



Paía

**BUILDING SUPPLY CHAIN RESILIENCE
THROUGH SUSTAINABILITY**

FIVE ACTION PLANS FOR BUSINESSES TO ADOPT AFTER
COVID 19

Planning ahead

The global events in the last few months have demonstrated the high importance of supply chain management for many businesses. COVID-19 has caused an unexpected, global supply chain disruption, leading several businesses to re-examine their supply chain risks and strategies.

Moving forward, building supply chain resilience should not limit businesses to assess only their financial and credit risks. It is expected for them to move past these risks to also **assess risks arising out of their supplier sustainability operations**. Sustainability has played a vital role in recent years in shaping business strategies by influencing purchasing decisions. Supplier environmental compliance, workers' rights and safety, and good governance are some of the aspects that have driven pressures from industry and buyers alike.

Past events have demonstrated loss of reputation, and consequently revenue, when sustainability risks are overlooked in supply chain operations.

However, due to the current economic slowdown and need to defend critical business assets, sustainability considerations might be pushed to the back seat. This might seem like a short-term success strategy, but in the long-term, it would be detrimental to the overall business growth. We are proposing five-step action plan for businesses to adopt, and to overcome short and long-term supply disruptions.

Action Plan 1: Protecting Human Capital should be a Key Priority

As one of the most vulnerable section of the supply chain, **labourers and migrant workers** face several challenges, especially concerning their livelihoods, health and safety. COVID-19 has put a spotlight on the living conditions of several such low wage earning workers, making them most susceptible to the virus.

Living in confined spaces with poor ventilation and minimum space to move, there has been mass spread of the virus among these communities. While businesses and economic activities have been halted in many of these countries, there has also been widespread unemployment and job insecurity bringing a lot of these workers to the brink of poverty.

This raises questions on measures to safeguard workers' health and livelihood, key to wider business ethics. Priority given to protecting human capital must take precedence for any business and this should be followed through in the supply chain.

The 'new normal' must embrace the concept of social sustainability assessment for suppliers as part of the procurement procedure to gauge how suppliers are providing for their workers and their sustainability. Worker health, safety and security must be built into our suppliers and our business continuity plan to ensure a supply chain operation.

Action Plan 2: Supplier Environmental Risk Assessment while Sourcing

Several businesses facing supply chain disruptions currently would possibly look at switching suppliers to ensure future business continuity. Diversifying supplier base has been known to prevent major disruption of product supply. Businesses often deprioritise sustainability while sourcing for new suppliers.

Operational necessities such as price, quantity and quality often take precedence over sustainability concerns. However, for business continuity, it is critical for business to also look at supplier sustainability risks prior to sourcing.

According to a report by the World Economic Forum, environmental risks, in particular, have high impact and likelihood of occurrence in the coming years (The World Economic Forum, 2020).

These include climate action failure, extreme weather and natural disasters, which have in the past been known to severely disrupt the supply chains (an example, 2011 Thailand's severe flooding disrupted several supply chains). **Environmental sustainability risk assessment of suppliers could supplement the operational considerations during sourcing to avoid future supply disruptions.**

Action Plan 3: Strengthening Supplier Partnerships and Customer Relationships

COVID-19 has played a spoilsport in managing relationships with suppliers, highlighting the dark side of procurement practices for many businesses. According to a recent report by Sustainable Apparel Coalition, many fashion brands have cancelled completed orders from their supplier manufacturing units (Sustainable Apparel Coalition, 2020).

Cancellation of completed orders brings about a ripple effect – from mistrust across industry players, economic instability to suppliers, and wide-spread unemployment of workers. This might lead to negative consequences for the business when the economy recovers. **Businesses need to make meaningful partnerships with suppliers** that extend beyond financial and material transactions, to sail through unprecedented events such as COVID-19.

Strengthening customer relationships is as important as strengthening supplier partnerships. In this tough time, customers are also facing economic instability and constraints that is changing their purchasing behaviours. Moving forward, businesses need to extend beyond the traditional role of providing goods and services to customers, to that of **engagement and purpose**. Maintaining transparency and following through on their commitments are key ways for gaining customer trust and maintaining a healthy supply chain.

Action Plan 4: Executing Scenario Planning and Waste Mitigation Strategies

Supply chain disruptions brought about by COVID-19 has resulted in higher inventory, therefore leading to longer lead times for many businesses. For sectors handling perishable items, this would translate to a lot of wastage. For the food industry alone, processing and transport breakdown, as well as panic buying has resulted in soaring prices and rotting crops posing a global food crisis.

Post COVID-19 would have to look at supply chain operations to devise plans to **ensure crisis management and business continuity strategies**. Businesses need to explore using several scenarios that could disrupt various stages of their supply operations, and **devise waste management** plans accordingly.

This might even mean relooking at diversifying customer base in addition to supplier base, also targeting waste mitigation strategies during times of crisis. Building collaboration with various stakeholders in the supply chain would help in overcoming some of the pain points. Avoiding waste could avert disposal costs for larger volumes of items and could also generate alternate revenue streams during crisis.

Action Plan 5: Digitalisation of Supply Chains

Efforts to digitalise supply chains have been ongoing for many years. Many of our current products go through complex, global network of processes before reaching the end consumers.

Businesses are now starting to look at investing in technology and digitalising the supply chain to help better forecast the demand and manage diversification. **Some data analytics tools provide opportunities to identify vulnerabilities in supply chain operations and predict risks.**

Digitalisation could also help in real time inventory visibility, provide optimal transportation routes, and reduce lead time. All this would improve performance and reduce waste. Digitalisation is the future of enhanced supply chain management.

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