

# Crafting resilient supply chains

A pragmatic five-step approach

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**Introduction**

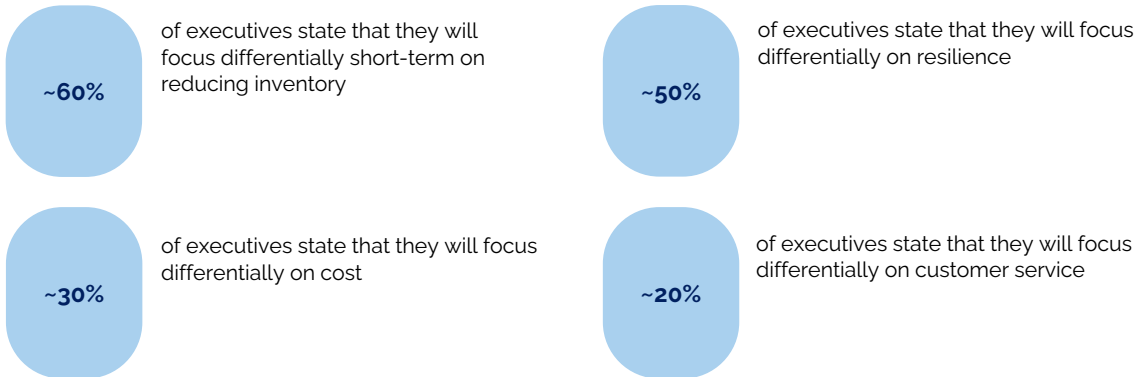
Over the past decade OPX Partners has supported our clients across a broad range of supply chain related topics. However, it's only over the last few years that supply chain resilience has gained increasing attention, especially with our industrial clients. A more unpredictable business environment with, e.g., geopolitical and protectionist policies and macro shocks such as the COVID pandemic, have exposed flaws in their current setups – incl. but not limited to China dependency. Root-causes are many, be it past focus on cost leading to long and vulnerable supply chains or complexity from acquisitive growth.

Raising resilience is a top priority, but also an area with many conflicting wills and objectives. Typical efforts during 2022-23 include support to our clients in building the case for rebalancing supply chains, aligning their often global and cross-functional teams around a common vision and priority levers, and of course launching execution. In articulating the value at stake, we don't just stare at cost, but work broadly to unlock the full supply chain potential and how it can become a cornerstone of the company's competitive edge. In this article we synthesise the findings from our supply chain survey and summarize our experiences on resilience into a pragmatic five-step approach.

**Investing in resilience**

The COVID pandemic in many ways served as a catalyst for several our clients to review their supply chains. When surveying executives, the relative importance of increasing supply chain resilience and flexibility has grown into a top objective – alongside the very urgent need to flush out excess inventory. This applies especially to near-shoring and reducing dependency on China. The pressure varies by sector depending on risk exposure and required resilience with, e.g., technology and energy being more exposed. Unit cost is still crucially important for our clients, but with labour cost developments and automation advances the comparative advantage of lower cost locations has decreased. We see that in some situations a best-case scenario can mean maintained total cost levels, whereas in other cases we support our clients in making tough trade-offs between resilience, customer service and cost.

**OPX Partners survey: What are your primary supply chain priorities?**

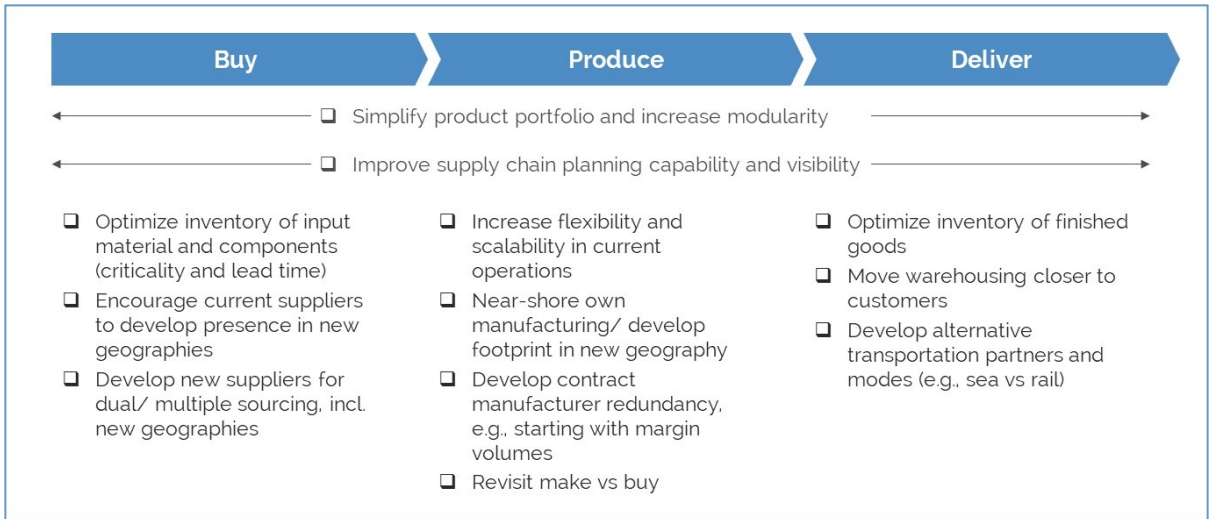


## Resilience improvement levels

There are many paths to increasing resilience. Most companies have basic scenario and contingency plans, but this is only the starting point. Achieving real resilience, is about having the flexibility in your supply chain to adapt and potentially refit your assets to external supply chocks and changes in demand. We often see potential to improve resilience both in the short term with limited effort, as well as through longer term structural efforts. Smaller efforts within current structures include adjusting what is sourced from which supplier, optimizing inventory levels, and potentially altering production location between sites, etc.

However, these measures will only take you so far. Our more forward-leading clients apply a longer term end-to-end strategic view on their supply chain encompassing structural levels. The below levers (figure 1) are all helpful in increasing resilience. We often use the full menu in the beginning of an engagement to diagnose our clients' starting point and trigger a discussion on where to focus the effort. Prioritization then comes down to assessing the attainable resilience improvement vs ease and timing of execution.

Figure 1: Supply chain resilience levers



## Approach to resilience

When supporting our clients to adapt their supply chains to a more unpredictable environment we've followed these five steps working in close collaboration with our clients. Typically, we have our consultants support client-led teams. Such a working mode has dual objectives of aligning on what to solve for, as well as mobilizing the organization for execution.

- 1) *Define objectives and delimitations.* What should we solve for and what are the key questions and trade-offs, e.g., cost vs customer service vs risk? This is often a combination of strategic, financial, and operational considerations.
- 2) *Qualify key supply chain risks.* What part of our business and value chain is more exposed and what's the severity of risks, e.g., key supplier dependencies, geographic concentration, etc.? Segmentation into must-solve issues and nice-to-haves, guides where to focus the effort.
- 3) *Prioritize resilience levers and options.* Holistic assessment of improvement levers crystallized into strategic supply chain options weighting attainable impact vs ease of execution. We test the prioritization through scenario modelling (e.g., how cost, lead time, quality, etc. change in relation to factor development and external shocks)
- 4) *Recommend solution.* Articulate targeted future state detailing the gap vs today and requirements to bridge it.
- 5) *Set execution plan.* Align on milestones and actions accounting for dependencies. Detail required team and resources.

We've proven our model in multiple situations across industries with tangible results. Beyond improving resilience, it often has useful side-effects of exposing inefficiencies and identifying consolidation opportunities. In case this read sparked some ideas, we'd be more than happy to initiate an unconditioned conversation.