

EVALUESERVE

—— Key Components Of ——

# Effective Supply Chain Resilience Programs

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## Key components of effective supply chain resilience programs

Supply chain management is undergoing a paradigm shift. In the current market, supply chain managers are faced with a few key challenges – ensuring business / production continuity, building safeguards against future supply chain disruptions, and contributing to their organizations' sustainability journeys.

While the winning formula against these challenges may differ by industry / business / geography, there are some common themes that have emerged as the next best practices for businesses.

### Supply chain managers spearhead transformation to adapt to disruption

Across industries / geographies, the role of supply chain managers is becoming much more expansive, as they are now required to think beyond their traditional work boundaries. Today, supply chain managers have to contribute to the transformation of business models to mitigate potential risks and disruptions. Even within their traditional roles, they are being tasked with driving diverse solutions / initiatives to address immediate and long-term risks to sustain a resilient supply chain.



For short-term supply chain resilience, managers are focusing on boosting inventory levels, supplier diversification, and quick decision-making.



For long-term resilience, they are focusing on deeper collaboration with suppliers, digitalization, selective nearshoring, and sustainability.

## Short-term solutions gain centerstage as disruptions push emergency measures

Global supply chains are currently challenged by lock-downs and other curbs due to the pandemic, geopolitical fluctuations emanating from the Russia-Ukraine conflict, and trade restrictions imposed by several countries. These factors have led to serious short-term supply chain disruptions for diverse businesses, forcing them to increase their inventory levels to avoid any interruption in production. For instance, some automotive companies have been increasing their chip inventory levels in a shift from 'just in time' (JIT) to 'just in case' (JIC) inventory management to overcome potential supply shortages. Such inventory hoarding has contributed to the creation of incremental demand in the market.



"...We ordered an industrial equipment which had to be delivered in eight weeks. It's been six months and we are still waiting to receive it..."



**Supply chain manager, US-based oilfield service firm**

Supplier diversification (building redundancy in supply base) and increased inventory of critical parts / equipment / materials are the most common solutions to immediate / near-term supply challenges. To enable this, chief supply chain officers (CSCOs) are allocating budgets for temporary transformation teams, which have a war-room setup and a free hand to make quick, independent decisions based on market and situation analyses. Such teams plan on-the-go, undertake regular supplier engagement, and ensure dynamic prioritization. They use market intelligence for informed decision-making and negotiations with suppliers.



"...the findings of the alternative sourcing program were enlightening and enabled us to identify alternative suppliers to add redundancy in our critical supply base..."



**Procurement manager, global semiconductor firm**

# Long-term supply chain resilience must be backed by digitalization and collaboration

While businesses address near-term challenges, CSCOs are focusing on identifying and developing adequate safeguards against long-term disruptions to their supply chains. Some of their key approaches are deeper collaboration with suppliers, along with a focus on digitalization and sustainability; selective nearshoring; and strategic investments.

Deeper collaboration with suppliers is seen as a long-term solution to supply chain disruption, as it enables businesses to gain real-time visibility of sourcing, right from the point of purchase to delivery. It also allows timely assessment of potential disruptions to take mitigative action, thus making supply chains more agile, scalable, flexible, and resilient. CSCOs are adopting tools that use modern technology and analytics for end-to-end collaboration with suppliers and customers.

CSCOs are also focusing on embedding sustainability data in their supplier collaboration programs. Reducing supply chain emissions is a key focus area for supply chain managers looking to contribute to their organization’s net-zero journey. Deeper collaboration with suppliers helps businesses to ensure reduction of Scope 3 carbon emissions and move a step closer to their sustainability goals.

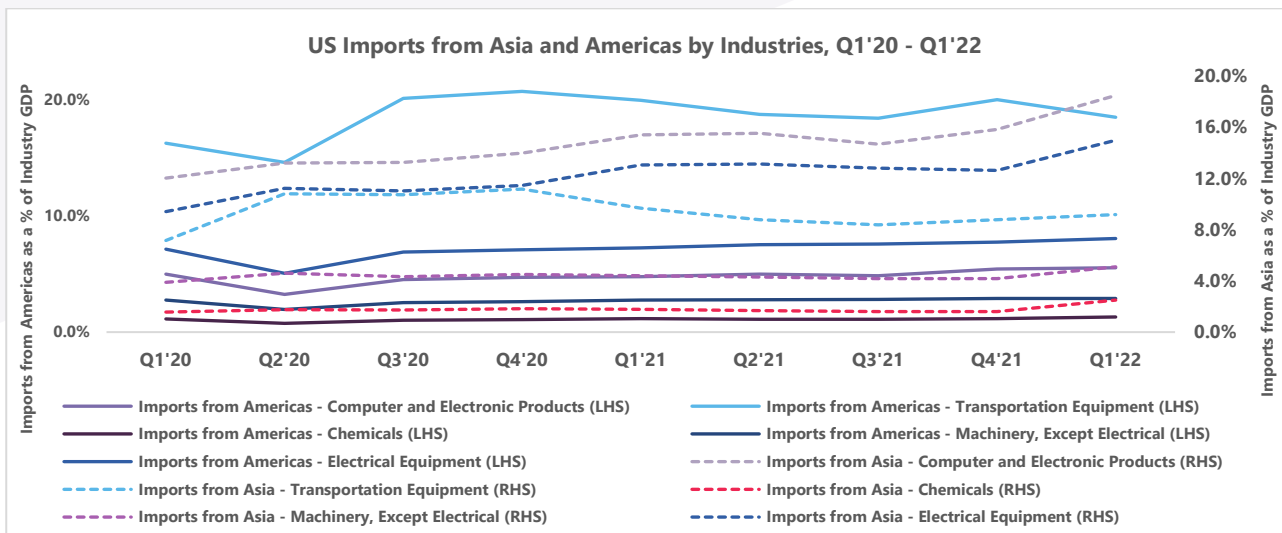
Deeper collaboration has its own risks and rewards for suppliers. They may be concerned about the risks of revealing too much information and unauthorized access to data. Such concerns can be addressed by opting for a reliable and secure collaboration platform. On the other hand, collaboration opens the gates for long-term engagement and may even lead to strategic partnerships. Sustainability is a key area where such strategic partnerships can be used to support each other’s journey towards net-zero emissions.



[Click Here to request details of Evalueserve’s supplier collaboration framework](#)

## Nearshoring of supply chain is complex and requires perseverance

Localization / nearshoring of sourcing is another approach being adopted by CSCOs for long-term resilience and to mitigate geopolitics / international trade environment related risks. Businesses are exploring various nearshoring models, including the identification of new suppliers as well as movement of existing suppliers to nearshore markets. However, they are taking a cautious approach due to the challenges associated with nearshoring, which may vary by industry.



Source: International Trade Administration; Bureau of Economic Analysis

The chart above shows that between Q2 2021 and Q4 2021, US import dependence on the Americas, especially for transportation equipment, electrical equipment and for machinery (except electrical), was gaining away from

dependence on Asia. However, its import dependence on Asia regained across sectors in Q1 2022, apparently in a bid to secure supplies in a worsening geopolitical environment. This shows that nearshoring requires commitment and perseverance, as it may take years to develop suppliers who can ensure consistent supply of raw materials, production quality, scale of operations, economy, and agility. Nearshore supply chain development efforts can be accelerated through the use of market insights derived from regular tracking.

“...market insights and accuracy of information provided by the team for such difficult markets has been instrumental for some of our critical decision-making in these markets...”

Supply chain manager, oil and gas major

### Businesses are increasing investment to secure supplies

The current disruptions are compelling CSCOs to focus on critical components that face high supply risks. They have developed mechanisms to regularly track any risk to those components. Supply chain managers are also spearheading strategic investment, partnerships and acquisitions to secure critical supplies. For example, Airbus and Safran, a propulsion specialist, has recently announced its plan to takeover Aubert & Duval, a metallurgical firm, to secure supplies of alloys, forgings, and specialized materials. In another example, Tesla has invested in its in-house capabilities to focus on designing and developing a series of microcontrollers to mitigate disruptions caused by the shortage of semiconductor chips. Meanwhile, automotive OEMs have been forming JVs and partnerships with EV cell suppliers as well as building in-house production capabilities.

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