

# Supply Chain Challenges: How to Face Issues in Global Supply Management



One of the most important—and for many companies, most painful—lessons to come out of the coronavirus pandemic was the importance of a resilient, flexible, and agile supply chain. Facing unprecedented supply chain challenges while simultaneously working to adapt to an entirely new way of navigating commerce pushed many organizations to their limits. Across the entire global economy, businesses were forced to seek alternate sourcing for mission-critical raw materials even as they sought to leverage new technologies to create more effective supply chain strategies, manage costs, and keep a downturn from turning into devastation.

Even governments, eager to develop and deploy vaccines to their citizens, struggled with supply chain management issues. With organizations of all sizes and types relying on complex global supply chains today, finding ways to address the biggest supply chain challenges in history is essential to recovery in the new normal—and gaining the flexibility and resilience to survive whatever new challenges may lie beyond the horizon.

# Mitigating Supply Chain Challenges Matters More Than Ever Before

Modern supply chains are complex. And if they're not optimized for resiliency and agility, they are highly susceptible to disruptions many businesses have never encountered before. Mitigating supply chain disruptions is essential to both competitive advantage and, more importantly, business continuity itself. And for governments, mitigating these risks is much more than a matter of political expediency; neither protecting the public health, serving public needs, nor maintaining the public's trust can be accomplished without effective supply chain management.

Consider the COVID-19 novel coronavirus pandemic. According to a 2020 survey of firms across industries:

- 4% of firms surveyed said the coronavirus had "some" detrimental effect on the supply-side of their supply chains; nearly 15% (14.6%) said it had "significant" detrimental effect.
- 1% reported "some" detrimental effect on logistics, while 16.3% said the pandemic had "significant" detrimental effect.
- 9% said the pandemic created "some" detrimental effect on the demand side of their supply chains, while 25.9% said the detrimental effects were "significant."

The pandemic also had a significant impact on the supply chains world governments relied on to respond to it. In the United States, for example, the Department of Homeland security created Centers of Excellence (CoEs) to study the impact of the coronavirus on government supply chains and operations.

They found the disruptions created had a powerful impact on public health due to closed borders, unreliable access to legitimate PPE, and instability of global food and materials supplies. In addition, these disruptions:

- Created significant economic devastation, with the gross domestic product (GDP) estimated to fall by nearly 12% (around \$2.5 trillion) and employment dropping by 12.2% (19 million full-time jobs).
- Highlighted the need for more ambitious and strategic supply chain management in order to address the complex web of interdependencies

impacted by a global event such as the pandemic.

- Underscored the interconnected nature of public health preparedness, national security, and economic development, and the need for significant advancements in sourcing and logistics to meet evolving needs.

The coronavirus pandemic is perhaps the most prominent recent example of a global supply chain challenge capable of disrupting entire ecosystems—but it's not the only one. From the Amazon Rainforest fire to the laborious international trade machinations (and supply chain implications) accompanying Brexit, volatility is at an all-time high.

Fortunately, the presence of another disruptive force—digital transformation—has the potential, when properly leveraged, to help supply chain leaders identify and mitigate the risks poised by today's global supply chain challenges. It offers tools supply chain managers can use to reduce risk and harness the power of Big Data management, artificial intelligence, and data analytics to provide custom solutions in a world where one-size-fits-all supply chain planning no longer cuts the proverbial mustard.

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## Today's Biggest Supply Chain Challenges

While every business has its own unique needs and considerations when building their supply chain network and crafting their overall supply chain strategies, some supply chain challenges are faced by just about every organization operating in today's competitive and complex global economy. Let's take a look at some of the most common.

1. **Lack of Supply Chain Resilience—and Agility.** When it comes to potential disruptions, the only thing better than a foolproof plan is a foolproof plan with a backup waiting in the wings. Companies and government bodies alike need supply chains that can weather complex international disruptions. Terrorist attacks, natural disasters, political conflict, war, and, of course, epidemics are just a few of the potential

disasters that can shatter multiple links in a globe-spanning supply chain. Prioritizing supply chain resilience by building contingencies into your supplier base, processes, pricing, and logistics can make the difference between perseverance and collapse when crises come to call.

Business agility—as a mindset as well as a formalized approach to process management—is a natural complement to supply chain resilience. Collaboration, communication, and creative solutions to supply chain challenges are a powerful antidote to the vagaries that come with market volatility.

- 2. Cost Management.** The longer your supply chain, the greater the operational, logistical, and material costs it will generate. In the post-coronavirus world, rising transportation costs related to trucking, warehousing, and other logistical concerns are “wreaking havoc on budgets”, and the ever-growing flood of Big Data that accompanies managing complex global supply chains can further tax limited resources if companies don’t invest in the right tools.

Integrating your procurement, finance, and operational planning, with support from data analysis tools, can help you forecast demand more accurately, source more strategically, and integrate contingencies into your logistical planning while still reducing costs and waste. Used effectively, business intelligence can help you realize the potential of big data in slashing costs and improving efficiency in all your processes while building value at the same time through strategic improvements such as more sustainable sourcing, partnerships with local suppliers, etc.

- 3. Customer Expectations.** Providing an exceptional customer experience might seem more the province of sales than procurement, but today’s consumer has expectations that extend beyond product quality and customer service. Supply chain planning needs to meet consumer demand for goods and services, of course, but it also has a strategic element based on more esoteric concerns.

Companies must now incorporate more ambitious (and, just as importantly, more *visible*) initiatives within their supply chains to show they are good corporate citizens (e.g., sustainable procurement, ethical procurement, etc.), engaged with public discourse via social media (e.g., sourcing from companies who support important causes), and able to meet increasingly sophisticated tastes and

expectations (product customization, alternative materials, print-on-demand, etc.).

4. **Supplier Relationship Management.** Your supply chain is only as strong as its weakest link. Suppliers who expose you to needless risk, either through lack of compliance, unethical practices, or poor quality and service can leave you exposed to a crippling blow.

As with other areas, the more complete and transparent your available data, the better results you'll have in choosing suppliers and partners who meet your own high standards for risk exposure, compliance, and strategic value.

## Responding to Supply Chain Disruptions

1. **Take a holistic approach.** Create a formal response plan for dealing with potential supply chain disruptions. This framework will provide a general set of rules for identifying, analyzing, and responding to threats as they emerge.
  1. Identify risks and prioritize them based on their potential impact on your supply chain, services, and overall ecosystem.
  2. Model potential outcomes using data analysis. Consider multiple contingencies and scenarios to determine the best option(s) for mitigating risk and protecting business continuity.
  3. Develop, implement, and refine solutions within your supply chain, procurement workflows, etc. to address the risks in order of priority.
  4. Use metrics (e.g., key performance indicators, or KPIs) to measure the results and make adjustments as necessary.
2. **Update your supply chain management priorities.** For many companies adapting to remote working, data-driven strategic planning, and the one-two punch of increasing competition and prices, the future of supply chain management is *now*. To survive and thrive in a world wracked by global supply chain challenges:
  - **Focus on the human element.** From finding and securing talent with the new skills and capabilities to managing remote teams to helping those remote team members achieve a healthy work-life balance, you still need

human beings to get the job done in this brave new world of automation and analytics. Fulfilled staff who share a sense of purpose, collaborate effectively, and communicate easily will prove invaluable in crafting and refining your supply chain.

- **Make data your most valuable renewable resource.** It's tough to optimize what you can't see or understand. Gaining full control over, and visibility into, all of your data—spend, inventory, finance, etc.—is key to developing supply chain strategies and contingencies that mitigate risk, protect profitability and performance, and provide opportunities for innovation, growth, and expansion.
- **Analyze, prioritize, optimize, and revise.** The holistic approach is circular and iterative, integrating continuous improvement into your workflows.

3. **Tap into the powerful potential of new technologies.** Digital transformation tools such as artificial intelligence, analytics, and process automation put you in the driver's seat when you're managing risk, measuring consumer demand, and building contingencies for your supply chain.

Choose a cloud-based, purpose-built solution like PLANERGY to:

- Centralize data management, integrate a diverse datasphere through standardization, and eliminate data silos. Connect all your existing applications, including your enterprise resource planning (ERP) system, to provide complete, transparent, and clean data for optimal analysis, more accurate forecasting, product development, etc.
- Provide access to data and tools from any device or platform, improving collaboration and communication between team members.
- Reduce costs and resource consumption (including IT services) while improving your organization's environmental footprint.
- Integrate vendor systems with your own. Provide an eCommerce-style guided buying experience to reduce risk created by rogue spending and invoice fraud. Further enrich your data sources and improve process optimization with support for eInvoicing, punch-out catalogs, etc. Build stronger, more strategic partnerships with key suppliers.
- Use process automation and optimization to boost accuracy and efficiency while eliminating human error and moving your team to a more strategic

role.

- Leverage data analytics and business intelligence to harvest actionable insights that drive better decision-making, more strategic sourcing, and resilient, agile supply chain planning in real time.
- Connect with other emerging technologies, such as Internet-of-Things (IoT)-powered sensors and digital twins, to provide more data, streamline workflows, and prototype new products based on materials sourced from multiple contingency-based supply chains.
- Meet customer demand (and expectations) more effectively, building soft value through eco-friendly sustainable sourcing, improved corporate citizenship, and ethical procurement.

## **Transform Supply Chain Challenges into Supply Chain Opportunities**

Don't let potential disruptors snap your global supply chain just when you need it the most. By taking a proactive and holistic approach to supply chain management, investing in digital transformation and tools, and prioritizing both resilience and agility, you can take on today's biggest supply chain challenges with confidence and make the most of your supply chain opportunities.

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