

How to survive with supply chain disruptions in the tariff turmoil

The pandemic, logistics chain issues, trade wars, and other global disruptions have highlighted the critical importance of maintaining smooth, robust, and adaptive supply chains. As supply chains become increasingly optimised and streamlined, they also become more sensitive to disruptions.

Supply chain disruptions can profoundly impact industrial companies, affecting various aspects of their operations. Before this happens, you need to be both prepared in advance and able to react timely and efficiently.

Supply chain disruptions impact small and large companies differently due to their varying resources, flexibility, market positions, and geographical presence. By understanding these impacts and implementing strategic responses, companies can enhance their resilience and gain a competitive advantage.

Short-term actions, supply chain strategy and vision

When dealing with supply chain disruptions, it's essential to break down the response into manageable short-term work packages and long-term strategic initiatives.

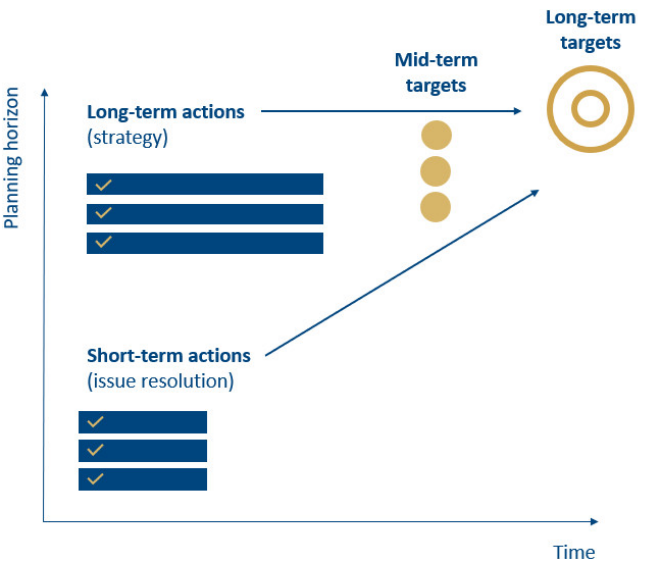


Image 1. Key impacts of supply chain disruptions

Graph 1. A connection between vision, long/mid/short-term targets, strategy and short/long-term actions.

Here are some key work packages to consider for both.

Short-term actions

When implementing short-term actions, start by defining clear, specific, and achievable goals aligned with long-term targets. Crystalise the disruption on hand and its impact on supply chain performance, like deliveries on time, quality, inventories and costs. Allocate adequate resources, prioritise tasks, and enable rapid decision-making to adapt to changes. Identify risks, develop mitigation strategies, and have contingency plans. Continuously monitor progress and establish a feedback loop for adjustments. Utilize cross-functional teams and collaboration tools to enhance teamwork. Focus on quick wins and incremental progress to build momentum and confidence.

In supply chain-related short-term initiatives, it's vital to concentrate on at least the following areas:

(1) Availability and accuracy of data

- Business relevancy and accuracy of data across products (including bill of materials) and distribution channels, including landed costs and profitability.

(2) As-Is analysis

- Evaluate the current supply chain network, value generation in the full chain, and conduct a SWOT analysis.

(3) Opportunity identification

- Identify weaknesses and potential cases of disruption.
- Develop alternatives for identified weaknesses or cases.

(4) Task force establishment

A task force in a company is a dedicated team focused on strategising, collaborating, and solving critical problems. This concept enhances focus, efficiency, and emphasizes urgency, confidence, and strategic dominance.

(5) Action execution

In supply chain-related short-term initiatives, it's vital to concentrate on at least the following areas:

- An effective project management with clear objectives.
- Planning.
- Resource allocation.
- Open communication.
- Proactive risk management.
- Continuous monitoring.
- Flexibility.
- Quality assurance.
- Stakeholder engagement.
- Thorough documentation.

A **task force** is often a short-term, cross-functional team including customer-facing functions like sales, sourcing for supplier communication, operations, logistics and supply chain planning. Tax and trade compliance experts may be involved if complex supply chain changes are needed. Dedicated communication channels are crucial for effective collaboration. Key features are:

- Centralised collaboration: A hub for intensive teamwork, ensuring alignment.
- Visual tools: Whiteboards, screens, and visual aids for strategy mapping and brainstorming.
- Real-time decision making: Quick decisions with all stakeholders present.
- Enhanced communication: Open idea exchange for tackling complex projects or crises.
- Focused environment: Minimises distractions for concentrated effort.

The benefits are often seen as follows:

- Improved project management: Efficient planning, execution, and monitoring.
- Better problem solving: Encourages creative solutions and rapid resolution.
- Increased productivity: Streamlines meetings and decision-making processes.

The phases to establish a task force are often divided as follows:

- Define targets: Set goals, work packages, schedule, and form cross-functional teams. Nominate accountable person for each work package.
- Appoint a leader or facilitator to guide the process.
- Establish working structure with clear reporting and with upper management involved.
- Action execution.

Long-Term Strategy and Vision

When implementing long-term strategic initiatives, start with a clear vision and well-defined objectives aligned with the organisation's overall goals. Identify opportunities and include those in the long-term objectives. Allocate enough resources, including financial investment, skilled personnel, and advanced technology. Ensure effective communication with regular stakeholder engagement for alignment and transparency. Adapt initiatives based on market conditions, technological advancements, and feedback from ongoing evaluations.

Identify potential risks and develop robust mitigation strategies. Continuously monitor and evaluate progress to make informed decisions. Foster cross-departmental collaboration to leverage diverse expertise and drive innovation. Invest in sustainability and ethical practices to enhance the organisation's reputation and long-term viability.

In supply chains, focusing on the following aspects can drive meaningful and lasting change within the organisation:

- Ensuring continuous data accuracy for informed decision-making.
- Achieving end-to-end visibility of the supply chain network.
- Identifying and meeting customer requirements for cost, speed, accuracy, service level, and content.
- Developing agile processes to respond quickly to disruptions.
- Transitioning towards predictive and proactive supply chain operations.
- Establishing continuous, efficient and effective risk management practices.
- Implementing proactive measures to anticipate and mitigate risks.
- Creating scenarios and mitigation plans, including insurance, dual sourcing, reshoring, and nearshoring.
- Focusing on talent management ensures skilled personnel can use advanced IT capabilities for intelligent analysis and proposals.
- Leveraging AI, resilience tools, e.g. digital twins, and other advanced IT solutions to support risk mitigation and scenario evaluation.
- Prioritising customers based on segmentation.

By concentrating on these elements, long-term and strategic initiatives can drive meaningful and lasting change within the organisation.

Mid-term actions

Mid-term initiatives require a balanced approach that bridges short-term actions and long-term strategic goals. It's important to set clear, achievable intermediate objectives that align with the organisation's strategic vision while being flexible enough to adapt to changing circumstances. To follow up on how intermediate objectives are met is a way to make sure the company is on the right path in the long term.

Minimising the impact of US customs policy

In response to recent changes in US customs policy, the goal is to develop a more flexible supply chain across all tiers, capable of addressing various risk scenarios - particularly geopolitical, import, and export-related risks - while minimising landed costs. This involves revising strategies and policies regarding product manufacturing, including shifting manufacturing focus, implementing dual sourcing, splitting manufacturing processes, and embracing manufacturing automation.

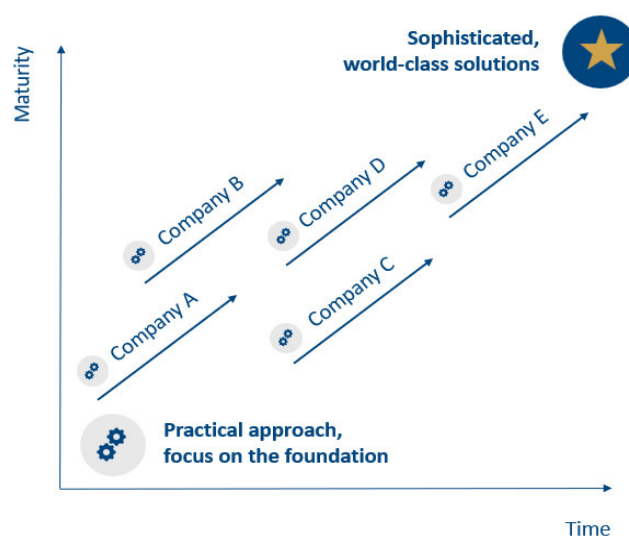
The supplier selection process must carefully consider the location and sensitivity to geopolitical and customs risks throughout the supply chain tiers. Efforts should be made to bring as much of the supply chain as possible within US territory, through reshoring and nearshoring suppliers (e.g. seeking alternative sources within the US).

Effective multitier risk management is essential. It encompasses geopolitical risk identification and management, enhancing transparency across the multitier supply chain, and scenario planning for various risks.

Additionally, analytics and AI should be used more intensively for supply chain network mapping, transparency improvements, impact analysis, scenario planning, and cost minimisation.

How Midagon can help

Developing risk mitigation and alternative supply chain models is a demanding task, particularly when a company's experts are overwhelmed with acute logistics issues. To address this challenge, it is essential to enable a more systematic approach that brings decision-makers and data-based information together in a coordinated manner. This approach ensures that the right decisions are made across short, mid, and long-term horizons.



Graph 2. Arrows describing path forward depending on the maturity level of a company.

Mobilising and organising key resources is crucial for executing the right decisions and verifying their outcomes. Harmonising information and ambitions as alternatives to a single decision-making platform, based on business and geographical areas, enhances the effectiveness of the process. Transparency from the first tier to the second and third tier supply networks is vital for ensuring multitier transparency and understanding the complexity of the supply chain. Responsibility for risk management, contingency planning must be clearly defined.

Midagon's experienced sourcing, production, logistics, and finance leaders are adept at developing new, alternative solutions. They excel in summarising options for decision-making and leading the implementation of the chosen plan systematically, ensuring that the company's supply chain remains resilient and efficient, and the chosen plan is systematically implemented.

Midagon

Midagon is a truly independent transformation partner focused on tangible business benefits realisation. We combine extensive program and project management experience, business domain and technology expertise with 100 % objectivity to help our clients succeed in their most complex transformations.

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Key takeaways

- Normal ways of working may not be adequate for crisis resolution; a special **task force** may need to be appointed to devise quick and effective solutions.
- Midagon can contribute expertise to building both **short-term task force** organisation and content, as well as the **long-term** development of flexible, yet structured and robust supply chains.
- A long-term strategy and clear targets are crucial for building a **solid foundation**, **enabling** agile and effective **issue resolution** when problems arise.

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