

## Back to normal

### *What comes next after Covid-19 and how to prepare your supply chain for it*

#### Summary:

- **Organisations need to get beyond day to day crisis management and start to plan for what comes next**
- **A variety of scenarios need to be considered and prepared for**
- **Predictive analytics, combining external information and the latest transactional data, should be leveraged to look ahead and anticipate the next set of challenges**
- **Rip up the rule book and be ambitious**
- **Boost agility as quickly as possible**

In our previous white paper on the Covid-19 outbreak, “Survival of the Fittest”, we looked at what supply chain organisations need to do to survive in the short term. While, at the time of writing, it is highly unclear when things will get back to normal, or even what normal might look like in the future, this is nevertheless an important time for organisations to also look to the future and prepare themselves for it.

Of course, it is possible to imagine that what we consider normal will change for ever. That is not the topic of this white paper. We will look at more futuristic scenarios in the third and final paper in this series, “the new normal”. In the present paper, we will look at the immediate aftermath of the current crisis, without dwelling too much on to what extent things will ever get back to what was considered normal only a month or two ago.

#### **Before normal**

Normality does not typically have a very positive ring to it. Normal, mediocre, boring. But after a few weeks of unprecedented measures to deal with the current coronavirus outbreak, the prospect of normality suddenly seems immensely attractive. And yet going from periods of extraordinary disruption to a period of relative normality is not always straightforward. This has implications for supply chains.

Before we turn fully to the topic of a return to normality, let us consider the potential elongation of the current crisis. In times of crisis we can get fixated by the day to day challenges. Yet it is far from certain that the current restrictions on movement and activity will be relaxed very soon.

Organisations already need to start planning to deal with the next couple of quarters if the disruption continues at its current rate. Note that this is not some temporary stability. Indeed, the only certainty is probably uncertainty. Bullwhips will continue to ripple, new points of failure will emerge. The longer the crisis lasts, the more likely it is that more companies will go bust.

Some risks are hard or impossible to mitigate quickly. Yet necessity is the mother of invention. Look at how quickly a whole range of firms has designed and started producing ventilators. New records are being set for research and development (R&D) timelines. Sitting tight and hoping everything will be all right is a highly risky strategy. Work out effective mitigation strategies quickly and have the courage and conviction to overcome the normal inertia. Remember, these are not normal times.

As you plan for the next quarter or two, there are two critical activities to concentrate on. The first is your external risk assessment. What does your supply chain look like, where is it liable to fail and what would the impact of failure be on you? A system failure mode and effects analysis (system FMEA) can usefully be carried out on your supply base to identify and weight these impacts, helping define and prioritise actions to mitigate them.

The second critical activity is predictive analytics. Even when you have identified external supply issues or risks, understanding in detail the impact on your operations is vital. Extend your field of vision from the day to day to 3-6 months' time. Model both a continuation of current business and major scenarios identified from your risk analysis. Most organisations have the data to do this if not necessarily the ability. Accept that as with any prediction it is going to be wrong in detail. What you are looking for is the impacts of the main risks so that you can take preventative action as soon as possible. The analysis needs refreshing on a regular basis.

Over and above these two critical activities, concentrate on all of the short-term levers we set out in the previous white paper: maximise transparency, stay nimble, look for alternatives, reduce complexity and bullwhips, avoid putting your faith in forecasts and prioritise relentlessly. These behaviours will all help you to ride out the storm however long it lasts.

### **Back to normal**

At some point, some kind of normality will return. Depending on your circumstances, this could involve a surge in demand or a drop in demand. Those changes might happen quickly or slowly. Depending on how the pandemic develops, there may be a brief return to normality followed by further disruption before a more lasting return to normality. Normality is likely to return at different times in different places.

As with the short-term measures we recommend, agility is key to your ability to deal with whatever scenario your organisation is faced with. Long lead times and a lack of alternatives will be highly undesirable qualities in your supply chains. And there will be a whole new round of bullwhips to deal with, as your suppliers and competitors react to the same developments at the same time.

Your ability to ramp up or ramp down quickly will have a major impact on your profitability, balance sheet and competitive position. Changes which in normal times can take years to accomplish or be considered too radical need not just to be considered but pushed through in record time. While you are considering whether buying a supplier might be the best option to shore up supply of a critical component, for instance, one of your competitors might already have done it.

This is not to advocate rash or ill-thought out actions, just to say that time is not a luxury most organisations have. Different risks need offsetting against each other. In many cases, governments are relaxing regulatory requirements to facilitate quicker responses and your organisation should do the same internally, even while continuing to maintain quality and protect health and safety. So now is the time to:

- Identify alternative sources of supply and bring them on line
- Keep open communication channels with key suppliers and customers and play through important “what if” scenarios with them
- Simplify your product portfolio as much as possible
- Consider alternative materials to resolve supply issues
- Improve efficiency and shorten set up times
- Relentlessly focus on driving down lead times

Now is also the time to model different ramp up and ramp down scenarios. If demand suddenly rises back to pre-crisis levels, how do you ramp up production as quickly as possible? And if there is then another drop in demand, how do you ramp down again? Thinking through all of the steps and challenges will make you much more able to do it successfully when the time comes. A RAID analysis (risks, assumptions, issues and dependencies), if carried out thoroughly, will be a very useful tool to help minimize “unforeseen” issues delaying roll out and specifically help with sequencing. You also need to model the cash flow implications of all the major scenarios you face.

What many companies already engaged in this kind of exercise are finding is that while it is not excessively difficult to do at a high level, modelling the full implications using data is much more of a challenge. Organisations with a connected digital infrastructure may have some advantages, but not necessarily the ability to run flexible analyses easily. This is an area where we at nVentic are specifically well-equipped to help our clients. Critical to success is the ability to combine essential supply chain knowledge and experience with advanced data analytical capabilities.

The top priority is the health and safety of workers, customers and suppliers and will continue to be so. But the supply chain has a critical role to play, both in directly supporting Covid-19 responses with the timely provision of critical supplies, as well as helping to minimize the medium-term impacts by helping the economy get back to some semblance of normality as soon as possible.

What that normality might look like is the subject of our third white paper in this series: “the new normal”.

*nVentic is a specialist supply chain consulting company with advanced analytical capabilities and a particular focus on inventory optimization.*