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Trend Report: Supply chain resilience

Five areas where you can accelerate performance, embrace complexity, and foster a healthy and effective supply chain

The supply chain, like business itself, is a vast and complicated network. Companies source product from suppliers, who might source materials or components from others, who in turn might source from others. When one part of this network is exposed to risk, all parts are vulnerable to disruption. Growing complexity is driving a need for a deeper understanding of how supply chain networks operate most efficiently while managing risk.

The good news: There are steps businesses can take to lead, navigate, and disrupt to ultimately cultivate resilience in their supply chains—which translates to better anticipating, reacting to, and recovering from the unexpected. And emerging stronger as a result. Focusing on building resilience as part of your risk management strategy allows your organization to transform its view of risk to create value rather than just manage it.

Here's a rundown on some of the biggest challenges facing leaders today and the inside scoop on how to create value.

Understanding data
Above all else, there's a deluge of data in the world today. Companies can collect data from literally thousands of places. In most cases, businesses only have the resources to process a small amount of this information. By taking a more strategic

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[1] "Overcoming threats and uncertainty: Extended enterprise risk management global survey 2017," Deloitte Development LLC, 2017.

approach to managing supply chain risk, executives can leverage data analytics to make better use of information to stay in front of potential problems. In particular, pulling data from internal sources, external bodies, and from social media to spot trends could be beneficial. The science behind data analytics helps determine the right mix of data and the level of analysis, which varies by industry.

How do you create value? By using data to isolate where you may have opportunities to drive greater efficiencies in your supply chain. For example, if you centralize core manufacturing and distribution in close proximity to your largest clients, you may be able to improve your ability to reduce costs, respond more quickly, and potentially create greater preference.

Managing compliance
As supply chains become increasingly complicated, most companies find themselves required to comply with myriad rules and regulations. They might not even understand many of these rules and regulations, let alone have the in-house capabilities and resources to address them. Keeping tabs on all these requirements can be overwhelming, especially when you add compliance to contract terms and conditions. Glenn Yauch, Deloitte Risk and Financial Advisory principal with Deloitte & Touche LLP's Strategic and Reputation Risk practice, says one key issue is understanding the rules and regulations you actually need to follow. "A lot of times, businesses don't even know what they're supposed to comply with," he says. "That's a recipe for disaster."

Mitigating and monitoring risk
Too many business leaders view risk as a negative and risk management solely as a lever to protect value. Instead, companies can begin to think of risk as a strategic component and, if managed effectively, an opportunity to create value for the organization. To get on top of these potential threats, Yauch says you must identify what your true risks are. After that, transform processes to help manage and mitigate that risk. Here, no process is safe. Rethink everything from initial due diligence in selecting vendors to off-boarding after terminating them. Finally, through risk sensing, you can leverage external data to gauge the likelihood of future disruptions—whether they're expected or they emerge as unknowns.

Staying nimble
Seventy-four percent of surveyed organizations faced a disruptive event with third parties in the last three years.[2] As many as one in five experienced a complete third-party failure or an incident with major consequences. Social media has accelerated the velocity of information to warp speed. This means that issues with certain suppliers can go from minuscule to calamitous in no time. Leading businesses take the time to develop and implement contingency plans in the event that external (or internal, for that matter) conditions necessitate a change. Bryan Goshorn, a Deloitte Risk and Financial Advisory senior manager in the Strategic and Reputation Risk practice of Deloitte & Touche LLP, refers to this as "staying nimble." He also notes that it's critical to have backups for logistics providers. "You want to create a posture that allows for flexibility," he says.

Assessing suppliers consistently
Assessing business partners isn't like doling out formative and summative assessments to students in school—with suppliers, assessments must be ongoing and structured to obtain meaningful data. According to John Brown, a Deloitte Risk and Financial Advisory manager in the Strategic and Reputation Risk practice of Deloitte & Touche LLP, the big question is the frequency and level of assessments. Brown says it's a leading practice to assess riskier suppliers more frequently than those considered less risky, which is essentially a risk-based approach. He adds that any time there's a need to increase business from a supply chain partner, or if a partner experiences a problem, it's a good idea to reassess the risks of that supplier.

Training vigorously
Finally, business leaders who spend time and energy to engage academia—and develop a standardized education protocol—can enable their supply chains to remain cutting edge. Uniform supply chain management training, especially in the areas of end-to-end transparency and risk and reward tradeoffs, makes certain that all supply chain participants are on the same page when it comes to day-to-day operations. It also makes it easier for businesses to hold partners to uniform practices. In the end, this transparency can only improve communication across the board.

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With the threat of disruption higher than ever, it's important that businesses take steps to build resiliency in their supply chains. No business approach is foolproof. But those that effectively manage risk to create value for their organizations will be more likely to persevere.

Five ways
To accelerate performance, embrace complexity, and build resilience in your supply chain

1. Understand data and employ risk analytics
2. Manage compliance internally and with suppliers
3. Monitor and mitigate risk during the life of a contract
4. Assess suppliers continuously using a risk-based approach
5. Educate suppliers and supply chain professionals

[2] Ibid.

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