



Impact of COVID-19 on Supply Chain

Supply Chain Management Strategy for the New Normal

This article is the last in a series of three articles that examine the impact of COVID-19 on Supply Chains. The first article, titled 'Responding with Resilience – the Indian Pharma Sector', used the example of India's pharma sector to explain the crisis, the challenges that emerged, and the industry's short-term response, while Part 2 outlined the 'Learnings from the Crisis for Supply Chain Management'.

As businesses recover from the difficulties posed by the pandemic, they are working on planning the roadmap for the future. The pandemic has set back growth and development goals significantly, bringing forth a 'new normal' for businesses. The future may not be visualized clearly yet, but certain emerging trends that will characterize the new normal in the post-pandemic era are clear.

The primary objective, now, for supply chains across the world is to build resilience and flexibility. Keeping this in mind, the horizon for business decisions needs to be extended beyond short term financial goals. Businesses need to review vulnerabilities that cost dearly in times of uncertainty, and Corporate Management teams need to identify metrics to track these risks.

For comprehensive risk management, businesses need to look at their current supply chain network (including suppliers, transporters, distributors, etc.) to identify cases of over-dependence and under-utilization. The strategy to hedge risks may include the reorganization of business networks and internal functions. This may also involve additional investments, costs which then need to be adjusted with other cost centers. Hence, a comprehensive and robust strategy is required for sustainable growth.

In this article, we outline certain strategies and trends aimed at helping supply chain leaders gear up for the 'new normal'.

Health Check and Risk Assessment

A 'Health Check' is a highly useful mechanism to review a function and quickly identify risks that have a cascading impact on supply chains. The deep-dive analysis helps delineate events or drivers that can cause demand and supply disruptions (like adverse global, economic, and political events, changes in exchange rates, tariffs, weather impacts, etc.). Companies must identify the range of risks that pertain to and potentially impact their business model.

Risk Classification

The risk management strategy is a pivotal part of enterprise management and corporate strategic planning. To better assign the responsibility of mitigation to the concerned functions and stakeholders, risks can be categorized as highlighted in Figure 1. These risk drivers may vary from organization to organization.



Strategic Risk

e.g., intellectual property/reputational risk, disruptive innovation



Operational Risk

e.g., systems risk, natural calamities, union strikes, supplier risk



Financial Risk

e.g., interest rate and exchange rate fluctuation, inflation risk, receivables risk



Market Risk

e.g., commodity volume/price risk, forecast inaccuracy



Investment Risk

e.g., political and economic risk, liquidity, investment concentration

Figure 1: Illustrative Categorization of Enterprise-wide Risks

Quantify and Benchmark Risks

After the risk drivers are identified, the evaluator can assign quantitative measures to the **probability and impact of occurrence** to compare and benchmark risk. This can be done using an analysis of past performance outliers or business disruptions as a starting point. It is also imperative to understand the **macro and micro-economic** scenarios affecting the probability and impact of disruption drivers.

Leaders responsible for risk mitigation need to monitor a range of global events to be able to visualize disruptions possible in the short- to long-term horizon.

Define Response Plan

Organizations can then categorize risks in the following four areas depending upon the **severity and probability** of risks :

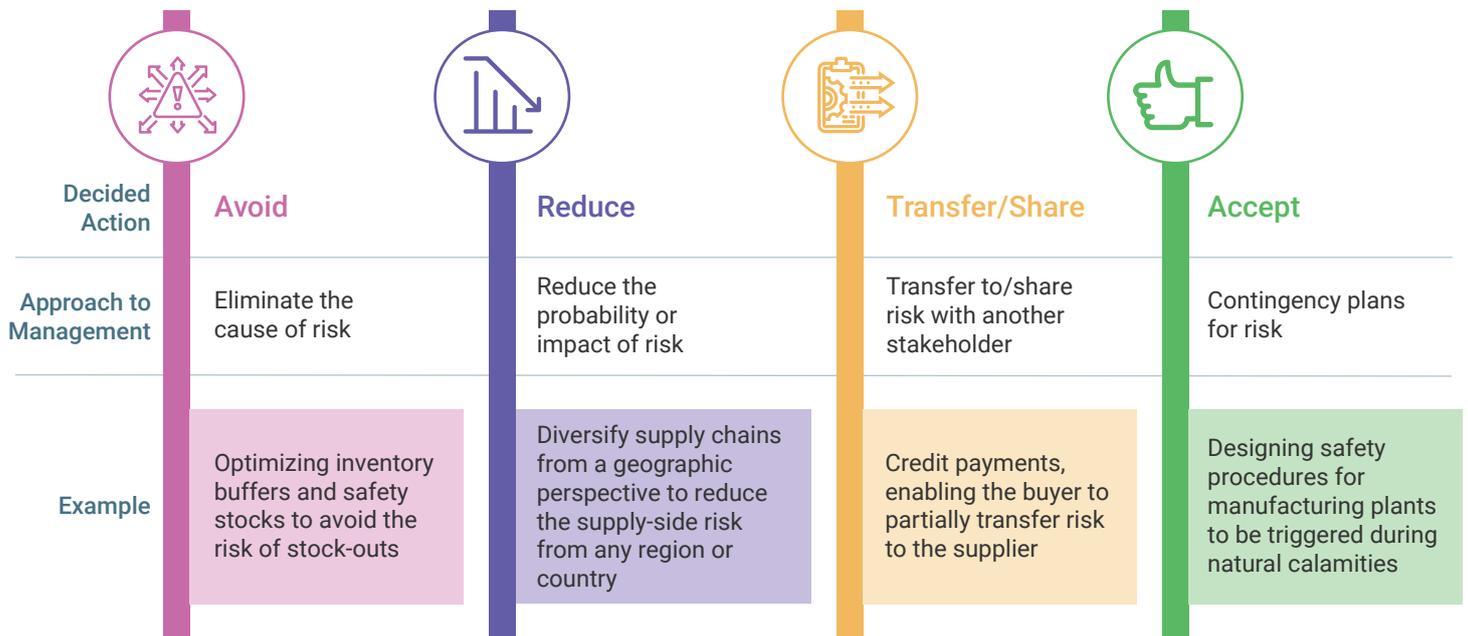


Figure 2: Risk Management Strategies Customized to Possible Impact

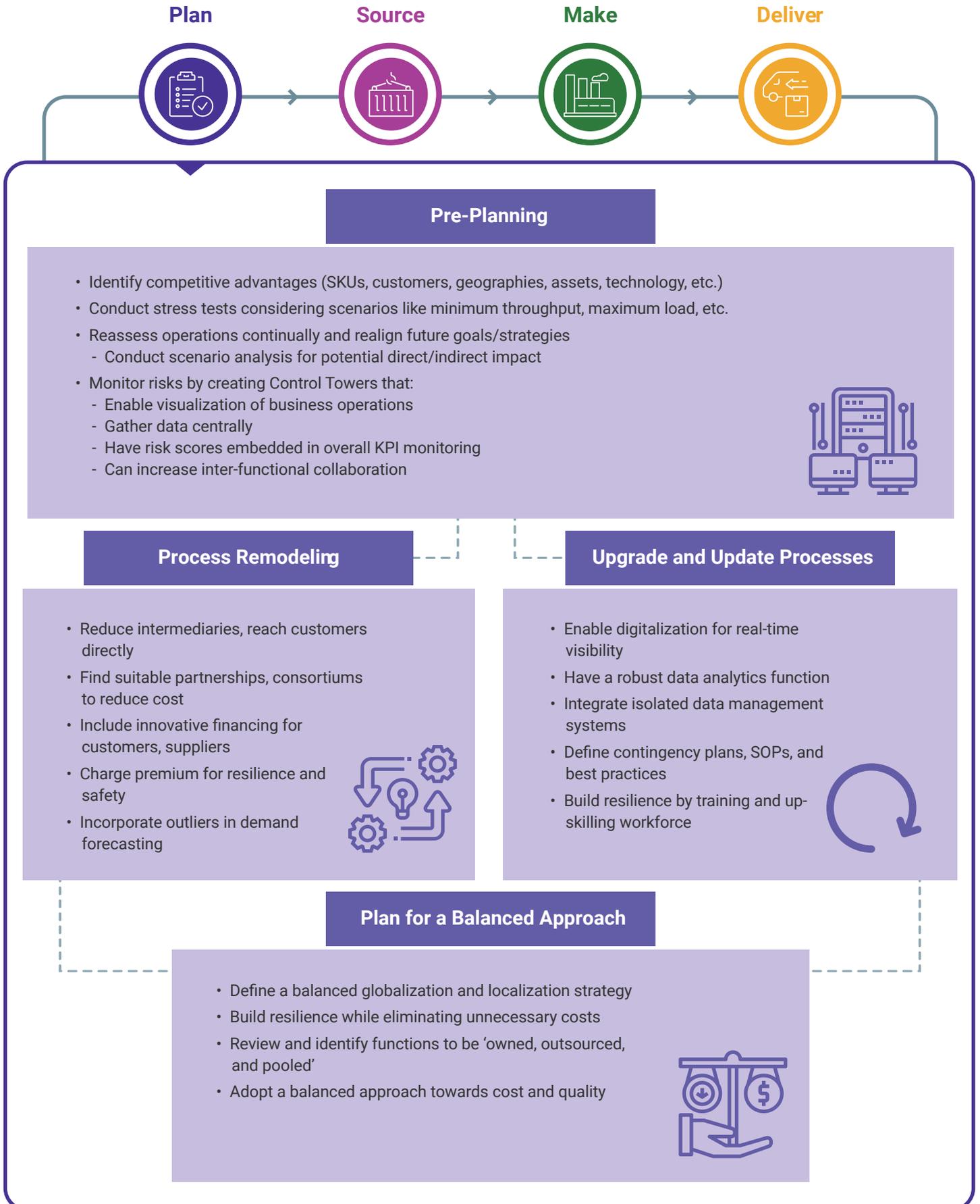
The response to a risk type depends upon the organization's overall risk appetite. Organizations should embed risk evaluation in all decision-making processes.

The recent experience strongly points towards the gap and need to plan and monitor low-probability, and high impact risks more comprehensively.

Risk Management Strategies for Supply Chain Nodes

Personnel safety and hygiene practices will, in some form, continue to be a part of daily lives and businesses. Strategies and tactics involving comprehensive risk evaluation need to be redrawn to help organizations sustain operations.

In the new normal, reducing costs and designing agile processes will be critical. This section highlights specific risk management approaches for the four functions of a supply chain:



Plan



Source



Make



Deliver



Pre-Sourcing

- Perform continual procurement risk assessment
- Check sourcing base concentration (based on geography, spend, material type, etc.)



Process Remodeling

- Reduce dependence on 'just in time' processes
- Partner with industry peers to perform vendor assessment
- Make a daily supply plan with suppliers
- Set-up a procurement control room



Upgrade and Update Processes

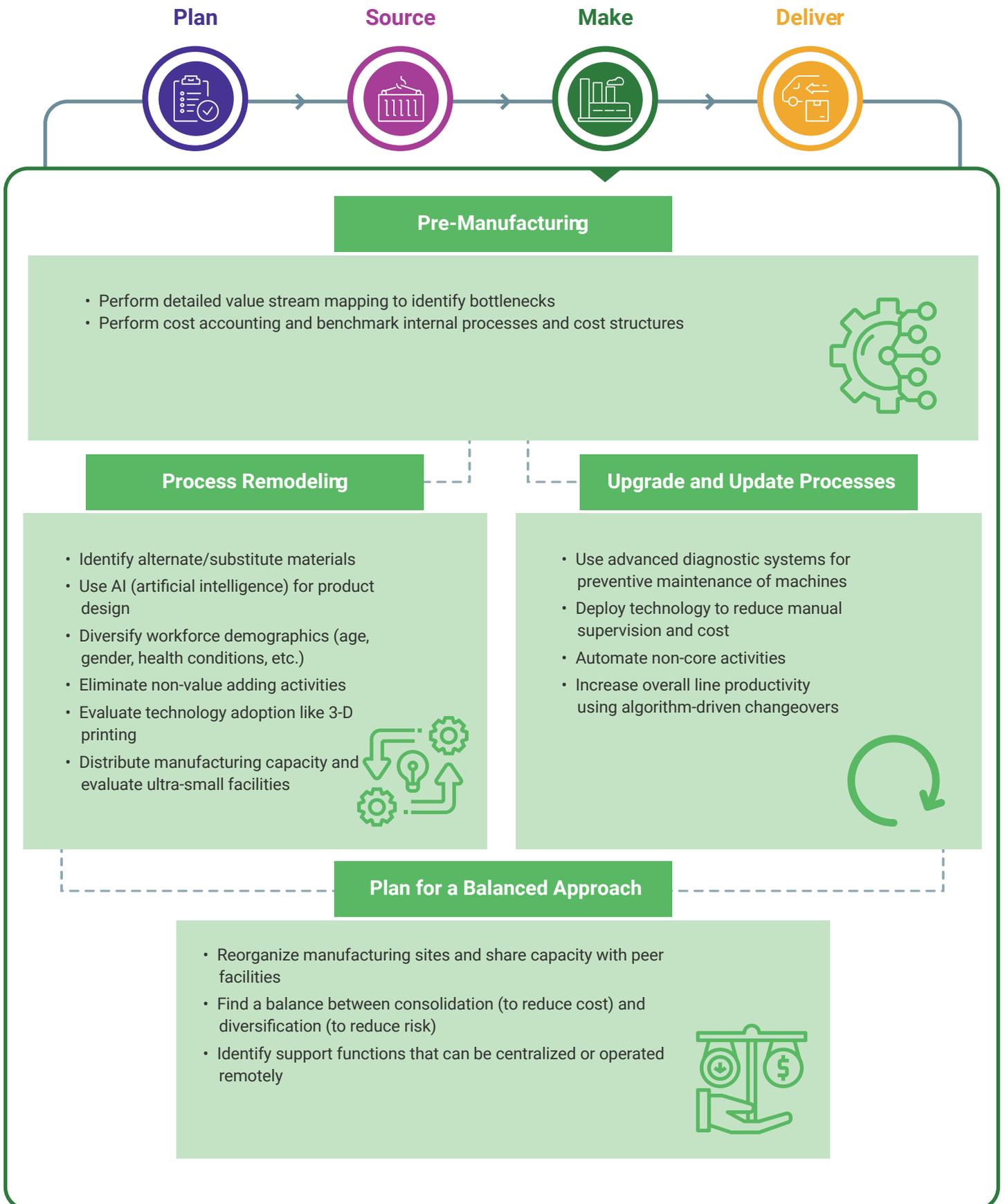
- Understand tier-1 suppliers comprehensively
- Enhance visibility of key suppliers' businesses, including their:
 - Business partners
 - Investment plan, P&L drivers, growth strategy
 - Cash, material, capacity, manpower availability
 - Risks, upstream dependency

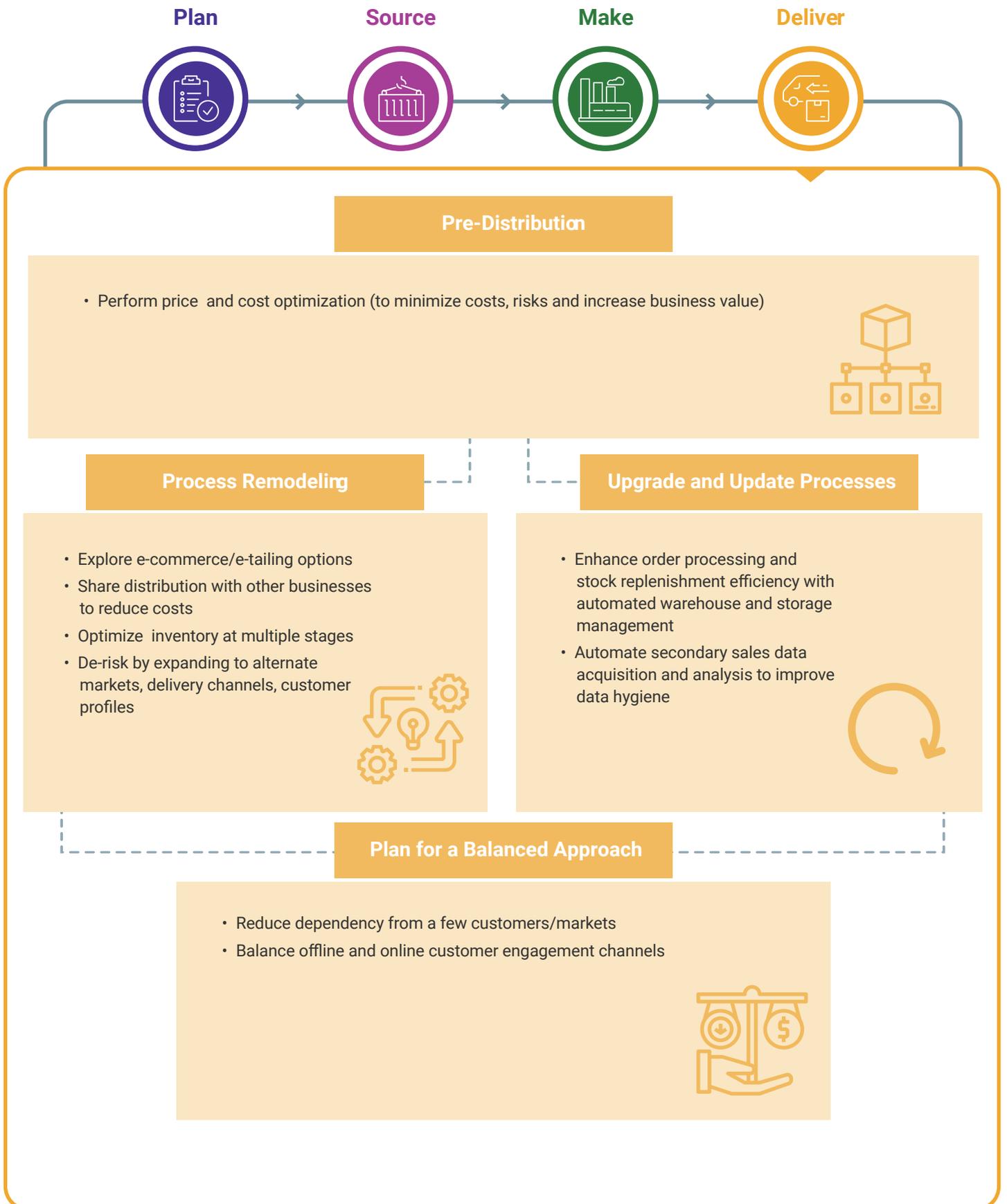


Plan for a Balanced Approach

- Balance resourcing with domestic and foreign suppliers
- Build inventory buffers to absorb uncertainties
- Enhance interaction with tier-2 suppliers and distribute supply dependency







Supply Chain Trends in the New Normal

The role of digital tools and technology will be crucial in driving strategy and possibly several other business processes and models. This is accelerated by the decreasing costs of owning new information technology tools, as well as data storage, processing, and transmission.

Digitalization increases agility, enhancing the speed of product or market diversification. The pandemic has certainly accelerated digitalization; Microsoft's analysis shows that two years of digital transformation happened in just two months of the COVID-19 pandemic.¹ Data also shows a 17% growth in Indian e-commerce following COVID-19.²

This section explores the changes in People and Technology trends that are likely to govern the new normal.

People

People are a critical part of any organization's growth and sustainability. Certain considerations would be essential to the HR strategy of the new normal:

Physical safety and emotional well-being:

Employees' physical and mental well-being, which strongly impacts employee morale and performance, is in focus. Businesses can adopt initiatives to be in regular contact with employees to know about their well-being and safety, e.g., the HR Business Ambassadors' (HBA) initiative by Panasonic.³ It is a virtual program through which HBAs are continually in touch with the employees to provide the support they require during the pandemic.

Upskilling, cross-skilling, and reskilling

In the changing work environment, leaders need to ensure that their workforce has the skills required to execute their plans seamlessly. Employee training and upskilling needs to keep pace with evolving technology and work patterns. Some of the initiatives taken by companies are:

1. In 2020, MindTickle has released a number of features, including the AI-powered Model Pitch, which focuses on skill development.⁴
2. Dr. Reddy's Laboratories has launched virtual programs, 'My Dost' and 'Kahoot' during the pandemic to focus on remote working, leading during a crisis, and performance management.⁵

Diversity and inclusion in the workforce

Workforce diversity can enhance process creativity and efficiency. People with varying social and educational backgrounds should be groomed together to create an atmosphere of collaboration, which improves work satisfaction. For instance, TD Bank, based in Canada, organized a virtual event in honor of Transgender Visibility Day and celebrated the Lunar New Year in January, at a time when the Asian origin diaspora confronted stereotypes related to the coronavirus.⁶ Such initiatives help improve team dynamics and cohesiveness among employees.

Fostering a culture of workforce innovation, flexibility, and resilience

There may always not be set templates to tackle the unprecedented, which mandate quick action. Prompt action is possible when the company and workforce are flexible and resilient, which is possible when workplace innovation and creativity are routinely encouraged.

1. <https://www.microsoft.com/security/blog/2020/08/19/microsoft-shows-pandemic-accelerating-transformation-cyber-security/>

2. <https://www.expresscomputer.in/internet/e-commerce-witnesses-17-growth-post-covid-19-65-growth-in-brands-establishing-own-website-report/62652/>

3. <https://www.peoplesmattersglobal.com/article/c-suite/how-companies-are-helping-employees-in-response-to-covid-19-25301>

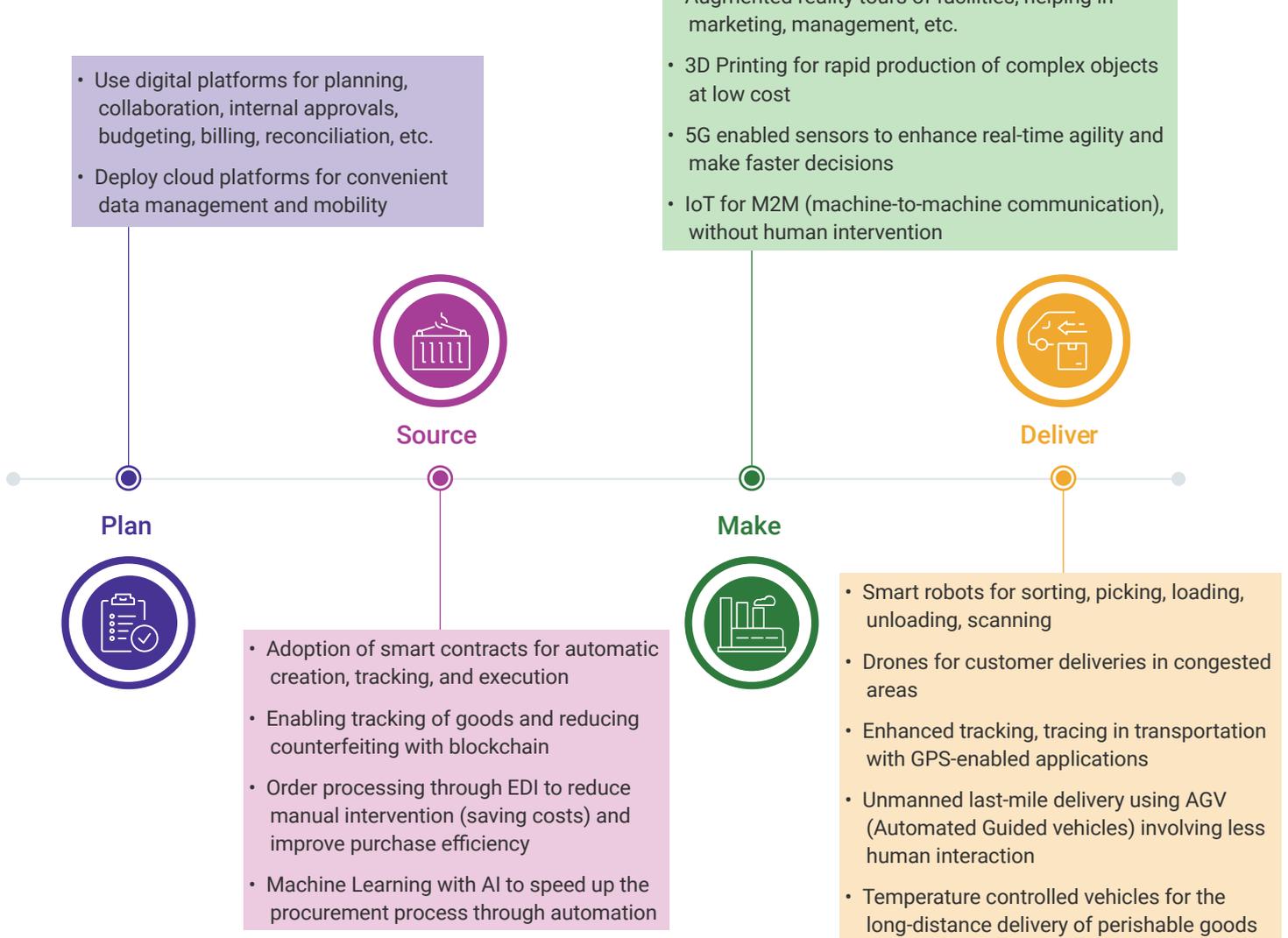
4. <https://www.prnewswire.com/news-releases/mindtickle-recognized-for-growth-and-leadership-in-company-culture-and-innovation-301185648.html>

5. <https://hr.economictimes.indiatimes.com/news/workplace-4-0/learning-and-development/covid-19-has-been-a-catalyst-for-learning-transition/76184311>

6. <https://www.forbes.com/sites/ruthumoh/2020/04/15/how-chief-diversity-officers-are-steering-their-companies-through-the-covid-19-crisis/?sh=6e953d2b65a9>

Technology

In today's world, efficiency is almost synonymous with technology. Devising a relevant technology strategy not only improves process outcomes but also adds value in the long run.



Nexdigm Comments:

As supply chains become more complex, deploying flexible and resilient resources would be the key to withstanding business risk and uncertainty. While digitalization requires an initial investment, it can accelerate the transition to a resilient and responsive supply chain, which is critical for the 'new normal'.

Businesses may also use outsourcing as a viable strategic alternative, sharing non-core functions with other specialized businesses to maintain lean operations. Supply chains would have to strike the right balance between cost, quality, and service while reaching customers.

Building a good understanding of the critical components and stakeholders, devising a comprehensive, risk-adjusted strategy, and creating effective, analytics-enabled control towers can help build supply chains that can sustain through extreme incidents. Businesses will have to undertake a holistic, system view while sketching expansions or entering new geographies and markets.

While COVID-19 has disrupted global supply chains, it has given an opportunity for businesses to reassess the vulnerabilities of their supply chains and business practices. While companies have already taken steps to mitigate these risks, it is time to rethink long-term strategies to build a better tomorrow.

Meet the Authors



Ravi Menon
Senior Business Adviser,
APAC Healthcare
[Connect with Ravi on LinkedIn](#)



Satish Sawant
Director,
Supply Chain
[Connect with Satish on LinkedIn](#)

[Click here to read the other articles in the series](#)



[Responding with Resilience - the Indian Pharma Sector](#)

At the onset of the pandemic, the lockdowns imposed globally had an unprecedented impact on businesses and their supply chains. This article uses the Indian pharmaceutical sector as a case study, to examine the challenges faced by 'essential' and 'non-essential' businesses during the lockdown and how the industry got supply chains back on track.



[Learnings from the Crisis for Supply Chain Management](#)

A deep-dive into the impact and responses to the pandemic can help businesses get back on track after the slump, as well as plan effectively for future disruptions. This article explores the elements of a Robust Business Continuity Plan (BCP), emphasizes on Risk Management being driven by the top leadership, and outlines the importance of innovation and creativity in difficult times.

About Nexdigm (SKP)

Nexdigm (SKP) is a multidisciplinary group that helps global organizations meet the needs of a dynamic business environment. Our focus on problem-solving, supported by our multifunctional expertise enables us to provide customized solutions for our clients.

Our cross-functional teams serve a wide range of industries, with a specific focus on healthcare, food processing, and banking and financial services. Over the last decade, we have built and leveraged capabilities across key global markets to provide transnational support to numerous clients.

We provide an array of solutions encompassing Consulting, Business Services, and Professional Services. Our solutions help businesses navigate challenges across all stages of their life-cycle. Through our direct operations in USA, India, and UAE, we serve a diverse range of clients, spanning multinationals, listed companies, privately owned companies, and family-owned businesses from over 50 countries.

Our team provides you with solutions for tomorrow; we help you *Think Next*.



USA Canada India UAE Japan Hong Kong

Reach out to us ThinkNext@nexdigm.com

www.nexdigm.com

www.skpgroup.com

This document contains proprietary information of Nexdigm Private Limited and cannot be reproduced or further disclosed to others without prior written permission from Nexdigm Private Limited unless reproduced or disclosed in its entirety without modification.

Whilst every effort has been made to ensure the accuracy of the information contained in this paper, the same cannot be guaranteed. We accept no liability or responsibility to any person for any loss or damage incurred by relying on the information contained in this document.

© 2021 Nexdigm Private Limited. All rights reserved.