Hidden Risks In Your Supply Chain And How To Navigate Around Them

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Take a moment to contemplate Murphy's Law: everything that can go wrong in your supply chain (SC) will go wrong.

You have a team of experts and partners that know what they're doing, but sometimes things happen beyond your control. A data source system goes down, a tornado hits, a conflict breaks out, a labor dispute forces a port to close down, or an oil spill shuts down a larger ocean area. On the legislative side, what if a country where you source raw materials is suddenly embargoed, a supplier makes a misstep and can no longer export their products, a semi-finished goods' supplier changes its strategy and is now sourcing in a country subject to new and very strict license requirements? On the positive side, how do you maximize profit from an unexpected resurgence of a long-forgotten product or from a new sales partner that opens new, yet remote, markets at lightning speed? Lastly, which risks are you and your partners' IT systems subject to? Are there security concerns? Is system downtime an issue?

You do not know what the event will be, and you cannot wait, unprepared, for it to arrive. Consider it almost like in a fire drill. You hope you never need it, but you want to know where the weak spots of the plan are. There are four key components to consider as you examine both your readiness, and your SC partners,' to deal with adversity.

Adaptable

Your supply chain has to be adaptable to changing circumstances, and sometimes to rapidly changing situations. You want your supply chain to shift focus as needed, to be agile without losing focus on the bigger picture. This means the team has to keep its eye out for changes, and to solicit input from legal, sales, and IT to be better prepared. Be in tune with legislative proposals, with sales forecasts, with IT developments, and even with weather forecasts. It will be difficult to justify having a full time weather expert on your team, but reviewing where delays have occurred over the last 2 years due to the weather is not too much work. In similar fashion, work with your SC partners to ensure they are capable of adapting to new circumstances as well. Ask your Logistics Service provider about rerouting options when a port closes down, agree upfront on volume discounts in emerging markets, find out if your supplier has a compliance team that can obtain the necessary licenses should the export requirements change.

Configurable

Configurable mostly applies to the applications used in the supply chain: why use a one size fits all if you like different sizes? But take care not to mistake configurability with customization. Typically, any and all applications can be customized; however, costs and timelines will likely not be in sync with your expectations when it comes to risk mitigation or a necessary change in the supply chain process. Configurable should mean that your systems can be adjusted by you and your vendors on short notice, without months or even years of development. For example, if you have a dropdown with possible ports of transit, you want to be able to change the dropdown on the fly when the usual port of transit is closed due to a strike and you have to reroute. Or if you want to change the warehouse picking location of a popular product to a more convenient picking location, you want to be able to make that change right away, and vice versa when the hype surrounding that latest novelty subsides.

Scalable

If volumes, destinations, number and location of suppliers, etc. fluctuate, so should the bandwidth of your supply chain. From a systems perspective, scalability is a key element; ensure the solution offered is scalable, whether that means it is in the cloud or otherwise. From a partner perspective, you do not want to get stuck with logistics routes that are forced upon you because the provider does not have the right fleet on lanes important to you, with unnecessary inventory, or with suppliers that cannot meet your demands. It is vital that you not only consider scalability issues, but also contractually determine them. It is a hidden cost for many businesses. First, prioritize where to be scalable — is it tradelanes, volumes on particular lanes, or in a broader sense ‘options’? Then work with your SC partners to test capabilities, by volume testing, analyzing production capacity at the supplier’s various locations, and verifying inventory levels. Finally relate your findings in contractual parameters.

Stable

If nothing else, you want your supply chain and the applications you use to be stable. Downtime costs money as every SC is now 24/7. So be aware of your providers Service Level Agreements (SLAs), whether it is uptime, delivery time, or handling time. Ensure KPIs and metrics are available to proactively monitor the numbers. Add clauses to the contract with penalties and/or opt out clauses in case SLAs aren’t met. Be prepared for calamities by working with your vendors on unified Business Continuity & Disaster Recovery Plans, have a backup plan for vendors and partners, and never take stability for granted. Coordinate with your vendors on penetration tests to ensure your data is safe. The preventative money spent will be worth it to sleep better every night knowing you are prepared. And now and again, throw some coffee on a pc to see what happens.

Conclusion

In the end, it is clear that despite the randomness of nature, legislative proceedings, or sales driven events, preparation goes a long way. It is difficult enough to be great when it is business as usual, but when you document scenarios and scripts on how to deal with the unknown, work with your buyers, manufacturers, logistics service providers and sellers to discuss potential scenarios and create a cross company team to anticipate the steps to take in a crisis situation, you can be great even when adversity hits.