



## SUPPLY CHAIN INSIGHTS

# JUST-IN-TIME FOR CHANGE – BUILDING EFFECTIVE SUPPLY CHAIN TRANSFORMATION

The Just-in-time (JIT) inventory management strategy is 61 years old and in a perfect world it works well. It revolutionized the automotive industry and many global manufacturing verticals, creating “lean” operations that cut costs by slimming inventory to the bare minimum, which was great for the balance sheet.

**DHL Supply Chain – Excellence. Simply delivered.**

Manufacturers ordered sub-assemblies and components only when needed – and it was not uncommon for a manufacturer, who fully embraced JIT, to carry just three hours of inventory supply for the production floor.

“The lesson [of JIT] seemed clear,” wrote Alex Hadwick in a 2020 Reuters Events article. “Get rid of waste. Order only what was absolutely necessary. Enforce strict quality controls. Keep upstream suppliers on short notice to produce inventory as needed and watch the profits grow.”

Then along came the biggest disruptor our industry has known since the start of the JIT era and threw it into chaos.

COVID “exposed a high degree of supply chain neglect. Firms are realizing they need to re-think their supply chain in terms of resilience for the types of volatility we have seen and will continue to see”, explains Gad Allon, of the University of Pennsylvania Wharton School.

### A JIT alternative

This doesn’t mean that the concepts behind JIT should be thrown out as a failed business model. “There is nothing inherently wrong with being lean,” stresses Allon. But it is time to re-think JIT in the new context of resiliency and risk hedging.

Hence, organizations need to consider alternatives to JIT. Alternatives that manage cost, of course, but not at the expense of resiliency, assurance of supply, or preservation of profits and markets. Alternatives that are also underpinned by superior analytics technologies.

At DHL Supply Chain, we strongly believe that a strategic outsourcing engagement with a Lead Logistics

Partner (LLP) is an essential enabler to help create this step change. An LLP can design, manage and operate your supply chain, acting as a catalyst for change and meeting your internal business challenges and those created by the external environment.

Here are six key areas where engaging with an LLP can help you apply new business models to meet operational changes:

1. Re-appraising risk – we can work with you to segment your product portfolio by supply chain risk and define your risk appetite. What’s the value at risk and time to recover? These findings can then be translated into an actionable plan with your LLP.
2. Deploying predictive risk management and hedging technologies – when hedging is coupled with predictive analytics, organizations not only have better detection capability, but the confidence that the system can withstand disruption, according to a white paper from consulting firm LMI.
3. Re-designing your supplier strategy – we can work with you and your suppliers collaboratively to agree a rational, risk-hedged supply strategy that is a win-win for all parties.
4. Reviewing and adjusting your supply chain network design – ensuring your network is able to support the changes in sourcing and is fit for purpose, now and in the future.
5. Embracing assurance of supply – in turn, this allows you to ensure your supply chain is a key mechanism that protects profits by assuring business continuity.

6. Implementing a supply chain control tower – this is an approach that gives you visibility across the end-to-end supply chain, from raw materials through to end customers. In turn, it creates deep back-up capabilities that can ‘turn on’ with a flip of the proverbial switch.

Disruption, volatility and uncertainty will always be a fact of business life, most recently exemplified by the chaos inflicted on the JIT model by the pandemic. To adapt to these challenges, organizations will often need the support of external experts.

Changing such an ingrained model as JIT can take time. But companies have no choice, and if they fail to adapt they can suffer dire consequences. Implementing an LLP approach with a partner such as DHL Supply Chain means leveraging extensive experience and benefitting from effective design, management and operation of a transformed and future-proofed supply chain.

In this way, organizations can be ready to face any challenges an uncertain and volatile world can throw at them.

