

# Supply Chain Talent and Related Strategies **in a COVID World**



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When 2020 started, I do not believe many of us foresaw the World Economy screeching to a halt. Manufacturing and Supply Chains have been interrupted by weather and war, but not by people unable to work. COVID-19 has done something that tariff, and trade wars have not done, it broke supply chains. US companies will now be very hesitant to trust the supply from foreign countries and will start to look at diversifying their suppliers to favor US suppliers, even at higher costs.

With entire populations isolating and quarantining, companies are seeing demand spike for certain items and plummet for others, while access to parts and labor from around the world being severely disrupted. "Weather-related supply disruptions have been much more common over the last 20-25 years," Sunil Chopra, IBM Distinguished Professor of Operations Management and Information Systems at the Kellogg School of Management said, "but this is the first time I have really seen a supply-disruption risk due to people not being able to go to work."

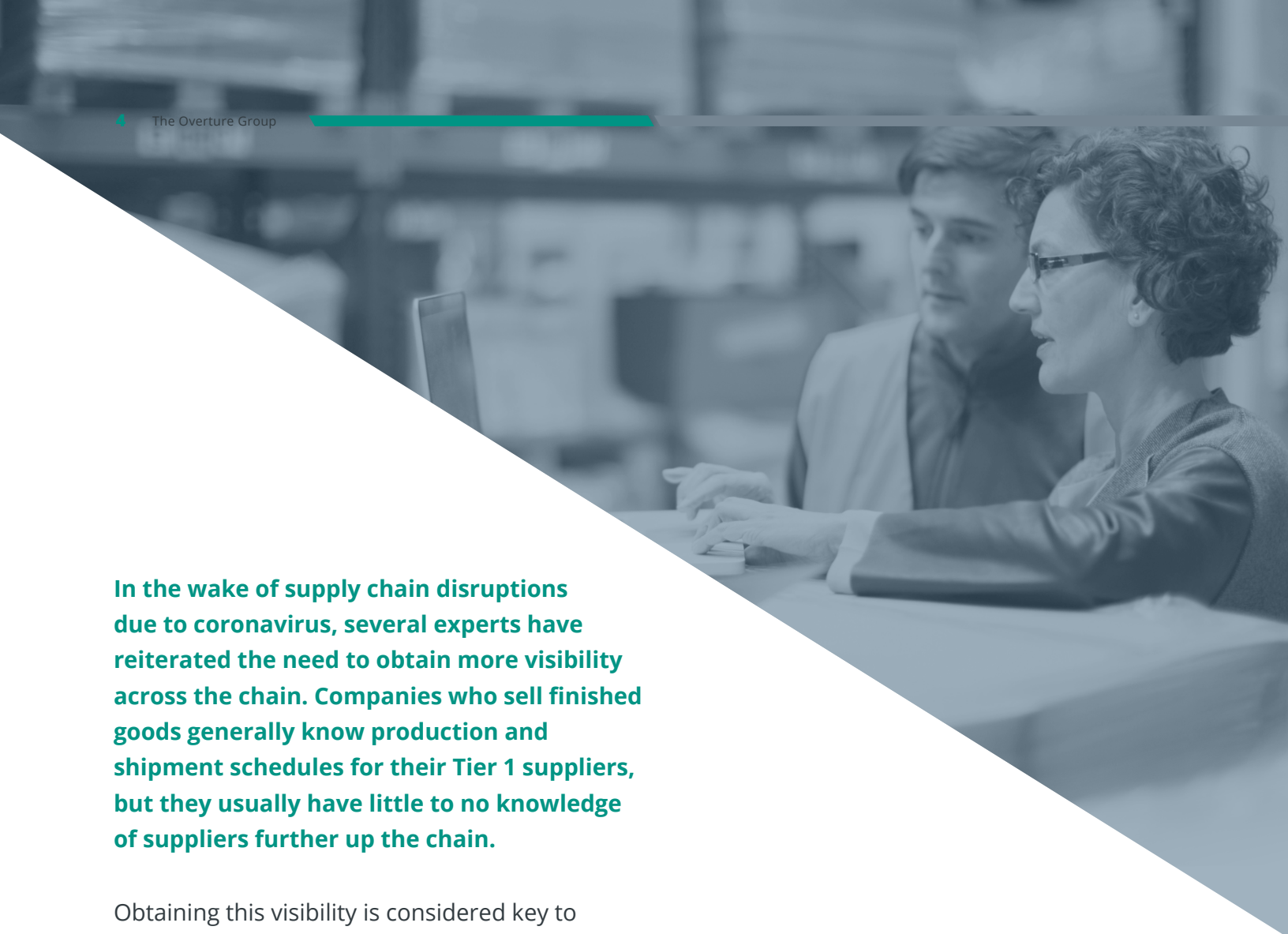
“ ***but this is the first time I have really seen a supply-disruption risk due to people not being able to go to work.*** ”

**Companies are going to need to focus on developing new supply chain talent and add new skills because of this pandemic.**

Supply chains have been shown to be fragile, so supply chain leaders need to focus more on a talent strategy including training and recruiting as an integral part of their overall supply chain strategy. Once that is in place, the organization can build and invest where the largest gaps and biggest needs exist.

Larger companies can build regional supply chains and smaller companies can use technologies such as 3D Printing to make needed parts. Larger companies are not building walls, rather they are building a system that is not as concentrated. Smaller companies do not have to build stockpiles of parts and let them sit, rather 3D printers can manufacture parts they need right on the spot.





**In the wake of supply chain disruptions due to coronavirus, several experts have reiterated the need to obtain more visibility across the chain. Companies who sell finished goods generally know production and shipment schedules for their Tier 1 suppliers, but they usually have little to no knowledge of suppliers further up the chain.**

Obtaining this visibility is considered key to optimizing supply chain efficiency and agility during normal production. When critical supply chain disruptions hit, this visibility becomes crucial to understanding the impact of the disruption on the rest of the chain so that others in the ecosystem can plan and take action, such as developing routes to alternative suppliers.

- **Because COVID-19 has led to lockdowns, suppliers in the chain are temporarily ceasing production and logistics providers can no longer transport goods as seamlessly, particularly across borders.**

Solutions include moving into more digitalization and moving away from paper. Companies also need to ensure data privacy for suppliers. Another move they need to make is to give suppliers an incentive to share data as Tier 1 suppliers probably do not know much about Tier 2 or others further up the chain. Start early and don't assume current disruptions will never happen again.

Trade is notoriously reliant on paper-based processes: The **"Bill of Lading"** – a detailed list of a ship's cargo; notices filled out by hand; paper copies of packing lists from each logistics carrier. In some cases, such as with the Bill of Lading, physical paper copies are required by law. For the most part, however, companies have yet to digitize their supply chain processes because they have determined the cost of doing so does not bring enough efficiency or security to justify the endeavor.

*"I don't think we are there yet, but if you look forward, there will be a lot more of these flexible technologies in warehousing and production, which will then help the smaller guys a lot."*

**Protective measures for COVID-19 have made it clear that operations dependent on physical assets, such as paper, can face serious disruption when physical presence is not a possibility.** Wet signatures and paper printouts are usually handled by operations personnel who must come to the office, or another place of work, and coordinate with others. In addition, value chains that rely on information in these paper documents lose access to that visibility very quickly and cannot react to changing conditions.

Digitizing is not simply a matter of cost, but primarily of visibility and managing supply chain risk. To limit the impact of points of failure in the value chain, it is important to make data available through digital means. In the current COVID-19 pandemic, governments and businesses with strong digital infrastructure and enabling regulations such e-signature and e-transactions laws, are dealing with the supply chain disruptions much better than those without.

What should companies be expecting from their supply chain leaders? Up to now, many supply chains have been inflexible as we mentioned above. This pandemic has shown they need to be nimbler and more adaptable to change. COVID-19 has forced companies to look at the well-being of their people, so they are travelling much less. Glenn Steinberg, E&Y Supply Chain Leader for Global and The Americas, list 5 key fundamental changes to transform their supply chains.

## TRANSFORMING SUPPLY CHAINS

*How can businesses boost the resilience of their supply chains? Fundamentally, they need to move away from having rigid, linear supply chains to operating within agile, networked ecosystems by focusing on five key areas:*

- 1. Assessment and strategy:** Conduct an end-to-end supply chain risk assessment to stress test the supply chain, identify critical risk scenarios, and define potential responses.
- 2. Capability build-out:** Invest in key supply chain capabilities, including visibility and monitoring, alternative business operating models, alternative supplier sourcing strategies, network flexibility and agile planning.
- 3. Intelligence monitoring:** Implement risk monitoring and reporting tools, as well as an early warning system that enables a rapid early response to risks or disruptions. Undertake new product risk assessments and look for changes in demand and supply. Conduct ongoing risk and controls assessments, including systems and facility risk, and cyber reviews.
- 4. Operating procedures:** Put in place a Plan B for disruptive events, covering operating procedures and responses to predefined supply disruption triggers, such as a natural disaster or terrorist attack. Work to ensure there is clear delegation of authority and decision-making and that external and internal communication protocols are in place.
- 5. Major crisis management:** Put in place a crisis management framework for major events where predefined responses will be inadequate. This should be accompanied by governance procedures, a desired operating model, and standard ways of working.

These are steps companies can take now to help ensure their supply chains are transformed in ways that help them function effectively, even when stressed and stretched by unexpected global events. It is not simply about protecting profits. The resilience of supply chains is critical to securing the health and well-being of people all over the world. Companies may also be required to have developed a “Pandemic Playbook” for future interruptions.

## Summary

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**Traditional supply chain structures are optimized for cost and are not equipped to effectively cope with an increasing number of unplanned disruptions.** To build resilient supply chains, enterprises should focus on building capabilities to help them prepare, sense, and respond to future disruptive events.

As the COVID-19 situation changes daily, it is crucial for all parties to have visibility into the supply chain, to share data, and communicate effectively. Technologies accompanied by enabling policies can play a significant role in rebuilding the trade and supply chain system and making the supply chain more shock-proof in the decades to come.

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**Bottom line: a company needs to have the right leadership and talent plan to address these changes.**



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