

Efficiency or Resiliency?

By Lisa Anderson



According to a McKinsey survey about COVID-19's impact on operations and the future supply chain, supply chain leaders believe it will be transformed. For example, close to 75 percent experienced issues in the production, distribution and supplier footprint that will require changes in the future, and a whopping 93 percent of respondents plan to increase resilience across the supply chain. The pre-coronavirus full focus on efficiency is moving over in favor of resilience. Clients and colleagues are seeing the critical importance of creating resiliency and customer responsiveness in their supply chains.

Even before COVID-19, executives were interested in increasing customer responsiveness. Amazon has been transforming both B2B and B2C businesses. As customers get used to rapid deliveries, the ability to change orders at the last minute and return products easily becomes the new expectation. However, prior to the pandemic, the ingrained philosophy to reduce costs and increase efficiencies remained dominant, and so customer responsiveness and resiliency was seen as more of a "nice-to-have" so long as there wasn't a hit to the financials.

The pandemic has proven that resiliency has become a "must." The ability to respond and be agile has gained importance. For example, during the pandemic, clients ran out of inventory or critical materials/components due to disruptions in the supply chain. Having a backup supplier in the same geographic region as the core supplier was of no help. Even if the backup supplier was in another region of the world, lead times were too long to address changing customer requirements. If the backup source of supply was close to the manufacturing operations and consumer demand, companies were most likely still out of luck unless they had consistently ordered supply from the secondary backup supplier, thus gaining priority. The need for resiliency has become clear.

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Does one have to choose between efficiency and resiliency? Not necessarily. Clients that have pivoted to rethink how to achieve efficiency and resiliency simultaneously will thrive post-COVID-19. In essence, they need to find an appropriate balance between an internal and external focus; a reduction of costs and an increase in agility; an increase in labor efficiency by locating production to lower-cost countries; an increase in customer responsiveness by locating production closer to customers; a focus on the monthly profit and loss statement; and a flexibility with working capital reserves.

How should the "AND" of efficiency and resiliency be achieved? Start by understanding the customers' customers and the associated changes in buying behaviors and evolving customer needs. The quicker changes are understood, the quicker they can be incorporated into strategic decisions, the supply chain network and new products and services offerings. Proactively collaborate with customers and suppliers so that demand and

supply can be rapidly realigned to improve the customer experience and increase profitability and cash flow. Certainly, to bring these goals to fruition, pay close attention to upgrading talent and technology.

The most successful executives will focus on creating both efficiency and resiliency. If one thinks of the definition of efficiency as organization plus speed and the definition of resiliency as the speed to recover, "speed" is present in both. Latch on to that commonality and find innovative ways to achieve the win-win of efficiency and resiliency.

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