



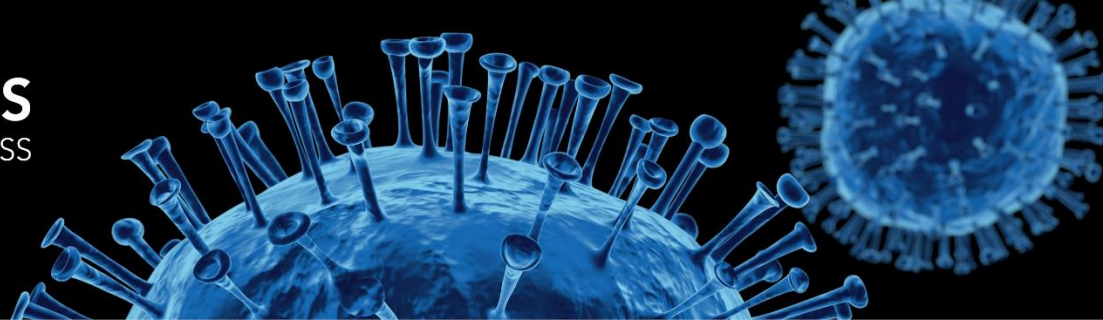
# Can Supply Chain Visibility Prepare You to Manage Disruptions?


Global Sustainability Center

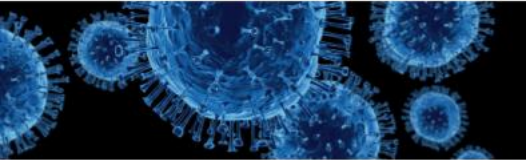


# COVID-19 CORONAVIRUS IMPLICATIONS FOR BUSINESS

Updates >>



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### Responding to the Coronavirus Crisis: Selected Ideas and Learnings for Asia's CSR Leaders

Over a month into the Novel Coronavirus (COVID-19) outbreak, most companies have mobilized to address critical priorities like employee wellbeing and business continuity. The CSR function also has a big role to play, not least in providing emergency relief for affected areas and populations and in supporting communities and constituencies where your company has the reach and resources to do so. The following assemblage of insights on CSR practices – gathered from our internal experts and member network – will be helpful as you formulate, adapt, implement and manage your crisis response strategy.

The catalog below<sup>1</sup> essentially resolves down to three executive actions to address the challenges ahead:

1. Be strategic – “live the brand”. Wherever possible, focus your CSR initiatives on providing products, services, and competencies that align with the key strengths and values of the Company. This will ensure maximum impact.

<sup>1</sup>This list is not arranged in any order of priority.

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### Responding to the Coronavirus Crisis: Selected Ideas and Learnings for Asia's Finance Management Leaders

Measures to contain the Novel Coronavirus (COVID-19) outbreak – including factory shutdowns, town-level lockdowns and quarantines, and transport bans affecting regional, national and international movement of goods and people – are resulting in a steep decline in household consumption. In parallel, ongoing disruptions of production, distribution, and retail have brought key industrial sectors to near standstill, set off ripple effects throughout regional supply chains, and created intense cash flow shortages from beginning to end of value chains. As of March 1, 2020, there has yet to emerge a definitive path to containment and remission of the crisis. Financial pressures on firms are increasing.

The challenges wrought by the crisis for Finance managers are complex and cascading: cash flows are strained by stalled supply chains and channel operations, increasing uncertainty requires wider scenario forecasting, and access to capital has tightened. If virus containment and remission cannot be achieved in the short-term, financial markets are vulnerable to both private sector bankruptcies and household mortgage defaults. The specter of financial crisis looms large.

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### Responding to the Coronavirus Crisis: Selected Ideas and Learnings for Asia's Supply Chain Management Leaders

Every company with a supply chain in China is impacted significantly by the coronavirus (COVID-19) crisis, some to the point of paralysis. As of 20 February 2020, definitive progress on containment and remission is still not in sight. Business disruptions are expected to continue and with broad ripple effects. Impacts will amplify significantly if and when significant numbers of small- and medium-sized businesses begin to go bust for lack of cash flow.

While many firms have likely built some cushion of parts in inventory and in transit ahead of the Chinese Lunar New Year holiday, as is typical, backup supplies will start to run out if factories cannot get back to work soon, trucking and delivery services do not return to some level of normality, or flights to and from China remain limited.

In this time of complex and cascading challenges for supply chain professionals, we have gathered some insights and learnings from our internal experts and member network which we hope will be helpful as you formulate, implement, and manage your own crisis response.

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# Our panelists today



**Hans Keeris**  
Vice President Procurement  
Danfoss



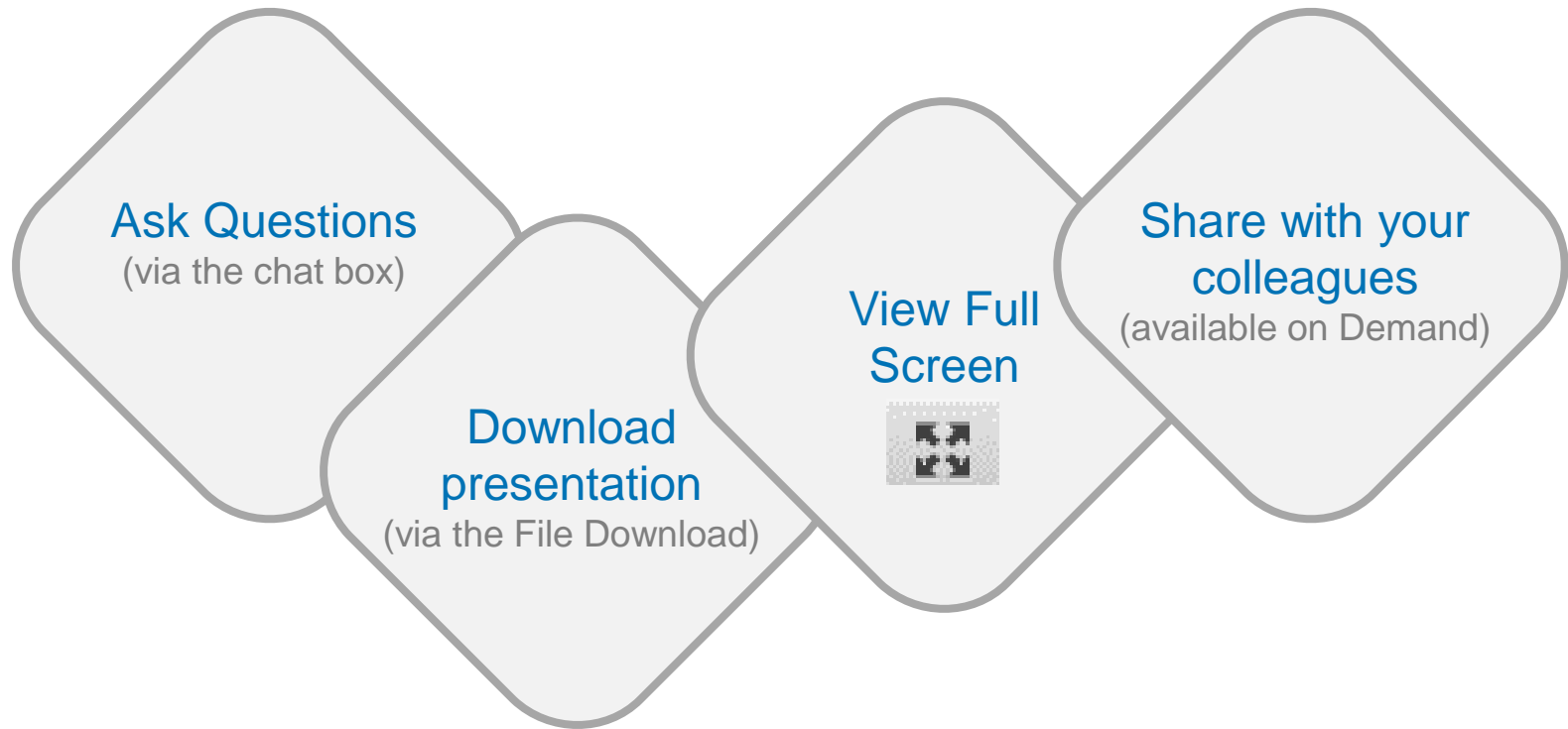
**Michael Ginap**  
Founder and Owner  
Avineo



**Dr Uwe G. Schulte** (Moderator)  
Leader, Global Sustainability Center  
The Conference Board



# Making the most of the webcast



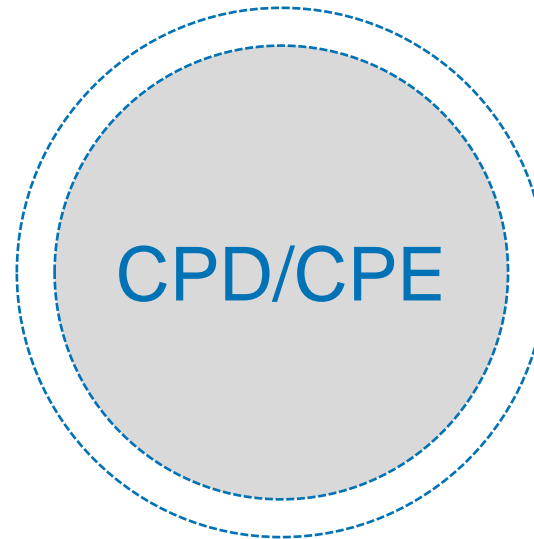
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# Our purpose

Support member companies to **create long-term value and positive impact** through **sustainability integration**

Timely, thought-provoking and relevant research

								<b>Guided by responsible standards &amp; frameworks</b>

Fact-based

Independent



Can Supply Chain Visibility Prepare  
You to Manage Disruptions?

Not having any or very **limited visibility** about your supply chains – or only after too long a time to gain it – definitely **will be in the way to find the right responses** to effectively manage disruptions



At least, it will mean a **competitive disadvantage** if others are better positioned in this respect.

Image: [https://commons.wikimedia.org/wiki/File:Snail\\_in\\_danger.jpg#file](https://commons.wikimedia.org/wiki/File:Snail_in_danger.jpg#file)





# The Risk Management Immaturity and Dilemma

**Maturity of**  
(not) managing  
supply chain  
risk

**Weak**  
Not knowing what's  
coming

*Forgivable*

**Weaker**  
Knowing what could be  
coming, but not  
knowing what to do

*Almost forgivable*

**Weakest**  
Knowing what could be  
coming, but knowingly  
not acting upon it

*Almost criminal*

**The Dilemma**  
in managing  
risks

One can paralyze an organization by only focusing on the  
worst-case scenario

*Taking a “Chance” is a nice English term...*



# Creating visibility across the supply chain – a feasible task?

- Not new, but important to mention:

“Chains”? => “Networks”!

- How can a company know about (all) tier 2+ suppliers and customers?

- The “focal company” concept

- Transactions ≠ Strategy

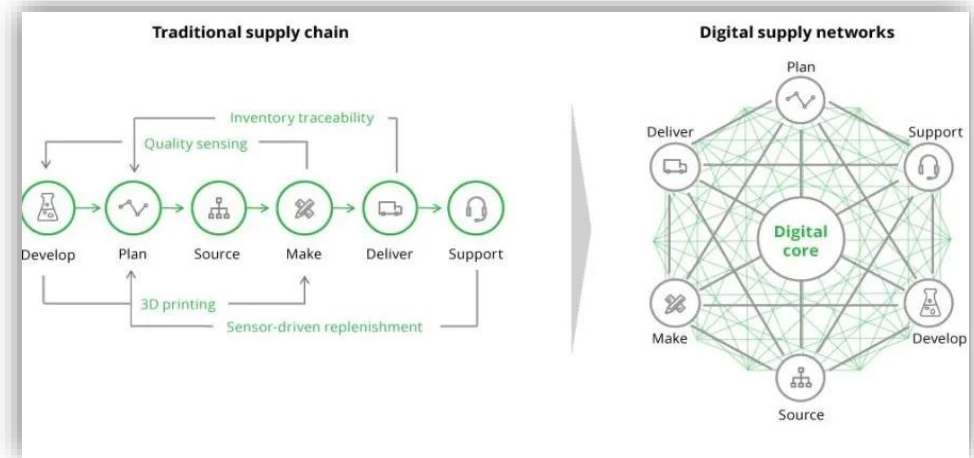


Image: Deloitte analysis & ASCM.org



# Supply Chain responses to the current crisis

- **Reflex:** mixing up cause and effect in a one-size-fits-all manner, e.g.

“Regionalize you Supply Chain!”

- **How about the advantages instead of**
  - Networks
  - Global markets (supply AND demand)
  - Access to the best partners (no matter where they are located)
  - Distance being less important
- **Take away:** in order to make a network more resilient it requires “*redundancy*” in its design. *With it comes a price tag.*



Image Source: Unsplash, Richard Clark



ENGINEERING  
TOMORROW

*Danfoss*

# Management of the supply chain during the COVID19 crisis

Supplier Relationship Management, Agility, Communication



# Four **business segments** geared for growth



## Danfoss Power Solutions

#2 Market position

- 7,826 employees
- 28 factories in 12 countries
- 2.2bn EUR annual sales



## Danfoss Cooling

#2 Market position

- 6,108 employees
- 15 factories in 10 countries
- 1.7bn EUR annual sales



## Danfoss Drives

#2 Market position

- 4,504 employees
- 10 factories in 7 countries
- 1.5bn EUR annual sales



## Danfoss Heating

#1 Market position

- 4,684 employees
- 24 factories in 11 countries
- 0.9bn EUR annual sales



2019 numbers



**DIGITALIZATION**



**ELECTRIFICATION**



**URBANIZATION**

# GLOBAL MEGA-TRENDS

transforming our world



**CLIMATE CHANGE**



**FOOD SUPPLY**

# SRM – greatest opportunity to secure supply is to have strong relationship management and communicate frequently, both internally & externally

- Regular Business Review meetings with Supply base
- Executive sponsorship, aligned in Annual Executive meeting
- Understanding the risk profile of supplier and discuss this openly with Top management
- Create a Value Roadmap with the supplier

Added during the crisis

- **Share what Danfoss does** to keep people safe and keep factories running: CPO Letter with “Thank you message” and Segment President letters sent to all suppliers showing importance of essential businesses (Infrastructure, Food Chain, Transport, Agriculture)
- 2 – 3 times per week **touchpoints with suppliers** by Supplier Responsible
- **Sharepoint** site available to all **with daily updates** on status (risk template), impact to Sales
- **Three times per week 30 min video call** within Procurement Leadership Team to take immediate decisions

# Agility – Risk management

- Ability to **move across regions** production capacity as well as supply chains
- Importance of agility – **Flex up and down** – consignment
- Importance of having **Dual/multiple sourcing**
- Importance of having **Local For Local production** and supply chain vs Global supply chains only
- Impact on **Transportation**
- Need to **make faster decisions** (lean decision making), E2E
- **Thirds Party** Risk inputs, **Resilience**



# Post Crisis – What to continue / start doing

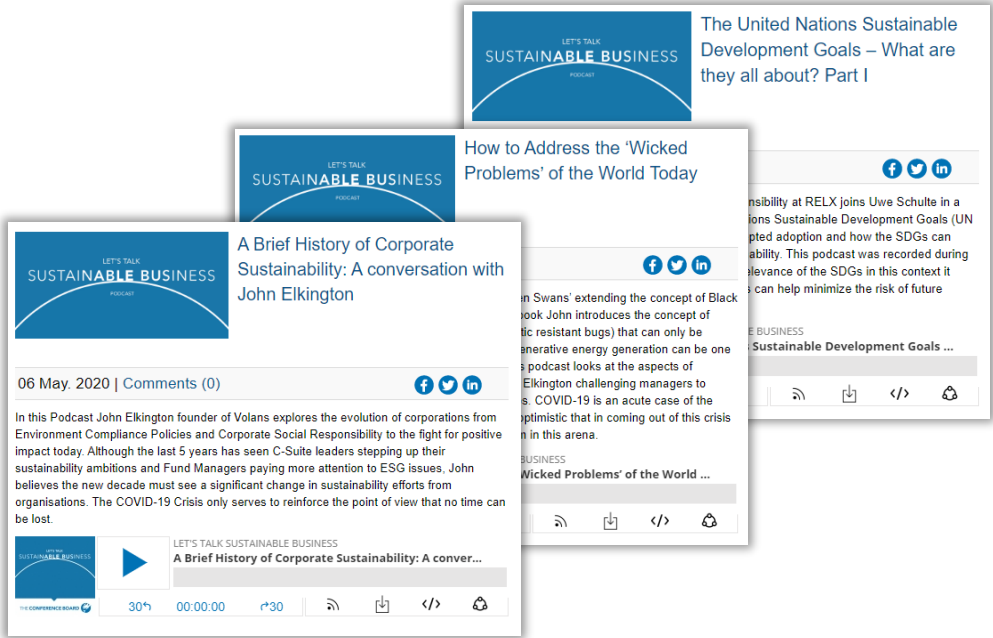
- **Ramp up management**; example China steep increase after lock down
- **Instruct Category Management** with leading and lagging questions about Financial situation of suppliers (started in May)
  - Orders, back logs, Investor reports, external market data, Financials
- Need to have an **E2E supply chain visibility**
- A **360 review** is planned in Q2: what are the learnings and what we can continue doing and 'fast track' implement going forward

*Already known:*

***Critical success factor** is to have a **risk management program** in place, which requires time and effort to install, however, it creates not only insights as well as a platform to navigate through the crisis....And still does*



# New Podcast series



## Upcoming webcasts

### Sustainability Leadership for 2020 and Beyond

Thursday, June 18

03:00 PM CET (Brussels) | 09:00 AM ET (New York)

### Community Investment Spectrum – Integrating Social Impact

Thursday, July 18

03:00 PM CET (Brussels) | 09:00 AM ET (New York)

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