



Supply Chain

Managing the Supply Chain Crisis: How Manufacturers Can Navigate the Shortages

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As the supply chain crisis continues to mount, here are tips for those companies struggling to cope—and those looking to cope with future supply disruptions.

After declining most of the fall, *COVID-19 infection numbers are rising again* in many parts of the U.S., and *widespread labor shortages* remain, as well as scarcities of products used by manufacturers.

These challenges are compounded by a backlog at the nation's ports, a lack of shipping containers and recent weather events such as the freeze in Texas and a series of hurricanes over the summer and fall.

What can manufacturers do to bolster their supply chains to contribute to the long-term safety and success of their businesses?

Here are some tips for manufacturers looking to manage the supply chain crisis.

No. 1: Consider Total Cost of Ownership (TCO)

Supply chain disruptions have been making headlines for weeks, with many expecting that the crisis will lead to companies raising their prices to deal with the disruption.

"There's a natural unwinding of that process that takes time; you cannot adjust it like a thermostat and immediately expect the effect to take place."

Richard Kilgore
Maryville University

Speaking to the website *Supply Chain Brain*, Rebecca Jasper, director of global supply chain at Minnesota Rubber and Plastics, offers some advice for coping with inevitable price increases.

"Don't sweat the small stuff," Jasper says. Look at the total cost of ownership and determine if the price increase is a fight worth having, she adds.

Tactics companies may consider in dealing with an increase could include extending the date of the increase, or boosting purchase quantities, because with a surge in demand and higher prices, it could become cost-effective to increase your order quantity now.

Jasper adds that companies should think about their total cost of ownership (TCO), which includes the purchase price and a range of other costs and risks often overlooked in traditional pricing calculations, including such factors as maintenance costs, fuel costs and insurance, for example.

For those looking to understand TCO, the Reshoring Initiative offers a free *TCO Estimator tool* that allows companies to break down the numbers for their own particular circumstances. It shows there are many cost factors that most companies routinely ignore.

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

No. 2: Supply Chain Communication Strategies

Another way to improve your chances of supply chain success is by improving your communication. This is already a challenge within internal departments, and it can be even harder when dealing with those outside the organization, such as with suppliers.

An essential element in good communications is the method you use, which should suit the situation and will deliver the best opportunity for supply chain success.

Also, all relevant stakeholders should be included on the communication chain. While using text or chat applications can produce quick answers from suppliers, emails are better for communicating project plans to a larger audience.

When communicating with stakeholders and suppliers, aim to be clear about your plan so it's well understood by all stakeholders. You may also tailor your message to certain groups so they understand how you will tackle their individual concerns. And for faster change, consider the personal approach of a phone call or another form of direct communication to get results.

No. 3: Alternative Supply Chain Sourcing

In the face of supply chain challenges, companies should be examining alternative sourcing strategies.

They may also want to use technologies that can help with staffing shortages, or help with customer queries on a real-time basis.

And if U.S. supplies are lacking, it may still be cost-effective to look for the same product in other regions where there is a more plentiful supply.

Read more: 5 Ways Manufacturers Can Use Data Analytics to Improve Efficiency

No. 4: Prepare for the Bullwhip Effect

Those expecting the ongoing global supply chain crisis caused by the COVID-19 pandemic to abate quickly and return to normal should consider the "bullwhip effect," which describes how small fluctuations in demand at the retail level can cause progressively larger fluctuations upstream in the supply chain.

This phenomenon can happen when retailers become highly reactive to consumer demand, causing a

domino effect along the chain.

Sources of the bullwhip effect include demand variability, labor unrest and strikes, natural disasters, poor communication along the supply chain, or inaccurate forecasting of demand.

The abrupt and widespread impact of the COVID-19 pandemic is clearly the source of the current supply chain problem, but unwinding the issue may take longer than some expect, says Richard Kilgore, associate professor of management and business administration at Maryville University in St. Louis.

“There’s a natural unwinding of that process that takes time; you cannot adjust it like a thermostat and immediately expect the effect to take place,” Kilgore says in an interview *with Supply Chain Brain* about the automotive industry’s supply chain issues.

There are no short-term solutions to long-term problems, he adds, but there are short-term fixes and workarounds, such as using emergency inventory. However, in the longer term there will be “a reorganization of supply chains and partnerships that will take several years to work its way out.”

Manufacturers, who sit far back along the supply chain and may suffer from the effects of these fluctuations, may turn to inventory “buffers” to manage the supply issues, he says.

“You’ll see additional ordering taking place so that [companies] are prepared for the next uncertainty,” he continues, adding that 10-K reports and annual reports will start to include references to companies’ risk mitigation strategies.

“There are going to be opportunities to invest in these risk reduction strategies,” he says.

Read more: Skills Gap Analysis How-To: 5 Steps for Examining Your Training and Hiring Requirements

What steps are you taking to strengthen your supply chain and deal with any ongoing problems? Share your thoughts in the comments below.