

It's Storm Season: Your Best Insurance Is Agility

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In mere minutes, last year's earthquake and subsequent tsunami in Japan broke apart supply chains that took global companies 30 years to build. And we just experienced it again with Hurricane Sandy, the 2012 megastorm that shut down cities and paralyzed transportation — much of which is still not functioning.

In recent years, supply chain insurance has evolved from a “nice to have” to a matter of national criticality. In January 2012, President Barack Obama directed the Departments of State and Homeland Security to come up with a plan to protect the \$14.6 trillion U.S. economy from interruptions in the supply chain. The White House released a National Strategy for Global Supply Chain Security to make recommendations on identifying risks and making commercial infrastructure more resilient.

President Obama : “We have seen that disruptions to supply chains caused by natural disasters — earthquakes, tsunamis and volcanic eruptions ... can adversely impact global economic growth and productivity.”

As businesses worldwide have had to sweep up and wring out after the carnage to their bottom lines, they've added insurance to the top of their corporate risk mitigation strategies. However, a policy to help pay for damage is only part of a smart insurance plan. All the supply chain insurance in the world is fine, but what really matters is the ability to quickly adapt to any situation.

S&OP: The Foundation of Agility

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The best pre-emptive supply chain insurance is agility: the ability to survive, adapt and thrive against a backdrop of change.

According to International Data Corp., the number one supply chain solution for manufacturers is sales and operations planning (S&OP) software. S&OP is the only supply chain process — and technology — focused on collaborative, consensus planning to provide a more holistic view of the business, manage risk and protect profits. It connects across organizational boundaries, linking strategic choices and tactical actions, and integrating long-, medium- and short-term horizons.

While S&OP was established nearly 30 years ago, it has garnered a new level of attention over the past decade due to business volatility, globalization, an enormous growth in data and the development of new technologies that support S&OP.

The capability to change and adapt is often at odds with the need to drive greater efficiency. As companies eke out every last drop of efficiency from systems and processes, the more fragile they become. Caltech research scientist John Doyle coined the phrase “robust-yet-fragile” to describe complex systems that are resilient in the face of known conditions, but highly susceptible to unanticipated threats or shocks.

Like a storm.

By adopting new, cloud-based sales and operations planning technologies, businesses can more effectively anticipate potential changes in business conditions and recalibrate their business strategies accordingly. In today's world, the ability to quickly react to shrinking or growing demand; manage supply disruptions; adapt to changes in commodity, transportation or energy costs; and respond to natural disasters are critical. In other words, companies must move from being “robust-yet-fragile” to “robust-and-agile.”

Integrated Planning

Collaborative S&OP aligns organizations from the shop floor to the executive suite, and connects the planning function across sales, marketing, operations, supply chain, manufacturing and finance. By understanding and tracking supply and demand chain components in a complex supply network — including partners and customers — businesses can drive much tighter collaboration and ensure better visibility into all the moving parts.

When big changes happen, enterprise-wide visibility is critical in making tradeoff decisions in real time between supply, demand and financials. It's akin to pre-emptive healthcare: The more tuned and healthy we keep our working parts, the better we react to and bounce back from illness.

Contingency Planning

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At the heart of agility is developing contingencies to account for disruptive factors and manage worst-case scenarios. Strategic “what-if” modeling enables businesses to explore a myriad of scenarios that could impact the bottom line. This ad-hoc modeling drives deeper understanding of not only supply/demand tradeoffs, but also the customer and financial implications of those moves. For example, the ability to pinpoint the cost — and value — of delivering only to priority customers when a storm cuts off critical supplies is priceless.

Cloud-Powered S&OP

A cloud-based S&OP solution uniquely provides an elastic computing power that scales to process the enormous data sets (big data) required to support today's complex version of S&OP, while driving global collaboration that supports the internal organization, as well as external customers, partners and suppliers. This is a cornerstone for business planning agility.

Andover, MA-based Enterasys, a provider of wired and wireless network infrastructure and security solutions, points to Steelwedge cloud-based S&OP solutions as a critical factor in averting disaster due to Sandy.

“Fortunately, Sandy had little to no impact on my supply chain,” said Jack Lyon, vice president of operations, Enterasys. “The biggest disruption was my own people and their power-related issues from the storm. Being in the cloud and having the ability to gain access remotely all but eliminated the disruption.”

Enterasys relies on cloud-based S&OP to connect its people and processes, and gain better insight into operational tradeoffs when changes in the business environment don't align with the business plan. The ever-shifting marketplace requires constant vigilance on agile business planning to drive continued market growth and competitive advantage, and maintain great customer success.

Businesses that rely on a network of suppliers and partners — whether in the U.S. or globally — face constant risk from natural disasters, and as a result, need to find new ways to quickly adapt. Insurance is an important, valid first step for financial compensation. But it's S&OP that allows companies to sense and respond to change, leading to faster operational recovery and continued growth.

What's your take? Please feel free to comment below! For more information, please visit www.steelwedge.com [1].

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