

COVID-19 to Usher in Potentially Drastic Shifts in Supply Chain Management, Foley Research Finds

Manufacturing executives expect their supply chains to emerge from the COVID-19 pandemic looking quite different than they did previously, according to a survey conducted by the law firm Foley & Lardner LLP. Drawing on responses from nearly 150 manufacturing executives – the majority of whom are members of their company's C-suite, and who work in a wide array of industries – the Global Supply Chain Disruption and Future Strategies Survey Report offers a view into the future of global supply chains.

Foley delved deeper into the issues highlighted in the survey in its newly published Accelerating Trends: Assessing the Supply Chain in a Post-Pandemic World, which provides business insights and guidance for companies reviewing supply chain processes to mitigate risk, evaluating a shift in supply chains away from China, and using new technologies to improve efficiency.

Key takeaways from these reports include:

A Move Toward Stability and Resilience

Two survey findings suggest a potentially transformative shift in the way manufacturing executives typically think about their global supply chains: from a focus on low costs and lean inventory, to one that prioritizes stability and resilience. Seventy percent of respondents agree that, as a result of COVID-19, companies will lessen their focus on sourcing from the lowest-cost supplier and 62% expect the focus on just-in-time (JIT) manufacturing models will also decrease.

As manufacturers review supply chain processes to mitigate future risk, the Accelerating Trends report details five key categories that can be analyzed through Foley's Resiliency Review assessment tool, including reliance on JIT models and assessing contractual allocation of risk.

A Push for Supply Chain Visibility and Transparency

Manufacturing executives are taking prudent steps to manage risk in their supply chains, with strengthening relationships and increasing transparency with suppliers and buyers as the top strategy identified by survey respondents. In addition, the vast majority (92%) are taking at least some action to create more visibility within their supply chains, including requiring more information on suppliers' own risk management and continuity strategies.

Rethinking China

The Foley reports also analyze the extent to which COVID-19 has accelerated the movement of production and sourcing away from China. Of the survey respondents who have operated in the country, 59% have either already withdrawn operations, are in the process of doing so, or are considering it.

For manufacturers and suppliers that decide to reduce their reliance on China, the question remains where to go next. The Accelerating Trends report analyzes the key costs, benefits, and risks to consider in several regions that present alternatives to China. According to the survey findings, the result of this analysis has increasingly led companies to move (or consider moving) supply chains closer to home: to the U.S. (74%), Mexico (47%), and/or Canada (24%).

Technology and Supply Chain Innovation

The COVID-19 pandemic is also speeding up the adoption of new technologies and innovative business processes that improve supply chain efficiency and resilience.

The Accelerating Trends report identifies eight specific areas that are expected to see greater investments and provides guidance on how they stack up against each other in terms of resilience, cost, and maturity. In addition, survey respondents identified the top technologies they are considering as new tools or applications that improve supply chain visibility and tracking (47%) and operational analytics to better track business metrics and indicators (39%).

Foley's 2020 Global Supply Chain Disruption and Future Strategies Survey Report was completed by 143 executives with involvement in supply chain management at their companies. Respondents were primarily based in the U.S. (78%) and Mexico (18%), and represent a range of industries, including automotive (22%), general manufacturing (22%), transportation and logistics (12%), and healthcare/medical products (10%). To read the complete report and methodology, please click here: <http://bit.ly/2020-Supply-Chain-Survey-Report>.

To read Foley's Accelerating Trends: Assessing the Supply Chain in a Post-Pandemic World report, please click here: <http://bit.ly/Accelerating-Trends-Supply-Chain>.