

We have issued a separate [article](#) giving some results from our client survey with lessons and advice we draw in the short term. But businesses are also starting to look to the longer term, including in respect of supply chain resilience, risk and its mitigation. There seems little doubt that things will not simply go back to what they were before.

## Discovering Wondrous Complexity

In recent years, it has become a bit of a mantra in business that supply chains are complex and time sensitive – frequently ever longer, leaner and often global, just-in-time supply. But few people have really understood just how complex they have become, how fragile some of the interdependencies are, and the systemic risks potentially contained within them. The coronavirus disease 2019 (COVID-19) erupted into this complexity like a bunker-busting bomb, leaving trailing elements, broken links and dead ends. Recessions usually come about progressively, and businesses adjust as the environment around them changes. No one has ever before experienced governments of large parts of the world simply shutting down great swathes of economic activity, more or less overnight. The effect has been dramatic.

Organisations and companies have found that many layers of tiered supply, in many different places, sit behind the products and services they routinely procure. Adaptation, where possible, has had to happen suddenly. Company management has had to devote a great deal of time and energy to, among other things, employment and financial health issues simply to ensure short-term survival. Recent conversation suggests that some businesses are also starting to look to the future. New partnerships are forming, and building in supplier and supply chain flexibility will be key to coping with uncertainty.

## “Never Again”

While governments will no doubt plan much better for this kind of contingency in the future, companies are unlikely to pin their trust wholly onto the ability of government to avoid such seismic disruption. So significant adjustment to supply chains is likely, with companies trying to reduce fragility and build in greater resilience. In addition, companies will try to assess better where risk sits geographically – for example, a supplier in Italy could have found themselves shut down, but in Germany the customer for their components was continuing to operate and needing their production. But this will be hard to do: the difference between Italian and German restrictions reflected the realities of this pandemic, and is not a predictor of the future.

## Some Pointers for the Future

### Companies Will Devote More Attention to Understanding Their Supply Chains Better

Most companies know their major suppliers pretty well. They have a good idea of critical dependencies, such as rare and unique components. But many have not typically had to pay much attention to their supplier's suppliers (and beyond), or indeed properly evaluated their whole supply chain exposure, except in some quite defined contexts. We can expect companies to give much closer scrutiny going forwards to precisely how their total supply chain is constructed, and where the dependencies are, and to want to negotiate contracts that give them a high degree of assurance and protection for the future. It will not be a race to the bottom either – as to drive down cost, for ever greater savings, often necessarily drives in additional risk, too. Being proactive in addressing all such risks can deliver competitive advantage.

### Companies Will Look for Greater Diversity

Geography has suddenly started to matter more in the globalised world. Companies will look much harder at where their supply chain comes from and passes through. They will look for diversity in supply, both in terms of suppliers and geographies, to spread risk, reduce particular dependencies, give greater flexibility and (hopefully) further assure continuity of supply for future eventualities. The latter will undoubtedly pose challenges, partly in ensuring consistency of quality, regulatory adherence and alignment, etc., and partly in understanding geopolitical and other risks inherent in dealing with particular geographies – assessing risks in jurisdiction, business practices, skills, logistics and transport, etc.

### Technology Will Play More of a Role

New technologies, such as 3D printing, offer potentially interesting and innovative ways to strengthen and shorten existing lines of supply, including in-house production of products, parts and key components. Embracing technology could well have a major effect on how global trade operates in the future. [Blockchain technology](#), too, has recently been touted as a potential answer to improved supply chain transparency and product provenance, including assistance with product quality, recall, tracing issues, etc. Companies will also be attracted to the opportunities for carbon reduction that new technologies could offer. In addition, smart robotics, if necessary supported by a skeleton staff, could even keep suppliers' factories running if workforces are significantly impacted by another pandemic.

## Localisation, Up to a Point

There is much talk of re-shoring, and some of it may happen. But companies will still want the benefit of scale that they have seen over the past decades. So do not expect to see a huge surge in manufacturing in what are increasingly service-based economies. Shorter supply chains, both geographical and in tiered complexity, but which still capture benefits of scale, will be the likely desired outcome for most.

## China

The crisis has underlined the central position China now occupies in the global economy. The push for greater diversity and reduced dependency in the supply chain will coincide with an increasingly forthright US position towards China (which is completely bipartisan – do not expect it to soften according to the result of the US elections this year). China, and choices about the extent of a company's reliance on Chinese supply, will preoccupy the boardroom more in the coming years.

## Contact

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