



SC-Exec.com Newsletter – May 3, 2020

Greetings to all. I hope you and your loved ones are in good health. We are starting to re-open the economy here in Texas, including Austin's restaurants, local businesses, and most importantly, our golf courses (personally my game is erratic at this point). I've also noticed that traffic was coming back to life around the city. We've all had to put things on hold. My daughter's wedding event, planned for April 5<sup>th</sup>, was moved out to next year. However, they did make the best of the situation and went through with the marriage with no guests and will hold the event on their 1-year anniversary.

Summary:

- This week I've searched for articles on the state of China's recovery. The one that I've picked below will not be posted on [sc-exec.com](http://sc-exec.com) since it requires readers to provide their email addresses. It is clearly different than what we are hearing from the official CCP news channels.
  - I've summarized the EgonZhender 2020 CSCO survey results. Thanks to Jennifer Van Cise, of IBM for sharing it on LinkedIn.
  - Great interview with Tom Linton on the impact of CV-19. Thanks to Diane Trommer, from Avnet Velocity for sharing it.
  - Latest update on the Sweden CV-19 limited approach vs the rest of Europe.
1. [No Sign of Recovery for Chinese Economy as Virus Cripples Export Orders](#), May 3, Epoch Times (4 min read, email address required) This article is based on research from the [China Beige Book](#) (CBB)'s survey of 547 companies, released late April.
    - a. Due to the virus, 460, 000 companies went bankrupt in China in Q1, 260,000 of which were export related.
    - b. Around 80 percent of the small and medium-sized businesses, and nearly all large firms have returned to work, according to China's commerce authorities. **But analyses of recent data from the country suggests a quick rebound is nowhere in sight.**
      - i. Over two-fifths of the mostly private-owned companies participating in the CBB survey reported operating under half capacity, with merely 4 percent reaching full capacity. Note that the private sector contributes to 60 percent of China's GDP
      - ii. Manufacturers and service firms continued to see declining sales in April, and three-fifths of these firms attributed their loss of revenue to the lingering virus impact, according to the survey.
      - iii. Surveys across nearly 4,000 firms between February and April also showed that layoffs have outpaced new hires...contractions happening across every major business performance indicator.
  2. [Chain Reaction 2020, Leadership Perspectives from the World's Top Supply Chain Executives](#), April 2020, EgonZhender (15 min read), Survey of 235 large company CSCOs across many industries, geographies (23 countries), and corporate structures.
    - a. What are the top three external supply chain issues holding your organization back right now?



- i. 1) Increasing cost pressures, 2) Global economic uncertainty (e.g. tariffs, exchange rate volatility), 3) Rising demand variability (*No surprises here, DKB*)
- b. What are the top three internal supply chain issues holding your organization back right now?
  - i. 1) Complexity of supply chain, 2) Talent shortages: lack of key people/skills, 3) Organizational culture
  - ii. Nearly three-fourths (72%) of the respondents said that they were concerned about the current skill level of people in their organization
  - iii. 37% of respondents said that the **lack of leadership competencies was the biggest challenge** (*My opinion is that this is a concern. Almost 40% raised this as the biggest challenge, DKB*)

**Side Note:** Drilling down to the next level “What is the single biggest leadership skills challenge that your team is facing today?” Please respond at <https://go.bucketpages.com/ds/417e5c16>

3. ["Era-Defining" Impacts of Covid-19 Pandemic on the Tech Supply Chain](#) April 20, Tom Linton interviewed by Diane Trommer, Avnet Velocity (5 min read)
  - a. What is your advice for supply chain leaders on the front line of this pandemic response and business recovery effort?
    - i. Most important things companies can do right now to keep their supply chains in tact is to **“pay it backwards.”** It’s like the charitable concept of “pay it forward,” but in supply chain, it is important to pay it backward, meaning you *have to take care of the suppliers that are feeding your supply chain*
  - b. What are some specific actions organizations can take to “pay it backwards” to their smaller partners?
    - i. In 2008...put together a pool of money that we could offer to 2<sup>nd</sup> and 3<sup>rd</sup> tier suppliers for low or no-interest loans, similar to what we see the government doing today with small businesses.
    - ii. [Lockheed Martin](#) plans to advance more than \$50 million to small and medium-size enterprises (SMEs) in its supply chain, and telecom company
    - iii. [Vodafone](#) committed to paying its European suppliers within 15 days.
    - iv. Don’t just rely on a Dun & Bradstreet report and **don’t assume your direct, first-tier suppliers will take the initiative to monitor and manage critical lower-tier suppliers.**
  - c. The pandemic has put a spotlight on the vulnerabilities that are inherent in a global supply chain. Some pundits say this could prompt a shift to a “post-global” economy. What are your thoughts on this?
    - i. One of the first laws of supply chain is that proximity matters, so the closer things are together the faster and more efficient supply chains are and the more cash flows through the supply chain.
  - d. How else do you think this pandemic will change business/supply chain
    - i. I wouldn’t be surprised if this pandemic signals the final death knell for the analog world.



- ii. I think Power Point presentations are a relic of a time when we did not have the ability to access and monitor supply chain information in real time. Tools like [Flex Pulse](#) that integrate demand, inventory monitoring, manufacturing, quality, outbound transportation and delivery, demonstrate that it is possible to aggregate and interpret live streaming data from multiple sources throughout your supply chain.

**Recapping CV-19 progression (Continued from last week)**

- **Is Sweden’s limited CV-19 intervention going to prove others wrong or come back to haunt them?** Sweden’s government, unlike other European states, did not take dramatic lock-down actions. As of Sunday May 3rd, their death toll is not significantly different from their neighbors’, excluding Germany and Switzerland. This seems like a really important key metric to watch with respect to economic lock-down lessons learned. Thus far Sweden is holding steady in the ranking by percent of death vs cases.

16-Apr			
	Cases	Deaths	Death %
Belgium	36,138	5,163	14%
UK	108,692	14,576	13%
Italy	168,941	22,170	13%
Netherlands	30,449	3,459	11%
France	165,027	17,920	11%
Sweden	13,216	1,400	11%
Spain	188,068	19,478	10%
Switzerland	27,078	1,325	5%
Germany	138,456	4,193	3%

26-Apr			
	Cases	Deaths	Death %
Belgium	46,134	7,094	15%
France	162,100	22,856	14%
UK	152,840	20,732	14%
Italy	197,675	26,644	13%
Netherlands	37,845	4,475	12%
Sweden	18,640	2,194	12%
Spain	226,629	23,190	10%
Switzerland	29,061	1,610	6%
Germany	157,770	5,976	4%

3-May			
	Cases	Deaths	Death %
Belgium	49,906	7,844	16%
France	168,693	24,895	15%
UK	186,599	28,446	15%
Italy	210,717	28,884	14%
Netherlands	40,571	5,056	12%
Sweden	22,317	2,679	12%
Spain	247,122	25,264	10%
Switzerland	29,905	1,762	6%
Germany	165,664	6,866	4%

Stay healthy.

Best regards,

Don

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