The art of balancing resilience, durability and efficiency

BY RICHARD VAN DER MEULEN

All supply chains today strive to be resilient, sustainable and efficient. Recent developments show that all three of these characteristics are necessary and non-negotiable. But how is this handled in practice, how can we succeed in all three respects?

My belief is that resilience, efficiency and sustainability often, but not always, go hand in hand, which means that the processes and systems that support these three goals should be designed in harmony with each other. The table on the next page gives an overview of how relationships and connections look between the three objectives.

Challenge 1: Goal Conflicts

Many aspects positively affect all three objectives, while others have a mixed or even negative impact. If, for example, suppliers and logistics companies/3PLs were to extend their lead times in order to optimize the degree of filling in a truck or container, this would have a positive impact on transport costs and C02 emissions. Namely be positive for both sustainability and efficiency. However, this procedure would make our supply chain less agile and more vulnerable to sudden events. The longer lead times would also increase inventory and capital tied up, which reduces efficiency. Longer lead times also increase the risk of customer losses/ reduced sales, as a result of which demand may have time to change, which in turn is negative from a sustainability point of view if it means that products become unsellable.

Challenge 2: Silo thinking

Another challenge is the silo structure with successive KPIs that characterizes most organizations, and makes it difficult to achieve the three objectives that we want to achieve in our supply chains. And it's not just internal

Aspects of supply chain management	Impact		
	Resilience	Sustainability	Efficiency
Increase in inventory and capacity buffers	↑	↓	↓
Increase in lot sizes (production, transport)	↓	↑ Although not too high that it creates write offs	↑ Although not too high that it creates write offs
Increase in manufacturing network diversification	↑	↑↓ Increases effort but also opportunity to minimize impact	↓ More sites mean less consolidated production
Increase in multisource	↑	↑↓ Increases effort but also opportunity to minimize impact	↓ More suppliers mean less purchase power
Increase in nearshoring	↑	↑ Reduction in transport/CO2	↑↓ Reduction in transport cost but potential of set by increase production cost
Increase in platform, product or plant harmonization	↑	↑ Potential to rationalize and standardise	↑ Potential to rationalize and standardise, although there is a cost to these efforts
Increase in strategic partnership and collaboration	↑	↑ Essential to ensure improved ESG across the SC	↑↓ Reduction in transport cost but potential of set by increase production cost
Increase in (real-time) visibility and traceability	↑	↑	↑

in our own supply chain this creates problems, but in increasingly complex, global supply chains with many actors. Coordinating and collaborating is therefore more important than ever to succeed. At the time efficiency was the focus, our own organization and our closest partners were affected. We used to find that we competed as a supply chain rather than as individual companies. That reasoning is now only partly true for two reasons:

1. Sustainability ambitions have quickly meant that we need to move away from one-sided revenue maximization to an increased focus on the planet's survival, and is thus an issue for everyone in society.
2. The challenges that have arisen in the wake of the pandemic with raw material and material shortages, lack of transport capacity have meant that we are all linked and dependent on each other.

Of course, we must always try to identify competitive advantages that give us the highest sales and profitability possible, but whatever we may think, we are more interconnected and dependent on each other than ever before. We are parts of a larger ecosystem that requires everyone to do their part for it to work.

Challenge 3: "Legacy" deficit

A third challenge is that over time companies and organizations have built and implemented many different system solutions and integrations to communicate with their partners in the supply chain. It is not unusual to use different systems or platforms for managing PLC (Product Life Cycle), forecasts, order management, quality assurance, purchasing, visibility, performance management and financing. Newer systems often contain several of these solutions and also offer end-to-end traceability of goods, sustainability reporting, ESG standards and best practice (Environmental, Social, and Governance).

The choice of a particular system or platform is often logical and makes sense when it is made, but over time creates a situation where suppliers and other partners need to integrate and gain access to a variety of portals and systems in order to collaborate. From the supplier's perspective, this can become very complex and confusing as they often need to work in a similar way with several of their customers. Large suppliers may require us to work in their own platform, but this often creates even bigger problems because it means that many customers need to work in a number of supplier platforms instead.

For the most part, most organizations need to work in a supply chain that consists of both large and smaller suppliers, where the development potential for better cooperation is often great for how we cooperate with the actors in our entire ecosystem.

So what can be done? We cannot dispose of all our existing systems and solutions, however, all supply chain processes and systems should be reviewed, as a first development step.

Richard van der Meulen is Global Product, Industry & Marketing Strategist, Supply Chain at Infor.

Advantages and success factors with visibility and digital information sharing

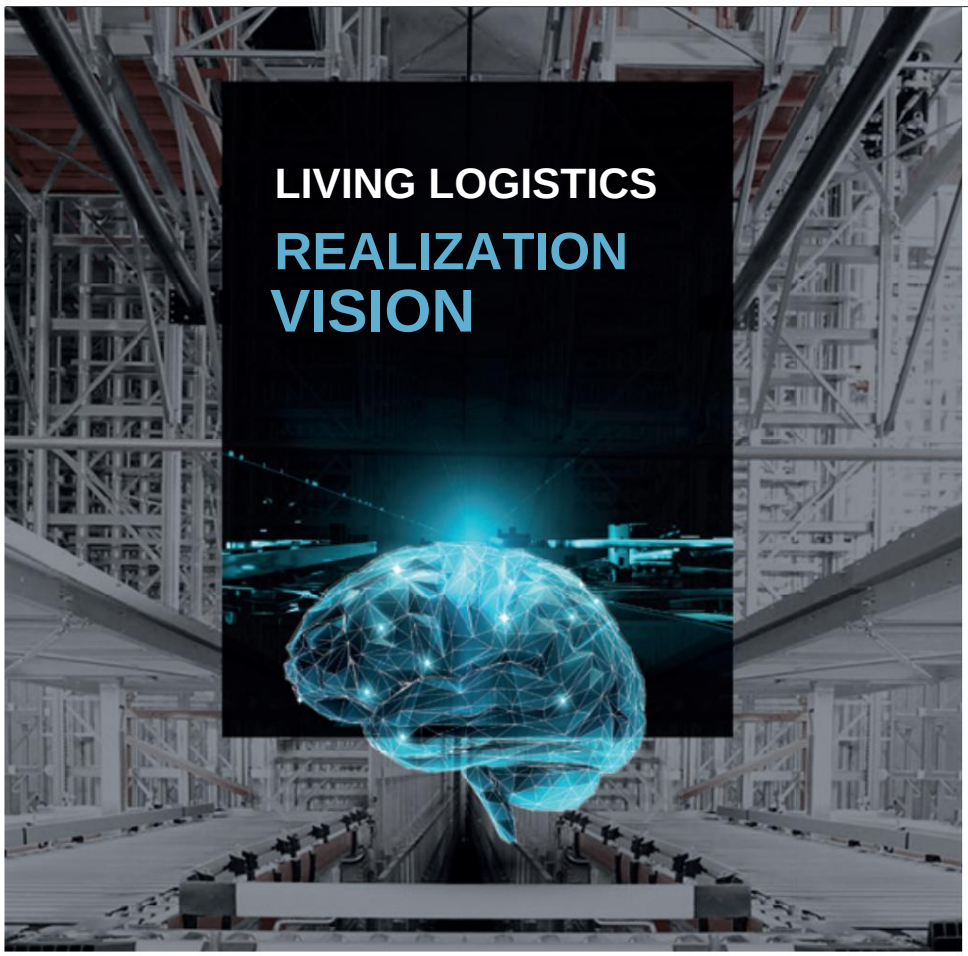
ADVANTAGES

• Increased speed and agility/flexibility • Better ability to deal with interruptions and unforeseen events and risk • Cost savings throughout the food • Increased customer service/more satisfied customers • A more climate-efficient food • More stable and predictable food • Better collaboration/ coordination/control • Fewer manual errors through automation • Better traceability • Reduced capital tie-up • Better staff utilization • Positive impact on sustainability and the environment • Shorter lead times • Better overall profitability • Increased shareholder value.

CHALLENGES

• Sell the need for information sharing and visibility both internally and externally • Emphasize success stories/good role models - especially in terms of costs, risk and sustainability • Dare to open up and share

• Integrate different subsystems in the food/create common technology solutions • Manage organizational silos and information silos inside and outside the organization • Create an understanding of the common the benefit • Secure access to relevant data in with birth partners.



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