COVID-19: MANAGING SUPPLY-CHAIN DISRUPTION

Setting up immediate response capabilities

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THE CORONA IMPACT ON SUPPLY CHAINS

Depending on the spread and isolation strategies, the impact on global supply chain will vary and may change substantially – your supply chain crisis response needs to think through all of them

Local isolation efforts continue

Pandemic spread addressed with isolation efforts

Pandemic spread after isolation efforts have failed

On-going **local disruptions** in global supply chain

Large-scale disruptions and **lock-downs on all levels**

Broad range of **local and global supply chain disturbances** possible, triggered by capacity constraints on people and logistics side

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MANUFACTURING IMPACT

Manufacturing companies have been buffeted in two waves: global supply chain disruption and internal operational regional disruptions.

- **Highly volatile demand swings** further complicate S&OP.

Illustrative:

- **Raw material supplier** to **n-Tier Suppliers**
- **Module or Component supplier**
- **System integrator (“OEM”)**
- **Distribution/retail**

- **N-tier supplier of critical component is affected and cannot ramp-up production fast enough**
- **Critical raw materials with limited global availability are affected, leading to long period of capacity shortage**
- **Supplier of components or modules suffers from undetected broken supply chain on n-tier level**
- **Even plants outside of affected areas are impacted by shortages of few crucial parts and have to completely shut down**
- **Highly volatile demand swings further complicate S&OP**
COVID-19 SUPPLY CHAIN RESPONSE RAMP UP: SUCCESS FACTORS

Tackling a COVID-19 supply chain crisis requires immediately establishing the ability to respond and securing the supply

- Rapidly set-up robust response team structures, governance and processes
- Quickly create comprehensive transparency on impact on complete supply chain (operational and financial)
- Enable and support operations teams (procurement, manufacturing, logistics, quality, engineering) to safeguard immediate supply and to develop sustainable solutions
- Establish decision authority for response team leadership and link to board of management
- Speed-up the development and implementation of mitigation actions for components with highly critical supply situation
- Continuously challenge plausibility of actions to secure supply (supplier financial support, lead time management, alternative suppliers, insourcing, etc.)
- Establish Ability to respond
- Secure supply
IS YOUR COVID-19 SUPPLY CHAIN RESPONSE ADEQUATE?

 Structures, Governance, Processes
• Is your response team sufficiently staffed, equipped, and focused solely on the task?
• Does the team have immediate and permanent access to the full organization and board-level decision makers?
• Do they run efficient real-time processes for issue identification, solution development, decisions, and reporting?

 Comprehensive Transparency
• Do you know which parts of your full supply chain are potentially affected?
• Do you track the status of every potentially impacted part of the supply chain?
• Do you know the (financial) impact of every critically affected part of your supply chain on your own business?
• Do you know the impact on your customers’ supply chains?

 Organization Enabled
• Is every operations team potentially affected by a supply chain disruption trained to support transparency creation, solution development or implementation?
• Are capabilities and resources available to support the supply chain also beyond the organizational boundaries (transport, quality, engineering, …)?

 Crisis Management
• Has your response team leadership the authority to take the required decisions to solve disruptions?
• Does the response team have the right information at hand to take decisions immediately at scale that will impact significant parts of the business?
• Is the top management frequently updated on status and challenges?

 Speedy Mitigation
• Do you have a clear framework on how to prioritize scarce resources and management attention?
• Does your solution development focus on the most critical parts: short time to impact and/or no solutions available?

 Robust Plans
• Do you guide solution development with a standardized set of levers?
• Do you systematically require back-up plans for solutions that are not yet implemented?
• Are you prepared for new parts of the supply chain being affected?
• Do you have a back-up plan for your response team?
OUTLOOK: MID TO LONG TERM SUPPLY CHAIN MEASURES

Besides short term measures, companies need to increase their mitigation and preparation... after the crisis is before the crisis

Inbound Supply Chain
• How comprehensive is your supply chain risk management and how do you adjust your risk appetite?
• How resilient is your supply chain, or your supplier landscape?
• How and when to lock-in transportation capacities and prices?
• How much control do you need of core elements to better mitigate certain risks?
• How do you optimize for cost vs flexibility or even agility?
• Do you have a watch-tower on guard that spots weak signals and increases stock?
• ...

Outbound Supply Chain
• How much/where should you store products now before a likely reduction/shut-down of production?
• How to best ramp-up distribution flows again after the crisis (direct delivery vs. regular vs. ...)?
• How to flex your own distribution cost early on?
• How can you leverage the supply chain flexibility to your advantage in customer negotiations?
• How can you utilize supply chain agility as a competitive advantage e.g. to gain (and retain) share in times of supply disruptions?
• ...

S&OP considerations
• What’s your hierarchy of products/production? In case of scare supplies, what gets produced/not?
• How does demand likely change shortly before, shortly after the crisis, how to best adapt production and the resulting supply chain?
• Should you change your share of made-to-stock/made-to-order in light of a crisis?
• Is a temporary slow-down in demand and supply the time to run more trails/how to use idle supply chain and production capacity best?
• ...

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OUR TEAM OF EXPERTS

Our Operations Practice experts have hands on experience across industries and have supported in supply chain crises such as Fukushima, earthquakes, global capacity shortages, and COVID-19

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COVID-19 RESOURCES

WHO COVID-19 Situation Reports
https://www.who.int/emergencies/diseases/novel-coronavirus-2019

CDC Resources

Oliver Wyman Perspectives
https://www.oliverwyman.com/coronavirus