

## Case Study

# Nokia: Supply Chain Event Management

As corporate supply chains grow ever more vast and global, smart business strategists must equip themselves to anticipate and manage an array of environmental and social impacts, dilemmas and trade-offs outside the company's direct footprint.

*Unchaining Value*, a report by SustainAbility, the UN Environment Programme, and the UN Global Compact, explores a variety of best practices, drawn from different sectors.

The report illustrates how multinationals like IKEA, Unilever and Hewlett-Packard are working with suppliers towards a shared understanding of the role of sustainability in supply chain management and the mutual value to be achieved.

Included in the report are several case studies that illustrate a range of benefits that companies – and their supply chain partners – can realise from a collaborative, proactive and sustainability-minded approach to management across the chain, such as improved engagement & communication, capacity building, efficiency improvement, resilience, and risk avoidance.



**Case study**  
**Nokia**

**Project**  
Event management and lessons for scarce resources

**Illustration**  
Resilience

This is a textbook example of supply chain event management, included here for its potential lessons with regard to anticipating and managing scarce natural resources. The example is drawn from Martin Christopher's book, *Logistics and Supply Chain Management*.

In March 2000, lightning caused a fire in a semi-conductor plant owned by Phillips Electronics NV, in New Mexico, USA. The fire was brought under control, but silicon wafers for thousands of mobile phones were destroyed, and smoke contaminated the factory's entire stock of chips. Two of the factory's main customers were Nokia and Ericsson, who accounted for 40% of its sales.

Almost immediately, Nokia supply chain managers detected a problem and, within two days of the fire, knew something was badly amiss. Nokia contacted Phillips, learned of the incident, and immediately put key components on a 'special monitor' list.

It was soon clear that supply could be disrupted for months, and Nokia put pressure on Phillips at the highest level to find and use additional capacity in its other plants. Nokia also sent representatives to other suppliers in Japan and the USA to secure priority status for all available supplies of chips and to persuade them to speed up production. Nokia also set about reconfiguring its products to take slightly different chips from other sources.

Ericsson was oblivious to the fire until three days after the event, when a Phillips technician called to notify them about the fire and reassure that it was a minor event. Ericsson did not recognise the need to act until early April, by which time Nokia had secured all its supplies. Because Ericsson had made a strategic decision to single source key components in order to simplify its supply chain, it had no alternative sources and lost an estimated USD400 million as a result. Nokia was able to maintain production levels and secure its position as European market leader.

Insights:

- Supply chains can be extremely vulnerable to disruption and discontinuity.
- Vigilance and proactive management are essential to anticipate and manage problems.
- Vigilance requires foreknowledge of the key variables or components to track.
- Natural resource components and/or 'moral' conflicts that may constrain access to natural resources should be seen as key variables, warranting great vigilance and strategic management within any supply chain.