



During Typhoon Haiyan in the Philippines, companies with local presence served as first responders, donors and logistical aids

# How to weather global supply chain disruptions



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## In times of crisis what areas should you consider to protect supply chain from further damage?

Is the pandemic just the tip of an iceberg that is warning us of the future unprecedented challenges or will it direct us towards a new world order? According to Klaus Schwab, Founder and Executive Chairman, World Economic Forum: 'This pandemic represents a rare but narrow window of opportunity to reflect, reimagine, and reset our world.' Is this pandemic's global supply chain

disruption due to the humans' negligence and destruction of nature? Has this pandemic challenged the very existence of the responsiveness, resilience and restoration nature and practices of the local supply chain businesses to global supply chain networks?

This global lockdown of businesses resulted in significant (and most likely imbalanced) disruptions to existing customers' service provisions, transforming the ways in which we will communicate and offer services to our future individual and or business customers.

This crisis is not a myth any more or a reality in the making, but a severe reality in practice.<sup>1</sup> Where there are signs of easing lockdown globally, some have again enforced strict smart lockdowns, with

economic activities gradually starting to take place or recover, per se. Nevertheless, Covid-19 has disrupted, as well as destructed supply chain businesses and demand for goods. The resulting hit to manufacturing units and economies has been substantial. Gita Gopinath, Chief Economist, IMF, has said that the coronavirus epidemic involves supply and demand shocks. On the one hand, business disruptions had lowered production, creating shocks to supply; on the other hand, the reluctance of consumers and businesses to spend had lowered demand.

Failing to react properly to this disruption can have long-term implications for the bottom line. It is especially important for small and medium-sized enterprises (SMEs) to make important and careful



adjustment. Unlike the major companies, SMEs do not have enough resources to withstand such a disruption and it can have serious business implications. Here are some key areas to consider to prevent your supply chain from further damage during times of unprecedented crisis.

### Supply chain visibility

Transparency is critical, especially during a major crisis such as the Covid-19 pandemic. Real-time access to tracking information similarly allows retailers, carriers and suppliers to route shipments easily and seamlessly or reposition inventory. Supply and demand patterns are fluctuating considerably, hence it is important to capture and communicate variations to facilitate reallocation. It is important to establish one source of accurate data so that all supply chain parties can act in harmony. Tools such as logistics capacity assessment (LCA) assesses tactical elements of infrastructure and services that impact the supply chain's ability to function in an emergency. LCA focuses on infrastructure, suppliers, services and landscape, with particular attention to any shortcomings that might complicate logistics planning in an emergency. Further, organisations must have a robust monitoring system of their suppliers.

### Understand the geography

Knowing the level of risk to the relevant geographical areas of supply chain is imperative. Map the local and international players in a supply chain to understand their roles, responsibilities and capacities in an emergency. These capacities range from physical capacity, such as warehouses and supplies, to informal capabilities, such as community trust.

For instance, during Typhoon Haiyan in the Philippines, companies with local presence served as first responders, donors and logistical aids. The country worked to set up partner coordination mechanisms to ensure a coordinated response by organising multi-sectoral meetings among key stakeholders such as government agencies, NGOs and the private sector. Design suppliers' manufacturing, warehouse and distribution sites to ensure they are not all in the same region.

### One point of command

A lack of organisation and coordination can easily infiltrate a vulnerable supply chain. Establish a chain of command that engages all functions and planning teams and is directly responsible for creating a business continuity plan. This person or group can identify all possible disruptions to the company's operations, and determine how to address these concerns quickly. One approach that allows people to act immediately is decentralisation. Things can take time when they go through multiple parties, but when you decentralise authority, people are able to act faster – for example, when Hurricane Katrina struck in 2005, Walmart took a decentralised approach that allowed local managers to provide food and water to the victims quickly and effectively.

### Map alternative partners

It is proven that developing strong supply chain partnerships through trust and commitment is recipe for success. It is similarly essential to map and find capacity elsewhere, or to explore how to reroute, combine modes, access spare capacity, and expedite transportation to meet demand. Consider using a variety of

different suppliers and diversify transportation, as well as planning alternative routes. This flexibility could prove essential to business success in the wake of a natural disaster.

### Flexibility is the key

It is essential to have a flexible planning mechanism in order to respond new challenges as they arise, especially in regard to human resources. Supporting employees during the crisis helps organisations to recover faster. Further, redraw supply chain to have production facilities with local sources of supply to spread the risk. Critical ecological, environmental, behavioural and cultural factors determine which areas of the supply chain must be targeted and which will have implications for warehousing and storage locations and transport route mapping.

### Commodity planning

A predetermined and specified list of commodities provides countries with critical information to plan across the supply chain. Compiling this can significantly slow down the early phase of a response, so developing an initial list is essential in increasing response efficacy. Creating a defined list enables organisations to forecast needed quantities, identify suppliers and negotiate agreements, determine storage needs, plan for transport and develop protocols on inventory management. ⊖

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^ When Hurricane Katrina struck in 2005, Walmart took a decentralised approach to provide food and water to the victims