

Manage Tomorrow's Surprises Today

Steven Minsky

Supply Chain Risk Management



By [Steven Minsky](#) on August 7, 2013 10:42 AM

A survey conducted by [APQC](#) found that in the past two years, 75% of companies were hit by at least one major unexpected disruption to their supply chain, defined as an incident with the capability of preventing a business from fulfilling promises to its customers. And what's more worrisome? Many of the organizations surveyed are proposed advocates of Supply Chain Risk Management and Enterprise Risk Management (ERM).

How are organization with structured ERM programs falling victim to such widespread supply chain disruptions?

Mary Driscoll addresses that question in the Harvard Business Review's article, "[Research: Why Companies Keep Getting Blind-Sided by Risk](#)," and her suspicions look familiar. Driscoll finds that while leadership in these organizations expressed concern about risks to the supply chain (political turmoil, natural disasters, etc.), the message was lost in its translation to the front line employees responsible for implementing mitigations and controls:

"The findings also show that the people at the front lines of the business were hamstrung by a lack of visibility into risk. Nearly half said they lacked the resources needed to adequately assess business continuity programs at supplier sites. Many relied on the suppliers filling out perfunctory, unreliable checklists."

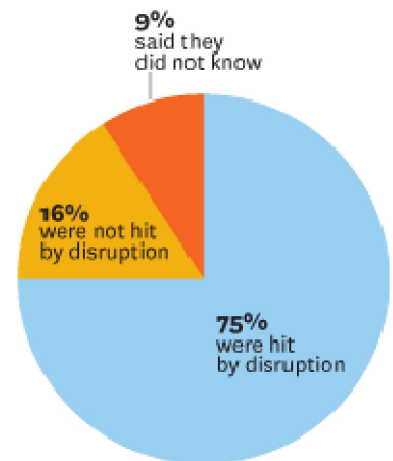
Driscoll argues that these organizations were impaired by a lack of risk transparency, inability to prioritize resources, and ineffective communications with remote suppliers. All of these problems are systemic to ERM programs that must account for supply chain risks, and the solution to these issues is a flexibly, sustainable [ERM software](#) solution.

To successfully mitigate supply chain risk, Risk Managers must be able to create transparency by mapping risks to the concerns of senior leadership. Additionally, while traditional IT installations are inefficient to install at remote suppliers, a Software-as-a-Service (SaaS) business models allows for infinite users, enabling engagement regardless of distance. And unreliable checklists? Replace those with standardized assessments built on practices [proven to provide business value](#).

The challenges faced by Supply Chain Risk programs - engagement, transparency, and intelligent reporting - are not unlike the risks faced by entirely centralized ERM programs, but they do require an approach capable of spanning a global enterprise.

SUPPLY CHAIN DISRUPTION ISN'T AN ANOMALY

Seventy-five percent of companies surveyed were hit by at least one major supply chain disruption over the past two years.



SOURCE APQC

HBR.ORG

Reprinted with permission. From HBR blog, "Research: Why Companies Keep Getting Blind-Sided by Risk" by Mary Driscoll, www.hbr.org, July 2013.

Copyright (c) 2013 by Harvard Business Publishing; all rights reserved.

See: http://blogs.hbr.org/cs/2013/07/research_why_companies_get_blindsided.html