

Crisis Impacts: Protecting Your Supply Chain

Strategies to keep operations running today, while planning for the future.

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For weeks, businesses were warned that the Covid-19 epidemic would have a dire impact on global supply chains and disrupt manufacturing operations around the world. Today, we're starting to feel the impact of that disruption. From companies like Ford, who [temporarily suspended operations](#) of its Chicago plant due to supplier part shortages, to plant closures when an employee tests positive for the coronavirus, to [prioritization of medical supplies](#) over other parts production, all are impacting the rest of the supply chain. Early on, the most vulnerable companies were those that rely heavily on China for materials and assembly, and that impact is now being felt at all levels and by nearly every company.

For enterprises dependent on global sourcing, there are difficult decisions to be made in the short-term. At the same time, businesses should also consider the long-term impact of those decisions by looking ahead to minimize the impact of future disruptions.

As the current crisis plays out, following are useful guidelines to consider as you not only deal with the current crisis, but also plan for the future.

- » **Get to know your suppliers (even better).** During a crisis, are your suppliers at risk, not able to supply or shut down? Check with your suppliers on potential shortages and establish memo of understanding/agreements on prioritization of items – know what your terms and conditions are.
- » **Know your supply.** Have a good handle on your stock levels, distribution routes, and key commodities for consideration. If you practice some level of just-in-time (JIT) distribution, create a contingency plan to be able to order and store additional safety stock within your distribution network. Move from JIT to stocking at the DC at least a minimum supply that is appropriate for your business model, taking into consideration a 6-week lag in normal distribution as a general rule of thumb. Consider shifting from fresh to shelf-life stable – especially if you have items coming from China.
- » **Find alternative sources/go local.** Be prepared to shift to local/sustainable sourcing or partner with other organizations that share common supplies, raw materials or sub-assemblies to source jointly at a

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minimally viable level even if it means paying a higher price. The dependability and accessibility of that product may outweigh the cost.

- » **Understand what governments (local and federal) are doing.** Understand transportation impacts and what government decisions, such as boundaries or protectionist measures, will do to your supply chain. Think about where your sourcing comes from and the impact government mandates may have on your supply chain and business.
- » **Give your people the tools they need.** Monitor card credit limits and adjust as needed for procurement managers.
- » **Find your operational efficiencies.** It's difficult to think of challenging times as opportunities when you're in the midst of the storm, but crises do provide an objective chance to expose the weakest nodes in your supply chain. Too often, we hide supply chain inefficiencies by adding excess inventory. It's when our inventory is stretched that we can gain valuable insight into the root causes of our shortcomings so that we can make significant improvements after the crisis abates.

The Bottom Line

We're all globally connected. Companies need to be proactive when establishing supply chain strategies. Cost should not be the only consideration: There must be multiple strategies to keep operations running. It all starts with knowing your suppliers and implementing contingency plans, with a focus on worst-case scenarios – just as we are seeing today.