Resilience in the supply chain
This report sheds light on resilience in supply chains
Based on data from Deloitte’s Supply Chain Panel
Key takeaways

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The importance of supply chain resilience

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The components of supply chain resilience

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Supply chain resilience in practice

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The focus is shifting from efficiency to resilience. The aim is now to be agile, flexible, collaborative, predictive, and network focused.

3 of 4 respondents rate supply chain resilience as important in their company.

73% of respondents either have or will implement dual or multi sourcing, coming from single sourcing.

Most influencing enabler of supply chain resilience is increased cross functional collaboration. A previous study by Deloitte supports this conclusion. It showed that 2 of 3 companies that removed silo structure before the pandemic were more resilient towards the disruptions of 2020.

Risk mitigation must be aimed broadly, as not one internal obstacle is dominant.

Survey identified 4 tips to enable successful resilience: Start small, Clear vision and strategy, Trust the data, and People management.

There appears a discrepancy between what is valued the most important enablers for resilience and what is implemented in companies.

1) Source
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Supply Chain resilience is the ability to mitigate and/or bounce back from unforeseen events.
The world is changing | More uncertainty

Global disruptions and market trends are directly affecting operations which pressure the supply chain to respond differently - efficiency is no longer enough!

More than 1 of 4 companies have reported more than 20 supply chain disruptions during 2020

This is more than 5 times the number in 2019²

2) Source
The characteristics of a resilient supply chain

The resilient supply chain has different characteristics from the efficient supply chain.

### Efficient supply chains

<table>
<thead>
<tr>
<th>Lean</th>
<th>Resilient supply chains</th>
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<tbody>
<tr>
<td>Focus on operational excellence, supply chain optimization, and the elimination of waste (costs, materials/inventories, assets, etc.)</td>
<td>Agile</td>
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<tr>
<td>Supply chain design in consideration of geographical diversity, multi-sourcing, and capacity to respond to market and supply chain disruptions.</td>
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<tr>
<td>Specialized</td>
<td>Flexible</td>
</tr>
<tr>
<td>Establishing centers of excellence, shared services, and focused factories to improve efficiency and costs as a means of differentiation.</td>
<td>The ability to quickly adapt to disruptions without significantly increasing operational costs.</td>
</tr>
<tr>
<td>Consolidated</td>
<td>Collaboration</td>
</tr>
<tr>
<td>Mergers and acquisitions, integration of operations, and using economies of scale to improve cost and asset performance.</td>
<td>Being able to develop symbiotic and trust-based relationships with supply chain partners and other key strategic network participants.</td>
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<tr>
<td>Reactive</td>
<td>Predictive</td>
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<tr>
<td>Sensing and responding to demand- and supply-side events and disruptions to quickly re-plan and then align execution.</td>
<td>The ability to predict issues across the extended supply chain and prescribe actions. Concurrent planning and execution.</td>
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<tr>
<td>Enterprise-focused</td>
<td>Network-focused</td>
</tr>
<tr>
<td>Focus on functional excellence within the organization’s supply chain, including direct (Tier 1) suppliers and customers.</td>
<td>Focus on synchronization and optimization of the end-to-end (multi-tier) supply network, enabling coordinated actions and risk mitigation.</td>
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The importance of resilience in companies

Survey respondents were asked to which extent they agree to the following statement: “Supply Chain Resilience is a top priority in my company”

More than 3 of 4 respondents value resilience in their company as important.
The key components of a resilient operation

A resilient organization must be strong in 4 pillars, while ensuring strong supporting elements.

- **Visibility**: The ability to illuminate the entire supply chain and create supply chain visibility as a basic for risk identification.
- **Flexibility**: The ability to quickly adapt to disruptions without significantly increasing operational costs.
- **Collaboration**: The ability to develop symbiotic and trust-based relationships cross functionally, as well as with supply chain partners and strategic networks.
- **Control**: The ability to implement and execute policies and processes that increase control of the supply chain, as well as expanding the span of control in the end-to-end supply chain.

Resilient supply chains are characterized by four pillars supported by a clearly defined governance structure and key enablers.

- **Org & Talent**
- **Processes**
- **Data & Technology**
The four pillars of resilience
The survey included 23 enablers of supply chain resilience, which are distributed across the 4 pillars of supply chain resilience

Visibility
- Digitization to enable transparency and automation
- Grow insights into suppliers’ landscape by tier
- Improve insight in customer demand trends and changes
- Embed risk management in the end-to-end supply chain
- Implement control tower concept
- Strengthen demand planning and forecasting

Flexibility
- Dual and multi sourcing (previously single sourcing)
- Increase inventory buffers of raw materials, components, semi-finished and/or finished goods
- Increase capacity buffers in production, transportation, warehouse and/or distribution
- Increase use of local suppliers - near shoring
- Outsourcing operations that are not core capability or scalable
- Reduce cycle times in supply chain

Collaboration
- Increased cross functional collaboration
- Increase collaboration with supply chain partners
- Training of organization in resilience mindset and techniques
- Educate supply chain leaders in how to handle uncertain times
- Form a cross-functional resilience task force

Control
- Increase empowerment in supply chain decision making
- Increase standardization of operations
- Introducing new and additional resilience KPIs
- Acquisition of downstream or/and upstream suppliers/partners
- Insourcing operations to increase control on the supply chain
- Review & reconfigure the supply chain network
The most influencing enabler to improve supply chain resilience

Survey respondents were asked to pick their top five enablers of supply chain resilience improvement:

- Increased cross functional collaboration: 48%
- Dual and multi sourcing (previously single sourcing): 38%
- Digitization to enable transparency and automation: 38%
- Strengthen demand planning and forecasting: 30%
- Increase collaboration with supply chain partners: 28%
- Increase capacity buffers in production, transportation, warehouse and/or distribution: 25%
- Increase standardization of operations: 25%
- Review & reconfigure the supply chain network: 23%
- Increase inventory buffers of raw materials, components, semi-finished and/or finished goods: 20%
- Improve insight in customer demand trends and changes: 20%
- Embed risk management in the end-to-end supply chain: 20%
- Training of organization in resilience mindset and techniques: 20%
- Implement control tower concept: 18%
- Increase use of local suppliers - near shoring: 10%
- Reduce cycle times in supply chain: 10%
- Grow insights into suppliers' landscape by tier: 8%
- Increase empowerment in supply chain decision making: 8%
- Educate supply chain leaders in how to handle uncertain times: 8%
- Outsourcing operations that are not core capability or scalable: 8%
- Acquisition of downstream or/and upstream suppliers/partners: 5%
- Form a cross-functional resilience task force: 5%
- Insourcing operations to increase control on the supply chain: 5%
- Introducing new and additional resilience KPIs: 3%

The main enablers are categorized under Control, Collaboration, Flexibility, and Visibility.
Enablers implemented in the past 3 years and the next 3 years

Survey respondents were asked two questions to assess which enablers they had already implemented in their company in the past 3 years and which enablers they plan to implement in the next 3 years.
The enablers distributed across the 4 pillars of resilience

The 23 enablers are grouped into the 4 pillars of resilience. This slide depicts the distribution of selections of the enablers divided into the pillars, both for the question of importance of the enablers, the enablers that have been implemented in the past 3 years, and the enablers that are planned to be implemented in the next 3 years.
The biggest internal obstacle to enabling/improving resilience

Survey participants were asked to evaluate which of the options they saw as the biggest obstacle to enabling and/or improving resilience.
No resilient supply chain looks to same – but the considerations to get there are similar for all

To reach a resilient supply chain, companies must go through 4 steps:

1. Map vulnerabilities and identify market treats and potential disruptions
2. Set strategic objectives for supply chain resilience and define a strategy to meet these objectives
3. Set the vision for supply chain resilience based on the findings in step 1
4. Make an action plan based on the strategy set in step 3 and implement defined actions

An organization with a resilient supply chain
Four tips to get started on your supply chain resilience journey

The survey participants were asked to give advice on how to start a journey of resilient supply chains. The answers centered around four enabling tips:

- **Set a clear vision and strategy**: Ensure early and clear understanding of the vision and strategy for the resilience journey. Make sure to include strategic considerations outside the company boarders.

- **Prioritize people management**: Ensure to gather a strong team, through training and inter-organizational collaboration. Provide full transparency for the organization to facilitate the change needed.

- **Start small and expand from there**: Evaluate the low hanging fruits and critical dangers to the core competencies. Make this the foundation of the resilience journey and add on from there.

- **Trust the data**: Establish trustworthy data gathering processes and visualization. Let this data be the guiding principle instead of relying on experience and gut feeling.
This report is the work of Supply Chain & Network Operations, Deloitte Consulting, Deloitte Denmark. The results are based on a survey distributed to participants of Deloitte’s supply chain panel in November & December 2022. Any questions about the survey can be directed to:

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