

Essay 2: Corona has had a significant impact on economic activity. Discuss the short- and long-term effects of the crisis on supply-chain structure and function – does the crisis bring about permanent change, or does everything go back to normal once the pandemic is over? Justify your answer carefully.

Write an essay of between 500-750 words.

From the start of January 2020, a pandemic broke out in Wuhan, China and spread rapidly over the world. The coronavirus has caused one of the largest recession since the Great Depression in 1929-1933. With wide-scale lockdowns, limited travelling and economic recession, they have greatly influenced the supply chain of various business types. The influence is either negative or positive and I shall elaborate on it below.

For short-term effects of corona pandemic on supply chain structure: As soon as the pandemic occurs, there are many short-term effects upon supply chain structure, most of which are harmful effects.

First of all, the downstream flow of the supply chain will be hampered by limited logistics. As soon as the borders are closed and the trade limited, the flow of materials will slow down significantly. Moreover, businesses have to pay larger fees for transportation of goods. For example, Samsung mainly manufactures most of their smartphones in Vietnam, has no other options but to send spare parts and components by air, and they are subject to a higher air freight rate. [1]

The pandemic also affects the upstream flow of the supply chain. This pandemic is accompanied by an economic recession, which means the purchasing power will be significantly lower. Lower demand translates to lower profits or lower production. Many work-in-progress inventories accumulated, further raising the cost of maintenance.

For long-term effects of corona pandemic on supply chain structure: Many businesses cannot operate with losses, so they should try to limit operations as much as they can. Because when a business is shut down, restarting operations will be extremely challenging (contacting employees, finding suppliers). In manufacturing, machineries need to be maintained as well. These can be a drain on a businesses' finances. [1]

For short-term effects of corona pandemic on supply chain functions

First, the workers may face lower productivity. According to the self-determination continuum, highest productivity is achieved with good management and leadership. However, the pandemic has completely changed the management part and people are disorientated. Lower profits will mean that workers do not have enough incentive to perform well.

Secondly, companies may face inventory challenges. Number of work-in-progress cannot be further processed due to lower demand and limited logistics, which makes the placement of the products a difficult task.

Thirdly, it is known that companies face supply shortages in the pandemic. Especially businesses that have core competencies depending on strategic or bottleneck supplies

(according to the Kraljic matrix), the shortage of the crucial supplies can severely damage the functions of these businesses. In severe cases, many lose profits in a long period and face bankruptcy.

There are various implications, such as limiting customers' orders or negotiate with contractors or suppliers

For long-term effects of corona pandemic on supply chain functions

As discussed above, supplies may be unavailable at times, so businesses should search for alternative suppliers within their region. Because the pandemic limits imports and exports, depending on foreign supplies would be a bad decision in the long term.

Limitations of logistics also force businesses to find alternative ways to automate their work process or they can even adopt a job-shop operational management, if possible. Fewer profits also helps companies re-examine their internal supply chain functions, such as reducing waste or integrating multiple functions.

However, after this pandemic, demand will rise again as businesses and consumers have become experienced. Businesses will improve their supply chain management, while customers will save more money in times of crisis.

With these effects, the corona pandemic will bring permanent change to the supply chains. As it turns out, this pandemic is a type of risk that needs to be taken into account by businesses. They are unprepared because pandemics rarely occur in present days and therefore they do not have any protocols or measurements to deal with this type of risk. Companies must strive to improve their risk management.

In conclusion, this pandemic is a strong force behind for supply chains to evolve further. Alternative supplies, automation, lean production and just-in-time inventory management are among some possible solutions that should be adopted so that businesses are well-prepared in case another global pandemic occurs in the future.

(691 Words)

References

[1] Pritesh, S (April 10, 2020). COVID-19 and the Effects on Supply Chains in Vietnam. Available at <https://www.vietnam-briefing.com/news/covid-19-effects-supply-chains-vietnam.html/>