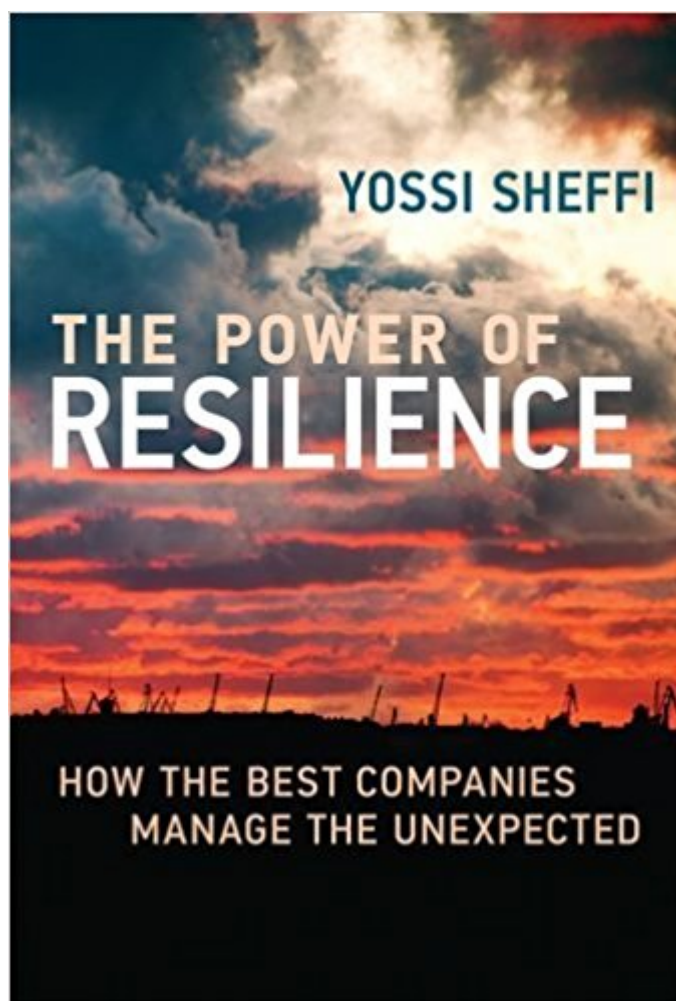


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# The Power Of Resilience: How The Best Companies Manage The Unexpected (MIT Press)



## Synopsis

A catastrophic earthquake is followed by a tsunami that inundates the coastline, and around the globe manufacturing comes to a standstill. State-of-the-art passenger jets are grounded because of a malfunctioning part. A strike halts shipments through a major port. A new digital device decimates the sales of other brands and sends established firms to the brink of bankruptcy. The interconnectedness of the global economy today means that unexpected events in one corner of the globe can ripple through the world's supply chain and affect customers everywhere. In this book, Yossi Sheffi shows why modern vulnerabilities call for innovative processes and tools for creating and embedding corporate resilience and risk management. Sheffi offers fascinating case studies that illustrate how companies have prepared for, coped with, and come out stronger following disruption -- from the actions of Intel after the 2011 Japanese tsunami to the disruption in the "money supply chain" caused by the 2008 financial crisis. Sheffi, author of the widely read *The Resilient Enterprise*, focuses here on deep tier risks as well as corporate responsibility, cybersecurity, long-term disruptions, business continuity planning, emergency operations centers, detection, and systemic disruptions. Supply chain risk management, Sheffi shows, is a balancing act between taking on the risks involved in new products, new markets, and new processes -- all crucial for growth -- and the resilience created by advanced risk management.

## Book Information

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## Customer Reviews

Yossi Sheffi displays a wealth of knowledge about large global enterprise in *The Power of Resilience* that is unprecedented. Senior executives will gain unique insights and manage much more effectively having read it. (Frederick W. Smith, Chairman and CEO, FedEx Corporation) Yossi Sheffi is one of the most inventive and comprehensive thinkers in the supply chain and resiliency spaces. His latest book is a must-read for organizations hoping to leverage the strategic competitive advantages that resiliency and preparedness provide. (Chris Sultemeier, Executive Vice President, Logistics, Walmart) Supply chains -- logistics, transportation, and shipping -- have been around throughout history, but never before has the supply chain been such an integral part of business. Yossi Sheffi does a great job of explaining why that transformation has taken place and the implications for doing business in the twenty-first century with the speed of challenges and risks facing our supply chains today. (Matthew K. Rose, Executive Chairman, BNSF Railway Company) *The Power of Resilience* is a brilliant book that should be read by all business leaders in order to capably manage risks and create growth in the new global economy. (Hau L. Lee, Thoma Professor of Operations, Information, and Technology, Graduate School of Business, Stanford University) Resilience building is as critical as risk management for organizations operating in a dynamic global economy. This book is timely and important because it enables business leaders to grasp, conceptually and contextually, the power of resilience. (Klaus Schwab, Founder and Executive Chairman, World Economic Forum) [S]tands head and shoulders above this year's crop of the best business books on strategy... (strategy+business)

Yossi Sheffi is Elisha Gray II Professor of Engineering Systems at MIT and Director of the MIT Center for Transportation and Logistics. He has worked with leading manufacturers and logistics service providers around the world on operations and strategy issues and is an active entrepreneur, having founded or cofounded five successful companies. He is the author of *The Resilient Enterprise: Overcoming Vulnerability for Competitive Advantage* and *Logistics Clusters: Delivering Value and Driving Growth*, both published by the MIT Press.

Great book

This book is quite an eye-opener. It takes the concepts and overlays them with compelling real world events to bring the whole thing home.

Excellent book on risk management

Great lecturer!

This is a must-read book for anyone responsible for revenue or spend. You won't get arcane theory here. You will get to learn practical strategies by reading about what real world corporations such as Cisco and GM have done to harden their supply chains against disruptions. This book will be THE definitive guide to resilient supply chains for many years to come. If you are going to read one business book this year, make it this one. Prof. Sheffi is a master storyteller. He has written an easy to read, captivating book that delivers numerous "Ah-ha" moments. You will walk away feeling that you have learned something new, something essential to running a successful business. It is no longer just the supply chain teams who have to think about, and understand risks in supply chains. If you are a business or line of business owner - CxO, GM, Product Manager, etc., you must understand the risk your products (and hence your revenue streams) are exposed to through your supply chains, and push your organization to make supply chains more resilient to disruptions. If you are responsible for managing spend, you have to deeply analyze supply chain risk in order to optimize safety stock levels. You also have to make your supply chains resilient in order to reduce your cost exposure (spot buys, expedite ship, fixed costs for idle manufacturing capacity, etc.) when disruptions happen.

As someone new to the realm of supply chain resiliency, I thought this book would be a great resource to grow my knowledge base. I expected it to have typical case-study examples, but what really made this book special was how Sheffi brought these stories to life. From his opening study on Intel's response in the face of the 2011 Japan earthquake & tsunami, it was clear to me why Sheffi has previously found success as a writer. I would recommend this book to anyone that has an interest in supply chain risk.

Most corporate managers and business school professors simply accept globalization as an unalloyed good. After all, if your goal is to sell more of something, more potential customers must be better than fewer. But although globalization does hold out the promise of boosting revenues, cutting costs, or both, it also exposes companies to all manner of new risks. Yossi Sheffi's *The Power of Resilience: How the Best Companies Manage the Unexpected*, which stands head and shoulders above this year's crop of the best business books on strategy, does an excellent job of covering the most important of those risks as well as best practices in everything

from preparation to monitoring to drawing up crisis playbooks. And it does so while focusing on a relatively obscure corporate competence: supply chains. An entire book on supply chains would seem to be a slog and particularly narrow. But *The Power of Resilience* is actually a bit of a page turner, with implications that go beyond tactics to strategy. (Stories of disaster always help a narrative along.) A professor of engineering at MIT and director of the school's Center for Transportation and Logistics, Sheffi knows his material cold, and the book benefits from an obviously fat Rolodex of personal contacts at crucial points in various supply chains. Sheffi delivers exactly what his subtitle promises: "an explanation of 'How the Best Companies Manage the Unexpected.'" And there's plenty to unexpect: In 2016, managing the supply chain of a global enterprise such as microprocessor maker Intel or automaker GM is about as complicated as the science that goes into the chips or the cars themselves, and possibly more complicated. When catastrophic events such as Japan's March 11, 2011, earthquake and tsunami and subsequent nuclear plant near meltdown happen, dozens of crucial suppliers can be put at risk. Both the quality and the timing of the corporate response can determine whether the unexpected ends up costing a company millions or billions of dollars. The unexpected starts with natural disasters such as earthquakes, hurricanes, or fire; in 2011, companies lost US\$360 billion to nature's whims. But disruptions are inevitable regardless of nature's input. Between 2003 and 2013, while worldwide GDP grew 30 percent annually, global trade grew at almost double that pace, or 55 percent annually, and the size of the world's largest container ships more than doubled. A storm in India, protests in Venezuela, a terrorist attack in Europe—the supply chain of any global company can be disrupted somewhere, somehow, every single day. When supply chains expand, companies (and hence the economy as a whole) become exposed to new and novel risks along the way. Not just risks to the flow of goods, but risks involving money and information as well. Whether it's so-called Deep Tier risks (disruptions at a company's Tier Two, Three, or Four suppliers), corporate social responsibility risks, raw material risks, or something else, the hardened supply chain expert spends a tremendous amount of time thinking about what could go wrong. Sheffi makes a compelling argument in support of proactive moves designed to enhance redundancy and flexibility, while swatting away superficial conclusions such as the idea that supply chain resiliency is an expensive option that pays off only in a disaster. Resilience efforts, he shows quite clearly, can drive everyday improvement in costs, operations, revenues, reputation, and responsiveness. Sheffi's discussion of how the "global bullwhip" of corporate reaction to a crisis sends tremors up and down every supply chain is also illuminating. If a retailer experiences an X percent drop in sales, for example,

leaders are likely to cut orders by 2X percent, both to plan for softer future sales and to manage inventory. At the next node, the size of the cuts might double again. Although consumer demand declined by only 12 percent during the 2008 financial crisis, inventories were shaved 15 percent, manufacturing sales declined 30 percent, and imports fell by more than 30 percent. The book focuses the mind on the crucial measure of time, starting with the speed of detectability (information can and does flow faster than disaster itself) and going all the way through recovery, which in some cases can take years. Consider General Motors and the 2011 earthquake in Japan. At first glance, the automaker determined that only 390 of the more than 30,000 parts that go into each car were at risk. That sounds like a rounding error, but supply chain forecasting also showed that a persistent shortage of just a few of those 390 could shut GM's entire production down by month-end. The company dodged that worst-case scenario, but by mid-April, the number of affected parts had risen to 5,329. This story has a happy ending for the company: GM ultimately had to idle production only of Chevy Colorado small trucks in Shreveport, La., for one week. Consumers probably didn't even notice the slight and temporary reduction in the range of vehicles available. Other stories don't end so well. In early 2007, a shortage at a paint supplier of toymaker Mattel resulted in the company having to use a backup supplier that insisted its product was safe. It was not, and Mattel ended up recalling some 2 million toys and paying a fine of \$2.3 million for violating a federal ban on lead paint. Sheffi outlines the many things you want to have in place before a disruption, starting with a crisis communications protocol. Before Hurricane Katrina hit land, for example, Procter & Gamble had plans in place to ensure continuity of pay, interest-free loans, and even counseling for its employees in the storm's expected aftermath. Cisco employs an inhouse Resiliency Index to score and then monitor all product introductions. The company also has at least 14 supply chain incident management playbooks, and four levels of alert: L0 (watching), L1 (minor impact expected), L2 (\$100 million impact expected), and L3 (\$1 billion impact expected). The Hershey Company keeps six months' inventory of milk chocolate in a secret refrigerated warehouse. If you're in the market for a thoughtful how-to detailing others' handling of a crisis you yourself may just see one day, this is it.

Yossi Sheffi, the master educator is back with another best seller in the form of *The Power of Resilience*. This meticulously researched and engagingly crafted book shows how the best companies turn the worst crises and adversities into opportunities for competitive advantage. Most importantly, this is not a theoretical review of risk management methodologies and what-if

scenarios. Rather, it is chock full of real-life stories of company preparedness efforts, actual impact, recovery efforts and lessons learned from the likes of Boston Scientific, General Motors, Cisco, EMC, Delphi etc. Consumers should find it an engaging read to know what goes on behind the scenes, with respect to the products they consume and expect to find on the shelf when they need them. Business leaders, executives and board members should find this instructive in what they influence their organizations to do, in order to not only succeed but thrive in the new world.

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