

# Supply Chain Risk Management

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The concept of Risk Management, its practices, techniques and tools have been widely used in the financial sector for many years. However, risks with respect to a company's Supply Chain have only recently begun to receive attention brought on by industry's need for increasing supply chain efficiency and agility.

In recent times, supply chain management practices have evolved towards more lean process approaches in order to reduce waste within the overall chain and the need for increasing competitiveness has seen company's sourcing on a truly global scale, thus creating opportunity but potentially increasing risk.

A recent report by the Business Continuity Institute concluded that 70% of respondents reported supply chain disruption within the past 12 months with 20% admitting they had suffered damage to their brand or reputation as a result of these disruptions. My own personal experience is in working with clients who have witnessed supply chain continuity issues due to supply and demand disruptions which resulted in increased inventories, increased cost, and decreased in sales in the period following the disruption. Today's industrial supply chains face risks from many factors - including economic uncertainty, customer demand fragility and natural disasters which create chaos on global supply chains.

It is therefore crucial for organisations to have a risk management strategy that is, above all, flexible and allows company's to respond and react quickly. The need to manage supplier risk, market uncertainties and improve quality and processes is fundamental to being able to respond to changes and opportunities in the business environment. Developing a robust Supply Chain Risk Management plan will give you the agility and structure you need to address and ideally avoid the effect of these market and operational changes.

So what elements should be addressed in your Supply Chain Risk Management Plan? As we have seen organisations struggle in the Global Financial Crisis with supplier bankruptcy and failure, commodity price movements and uncertain market demands we will of course be naturally drawn to the hugely import aspect of 'Supplier Risk Management / Supplier Fragility' and for most company's we must look beyond Tier 1. Ensuring your supplier also has a robust Supply Chain Risk Management Plan may give you some comfort in this area. But also ensure that your plan considers additional aspects, both internal and external, such as Demand, Process Failure, Environmental and Infrastructure.

Above all, we should remember that a robust, flexible and agile Supply Chain Risk Management Plan is as much about Opportunity Management as Risk Management ensuring that your ability to foresee and act creates the commercial agility to turn disruption into opportunity.



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