



Plan for Supply-Chain Disasters

What if one of your critical vendors burned to the ground?

It happened in 2000 to Nokia, whose hot-selling cell phone depended on a chipmaker's Albuquerque plant. Ericsson — Nokia's main rival — relied on the same plant, and when it went up in flames the stage was set for a comparison study.

Nokia formed a C-level team, convinced the vendor to produce the chip at other plants and redesigned the part so other suppliers could make it. Nokia not only met its goal, but also increased its market share.

Ericsson, however, registered the problem late. It couldn't meet demand and had no other suppliers who could easily step in. It posted a huge loss — and ultimately outsourced handset manufacturing altogether.

A Flexible Chain

Every manufacturer should prepare for the possibility of vendor disaster, to ensure continued access to raw materials, subassemblies, storage and transportation.

Here are key ways to make your supply chain more flexible and prepare for unexpected changes:

- Advise supply-chain partners upstream and down about supply and demand changes. Give them access to relevant data and forecasts.
- Work with suppliers on product and process design. Establish different chains for different lines, but standardize components and processes where possible. And stockpile a limited inventory of inexpensive parts.

- If you buy in a foreign country, use consultants with local knowledge to find reliable vendors there. Watch the local economy and political situation for signs of disruption.
- Clarify vendors' responsibilities and share the risks and costs of supply-chain excellence. Reward for performance that strengthens the chain overall.
- Build relationships. After the September 11 attacks, businesses whose purchasing departments had forged strong bonds with IT vendors were up and running fastest.

Today's longer supply chains are subject to many kinds of disruption — which, in this lean and just-in-time world, can have an immediate effect. Disaster planning is an essential part of supply chain operations.

Our firm can help you identify your supply-chain vulnerabilities.