

SUPPLY CHAIN  
MANAGEMENT

# “MIND... THE ABRUPT DISLOCATION!”

*As AI and machine learning reached storm force, one of the first sectors to feel strong, measurable and incontrovertible effects of these technologically-led efficiencies was the supply chain. First, blue collar workers succumbed to the rationalisation of lean, just-in-time and right-sized and now, SCM is witnessing an increasing take over of the wider human capital, promising or threatening - depending on your view - to replace, displace and potentially downsize the human workforce.*



ARTICLE BY GERRY BROWN, CHAIRMAN - NOVAQUEST CAPITAL MANAGEMENT & AUTHOR  
THE INDEPENDENT DIRECTOR: THE NON-EXECUTIVE DIRECTOR'S GUIDE TO EFFECTIVE BOARD PRESENCE

Leading globalisation expert, Professor Richard Baldwin, was one of many who predicted a dramatic AI revolution for highly-qualified and skilled white collar workers, in his recent book, *The Globotics Upheaval*. Yet, although this is inevitably our collective present and future, uncertainty is - somewhat paradoxically - making it harder for us to contemplate taking our hand off the tiller. It is increasingly clear that, despite technological progress, the sudden and unpredictable interruptions and disruptions to our smoothly running lean inventories and just-in-time supply chain management, can quickly have catastrophic consequences. Indeed, our business and community worlds are increasingly reliant upon the savvier human aspects of resource management, if businesses are to successfully overcome unexpected

existential interruptions to service. Whether these are Brexit, sudden systems failures, Black Swan or climate emergency bumps in the road - there is suddenly going to be a revenue and reputational premium for businesses that can not only successfully manage both complex staff and resourcing relationships within their organisations, but also between them.

The inexorable - but often taken for granted - rise of just-in-time supply management, has further compounded the difficulties and importance of maintaining system integrity, especially since so many of today's business operations enjoy a complex, deeply interconnected and embedded but often frequently changing networks. Whether of people, products, suppliers, providers, transport and general logistics - the theoretical and


practical purpose of supply chain management is, of course, to maintain consistency and reliability of bought-in goods, as well as product/service supply across a wide of operations in a cost-effective but timely manner. Though businesses, shareholders, boards and executives usually fully grasp the strategic priority, as well as the complexity and importance of supply chain management to their businesses, the significance of the underlying human aspect of resource management, in the SCM equation, is going to have to be granted similar weighting, if only for 'in case of emergency, break this glass' reasons. In the steady state environment of regular business activities, par for the course disruption and catastrophe are unfortunate, but predictable enough, with infrequent side-effects that can be technologically managed away on




a daily basis. However, with anxiety around various Black Swan events and their associated possible outcomes almost ever-present on the business and political scenes nowadays, the cross-functional nature of CRM and its management has been thrown centre stage like never before.

One of our leading logistics management thinkers, Professor Alan McKinnon of Kühne Logistics University bluntly states; "seldom has supply chain management and logistics featured so prominently", as a serious issue, in our political and business spheres simultaneously. Whatever your perspective on the rights and wrongs of Brexit or its final outcomes, everyone needs to face the reality of what McKinnon terms pending "the long-term erosion of logistical efficiency" and, more worryingly, the costs that this "erosion" imposes on people, companies and wider society. To some extent, a lack of understanding of logistics by voters and politicians has contributed to our Brexit disagreements and inertia. Whatever your strand of political mood music, Brexit is going to incontrovertibly alter our supply chains, as well as place their complexity and robustness under pressure as we witness live test comparative system strengths and weakness in real-time. Standard cost-to-serve metrics are possibly going to be badly thrown out of kilter and potentially increase the overall percentage proportion of the under-served and, worse still, find these new entrants to this expanded cohort from the currently over-served segment. Whatever interventions these crises prompt, human flexibility, ingenuity, patience and extra hours will be granted significant agency in any solutions. While the importance of the visibility and integrity of supply chains are well understood in the areas of products, logistics and quality control, the focus has tended to take the vital people aspect increasingly for granted. For example, it is still not regular to hear about - let alone discuss - employee mental health impacts of SCM, beyond the circumlocution of fitted-as-standard workplace stress and anxiety. This is going to have to change significantly in a world of expanding zero-hours contracts of employment, disrupted supply chains as well as - for another example - definitions and misunderstandings about the clash of the EU (and UK) working hours directive and current drivers' hours regulations, all suddenly intersect on the business and political agendas. We are going to go from a state of affairs where HRM and CSM are hardly considered - or seen as an efficiently technologically-finessed and managed moot point - to a situation where a strong link is an absolute necessity if supplies, business, transport networks as well as employees, people, communities and their families in wider society - are to avoid severe dislocation, disruption and desperation.

Developing flexible systems and best practices are activities which have always been integral to the supply chain context, but the need for businesses to unify HRM and SCM as a cohesive strategy, as well as utilising and harnessing HR systems to manage



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 @theHRDIRECTOR  
TWITTER POLL

Do you feel confident about  
your firm's ability to successfully  
manage third-party business  
relations?

60% Yes

40% No

supply chain partners and support collaboration, is going to drive competitive advantage and profitability in an era of abrupt dislocations. Indeed, given we know that business environments are already characterised by disrupted, shorter product life-cycles and product proliferation, along with the globalisation of our supply base, clearly pro-active HRM and alliances are essential to support the vital people ingredients that underline our supply chains, and also help power supply chain partners. Not least so we can develop cohesive relationships and knowledge-sharing practices - with prescience and agility - in order to react to fast changing markets and also cope with the unpredictable impacts of exogenous changes to the business, political and human environment. After forty-five years integration with international supply chains as Island nations, the United Kingdom and Ireland are uniquely vulnerable to disruptions, as well as loss of confidence in the ability for just-in-time distribution and lean inventories to temporarily take up the slack prompted by unpredictable impacts upon the current SCM.

It has long been held that the 3Cs of supply chain leadership are collaboration, communication and change, but in a severely testing environment where the certain certainties are thrown out of kilter, previous experience alone may no longer be sufficient to adapt effectively, without the glue of staff flexibility and ingenuity. Though there is dispute over the likely extent and impacts of any disruption to UK SCM, as a result of whatever flavour of Brexit happens, the Government's Yellow Hammer report posited supply chain logjams prompted by border delays. These could affect fuel distribution and its supply to consumers and industry. Base case scenario planning details that up to eighty-five percent of lorries using the main Channel crossings, will not be ready for French customs and could face delays of up to two to three days. That's 14,000 vehicles per day going through the port of Dover, with forecasted queues of ten miles long and triggering Operation Stack to come into effect in Kent, to mitigate these outcomes. Organising lorry parks and temporary toilets is the easy risk management part of planning for and coping with the deleterious but exponential network effects upon impacted staff, people, places and communities. The HRM challenges associated with the above are formidable, for successful supply chain management rests irrevocably upon the flexible performance of people throughout the supply chain anywhere in the world but, particularly, wherever there are pinch points. Human resources can step in at the traditional touch points of talent management, training, incentives and performance management. ●

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