



Is a resilient supply chain enough ?

What is needed for today's VUCA (volatile, uncertain, complex, and ambiguous) world is a supply chain that is both responsive and agile

It is an indisputable fact that supply chains across the world were significantly disrupted by the pandemic. The interruption was across industries, magnified due to the global footprint of supply chains today. It was the chaos from this disruption that spilled into the day to day lives of people across the world, making them cognizant about the importance of supply chains. Among all the chaos due to these disruptions, we repeatedly heard the cry for building resiliency with our supply chains.

Is building a resilient supply chain enough?

Resilience in a business context is not a new concept. An analysis of businesses that have survived and thrived during peaks and troughs will tell you that the ability of an organization to successfully confront the unforeseen has always been a core element of success. If we formalize the definition of resiliency in supply chain context, it refers to ***the ability of a supply chain to bounce back when hit by an unforeseen event.***

The threat scenarios that supply chains face today are greater than ever, which has led to the concept of building resilience within supply chain getting more prominence. As Supply Chain leaders work to understand what exactly they need to do to build resilient supply chains, there is one question that they need to ponder upon - ***is resiliency itself enough to handle supply chain disruptions?*** SAPinsider recently had an opportunity to discuss this topic with solution experts and thought leaders from Reveal supply chain solutions and get their perspectives on why supply chain leaders need to think beyond resiliency.

ABOUT Reveal

As an international advisory firm, Reveal helps Supply Chains fulfill their promises to deliver the right products, at the right place, at the right time. They use their experience, products, and proven methods to empower organizations to use powerful capabilities already built in SAP and gain visibility and insights into their end-to-end supply chain.

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Defining supply chain resiliency

At a more granular level, Resiliency” is characterized by the following key attributes:

- Ability to resist/survive disruptions
- Ability to return to original form/state post disruption
- Establish multiple lines of supply to build redundancy

Many best-in-class organizations have invested in building resilient supply chains during the last two decades but have still run into supply chain challenges. This poses a key question pertaining to supply chain resilience- Is building merely the ability to manage and respond to supply chains risks and disruptions enough?

Prof. Yossi Sheffi, thought leader in supply chain resiliency and a professor at MIT, quotes the following in his book “The Resilient Enterprise”: *“Supply chain resilience no longer implies merely the ability to manage risk. It now assumes that the ability to manage risk means **being better positioned than competitors** to deal with—and even gain advantage from—disruptions.”*

This sentiment is shared by experts, practitioners and thought leaders in the field as well. Martin Rowan, managing partner at Reveal expresses similar sentiments when he states: *“Resiliency makes for a “good” supply chain however it can be very costly to have redundancy build in the processes and inventory to ensure disruptions have minimal affect. Agility allows for the business to run lean and keep just in time and just enough supply for normal day-to-day operations. However, agility turns your operations into a “great” supply chain when the disruption occurs, we can act fast and with determination to be able to adjust, correct and respond to constant course corrections.”*

Agility is the secret sauce.

If resiliency is not enough, what additional aspects do organizations need to embed in their supply chains to align with today’s reality and competitive landscape? That missing ingredient is agility. **Agility in the supply chain context means adapting to the situation rapidly and making constant course corrections to meet the changing conditions.** An agile supply chain is defined as a supply chain that can respond **quickly** to sudden changes in demand and supply. They handle unexpected external disruptions smoothly and efficiently. And they recover **promptly** from shocks such as natural disasters and epidemics.

Prof. Hau Lee, professor of supply chain at Stanford university and the author of the HBR article “The Triple-A Supply Chain” defines the following criteria for building agile supply chains:

- Continuously provide supply chain partners with data on changes in supply and demand so they can respond promptly
- Collaborate with suppliers and customers to redesign processes, components, and products in ways that give you a head start over rivals
- Finish products only when you have accurate information on customer preferences
- Keep a small inventory of inexpensive, non-bulky product components to prevent manufacturing delays

Ed Elsbury, associate partner at Reveal adds: *“What we need to strive for in an agile supply chain is what the definition of agility suggests. “The ability to understand quickly, then move fast and easily...”. This means we have the systems and data in place with the right human capital to make small and quick adjustments, course correct to meet different outcomes while failing and succeeding fast. When organizations raise their level of Business Maturity, they can utilize their existing technology (SAP) to meet the agility need.”*

The need for both agile and responsive supply chains

What is needed for today’s VUCA (volatile, uncertain, complex, and ambiguous) world is a supply chain that is both responsive and agile. And the capability of having seamless visibility into your end-to-end supply chain, combined with the ability to plan and respond quickly will be the key to develop a hybrid (responsive and agile) supply chain. Indeed, technology plays an important role in this. As an example, the key aspect of visibility that builds the foundation of a responsive and agile supply chain, will be driven by technology.

And this is where supply chain visibility platforms come into picture. An ideal supply chain visibility platform would go beyond visibility and will also have powerful analytics capabilities embedded within. These analytics capabilities are critical since what you need is not only visibility but also insights that can help you make critical decisions on time. This is made possible by increased insights into critical decision factors and key performance indicator factors.

But people and processes will play their role as well. As Sean Elliffe, senior partner at Reveal points out: *“In SAP terms, it means you have the functionality in place, the trust in the data, the people and knowledge to act fast to make the relevant changes to the master data that will dictate to the materials how to perform in a crisis (or pandemic). Imagine a place, where you can see demand increase or decrease in a particular product, and in an instant change the demand signals, the master data (i.e. business rules) to increase (or decrease) supply. In an instant the supply chain adjusts. It requires a single source of the truth, trust in the data and an organization that responds to the new system recommendations. That is agility. That is maximizing your SAP investment to its fullest.”*

Last, but not the least is having the right external partner to help build these capabilities. From SAP ecosystem context, it is important to have a partner that not only helps you understand how to put your SAP investment to good use by helping you educate on supply chain planning nuances but also offers solutions built around their deep expertise, customized for SAP landscape.

What does this mean for SAPinsiders?

The capability of having seamless visibility into your end-to-end supply chain, combined with the ability to plan and respond quickly will be the key to develop a hybrid (responsive and agile) supply chain. Here are some key considerations:

- **Map your supply chain.** A crucial first step is to understand your end-to-end supply chain. Make sure you have a current repository of data around your existing supply chain that will contain documents like process maps, standard operating procedures, system schemas, standard configurations for planning systems etc.
- **Invest in your people and business processes.** People and processes are as important as technology in any initiative and more so when you want to build a resilient and agile supply chain. Build a foundation by making sure that the processes you want visibility into are best in class. Map your business processes and re-engineer them when required. Force fitting solutions on archaic processes will not yield the transformational results you desire.
- **Redesign your supply chain when required.** Your supply chain design is a key element of building resiliency and agility. Invest in a comprehensive supply chain network design and optimization initiative and make changes to your network if required. The changes may be needed in many areas, ranging from tactical (shop floor layout) to strategic (network footprint).
- **Invest in an end-to-end supply chain visibility tool.** Take your time to understand what type of visibility solution you need, based on your unique business nuances, and develop a standard methodology to evaluate candidate solutions. Make sure you incorporate inputs from teams across your end-to-end supply chain to ensure that the solution will serve its true purpose.

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