agility and resiliency throughout your Quality and Supplier programs isn't a checklist, but a continuous approach that incorporates a fresh look at supplier strategy, increased focus on process design, and a fresh look at business continuity planning.



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Questions?

Thank You!