

# Managing global supply-chain risks



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The globalisation of business, and the development of sophisticated supply chains, have brought many advantages to companies operating today – particularly in the moving industry, where technology has developed significantly over the past 10 years. However, the complexity of supply chains has also brought many risks, ranging from systems-outage delays to logistical problems at local destinations.

Such issues are increasingly common and problematic. According to the *Supply Chain Resilience Survey 2013*, 75 per cent of companies had experienced at least one supply-chain disruption in the previous 12 months. Meanwhile research from Accenture shows that businesses affected by significant supply chain disruptions suffer – on average – a seven per cent drop in share price.

All of this means that companies relying on often complex networks of partners around the world must identify the risks in their supply chain, and take practical steps to mitigate them.

## Key risks to consider

When it comes to supply-chain risks, organisations may wonder whether they need to consider high-profile threats, such as political violence, terrorism and war. While these can be issues in certain parts of the world, the biggest risks to your supply chain are likely to be more routine business issues.

For example, the companies involved in the *Supply Chain Resilience Survey* said their top three supply-chain problems were:

- Outsourcing provider service failures
- IT/telecoms disruptions
- Adverse weather conditions

Other common supply-chain risks include regulatory requirements; import/export restrictions; data security; sudden changes in demand; and volatile commodity prices.



## Managing suppliers effectively

It is unsurprising that outsourcing failures are identified as a leading risk. Companies that outsource work will be aware of the challenges inherent in partnering with other firms to deliver products or services. For example, differing cultures or values can have a significant impact on the success of a project.

When it comes to managing a major international supply chain, those challenges are only amplified. Language is frequently an issue, as is business culture. For example, more importance is placed on hierarchy and formality in certain cultures, and it can be difficult to navigate such issues without placing a strain on working relationships.

Identifying differences between your organisation and your partner companies – and proactively working to bridge them – is crucial to the smooth running of your supply chain. If you understand each other, and communicate openly and clearly, you are far more likely to have a mutually beneficial relationship.

## Mitigating supply-chain risks

Managing potential supply-chain risks takes two main forms: first, proactively managing any issues over which you have control – for example, ensuring you have back-up IT and telecoms systems, or creating a meticulous procurement process for recruiting new suppliers.

Second, moving organisations need to ensure they have appropriate measures in place to cover the wide range of risks inherent in their supply chains. This obviously includes having the relevant insurance covers required. Crucially, companies need to ensure they partner with an A-rated insurer that understands the nuances of the global marketplace, and the varied risks they face. **ff**