

The Resilient Enterprise

Overcoming Vulnerability for Competitive Advantage

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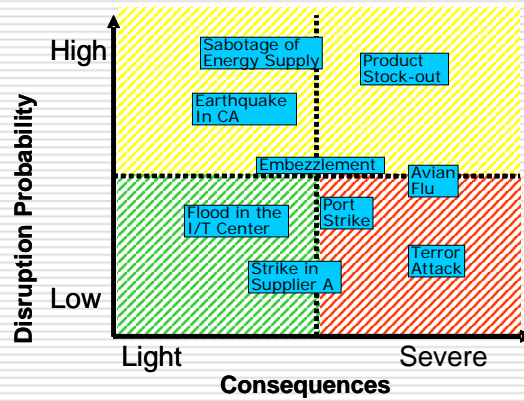
What Can Go Wrong?

- March 2000; Philips fire
- December 2001; UPF Thompson bankruptcy
- February 1997; Aisin fire
- September 1999; Taiwan earthquake
- August 2001; dialysis filter deaths
- February 2001; FMD
- 9/11; Terrorism

Classification:

- Categorize outcome

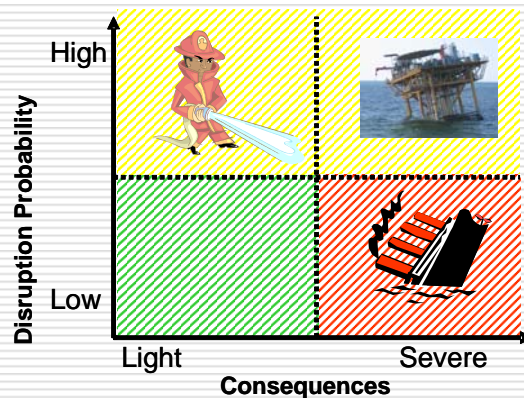
- How likely?
- How bad?



Classification:

- Categorize outcome

- How likely?
- How bad?



Classification:

- Categorize outcome
 - How likely?
 - How bad?
- Characteristics:
 - Public fear
 - Government "over-reaction"
 - Unexpected connections and consequences
 - Not very unlikely



Reducing the Likelihood

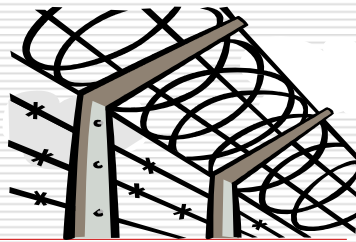
□ Detection

- Baxter, 2001; The Spanish influenza
- SPC
- When do organizations “know”?



□ Security

- Layering
- Balancing
- Profiling
- Collaboration
- Culture
- Drilling



Resilience through Redundancy

- System-wide (USPS and Anthrax)



- Inventory for redundancy (J&J, SOR)



- Redundant capacity (Boston Scientific, Intel)



- Redundant IT systems (Merrill Lynch)



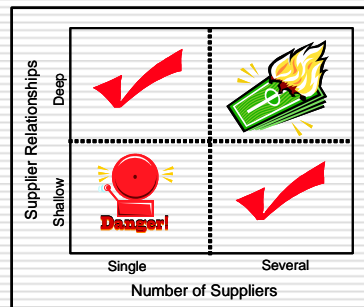
Resilience through Flexibility

- Interchangeability
 - Plants
 - Part/product standardization
 - Pliable people
- Speed
 - Concurrent processes
- Postponement
 - Late customization
 - Surge Response
 - Built to order



Suppliers and Customers

- Procurement
- Customer-Facing
 - Sell what you have
 - Customers can help
 - Triage





Flexibility DNA

- Culture
 - Continuous communications (informed employees, environment, status)
 - Distributed power (Toyota, US Navy, Zara, World, US Coast Guard)
 - Passion for work and the mission
 - Deference to expertise (Marines, FAA, Chemical plants)
 - Conditioning for disruptions
- Culture change
 - Safety
 - Quality
 - Many others (smoking, drinking-and-driving...)



Making Lemonade from Lemons

How to:

- Use security measures for process tightening
- Take advantage of flexibility to increase competitiveness
- Utilize opportunities to increase market share



Questions?



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