

P R E S S R E L E A S E

Large enterprises, forced to innovate by supply chain disruption, see costs and complexity ramp up

66% of such organisations globally keeping more stock on hand; 70% increasing supplier numbers and 72% sourcing more from domestic suppliers

London, UK, June 30th 2022 – Two-thirds (66%) of large enterprises globally say they are keeping more stock on hand now compared to the pre-pandemic period, with nearly one in five in total (18%) retaining 'significantly more' stock. This growing focus on taking innovative measures to address supply chain disruption is highlighted in new research commissioned by IFS, polling over 1,450 senior decision-makers at large enterprises across France, Germany, Nordics, USA, the UK and the UAE.

Further highlighting the impact of supply chain disruption, seven out of ten respondents polled for the survey (70%) said they had increased the number of suppliers of materials/products they use in response to recent supply chain issues. Moreover, nearly three-quarters (72%) of the survey sample claimed to have grown the proportion of materials/products they source from domestic suppliers as a result of these issues.

Together, these innovative measures are also likely to add more complexity and waste into the supply chain, at a time when increased regulatory burdens (highlighted by 15% as a primary contributor to their current business disruption) and the need to tap into the many benefits of the circular economy is making supply chain management more complex. In line with this, it is positive that 93% of respondents said their organisation was either embracing the circular economy today or planning to in the future.

However, many are facing challenges in terms of delivering on their goals, with around 60% of those saying they are in the process; still developing objectives; yet to plan programs; or have their objectives on hold. Even among those respondents already embracing the circular economy, 23% felt their customers' circularity expectations were either having no impact on the customer experience or were detrimental to it, although over time the benefits of circularity in delivering a better customer experience are likely to become ever clearer.

So far, as the survey indicates, many large enterprises have re-engineered their supply chain in innovative ways to reduce the risk of this disruption. These include: onshoring to improve security of supply; keeping more stock on hand to make certain they can always meet demand and increasing the number of suppliers they use to eliminate any chance of disappointing customers.

Maggie Slowik, Global Industry Director for Manufacturing at IFS, said: "Large businesses are likely to incur much higher costs and other negative financial impacts because of the measures they are taking to mitigate disruption. Onshoring the supply chain will often lead to having to invest in more expensive raw materials or product components, especially as inflation ramps up, while keeping stock on hand will tie up significant sums that could otherwise be 'working' for the business."

Despite the far-reaching benefits of the circular economy, the need to embrace it is nevertheless a source of disruption for many large enterprises - especially if their equipment and processes are not set up to deal with waste reduction and the re-use and recycling of materials. That's particularly the case when you factor in the other macro-economic disruption that businesses are continuing to face from COVID-19 to the war in Ukraine.

At the same time, the survey reveals many large businesses are suffering from talent shortages. 65% of respondents say their organisations are finding it challenging to fill open roles, (with a lack of qualified applicants

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and skilled talent being the most prevalent reasons why), and 39% think disruption relating skills shortages within their organisation will last beyond the end of 2022.

According to Slowik: “Businesses urgently need to find a solution that can help them to manage this disruption, which with price volatility is escalating ever further, transition to a circular economy and address the supply chain complexities we are dealing with today. To do this, especially when skills are in short supply, they will ultimately need to invest in technology that delivers the agility and fast time to insight that they need to better forecast demand. By addressing it now efficiently and cost-effectively, they will put themselves in a great position to not only survive but also thrive long into the future.”

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About IFS

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