



Case Study – COVID-19 Impact On The Future Of KPIs

The following case study highlights how the impact of Covid-19 in 2020 may shape the future of KPIs and focus more on supply chain resilience and continuity of supply.



This knowledge paper is supportive of Procurement professionals operating at operational level of the CIPS Global Standard



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China bounces back

Thankfully the amount of COVID-19 cases in China is reducing and the country is starting to recover from the effects that the pandemic has caused on its industry. At the time of writing the virus still has a firm grip on Europe, America and much of the globe.

With this positive news coming out of China some multinational companies have been investigating ways to try and rebuild their supply chains which include China that came to a grinding halt at the beginning of 2020, along with trying to create a contingency plan to stop the same situation re-occurring.

Supply Chains and COVID-19

COVID-19 hit industry in a manner than has never been experienced before causing the closures of business, the cessation of factories and the disruption to manufacturing around the world.

Whilst China has become a global leader in manufacturing and supplying components over the last twenty years and has involvement in a vast amount of areas including automotive and pharmaceutical, the effect of China coming to a standstill has been significant and in some cases catastrophic.

Chinese suppliers provide the majority of primary sector materials, a large amount of components and a variety of sub-assemblies to businesses worldwide. As China came to a virtual stop, the impact on the supply chain ranged from product shortages to complete failure to supply.

China took time to resume “normal” production due to a vast number of reasons, such as labour shortages or backlogs in their own supply chain.

As the virus takes hold across the globe all other countries are going to experience the same concerns that China is currently addressing.

Mitigation

Reports have been received that a large amount of global manufacturing organisations have been working hard to try and alternative solutions to plug the gap in their supply chain to allow for continuity of supply. In some instances this has resulted in bringing functions back “in-house” to help keep production flowing.

A handful of OEMs are believed to have dug out previously moth balled tooling to try and restart production on their own sites. Something that has not been done for decades in some cases.

Where historically organisations have had partnerships of joint ventures with one supplier, this situation has forced them to question whether that is in fact the most risk averse option. Dual or multiple sourcing solutions are quickly being arranged to try and mitigate against any further disruption. This maybe suggests that despite procurement promoting the importance of cost, price may still be a driving factor in large expenditure decisions.

Long term planning

Whilst procurement and senior business managers have historically tried to plan for unexpected events, nobody expected a situation like COVID-19.

A pandemic such as this coupled with environmental concerns, natural disasters and political unrest is a situation for which any procurement person was prepared.

Supply chains evolve over time, relationships develop and innovation flourishes and therefore the concept of finding a “quick fix” when a situation such as COVID-19 occurs is difficult to imagine.

If there can be any positives taken from this dire situation it could be that the COVID-19 pandemic has made senior personnel and procurement professionals consider that new and varied business strategies need to be developed and incorporated within the future supply chain projects.

KPIs into the future

KPIs historically have measured and monitored metrics such as price, quality and lead time. In the future should KPIs be looking to evaluate areas such as supply chain resilience, back up plans and continuity of delivery?

KPIs may also need to consider involving demand planning and supply management within crisis situations and how to avoid supply failure in times of uncertainty.

How these KPIs will look, be measured and received it yet unknown but one thing is for sure – the COVID-19 pandemic has been an invaluable lesson to supply chain professionals in that sourcing from one country, which appears to be the global leader, is a good strategy as long as that said country can supply.

(Source: Jarvis-Grove, 2020)

Further Resources

You can also access further KPI [guidance here](#).

CIPS members can download the CIPS KPI Tools covered [here](#).

