

## PRESS RELEASE

### goetzpartners analysis

#### Resilient supply chains – the key to sustainable business success

***Munich/Düsseldorf, October 13, 2011: Conventional risk management is not enough to enable companies to emerge unscathed or even invigorated from periods of crisis. They also need resilient supply chains: Sustained and successful growth is reserved solely for those with the ability to overcome even unforeseeable risks such as natural disasters rapidly and without harm. Five factors – agility, redundancy, decentrality, diversity and a permanent learning processes – make the difference. These are the findings of a current study by goetzpartners based on a survey covering a wide variety of sectors.***

The importance of being able to deal with both foreseeable and unforeseeable risks is illustrated by the fact that while 72 percent of those surveyed take an active approach to supply chain risks, “What’s lacking is a systemic and holistic perception and the resulting actions. These would provide the basis on which to make the supply chain organization and processes more resistant to malfunctions,” says Marc Staudenmayer, Managing Director of goetzpartners and head of the Service Line Supply Chain Management.

goetzpartners has identified five factors that characterize a resilient supply chain and are embedded in the consultants’ supply chain resilience model:

#### **1. Agility**

Agility represents the ability to change course rapidly and adapt actively and flexibly to changing circumstances. An understanding of customers’ needs and desires and how these are influenced plays an important role. Early warning systems to detect crises and alternative plans to deal with standard scenarios are also important, along with dual- or multi-source procurement. Most participants in the survey are already addressing this risk: 61 percent claim to have identified and qualified alternative suppliers of strategic materials.

#### **2. Redundancy**

Multiple instances of information or elements lead to uniform, comparable and therefore interchangeable processes. In terms of redundancy in manufacturing, half of those surveyed indicated that they employed a standard layout, infrastructure, production lines and technology that provided a basis for plants worldwide. Redundancy also has a role to play in a common parts/standards strategy. Application,

however, is limited by over 75 percent of those surveyed to newer, active products. In order to minimize product variants and save costs, shifting the variant definition point upstream along the value chain represents an optimum solution. “Although redundancy is the simplest method of making a supply chain resilient, it is also the most capital-intensive. A detailed cost-benefit analysis should therefore be carried out as a basis for decision-making,” adds Marc Staudenmayer.

### **3. Decentrality**

This is primarily a matter of decoupling management processes and increasing the autonomy of individual production and storage locations and their capacity for innovation. Just under 75 percent of those surveyed stated that in selecting locations they took into account both political as well as geographic factors. In addition most participants have a global supplier structure. It is also important to maintain a continuous flow of information both within the company and between individual business units as well as externally with primary suppliers in order to react as rapidly as possible to changes in demand. A total of 56 percent of participants claimed to require less than two days.

### **4. Diversity**

This is a matter of employing and integrating people able to “think outside the box”, and encouraging interdisciplinary and intercultural interaction. This is, however, an aspect that has so far received little attention: For example, it is rare for companies (approx. 25 percent) to appoint a diversity management officer. In addition team work is also essential for a resilient supply chain, and this is something that is practiced by most of the companies surveyed.

### **5. Permanent learning process**

Resilience in or after a crisis is also dependent on whether a permanent learning process is an established feature of the undertaking. For the supply chain, this primarily means making optimum use of production capacities on the basis of valid sales planning and systematically preparing emergency scenarios. Over 50 percent of those surveyed claim a forecasting accuracy of over 80 percent. In addition, 50 percent of companies also state that in emergency situations, they immediately set up a task force. At 56 percent of the companies surveyed, training is also regarded as an extremely important aspect, in order to motivate employees and maintain and extend their competitive advantage over their rivals by constantly keeping expertise reserves up to date.

“Supply chain resilience offers all forward-thinking, proactive managers a perspective on strategic corporate decisions that goes far beyond the usual cost-benefit or ROI calculations. It is the key to sustainable business success,” as Christophe Hudelmaier, manager at goetzpartners and co-author of the study underlines.

**About goetzpartners**

goetzpartners is a leading independent European consulting company that combines M&A (mergers & acquisitions) advisory and management consulting under one roof. With this unique service offering goetzpartners advises companies along their whole value chain, thus creating sustainable value for them. The Group is represented with offices in Munich, Düsseldorf, Frankfurt, London, Madrid, Moscow, Paris, Prague, Shanghai and Zurich, and maintains international cooperation ventures.

goetzpartners Management Consultants concentrates mainly on the fields of strategy, operational excellence, and business transformation. goetzpartners Corporate Finance focuses on M&A advisory services.

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