



The Business Restart Incubator: Spotlight on Supply Chain Impact

It's been four months since the first confirmed case of COVID-19, and it still feels like there are more questions than answers. Businesses are cautiously optimistic as the economy begins to reopen. For business and functional leaders, that cautious optimism must quickly transition into planning and implementation of new strategies, business processes, and mitigation plans. Unfortunately, many have awoken to a reality of tighter resource constraints and lower budgets, compounding the challenges that lie ahead.

SPOTLIGHT ON THE SUPPLY CHAIN FUNCTION

One of the functions hit hardest by this crisis is the supply chain function. It's almost impossible to go through a news cycle without a mention of medical supply shortages in hospitals, a reference to grocery supply chain disruptions, or how Amazon and other large distributors are prioritizing shipments of certain products. The reality is that many businesses began anticipating supply chain challenges as the virus began ravaging through China, particularly on their supply-side. It was only when we began to feel the impact of the virus domestically, that the focus shifted from sourcing to an entire supply chain disruption, shutting down businesses, and surviving the pandemic. Eventually, however, the shock to the global economy and supply chains will stabilize, and we will have a "new normal".

The purpose of this spotlight, is to apply the principles of the [Business Restart Incubator](#) to a few example supply chain challenges. More specifically, it will illustrate how to use the Business Restart Incubator to navigate the impacts and changes to suppliers, customers, and core business processes.

Before we begin, we must assess if there is a need to review the supply chain; we anticipate the answer is yes, but here are some questions to help frame this discovery:

- Are my suppliers and distributors resilient enough to handle short-to-medium-range shocks until a vaccine is available?
- How long are we able to effectively execute in our current supply chain environment?
- If we return to normal operations, are my business processes safe and flexible such that I can keep my employees healthy and adapt to short and medium-range demand fluctuations?
- How has my distribution network changed, what adoption patterns are driving those changes, and will they persist?
- Do I have a coherent supply chain strategy for a post-pandemic world?
- Do my systems support my core business processes and an increasingly digital world?
- What changes in our supply chain and business model may persist in the post-pandemic world, and am I able to execute with these changes?

Once we have determined the validity and need to implement the Business Restart Incubator principles within the supply chain function, we can illustrate how to apply the phases.



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By [Phil Lynch](#), Bernardo Jaccoud

REFLECT AND SHIFT

Resiliency is the ability to overcome shocks to your supply chain and maintain normal business operations. COVID-19 has exposed the Western Hemisphere's desire to prioritize cost over risk of supplier disruptions, most notably in China. Organizations can leverage their procurement data to assess the level of dependency on each supplier and identify those most at-risk to critical business needs. A Pareto analysis for the quantity and value of goods supplied by vendors provides a snapshot of risk. Highest value and volume suppliers should be further evaluated on cost, lead times, quality, and resiliency to prioritize action. Control charts can track supplier cost of quality and lead times providing pre-COVID-19 baselines and post-COVID-19 impact.

The core business processes in the supply chain organization will be affected by COVID-19 in ways we can't imagine. Critical activities will need to be designed in such a way to support employee safety, quality, and the overall marketplace. Process mining, which uses systems data to visualize processes, provides rapid process discovery and conformance checking capabilities. These techniques provide quantitative frequency and performance measures that facilitate qualitative discussions to identify process bottlenecks, critical activities, gaps, risks, and remediation opportunities.

Distribution networks have had to adjust in varying degrees to customer buying patterns. The degree and permanence of those changes must be addressed through a combination of market and demand analysis. Transaction and shipping data provide trends into who, what, where, and how products and services are being procured. Pareto and time-series analysis on customer buying patterns paired with market intelligence paint a picture of the changes, how they are manifesting, and provide a backdrop for assessing permanence. Conversations with sales will also help in adding color to how your customers are being impacted and changing their decision habits for the future.

REALIGN TO THE NEW NORMAL

The data and market intelligence gathered in the previous phase turn into decisions in this phase. For the supply chain function, that means understanding sourcing risk, customer behavior and macroeconomic trends most affecting the business, and key business process changes required to operate safely and flexibly and making decisions for attacking each.

Resiliency is and will be the most prevalent theme for supply chain organizations following the safety of their employees. Demand and market trends provide context on general business strategy. A global view of at-risk suppliers and their performance across cost, lead-times, and quality are quantified and provide life to strategic sessions. Additionally, optimization models can help assess supplier decisions by incorporating risk. These sessions delineate future-state scenarios based on the general business strategy and determine important macroeconomic triggers that will incite action – the most likely future scopes sourcing strategy.

The process of turning data into decisions requires leadership to discuss, assess, and hypothesize opportunities. However, limited resources and status quo thinking can block real progress. This is where taking a step back, asking the right questions, and having third-party facilitators guide conversations, serve as challengers, and provide expertise can drive a lot of value.



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TACTICAL PLANNING

Strategies developed in the previous phase will likely vary significantly from historical processes, requiring leadership to develop critical path items and determine which projects must be stopped, started, changed, or fast-tracked. Supply chain organizations will need to act in accordance to the impact on demand to minimize risk as well as sourcing and operating costs. Employee safety and adhering to state and federal guidelines must be the first consideration for key initiatives and projects developed during this phase. Set that as a clear mandate for all owners and ensure the project management office has a resource dedicated to compliance across all activities.

OPERATIONAL PREPAREDNESS

With key initiatives in place, external and internal resources are brought in to help execute and lead the organization. General change management practices are applied like the establishment of the PMO office and go-live prep with the intent to communicate and prepare organizations and key stakeholders for the challenges ahead and to bring “life” to the tactical plan.

It is likely that many of the supply chain initiatives of the past were driven by cost. As such, leadership must be ready to communicate how the organization wants to build risk into their supply chain decisions.

EXECUTE LIKE A START-UP

This phase is all about execution in the transition to a “new normal”. Organizations will face resource and budgetary constraints, just like start-ups face every day. Additionally, the macroeconomic environment requires organizations and supply chains to stay nimble and flexible. In that spirit, execution should include experiments and a “fail-fast” mentality that positions the organization for success as macroeconomic triggers, identified in the *Realign to the New Normal* phase, begin to take shape as the economy stabilizes.

HOW SLKONE CAN HELP

The [Business Restart Incubator](#) is SLKone’s response to the economic and subsequent business impact of the COVID-19 crisis. It is a suite of activities, process, and planning tools designed to be applied across industries and functions. This spotlight has focused on the supply chain function due to the disproportionate impact felt in this function across organizations and industries. Our [Deliberate Thinking](#) program, analytics capabilities, and execution-focused approach can help set strategy that is implementable and manage those implementations to completion. We focus on driving results and true business impact. Reach out, let’s have a discussion.