

# Are you prepared for change or reacting to it?

(PART 4)



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## Future-proofing the business requires a coordinated, collaborative effort. Our hypothetical case study highlights the very real issues involved.

(CONTINUED FROM PREVIOUS EDITION)

### + Shift the needle on investment priorities

Sabrina alludes to the fact that she's been trying to get budget and IT resources to move the needle on digital transformation in the supply chain. A just-in-time supply chain, while great in good times, is highly vulnerable to disruption in bad times. Further, current supply chain processes tend to have too much operational technical debt, resulting in delayed automation, robotic and IT projects, and people-based workarounds that increase the risk of insufficient business resilience. Sabrina will need to work closely with Joel to build a business case that demonstrates the urgent need, embeds the risks and quantifies the impact as well as the opportunities and the ROI of leveraging digital technologies to reinvent the supply chain.

### + Gather intelligence for better decision-making

Sabrina would do well to get a monitoring tool that uses data and analytics to analyze the entire breadth of FooderFodder's supply chain. Either as a prerequisite, or simultaneously, the company will need to invest in a data strategy. Combined with the risk intelligence technology Joel is implementing to anticipate the risks and impact on the supply chain, Sabrina should be able to identify her supply chain's critical pain points. This intelligence will also give Sabrina an increased understanding of FooderFodder's customer requirements through segmentation and the adoption of more robust forecasting techniques that take into account other demand signals, such as point-of-sale information, market drivers, and customer preferences, rather than solely relying on historical demand.

### + Gain end-to-end visibility across the supply chain and operations

Sabrina needs end-to-end visibility to improve responsiveness to changes in supply and demand triggered by disruptors across the end-to-end supply chain. This could be risks in the supply base, spikes in customer demands,

disruptions in fulfillment challenges, capacity constraints in manufacturing, quality issues or labor shortages. With greater visibility, Sabrina could have had a clearer picture of the supply chain interdependencies, and Joel could have pushed for a better balance between being lean versus having enough slack in the supply chain to address unpredictable events when they arise. Sabrina also would have been able to flag vulnerable suppliers and vendors before supplier issues arose. Control tower and digital twin technologies can help. Control tower technology leverages AI and machine learning to anticipate and react instantly to supply chain disruptions. Digital twin technology will enable Sabrina to build a virtual model of the physical supply chain. This can help her to improve scenario planning, optimize the supply chain and facilitate continuity planning in times of crisis.

### + Evolve from a linear to a networked supply chain

Historically, supply chains, like FooderFodder's, have followed the traditional plan, source, make, deliver model where digital connectivity with customers was limited. More and more, there has been a transition from linear to networked supply chains. These digitally networked supply chains are data-driven and can react to events in real time. Data is shared in the cloud or directly integrated with suppliers to enable better collaboration and supply chain visibility. However, for FooderFodder to consider this type of a transition, they will have to make fundamental changes in the way they employ data governance, think about their supply chain strategy, supply chain operations and supply chain physicality.

### Kristina Albang, EY Global Enterprise Resilience Leader

If FooderFodder's CRO can look beyond managing risk to building stakeholder trust and reframing risks into opportunities, the company has an opportunity to reposition for long-term value creation. But first, the CRO needs to get the C-suite out of playing damage control and into reimagining the business so that the company has the agility to thrive no matter the situation.

My recommendations for Sabrina would be:

### + Turn uncertainty into opportunity

This requires modernizing the risk management function to leverage data-driven risk intelligence and scenario planning to predict and quantify emerging risks (upside, downside, outside) across the value chain. To do this, Joel will want to begin by aligning the organization's purpose and strategic priorities to risk management so that it can support risk-based decision-making. He'll also need to work with the CFO and CIO to secure budget for investment in technology to automate the risk management lifecycle and implement continuous monitoring of risks tied to their strategic priorities. Artificial intelligence (AI) technology will help. However, Joel will also have to shift his mindset from identifying and ranking the top 10 risks to determining of the 1,000 or more risks, which matter most to FooderFodder. By anticipating disruptions and their impacts the company can turn risk into opportunity, spur innovation and reframe the company's future to meet changing expectations

### + Proactively prepare the organization for disruptions to minimize the impact

The fact that FooderFodder didn't have a business continuity, disaster recovery or crisis management plan was a clear miss on Joel's part. Had these plans been in place, the CRO and his team would have been able to routinely test critical decisions and critical dependencies, alternate recovery strategies and scenario planning, and update or adjust as necessary. This can't be a check the box exercise. Any plan, and the associated testing, needs to be sensitive enough to evaluate all of the critical dependencies and account for the compounding of multiple risks at times of crisis. Business resilience can't begin until organizations have a clear plan – and are executing against that plan – for returning to normal.

### + Embark on a trusted transformation

Once the organization has built a better risk intelligence engine to identify risks and opportunities, they will need a better way to manage the resilience of change to anticipate risks and design controls into the new products, services,

customer experiences and business models so that any new that's customer-facing is trusted. FooderFodder will also need program risk management (PRM), which accompanies any large transformation, so that Joel can keep the transformation program on time, on budget and delivering value for the level of investment.

### Summary

Organizations looking to create a resilient workforce, enterprise and ecosystem requires a coordinated team effort among risk, operations and supply chain, and human resources. By putting humans at the center of any resilience initiative, advancing technology at speed, and innovating at scale, organizations can pivot from surviving to thriving.

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