



Answering ‘What if?’

To avoid risk in your global supply chain, consider these points

Supply chain events are increasingly showing up in business news, whether it’s regarding product shortages that cause customer dissatisfaction and lost opportunities for corporations, or breaches of laws or decency in the supply chain, such as the use of child labor or unsafe labor conditions that damage brand reputation.



From an executive standpoint, risk management through the supply chain has become a mandate.

Front-page exposure can create tense boardroom discussions and dramatic same-day fluctuations in share prices.

What changed? With the global economy came global markets and global suppliers. Second, third and fourth tier suppliers are often in different parts of the world, subject to different regulations, and multi-channel or omni-channel strategies add complexity. Each new supplier, each tier of suppliers and each tier of customers add a heightened level of risk and thus an increased requirement for risk and compliance management.

Corporations are simply not ready for this challenge. So what actions should supply chain executives take?

■ **First**, incorporate a risk assessment into the corporate supply chain strategy that again has been aligned with

corporate goals, as well as customer goals. A corporation should start by making a detailed map of the supply chain and identify points of vulnerability. It should examine the viability of each supplier and transit route, and align with current and future customer requirements.

■ **Second**, be proactive. A risk assessment not only identifies that there is a risk, it also reviews the severity of the risk and identifies contingency plans. For instance, having a single source supplier may be seen as a significant risk, but having two suppliers that have no spare capacity or cannot substitute for each other may be equally risky.

Being proactive also means identifying early indicators that risk may in fact be turning into reality. Big data analysis and the ability to discern key indicators of future problems are important to getting a jump-start on fast resolution.

■ **Third**, know the environment. Regulations influence almost every step in the supply chain and require real-time monitoring and auditing. Since regulations vary from country to country, a company with globally dispersed suppliers faces the herculean task of monitoring supplier compliance across multiple regulations.

■ **Fourth**, think broadly of what constitutes the supply chain. Data integrity and availability are certainly part of the supply chain, as Apple realized recently when its servers overloaded with a release of a new operating system. Order sites, call centers, transportation networks, post-sales service and reverse logistics are part of the supply chain.

■ **Fifth**, build a corporate culture that is attuned to risk responsiveness. For a high profile, public company, this means creating a culture of proactive risk management that extends to all stakeholders, internal and external. The board and CEO should communicate a clear message regarding the corporate policy on ethical issues.

Constant vigilance must be part of the corporate culture of risk detection and responsiveness. There will still be surprises, but early indicators and contingency plans will support fast mitigation. ●

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