



Technology

Strengthening Supply Chains Post-COVID: How to Be Resilient in the Face of Change

Roland Jones | Jul 27, 2021

Supply chain disruptions can cost businesses millions and damage their reputations. Here's how you can shift your supply chain strategy so that you can be resilient when disruptions take place.

If we've learned anything from 2020, it's that supply chains are becoming ever more complex and vulnerable. So what can be done to strengthen and improve them?

The supply chain disruptions brought about by the COVID-19 pandemic appear to be leading to a shift in supply chain strategy. In a *recent survey*, 60 percent of respondents said redundancy and resilience in their company's supply chain are "more important than speed and efficiency."

The good news is there are ways to effectively manage supply chain disruptions in the coming years, including strengthening relationships with existing suppliers, implementing permanent supply chain risk management teams and processes, and accelerating investments in digital technology.

Improving supply chain performance is a worthwhile endeavor. While doing so can seem like a challenge, it's also a potential source of competitive advantage. *Research from Deloitte* shows that 79 percent of organizations with superior supply chain capabilities achieve revenue growth that is significantly above the average for their industry, while only 8 percent of the organizations with lower-performing supply chains have above-average revenue growth.

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McKinsey

Deloitte classifies businesses as either "supply chain followers" or "supply chain leaders." Companies that strive to be leaders should take an active approach to designing a supply chain network strategy. If you think you've got some catching up to do, the following insights could help you achieve leadership status.

No. 1: Strengthening Supplier Relationships

It has often been observed that to run a successful business you should foster and maintain good relationships—that's likely true not only for your customers but also for your suppliers.

In the modern economy, companies are ever more reliant on third-party suppliers for such things as raw materials, manufacturing of components, or logistics and product distribution. It's not unusual for some larger companies to have relationships with thousands of direct suppliers.

Building and strengthening relationships with these groups can be seen as a strategic imperative. This is particularly true during a pandemic or a similar event when supply chains are disrupted. Converting a supplier relationship into more of a partnership can help ensure anything from timely delivery of products and services to being able to negotiate more favorable payment terms.

A *Deloitte report on supply chain leadership* found that roughly a quarter of respondents said they relied on such outsourcing "extensively," concluding that third-party suppliers "are now viewed as virtual extensions" of companies' supply chains.

During difficult times, such as during the COVID-19 pandemic, good relationships become more important—with both your suppliers and your customers. It therefore pays to strengthen your relationship with suppliers and customers. This can be achieved in several ways, including:

- Improving lines of communication: Keep in touch with your suppliers; make sure your channels of communication are open and available so that you can respond to questions and quickly deal with any issues that arise.
- Being flexible and providing resources when needed: Be ready to offer your time, services, equipment and expertise to help out suppliers and customers and build trust.

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No. 2: Using Supply Chain Risk Management Teams

With the supply chain disruptions of recent years *having an impact on companies' bottom lines*, and in some cases leading to a big hit in brand reputation, some large companies are putting in place permanent supply chain risk management teams to mitigate the risk of disruptions.

A supply chain risk management team is typically cross-functional and uses technology, frameworks and other tools to constantly assess risk to the supply chain and report to the company's leadership about potential issues.

Another important role of this team may be to raise awareness of supply chain risk among employees.

A *recent article* on supply chain risk published on McKinsey's website states that "supply-chain resilience requires a risk-aware culture to help an organization establish and maintain strong defensive layers against unknown risks, as well as respond more quickly in the event of a severe crisis or operational threat."

The disruptions caused by the COVID-19 pandemic, for example, show that building resiliency "is not only a matter of awareness, but of setting an intent across the organization, clearly communicating to the entire workforce, and taking tangible action to address the immediate and long-term risks," according to the authors.

A risk management team should also have a good sense of their organization's risk tolerance, the article continues. It's important to know the risks that need to be mitigated and the risks that can be borne by the organization, with the ideal organizational culture allowing for "warning signs of both

internal and external risks to be openly shared.”

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No. 3: Accelerating Digital Technology Investments

These days, almost every field of business can be improved by implementing digitization, and the supply chain is no exception.

A variety of digital technologies are now available to businesses that can help them improve supply chain operations.

As Deloitte notes, advanced analytics—supply chain optimization and visualization software, for example—allows managers to “unlock the insights hidden in massive datasets gathered from company functions, suppliers, and customers.”

Applying algorithms to transactional data can yield more precise information about patterns of future demand, allowing for appropriate adjustments to be made.

Instead of analyzing past supply and demand data, new data-driven tools can predict future developments, helping companies to “identify inefficiencies, run scenarios, and make more informed (and profitable) trade-offs,” which may include sales strategies directed at distinct segments, or differentiated service offerings for specific customers.

Another supply chain-related technology is additive manufacturing or 3D printing.

From a supply chain perspective, additive manufacturing allows for the production of parts close to the point of consumption, reducing raw material waste, and inventory and shipping costs.

A manufacturing shop could, for example, design a part and send it to a 3D printer anywhere in the world for production, speeding up the process of innovation and production and rendering the supply chain redundant.

The market for products and services related to additive manufacturing is set to top \$10 billion in 2021, according to Deloitte, and is just one way companies may soon be using technology to manage supply chain risk and build resiliency.

What steps are you taking to strengthen your supply chain and cement stronger ties with your suppliers? Share your thoughts in the comments below.