The Virtual “War Room” Playbook for Supply Chain

YOUR CRISIS MANAGEMENT GUIDE IN THE FACE OF COVID-19



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Executive Overview

The COVID-19 pandemic is causing huge disruptions across supply chains, both from an operational aspect as well as consumer behavior, which all businesses are struggling to respond to. Some industries like consumer packaged goods, food & beverage, and healthcare are seeing massive demand spikes for specific products that supply chain teams are doing their best to match. Other sectors, such as industrial manufacturing or retail, are seeing demand slow downs or adjusting inventory based on shifts in sales channels to ecommerce.

For all industries, long term supply shock ripples are likely to be felt for the next 12-18 months or more as production delays at impacted sites, material shortages and scarcity of logistics space come to light. For instance, a survey by the Institute for Supply Management found that nearly 75% of companies report supply chain disruptions in some capacity due to coronavirus-related transportation restrictions. In addition, 57% of US companies are experiencing an average of 2x longer lead times for components sourced from their tier-1 suppliers in China. This does not begin to quantify the impact from their "invisible" lower-tier suppliers who they do not deal with directly, as highlighted in a recent Harvard Business Review article.

One best practice that supply chain teams are turning to as they adjust to the wide-ranging impact of the COVID-19 crisis, is a **virtual war room.**

A "war room" is where teams gather to review data and make strategic decisions during a crisis. As more team members are sequestered at home, online collaboration is a must for decision making, making the war room "virtual." Putting together a virtual war room is a prudent way to help your organization drive quick and accurate decisions in a rapidly changing, complex situation.

Stock outs of finished goods are just the tip of the iceberg given the myriad of issues that could have had an impact at every point of the supply chain.

- **Shortage of employees:**
  "Work from home" isn't a reality for production plants. When employee movement is restricted, they simply can't make as many items. This is especially true in critical industries such as F&B, consumer goods, and medical equipment.
- **Shortage of protective gear or equipment:**
  Even if staffing at plants is not an issue, organizations are running out of indirect materials -basic necessities like hand sanitizer, uniforms or cleanroom gear-which is having operational impact.
- **Shortage of logistics providers:**
  Ports in China have been closed for a while and more port locations are being impacted every day. There aren't enough ships to make up for the mounting closures so even if you've managed to make things, they can't be shipped.
- **Shortage of materials from suppliers:**
  Many suppliers have shut down and the impact could be felt for the next year. Those that are still running are dealing with their own set of shortages of employees, protective gear and logistics.

3 Keys to Setting Up a Successful Virtual War Room

Depending on how the supply chain function is structured at your organization, you may want to have a centralized virtual war room for your entire company or a separate virtual war room for each business unit / operating region. For instance, the latter approach could be beneficial if your organization is structured as a decentralized supply chain.

In all cases, when assembling your war room, focus on the following strategies:

RESOURCE IMPACT: 1/2 an FTE



Appoint a Crisis Commander / Incident Manager

Identify the resource who will drive & facilitate key parts of the Virtual War Room operating cadence

TIME IMPACT: 30 MINUTES



Configure an Incident Management System

Excel, emails, calls & Microsoft Teams will get unruly quickly. You'll want an incident management system configured as a systematic single-source-of-truth

TEAM IMPACT: 1-3x DAILY



Set a Virtual War Room Operating Cadence

Put in place the operating cadence for managing COVID-19 or other supply chain disruptions

1. Appoint an Incident Manager

For each region or business unit that has its own virtual war room, assign an incident manager. This individual is accountable for the overall crisis response, overseeing the activities to manage and restore operations, and generally minimizing the impact to the business. The Incident Manger is also in charge of driving and facilitating the operating cadence of the virtual war room. He or she should identify the subject matter experts (SMEs) and decision makers who need to be at every meeting and make sure there is accountability across the entire supply chain when resolving any issue.

2. Configure an Incident Management System

Especially as the supply chain organization becomes even more distributed with both internal team members and external partners working from home, it is critical to make sure all of the pertinent data about each stage of an issue is stored and shared through **one single source of truth**. Typically, this is a centralized incident management system that can easily be configured as your virtual war room and system of record.

Crisis management puts a lot of stress on solutions used historically, like spreadsheets and emails, where information is accessible to only a few people at a time. Alternatively, information is sent to so many people with no context or structure, via Microsoft Teams for instance, that it's completely unclear who is accountable, for what, and by when.

Team comments overheard when triaging disruptions via email, spreadsheets, calls and/or Microsoft Teams:

Confession #1: Stop the email abuse
"If I see the words 'toilet paper shortage' for the 111th time from our branch operations, I just might burst into tears. And I wish people would stop hitting reply-all with emojis when there are 350 people on an email chain-- NOT HELPFUL."

Confession #2: I think I broke the spreadsheet... twice
"I may, or may not, have updated the wrong cell with 'urgent' status and had gloves and booties rushed to the wrong plant. Hey, it's hard to keep it all straight when there are a thousand rows, 80 columns AND you're sleep deprived."

Confession #3: Fingers crossed they don't want analytics
"That will definitely break the spreadsheet. We're barely keeping up with issues as it is. And the conversations from Microsoft Teams don't match up with issues in the master sheet so there's no way I can even track how long it took us to resolve something, nevermind slicing it by region or product line."

Having a virtual war room is the best way to systematically capture COVID-19 issues, with clear accountability and supply chain context. It not only allows problems to be recognized and resolved more quickly, but also ensures everyone involved in the decision-making process is equally equipped with the latest updates. Decisions are only as good as the data that guides them.

3. Running a Virtual War Room

Given how quickly circumstances are changing, it is important to establish a regular cadence.

> **"Starbucks is finding it effective to centrally manage operational incidents through Elementum. I know who on my team is accountable for managing them; and I know exactly what to tell customers and stakeholders. This is especially helpful as partners are working remotely."**
>
> -Kelly Bengston,
> SVP of Global Sourcing & Chief Procurement Officer
>
> STARBUCKS

Operating Cadence for a Virtual Warm Room

Continuously → Daily → Weekly

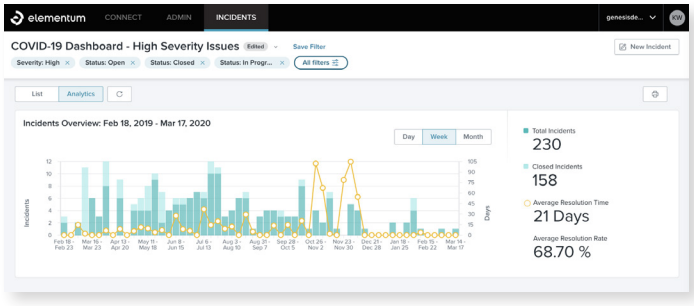
Single Source of Truth	Actively Manage	Continually Prioritize	Executive Review
Maintain real time transparency of all disruptions & their impact to all stakeholders in the organization	Actively manage all resolution tasks, collaborating with internal & external partners to resolve quickly	Daily operational meetings (start of day/end of day) to review and prioritize work: which disruptions to address first	Daily or weekly meeting to review highest impact incidents with executive leadership for the business unit or supply chain overall

Frequent check-ins and proactive inquiries will help you stay on top of fast moving supply chain issues. But be wary of implementing so much structure that it will inhibit your ability to make decisions quickly. Remember, **the key to an effective virtual war room is agility.**

Continuous efforts should focus on keeping data from each step in the supply chain as up to date as much as possible. Every incident should be logged systematically. This is critical in order to keep a handle on everything that is happening. If communication is occurring in unstructured channels such as email, WhatsApp, or Microsoft Teams, it could cripple the crisis team's ability to respond to priority issues.

Daily "scrums" should be led by the COVID-19 Incident Manager and can happen at the beginning of the day, the end of the day, or possibly both. Make sure that all existing incidents have the latest information with updated status. Most importantly, review all of the existing incidents and prioritize them based on the disruption they may cause to the supply chain. Doing this daily or more will allow everyone to maintain a high degree of collaboration at a time when supply chain teams need to be able to move quickly and with confidence.

Weekly meetings can be reserved for broader reviews of the past week, particularly with executive leadership. Here, the virtual war room can be used for post-mortem analyses of complicated incidents, or to identify systemic issues that may be causing continuous problems.



Examples of COVID-19 Demand & Supply Shock Exceptions

The initial supply shock caused by COVID-19 has been exacerbated by a demand crisis in Europe, the U.S., and other major economies due to shelter-in-place and self-quarantine orders.

> **"The world's supply chains are facing a root-to-branch shutdown unlike any seen in modern peacetime."**
>
> **Bloomberg**

In addition, production delays caused by shortages in raw materials, components, or packaging means any business that makes goods is potentially facing an endless sea of unplanned exceptions that need triage. In fact, a recent Bloomberg article described this as the worst supply chain crisis outside wartime. Let's explore the 5 most common scenarios supply chain organizations are dealing with.

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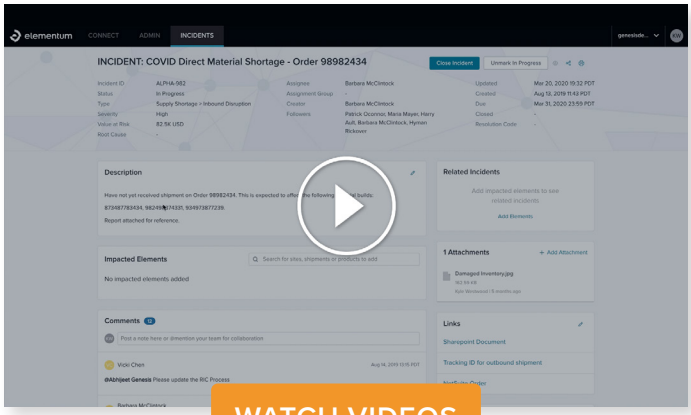
Scenario 1: Stockouts at Key Customers
Shortage of warehouse employees, protective gear/ equipment, logistics providers, and material shortages from suppliers all pose challenges given COVID-19 impact. A virtual war room can help supply chain teams resolve stockouts more effectively as they re-allocate inventory to balance against demand spikes.

Scenario 2: Material Shortage
Rampant supplier issues are causing material shortages of every flavor— from ingredients or raw materials, to semi-finished components, to packaging. By building a virtual war room with incident management and external collaboration at its core, production planners and purchasing analysts are able to re-distribute purchase orders across alternate suppliers, source new suppliers, and manage pricing approvals to effectively resolve shortages despite the rising cost of replacement materials.

Scenario 3: Indirect Material Shortage
Running out of lab coats or cleaning supplies can bring store or plant operations to a screeching halt during the COVID-19 crisis. Using a virtual war room allows indirect material shortages to be prioritized with complete context and resolved with clear accountability.

Scenario 4: Production Delays at Impacted Sites
The impact of COVID-19 on production sites could come in many forms, such as— staffing shortages due to shelter-in-place, contract manufacturers who can't ship out finished goods, or component shortages that mean production can't even start. Situations like these make having a single source of truth in the form of a virtual war room a vital asset in resolving disruptions at their source.

Scenario 5: Temporary Process Changes
Changes to quarantine or quality requirements and faster credit approval for suppliers are just a few operational processes in flux due to COVID-19. These require collaboration with stakeholders outside the supply chain team managing disruptions, as well as organization agility that a virtual war room provides.



WATCH VIDEOS

Watch the #SupplyChainCantStop 3 minute video series for practical advice on how to manage each scenario within your virtual war room.

How Elementum Can Help

The main goal of your virtual war room is to make sure there is a uniform way to get a broad view of everything that is happening as a result of the COVID-19 crisis. Once you have a consistent method of doing so, you can leverage built-in analytics to spot trends and areas for improvements.

Elementum is the leading supply chain incident management platform. It was designed to help global organizations easily collaborate to track, manage and resolve supply chain exceptions faster. Being cloud-based, internal teams and supply chain partners can log in from anywhere with a web browser or mobile phone. To set Elementum Essentials up for success as your virtual war room platform:

1. **Use "COVID-19" as a prefix in every Incident Name**
   By establishing a consistent way to easily find and manage all COVID-19 incidents, you can easily filter the working list for your teams, as well as analytics dashboards for leadership.

2. **Leverage Incident Type & Sub-Type to Classify COVID-19 Issues**
   For further optimization, set up a clear method for grouping similar incidents. This also helps drive clear accountability as it can be assigned based on the type of issue. Below is a framework for categorizing COVID-19 issues within your virtual war room.

PREFIX OF INCIDENT NAME	COVID-19		
Incident Type	Production Delay	Material Shortage	Operational Issue
Subtypes	Inbound Outbound Distribution Center	Raw Material Indirect Material Component Packaging	Site Quarantined People Quarantined Power Issue Technology Issue
Resolution Code	Order Cancelled New Capable-to-Promise	Alternate Supplier Stock Transfer	Alternate DC Alternate Supplier

3. **Virtually Train the Team**
   Once your Elementum configuration is ready to go, send a corporate communication from the head of your supply chain organization. Set expectations and clear mandatory compliance with the COVID-19 incident management process. Use your web conference tools to give a tutorial session to everyone who will be entering data or may be assigned responsibility in triaging incidents. Elementum can conduct this training for you and also have resources such as quick reference guides, and short training videos to help get your team started.

Get Started Now

Elementum is the company behind the first supply chain automation platform for the $25T product economy. In an age where customer expectations continue to grow exponentially, yet chronic disruptions abound, successful operations need to adapt faster than ever. Elementum's cloud-native platform centralizes incidents, provides clear accountability of tasks, enables cross-ecosystem execution, and gives supply chain professionals the power to manage and resolve day-to-day operational challenges with confidence and unprecedented speed.

Learn more at *www.Elementum.com*