

SUPPLY CHAIN RESILIENCE

TIPS FOR BUILDING FLEXIBLE & RESILIENT SUPPLY CHAINS

Unforeseen supply disruptions can create shortages of key items for your business, which can have significant consequences for your ability to operate.

There are likely to be numerous steps that go into the production and delivery of the supplies you need for your business. Along that chain there could be any number of events that may disrupt supply such as natural disasters, industrial disputes, business failure, government regulation, accidents, legal issues, quality issues, transportation problems, bad weather, and so on.

While these events are outside of your direct control, especially if you rely on other businesses to supply you, you can take steps to reduce the negative impacts such events can have on your ability to source key supplies.

These steps should assist you to continue to operate in a difficult environment and may give you an advantage over competitors that are not as well prepared for such disruptions.

IDENTIFYING SUPPLY CHAIN RISKS

1. Identify the potential impact that supply disruptions could have on your business

List your key suppliers and rate the impact on your business (mild, moderate, severe) if you were unable to receive these supplies for any period.

2. Track and monitor your supply chain

Continuously monitor your supply chain, especially those key supplies that would have a significant impact on your business if you were not able to source them. This will help you to better forecast when you may experience supply chain disruptions.

Tips for monitoring your supply chain:

- Monitor key supplier performance against your requests. For example, take notice of any changes in quality of goods received, delays in receiving orders or errors in the order.
- Monitor the flow of key material to your suppliers – if your suppliers are sourcing materials or goods from other businesses, are there any events that may impact their ability to receive these?
- Maintain regular contact with key suppliers. Ask them about their operating conditions whether they foresee any problems.
- Set up an alert system for news reports on your key suppliers and the industry they are in – this will help you keep on top of any issues emerging with your suppliers.
- Keep an eye open for other potential red flags such as requests for quicker payment from suppliers, negative feedback from other customers about your supplier, and negative feedback from your customers.

It is also important to consider events that may impact your customers, which in turn may affect your decisions about your suppliers. For example:

- Identify what may trigger changes in the behaviour of your customers – are they shopping in different patterns (i.e. online vs. in person), or are they trending towards particular products (i.e. sustainable products, locally made etc.)
- Are there any competitors in the market offering a similar product but with added or new benefits?
- Is community sentiment around particular goods changing?

REDUCING SUPPLY CHAIN RISKS

Methods of reducing supply chain risks

You should aim to set your business up to be adaptable to supply disruptions and demand fluctuations without significantly increasing operating costs. To do this, you can:

- **Identify alternative suppliers that produce or can source the key products you need. Place such suppliers on an approved supplier list**
Ask these alternate suppliers:
 - Can they supply what you need when you need. Test them with a few orders.
 - Ask where they source their materials/products from. You would want them obtaining their materials/products from a different source/location to your current supplier.
- **Choose alternate suppliers that produce your supplies in different geographic areas to your current supplier.**
- **If you identify patterns that point to supply chain risks, increase inventory levels of key supplies**
In normal circumstances, it is usually not recommended to increase inventory levels due to the extra costs associated and cashflow concerns. However, in disrupted times, having additional inventory will give you extra time to source alternate suppliers while still supplying your customers.
- **Use interchangeable components that can be adapted to meet changing needs**
Using interchangeable parts, production facilities and people allow a business to respond quickly to a supply disruption by reallocating resources where the need is greatest.
- **Have more than one production facility, or check that your supplier does**
Ask your key suppliers whether they can shift production to other facilities or increase production in the event of disruption and if so, how long would it take to meet your needs and whether they have a standardised process.

If you produce products yourself, having alternative production facilities allows you to shift production should there be an event that causes disruption at one of your facilities. Having standardised processes in place is essential to enable a smooth transition and consistent quality for your customers.

- **Maintain deep relationships with each key supplier**
By knowing all your key suppliers well, your business can better detect potential problems. If you build strong relationships, you will be able to rely on your suppliers for help when needed.
- **Maintain a large network of approved suppliers**
This distributes the risk of failure, especially if they are spread over different geographical areas.
- **Prepare and condition your business for disruptions**
Develop contingency plans for supply disruption and revisit these regularly to keep them current. Consider scenarios to stress-test your supply chain to help identify areas of weakness or strength.

- **Postpone or Build to Order**

Consider the possibility of designing products and processes for 'just-in-time' delivery. This means delaying the final configuration of a product to as late as possible in the supply chain when more accurate information is available and delivering when the product is needed.

RECOVERING FROM SUPPLY DISRUPTION

Your business culture will impact your ability to adapt, recover and generate profits post disruption. Features of a business culture that will accelerate your recovery include:

- **Continuous communication with employees**

- Keep all staff informed and aware of the issues your business face. This will empower them to use that information to make better decisions in an environment of uncertainty.
- Be transparent and honest with your staff – if they understand the challenges, they can help you identify the root causes that may be impacting your key suppliers and can help identify solutions.

- **Empower employees to act when they detect a problem**

- Empower teams and individuals to take necessary actions when they detect issues. Quick action increases the chances of a business taking corrective action early preventing issues from becoming bigger.

- **Look for opportunities to innovate**

- Seek innovation and improvement in your processes.
- Remain flexible and open to new ways of working or sourcing new suppliers