



# RESILIENT ROUTE: TACKLING SWISS SUPPLY CHAIN RISKS

## AUDIO TRANSCRIPT

Hello and welcome to the Accenture Swiss Top 500 podcast. This episode focuses on Supply Chain and Operations. Today, we will answer questions like: “Are supply chains the weak link of the Swiss economy?” and try to provide insights into what Switzerland's largest companies have been doing to mitigate risks. With me today are Matthias Hégelé, Supply Chain and Operations Lead at Accenture Strategy and Consulting and Christoph Tobler, Director Supply Chain and Operations Lead at Accenture Strategy and Consulting. Matthias, Christoph, welcome!

Thank you very much for hosting us. We're happy to be here.

Let's dive right into the subject matter and discuss a recent report launched by Accenture that examines the strengths and weaknesses of Switzerland's largest companies. One of the findings was that they need to focus on reducing their supply chain risks. Could you tell us more about that, Matthias?

Yes, of course.

Our Top 500 Study has identified that Swiss companies are more exposed to supply chain risks than their European or American peers. This is primarily due to the nature of the business here. The Swiss domestic market is relatively small, so many globally leading organizations are focusing on the global market. And they sell, produce, buy and ship all around the world, which inherently carries supply chain risks.

These risks can take various forms, such as financial risks, geographical risks, concentration and dependency risks on suppliers, compliance risks and risks related to environmental, social and governance (ESG) factors. So the question for Swiss companies is: How do we deal with these risks? Are we resilient enough to handle them? And the Answer is: Not everywhere.

So, I guess Swiss companies are not well prepared to deal with global-scale supply chain shocks like the COVID-19 pandemic or the start of the Ukraine war, right?

Yes, that's correct. Swiss companies have learned a lot over the last three years of the poly crisis. If you ask C-level executives, CFOs, CEOs today, supply chain is on their radar. They have understood that the supply chain is a critical part to actually even differentiate on the market. We've seen companies over the last couple of years gain significant market share because they were able to deliver goods. There has been a mental shift occurring. Companies now need to focus more on balancing supply chain resilience, CO2 carbon footprint and considering cost, speed and flexibility. Which are components that have always existed. But very importantly today, companies are also examining their dependencies on single locations or suppliers.

There is a big focus on cluster risks, you would say. So, when it comes to addressing these problems, can you tell us how the companies can make their supply chain more resilient? Is there a good place to start?



Yeah totally, from our experience, it all starts with transparency. Now you might think it's as simple as accessing your supplier list, but the reality is a bit more complex. Imagine a medical device company with sensors in your product, microchips, might have various plastics. The component list is typically long and the suppliers are diverse, but then you have to figure out the suppliers of the suppliers and that sub-suppliers. Companies often struggle with this difficult exercise and regulators require more than just understanding the compliance of direct suppliers. You need to understand the compliance of their suppliers and their sub-suppliers.

So how do you achieve the transparency you need? This is the most important, first question, and we work with many companies on this. Maybe Chris, perhaps you can elaborate on that.

Sure, Matthias. At Accenture, we use an approach called intelligent visibility. We use tools to analyze our clients' logistics footprints and basically look into their service providers, how they transport, where they produce in their networks, and then we use this data to build a digital twin of their supply chain and put it on a virtual map. So there is no need to go through endless Excel files and manual activities.

This digital twin is not only then fed with logistics information, like we just talked about, it's also enriched with weather data for example with additional data points, like natural hazards on top of weather information, local problems or issues like potential strikes, or even conflicts. This gives you a very accurate picture of your supply chain risks and is in real time. It's not only that this is only the first step, basically in order to really understand the impact of your risks to your company. You also need to measure the value at risk. In other words: How much revenue is at risk if a supplier or sub-supplier is shutting down for a day or even for a month.

The last few years have shown us, this can happen at any time unexpectedly. Another

discussion that has emerged in recent years is the debate on whether global supply chains should become more localized. What is your take on that?

Localizing supply chains, also known as near- or onshoring, is definitely an important aspect, but it's only one piece of the puzzle. With increased automation, local supply chains in high-cost locations like Switzerland are becoming more and more attractive for companies. They also help reduce the carbon footprint, another very relevant element in supply chain optimization these days, but there is also the reality. Our clients and the majority of Swiss companies that we looked at. In this study they do have a global supply chain and that's what they need to deal with.

So what are they doing? What are the Swiss companies doing in response?

We believe that we will see way more and much more multi sourcing activities and strategies in the future. This means that companies will optimize their sourcing strategy in the future, based on their priorities. And now these priorities might look very different for a company. In a specific industry, but then also company by company based on the priorities that they have. For example, some companies prioritize speed in manufacturing their products to remain competitive in the market, while others focus on maintaining a diverse warehousing landscape and managing that properly. While others focus on a regional distribution center. There's really a variety of priorities, but this whole global versus local debate is also a question about resilience. The more warehouses you have, the more resilient you are. But there is also the supplier side. The more suppliers you have, the more resilient you are, and then if you look into basically how these two dots connect. There is the transportation segment of your supply chain, and also looking into risk components of your supply chain is absolutely key.



So, we'll have stuff like this Suez Canal being blocked again. How do you circumvent issues like this from rising? I guess resilience is really key there. Now that we've talked about strategies to become more resilient, let's switch to the view from within. Is there anything companies can do to manage their supply chains more efficiently? It's a big task to coordinate all these actors from all the different parts of the world and various different industries. Like, how should they tackle these challenges?

Let me give you an example of a global consumer goods company, which is active in more than 120 markets globally. They just can't let each country manage their end to end supply chain, that does not work. So how do they do it? They basically go for a coordinated approach across all market units. This means putting a global structure into place, often product-based and that looks into sourcing of the goods of the raw materials for production of those products all the way to the delivery into the local warehouses in the countries. What is also reality, is that a global supply chain responsible in the country typically manages the last segment to look towards end customers. That's also what we see very often and can fit very well in such a market structure. That's why we recommend our clients to create transport control towers and establish an above market structure, who will be in charge of international logistics of their companies. It's fine, and I mentioned that already that markets stay in control of the local distributions, but on top of it, it really makes sense to have a global structure in place to control international logistics primarily. Another element is global trade that we are seeing more and more complex and changing regulations. Especially an increasing number of bilateral agreements and trade regulations. Also, here we typically recommend a structure that manages your global trade operations. With that, make sure that you stay on top of the very agile environment in this space.

Very good points, Christoph. Maybe one additional perspective and it relates to talent scarcity and scarcity of certain skills. I think both topics are prevalent in today's world. On one hand, actually getting the right skills and the right people at the right location and one area where this is particularly critical is for example when it comes to demand sensing. So, using available data within the organization but also externally to forecast the product demand. It's a very engineering and data science-driven activity that requires a certain scarce skill set. Also, it requires a large number of data and building a capability above market maybe global even is very suitable for this type of area. So that's another area. To sum it up: We believe Swiss companies need to act now, to become more resilient and that would be four focus areas: Firstly you need to create transparency of suppliers and their suppliers and their suppliers. So the so-called digital twin or intelligent visibility. Secondly, it's really critical to build resilient networks with resilient suppliers in order to address the new geopolitical situation. Thirdly, to build and to run above market structures is essential to scale and to use scarce skills effectively.

And lastly, to automate processes and digitalize as much as you can with low value adding activities in order to free up cash and resources to really invest in the above topics. So we believe building a resilient supply chain is a journey for sure. But it's definitely time to act now.

Well, thank you, Mathias, for this amazing summary. Christoph, what about you, do you have any more insights that you want to share?

Not much! I mean, Matthias summarized it very well in my opinion. As he mentioned it's a journey, but a key for a lot of supply chain professionals, that the topic arrived at that C-level and yeah it will be an interesting journey ahead for all of us



Matthias, Christoph, thank you very much for your insights. To our dear listeners, if you want to learn more about supply chain and operations and how Switzerland's biggest companies tackle the challenges they face, visit [accenture.com](https://www.accenture.com) and check out the Swiss Top 500 study. Now the only thing left is to thank my guests: Thank you, Mathias! Thank you, Christoph, I really enjoyed it, and I'm sure our listeners did as well. Thank you very much for having us! Thanks a lot.

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