

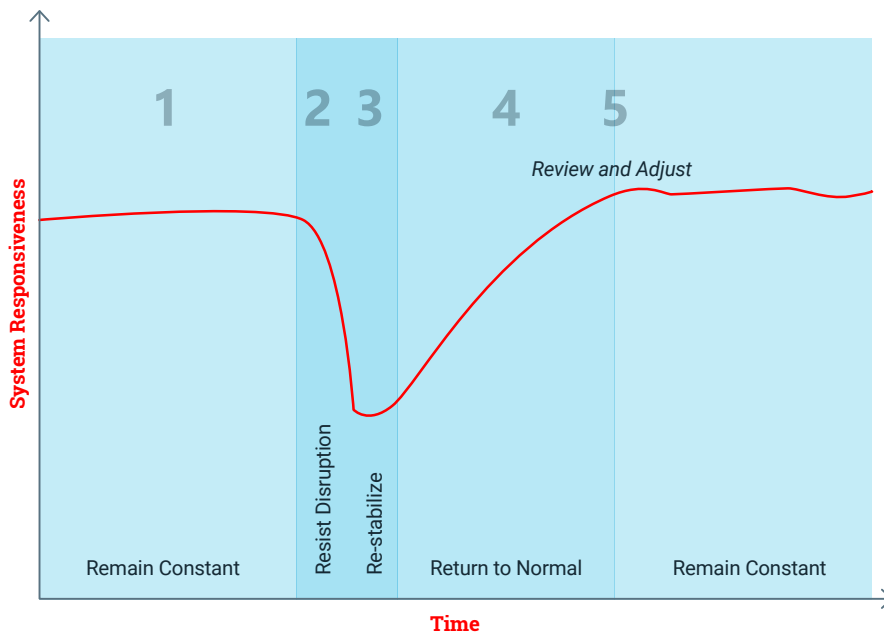
COVID-19

Distribution Supply Chain: **The Five Phases of COVID-19 Disruption and Recovery**

Understanding resilient supply chain design will be key in supply chain recovery planning.

As supply chains around the world stagger and stall, distributors are now 'stress-testing' their disaster preparedness plans. Through this tumultuous period, it is incumbent on supply chain managers to stay pragmatic in their focus on risk management and an eventual return to predictable demand patterns.

Resilience Phases of a Supply Chain Disruption



Adapted from Melnyk, Closs, Griffis, Zobel and Macdonald, 2015, Michigan State University

It is not too late to get a handle on your supply chain risk and resiliency.

Mapping your supply chain's resiliency against this major disruption can help level-set your readiness for its recovery and return to normal operations. Distributors that are equipped to hug the curves in the road, rather than avoid them, can rebound from the inevitable disruptions. Understanding where you fall on the curve, and what inflection points to pay attention to, can help you to take proactive steps to mount an agile response to disruption.

1.

Phase one: **Remain Constant**

Normal operations consist of the typical ebb and flow of supply chain management; these include traditional risk mitigation factors such as leveling off safety stock, ensuring timely turns and managing cash flow.

This is a balancing act between operational excellence and long-term planning and helps define the vector for predictability in the supply chain.

1.

Map the known future.

Anticipate and avoid predictable disruptions. Urgent demands brought on by holiday shopping or the east coast hurricane season should never be a surprise.

2.

Control cash flow.

Operationalize capital expenditures to provide flexibility in capital resource allocation while ensuring up-to-date and performant software.

3.

Plan for the long term.

Avoid Band-Aid solutions to underlying systemic issues. This often means temporary operational disruption, but translates into more resilient supply chains.

“The onus is on supply chain strategists to find areas where their companies can mitigate risk. Could areas of an organization become outdated or inflexible at some point? Replace them with agile and predictable ecosystems that can quickly respond to internal and external forces. To accomplish this goal, supply chain strategists must take the long view.”

Vito Calabretta
SVP Global Operations
Tecsys

* Phases adapted from Michigan State University



2.

Phase two: Resist Disruption

At the onset of an unanticipated major disruption, it is critical to enact (or establish ad hoc) a task force.

This centralized control center should be mandated to coordinate, prioritize and respond to events in near real time, leveraging the resilience built into its supply chain in Phase 1. With a focus on containment, levers such as redundancies in sourcing, safety stock and alternative SKUs act as shock absorbers, and depending on criticality, may level off the disruption. In more extreme cases like COVID-19, monitoring the end-to-end supply chain may be a protracted mandate.

1.
Centralize the strategy.

Develop a whole view of the supply chain disruption so that decisions and mitigating tactics are not taken in a silo.

2.
Minimize the impact.

Use supply chain visibility and optimization tools to enact contingency planning protocols and resolve the immediate shortage.

3.
Monitor the problem.

Keep a pulse of ongoing influencers that are likely to impact the disruption. Update your resistance effort with timely scenario planning and contingency planning.

“A decades-long focus on supply chain optimization to minimize costs, reduce inventories, and drive up asset utilization has removed buffers and flexibility to absorb disruptions and COVID-19 illustrates that many companies are not fully aware of the vulnerability of their supply chain relationships to global shocks.”

Jim Kilpatrick
Global Supply Chain &
Network Operations Leader
Deloitte

3.

Phase three: **Re-stabilize**

The turning point for a supply chain disruption comes when the organization is able to proverbially cauterize the wound.

The scale of that cauterization depends entirely on the scale of the disruption and mitigating factors. In the case of COVID-19, multiple levers both inside and outside your distribution operation will be working in tandem to reach a state of stabilization. The mark of a supply chain recovery is when the supply and demand curves re-converge; as supply chains find their footing again, it becomes important to mount a recovery from a point of stability.



What levers are entirely in your control? What can you control if you reach into your extended ecosystem, whether it's you or your partners? Mapping your sphere of control will serve you as you mount your recovery from a disruption.

Your supply chain volatility is a mix of internal and external factors. Designing out risk internally is formidable, but it is equally important to identify the outside markers that may reappear.

Be aware of the anomalies that caused the disruption, and don't overcorrect. This will stave off the bullwhip effect and the inclination to hoard unnecessary buffer stock.

“It is vitally important to understand where you are before you start planning where you are going. That reference point, whether it’s greenfield or on the heels of a major inflection point in your operations like a business shift or a global disruption, can be either your anchor or your waypoint.”

Peter Brereton
President and CEO
Tecsyst

4.

Phase four: **Return to Normal**

Supply chain resiliency is as much about a capacity to rebound as it is about its ability to absorb shock. Identifying the best course of action to restore balance is, therefore, a mark of resilience.

In light of the current COVID-19 crisis and its particular impact on global supply chains, it is impossible to forecast when or how that return to normal will take place. Nonetheless, to be effective, the recovery process should be proactively planned by supply chain managers so that customer service can be restored as quickly as possible.

1.
Plan for recovery.

Your contingency plans should be well fleshed out; your team should be aware of what those plans are and their specific role in getting the organization back to its standard operating procedures.

2.
Design an agile response.

Processes and systems that can be adapted dynamically will be important tools in the recovery process. Distributors' ability to respond to still-shifting market dynamics will re-establish pre-disruption service levels faster.

3.
Be ready to roll.

What measures have been put in place that need to be managed differently in a 'new normal' scenario? Sometimes, staffing or process changes demand new training.



5.

Phase five: **Review and Adapt**

Unprecedented as the COVID-19 disruption is to a distributor and its supply chain, it will serve as a spectacular benchmark for resiliency and contingency planning.

Indeed, some risks are unavoidable, and weak links will reveal themselves with enough tension. No distributor will emerge out of this unscathed, but the lessons they carry with them will be their hallmark. As you reflect on your supply chain's resiliency, consider the following prompts:

Does your contingency planning enable continuity of service?

Are your systems agile enough to adapt to dramatic changes in supply and demand?

Are your processes flexible enough to respond to uncontrollable volatility?

Do you have an effective cross-departmental emergency preparedness task force to respond to unforeseeable disruptions?

Are you vulnerable (and responsive) to outside disruptions?

And most importantly, acknowledge that each phase of resiliency is interconnected and cyclical.



Resilience does not happen by accident.

Supply chain resiliency is not a foregone conclusion; it is the product of investment and strategic planning. Supply chains overly focused on the financial impact of operational improvements may be opening themselves up to more risk exposure by under diversifying, under buffering, or simply under preparing. Investment in enabling technologies, data-driven decision platforms, supply chain design and operational flexibility build a capacity to maintain and regain stability in unpredictable environments. Supply chain organizations of all stripes will forge innovation as a result of this pandemic.

Distributors that can effectively minimize disruptions, take remedial action when they do occur and mount a successful recovery afterwards, will serve their customers most effectively. This means staying focused on the factors that are within your control and staying responsive to those that are not.

About **Tecsys**

Since our founding in 1983, so much has changed in supply chain technology. But one thing has remained consistent across industries, geographies and decades – by transforming their supply chains, good organizations can become great.

Our solutions and services create clarity from operational complexity with end-to-end supply chain visibility. Our customers reduce operating costs, improve customer service and uncover optimization opportunities.

We believe that visionary organizations should have the opportunity to thrive. And they should not have to sacrifice their core values and principles as they grow. Our approach to supply chain transformation enables growing organizations to realize their aspirations.



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