Task Force Report on Lessons Learned During the COVID-19 Pandemic Provides Recommendations to Improve Resiliency

November 17, 2020

On November 6, the Information and Communication Technology (ICT) Supply Chain Risk Management (SCRM) Task Force, a public-private supply chain risk management partnership, published Lessons Learned During the COVID-19 Pandemic. In laying out the challenges posed by the pandemic, the report highlights the inevitable tension in supply chain risk management between achieving efficiencies and cost savings on the one hand and ensuring resiliency through geographic diversification and other measures on the other. Among the key takeaways from the report is the recommendation that companies focus on supply chain transparency in order to effectively identify and manage risks.

Before the pandemic, global supply chains had experienced regional shocks for decades due to natural disasters, fires, or other similar events. These shocks in conjunction with other challenges such as the increasing U.S. – China trade tension for the past few years had led many industries to begin seeking alternative sources or relocating manufacturing and assembly facilities outside of Asia. The study conducted by the Task Force revealed that many of the supply chain weaknesses were amplified and highlighted during the pandemic. Specifically, the study found three key issues that have affected nearly all Information and Communication Technology supply chains:

1. COVID-19 has expedited the trend of geographically diversifying supply chains and avoiding single source/single region suppliers.
2. Just-in-time delivery and lean inventory models, which provide efficiency and cost effectiveness in normal environments, left many manufacturing companies unprepared for the impact of the pandemic on resource availability or order fulfillment.
3. COVID-19 underscored the difficulties companies have in trying to understand and map their Tier 2 and 3 suppliers and their locations.

The report described the limited supply chain for certain ICT components and specifically focused on the semiconductor supply chain for which there are limited manufacturers and assembly plants largely located in Asia. While the U.S. Government has been emphasizing onshoring and supply chain security efforts for a few years now, semiconductor supply chains are of particular importance to the government as can be seen in the draft 2021 NDAA bills which seek to require a national strategy for developing the national semiconductor industry and contemplate making grants available to construct, expand, and modernize semiconductor manufacturing and research and development facilities.

To promote the transparency and geographic diversification endorsed by the Task Force, the Task Force provided the following recommendations:
1. **Proactive Risk Classification.** Large and small companies may want to deploy a systematic classification of risks, continually analyze developments and events that are happening around the world, and undertake the development of a related response strategy to improve supply chain resilience strategically.

2. **Map the Corporate Supply Chain.** Companies can work with Tier 1 suppliers to gain transparency further upstream, including suppliers’ locations and financial stability.

3. **Broaden Supplier Network and Regional Footprint.** This process would include examining both multiple vendors and different geographic locations. It would also include considering establishing backup vendors and plans to ready such vendors both before and when a crisis occurs.

4. **Potential Development of Standardized Mapping and Other Illumination Tools.** This is a recommendation for the ICT sector and could be applied to any industry. The lack of consistency in mapping sub-tier suppliers creates inefficiency in the process and thus companies could benefit from a standardized sector-wide approach.

5. **Work to Hold Buffer Amounts of Inventory.** Holding more buffer inventories and/or working with suppliers to hold more inventory at their warehouses will allow businesses to respond more rapidly in the event of a crisis. Similarly, preparing contingency plans in the event of workforce changes (e.g. home v. office; safety during a crisis) will also enable quick adaptation to crisis events.

6. **Plan Alternatives in Logistics and Transportation.** Mapping out alternative transportation plans and addressing potential bottlenecks will enable companies to bring supply chains back online more quickly. Companies should consider using technology platforms that provide real-time, blockchain visibility into available logistics capacity.

This report comes at a time when supply chain risk management is top of mind for the U.S. government and becoming increasingly important to remaining competitive in the government contracting space. Contractors may find the recommendations in the report useful as they continue to focus on supply chain security and risk management.

For more information, please contact the professional(s) listed below, or your regular Crowell & Moring contact.

**Adelicia R. Cliffe**  
Partner – Washington, D.C.  
Phone: +1.202.624.2816  
Email: acliffe@crowell.com

**Paul M. Rosen**  
Partner – Los Angeles, Washington, D.C.  
Phone: +1.213.443.5577, +1.202.624.2500  
Email: prosen@crowell.com

**Stephanie L. Crawford**  
Counsel – Washington, D.C.  
Phone: +1.202.624.2811  
Email: scrawford@crowell.com