



Not another post-COVID supply chain advice, or: 3 considerations for a post-pandemic supply chain

“What is it with Mondays” Celena thought as she purposefully downed the last of her coffee. Or tried to, at least. The coffee – almost to prove a point – did not surrender that easily. Half of what remained of the by now lukewarm liquid came pouring down the side of her mouth, onto her newly washed and ironed white zoom shirt. “Damn it” she thought, “there is no time to change before the meeting starts” ...

After a brief hiatus we are now ready to resume our monthly insights, as always from a SETPOINT perspective (what is a SETPOINT? click [here](#) to find out). **This article will look at how the Covid-19 pandemic has reshaped global supply chains and provide 3 specific recommendations on what business leaders should keep in mind when adjusting to this new reality.** We will again take this journey through the eyes of our fictional alter ego Celena Noch.

For those of you who have not yet made her acquaintance, she was introduced in our previous articles: [How I learned to stop worrying and love my Supply Chain](#), and [All aboard the SETPOINT train](#) and is a representation of our combined experiences, with flavor from some of the real-life supply chain hero's and their struggles we have encountered over the years. Those who do know her will remember she is the newly appointed supply chain director of a large industrial manufacturer and has spent her first days on the job balancing inventory reduction initiatives, change management and dead bodies in cupboards (!).

Now, back to Celena and her most current concern. Drenched in coffee only minutes before her next meeting was about to start, she grabbed a handful of paper napkins from her handbag and did the best she could to make herself look presentable. The aforementioned meeting was ambitiously titled *“Supply strategy post COVID19”* and was called by the COO. It sported an impressive list of attendees, indicating just how serious of an issue this was perceived to be. As the current supply chain director, Celena's words would weigh heavy on the matter. Soiled shirt or not.

Drifting away, only half listening to the introductions, she was abruptly brought back to reality when she heard the COO introduce her to the group: “and now I leave the floor to Celena, who will take us through her thinking on the matter... Celena collected herself, focused on the camera and began her



presentation. Or at least, thought she did. After a few seconds of confusion and people calling out “you’re muted”, she managed to unmute, and restart from the beginning:

Covid-19 relentlessly exposed companies’ supply chain vulnerabilities as both supply and demand took a major hit with repercussions to the global economy.

So what went wrong? Well, many things... First of all, Covid took us by surprise. Even though warning signs of an upcoming global pandemic had been lit for some time, we were so caught up in business as usual we forgot to look around the corner.

This lack of foresight created a sense of false security in many organizations, laying the grounds for what I call “suboptimal optimizations”. Unfounded Just-In-Time ambitions, coupled with frequent single source supply of critical materials, often sourced far away with long replenishment lead times proved a bad combination when global supply chains crumbled.

It is now time to regroup and rethink our past behaviors and business approach, to make sure we exit this ordeal more resilient than before, without losing our competitiveness. There will be no silver bullets or shortcuts here. However, we do well in considering the following 3 statements:

1. MANAGE YOUR SUPPLY RISK AND UNDERSTAND YOUR TRUE COST OF SUPPLY

Map and categorize your supplier and material risk. Not only looking at your top 20% spend but all suppliers, including 2nd tier. Who would have the largest impact on revenues if lost? Are there any alternative sources of supply? What is the change over-time to an alternative supply source?

Develop clear strategies. For high-risk supply, consider shorter more local supply chains. Focus on building stronger supplier relationships, built on collaboration rather than a transactional buyer-seller interactions. Also, consider diversifying supply to spread your risk, as well as maintaining healthy safety stocks when and where relevant.

In cases where you cannot (or don’t want to) source locally, try and spread your risk through multi-shoring. Applying a “China plus one” approach would make your supply chain less vulnerable to local disruptions, whilst still reaping benefits from low cost sourcing. Just make sure any Farawaystan sourcing decisions are grounded in its true cost of supply. You need to look at end-to-end optimization rather than



just a string of transaction costs: direct material cost is one thing, but other indirect and consequential implications on true cost should be understood and assessed.

And last but not least, don't forget to manage the risk related to your in- and outbound logistics. As we all know by now, we are only a Suez-canal-snafus away from a global supply chaos. Not to mention the realization that trucks and drivers don't come in endless supply. In the words of Denis Waitley: "...expect the best, plan for the worst, and be prepared to be surprised".

2. ADAPT BUT DON'T OVERCORRECT

It is always a good idea to make sure your Just-In-Time ambitions are supported by sufficient Just-In-Case. Lean should not be synonymous with starvation.

However, we cannot and should not build buffers to offset any or all future pandemic supply risk. First of all, it is impossible to prepare for every eventuality. Second, allowing our balance sheets to grow belts and suspenders will ultimately create slow moving and inflexible organizations, even less prepared to deal with whatever next disruption to come.

Rather focus on balancing your inventories to the right places. No matter how well intended, post-covid buffers will eventually become shelf warmers taking up space at the expense of critical in-demand items. They easily create disturbances to the natural flow of your operations, often resulting in distorted demand signals which can translate into uncontrolled bullwhips across the supply chain.

Be agile instead. The Covid-19 disruption on global supply chains has clearly demonstrated the need for transparency and ability to plan and replan within short periods of time. Accurate and timely information, in combination with the ability to identify, adjust and adapt to sudden changes in market dynamics will be key going forward. Shorten your planning horizons, streamline communication, automate processes, work with scenarios, build relationships – and above all, empower your teams!

3. GIVE YOUR ORGANIZATION THE TOOLS TO SUCCEED

What is more frustrating than not knowing what to do? Knowing what to do, but not having the tools to do so...



In a recent Forbes article, Paul Noble wrote "it is time to apply 21st century technology to today's supply chain challenges". We could not agree more. We cannot expect our supply chains to excel without giving it the tools it needs (e.g., not excel, pardon the pun).

The emergence of SaaS companies offering demand-driven new technologies and solutions, often with AI/ML (Artificial Intelligence/Machine Learning) capabilities, have drastically changed the supply chain software system landscape. From clumsy made-for-all-fitting-none systems taking forever to implement, to customizable cloud-based solutions that can be operational within weeks of installation. Map your requirements and peruse the veritable smorgasbord of options on the market. Start by making sure your internal data is readily available, relevant and in a format that can support your supply chain decisions on a day-to-day basis.

However, keep in mind that systems alone won't cut it. AI or not, human intelligence will still play an important role in driving and cementing the upcoming change. Make sure to identify and close any competency gaps standing between yourself and sustainable results. Lifting the knowledge roof is not enough, we also need to activate and lift the knowledge floor – creating a common platform of understanding across the organization in how world class supply chains should operate.

After speaking the final word of her presentation, Celena looked up at the by now familiar gallery view of participants. "I wonder if any of you did it" she silently whispered under her breath. Killed her demand planner that is (see earlier articles with Celena for reference). She vowed to whatever deity was listening to find out...

The rest of the call consisted of discussions on how to convert Celena's 3 statements into actionable next steps. Finally, after updating action logs and committing to a near-time follow-up session, Celena pressed the leave meeting button, closed her computer, and leaned back in her chair.

Without thinking she opened a desk drawer and took out a battered black book. It was the notebook of the now dead demand planner. The book fell open to the page with the last entry. "Go see miss Noch re: irregularities. Something not right with D." What was it he wanted to talk about? Had it anything to do with his death? And who or what was D? She would find out...