

Can We Make Our Global Supply Chains More Resilient?



Boston Consulting Group outlines the key steps that all organizations should be taking now to ensure better supply chain resiliency the next time a disaster or disruption strikes.

A term that's being thrown around a lot right now, resilience is the capacity to recover quickly from difficulties. Applied in the supply chain realm, resilience means being prepared for the unexpected, and responding to and recovering from potential risks quickly.

The global pandemic and the subsequent supply chain challenges forced a lot of organizations to come to terms with their low levels of supply chain resilience. "The COVID-19 crisis has exposed massive vulnerabilities in the global supply chain," *DigitalCommerce360* points out. "It has also shed light on the need for organizations to have complete visibility into their business spend and more agility in the procurement process."

A group of analysts from Boston Consulting Group (BCG) may have the solution for organizations that want to build more resilience into their supply chains. "Factory lockdowns, transportation disruptions, and panic buying led to shortages of everything from medical supplies and household necessities to critical automotive and electronics components," BCG points out in "[Designing Resilience into Global Supply Chains](#)." "The crisis also heightened geopolitical tensions, trade restrictions, and nationalist policies aimed at promoting domestic industry that are likely to continue reshaping the global business landscape."

6 Ways to Build More Resilient Supply Chains

As they continue to adapt to their "new normal" operating environments, global enterprises want to be able to mitigate

risk and secure better access to supplies and markets. There's no time like the present to start restructuring and strategizing. Here are BCG's top six recommendations for companies that want to build out more resilient supply chains for the future:

- 1. Align design principles with the new reality.** Begin by assessing whether your supply chain is adequate given the new economic and geopolitical realities. "Identify exposure to high-level risks and the tradeoffs involved in optimizing the supply chain," BCG advises.
- 2. Segment the portfolio by supply chain risk and understand performance drivers.** Define key segments within your business portfolio and assess supply chain risks on the basis of many factors, including product, geographical footprint, technology and exposure to potential policy change, the firm recommends.
- 3. Identify levers and options at the segment level.** Evaluate all applicable levers for supply chain optimization according to the profile of each segment and where in the supply chain the largest risks lie. "Determine the level of effort required for each action," BCG advises, "and the impact it is likely to have on supply chain capabilities."
- 4. Evaluate supply chain design options for each segment.** Analyze the tradeoffs between geopolitical risk and factors such as production costs, logistics, duties, market access and resilience. Then select an

appropriate approach to supply chain optimization. Identify key KPIs for resilience: A company could, for example, decide it wants at least 30% of key products or inputs to come from three or more qualified manufacturing sites in different geographic areas and would like to keep its capacity utilization under 85%.

5. Pressure-test design choices enterprise-wide. Aggregate contemplated changes at the segment level and evaluate the resulting internal and external network at a company level. “Then analyze what would happen to the redesigned supply chain under a set of scenarios,” BCG says, “such as an escalating US-China trade war, a financial crisis that bankrupts key suppliers, or another pandemic—that could lead to business disruptions.”

6. Put the network redesign in place and monitor performance. Finally, draw up a plan for implementing the new supply chain design and a system for monitoring the performance of the enterprise-to-enterprise network, BCG says, as the macroeconomic and geopolitical environment evolves.

The global supply and manufacturing networks that have served multinational enterprises well for decades have required substantial investments, hard-earned experience and relationships that took years to build. However, BCG says they’ve also been premised on many assumptions of the way the world works that are fast becoming outdated. Thriving and winning in the post-COVID-19 global economy (and beyond) will require supply chains that are “resilient to disruption and flexible enough to capture new sources of competitive advantage.”