

How to boost your supply chain after Covid-19

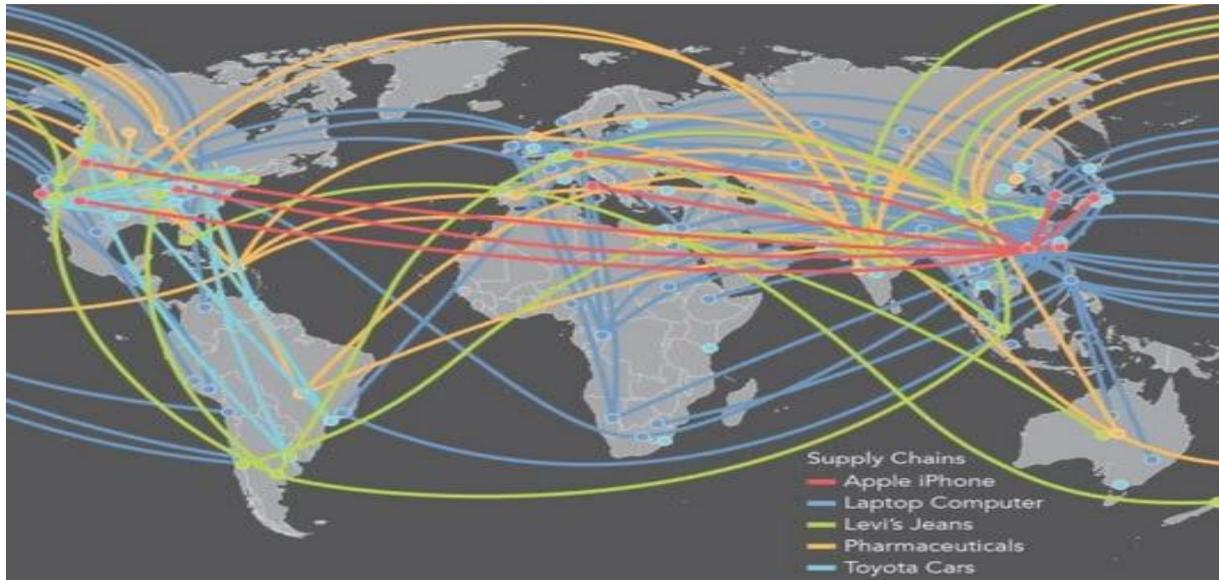


A supply chain disruption is a breakdown that can occur in the production and distribution processes, including events such as fire incidents, machine breakdowns, natural diseases, quality issues, and an unexpected surge in capacity. From this definition the pandemic called Covid-19 with its general lockdown is a supply chain disruption.

In China, America, Japan, Germany, France, most of the companies have almost shut down especially in the automobile sector, air transport, hospitality or sectors that are not concerned with food, basic necessities and items needed in the fighting of Covid-19.

Here in Africa, some sectors are also still in activity, namely, those dealing in food, agro industries and pharmaceutical sector. These companies are really useful to maintain the population well fed, awoken and alert against the Covid-19. Due to some economic conditions the other companies are still opened but have slowed down their activities.

In order to understand how catastrophic are the consequences of the Covid-19 disruption on the supply chains we must first consider the map of the supply chain fluxes for companies dealing in Jeans, iPhone, pharmaceutical, laptops and cars.



All these lines and these arrows, are going from Asian countries to the rest of the world and concern Apple, iPhone, Computers, Jeans, Pharmaceutical products, and Toyota cars. You can notice amazingly that the whole world is supplied by Asian countries especially China. African countries are one of the biggest consumers of these products apart from Apple iPhone. This shows that China had become before the covid-19 disruption, the manufacturing workshop of the whole world.

Many companies in America, Europe and Japan had relocated in China and were producing from there. Zara whose suppliers and manufacturers were located in China and were producing almost all their items from there is one of the example. But nobody seems to have noticed this or knew about this before the Covid-19.

In Cameroon and in Africa, the situation is the same. Many sole traders are ordering from China in most of the businesses. Almost all the sellers and distributors in most of the market places here are being supplied from China and also most of the companies are also sourcing from china. So in Africa as well as everywhere in the world China has become the main sourcing and manufacturing place.

The consequences of the Covid-19 disruption

Because of this key and central role of China in the supply side of worldwide supply chains concerning raw materials, parts and finished goods, the consequences of the Covid-19 disruption are numerous. The most difficult to handle are:

- Sudden shut down of factories all over the world: China, America, Japan, Germany, France, Africa, because of the shortage of raw materials.
- Slowdown of activities in sectors where companies keep running.

- Reduction of working hours (by asking some of the workers to work from home, cutting down the salaries of the members of the staff, reducing working hours, giving technical leaves).

- Staff reduction due to low sales

It is obvious that if a supplier has a problem the rest of the chain will suffer from this problem. The disruption came by the fact that the main supplier of the world has a problem and it has affected the three main processes of the supply chain: source, make, and deliver.

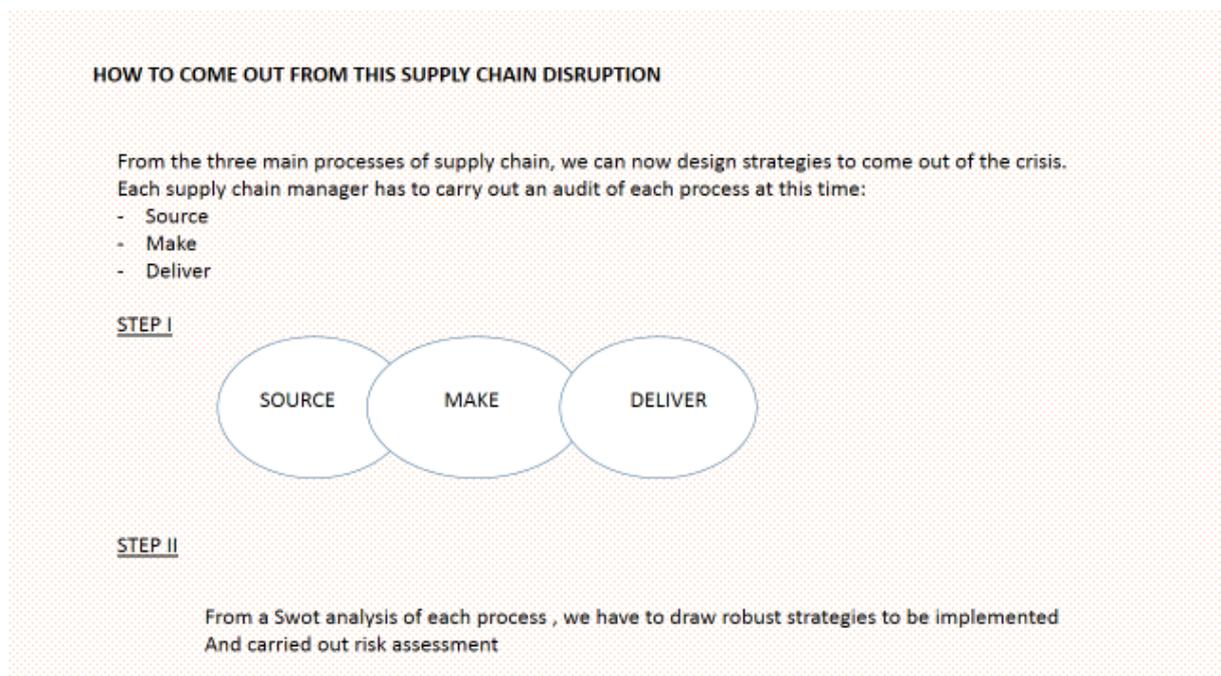
All these disruption consequences were favoured by lack of collaboration, anticipation and innovation such as digitalization, relocation and substitute products in most of these companies.

How To Come Out Of This Supply Chain Disruption

Now, what do we have to do to come out? From the three main processes of supply chain, we can design strategies to come out of this crisis.

Audit

Since these three processes are affected, the best thing is to start doing an audit for each of the processes. An audit of the Source, an audit of the Make, an audit of the Deliver. This audit needs to be carried out by the managers and those who are taking care of the strategies: the different officers, the operational officers. So that at least they can see together the strengths, the weaknesses of each process and evaluate the influences, the opportunities together with the threats.



SWOT

A SWOT analysis of the total company must be made. This will help to come out of the disruption and to prevent the next disruption.

The results of the audit and the SWOT must be used:

- To draw out strategies and carry out a risk assessment that can be implemented.

and then from there, draw a contingency plan of actions for example the BOT strategy.

BOT Strategy

The BOT (Built-Operate-Transfer) strategy can help the companies in developing countries to become resilient. It leads always to a resilient and flexible Supply Chain and is based on the two great parameters of Supply Chain that use the **supply management** and the **demand management**.

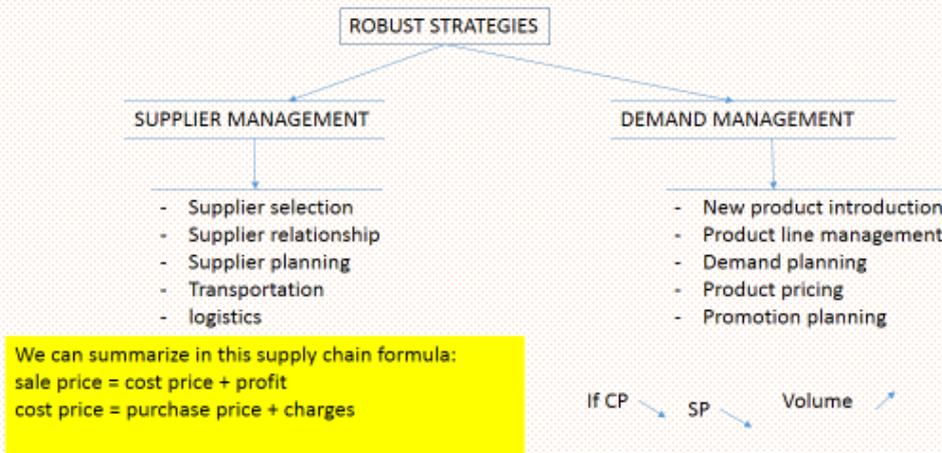
The first thing to do here is to balance supply and demand by putting in place a strong supplier relationship. The best way to balance the demand and supply in time of disruption is to see how we can substitute the current products by new products: Bakeries in Central and West Africa that seize this disruption to substitute wheat flour with cassava and potato flour, good examples. This disruption is therefore an opportunity for companies, Supply Chain managers, procurement managers and R&D teams to innovate by introducing substitute raw materials to produce substitute end products. Another example concerns companies that were producing cosmetics, soaps that turned into the production of hands sanitizers and any other items useful to fight against covid-19. They just had to change some moulds on their machines to adapt the production line to the current situation. These best practices need to be improved and applied forever even after the crisis.

Market Research

At this step Market Research is the best tool to use. It consists of looking for new suppliers in new countries and in new markets. Market research is thus very important in procurement. It is the base to reduce the cost in procurement. Carrying out Market Research can also help to conquer new customers; to know the exact prices in the sourcing market and to help to get in. From this knowledge you can negotiate the best price, build a network of relations, and a database where you can find all the suppliers for all the items or raw materials you need. A procurement manager from one company told me that when he noticed that China was having problems in December, he ordered the raw materials for the next 6 months to be supplied immediately, and now in spite of the disruption, his company has been able to produce and to supply its customers without disruption for the next 6 months. This is an example of a procurement manager who has been able to plan and to anticipate. Most of the companies did not excel in diversification and anticipation that is why with this disruption they were in shortage of raw materials.

Resilient supply chains

Only resilient supply chains can face disruption with ease with efficient and effective contingency plans



The following Supply Chain formula can summarized this:

Sales price = cost price + profit

Cost price = purchase price + charges

The sales price is equal to the cost price plus profit. The cost price is the purchasing price plus additional expenses (charges). The sales price will then be the purchase price plus the additional expenses plus the profit. There is no need to focalise on the profit. In this formula it is just enough to focalise on the sales price because during disruptions you can only make profit by keeping the sales price while reducing the cost price. You have to act on the cost price. How to reduce the cost price? It is to act on the different costs of production and also the cost of sourcing (purchase cost) looking for the best price where you can buy less. Since the time, it has been known that the Artemisia leaves and roots can cure malaria disease, since it has been used for covid-19 in some countries, the price has risen from XAF 3500 to XAF 10 000 for a packet of 500g. But that is not the real policy because it will give the opportunity to all the clients to look for substitute products or to source from the retailer's suppliers. In this case for example people who know that a bag of Artemisia ordered from villages (where it is produced) will cost only XAF 5000 will call relatives living there and have the product the day after with more profitability.

How to prepare for the next disruption? The need of building resilient Supply Chains

To prepare for the next disruption is to acquire skills, means, resources and flexibility necessary to be able to anticipate. These are the characteristics of a resilient Supply chain. Because only resilient supply chains can face disruption with efficient and effective contingency plans put in place. For that, some very important ideas have to be highlighted in order to anticipate the next disruption.

- Collaboration
- Relocation
- Digitalisation
- Multiple sourcing
- Substitute products
- Training (Procurement, manufacturing techniques, Change Management, Logistics, SCM, AI, Digital Marketing)

Collaboration

The efficient use of collaboration is not based only on the use of a collaboration platform as we are seeing now with Webinars, Video conferences or Zoom meetings. Collaboration means to understand the vision together, to understand together where the company is going and to make sure the team is looking in the same direction and focusing on the same goals.

Relocation

The other point is relocation. Most of the foreign companies that were located in China are trying to relocate in other countries like Malaysia, Cambodia, Taiwan, and Vietnam. The Japanese government has for example budgeted about 2 billion dollars to help Japanese companies to go back and establish home. But those companies that are relocating are no more going to count on the cheap labour that China was offering to them.

Digitalisation

The solution for this loss of cheap labour will be to automate their production and to put emphasis on the use of artificial intelligence, Internet of Things. And this is the next revolution. The next revolution after this disruption is the numerical revolution. Going back in 1918, the Spanish flu pandemic was followed by the industrial revolution that brought sophisticated equipments and help to modernize production. For this numerical revolution companies will be compelled to adjust their supply chains by introducing software linked to blockchain. The direct benefit will be that Supply chains will gain more transparency.

Companies will have to learn how to digitalise everything including processes, to implement blockchain in procurement. Instead of fighting against people that are smuggling money, the best thing is to robotise everything by implementing smart contracts by putting all the information needed on smart contracts in blockchain technology.

The opportunity blockchain gives is that you cannot decide alone. That means that a manager cannot just approve that he has received the product and triggered the payment process. All the team of managers need to validate before payment can be done. This is one of the advantage of digitalisation. And today we are talking about digital marketing.

Multiple sourcing

Dell is not having any problem with the Covid-19 disruption. What they did is that they relocated their suppliers from China to their warehouse built around their factory to make sure that raw materials used in their factory is always available and free of charge. So when the disruption happened they were having all the raw materials available regularly. The multiple sourcing is another strategy and means that you do not need to rely only on one supplier. When you rely on one supplier, you will always face trouble in case the supplier is facing trouble.

Substitute products

The fact of anticipating on substitute products is another strategy. It means that you have to look at ways to innovate: if a product or a raw material comes to lack, what can you use as a substitute. You have the example of this West African bread and there are so many examples we can take. You have to sit down together. That is collaboration. The team has to work ahead on the contingency plan they could refer on when disruption will come.

Training

To achieve all this, to achieve all your objectives, to meet up your goals, training is essential. The company teams must be trained; not only on the technics of procurement and sourcing but in the digital. Procurement agents and managers would need to master the digital aspects of Procurement, Supply Chain Management, Artificial Intelligence (AI), digital marketing and production teams as well would need to acquire new manufacturing technics. Moreover people have to be trained to face changes and their subsequent adjustments. It is indeed very difficult for people to accept the changes when the time comes. They therefore need to be gradually prepared to face it.

What then can African people do to reduce the level of dependency on other continents?

We have noticed with this Covid-19 breakout that people are creative: They are manufacturing masks locally, it was something that was not feasible if there were no Covid-19. China was the only country manufacturing masks and many other technological products. Today Taiwan has entered into the market. This is the time for African entrepreneurs to study the market and see which type of products they can produce locally. Local traders are going to China to buy items, building materials and other products that is worth billions and billions. It is unfortunate that these traders that are going to the same market place, buying the same products, living in the same hotels and when back in Africa, selling these same products in the same markets, are unable to think collaboratively. Why can't they put these huge amount of money together and build at least assembly plants and distribution centres? That's collaboration. This is a way to start thinking about the next disruption. When people will have a good understanding of what is happening in China today they will start to think otherwise. Read the book "**China Silent war**" and you will understand how the China Supply Chain is functioning and why they have been able to come out from this Covid-19 crisis so quickly and how they have been already preparing for the next crisis.

On the other hand, Supply Chain managers have to invest their knowledge in educating people. There is no development without knowledge. And to make sure that people become aware of the fact that their economic difficulties are due to lack of vision and lack of collaboration, Supply Chain managers have to train them to think strategically and to put in place managerial, production and distribution strategies. It is easy to blame others of being responsible for all the structural problems but people must stop to think that way. They can start their collaboration in small areas and then collaborate with local administration. For example because of the Covid-19 a small lemon can cost up to XAF 200 in Douala town but some 50km farther, you can have for the same price a dozen of this fruit. The worst is that most of them get rotten because the farmers are not collaborating and are therefore unable to design an efficient distribution strategy. That is why prices are rising and falling down depending on market forces. And even if we should need government regulations to stabilize prices, it is critical to know that government do not invent prices of items. They always fix the price from the assessment of the flow of information they received. So people do not need a government decree to sit down and collaborate. The government assistance must come in support through market price regulation and not to help them to carry on feasibility studies they need to start or develop a business.

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