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Rebounding from COVID-19: MENA perspectives on resilience in manufacturing and supply systems

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The COVID-19 pandemic is continuing to disrupt both manufacturing and global supply chains. Governments in the Middle East and North Africa (MENA) region have responded quickly by restricting the movement of people in order to contain the virus. Despite a heterogenous healthcare system readiness across the region, MENA countries were able to limit the number of cases below the rates experienced in some European and Asian countries.

However, the pandemic is having a dramatic economic impact, as seen by drops in oil and tourism revenues, and has sparked debate about the viability of global supply chains and the region's strategic position within them.

The World Economic Forum aims to increase the potential for global and regional public-private action amid the COVID-19 crisis. As part of this effort, the **Regional Action Group for MENA** convened to discuss the industry implications, responses and collaboration needed to build resilience into manufacturing and supply systems in MENA. The Regional Action Group for MENA is a platform to drive collaboration and impact in the region in order to strengthen resilience and inclusion in the post-COVID era.

This executive report builds on the Regional Action Group's insight and on the Forum's Platform for Shaping the Future of Advanced Manufacturing and Production activities. The Forum, in collaboration with Kearney, brought together C-level executives from different industry sectors to identify best responses to the COVID-19 crisis in the short term, and to help build resilience across manufacturing and supply systems by incubating new business partnerships and public-private cooperation.

As stated in the report, [How to rebound stronger from COVID-19: Resilience in manufacturing and supply systems](#) – for which 400 global companies were surveyed – emerging technologies, climate change and geopolitical tensions are disrupting how value is created and distributed along supply systems, affecting how businesses define their strategies and nations advance sustainable development. COVID-19 is proving to be an accelerator of key imperatives for business and underlines the need to orient the design of global value chains towards “risk-competitiveness” rather than optimizing only for cost-competitiveness. This briefing document provides key perspectives captured from interactions with leaders from the region to support the restarting of economies in MENA.

Private-sector practices and actions to increase resilience

In the first reaction to the COVID-19 crisis, companies focused on taking care of their employees while ensuring business continuity. Surveyed companies are enforcing a number of active measures to protect both physical well-being and mental health, such as the use of personal protective equipment (PPE) (51%), restrictions on employee contact in the workplace (46%), switching employees to working from home (40%) and travel restrictions (37%). In this context, Executives in MENA have indicated that, rather than waiting for a vaccine, they are accepting the constraints and investing and preparing for a scenario of continued social distancing.

Companies are not only focused on managing the crisis, but also preparing for the post-COVID-19 scenario while drawing key learning from the pandemic and its impact on global businesses. Leading multinational companies in the region have started to launch strategic initiatives to create more resilient supply chains vis-à-vis the ongoing crisis and are accelerating their implementation.

Forty-seven per cent of executives surveyed indicate a need to overhaul their manufacturing and supply networks to increase resilience. To make their supply chains more effective and resilient in the medium term, business leaders are looking to de-risk and reduce complexity, increase their use of local suppliers and manufacturing capacities, and diversify their supply base to ensure continuation of supply. In this light, the ambitious programmes in the region that aim to diversify and transform economies are sensing a window of opportunity.

Business leaders also noted the crucial role that advanced technologies – such as artificial intelligence, data analytics, 3D imaging and additive manufacturing – play in arming them to face the future and adapt to potential disruptions in supply and demand. An analysis of survey results found a positive correlation between the degree to which companies are leveraging advanced technologies and the supply chains' ability to adapt to the disruption. Leaders indicated a need to double down on this, for instance, to continue to digitalize the supply chain in support of better and faster decision-making.

Relationships will also change. Companies have been supporting their suppliers throughout the pandemic, which has deepened the bonds between them. These vital connections are perceived as an important way to secure supply during turbulent times. New collaboration models are also on the table. Within and across industries, organizations have come together to share practices, come up with new solutions and keep elements of the economy moving. Regional leaders indicated that a key capability in the future will be the coordination between multidisciplinary teams in the supply chain.

Putting the spotlight on localization efforts

Governments across the region have formulated ambitious programmes to transform their economies away from the historic reliance on hydrocarbons. At the heart of many of these initiatives is the intent to localize entire industrial sectors to create new jobs, introduce emerging technologies and build a thriving future economy.

Much progress has been made in incumbent industries such as oil and gas, which has for several years engaged in programmes enabling the identification and support of localization opportunities, even investing in the emergence of enabling ecosystems (e.g. industrial and logistic parks). However, changes to global value chain flows require heavy financial commitments, such as to build infrastructure, train employees and attract investments.

The public debate on the viability of global supply chains together with businesses rethinking and reconfiguring their supply chains provides momentum for localization efforts. However, more than ever these efforts need to be carefully re-assessed from a resiliency standpoint. A recent Kearney analysis tested whether current [localization plans across 10 sectors can stand up to the extreme stresses of global value chain disruptions](#) – more specifically, the level of exposure to labour, operating capital or asset needs.

The case for localization can be seriously challenged when **workforce stability** is threatened by disruptions that make people unavailable. Exposure to labour disruptions increases with the size of headcount and average salary. To continue operating even through significant disruption, sectors such as pharmaceuticals or industrial machinery need to remain not just active offshore, but also coordinated across several time zones.

Without decisive intervention when **operating capital** is affected, the wheels of industry can come to a stop very quickly. The range of sectors in the survey showed a widespread exposure to capital. Overall, the existing cases for localization are reinforced – and, for some sectors, strongly so – when access to operating capital becomes a challenge.

Threats to **assets** offer a less-clear picture where the case for localization can generally be upheld, but investments need to be re-evaluated to account for planned and substantiated redundancies. The metals and construction materials sector has the highest exposure and is a clear candidate for “qualified” localization strategies. However, due to the sub-scale operations this might entail, it introduces the challenge of economic viability.

While localization efforts can bring more resilience to the manufacturing and supply systems landscape, it is crucial to review plans so countries find a level of resilience that will see them through future periods of turmoil.

Enhancing regional capabilities to increase resilience

While local production capabilities play a role in increasing resilience to disruption, governments in the region are also looking at a series of other capabilities. Senior government officials across countries stress that the push for Industry 4.0 technologies will only be accelerated in the aftermath of COVID-19. The crisis proves that existing targets and aspirations are steps in the right direction (e.g. investments in connectivity infrastructure have already paid dividends during the crisis).

COVID-19 has accelerated the ongoing change in how people live, work and consume, and more quickly than most societies are prepared for. Next to investments in infrastructure, governments are focusing on developing the right regulatory

frameworks (e.g. business start-ups, investor protections) and financial incentive structures to provide a nurturing ground for these emerging technologies to flourish. All of this will fall short without significant investments in human capital and reskilling of people to make sure that the region can capture the opportunities of technology.

The scale, complexity and urgency of the situation mean that no single body can tackle it in isolation. If governments and industries are to ensure business continuity, protect employees and shore up supply systems for the future, they need to find new approaches, share knowledge and work together as never before.

Imperatives for global value chains in the new normal

The global health crisis has shown that society expects companies to be a protagonist in building a better future. Nevertheless, public-private cooperation and integrated multistakeholder dialogue are required to improve the speed, efficiency and equity of implementation.

The long-ranging impact of the pandemic has yet to be understood. However, in discussions with senior executives around the globe, the following five consistent imperatives emerged that leaders need to consider in order to prepare for long-term business success.



Rapid tailoring of manufacturing and supply systems to changing consumer behaviour



Agile manufacturing and supply system set-ups enabled by advanced technology



Logistics coordination across and within global value chains



Adoption of new ways of working and governing to increase manufacturing resilience



Shared responsibility and collaboration among companies and authorities to address social and environmental challenges

- The crisis has forced consumers to change their preferences. A recent study in the region has found that 48% of interviewed customers intend to keep their changed shopping habits after the pandemic – therefore, leaders indicated the strong need for **rapid tailoring of manufacturing and supply systems** to these changes.
- Investments in advanced manufacturing technologies have paid off during the crisis – leaders indicated that this is only the beginning and **agile manufacturing and supply system set-ups enabled by advanced technologies** will be key topics going forward.
- Increasing coordination, transparency and visibility of **logistics across and within global value chains** will be crucial to tackle further disruptions – AI, mathematical optimization and blockchain are poised to have a profound impact.
- In many cases, the pandemic has made organizations and the people who work in them faster and more agile – organizations are testing the **adoption of new ways of working and governing to increase manufacturing resilience**.
- Companies have been working in new ways with public bodies, often characterized by centralized decision-making and complex structures, or other companies in their wider manufacturing ecosystem. Leaders indicated they will continue with this new way of **working through shared responsibility and collaboration among companies and authorities to address social and environmental challenges**.

The impact of COVID-19 on global value chains requires strengthened global cooperation and coordination. The World Economic Forum's Regional Agenda for MENA and the Platform for Shaping the Future of Advanced Manufacturing and Production, in collaboration with Kearney, will continue engaging leaders across industry sectors, governments, academia and civil society to strengthen manufacturing and supply chain resilience and to address MENA's crucial challenges and forward-looking opportunities.

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