When Being Responsive is a Responsibility

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How Kenvue embraced responsibility to its customers by making its supply chain more responsive to demand.

If a company manages to double the demand for its products, it will undoubtedly celebrate its outstanding performance. But when demand for a company’s products increases 10 times, there’s no time to celebrate. Instead, a supply chain shock ensues.

This was the experience of Kenvue at the height of the Covid-19 pandemic in 2020, when demand for much of its range of self-care and essential health products spiked. Over the years, the consumer health company has had to manage demand spikes resulting from not just the pandemic, but also paediatric illness outbreaks.

For producers of critical supplies, meeting consumer needs is not only about maximising profits, but also a matter of social responsibility. In the case of Kenvue, any misstep along the chain can impact people who depend on its products for everyday healthcare or jeopardise illness treatment. Kenvue, therefore, has been working to mitigate the risks and enhance the resilience
of its supply chain by deploying critical end-to-end initiatives as a hedge against future bottlenecks – much like how one would attempt to reduce risk with an insurance policy. We believe that this approach can set an example for other providers of critical supplies, from pharmaceuticals to food, energy and water.

**Shifting gears: from lean to responsive**

Kenvue has learned over the last four years that being a responsible business involves building a reliable, agile and resilient supply chain network upstream and downstream. With some products comprising no less than 20 components, utilising technologies and practices that help to better understand and predict the strengths and weaknesses of supply chains end-to-end was critical. As we wrote in a recent *Harvard Business Review* article, doing so ensures that Kenvue can deliver the needs of the public at the right place and time, and effectively transform slack capacity to surge capacity during unanticipated events.

The unprecedented surge in demand for critical products during Covid-19 has shown that the much-lauded lean supply chain can be a liability in a disrupted world. Instead of relying on their reflexes geared towards lean supply chains and short-term cost-efficiency, what manufacturers need is the agility to scale production rapidly to respond to needs and demand.

This shift also requires access to digital technologies and practices that provide end-to-end visibility of supply chains. It’s ecosystem thinking that ensures connectivity across all partners involved – with the goal of getting the right products to the right end user.

**Network is everything**

One thing is for sure: Manufacturers do not work alone. In fact, their success (or downfall) hinges on strong collaborations across their entire supply chain network.

One important decision upstream in the supply chain is whether to take a single-source or multi-source approach. Many corporations are now seeing the downside of single-sourced manufacturing: Contract manufacturers may consolidate, packaging suppliers can run short on materials and partners can go bankrupt. Relying on only one factory, one supplier and one logistics partner poses a real risk. To prevent delivery disruptions, diversifying the
company’s network both upstream and downstream is essential.

Kenvue’s approach here is a good example. Upstream, the company is diversifying its production locations – both internally and externally – and suppliers that provide essential ingredients for its final products. To build more surge capacity for liquid Children’s Tylenol and Children’s Benadryl, Kenvue built additional production lines in their existing plants and qualified additional external manufacturers to produce them in case of a spike in demand due to seasonal illnesses. Supply chain partners who are in close proximity to Kenvue manufacturing plants are also developing new capabilities that offer the agility to scale production up or down quickly. A good example is the addition of an in-house bottle blow-moulding so that products such as Listerine can be bottled quickly.

Downstream of the supply chain, the focus shifts to enabling manufacturers to deliver finished products to customers more efficiently. Kenvue’s approach here was to work with its customers directly to prioritise the ordering process, inventory management and, in some cases, direct fulfilment. These helped to bring down the lead time from the delivery of finished goods to consumer purchase and reduce over- and under-supply.

In addition, Kenvue is automating processes to replenish products and plan the distribution of goods more effectively, as well as deploying “smart operations” in certain regions. Through intelligent automation, predictive maintenance and digital quality, it could optimise sourcing and manufacturing capabilities, capture product quality deviations, provide better insights and anticipate issues – all in real time. This helped Kenvue build further enthusiasm and speed up adoption of artificial intelligence (AI) within their supply chain.

Ecosystem thinking (i.e. thinking laterally beyond upstream and downstream) can also play a significant role in “insuring” companies against disruptions. For example, in the context of pharmaceuticals, organisations such as The Consumer Goods Forum, National Association of Chain Drug Stores and Consumer Healthcare Products Association bring together consumer goods manufacturers and retailers in pursuit of more efficient and sustainable business practices across the industry while benefiting consumers and the world. From an ecosystem perspective, companies within an industry can amplify their impact by thinking through industry challenges together. This connectivity includes downstream engagement – such as
working with retailers or deploying advanced analytics (such as AI) to
determine demand – so as to be better prepared to address demand as
needs evolve.

A responsibility and more

Building responsive and resilient end-to-end supply chains requires right-sized investment, collaboration and insights offered by data. The benefits to consumers are apparent during natural disasters and extreme events, when it can be challenging for consumers or patients to access the healthcare products and medicines they need.

For instance, during the Maui wildfires in Hawaii last summer, Kenvue worked with local retail partners and distributors to ship essential first aid materials and over-the-counter medicines to the communities most in need, in addition to working with Direct Relief and Feeding America to support the local community.

All organisations, especially producers of critical supplies such as essential and medical products, have a responsibility to manage supply chain disruptions better – not only because it can help mitigate supply chain risks, but because it can go a long way in building relationships with consumers, the government and other stakeholders.

Find article at
https://knowledge.insead.edu/responsibility/when-being-responsive-responsibility

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About the series

Sustainable Business

The INSEAD Sustainable Business Initiative (SBI) was founded to develop novel solutions for business challenges at the interface between social and environmental responsibility. INSEAD faculty in SBI actively collaborate with academic institutions and businesses, as well as support organisational sustainability transformation.

Besides research and teaching, SBI also develop frameworks and tools to help business leaders integrate sustainability into core business functions and innovate business models to create value for companies and society. SBI aspires to be a collaborative platform for sustainability- and circularity-focused organisations to share best practices and ideas, and form partnerships.