

# 5 disruption response best practices:

## Risk mitigation for today and the future



### Short- and long-term recommendations for supply chain resiliency to disruptions

Supply chain volatility is a natural occurrence for today's businesses. What should be your course of action when volatility escalates into a crisis or disruption? If you don't have a plan in place, you're not alone. Many supply chain leaders don't have the formal planning ability to respond to disruptions, including weather (hurricanes, fires, etc.), the economy (tariffs, trade wars, etc.), health crises (SARS, etc.) or geopolitical disruptions. The latest is COVID-19, or the [Coronavirus](#), which is sweeping through over 100 international locations, including China, East Asia, the Middle East, Europe and North America, creating a worldwide health crisis, inciting fear and panic and disrupting the global supply chain on a scale that remains to be seen. And no one knows what's going to happen next.

In a global economy that's already swirling with volatility from changing trade regulations and tariffs, resulting in shifting supply lines, supply chain leaders must have good risk management processes in place. Many companies are currently focused on survival as part of crisis management – forming “war rooms” to understand the impact of what's happening and then making the best-guess action plans with no real-time information or fact-based scenario planning at their fingertips. As customer expectations evolve and volatility increases, the survival approach is simply not enough.

A different reality is available for manufacturers that use concurrent planning. These companies are managing through the crisis and seamlessly preparing for bounceback and recovery. Concurrent planning allows supply chain leaders to plan and re-plan their supply chains on a daily basis *because they can*. They can quickly assess the situation and build out short-, mid- and long-term plans to restore confidence and communities, and manage highly fluctuating demand and radically evolving supply flows. The net is the agility and resiliency needed to get ahead of future disruptive events.

## **Volatility and associated risks are unavoidable. Preparing for and managing them doesn't have to be.**

These are the top five recommendations Kinaxis offers supply chain executives to consider, in addition to the steps you're already taking, to demonstrate resilience and mount an agile response:

### **1 Take care of your people first, then customers, suppliers and shareholders**

As we all feel the effects of supply chain disruption, even on a personal level, it's important to remember that these events may also be humanitarian crises. Your people are your greatest resource. The number one priority should be ascertaining their safety and welfare around the world, determining their risk exposure and implementing plans to ensure their well-being—including travel bans, fewer meetings, remote workdays and enhanced sanitation practices where in-person contact is required.

Here are a few key topics to think about:

- a. Are your own employees accounted for, whether on your sites or your partners'? Are their families accounted for?
- b. Are your suppliers' and customers' people accounted for, especially if they're on your premises?
- c. In case of an infectious disease, are you able to assess direct exposure?
- d. Are you able to segment your people into tiers of essential and non-essential?
- e. Are you able to keep your facilities supplied with the essentials (food, water, sanitation needs and so on)?

Next, communicate with customers and monitor their evolving demands. Understand your customer segments and model responses according to unique agreements and relationships. Proactively communicate with critical suppliers to determine inventory levels and potential issues in the short and long term.



## **2 Activate a global supply chain “concurrency” command center**

If one doesn't exist, assemble a cross-functional SWAT team to respond to current disruption and transform it to a command center for the future. The goal of the command center is to actively seek real-time information and feed it into an agile response planning and execution process. Even if multiple “war rooms” have been created to respond to disruption, it's important to have a central hub of coordination to ensure alignment across the organization. The key is having a unified and correlated view of end-to-end supply chain data, processes and risks.

Start by creating a daily demand review process to know what changes in the markets with exceptions. Maximizing visibility on supplier capacity as broadly as possible is essential, and daily demand monitoring (instead of monthly) is crucial to maintain profitability in times of crisis.

Assess the impact of the disruption across sourcing, labor, materials and logistics. Monitor supply disruptions in the short term and reprioritize available supply and inventory accordingly. Then run multiple, real-time fact-based scenarios to “stress test” the supply chain and better understand how daily demand fluctuations will affect your suppliers, customers and revenue at risk.

## **3 Scenario plan, quantify and develop alternatives to address risk exposure**

It's crucial that you quickly assess the outbreak's business and supply chain impact for the short, middle and long term. Quantify risk across various time horizons and weigh multiple potential future scenarios (pessimistic/ expected/ optimistic). For each potential future scenario, you must understand supply and demand exposure (even if you can produce, can your customer consume?), have a plan for excess and potentially obsolete inventory and analyze the difference between true demand and panic buying.

For the immediate future especially, actively seek real-time demand and supply information, including inventory positions. On a daily basis, or more frequently if information warrants it, reassess allocation of available inventory and future supply to customer orders, to maximize order fulfillment and minimize revenue at risk.

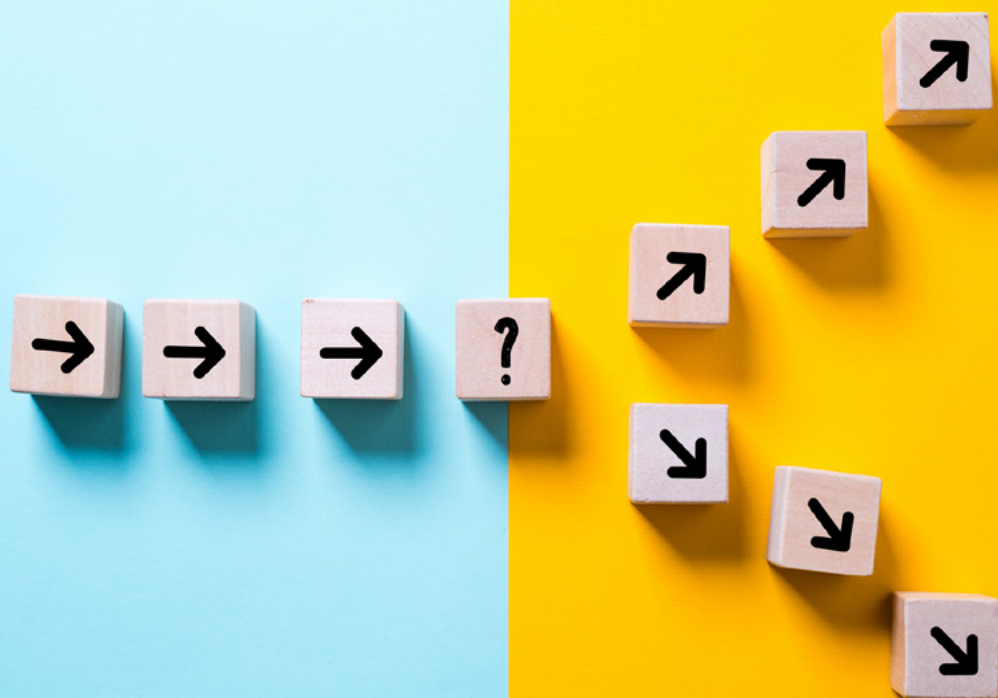
Next, quantify the impact across multiple corporate-level metrics with a weighted scorecard that reflects your cross-functional objectives to determine whether your risk is increasing or decreasing over time. From there, you can evaluate your cross-scenario dashboard and metrics on a daily basis to stay on top of an evolving situation.

The command center and this focus on obtaining real-time information to feed into scenario-driven response planning is the key to resilience in the face of rapidly evolving, almost always foggy situations in the aftermath of a massive supply chain disruption event.

## 4 **Harness the entire ecosystem in a response action plan**

Include your ecosystem of trade partners, suppliers and customers into the command center mentioned earlier, with the goal of developing a view of true demand and true supply. Increase end-to-end supply chain visibility and sharing of information, harnessing your partners' data sources in all directions. Ensure coordination and engagement with governmental authorities, first responders and law enforcement at all appropriate levels (local, regional, federal) to not only ensure safety and security but also to be part of actions for the community. And remember, they're all experiencing the same crisis you are.

To minimize latency of information from suppliers, manufacturers, DCs, freight partners and 3PLs, try using shared environments such as common documents, or better yet, a concurrent planning environment, to determine the best course of action. Sharing common information can lead to faster decision making, allowing for more seamless execution, a certain business benefit during such disruptive times. Collaborate to execute a digital supply chain plan to find ways of decreasing risk exposure and to solve challenges across parties. It will often take more than the proverbial village to restore balance to a global supply chain that's been devastated by disruption.





## 5 Prepare for the new normal

When it comes to modern day global supply chains, there's no such thing as "business as usual". The full impact of the current situation might not be realized for some months. As you plan your recovery, begin to build your competency in navigating through future uncertainty. Here's our best guidance:

- a. Assess business and supply chain risks and failure points
- b. Conduct supply chain continuity planning
- c. Develop visibility into upstream tiers, if not a level of collaboration and control
- d. Conduct a risk-based stress test of your business and supply chain
- e. Modify and upgrade your end-to-end supply chain to become more risk resilient
- f. Run daily scenario plans, and monitor and report on your supply chain health
- g. Formulate a disruption-recovery readiness command center
- h. Conduct regular drills to ensure preparedness

### **Quickly respond to changing market dynamics. Reduce disruptions to your customers. Minimize the impact to your business.**

These are difficult times for everyone working in the supply chain domain; focusing on the extended ecosystem will allow us all to recover from disruptive events more effectively and efficiently. However, you don't need to wait for the next disaster to take action. Kinaxis can help you overcome volatility with concurrent scenario planning to understand the impact on your end-to-end supply chain across all potential time horizons – today, tomorrow and long into the future.