

Supply Chain Management – A Risky Business

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Managing a supply chain is a risky business and the more complex the supply chain the riskier it gets. The ability to respond to disruption in supply is only possible if the right processes are in place. An organisation that can quickly identify when a break down occurs and has the right plans in place is more likely to limit the damage caused by the disruption.

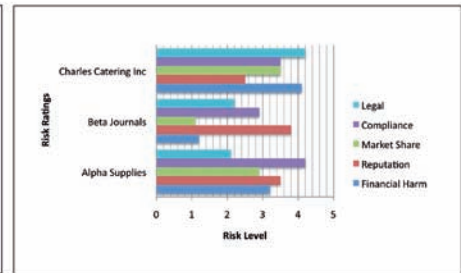
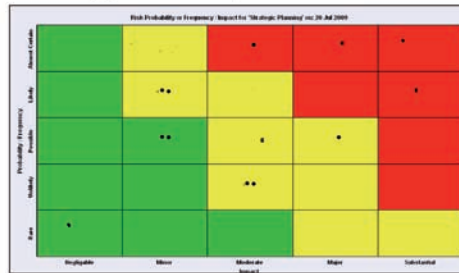
With the increase in extended global supply chains, more than ever before, there is a need for the integration of Enterprise Risk Management (ERM) and supply chain risk management. However, for this to be possible a consistent picture is necessary with risks normalised in common terms across and between business groups and all participants in the supply chain.

To achieve integration of ERM and supply chain risk management enterprise risk software is critical. A true enterprise risk management solution such as Active Risk Manager from Strategic Thought can codify, communicate and manage action plans on risk from the outset right through the process in a standardised way.

Vertical and Horizontal Integration

When managing global supply chains organisations need to integrate operations both vertically and horizontally, creating a centralised operation that gives supply chain executives insight into all areas of the chain, from product design to manufacturing and distribution. To do this it is essential to create shared, transparent communication amongst consortia partners. By doing so a culture designed to deliver open communication and transparency, even within the strictest security environment, will be created and is in everyone's interests. Such transparency and integration will lead to improved accuracy of product data, the sharing of real-time logistical information with key stakeholders

Overall Supply Chain Heat Map



Current High Risk Suppliers

Supplier	Owner	Status	Score	Prev Score	Reviewed	Mitigation Strategy
Orion Marketing	Mike Bow	Active	4.5	4.8	22-Oct-09	Yes
Halliberry Telecom	James Terry	Active	4.4	4.4	02-Jan-08	No
Marcron Steel	Mike Hanks	Active	4.4	4.4	12-Jan-10	Yes
Vauxhall Transport	Mark James	Active	4.2	4.5	28-Feb-09	Yes

Supplier Risk Score

Supplier	Impact 1 Financial Harm	Impact 2 Reputation	Impact 3 Market Share	Impact 4 Compliance	Impact 5 Legal	Total Score	Average Score	Target Score
Alpha Supplies	3.2	3.5	2.9	4.2	2.1	15.90	3.18	3.00
Beta Journals	1.2	3.8	1.1	2.9	2.2	11.20	2.24	3.00
Charles Catering Inc	4.1	2.5	3.5	3.5	4.2	17.80	3.56	3.00
Average Score	2.83	3.27	2.50	3.53	2.83	14.97	2.99	3.00

and the creation of greater flexibility and more accurate forecasting.

Supply Chain Risk Culture – The Missing Link

Many of Strategic Thought's customers are in the aerospace and defence industry, a sector characterised by "co-opetition" and complex supply chains. Customers tell us that risk sharing, communication and collaboration are strong contenders in the success of major program delivery. Many have already successfully integrated all parties into the program tendering and delivery phases. Having a single, integrated and available from anywhere risk management system enables the "missing link" of a corporate wide risk culture to be achieved.

The tangible benefits of increased awareness in risk or risk culture is that contractors can see the real-time risk management status of the key suppliers, their residual risk levels and their planned spend against risk provision based upon budgets. Major mitigation costs around insurance and spend can be monitored for duplication and re-use. Risk

process maturity (adherence and quality) of the suppliers can be assessed on an on-going basis to help ensure overall success and reduced late communication issues.

It is difficult to quantify the benefit that highly capable risk management software offers in delivering successful supply chain management on projects. Some of our customers have tracked financial benefit to the overall program budget through identifying opportunities for reduced delivery cost through normalisation of individual mitigation strategies but this information is highly confidential. Others have dramatically reduced insurance premiums.

The old adage that you cannot manage what you cannot measure applies. Customers are best able to quantify the benefits that enhanced collaboration of risk management will offer based upon the nature of the customer, the project and the supply chain.

The Extended Global Supply Chain

Managing an extended global supply chain is far more complex than simply extending domestic supply lines overseas.

Such multi-part supply chains often lead to reduced predictability in terms of product quality, lead times, costs and risks. In an attempt to constantly reduce the cost of production supply chains have become increasingly complex and more difficult to manage. Fluctuations in transportation costs, fuel costs, labour strikes, material shortages and even more prevalent in recent times natural disasters or terrorist attacks mean that a consistent, robust risk management software solution is essential.

However, no longer can the management of risk across the supply chain be divorced from the mainstream, day to day business of running an enterprise or major project. Indeed many organisations would say that creating a separate risk function is dangerous. It can make managers feel that it is someone else's job and not everyone's responsibility. The aim should be the active management of risks across the supply chain and company-wide awareness and participation in risk.

Karl Davey, Manager, Risk Management, Group Operational Services at Leighton Contractors, a major construction, infrastructure and facility management company based in Brisbane Australia once explained to me, "We currently have between 200 and 250 using Active Risk Manager and all job roles and areas of the business are involved with the risk process. Having made the decision to implement a system we looked to the fundamentals of enterprise risk management (ERM) such as the process, people and product. As such we implemented software

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to provide a standardised, consistent and effective solution. We now have the visibility we need to understand the risks we are facing so we can become focussed on the prevention of issues."

Conclusion – Key Components of Supply Chain Risk

The relentless globalisation of industries and economies around the world has made supply chains an increasingly critical component of businesses large and small. Increased competition from far flung parts of the world, plus the need to lower costs and extend into new markets all adds additional to an already finely balanced processes.

A well managed, robust, highly visible and flexible risk managed supply chain can reduce millions of dollars in costs while helping to grow revenues and meet profitability and timeframe targets, but only if supported by an effective software solution.

Among the key steps to managing supply chain risk are:

- Integrate enterprise and supply chain risk
- ERM software will provide a consistent picture of "normalised" risks
- Integrate operations both vertically and horizontally – to create a centralised

view of areas of the chain eg product design, manufacturing, distribution

- Create shared, transparent communication amongst consortia partners – to deliver both the promise and the reality with more certainty
- Engender a corporate wide risk culture, the "missing link" can be resolved with a single, integrated and available from anywhere risk management system
- Keep everyone involved in the business of risk management but manage risk centrally learning from pockets of best practice
- Routinely evaluate and test contingency plans for dealing with unforeseen events that could disrupt supply lines.

Supply risk management means many things to many different people although everyone would agree that managing a supply chain is a risky business. However, with a robust enterprise risk management solution embracing supply chain risk under the same umbrella as ERM, it is fair to say risk can be managed and mitigated to the benefit of all. ■



Karl Pringle is the Global Alliances Director for Strategic Thought Group Plc, the owner and manufacturer of Active Risk Manager, (ARM), the world's leading Enterprise Risk Management software solution. Mr. Pringle is responsible for channels to market and for aligning partners with customer ecosystem requirements. Karl was educated in Canada at the University of British Columbia and holds MBA Executive Diploma's from The Kellogg School of Management in Chicago.

EVENTS, CONFERENCES AND EXHIBITIONS 2010:

EVENT NAME	PLACE	DATE	VENUE	PDU's
CMCS Roadshow: Empowering Project Driven Businesses	Abu Dhabi, UAE	28 April	YAS Island Rotana	2
Project Near East	Amman, Jordan	3-10 May	Amman Int'l Fairground	
CMCS Roadshow: Empowering Project Driven Businesses	Kuwait, Kuwait	10 May	Radisson Blu	2
CMCS Roadshow: Empowering Project Driven Businesses	Cairo, Egypt	26 May	To be announced	2
AACE Approved Education Provider Exam	Dubai, UAE	4 June	Dubai Women's College	
AACE Approved Education Provider Exam	Abu Dhabi, UAE	4 June	To be announced	
CMCS Roadshow: Empowering Project Driven Businesses	Dubai, UAE	17 June	To be announced	2
CMCS Roadshow: Empowering Project Driven Businesses	Riyadh, Saudi Arabia	October	To be announced	2
CMCS Roadshow: Empowering Project Driven Businesses	Khobar, Saudi Arabia	October	To be announced	2
GITEX 2010	Dubai, UAE	17-21 October	Dubai Int'l Convention and Exhibition Centre	
CMCS Roadshow: Empowering Project Driven Businesses	Amman, Jordan	8 November	To be announced	2
AACE Approved Education Provider Exam	Dubai, UAE	3 December	Dubai Women's College	
AACE Approved Education Provider Exam	Abu Dhabi, UAE	3 December	To be announced	