AlixPartners Disruption Insights

MANAGING THROUGH DISRUPTIONS IN THE SUPPLY CHAIN

Stakeholder management in a COVID-19 disrupted world

When it really matters.

Outside of China, much of the world first experienced the COVID-19 crisis in the form of product shortages and 'out of stocks,' which resulted from the unprecedented disruptions in global supply chains.

Even after a year of disruption and change, supply chains have yet to fully recover. Raw material shortages continue to exist in certain markets, and transportation costs have skyrocketed. Critical components, like semiconductors, remain in short supply. Adding to these supply challenges is the continued volatility of consumer demand, and the difficulty of accurately predicting this demand.

Last year, we introduced a framework for stakeholder management in a COVID-19 disrupted world, which is outlined in the graph below, and are publishing a series of articles related to the ongoing challenges of managing these stakeholders in the current environment.

In this fourth article in that series, we examine the unique problems impacting supply chains around the world and suggest some questions to ask regarding your supply chain to make it more resilient.

SOCIETY **EMPLOYEES INVESTORS SUPPLY CHAIN CUSTOMERS RESPONSIBLE:** SAFE AND CARING: VIABLE: FUNCTIONAL: SAFE AND AVAILABLE: The company is viewed The company is seen as The company will not default; The Supply Chain is working. Customers feel safe availing as doing the right thing concerned about health it has taken steps to maximize Products and services are themselves of a good or STAGE without regard for financial and well being and liquidity and has alternatives available (almost) regardless service. They do not feel at consequences. They put is taking care of its people. to call upon if needed. of cost, using extraordinary risk in a physical environment, health, safety, and social measures (air shipments, and they feel that their data responsibility above repositioning inventory, etc.) and financial information is other considerations. if required. secure when transacting in a remote environment. COMMITTED: **PROACTIVE AND CREATIVE:** STABLE: RELIABLE: **RELEVANT AND NEEDED:** The company is viewed as The company is leading and The cash crisis has passed. Goods and services are Now that the 'newness' of 2 serving employees, customers, influencing direction, not just The company has sufficient available when and where the situation has worn off. and other stakeholders in a reacting to outside factors. cash flow, can meet its customers want or need the product or service is a STAGE balanced and thoughtful way. obligations, and if stressed by them on a consistent basis part of the normal course It considers the complex and unforeseen challenges, can and without extraordinary or of customers' daily habits. often conflicting obligations react quickly with options. heroic measures. Customers If it was part of their lives it has and demonstrably The company is positioned to and suppliers do not need to pre-COVID, it still is. If COVID seeks to strike the best take the market share. be concerned and their trust caused a customer to trial the balance possible. is reflected in sales. good or service, it has now moved into their normal. LEADING: EXCITING AND GROWING: **OPTIMIZED AND FLEXIBLE:** ADAPTABLE AND REDUNDANT: VALUABLE AND ALIGNED: The company is seen as a The company is positioned to The company has driven There is a viable plan for key The confidence crisis has m positive change agent. It is grow and prosper. Its people its cost of capital down to things that could go wrong, passed, and customers have recognized as a voice of of all diverse backgrounds feel appropriate levels while choices. But they do not STAGE such as the unexpected reason and wisdom in guiding secure in their roles and having a plan for best, shutdown of a location exercise them because they positive change in its industry, personal prospects are bright. most likely, and worst-case or a key supplier. While view the product or service, and the company providing wider commerce, and the scenarios. It has explained this flexibility has a price, it, as part of a valued world at large. Seen as this to all approriate parties the supply chain is promoting social cohesion and and inspired confidence. It lowest appropriate cost, relationship.

has articulated a growth plan

that is logical and supported.

adjusting for risk.

STAKEHOLDER MANAGEMENT IN A COVID-19 DISRUPTED WORLD

reducing societal inequalities.

The recession associated with the COVID-19 crisis has been unprecedented. Economic recovery remains hesitant, and unemployment is still higher than before the pandemic. Despite this, consumer spending has remained robust across a broad array of products, supported in many cases by state aid. How and where consumers are spending their money has been shifting, driven both by social distancing restrictions and by concerns over health and finances.

All of this has increased the challenges of accurately predicting consumer demand. And as uncertainty continues over the timing of vaccine rollouts, new variants, and the pace of economic recovery, this volatility is likely to continue for some time.

Even once the pandemic is behind us, disruptions will endure. Incorporating lessons learned from COVID-19 is critical to be better prepared for future world events.

In continuing to manage through the current crisis and preparing for the future, below are critical questions you should be addressing within your supply chain:

- Location: How can supply chains be further shortened? How can you diversify your supply base to reduce risk of potential disruptive events? What processes can be shifted, and can suppliers train workforce to handle more complex manufacturing?
- **Cost:** Are the right products being made with the right sourcing footprint in terms of total costs? Have you optimized the supply base? Are you minimizing total costs while keeping supply chains agile and product supply secure? What costs can be passed along to consumers?
- **Technology:** Are the right technologies being leveraged to enhance speed and process efficiency? Can you more effectively utilize technology to make the manufacturing processes more efficient? What early warning systems can be put in place to better predict and mitigate supply issues?
- Agility: With consumer demand shifting due to social distancing restrictions and concerns over health and finances, is the supply chain agile enough to respond to changing consumer demands quickly? Do you have good visibility and control on inventory to avoid excessive inventory when demand decreases? Can product development timelines be shortened to quickly respond to new customer needs?
- **Collaboration:** How can you work with suppliers to ensure delivery of the highest-value products? Can you select and work with strategic suppliers to drive cost reduction, secure supply, and foster longer-term relationships to collaborate? Can products be designed to use critical parts from different suppliers to avoid bottlenecks in the future?

COVID-19 has created unique challenges for global supply chains. Unfortunately, even after the current crisis is past, disruption is here to stay. Now is the time to make long-term decisions to mitigate risks in your supply chain and ensure greater resiliency into the future.

Critical questions to address within your supply chain

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About us

For over 40 years, AlixPartners has helped businesses around the world respond quickly and decisively to their most critical challenges–circumstances as diverse as urgent performance improvement, accelerated transformation, complex restructuring, and risk mitigation.

These are the moments when everything is on the line: a sudden shift in the market, an unexpected performance decline, a time-sensitive deal, a fork-in-the-road decision. But it's not what we do that makes a difference; it's how we do it.

Tackling situations when time is of the essence is part of our DNA, so we take an action-oriented approach at all times. We work in small, highly qualified teams with specific industry and functional expertise, and we operate at pace, moving quickly from analysis to implementation. We stand shoulder to shoulder with our clients until the job is done and only measure our success in terms of the results we deliver.

Our approach enables us to help our clients confront and overcome truly future-defining challenges. We partner with you to make the right decisions and take the right actions. And we are right by your side. When it really matters.

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