

By SUPPLY CHAIN CONNECT STAFF



Is Supply Chain Disruption the “New Normal”?

Even in this post-pandemic world, supply chain disruption remains a fairly common occurrence for many global organizations.

Even with all of the steps that organizations have taken to shore up their supply chains over the last few years, disruptions of all types continue to impact these critical global networks. And while some of these interruptions and instabilities just come with the territory, others can be particularly disruptive and even damaging for companies, business partners and/or customers.

Call it the “new normal” for organizations that are moving products around the globe. “Supply chain disruptions keep on coming. From missile attacks on commercial shipping in the Red Sea to automotive production delays following

floods in Europe, global supply chains continue to experience instability,” McKinsey & Co. points out in *Supply chains: Still vulnerable*. “Meanwhile, trade tensions are choking the movement of semiconductor products, manufacturing equipment, and critical materials.”

Citing its latest Global Supply Chain Leader Survey, McKinsey says these issues remain the norm, not the exception, with nine in 10 respondents encountering supply chain challenges in 2024. More worryingly, the global consultancy says there are signs that, when it comes to supply chain resilience, companies are taking their foot off the gas. Some of that “easing up” is

being mandated from the top down, with few supply chain executives believing that their boards have an in-depth understanding of supply chain risk.

In fact, just 25% of the companies surveyed by McKinsey have formal processes in place to discuss supply chain issues at the board level—an oversight that could “leave companies dangerously exposed to future disruptions,” it adds.

Tracking Key Findings

Other findings from the Global Supply Chain Leader Survey:

- Supply chain footprints are evolving, with 73% of survey respondents reportedly making progress on dual-sourcing strategies and 60% regionalizing their supply chains.
- Survey respondents also report good progress in their efforts to improve supply chain intelligence, planning and risk management. Those with comprehensive visibility of their tier-one suppliers reached 60%, for example, “making this the second year in a row that this measure has increased by 10 percentage points,” McKinsey points out.
- More than three-quarters of companies believe they have sufficient internal capabilities to manage supply chain risk, along with effective decision-making structures.
- Companies are beginning to unwind the short-term measures that they put in place during and immediately after the COVID-19 pandemic. For instance, the number of survey respondents relying on bigger inventory buffers to manage disruptions fell from 59% to 34%.
- Nearly half (47%) of companies plan to keep their overall inventories at current levels, with some planning changes in assortment or location across their networks.
- A shortage of talent continues to hamper supply chain transformation efforts, with 90% of companies revealing that their companies lack sufficient talent to meet their digitization goals. “That number hasn’t changed in any meaningful way since the first survey in 2020,” McKinsey points out.

Building Resilience, Taking New Actions

Supply chain disruptions may be inevitable right now, but there are steps companies can take to stay out in front of these issues. For example, McKinsey tells organizations to continue building resilience and taking new actions to address blind spots in their systems, processes and capabilities. It also urges chief supply chain officers (CSCOs) to find new ways to educate and inform senior management about supply chain issues and challenges.

“Best practice here is still rare, but some survey respondents are taking proactive steps,” it says, “including giving regular board updates on major risks, risk trends, and potentially disruptive events; integrating risk analysis more explicitly into sale- and operation-planning processes; and publishing regular risk reports and quantitative risk indicators.”