

High priority of sustainability, risk and resilience

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In this issue, the topic of sustainability, risk and resilience is deepened – a coherent area, which has in a short time become a really high priority for the most established company managements and boards. The to say the least volatile global development is of course the cause, with covid-19, major wars, inflation and recurring shortages in the supply chains.

In the wake of all this, the need for resilience in the supply chain has become brutally clear. The consequence is that companies are now working intensively to strengthen their resilience.

Among other things, by sourcing from more and more nearby geographic markets and suppliers, which is an example of how it is actually possible to be both resilient and climate-wise sustainable at the same time. Other measures to increase the resilience and endurance of the supply chain are to invest in better visibility and, generally speaking, in more capacity to secure one's own delivery capability.

Find the right balance

The big challenge is to balance effectiveness and costs with resilience and environmental sustainability.

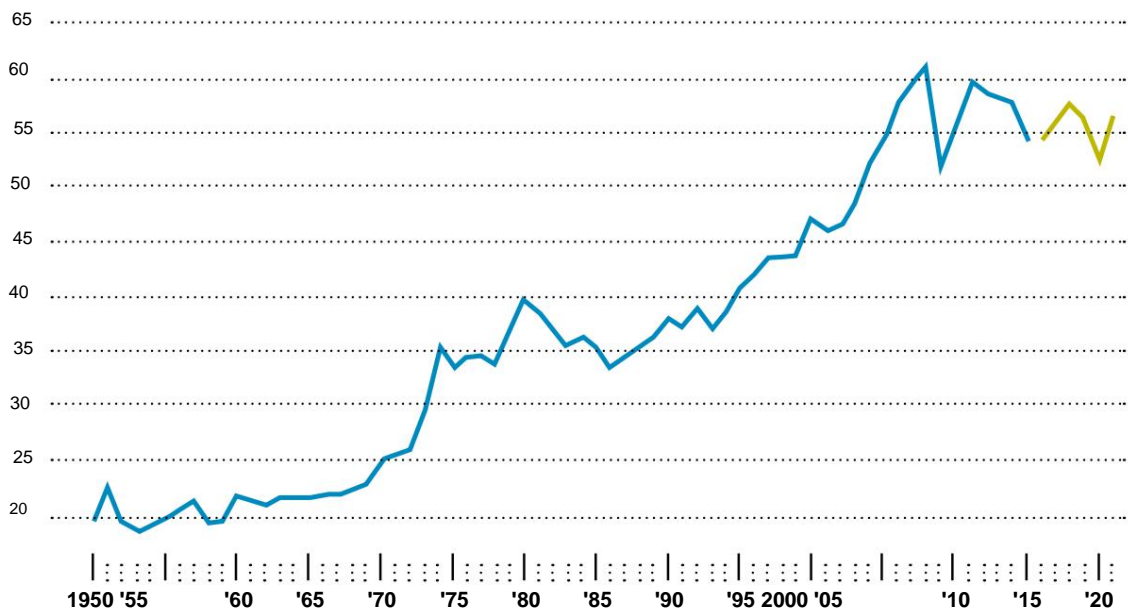
In a recent Gartner study, only 21 percent of respondents said they have a "highly resilient supply network," while more than half say they expect to be highly resilient within two to

three years. If that ambition is to be achieved, intensive work is required. In order to succeed, it is required in practice that the supply chain must cost more and be given more capacity and more alternative sources of supply. At the same time, the ambitions of most companies are high in terms of climate and social sustainability. Finding the right balance between these partly conflicting goals is therefore the neighboring task the supply chain has to deal with.

Technology for visibility and collaboration

One measure that benefits both climate and resilience is to increase coordination, visibility and traceability in the flow. It is therefore no coincidence that demand has increased radically for software and platforms that increase visibility and the possibilities for joint planning in the supply chain. Visibility, better planning, coordination and optimization have positive effects on both costs, climate and resilience. A typical example is that changes in demand can be perceived in good time, which makes it possible to better adapt purchasing, manufacturing

World trade as a share of world GDP



Source: Estimates 1950 to 2015 from Penn World Tables; estimates after 2015 from the World Bank.

and transport to the swings, thereby avoiding unnecessary costs and environmental impact.

Share data end-to-end

Connecting operations internally and externally and sharing data is crucial to succeed both in climate ambitions and to reduce vulnerability to various disturbances.

Achieving the almost mythical state of "end-to-end visibility" is what this is largely about, even if the expression can feel worn. The holistic view, the end-to-end perspective, is needed both to be able to react quickly and effectively to unforeseen events, such as a sudden lack of transport capacity, and to build a supply chain that is climate-smart, efficient and resilient in the longer term.

Navigating the global economy correctly

The steadily increased awareness and practical work with sustainability issues is increasingly influencing the global supply chains.

Legislation and regulations are being tightened at a rapid pace and affect where and with whom you can do business. Current examples are how sanctions have made financial transactions with Russia impossible, how bans have been introduced regarding purchases from Xinjiang in China and the introduction of national laws regarding human rights in the supply chain, which have been introduced in Germany and Norway, among others. This development has only just begun and over time will mean that it will become increasingly difficult to navigate it correctly

global economy. It is not a wild guess that the result will be that more and more trade will take place with "safe"

and stable countries and companies that comply with laws, regulations and policies regarding sustainability in the broadest sense.

Deglobalization?

Against the above background, more and more voices are now being heard warning that there is a risky "deglobalization" (*deglobalization or decoupling*) going on when companies move operations home from and reduce their purchases in Asia and other low-cost countries. The risk, they believe, is that the world economy will be negatively affected with reduced growth as a result. The fact is, however, that globalization is not threatened at all, as can be seen from the figure.

Since the 1950s, world trade has completely exploded, to peak around 2007. In the very last years, however, world trade has decreased somewhat, which is due to the extreme global disturbances and can rather be regarded as a healthy reaction to the increasing risks in parts of global supply chains. Everything points to the fact that globalization is here to stay. Hopefully, however, it will mature when the world's companies, in the shadow of the events of recent years, choose to organize their supply chains for increased sustainability in terms of climate as well as resilience, economy and social responsibility.