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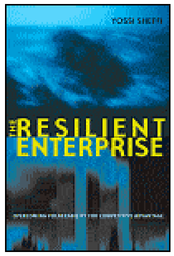

The Resilient Enterprise: Overcoming Vulnerability for Competitive Advantage
by Yossi Sheffi
MIT Press, 2005

October 3, 2005

When smoke from a small fire ruined cleanrooms at a Philips NV chipmaking facility in Albuquerque, New Mexico, the company lost some $40 million in orders. Philips was one of the lucky ones. Further down the supply chain, the inability of Ericsson to get those chips caused the handset maker to report a loss of up to $570 million the following quarter because it couldn't make enough high-end products. It also contributed to a $2.3 billion loss in the company's mobile phone division at the end of the year. Interestingly, Ericsson competitor Nokia—also a Philips customer—was able to overcome the chip shortage and eventually take share out of Ericsson's hide.

MIT professor Yossi Sheffi opens his book with this story to underscore two main points of *The Resilient Enterprise*: Even small supply chain disruptions can kill unprepared companies, and companies that *are* prepared can turn calamity into competitive advantage. Sheffi concludes, “The fortunes of Nokia and Ericsson were set well before the fire hit the cleanrooms in Albuquerque.”

The book offers solid advice and plenty of case studies on reducing vulnerability (start with an exhaustive analysis of your weaknesses), and on increasing supply chain flexibility (consider a last-minute customization program for certain products). And by the way, flexible companies are also top performers on a daily basis, writes Sheffi.

We especially appreciated the book's “Profile of a Disruption” and its warning that disruptions can keep on disrupting long after the fire is out. Just ask Ericsson.

- *Sean Silverthorne*

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