

Supply chain resilience



OPERATIONAL RESILIENCE



Current landscape

The supply chain, like business itself, is a vast and complicated network. Organizations source products from suppliers, who might source materials or components from others, who in turn might get theirs from another vendor.

When one part of this network is exposed to risk, all parts are vulnerable to disruption. The growing complexity of these connections is driving a need for a deeper understanding of how supply chains operate most efficiently while managing risk. According to almost half of the respondents to Deloitte's 2020 third-party risk management global survey, the financial impact on them of a failure by a third-party or subcontractor has at least doubled over the past five years. One in five respondents believe the financial impact has multiplied tenfold.¹

The good news: there are steps businesses can take to lead, navigate, disrupt, and ultimately cultivate resilience in their supply chains. This translates to anticipating, reacting, and recovering from the unexpected in a better way. By focusing on building supply-chain resilience as part of their risk management strategy, they enable their organization to transform its view of risk to create value rather than just manage the risk.

Emerging risks

Regulatory

Changes in laws/regulations that impact the operations in certain regions.

Pandemic

A widespread epidemic that affects many people.

Infrastructure and equipment

Poorly maintained aging roads, access points, utilities, and difficulties replacing specialized equipment.

Geopolitical

Politics and relations between countries that impact operating internationally or locally.

Political/social unrest

Dissatisfied groups acting to reform and reshape governments and society.

Cybersecurity

As machinery becomes more computerized, it's more susceptible to cyberattacks.

While COVID-19 may be the catalyst for organizations to revisit their global supply chain strategy and accelerate the adoption of digital supply network models and capabilities, short-term actions need to be made to respond to the immediate challenge.²



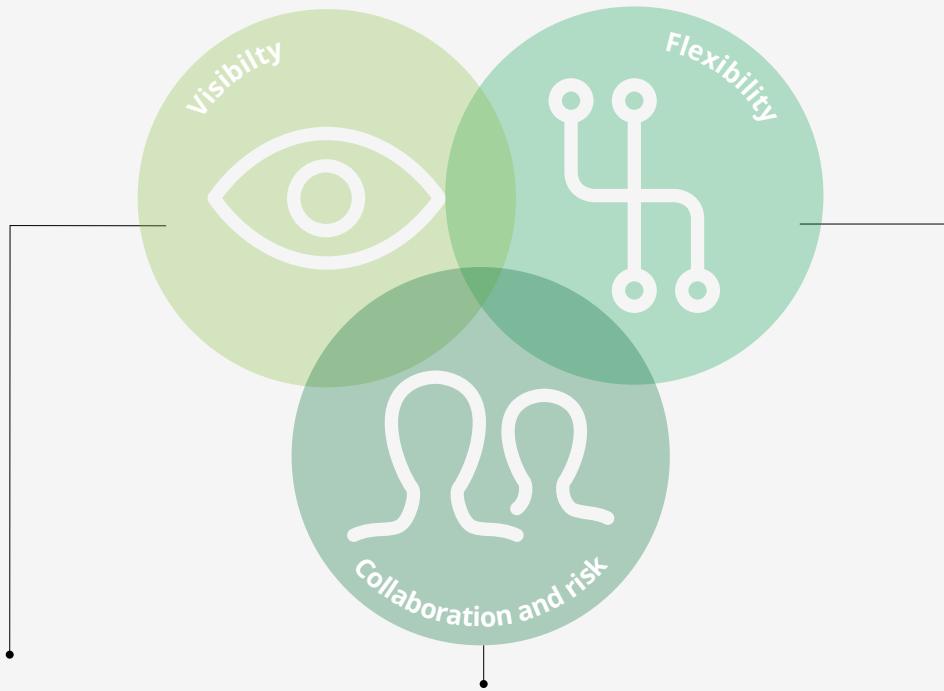
Key questions to consider

- How diversified are your sales channels and are you prepared to market to, and fulfill orders from, a fully digital customer base?
- Are your planning systems able to sense or predict potential changes in demand due to changing customer preferences or broader macroeconomic trends?
- Are you able to proactively monitor and assess the health and resilience of your suppliers, then incorporate those results into contracting decisions?
- As part of managing relationships with key strategic suppliers, are you collaborating to identify and pursue projects that promote sustainability?

1. <https://www2.deloitte.com/content/dam/Deloitte/us/Documents/risk/extended-enterprise-risk-management-survey-2020.pdf>

2. https://www2.deloitte.com/content/dam/Deloitte/ca/Documents/finance/Supply-Chain_POV_EN_FINAL-AODA.pdf

Building resiliency and sustainability in supply chains



Visibility

- Increase visibility to the extended supply chain and beyond direct suppliers to enhance early detection of disruptions.
- Implement control towers to enable exception management and process improvement.
- Monitor real-time transactional data and close data gaps.
- Use to inform process adjustments.
- Easily recognize unexpected cases and identifying the right triage and solutions.
- Focus on the few areas that are causing the majority of issues.

Collaboration and risk

- Enable continuous supplier risk monitoring through automated risk sensing and reporting.
- Assess suppliers for risk using a wide set of variables and take mitigative actions.
- Extend your risk management network, and collaborate with a wider variety of internal and external stakeholders.
- Incorporate environmental, social, and governance risks into risk assessments to safeguard continuity and limit impact of environmental policy changes.
- Incorporate expected government policy changes (e.g. carbon taxes).

Flexibility

- Diversify your supplier base to mitigate bottlenecks.
- Implement digital twin to simulate processes and infrastructure for scenario modeling.

Key supply chain shifts

As organizations contend with greater and more frequent disruptions to their business, they must focus on building resilience across their people, operations, ecosystems, and brand. Striking the right efficiency/resiliency balance is a key shift that not only reduces risks, but also allows for quick adjustments and recovery from any unanticipated supply chain disruptions that occur.

Efficient supply chains

Lean

Focus on operational excellence, supply chain optimization, and the elimination of waste (costs, materials/inventories, assets).

Resilient supply chains

Agile

Supply chain design in consideration of geographical diversity, multi-sourcing, and capacity to respond to market and supply chain disruption.

Specialized

Establishing centres of excellence, shared services, and focused factories to improve efficiency and cost as a means of differentiation.

Flexible

The ability to quickly adapt to disruptions without significantly increasing operational costs.

Consolidated

Mergers and acquisitions, integration of operations, and using economies of scale to improve cost and asset performance.

Collaboration

Being able to develop symbiotic and trust-based relationships with supply chain partners and other key strategic network participants.

Reactive

Sensing and responding to demand-side and supply-side events and disruptions to quickly re-plan and then align execution.

Predictive

The ability to predict issues across the extended supply chain and prescribe actions. Concurrent planning and execution.

Enterprise-focused

Focus on functional excellence within the organization's supply chain, including direct (Tier 1) suppliers and customers.

Network-focused

Focus on synchronization and optimization of the end-to-end (multi-tier) supply network, enabling coordinated actions and risk mitigation.

The way forward

Given the scale and scope of today's supply chains, there is no way for an organization to predict and prepare for every possible risk. However, what an organization can do is build resilience by proactively addressing the critical vulnerabilities in its supply chain which exposes the business to risks that exceed its tolerance.

The notion of resilience is not new. In fact, it is a characteristic many enterprises and supply chains have long aspired to possess. But, simply recognizing the value of supply chain resilience as a concept is not enough. To build resilience, organizations must understand the essential components that are necessary to build resilience:

Enhance supply chain governance and controls

Optimize supply chain processes and controls. Integrate dispersed supply chain systems to provide single source of truth for effective decision making.

Implement digital solutions

Increase visibility and monitor real-time data across the extended supply chain by implementing control towers to enable strategic decision making.

Expand supplier relationship management practices

Revisit supplier relationship management processes to facilitate the development, monitoring, and management of supplier performance and risk.

Incorporate sustainability into supplier performance

As part of supplier performance management, incorporate sustainability as a metric for assessing supplier involvement and support on sustainability initiatives.

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