



SOFTENGINE WHITEPAPER SERIES

Build a Resilient Supply Chain in Times of Disruption

Lean Supply Chains Challenged by Disruption

The cost of fragile supply chains is apparent when lean, rigid supply chains were challenged by the pandemic this year. Supply chain disruptions can cause significant damaging losses in terms of finances (62%), logistics (54%), and reputation (54%) (1). Nearly every midsize business saw the impacts and risks associated with disruption. In an April 2020 survey, 95% of companies reported operational problems due to COVID-19 (4). Without a contingency plan, small and midsize businesses whose supply chains were impacted by the pandemic are now struggling to adjust to an increase or decrease in demand, limited access to raw materials, delayed shipping, and more. The pandemic serves as a wake-up call that has caused midsize businesses to increase resilience a priority, with more than half expecting to be highly resilient within two to three years. COVID-19 has reminded us that disruption happens when you least expect it and can incur significant losses in productivity, finances, and brand reputation if not adequately prepared for and addressed.

Supply chain professionals are no stranger to uncertainty and disruption, especially in recent years. Extreme weather, tariffs and trade wars, and demand volatility can strain the supply chain. Beyond this, the past several years' digital transformation has increased consumer expectations and made the marketplace more competitive than ever. However, no one was prepared for the unprecedented impact of COVID-19 on supply chains across the globe.

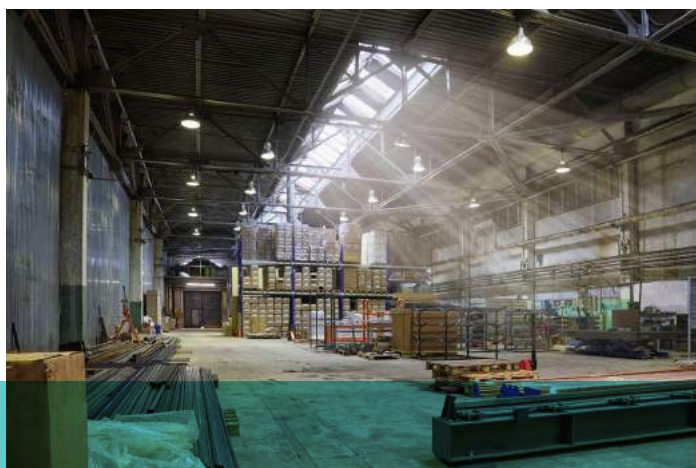
A Path Forward: Rebalancing Efficiency with Greater Resilience

Most supply chain leaders recognize the need for an increase in supply chain resilience, and over half expect to be highly resilient within the next two to three years (2). However, this strategy conflicts with the recent focus on leaner, more cost-effective supply chains. In most cases, increased resilience begets increased costs, and small and midsize businesses must determine how to rebalance the two.

Luckily, an affordable Enterprise Resource Planning (ERP) technology can help address these concerns and prepare midsize companies for faster recovery and future growth. Technology that allows for increased flexibility, more accurate forecasting, and greater visibility is key to making operations more efficient while increasing resiliency. Companies can leverage the power of a fully integrated system to rebalance these two priorities. Enterprise Resource Planning (ERP) systems allow for full visibility into operations, production, supply chain, demand, and more. This type of collaboration will enable you to make rapid decisions for optimal planning and production, increasing your ROI and ensuring that you can deliver products to the consumers who need them when they need them.

Increasing Visibility Across the Entire Supply Chain for Faster Response Times

For midsize companies to improve operational efficiency and manage costs while also increasing resilience and agility, supply chain visibility is imperative. Knowing all the activities that take place in your supply chain at any given moment allows you to respond quickly to any disruptors and make sure everything is running as it should. This is especially important in times of unpredictability, and it is crucial to have tools in place for when unexpected events arise.



69% of companies still do not have complete visibility of their supply chains, and 15% have visibility only on production.

It is no wonder why supply chain visibility is among the top strategic priorities for companies worldwide. 50% of companies believe that technological advancements significantly impact supply chain, logistics, and transportation operations, with 81% of supply chain managers citing data analytics as a crucial factor in reducing costs (1).

A fully integrated ERP system gives companies a complete snapshot of their supply chain, with instant updates to demand, inventory levels, production schedules, supplier relations, shipment schedules, and more. This provides the necessary flexibility and agility for supply chains to function at their best. With real-time information and updates, companies can respond to changes in the supply chain at a moment's notice. This level of visibility and control allows you to make changes quickly and effectively. Supply chain managers can even use data to predict and identify potential problems and solutions, so they have a contingency plan in place for any disruptions or delays.

Multi-Sourcing and Identifying Alternative Suppliers

In addition to recent tariffs and trade wars, border closures and the elimination of international shipments used to help mitigate the risk of COVID-19 have cut off the supply of raw materials for countless manufacturing businesses. Midsize companies with no additional suppliers, or easy way to identify alternatives, have been unable to keep up with production. This is especially challenging for those who produce essential goods, as demand has skyrocketed. Companies must find a way to quickly identify new suppliers and create new relationships to get products to consumers who need them.

Using native electronic documents allow a company to send electronic requests for quotations (RFQ's) to potential new suppliers. The web links embedded in these documents give potential suppliers the ability to provide their price and availability of goods in a matter of seconds, triggering instant notification back to the purchasing agent using Business One. This makes

increasing potential sources of essential goods and materials easy, fast, and straightforward. Identifying and implementing agreements with new suppliers on the fly gives midsize businesses the flexibility they need to respond to disruption without losing business or revenue!

Managing Constrained Capacity

When the virus first struck, global supply chains lost approximately 70% of resources and products (3). Beyond a drastic reduction in raw materials and parts, manufacturing companies faced even more constraints, including plant closures, to abide by social distancing and logistical limitations like delayed shipping times. The production strain, paired with soaring, panic-induced demand for essential goods, puts incredible pressure on midsize businesses to get their products to consumers fast.

With collaboration tools that increase visibility across the entire supply chain, you can optimize operations and production to manage this constrained capacity. Visibility and transparency across your entire supply chain allow you to see precisely where the stress points and vulnerabilities are, so you can predict and respond to challenges as efficiently as possible. Managers and supervisors know strictly which resources are being used, which ones you may need more of, how much is in reserve, and where they are located. This allows you to plan accordingly so production can begin on schedule, and you can avoid out-of-stock situations and late deliveries. You can even use automation to order raw materials and ensure on-time delivery for your next scheduled shipment.

Maintaining Employee Health and Safety

Adding to manufacturing products' problems quickly Adding to the problem of manufacturing products quickly enough to meet demand, the pandemic has caused significant challenges for distribution networks, who must now also implement new health and safety measures, including additional cleaning, social distancing, and shift separation requirements. Unlike

many businesses where remote work is possible, manufacturing typically requires employees to be physically present. Midsize businesses must balance labor shortages with employees' health and safety and implement proper shift management to reduce interactions. Operations leaders must now optimize shift changes and shop floor processes, minimizing contact, and allowing enhanced cleaning procedures.

An ERP system can also help mitigate human risk. Greater visibility into production and quality control systems allow for more modular manufacturing. You can standardize components across multiple products, simplifying sourcing and helping workers maintain greater social distancing. You can see exactly who is in each of your locations at any given time and what projects are being worked on, so you streamline complex workflows and define shifts to avoid overlap. ERP also allows you to add additional shifts and adjust schedules instantly and remotely. This will enable you to use the same number of employees, meaning you can keep costs down and maintain safety protocols by spreading out the times and areas employees are working.

Cloud-based solutions enable remote working for those that do not need to be in the plant. Real-time updates and alerts across your system mean your whole team can collaborate without having to be in the same building. Operations leaders can manage their team and ensure everything is running as it should without being present physically. This allows for greater flexibility and minimizes unnecessary contact.

A Path for Growth

While no one expected a crisis like that of 2020, the challenges presented by the current pandemic act as a catalyst for small and midsize businesses to streamline their supply chain processes for more tremendous success now and in the future. This type of change requires time, effort, and investing in the right tools, but provides an opportunity for companies to develop a more robust, resilient, and cost-effective supply chain that promotes faster recovery and future

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Top 5 Supply Chain Facts

1. **P**roper Supply Chain Management is important!

79% of companies with high-performing supply chains achieve above-average revenue growth within their respective industries and 57% of companies believe they can gain a competitive edge with supply chain management

2. **M**idsize businesses lacked the visibility required to respond rapidly to supply chain disruption

Supply chain market research shows that 69% of companies still do not have complete visibility of their supply chains, and 15% have visibility only on production. Furthermore, 63% of companies have no tech systems in place for monitoring supply chain performance and 46% of supply chain professionals still rely on spreadsheets

3. **S**upply chain disruption is costly

Supply chain disruptions can cause significant negative losses in terms of finances (62%), logistics (54%), and reputation (54%)

4. **C**OVID-19 had a major impact on supply chains across the globe

When the virus first struck China, global supply chains lost approximately 70% of their resources and products (3). 95% of businesses reported operational problems due to COVID-19

5. **S**upply chain leaders are turning to technology to help

50% of companies believe that technological advancements have a significant impact on supply chain, logistics and transportation operations, with 81% of supply chain managers citing data analytics as a crucial factor to reducing costs (1). SAP Business One allows for full visibility into operations, production, supply chain, demand, and more. This type of collaboration allows you to make rapid decisions for optimal planning and production, increasing your ROI and ensuring that you can deliver product to the consumers who need it, when they need it.

