



CORPORATE TRANSFORMATION SERVICES

Design for Supply Chain Resilience: Tackling Disruptions with Rapid Reactive Excellence Management

In the aftermath of recent global disruptions—spanning COVID-19, geopolitical conflicts and climate-related crises—ensuring resilience in supply chain and operations has become an urgent priority for C-suite executives.

With the financial stakes higher than ever, disruptions in the value chain can result in severe losses, directly threatening profitability, shareholder value, and long-term business sustainability. In the past few years, companies from aviation and car manufacturers to grid operators have faced financial impacts of billions of dollars from regulatory fines, product recalls and property destruction.

Various studies have shown that companies with strong operational resilience outperform their competitors in shareholder value recovery after crises.¹

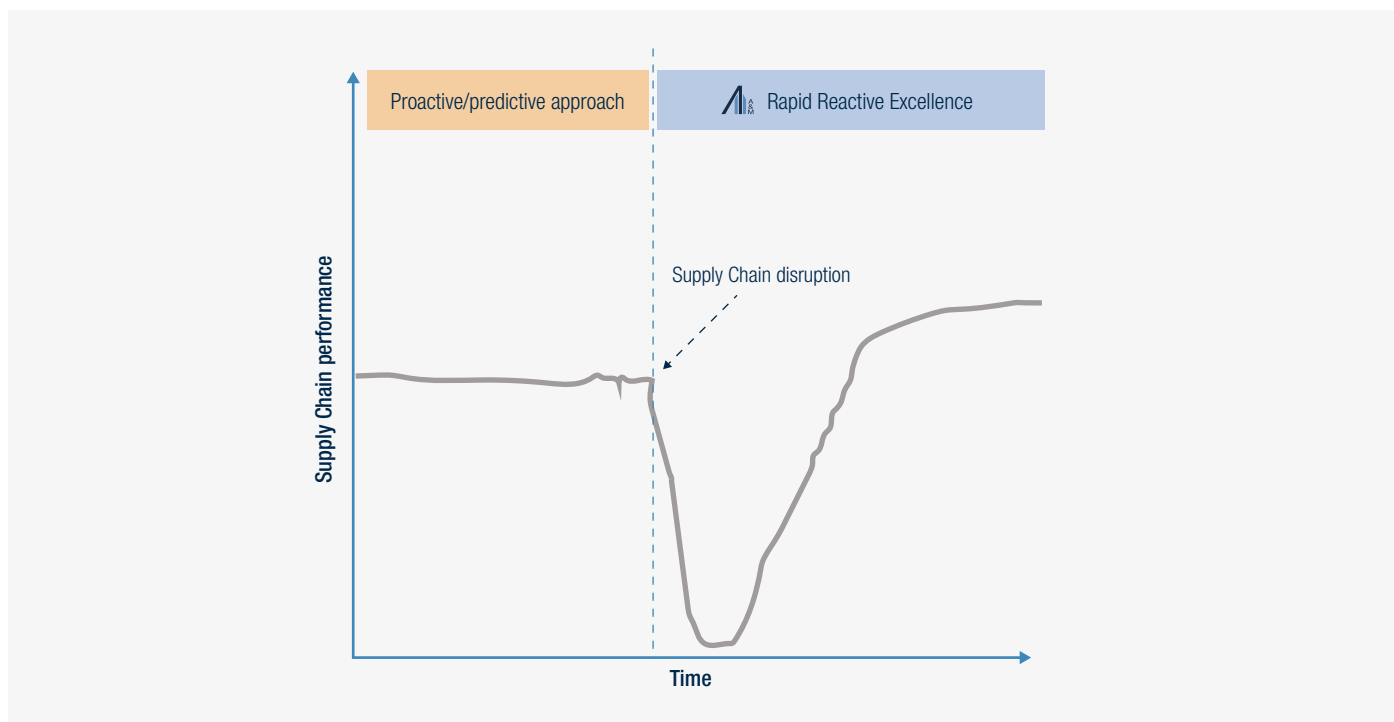
As a result, many consulting firms and system solution providers now offer services focused on business continuity planning and predictive risk management, often linked to ESG strategies and supported by data-driven digital tools.

However, what is often missing from the core of risk management consulting offers, even at the high end of the market, is Reactive Excellence. This means an organization's ability to respond swiftly, decisively and effectively to disruptions, minimizing damage and restoring operations with speed and precision.

At Alvarez & Marsal (A&M), we adopt a distinctly different approach that fosters resilience from the moment a disruption unexpectedly arises. Our Rapid Reactive Excellence methodology is specifically crafted to quickly mitigate risks when conventional management systems—meant to prevent disruptions—have either failed or become ineffective.



¹ The Impact of Catastrophes on Shareholder Value



The A&M Reactive (Post-Event) Differentiation: Why the A&M Approach?

Our approach is based on three core beliefs:

1. Past Crises Are Intelligence Learning Opportunities

The best insights for future risk prevention come from real-world crisis experience, not just theoretical risk assessments.

2. Risks Are Getting More Complex, More Frequent

The range of unexpected, high-impact events is expanding, while their predictability is decreasing:

- New risk types are emerging faster than ever, making traditional forecasting models increasingly unreliable.
- AI-driven analytics are increasingly being used to detect weak signals of emerging risks, but even these models struggle to predict complex, interconnected crises.

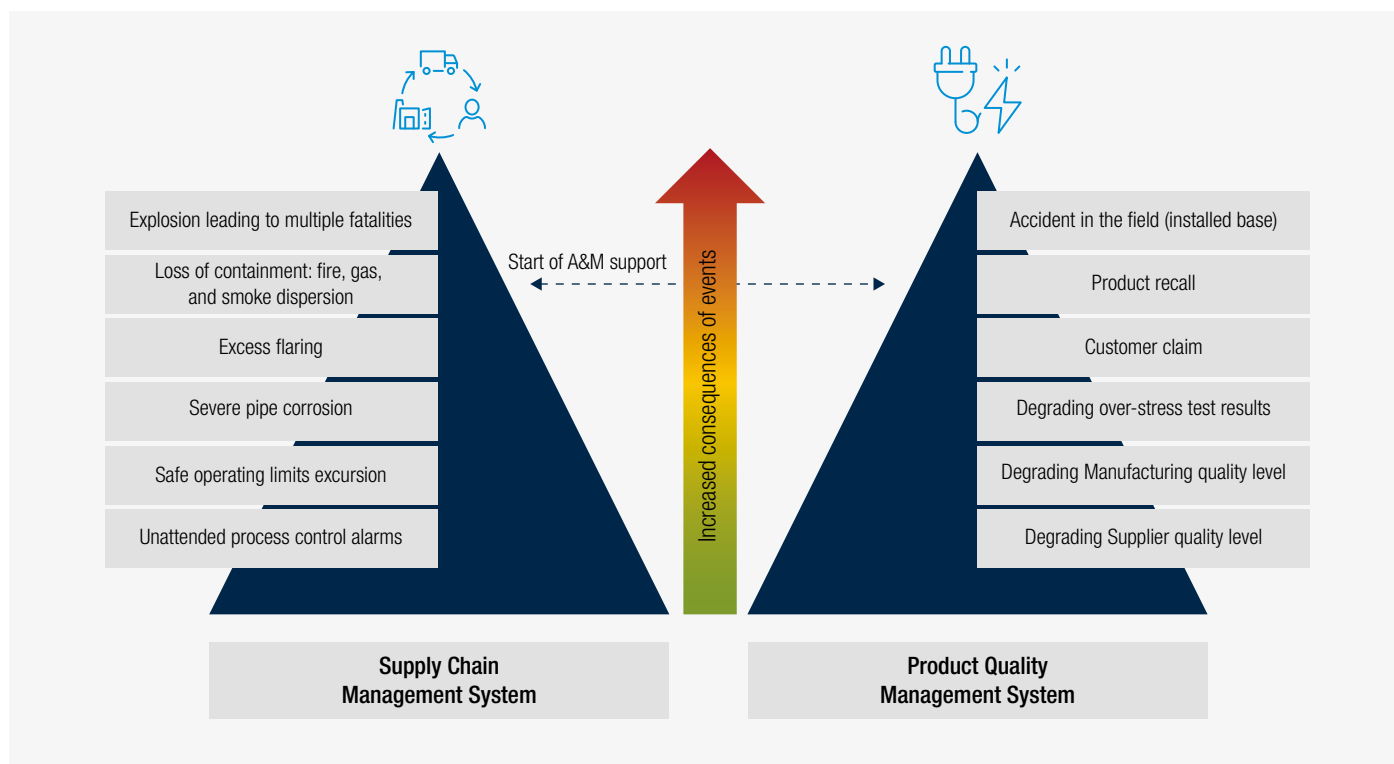
3. Analytics Must Be Balanced with Leadership Action

While data-driven insights are valuable, decisive leadership and operational execution remain the most effective tools for risk mitigation. Organizations that react decisively during crises tend to recover faster and stronger.

A&M's in-depth diagnostic revealed a common pitfall we have observed in such cases: **Companies often have strong management systems "on paper," but the practical contingency is often unprepared.**

A&M's approach focused on observing the company operates from shopfloor all the way up to board level, with particular emphasis on understanding the root causes behind incidents/events (from the very minor ones to the most harmful) that should not have occurred.

Looking at the "pyramid" of events and checking the efficiency of the management system led the diagnostic.



The pyramid of incidents leading to unwanted material events in the related cases

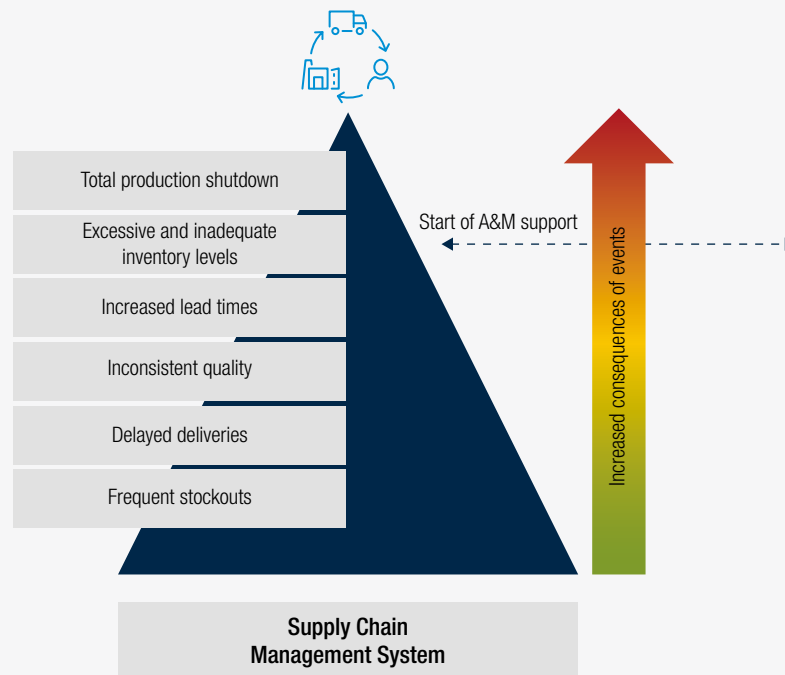
Both companies had strong management systems with certified standards on paper that should have prevented the occurrence of high-consequence events. But while the written management system (high level procedures) was sound and robust, the reporting of events and the “general health” assessment minimized the reality of what happened in the field.

A&M achieved the following results in both cases:

- In-depth analysis revealed that the organisations were predominantly focused on being compliant with the guidelines without a clear perspective on the implications of certain measures for actual operations. **A lack of practical and technical expertise had created an overreliance on the process and the scorecards, both failing to guide adequately the decision makers.**

- With our unique methodology, we identified and reduced the frequency of the numerous lower consequence events, which tend to be weak signals of more harmful events down the line. After the diagnostic, we helped clients build a sequenced remediation roadmap, lowering the risk level progressively but steeply along with the execution of the remediation plan.
- Our plans held recovery elements on how the company was functioning, particularly on talent management, organisational culture, capex strategy and risk evaluation process. Our approach also ensured remediation extended to suppliers where relevant.

While these are just two examples, our methodology and approach work on mitigating the risks and disruptions caused across the entire supply chain (see illustration below for a supply crisis).



The pyramid of incidents leading to a production halt due to a failing supplier base

Four key areas prone to operational risk

Through years of crisis intervention, we have identified four recurring weaknesses that increase operational risk for global corporations:



1. Risk management

- Lack of a clearly defined scope of activity where no risk is tolerated
- Lack of capability on linking and correlating all the company events/incidents and integrating them into the risk management system



2. Management system

- Lack of coherence between the corpus of procedures/guidelines and meaningful application in the field



3. Workforce enablement

- Lack of talent management planning/knowledge transfer of skilled workers
- Underdeveloped training management system
- High reliance on the management system/procedures to lower skills requirements
- High reliance on the sub-contractors' expertise



4. Organization operating model

- Ambiguity of ownership and responsibilities of the matrix organizations
- Poor accountability and efficiency of cross functional initiatives

Our crisis recovery work has confirmed our conviction that efficient risk management, at least for risks originating from within the organization, needs to be embedded – as a high priority – into the company's day-to-day operations rather than relying too much on a separated business continuity plan.



How A&M can help

Our expert teams, comprising operators and advisors, are adept at addressing disruptions across the fields of R&D, Operations and Supply Chain/Logistics. With a unique combination of leadership, structure, and technical expertise, we quickly reduce out-of-control risk levels and redirect resources effectively. Whether on the shop floor or at the board level, our differentiated perspective allows us to guide organizations swiftly, enabling clear execution of crisis diagnostics, recovery plan design, and implementation support. This approach restores a healthy operational state while enhancing capabilities to better handle future crises.

In addition to operational resilience, A&M is fully equipped to assist organizations in managing external stakeholders during a crisis, such as investors to safeguard reputation and trust, and insurance companies to maximize payouts. Starting from the Supply Chain, A&M provides a comprehensive recovery plan to navigate the crisis and rebuild operations holistically.

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