Case Notes

# Chapter 2: Operations And Supply Chain Strategies

# Supply Chain Strategies and Disaster Planning

## Case Summary

*This case explains the importance for organizations to develop a risk management plan for its supply chain to achieve agility.*

Case Analysis *This case illustrates how firms should formulate and implement global operations and supply chain strategies for risk management to alleviate disruptions to their operations and supply chains from natural disasters or safety and security problems. The fact that only 10% of businesses have contingency plans in place to cope with operations and supply chain disruptions despite the likelihood of disasters means disaster planning/risk management should be an essential part of their supply chain strategy.*

## Sample Answers to Case Questions

1. Take a position either for or against the following statement: “In order to prepare for disasters, you should stockpile inventory, other critical supplies, and raw materials.”

Stockpiling inventory, other critical supplies, and raw materials is not the way to prepare for disasters. Doing so only adds costs without adequately addressing disruptions brought on by disasters. In particular, there is no way to determine the exact amount of resources to stockpile as the magnitude and timing of disasters are difficult, if not impossible, to predict. In addition, stockpiling resources leads to hoarding of valuable resources that complicate disaster relief efforts as needed resources cannot be delivered in time to those who need them most.

2. Think of Heinz Corporation’s production of consumer goods and food products. How might you develop a risk management and disaster response for the company’s supply chain?

First, get a detailed picture of their first-tier and most distant suppliers. Second, build a wide network of suppliers to reduce the risk of purchasing goods and services from a single supplier. Third, continually update and reconsider risk management strategies in light of changes in the global economy and the corporation’s operations.

3. Because it is impossible to plan for every disaster, how might you develop a method for identifying the most likely and serious risks your organization faces?

It requires the consideration of an organization’s supply chain agility. First, diversify the supplier base wherever possible. Second, create an organization that can react quickly to whatever happens including equipping and training individuals for emergency-response.

4. In your opinion, how much risk planning is sufficient? Why? Defend your answer.

A risk planning should balance the likelihood of disasters with a contingency plan that provides an organization with the agility to cope with disruptions in its major operations and supply chain. Most importantly, the contingency plan needs to be updated continually with regular individual training for emergency response.