



# RESPONDING TO SUPPLY CHAIN UNCERTAINTY WITH STRATEGIC AGILITY

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## Macro disruptions like COVID-19 can have existential impact on global businesses

Most global businesses are impacted by the current global pandemic of COVID-19 and it will continue to have lingering effect for quite some time. Almost all major global economies are reeling under the impact of this disruption and there are signs of a long global recession ahead. In April, the International Monetary Fund projected in its World Economic Outlook that the global economy would contract 3% in 2020 [1]. Bain has upped its SITREP index to 7 which indicates that severe multi-quarter de-growth in multiple markets is likely [1]. Many advisory firms and analysts are calling it the “New Normal” for our world.

In these challenging times, many global businesses are not fully operational, lockdowns are causing labour and resource shortages in supplier factories and all traditional transportation lanes are closed. The governments are adopting protectionist policies and there are regulatory uncertainties around when operations would resume, cross border goods movement is affected and as a result businesses are facing existential crisis.

While the current situation does provide a lot of fodder for pessimists, the fact of the matter is that supply chain disruptions are very commonplace. Businesses do bounce back over time, but it does make them realize the importance of a “sense, plan and respond” strategy.

### Supply chain disruptions are not the new normal

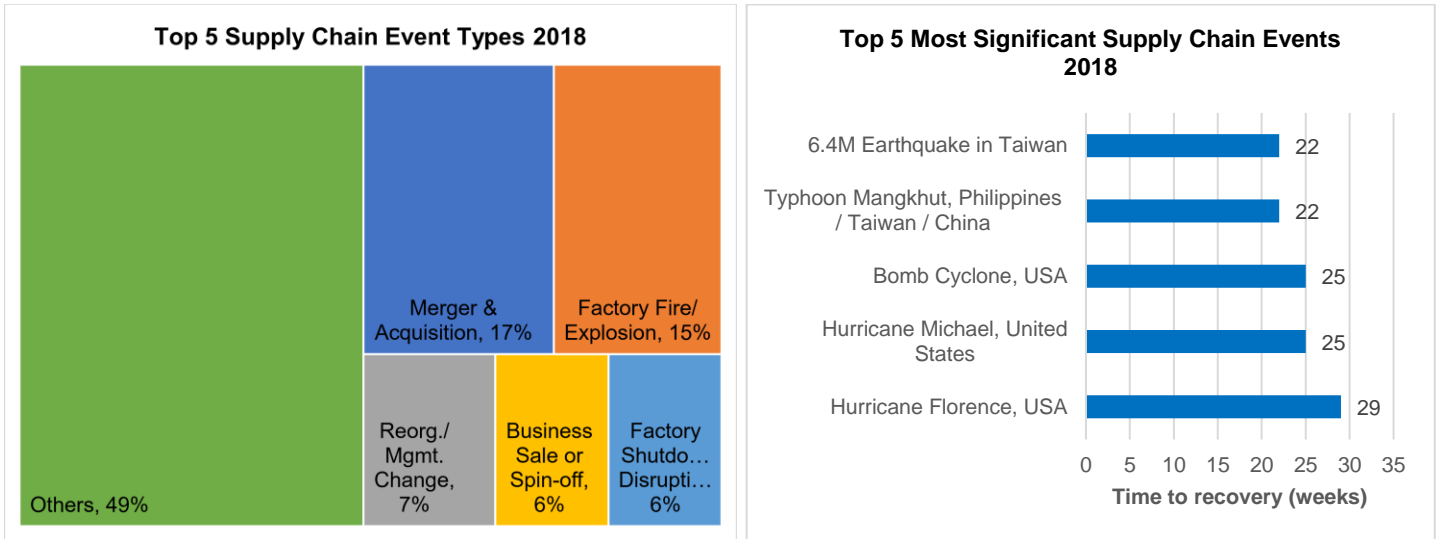
56.5% of organizations experienced supply chain disruptions in 2018 and 51.9% in 2019 [2]. Resilinc, a leading provider of supply chain risk data, reported that 21,152 suppliers and 58,191 supplier sites producing 552,950 parts across Tiers 1, 2 and lower tiers were potentially affected during 2018 [3].

Some interesting trends can be observed in the data (see Figure 1). The top 5 reasons for disruptions in terms of frequency are largely supplier specific events and not macro events such as natural disasters, geopolitical or biological crisis. However, macro events such as natural disasters, pandemics, etc., though infrequent, caused the largest disruptions and have the highest time-to-recovery.

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This demands supply chain leaders to focus on building and redefining their supply chain to be more resilient and intelligent. The resilient supply chain can not only withstand localized disruptive events such as factory fires & supplier bankruptcy but also macro network disruptions such as trade wars, pandemics, etc.

**Figure1: Supply Chain Disruption Event Types** (Source: [\[3\] Resilinc Event watch@ 2018 Annual Report](#))



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## Sometimes the best lessons are learnt in the difficult times

Traditionally procurement and supply chain leaders have been focused on optimizing supply chain efficiency, and resilience often took a backseat. However, in this era of globalization and disruptions being the new normal, supply chain resilience can be the difference between survival or demise for modern businesses. An organization's capability to formulate an alternate strategy based on – early sensing the supply disruptions, real-time assessment of the impact of the risks, and proactive recommendations for a rapid response, helps them differentiate as the winner.

We recommend the following key best practices to supply chain executives for establishing a resilient and agile supply chain:

### 1. Establish model interlinkages across your n-tier supply network to get an end-to-end visibility

Research shows that only 48.9% disruptions originated with immediate Tier-1 suppliers [\[2\]](#), meaning rest of the events went deeper into the supply chain. The same survey reports that only 22.6% of organizations analyse supply networks deep into the sub-tiers and the consequent relationships between tiers. 57.4% of the organizations do not have any technology to create a supply chain map with tier n suppliers and relationships between tiers [\[2\]](#). To anticipate and fully understand the impact of disruptions, it is paramount to simulate impact propagation from any risk source to across the supply network. This would also enable organizations to perform supply chain network stress testing from time-to-time.

### 2. Establish early sensing capability

It is hard to believe that even in the digital age, 23.3% organizations do not track or report performance affecting supply chain disruptions [\[2\]](#). Organizations must continuously monitor the supply chain to identify points of failure and look out for exceptions. It is important to maintain a holistic view which covers both macro as well as micro perspectives to enable early warnings based on leading indicators at a region, country and supplier level. Supplier collaboration can be very helpful in establishing supply

chain transparency and providing early visibility of risks. By connecting internal and external risk data and analysing patterns you can identify potential crises at an early stage.

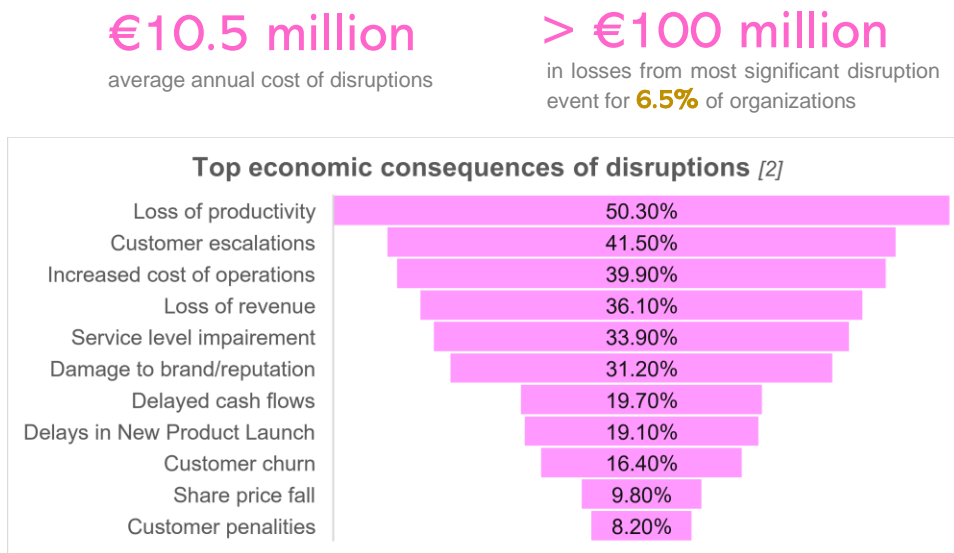
### 3. Plan ahead for disruption using technology for rapid simulation and scenario planning

Supply chains are becoming increasingly dynamic, volatile and complex due to the cascading effect of global value chains. However, majority of supply chain organizations are still reluctant to explore and adopt new technologies to predict, monitor, record, measure, and report on disruptions, and 73% still rely on spreadsheets which are ill-equipped to handle the demands of modern supply chains [2]. Then there are organizations who have invested in multiple best-of-breed point supply chain solutions that function in silos and thus, cannot provide the required end-to-end visibility or agility. Organizations need to adopt modern platforms that enable real-time visibility of demand and supply exposure while enabling seamless planning and complex simulation to improve their speed of response. Modern platforms allow business to continuously re-calibrate their response based on unfolding events – be it re-adjusting sourcing plans, re-allocating purchase orders, and map inventory and planned receipts to future demand - to improve OTIF and minimize lost revenue. Technology enabled strategic agility is the only way to build resilience and stay ahead of disruptions.

### 4. Assess financial impact of disruptions to make informed strategic decisions

In 2019, the average cumulative cost of supply chain disruptions experienced by organizations was €10.5 million [2]. More than 1 in 20 organizations incurred losses greater than €100 million for their single largest disruption [2]. However, not all disruptions are the same; the scale and impact of each disruption should determine your urgency of response and course of action. Quantifying the potential financial impact of supply chain disruptions is critical for organizations to enable informed strategic decisions. Top consequences of disruptions cited by organizations include increase in customer complaints/customer churn, loss of revenue, increased cost of working, delayed cash flows, loss of productivity, damage to reputation and shareholder concerns [2]. A well-rounded financial model should cover all these economic aspects of disruptions.

**Figure 2: Most reported impact of disruptions** (Source: [2] BCI Supply Chain Resilience Report 2019)



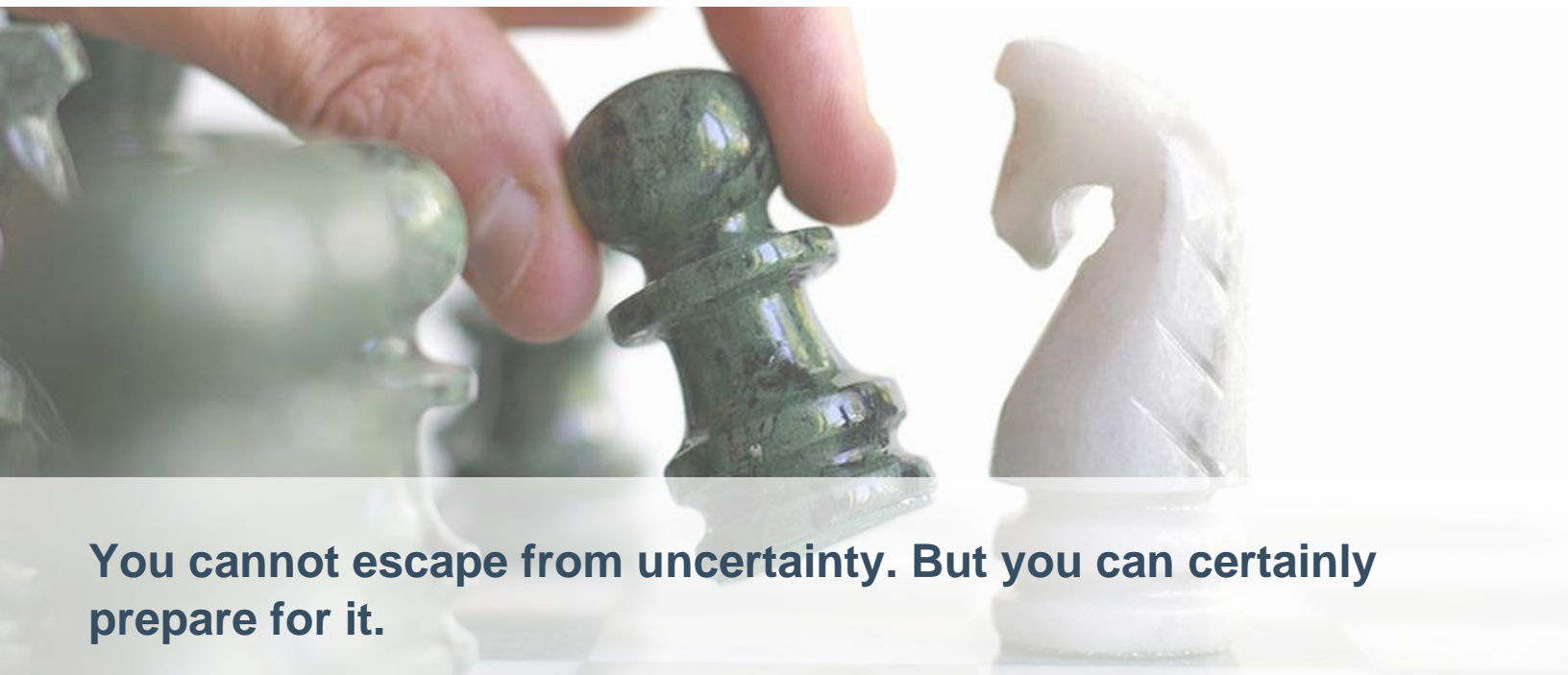
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## 5. Build a Connected Planning ecosystem for a cohesive response to disruptions

End-to-end supply chain visibility and simulation capability is important, but not enough. Co-ordinated disruption management across the enterprise remains sporadic, with just 25% of the organizations currently practicing it [\[2\]](#). To build a truly resilient organization, disruption management should not be just restricted to sourcing or supply chain, but it requires active cross-functional participation of finance, sales & marketing and HR teams to enable complete value chain risk assessment and simulation through connected planning.



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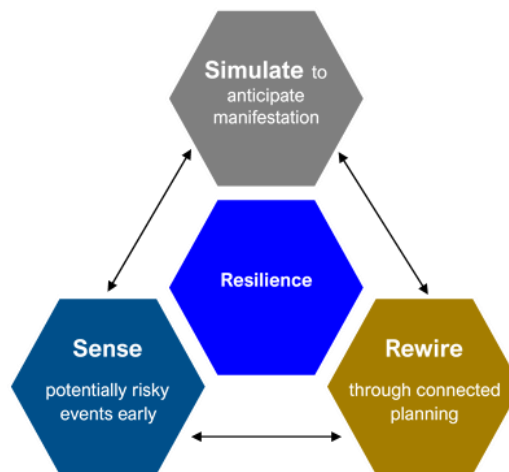


## You cannot escape from uncertainty. But you can certainly prepare for it.

As we plan our recovery from the ongoing crisis, we must realize that the “new normal” is here to stay. Global supply chains may take long time to fully go back to “business as usual”. These are difficult times for the supply chain community; but there will never be a better time to establish a supply chain risk management competency. You don’t need to wait for the next crisis to act.

To empower supply chain professionals, ITC Infotech has built an “Intelligent Planning for Resilience” solution. The solution helps supply chain leaders sense the risks early, rapidly simulate scenarios across tiers, assess financial impact and rewire supply chain to withstand disruptions.

**Figure 3: Core Tenets of our Intelligent Planning for Resilience Solution**



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Our platform-based approach in partnership with [Anaplan](#), a leading planning platform provider, and pre-built accelerators help us deploy it as a service at speed and scale and cost-effectively. Our deep understanding of the supply chain gained from decades of experience working with global CPG and Manufacturing companies and our strategic partnership with Anaplan gives us an edge over competition. Even though this solution is built as a response to supply chain disruption from COVID 19, it is going to provide you with a complete a real-time end-to-end visibility into entire supply chain going forward and establish a resilient supply network with strategic alternatives. Also, it will help you identify the points-of-failure in the supply network, sense vendor risk/issues and build a robust and cost-effective sourcing and allocation strategy.

To know more about our “**Intelligent Planning for Resilience**” offering, please join our upcoming webinar on 8<sup>th</sup> May 2020. Indranil Das, VP - Industry Analytics and Amit Paul, Senior Principal Consultant & Planning SME will walk you through the solution and its core capabilities.

[Register now and receive the GoToWebinar link.](#)

**Don't let the next crisis hit you hard. Let us help you build a resilient and intelligent supply chain of the future together!**



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## References

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2. BCI Supply Chain Resilience Report 2019 : <https://www.thebci.org/resource/bci-supply-chain-resilience-report-2019.html>
3. Resilinc Event watch© 2018 Annual Report : <https://info.resilinc.com/eventwatch-2018-annual-report>

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## About ITC Infotech

ITC Infotech is a leading global technology services and solutions provider, led by Business and Technology Consulting. ITC Infotech provides business-friendly solutions to help clients succeed and be future-ready, by seamlessly bringing together digital expertise, strong industry specific alliances and the unique ability to leverage deep domain expertise from ITC Group businesses. The company provides technology solutions and services to enterprises across industries such as Banking & Financial Services, Healthcare, Manufacturing, Consumer Goods, Travel and Hospitality, through a combination of traditional and newer business models, as a long-term sustainable partner. ITC Infotech is a fully owned subsidiary of ITC Ltd, one of India's foremost private sector companies and a leading multi-business conglomerate.



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