



KEYS TO BUILDING A RESILIENT SUPPLY CHAIN

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INTRODUCTION

In the wake of the Coronavirus pandemic, one question remains: what could have been done differently? Specifically, on the economic front, what could have been done to keep the supply chains running smoothly? Based on data collected by [Accenture](#), 94% of Fortune 1000 companies experienced supply chain disruptions caused directly by the COVID-19 pandemic. While mask-wearing, stimulus checks, or other support services are helpful, the ultimate solution was preparedness. Preparedness was possibly the only thing that could have prevented the manufacturing collapse triggered by the pandemic.

94%

of Fortune 1,000 companies are seeing supply chain disruptions from COVID-19.

75%

of companies have had negative or strongly negative impacts on their businesses.

55%

of companies plan to downgrade their growth outlooks (or have already done so).

Unfortunately, business owners cannot travel back in time and build walls around their brittle supply chain, but they can look forward and prevent another collapse of this magnitude. To rebuild a more resilient supply chain, business owners must analyze what made the supply chain brittle in the first place and cultivate onshore relationships to correct these errors.

PART ONE:

WHAT CAUSES A BRITTLE SUPPLY CHAIN?

At the root of a brittle supply chain is outdated business practices and under-utilized, over-stretched resources, both internal and external. Business owners should be wielding the full power of their workforce and their connections. If the power isn't there, it's time to assess the damage and rebuild with onshore partners that support the supply chain's flexibility and resiliency.

1) OUTDATED BUSINESS MODELS

For business owners, one of the most difficult questions they face is “how exactly do I conduct my business?” Generally, the answer is to follow a business model, but how can a business owner determine which model is best? Many will opt for a business model that has proven successful for other companies in the past. Herein lies the issue, business owners are looking to the past for guidance when they should be looking toward the future. According to [Nunes and Breene \(2011\)](#), most business owners encounter stalls in their business's growth, and once they do there is only a 10% chance of ever fully recovering. The business world is constantly changing, making it more important than ever that businesses are adaptable.

An example of these outdated business models is the Patriarchal Workforce Model (PWM), which many companies use as the scaffolding for their workforce. With the PWM, employees stay with one company until they retire, creating a long-term, deeply-rooted family dynamic. While the company culture is typically strong with this model, it's also inflexible and expensive. The PWM offers little to buffer against changing economic or seasonal conditions. Companies end up overstaffed when production levels drop or understaffed when they rise. Additionally, a full-time long-term workforce is expensive to maintain and creates an ever-growing debt, particularly in the face of the Great Resignation.

A more recent counter to the PWM is the Staffing Workforce Model, which combines full-time employees with a flexible workforce consisting of temporary and contract workers, co-ops, and interns. This creates a superior balance between workforce and production needs; however, it doesn't solve the recurring issues within a long-term workforce. Another more recent option is the Temp-To-Hire model. Employees are hired as temporary workers under the assumption that when a full-time position opens, they will be able to fill that space rather than hiring a new worker. However, this model has the same issues as the Staffing Workforce Model and the Patriarchal Workforce Model and often produces a less skilled workforce due to the lack of new talent*.

These common workforce models indicate that old methods are often ineffective and costly. When a company is operating within a larger supply chain and implementing an old, clunky business model, it holds back and, at times breaks, the entire chain. Many business leaders don't realize that there are other options, **better** options, worth exploring. And it's never too late to refresh a company's outdated, inflexible business model.

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An organization's survival is now based upon its ability to rapidly adapt as never seen before.
-Barry Limbert and Megan Beck, *Forbes Magazine*
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2) ISOLATIONIST BUSINESS PRACTICES AND OFFSHORING

One of the biggest mistakes companies within a supply chain can make is isolating themselves from other businesses and ignoring the innumerable resources offered outside of their company. Isolationist business practices can be defined as the business practice of *maintaining all business functions in-house*, with little to no outsourcing. Everything from hiring, to finances, to technology and software development, is done within the organization's walls.

Isolationist business practices not only stunt a company's growth and stretch its resources thin; it can also breed distrust and miscommunication with other businesses within the chain. Offshoring causes slow turnarounds and low levels of communication. It's much more difficult to build a strong, trusting relationship with a company across the world. A workable system needs to be built together.

Additionally, isolationist business practices are often limiting and prevent a business from reaching new heights. Just like individuals, companies should rely on others for help; it takes a village! By not outsourcing, companies are wasting valuable time and resources that could be directed towards growing the company, rather than just maintaining it.

On the other side of the same coin, many supply chains are offshoring their outsourcing needs, which can be equally harmful. This has come into an even sharper focus due to the war in Ukraine causing significant supply chain disruptions and global-wide shortages of essential goods like crude oil, iron ore, and grain.

Building effective outsourcing relationships with domestic suppliers is the ideal choice for business owners looking to reinforce the supply chain and support their community.

3) THE GREAT RESIGNATION

For months, the focus has been on the labor shortage, on businesses scrambling to find qualified candidates to fill millions of vacant roles. However, in mid-2021, another crisis became apparent, crisis experts are calling “the Great Resignation”. Employees are quitting their jobs at record levels, primarily citing work-life imbalance and lack of growth opportunities, as their motivation.

Manufacturers are facing a skills gap that could result in [2.1 million unfilled jobs by 2030](#), so retaining skilled talent is critical. Maintaining a high retention rate is key to keeping costs down, morale up, and reputation high. Low retention rates can be costly for a number of reasons, and can quickly put a business in the red, so it’s important to understand what the consequence of high turnover looks like and how to mitigate them.

4) SHORT-SIGHTEDNESS

No one wants to think about their business failing. No one wants to consider the ‘what if’s that exist outside of the realms of control. There’s enough to worry about now, in the present moment, that worrying about the future can be demoralizing. Often, hope for a better future is what makes those present issues bearable. And yet, short-sightedness can have devastating consequences for a supply chain.

Companies lacked demand planning and risk assessment procedures. They lacked the technology to build a high-functioning virtual workforce. They lacked the flexibility to meet the rapid changes in demand and production times. Navigating the pandemic perfectly was never an option, but more businesses may have found success if they had directed some energy toward disaster planning.

The Coronavirus pandemic was only the beginning of several major economic crises, and it’s unlikely that things will miraculously improve any time soon. It will be a long road to recovery, and no longer is it an option to modernize. Change is essential to survival in the current, and likely future, economic climate.

It’s never too late to take steps towards innovation, flexibility, and strength within the Southeastern supply chain.

PART TWO:

KEYS TO BUILDING A RESILIENT SUPPLY CHAIN

1) REFRESHING THE OUTDATED BUSINESS MODEL

It may seem early 2022, MAU conducted a [“Flexible Work Survey”](#) based on researched trends in the market and the issues being presented by MAU’s clients, in the hopes of uncovering what exactly manufacturing workers prioritized when it came to their work today, and why. Ultimately, the data concluded that the worker's priorities have shifted entirely, and businesses need to assess their fundamental approach to hiring and workplace culture in order to halt the mass exodus. Overhauling well-established hiring models can be much more challenging than simply raising wages, but the increased time investment will be worth the returns.

It may seem impossible to make changes to a company’s business and hiring model without causing a serious slowdown or collapse, but there are small changes a company can make that yield significant results.

Just like the outdated workforce models mentioned previously demonstrated flaws in older business models, the Innovative Workforce Model demonstrates the benefits of continuously updating and adapting. With the Innovative Workforce Model, a small group of full-time employees handles the core of the business, while a flexible workforce consisting of temporary workers and outsourced partners, handles all non-core activities. This model provides fluidity, stability, affordability, and most importantly, the ability to focus and make decisions rapidly.

When creating a refreshed business model, business owners need to consider the things that caused weakness in the first place and implement foundational, preventative measures. In order to be adaptable in crisis scenarios supply chains need to be flexible from top to bottom, and that all begins with a flexible, modern business model.

2) OUTSOURCE, OUTSOURCE, OUTSOURCE!

Business owners need to focus all their time, resources, and creative efforts on their core activities. To do this, they need to outsource their non-core work to third-party partners that focus on them as their core. In many cases, third-party service providers can manage processes in your company as well as you can. In most cases, they will operate more efficiently and economically. It isn't just a department to them, it's what they do.

One area where outsourcing can be significantly beneficial is in the employment function. Many are dubious of working with an external staffing partner due to the long-held stigma around contract workers and under-qualified hires. And yes, there is the argument that the use of a specialist recruitment agency comes at a cost – but the drain on both time and resources for a hiring manager carrying out their own recruitment, plus the potential impact of a bad hire far outweighs this cost. Staffing agencies can also help with outplacement, training, and consulting, making them an incredible asset to the supply chain, especially during the ongoing skill shortage.

The aftermath of the pandemic has taught companies how critical it is to get the supply chain closer to home. As organizations are able to do so, outsourcing non-core functions with local companies will ensure successful on-shoring with the best model and partners to support that model. Local partners are more adequately prepared to support needs for capacity and flexibility as a result of customer demands. When each component of the supply chain is focused on its individual core, it enables the supply chain to flourish. Business owners should ensure that they are building strong relationships with local partners that support their journey toward resiliency and flexibility. Ultimately, this allows companies to meet production and customer demands, and drive business growth.

3) DIGITIZING YOUR SUPPLY CHAIN

In this day and age, often influenced by the ever-increasing focus on Industry 4.0, it's no secret that companies need to modernize their technology in order to survive. Yet, when the pandemic began, it became startlingly clear which companies possessed the resources and structure for remote work and which didn't, a gap that will likely never be seen again. But the necessity and capabilities of technology and custom software go far beyond supporting remote work.

If your business is still using the same software and programs it was using 5, 10, or even 15 years ago, it is likely hindering your business's success, both from an efficiency and customer standpoint. Undergoing digital transformation is no longer an optional bonus; it's an essential step to future-proof your business and continuous growth.

It has become clear that supply-chain digitization in 2020 is no longer optional. According to [SupplyChainBrain](#), "companies have two to three years to digitize their supply chains, or they'll face severe business consequences". There are a number of reasons why undergoing a digital transformation is essential to the ongoing success of a business.

It can improve productivity, improve customer experience, lower costs, and drive innovation to stay competitive. Digitizing supply-chain management can improve speed, accuracy, and flexibility as well as monitor supply-chain vulnerabilities. According to a survey conducted by Modus Create, [41% of large enterprises](#) will invest in IT modernization in 2022, and those who don't are likely to fall behind.

Innovative technologies are becoming rapidly available, bringing with them the ability to transform the operations of a supply chain network. Custom technology can be developed to automate crisis management procedures and constantly monitor the health of the supply chain. Companies are exploring ways to create nerve centers that are continuously analyzing the activity of the supply chain and can identify weaknesses before they become failures. Additionally, relevant departments can use software to conduct risk management tests and scenario planning so that if a disaster were to strike, there will already be a plan in place and a workforce equipped to execute it.

By digitizing supply-chain management, businesses can keep tabs on inventory and demand, which ensures flexibility when demand inevitably peaks or plummets.

START TODAY!

One of the first steps towards building a resilient supply chain is finding partners that are capable, efficient, and trustworthy. The more experts backing the supply chain, the stronger it becomes. When each business can focus on its core, the business continuously grows stronger. A supply chain is only as strong as its weakest link.

At MAU, our core is providing customized workforce management solutions to companies across industries. Our mission is to make lives better, and safety and security are our highest priorities. Accompanied by 3Ci, an MAU company, we can provide people, process, and technology solutions for nearly every area of the supply chain and help companies grow resilient in the New Normal.

Never waste a crisis; [contact MAU Workforce Solutions](#) today.