Control towers pull together complex and siloed supply chain functions, providing increased visibility and insight for enhanced alignment and performance. This research helps chief procurement officers to understand how a control tower approach can be beneficial when emerging from a crisis.

What You Need to Know

Restarting from a major disruptive event is a strenuous and challenging activity for supply chains. Demand changes and shifts must be accommodated, while bottlenecks in capacity can occur as competitors restart simultaneously. For CPOs in the center of the reset, it is crucial to jump-start the right priorities with suppliers in the most effective and safest manner, especially while the coronavirus pandemic is still spreading in some parts of the world.

It is equally important to closely collaborate in an end-to-end framework to engage the right strategies and deploy these quickly, as a first mover, to gain advantages and secure the most important value chains before they are saturated. This research outlines how an existing concept of control tower (see Note 1) can be adopted by procurement leaders to serve as the playbook and framework to engage, collaborate and activate upstream and downstream activities to support a fast revenue recuperation. In addition, this will enable increased resilience. Most importantly, a reset will enhance the company’s competitive advantage as early as possible, acting as a first mover with the most compelling business strategy for its supply chain participants.

Utilizing control towers can enable more transparency (what’s happening in my highly volatile supply chain) and coordination on supply chain execution (linking to the different layers that will not be replaced by the control tower). Therefore, control towers act as a conduit and enable better and faster decisions, critical during the ramp-up period. Often technology-based control towers are seen in functions such as logistics and planning, but not as often in procurement. Accordingly, the approach isn't technology-specific, but more as a strategy to connect organizations, data, people and processes.

It will help to identify the disruptions to not only recover through crisis management but connect it holistically to changes and shifts of the future. This enables companies to cascade activities through the supply chain, adding value without the ripple effects caused by wrong decisions.

Continuing business under the assumption of “pure” recovery can have devastating impacts. CPOs
must use updated demand plans and revisit business strategies (see Figure 1). Having factories reopen and manufacture for markets of decreased or evaporated demand can burn crucial business resources and cash reserves, creating an even worse situation with less ability to deviate and react.¹

Resetting after a pandemic is a high-risk, high-impact scenario in which velocity can set leaders apart.

Analysis

**Figure 1: Focusing Supply Chain Strategy and Actions for a Postpandemic World**

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| Pandemic alters and shifts demand curves and impacts sourcing capabilities. | Companies must shift focus from pandemic response to preparing for business in a postpandemic world. | - Adopt an enhanced control tower approach to move from a crisis response state to preparing for reset and rebound.  
- CPOs must assume a CEO mindset during the reset as they are uniquely positioned to connect upstream and downstream supply chain most effectively.  
- Identify supply chain requirements across the value chain to produce new or altered products, and create a competitive edge by resetting first. |

Many countries in the EU and parts of the U.S. are reopening gradually. China has reopened its economy with precautionary measures, although production is increasing and as of April 14 was at a 99% operating rate.² With this in mind, it is important not to lose sight of the fact that all disruptions eventually subside. Placing such a strong focus on rapid mobilization and coordinated response actions can take away from recovery efforts. Many companies are consumed by identifying mitigation efforts in near-real-time and lose sight of the fact that recovery will happen.

A control tower approach that connects people, processes, organization, data and technology, and the entire supply chain, can be beneficial in identifying where true disruptions are occurring. By working with demand managers, logistics, R&D, sales and operations planning (S&OP), contract manufacturers and other key stakeholders, control tower capabilities can eliminate a siloed focus and the tendency to rely on old demand numbers. An enhanced control tower approach takes the lessons from the function that has the control tower deployed in the most mature way, with proper processes, organizational alignment and technologies, and adopts it. It enables visibility into current and projected demands. This, for example, could mean that the chief procurement officer
(CPO) is taking lessons from a logistics-focused control tower and is creating an organizational approach from planning over procurement to logistics and circular inputs.

This is crucial, as relying on data that hasn't been revisited to reflect postpandemic demand changes is risky (see Figure 2). Although the procurement role is mostly looking upstream, a control tower approach in the supply chain connects leaders in different areas. This helps to determine which segments faced the biggest disruption and makes sure the future supply chain is aligned as shown in Figure 2.

Figure 2: The Span of Responsibility for Supply Chain Control Tower

Although control towers are typically considered a technology solution by vendors and end users, in this case the concept works as a management approach. Depending on the maturity of the company, this should roll out in workstreams “manually,” meaning based on people. Companies with higher maturity can rely on the technology integration though it needs to be utilized beyond its main focus, which usually is logistics. Often there are applications for areas such as product life cycle management, raw material requisitions planning and supplier discovery that integrate to the ERP. The ERP though does not always provide a well-structured, end-to-end visibility.

It is important for the CPO to reset the supply chain and suppliers in alignment of the product and business strategy, the markets and capacities on hand and available going forward. Demand volatility is not limited to volumes, which the supply chain control tower helps to mitigate under normal business circumstances, but a crisis reset may also involve integration of new products and phaseouts of active products prior to a crisis. A thorough review is required to reset supply chains to drive the most success. Assuming recovery to precrisis product volumes, mixes and
markets can result in producing products of lower or no future demand, pressuring suppliers to deliver materials and products that eventually won’t be utilized due to product portfolio changes. In addition, it may result in reserving capacities in contract manufacturing and logistics that are not needed.

Therefore, collaborate with marketing, sales, S&OP and product development to determine demand in the new normal postpandemic. Ask not only what the new market size is for a certain product, but if the market actually still exists after the pandemic. Some products, like luxury goods, may experience a prolonged slump due to high unemployment and consumer preference for simpler, less exotic products. Conversely, it is crucial to assess future needs for products that may have strong demand following the pandemic. Clorox, for example, is increasing production of many disinfectant products with the anticipation that demand will remain strong. The company has seen a 40% jump in demand this year for products like its disinfectant wipes. Clorox says demand for some of its products has increased fivefold during the pandemic.  

Once demand is determined, review the supply base to understand if raw materials and components are still being produced by your supplier and that logistics channels are open and have capacities. The variety of maturity in the processes and technologies deployed across functions drive differences in effectiveness and efficiency to provide the most accurate data across to drive maximum alignment. Be aware of other factors that could facilitate the move, such as favorable labor conditions, subsidies and other measures, for ease of business. If not, determine a substitute component or peripheral market demand suitable to complement the existing portfolio and business strategy and set out to find new suppliers. Seizing this opportunity early can create a first-mover advantage to securing suppliers first for these upcoming new demands. This is especially true considering that a high percentage of manufacturing will likely be restarting at once, creating high demand for many raw materials and components.

While the CPO clearly doesn’t make all of the decisions, in this control tower strategy the role should engage and bring all the functional participants displayed in Figure 2 together, much like a CEO would. In addition, the CPO would possess the information and analytics to influence which product decisions are feasible based on the current limitations.

Aligning the supply chain strategy with business expectations and targets, capacities and material, and labor forces, will define the success of the reset. The CPO is uniquely positioned for this as engaging suppliers in the upstream process to execute the strategy has been a core task prepandemic. This core functional capabilities in alignment with changed expectations since the start of the pandemic will enable the CPO to drive the conversation with all parties involved, facilitated by the control tower approach and, if available, technologies. Therefore, the CPO should focus on:

- Revisiting and reviewing the viability of business strategies with C-level stakeholders and confirming feasibility for different supply chain scenarios from a product and material sourcing view.
Coupling great product and market ideas with bad execution is a recipe for providing the playbook to your competition to do it better. It’s crucial to do it right from the beginning, as failure to execute a great business strategy in supply chain can be a competitive barrier and allow the competition to move in faster. Close collaboration, effective communication, strong data analytics and business integration will define the company’s ability to jump-start its supply chain successfully. The control tower strategy provides a strong starting point that can be adopted and enhanced to fit this purpose and therefore should be first on the CPO’s agenda.

**Recommendations**

- Collaborating closely with R&D to make sure that rapid prototyping and tooling is made available through collaborations in forward and advanced sourcing.

- Ensuring that production readiness plans are aligned for the ramp-up of these products with Tier 1 and below. In addition, making sure that component and material availability is aligned from raw material source to cradle and final assembly or even cradle to cradle in a circular supply chain.

- Working closely with logistics to secure the capacities where needed and not in areas of potentially obsolete past needs, and increasing the utilization and efficacy of available resources.

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**Recommendations**

- Adopt an enhanced control tower approach to move from a crisis response strategy to preparing for full reset and rebound from the pandemic.

- Prepare for the new need to have personal protection equipment (PPE) supply available for employees, including manufacturing lines. Although the need for masks in healthcare will decrease as the virus fades, capacity will likely remain tight due to needs in regular industry, creating a competitive market.

- Embrace a CEO mindset during the reset as CPOs are uniquely positioned to connect upstream and downstream supply chains most effectively.

- Make the right decisions quickly, but not in the same way you did before. Although it is crucial to act fast, it is more important not to overlook the vast changes and future challenges created by the pandemic.

- Create a competitive edge by resetting rapidly and being first to market and identifying supply chain requirements and opportunities across the value chain to produce new or altered products. In addition, utilize decision-making constraints when possible (see "Coronavirus Requires Supply Chain Leaders to Adopt Enhanced Decision-Making Abilities").

- Collaborate closely with demand managers to determine any demand shifts, and resist the temptation to assume a swift recovery, and rely on demand expectations set before the
pandemic arrived.

- Use the pandemic to justify jump-starting circular economy initiatives to decrease your reliance on raw materials in the future when disruptions occur.

- Utilize any existing control tower technology capabilities from logistics, for example, to drive an open information flow. Review trial technology deployment for areas of high data volume or complexity to facilitate cross-functional information disbursement and alignment.

Evidence


2. “Chinese businesses back on even keel as timely support measures bear fruit,” Ecns.cn.


Note 1: Control Tower

Gartner defines control tower as a concept combining five elements — people, process, data and organization — supported by a set of technology-enabled capabilities for transparency and coordination (see “Research Brief: Remove the Clouds of Confusion When Shopping for a Supply Chain Control Tower”).

Recommended by the Authors

Research Brief: Remove the Clouds of Confusion When Shopping for a Supply Chain Control Tower
Which Logistics Control Tower Operating Model Is Right for Your Business?
Coronavirus Requires Supply Chain Leaders to Adopt Enhanced Decision-Making Abilities

Recommended For You

Video: GE — Dodging Trade War Bullets, and Navigating and Mitigating Geopolitical Impacts on the Supply Chain
Coronavirus Alters Supply Chain Dynamics Impacting People, Products and Costs
Supply Chain Brief: Global Supply Chains Prepare for Impact From Coronavirus
Manage Supply Chain Risk of Force Majeure Disruption in Times of Crisis
Video: Mayo Clinic — Supply Chain Resiliency; A Healthcare Perspective