Coronavirus COVID 19
Guidance for procurement and supply chain managers

This knowledge paper offers short practical guidance on what managers could do to mitigate the impact of this risk on their supply chains

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The growing threat of the pandemic

Supply chain managers will have to act very quickly now to build stocks where they can of essential components, or seek alternative sources of supply to minimise further impact on their operations as the shortages caused by the shutdown of China’s factories feeds through the supply chain. This is happening in other regions of the world too, for example Northern Italy, in what seems to be a very short space of time. For some businesses it appears it is already too late to put those mitigation strategies in place as empty supermarket shelves and shortages on production lines have started to appear. With consumers stockpiling essential items, this is likely to exacerbate the supply chain shortages.

Practical steps for supply chain managers

- Prioritise your high risk supply sources not just by geography, but by sector/commodity/value to the business
- Analyse your supply chain beyond your tier one suppliers to fully understand your exposure to the affected countries and regions
- Review the business approach to inventory eg. build inventory around own stores to reduce impact from port delays, what additional financial resources are needed to do this if appropriate
- Don’t rely on forecasted supply data or current inventory levels
- Calculate your stock tolerance over the predicted “at risk” period to determine your pinch points
- Keep communication channels open with your key suppliers.
- Continue to seek out alternative sources of supply as well as alternative transportation routes
- Factor in increased transit times to alternative ports
- Re-assess travel plans and use digital technology such as teleconferencing instead of face-to-face meetings
- Calculate any additional costs that you may incur eg. non-delivery of goods to your customers

In the long-term

- Carry out lessons learned debriefings to highlight critical areas of supply that could cause a problem in the future and build in mitigation plans
- Look to forge alliances with organisations in your sector to develop new markets of supply where there are a limited number of suppliers or suppliers are limited by geography
- Spread your sourcing across multiple/dual suppliers in different geographies
- Look to develop more local sources of supply. Not only will you have more visibility of your full supply chain but there could be extra benefits such as reducing ethical sourcing risks, improved sustainability impact and boosting the local economies
- Review contract terms to mitigate future risks. For instance will force majeure clauses be applicable in your situation to enforce/accept liability?

In the long-term

Procurement and supply professionals have a vital role to play in both alerting their business to potential supply chain disruptions, and more importantly offering solutions to the disruption. In the face of a major global crisis such as the spread of coronavirus, now is the time to step forward and be proactive in protecting supply chains as much as possible from the impact.

More sources of information

https://www.cips.org/knowledge/procurement-topics-and-skills/coronavirus/
https://www.cips.org/knowledge/procurement-topics-and-skills/#39741
https://hbr.org/2020/03/coronavirus-is-proving-that-we-need-more-resilient-supply-chains