

Investments in Resilience Require Shorter Planning Horizon



Disruption is not a black swan event. It's the new normal. And it can bring with it risk or opportunity. Business leaders should expect the number and magnitude of disruptive events to increase, exposing vulnerabilities and requiring resilience. But the relentless pursuit of efficiency has left some companies with limited ability to respond to disruption.

Supply chains are more complex than ever, with a need to manage new products, new channels, new customers, new business models, new regulations, and new competitors. Companies need the ability to sense and respond to change, repeatedly, and in real-time.

Digital transformation is the key to unlocking resilience in the business to be able to respond quickly to disruption. This requires new ways of looking at risk, across several dimensions.

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SHORTEN THE PLANNING HORIZON

Assumptions about predictability, consistency and forecast accuracy may no longer hold true in a world where change is happening faster than ever. It's time to think differently about the planning process. Shorter horizons for investments and a different ROI model are needed to enable an adaptive supply chain. Leaders need to be able to make investment decisions that allow them to pivot within three years with no regrets. They can't be held to 10-year investment horizons in this environment. Access to capital for a three-year business case becomes realistic only when you consider the value of resilience as part of the investment. It's not the sole justification for the investment, but it's not zero either.

INVEST IN RESILIENCE

A recent global Gartner survey revealed that 87% of supply chain professionals plan to invest in supply chain resilience in the next two years. Leading companies are shoring up operations and increasing agility by re-evaluating their networks. They are moving quickly to digitize operations, minimize operational complexity and leverage automation technologies and intelligent software to reduce dependence on labor and enable faster fulfillment. That requires a set of metrics that value flexibility and agility.

The supply chain can be an enabler of resilience, but that requires a different view of three key pillars –Network, Data and Capabilities. All three have implications across the organization.

MAKE YOUR NETWORK ADAPTABLE

An adaptable network looks different for every company. It’s important to build capabilities that allow you to redirect inventory quickly. To be more resilient, consider different flow path characteristics and get nimble in terms of inventory and service. What happens when a facility or supplier’s facility goes offline? How quickly can you divert to other nodes to meet demand? How easily can you scale up (and down)? How can you flow inventory through the network faster to reduce working capital and the impact from disruption? How can you get greater visibility to the forces that impact the network?

There’s a need for greater transparency in customer and supplier relationships and operating models such that leaders can monitor global risk and local events at the same time. All collaborative supply chain planning is data driven.

LEVERAGE REAL-TIME DATA FOR BUSINESS PLANNING

Companies need to understand vulnerabilities and exposure to create new strategies for resilience. Real-time data is needed to monitor and collaborate across the supply chain. Predictive analytics hinge on visibility to real-time data to drive insights about the business. When you can leverage data in this way, it changes how you run operations. KPIs for measuring resilience are needed.

In this context, software takes on greater importance for its ability to provide insight and understanding of how events impact supply chain performance. Cloud is a key enabler.

ENHANCE SUPPLY CHAIN CAPABILITIES FOR REDUCED RISK

Continuous improvement and innovation are essential for digital enablement. You must look for ways to disrupt yourself before something or someone else does. Your competitors are making investments in faster fulfillment as a cost of doing business. They are moving toward shorter investment horizons with a new assessment of risk.

Leaders are building resilience by:

- **Driving increased flexibility and agility in their networks**
 - **Digitizing operations for greater visibility to real-time data and insights**
 - **Leveraging new capabilities and technologies to increase competitive advantage**
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You should look for ways to reduce complexity and risk in both the network and operations. More recently, companies are looking at labor as an area of increasing risk and evaluating technology for its ability to reduce some of that risk while enabling new capabilities. To achieve this, they are monetizing resilience as part of the business case.

ADAPTABLE NETWORK

- Number of Facilities
- Locations
- Mission
- Nodes



REAL-TIME BUSINESS DATA

- Goals & Objectives
- Key Performance Indicators
- Service Level Agreements

SUPPLY CHAIN CAPABILITIES

- Systems
- Material Handling
- Equipment
- Facilities

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SUMMARY

Business resilience remains a top priority for the foreseeable future. Fortna continues to help companies transform distribution for greater agility to address disruption. Leaders are building resilience by:

- Driving increased flexibility and agility in their networks
- Digitizing operations for greater visibility to real-time data and insights
- Leveraging new capabilities and technologies to increase competitive advantage

How do you monitor for disruptive threats and opportunities? Are you prepared to pivot without regrets when the next disruption comes? What are you doing to build flexibility and agility? How do you value resilience? How do you justify investments on a shorter horizon?

Fortna helps companies drive resilience in their networks and operations with a holistic, data-driven, business case justified approach. We help clients operationalize resilience with technology investments and intelligent software.

For more information, contact The Distribution Experts at info@fortna.com.

THE DISTRIBUTION EXPERTS™

Fortna partners with the world's leading brands to transform their distribution operations to keep pace with digital disruption and growth objectives. Known world-wide as the Distribution Experts, we design and deliver intelligent solutions, powered by FortnaWES™ software, to optimize fast, accurate and cost-effective order fulfillment. Our people, innovative approach and proprietary algorithms and tools, ensure optimal operations design and material and information flow. We deliver exceptional value every day to our clients with comprehensive services including network strategy, distribution center operations, material handling automation, supply chain systems and warehouse software design and implementation.

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