

SUPPLY CHAIN VULNERABILITIES RESULTING FROM GLOBAL SOURCING DEPENDENCE ON CHINA: AN EMPIRICAL STUDY

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ABSTRACT

The pandemic has wreaked havoc on supply chain and operations managers around the world from production to supply to sales and management; everything suffered. This is due to the excessive dependence on deliveries from a certain country or a continent. China has a monopoly on the production of several goods and services and is therefore even more complicated for the rest of the world to manage during the pandemic. The COVID-19 pandemic has disrupted the connection between most transport routes and also creates clutter between manufacturers' dispensing mechanisms, manufacturing facilities and consumers. Many of the world's major economies had imposed comprehensive legislation lockdown, and since then the focus has been on a growing demand for essential goods and services. This document provides a detailed analysis of pandemic care challenges. Moreover, the future of various operational and supply chain views to manage these disruptions. This paper will also highlight the importance of avoiding such disturbances in the future and provide more sustainable business strategies

Keywords: Supply Chain, Global Sourcing, Covid-19, Social Sustainability, Pandemic.

Introduction

The pandemic has opened up new dimensions for the social sustainability of individuals and industrial organizations. Currently most are manufacturing and supply chain organizations unable to predict the negative impact of COVID-19, most global markets are affected by high losses and plant managers are looking for new products and new process approaches to maintain demand. The pandemic has dramatically increased the environmental efficiency of organizations, by restricting the market economy and creating barriers for industrial workers management. Decades of supply chain management's focus on price reduction is gone. Inventory levels and increased warehouse efficiency eliminated stockpiles and resisted stability disruptions, but COVID-19 has shown that many businesses are not fully aware of the vulnerability of their supply chain relationships to global shocks. This is evident as more than 200 of the Fortune Global 500 companies have a presence in Wuhan, the highly developed province where the outbreak originated and it was the epicenter of the pandemic, the region remained strongly affected.

Effects of Covid-19

Unlike previous global meltdowns, COVID-19 has negatively impacted supply chains in the first place, with major challenges in production, distribution, transportation and logistics, as well as significant demand changes. Due to the confinement in many cities, the limited supply of human capital², raw materials and consumables almost led to the closure or shutdown of capacities in all industries. The

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¹ "Global Supply Chains in a Post-Pandemic World." Harvard Business Review, August 18, 2020. <https://hbr.org/2020/09/global-supply-chains-in-a-post-pandemic-world>.

² Kumar, Aalok, Sunil Luthra, Sachin Kumar Mangla, and Yiğit Kazançoğlu. "COVID-19 Impact on Sustainable Production and Operations Management." Sustainable Operations and Computers. Elsevier, August 24, 2020. <https://www.sciencedirect.com/science/article/pii/S2666412720300015>.

situation deteriorated as market demand steadily increased. The international logistics market has suffered the most from the pandemic; due to the lack of labor, containment restrictions on shipments, suspension of business aviation, containment Trade-Related Restrictions and Regulatory Restrictions. Stopping a player can have dramatic repercussions Impact on the entire supply chain structure; this can be understood as a domino effect; a Domino falls and knocks the others down. Suppliers based in Wuhan are a good example; According to one of Dun & Bradstreet, at least five million businesses worldwide have one or more Tier 2 suppliers in the Wuhan region¹. Many companies have been forced to change their market models as traditional sales channels have been weakened. The hardest hit companies have been heavily dependent on foreign countries and global supply chains for their business operations. The focus on supply chain management, inventory reduction and resource utilization optimization has left no capacity to deal with a black swan occurrence like Covid-19, offering prospects for the future functioning of supply chains.

A recent independent study published by Inters revealed that more than 90% of Companies expect the disruption to global supply chains caused by the pandemic to be long-lasting. China could lose its key role in several global supply's networks to Brazil, Mexico and some developing markets in Southeast Asia, and there are two reasons; the initial shock of China-centric supply chains triggered by large-scale ones and the loss of production in mid-March² across the country; and second, the US-China trade war, which has already forced some companies to look elsewhere.

Sustainable Businesses are Important

The impact of the COVID pandemic on sustainability and usage patterns will be worth mentioning, which is why a significant change is expected in the coming months. Several research studies conducted during the pandemic have highlighted this decision. Proper business processes are essential to avoid such disruptions. Also building resilience is something businesses need to consider moving forward. Something very basic in the wild, and one of the common things people have to learn is to be prepared. The impact of such a pandemic was unimaginable to anyone on this planet, but now that it has already happened, it's time to use our knowledge and implement solutions to avoid future disturbances. The COVID-19 situation has expanded the possibilities for the development of a permanent production infrastructure to ensure the economic and social viability of the production line.

Most of the world's major manufacturers are stable enough to change positions development strategy on pandemic demands - Government of India considers numerous financial awards for the expansion of small and medium enterprises in the postal sector COVID period³. Experts say rethinking procurement, inventory policies planning, transportation planning and production planning to mitigate the effects of such a pandemic is essential.

It is crucial that companies need to be more flexible to deal with a pandemic like this and resilient, and they need to have a more realistic production plan to mitigate the impact of such situations. Companies also need to adapt more to manufacturing technologies to ensure that their general activities are not affected by such events.

Manufacturers often rely on a single supplier to maintain consistency and affordability; however, this strategy is not useful during a pandemic, which is why the global supply chain has suffered during Covid-19; go ahead, producers must have a panel of suppliers and more suppliers. Manufacturers⁴ in most industries have switched to suppliers and subcontractors offering specialized products in one or two subsegments and these specialists, In turn, are generally dependent on many others. This offers flexibility to manufacturers and it also significantly reduces the risk of disruption and chaos. If manufacturers choose otherwise and focus on the traditional supplier relationship, where they have one supplier for everyone their needs and even the suppliers are the type that produces the items in one country or region, making it more prone to disturbances, then the situation becomes much more complicated for producers.

¹ Key contact, Jim Kilpatrick Canadian Consumer Products Industry Leader, jimkilpatrick@deloitte.ca. "Impact of COVID-19 on Supply Chain Management: Deloitte Report." Deloitte India, November 23, 2020. <https://www2.deloitte.com/in/en/pages/risk/articles/covid-19-managing-supply-chain-risk-and-disruption.html#:~:text=A%20decades-long%20focus%20on,chain%20relationships%20to%20global%20shocks.>

² "Global Supply Chains in a Post-Pandemic World." Harvard Business Review, August 18, 2020. <https://hbr.org/2020/09/global-supply-chains-in-a-post-pandemic-world>.

³ "Impacts of COVID-19 on Global Supply Chains: Facts and Perspectives." IEEE Xplore. Accessed March 10, 2021. <https://ieeexplore.ieee.org/document/9174793>.

⁴ "COVID Supply Chain Resilience Report; The Impact of COVID-19 on Supply Chains and How Businesses Are Preparing for the Next Shock." Interos. Accessed July 05, 2022. <https://www.interos.ai/project/interos-2020-survey/>.

Another expert recommendation¹ is that manufacturers evaluate all possible risk factors at all possible levels of the supply chain to prevent any vulnerabilities from being unchecked. Mapping all segments of the supply chain is essential to ensure efficient operations during a pandemic. The obvious way to break heavy reliance on a medium or high-risk source (a factory, retailer or region) aims to include more sources in areas not exposed to the same risks. Administrators should use a strategic plan to produce a significant portion of the region's most important items where to buy them. Setting up a new supplier system in another country or territory would take a lot of time and resources, as China's experience shows. But in the long run It would be a mistake to remove China from the supply chain market. The deep stump of the earth networks, its versatile and capable population, its vast and productive ports and transports, the facilities ensure that it will remain a highly competitive asset for years to come.

If alternative suppliers are not easily achievable, the company must decide on the amount of additional inventory interim storage, in what form and where in the supply chain. Sure, security shares², like all shares, carry the risk of obsolescence and also constrain the capital.

Conclusion

The economic instability triggered by the pandemic has revealed many gaps in supply chains and raised questions about globalization. Managers around the world should take advantage of this crisis to fight back, take a fresh look at their supply networks, take steps to address their shortcomings, and then act to increase their robustness. You cannot and should not withdraw completely from globalization; It would create another big gap, and it would create additional hurdles for businesses that want to harness the power of globalization. It's time to embrace a new vision adapted to the challenges of the new era - one that still uses the skills that are everywhere planets, but further increases stability and reduces the likelihood of potential shifts that are likely to develop.



¹ "What Will Be the 'New Normal' for Global Supply Chains Post Covid-19?" WSPglobal. Accessed March 26, 2022. <https://www.wsp.com/en-GL/insights/impact-of-covid-19-on-global-supply-chains>.

² "The Impact of Covid-19 on Global Supply Chains." Oxford Business Group, December 31, 2020. <https://oxfordbusinessgroup.com/news/impact-covid-19-global-supply-chains>.