



34th
Annual Conference
May 18-20, 2021



Strategies, LLC

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Supply Chain Resilience

Agenda

Defining the Supply Chain

Challenges and Issues confronting the Global Supply Chain

How companies can get more resilient in their Supply Chains

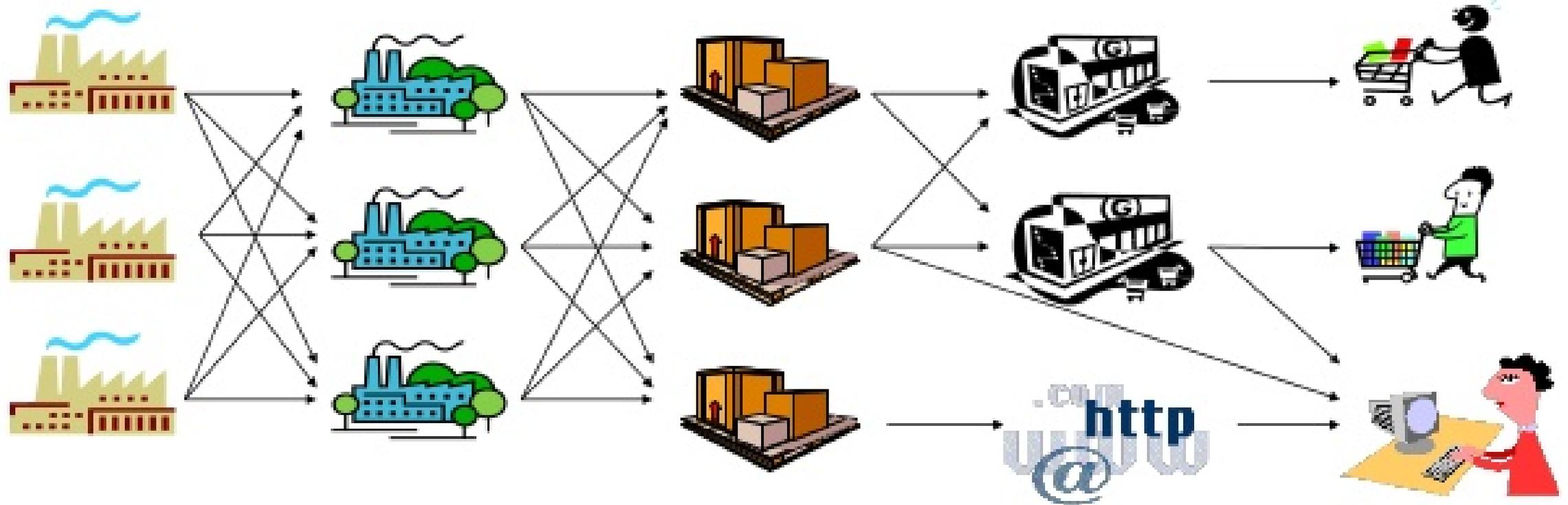
Opportunities for US Businesses in new Global Environment

What is the Supply Chain

A supply chain is a system of organizations, people, activities, information, and resources involved in supplying a product or service to a consumer. Supply chain activities involve the transformation of natural resources, raw materials, and components into a finished product that is delivered to the end customer.



The Supply Chain



Supplier → Manufacturer → Distributor → Retailer → Customers

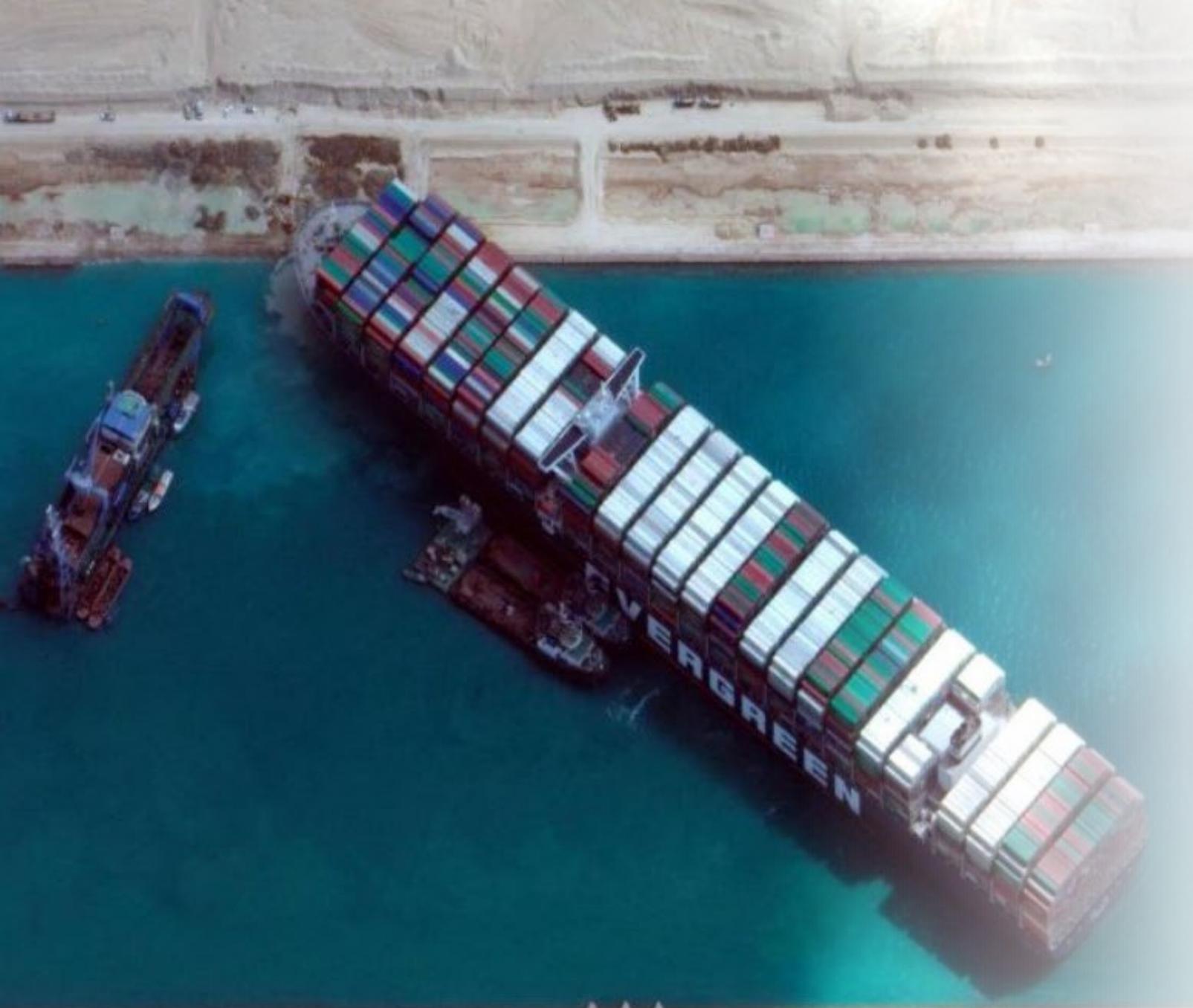
Challenges Facing Global Supply Chains

- Natural Disasters
- Trade Wars
- Physical Wars/ Terrorism
- Covid-19
- Suez Canal Ship
- Supply Vs. Demand
- Cyber Attacks



Effects

- Shortage of Supply (Toilet Paper Anyone?)
- Skewed Demand
- Container Shortages
- Port congestion
- Shortage of Trucks
- Rising freight rates
- Rising prices to consumers
- Shortage of Workers
- Shortage of Rental Cars and Cars for Sale
- Shortage of Electronic Equipment and Semiconductors
- Shortage of Building Supplies/Lumber
- Shortage of Gasoline
- Shortage of Medical Equipment and Pharmaceuticals
- Increase in online shopping and demand
- Overall disruption in supply chains around the world creating problems for both importers and exporters globally.



Growing worries that like a ship too big to steer, supply chains have become a source of vulnerability.

How did we get here?

- Globalization has continually increased – 70% of global trade now involves global value chains with foreign value add to exports increasing dramatically
- Manufacturers shifting to longer supply chains chasing cheap labor and economies of scale in Foreign countries
- Firms embracing lean inventory and JIT that pursued efficiency and cost control while making no provision for risk
- McKinsey survey in 2020 found 180 products for which a single country accounted for 70% of production
- China produces 60% of antibiotics and other pharmaceuticals and China is 2nd biggest exporter of parts



Supply Chain Resilience

A resilient supply chain is defined by its capacity for resistance and recovery. That means having the capability to resist or even avoid the impact of a supply chain disruption – and the ability to quickly recover from a disruption.

Toyota

Toyota may have pioneered Just in Time inventory and lean principles but when the Earthquake hit Fukushima in 2011, shutting down their entire supply chain, they were forced to re-evaluate their strategies and develop a business continuity plan, which included stockpiling supplies – against traditional lean principles.



Ericsson Vs. Nokia

- March 2000 – Philips Semiconductor plant in Albuquerque had a fire started as a result of lightning hitting a power line.
- Delays ensued and Ericsson waited it out for information from Philips.
- Nokia put Philips on a watch list and began formulating their back-up plan and started locking up alternative sources for chips.
- By the time Ericsson realized it was going to be months, Nokia had already scooped up all the supply elsewhere. Ericsson had no plan “B”

Lessons Learned

- Supply Chains need to have long range plans – Not short range cost reduction at the expense of resilience and risk mitigation
- Speed and flexibility to adjust are essential
- E-Commerce necessitates shorter lead times
- Partnership, transparency and strong communication with suppliers is critical
- Too lean and mean can hurt you when things go wrong
- Ability to maneuver around political risks, trade wars, etc.....

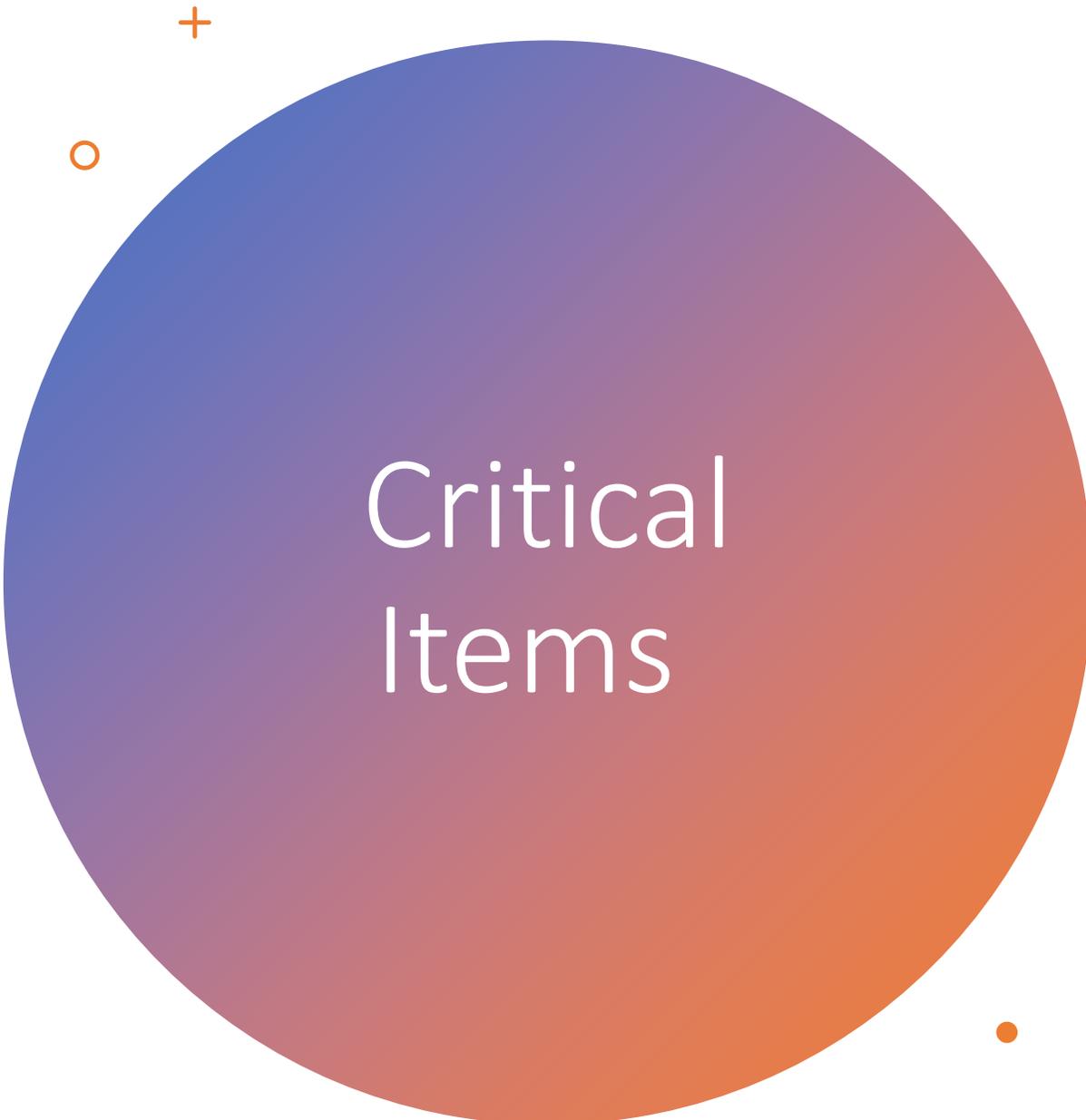
Reshoring

- Nationalism/Deglobalisation is widely being discussed in the US and in other countries (such as in the EU).
- Reality however is that most manufacturing, even if moved back, would still rely on foreign parts. Not likely to be 100% domestic
- Disaster can strike at home too.

How to get Resilience in the Supply Chain

- Supply Chains have already started to become shorter, smarter and faster for several years now in response to rising freight rates, trade wars and ecommerce demands to deliver fast.
 - Moving closer to customers.
 - Trade has started to concentrate in regional blocks
- Best way to achieve a resilient Supply Chain is to create flexibility – Sometimes you may have to go to a higher cost structure to make your Supply Chain more robust and Reliable.
 - Continental strategy – having a spread of suppliers on different continents for added flexibility.
 - Companies do not want to back to carrying lots of inventory in different locations. They need something in between “total lean” and “stocking inventory”. More cost but with flexibility and protection (the exception may be ecommerce retailers)
- Companies will need to spread risks more widely
 - Having a number of different supply chains and some may be closer to home
 - Diversify supply base and have back up plan suppliers





Critical Items

- Risk Assessment /Evaluate Suppliers/ Identify Vulnerabilities BEFORE there is a problem ideally or immediately after
- Develop long term strategies – not short term to get through the trial
- Multiple Suppliers (Diversify) and develop a partnership with transparency and communication
- Invest in good technology to aid in management of your supply chain and give robust visibility to respond immediately
- Consider regional strategies of supply base and manufacturing to be closer to the customer and respond faster

This shift/transformation threatens firms that have entrenched supply chain networks but also presents opportunities for those that adapt and are flexible.

The Executive mindset must shift from innovation to transformation!

“If the rate of change
internally is less than the
external rate of change,
the end is in sight”

Jack Welch, CEO, General Electric

Opportunities For US Businesses



As companies seek to diversify their supply base, new opportunities open for SME's that previously were left out by not being "big enough" or when corporations had only a few key suppliers.

As companies look to reshore or near shore their manufacturing in regional strategies, opportunities will open for SME's to provide services in the US and regionally.



Strategies, LLC

- Full Service Global Logistics And Supply Chain Consulting Company
- Partnerships with other consulting firms specializing in Lean, Production and Operations, Distribution, Global Trade and Compliance
- Offer outsourced logistics management solutions for small and medium sized companies
- Offer seminars and training courses

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Thank you

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