Supply chain resilience, risk management and supply chain visibility
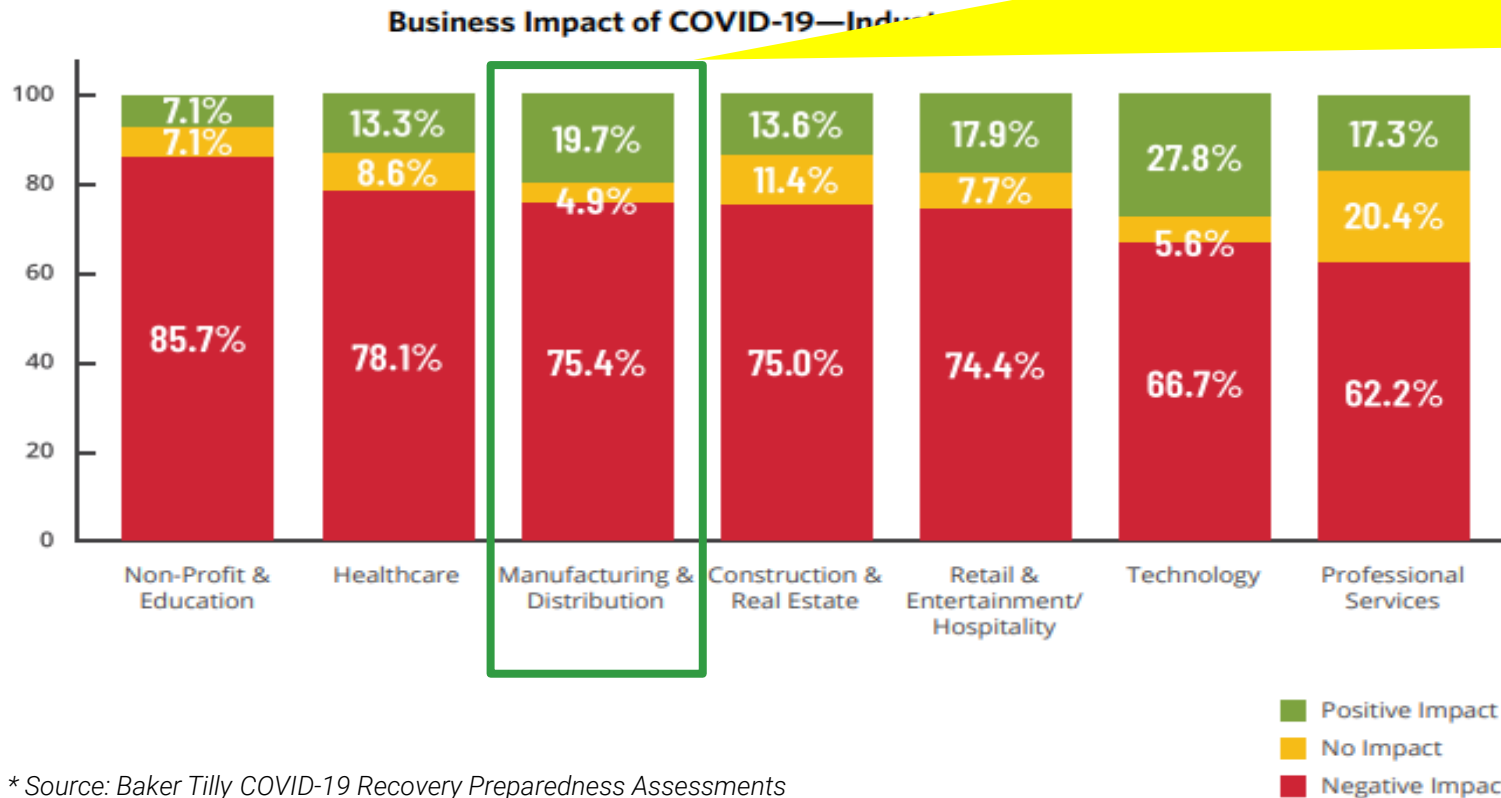
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AGENDA

– Contextual prism

– Retrospective: Guideposts that redefine supply chain resiliency

– Supply chain risk management and sustainability

– Using data analytics to achieve world-class visibility

– Leadership and human impact

# What has been the impact of COVID-19 on your business?

ACTUAL IMPACT

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Manufacturing & distribution was the 3rd most impacted sector

Business Impact of COVID-19—Indu...

Industry	Positive Impact	No Impact	Negative Impact
Non-Profit & Education	7.1%	7.1%	85.7%
Healthcare	13.3%	8.6%	78.1%
Manufacturing & Distribution	19.7%	4.9%	75.4%
Construction & Real Estate	13.6%	11.4%	75.0%
Retail & Entertainment/Hospitality	17.9%	7.7%	74.4%
Technology	27.8%	5.6%	66.7%
Professional Services	17.3%	20.4%	62.2%

- Positive Impact
- No Impact
- Negative Impact

* Source: Baker Tilly COVID-19 Recovery Preparedness Assessments

3

How has COVID-19 impacted your supply chain?

ACTUAL IMPACT

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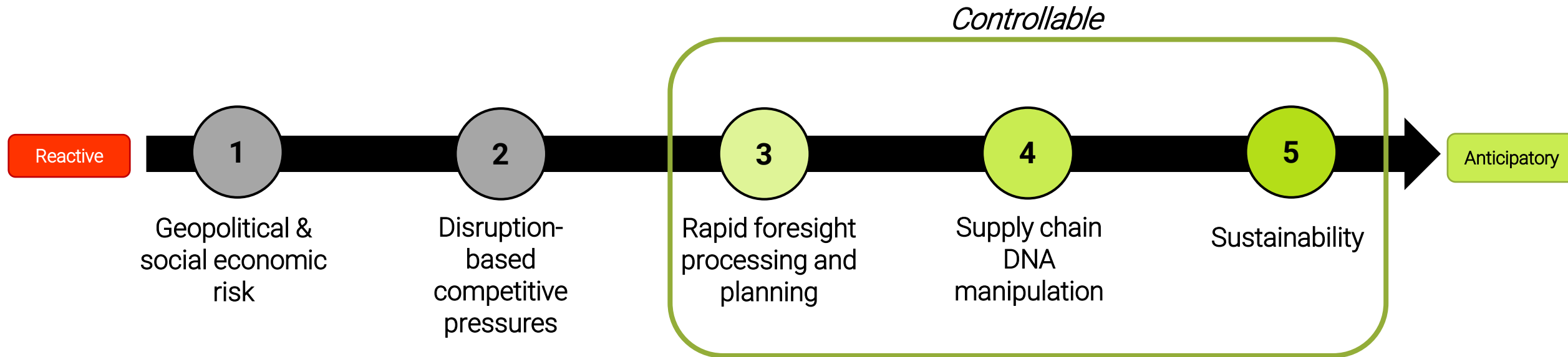now, for tomorrow

- 1.3%
- 0.8%
- 14.3%
- 24.8%
- 58.8%
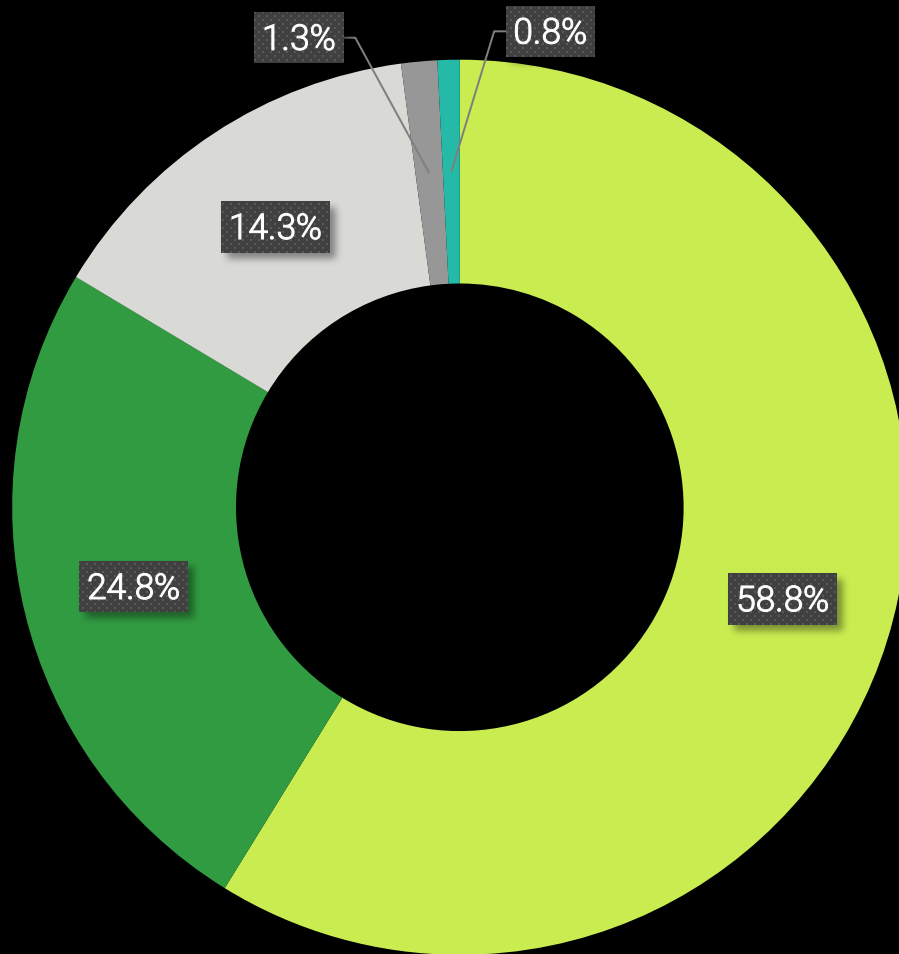
■ Significantly affected
■ Moderately affected
■ Somewhat affected
■ Not affected
■ Unsure

4

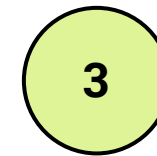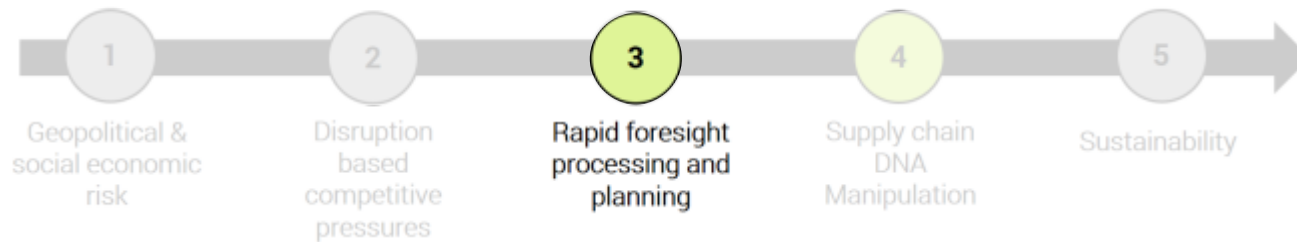How are leading companies using guideposts to redefine their supply chain?

Guiding posts shaping global supply chains

RE-DEFINING SUPPLY CHAIN RESILIENCY AND POSITIONING YOUR BUSINESS FOR GROWTH

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Controllable

Reactive

1 Geopolitical & social economic risk

2 Disruption-based competitive pressures

3 Rapid foresight processing and planning

4 Supply chain DNA manipulation

5 Sustainability

Anticipatory

Guiding posts shaping global supply chains

RE-DEFINING SUPPLY CHAIN RESILIENCY AND POSITIONING YOUR BUSINESS FOR GROWTH

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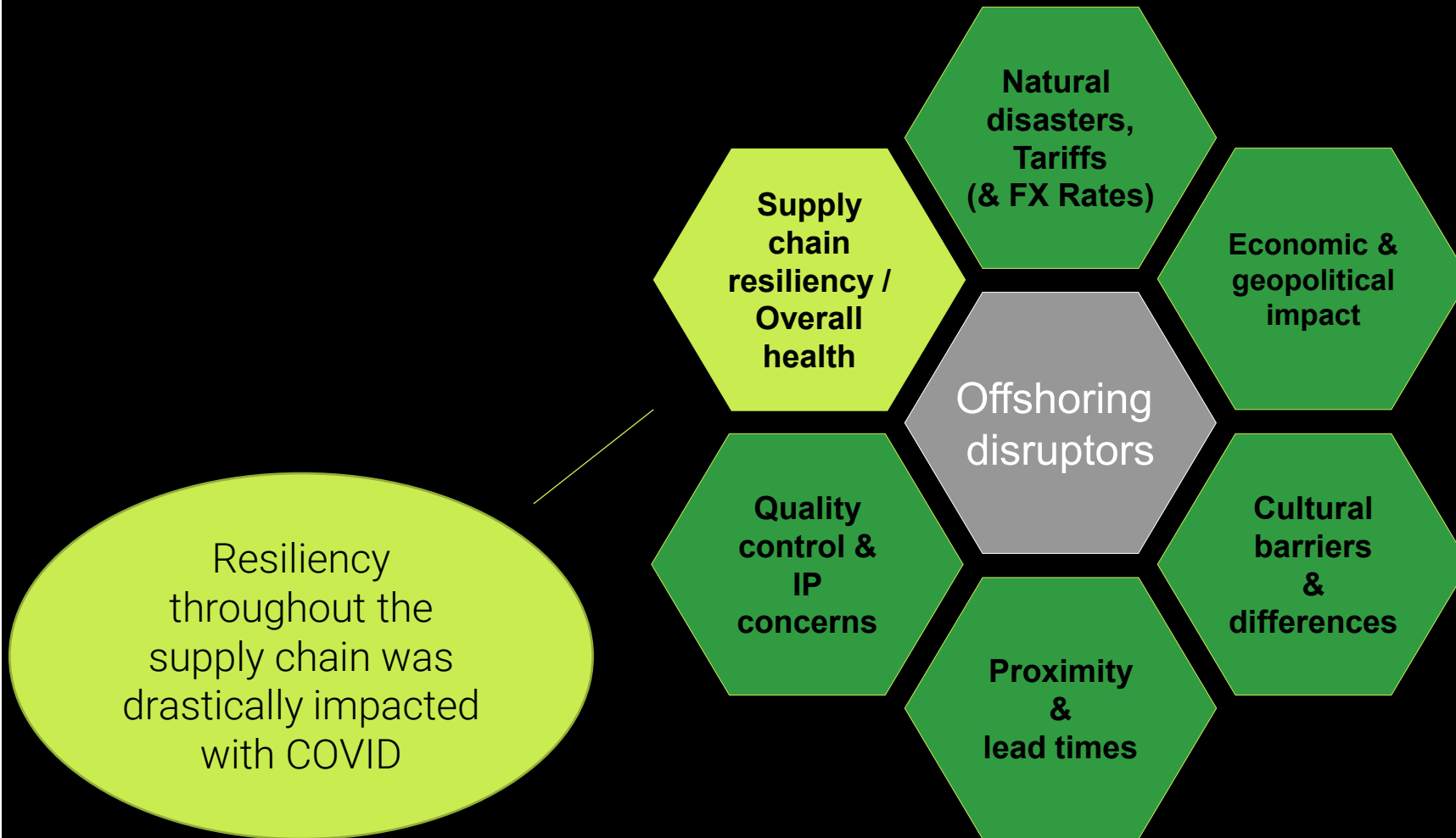| 1	2	3	4	5
Geopolitical & social economic risk	Disruption based competitive pressures	Rapid foresight processing and planning	Supply chain DNA Manipulation	Sustainability

3

Rapid foresight processing and planning

– Integrate supply chain and enterprise strategy

– Investigate **alternative business models and closer locations to create capacity, reduce risk, and create sourcing synergies**

– Identify the economic and strategic benefits (or downsides) to changes in the supply chain via deep analytics and modeling
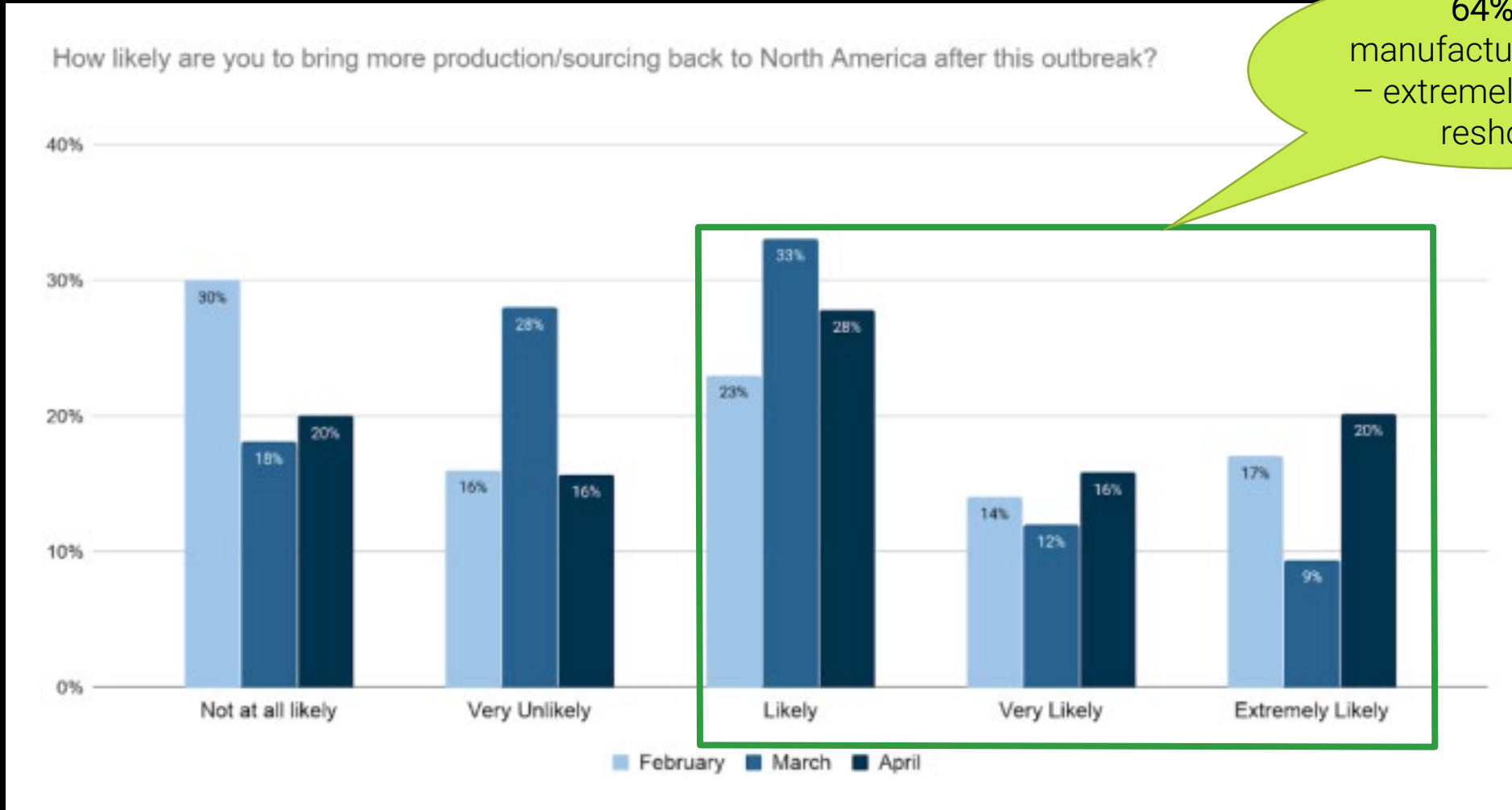
Variables impacting offshoring model

Resiliency throughout the supply chain was drastically impacted with COVID

Natural disasters, Tariffs (& FX Rates)

Supply chain resiliency / Overall health

Economic & geopolitical impact

Offshoring disruptors

Cultural barriers & differences

Quality control & IP concerns

Proximity & lead times

Closer to home - Location migration

ACTUAL IMPACT

What factors explain your decision to move sourcing and/or manufacturing activities out of China?

33% of respondents reported they have already moved operations out of China, or expect to in the next 2-3 years.

Legend: ■ Primary factor ░ Secondary factor ■ Not a factor

Factor	Primary factor	Secondary factor	Not a factor
Tariff cost increases	73	17	10
Diversification for resilience	45	37	18
Regulatory changes (e.g., environment)	32	26	42
Technology trade war concerns	30	34	36
Labor cost increases	29	43	28
Intellectual property concerns	27	27	46
Need for closer proximity to customers	19	40	41
Other		14	86

Supply chain risk management & sustainability

MATURITY MODEL

Maturity profile	Very reactive	Moderately responsive	Highly anticipatory

Level 1   Level 3   Level 5

Sourcing and supply chain planning

Maturity profile	Very reactive	Moderately responsive	Highly anticipatory
	Level 1	**Level 3**	**Level 5**
Integrated business planning	Sales drives production, or production drives sales	Executive-led process drives planning, with analytics supporting planning	Planning occurs in an integrated environment with strong participation from finance
What-if planning capability	What-if planning siloed, ad hoc, and time consuming	Standard models exist and are used on recurring basis	Models encompass end-to-end supply chain impacts and are widely socialized
Disruption management	Significant churn is created by disruptions	Emergency plans with clear business rules are in place	Fully developed 'what-if' models outline optimal action
Demand forecasting	Forecasting is primarily based on historical information	Forecasting systems are in place with regular variance reporting	Machine learning models drive forecasting
Demand shaping	Demand shaping is not taking place	Occasional reactive demand shaping takes place	Demand shaping is integrated into IBP and what-if planning

How leading organizations are using a data-driven approach to location selection

To reshore or not reshore...

– Intensity: Labor vs. automation

– Arbitrage: Logistics vs. labor vs. infrastructure
  – Physical establishment of buildings, processes, people and technology
  – Cost of moving, including movers, replacing broken items and prepping the new space
  – Transition cost, including possible down time and supply interruptions during the move
  – Logistics of establishing new shipping lanes and distribution channels from the new supplier
  – Possible investment tax credits offered by the jurisdiction of the new supplier

– Battle drill
  – Procurement exercise
  – Supply chain (re)design modeling
  – Virtual simulation
  – Data sets you free...

Leadership and human impact on your future supply chain

Leadership and human impact on supply chain resiliency

- Harness uncertainty
  - *How can the impact of uncertainty be leveraged to supercharge team unity, performance and to unlock additional organizational strength?*

- Planning & priorities
  - *Have you maximized the impact of dynamic strategic planning in clarifying your organizational and supply chain success during changing economic environments?*

- Organizational culture
  - *Does your organization have the right culture for creative team engagement during times of crisis or ambiguity?*
  - *Do you have a culture of "psychological safety" so key team members can safely offer ideas during a pandemic or other uncertain time – both in relation to themselves and to the company?*

- Leading intentionally
  - *Visible, Communicative, Empathetic*
  - *Leader's role: Tomorrow in light of today.*

Disclosure

The information provided here is of a general nature and is not intended to address the specific circumstances of any individual or entity. In specific circumstances, the services of a professional should be sought.

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