

COVID-19: MANAGING SUPPLY-CHAIN DISRUPTION

Setting up immediate response capabilities

March 2020

THE CORONA IMPACT ON SUPPLY CHAINS

Depending on the spread and isolation strategies, the impact on global supply chain will vary and may change substantially – your supply chain crisis response needs to think through all of them

Local isolation efforts continue

Pandemic spread addressed with isolation efforts

Pandemic spread after isolation efforts have failed



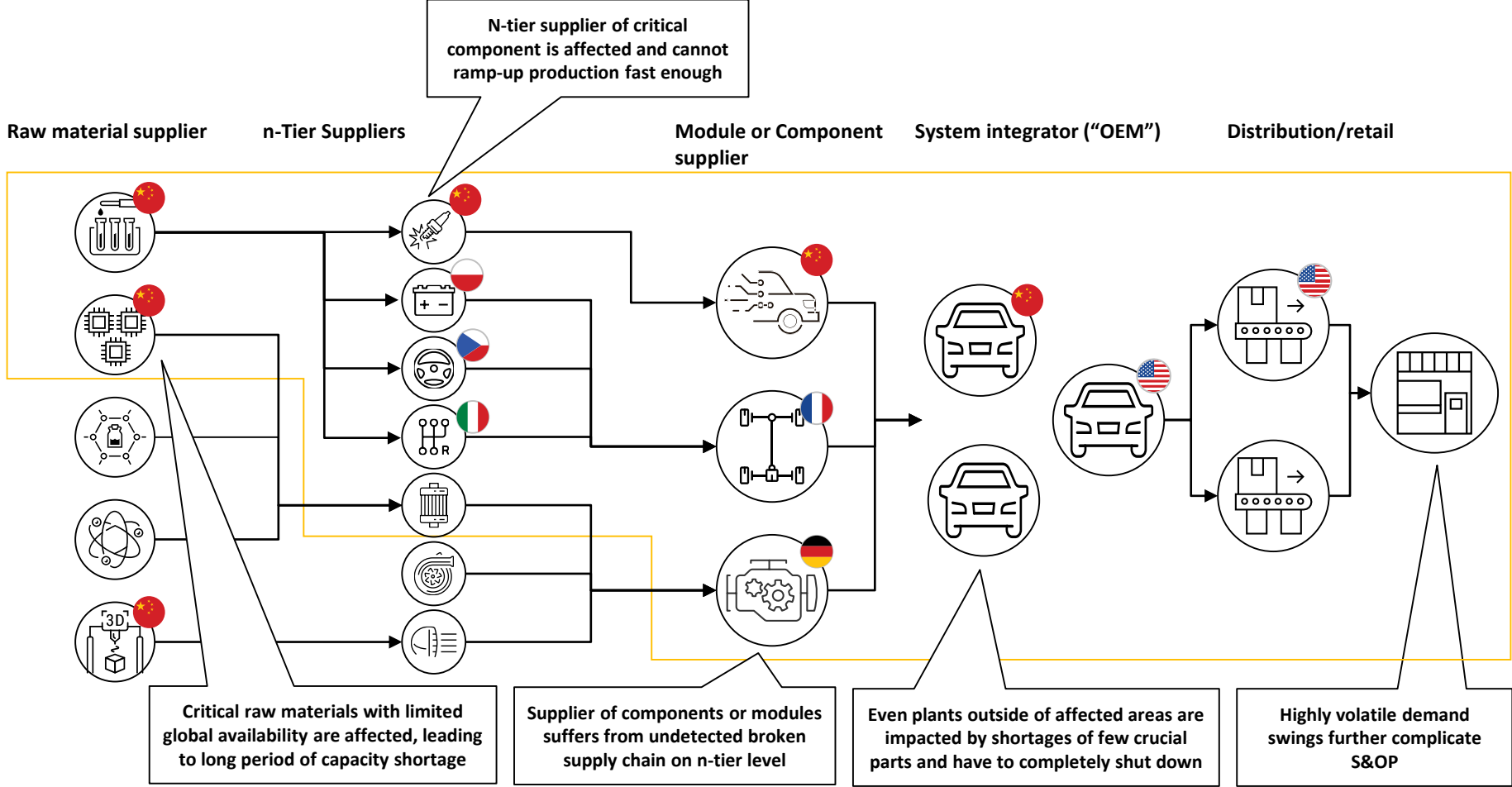
On-going **local disruptions** in global supply chain

Large-scale disruptions and **lock-downs** on all levels

Broad range of **local and global supply chain disturbances** possible, triggered by capacity constraints on people and logistics side

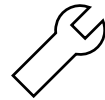
MANUFACTURING IMPACT

Manufacturing companies have been buffeted in two waves: global supply chain disruption and internal operational regional disruptions



COVID-19 SUPPLY CHAIN RESPONSE RAMP UP: SUCCESS FACTORS

Tackling a COVID-19 supply chain crisis requires immediately establishing the ability to respond and securing the supply



Rapidly set-up **robust response team structures, governance and processes**



Quickly create **comprehensive transparency on impact on complete supply chain** (operational and financial)



Enable and support operations teams (procurement, manufacturing, logistics, quality, engineering) **to safeguard immediate supply and to develop sustainable solutions**



Establish **decision authority for response team leadership** and link to board of management



Speed-up the **development and implementation of mitigation actions** for components with **highly critical supply situation**



Continuously challenge plausibility of actions to secure supply (supplier financial support, lead time management, alternative suppliers, insourcing, etc.)

Establish Ability to respond

Secure supply

IS YOUR COVID-19 SUPPLY CHAIN RESPONSE ADEQUATE?



Structures, Governance, Processes

- Is your response team sufficiently staffed, equipped, and focused solely on the task?
- Does the team have immediate and permanent access to the full organization and board-level decision makers?
- Do they run efficient real-time processes for issue identification, solution development, decisions, and reporting?



Comprehensive Transparency

- Do you know which parts of your full supply chain are potentially affected?
- Do you track the status of every potentially impacted part of the supply chain?
- Do you know the (financial) impact of every critically affected part of your supply chain on your own business?
- Do you know the impact on your customers' supply chains?



Organization Enabled

- Is every operations team potentially affected by a supply chain disruption trained to support transparency creation, solution development or implementation?
- Are capabilities and resources available to support the supply chain also beyond the organizational boundaries (transport, quality, engineering, ...)?



Crisis Management

- Has your response team leadership the authority to take the required decisions to solve disruptions?
- Does the response team have the right information at hand to take decisions immediately at scale that will impact significant parts of the business?
- Is the top management frequently updated on status and challenges?



Speedy Mitigation

- Do you have a clear framework on how to prioritize scarce resources and management attention?
- Does your solution development focus on the most critical parts: short time to impact and/or no solutions available?



Robust Plans

- Do you guide solution development with a standardized set of levers?
- Do you systematically require back-up plans for solutions that are not yet implemented?
- Are you prepared for new parts of the supply chain being affected?
- Do you have a back-up plan for your response team?

OUTLOOK: MID TO LONG TERM SUPPLY CHAIN MEASURES

Besides short term measures, companies need to increase their mitigation and preparation... after the crisis is before the crisis



Inbound Supply Chain

- How comprehensive is your supply chain risk management and how do you adjust your risk appetite?
- How resilient is your supply chain, or your supplier landscape?
- How and when to lock-in transportation capacities and prices?
- How much control do you need of core elements to better mitigate certain risks?
- How do you optimize for cost vs flexibility or even agility?
- Do you have a watch-tower on guard that spots weak signals and increases stock?
- ...



Outbound Supply Chain

- How much/where should you store products now before a likely reduction/shut-down of production?
- How to best ramp-up distribution flows again after the crisis (direct delivery vs. regular vs. ...)?
- How to flex your own distribution cost early on?
- How can you leverage the supply chain flexibility to your advantage in customer negotiations?
- How can you utilize supply chain agility as a competitive advantage e.g. to gain (and retain) share in times of supply disruptions?
- ...



S&OP considerations

- What's your hierarchy of products/production? In case of scare supplies, what gets produced/not?
- How does demand likely change shortly before, shortly after the crisis, how to best adapt production and the resulting supply chain?
- Should you change your share of made-to-stock/made-to-order in light of a crisis?
- Is a temporary slow-down in demand and supply the time to run more trails/how to use idle supply chain and production capacity best?
- ...

OUR TEAM OF EXPERTS

Our Operations Practice experts have hands on experience across industries and have supported in supply chain crises such as Fukushima, earthquakes, global capacity shortages, and COVID-19



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COVID-19 RESOURCES



WHO COVID-19 Situation Reports

<https://www.who.int/emergencies/diseases/novel-coronavirus-2019>



CDC Resources

<https://www.cdc.gov/coronavirus/2019-ncov/index.html>



Oliver Wyman Perspectives

<https://www.oliverwyman.com/coronavirus>



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