How to Mitigate Risks in Your Supply Chain
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If there were no risks, there would be no rewards. Yet customers do not pay for explanations. They demand a steady supply of goods no matter what your individual risks are. Although risk is just part of the equation when it comes to logistics, successful companies are able to minimize risks by planning for the unexpected. From weather to world events, there is a great deal of volatility at every step along a complex supply chain. Here is a breakdown of how to identify those risks before they arise, how to assess their impact and ultimately how to overcome them.

Types of Risk

The first and most important point to consider is that all risks are interdependent and dynamic. Each change affects the others so a realistic strategy has to address countering these potential problems simultaneously. Risks to the integrity of a supply chain that a company must be prepared to deal with fall into three major categories:

**Operations** - This is the only element where the company retains some measure of control. Risks involve breakdowns in production, delivery, parts and quality. The weakest link in this category is transportation, which is one of the most salient operational risks.

**Demand** - The unpredictability of the market depends on finished goods and many people are involved in predicting variations in demand. For goods like food and diamonds, there will always be a demand. However, the extent of fluctuations in the value/price balancing point is highly dependent on larger economic and social conditions.

**Supply** - By far, supply is the most frustrating of risks because inadequate materials or parts can not only leave a great deal of money on the table, but at the same time permanently damage market share and drive loyal customers to the competition.
In each of these three categories, the largest risk factors that determine the threat level to the supply chain can be broken down into:

**Economic** - Price volatility can emerge suddenly from new competition or government regulation. This risk factor is closely tied to geopolitical changes, but revolves around the cost of doing business.

**Geopolitical** - Wherever there are resources, there will be people and governments wrestling for control of them. Treaties, political parties, and urban warfare are all very real risk factors that can shift with unpredictable speed and force.

**Technological** - As communications capacity has advanced with greater levels of detail in more locations, the risk of information loss or breakdown has increased. Viruses, competitive intelligence, and denial of service attacks are becoming as serious a problem for logistics companies today as transportation failures were in the past.

**Environmental** - This risk factor involves natural occurrences, meaning not only disasters but also seasonal fluctuations. It also extends to resource exhaustion or diminishing returns in collection, as is happening with the chocolate trade currently.

**Strategies for Coping with Risk**

Perhaps the greatest challenge for effective risk management is to not be led astray by outliers. Sensational risks like conflict in developing countries and domestic terrorism tend to receive funding and attention out of proportion to their likelihood. Mundane but incessant risks, such as unreliable suppliers and variable interest rates, tend to be ignored despite their potential for enormous risk over the long term. In an attempt to run a lean organization, many companies have exposed themselves to greater risk by moving to just-in-time production. Lower inventories look better on a balance sheet and reduce rent payments, but they also mean less inventory slack to cover service hiccups.

**Four key strategies top the leading trends in supply chain management among industry leaders:**

1. **End-to-end integration** - One single point of control leads to consistent work flows that are rapidly reconfigurable as needed to compensate for supply chain failure points

2. **Technology investments** - Data analysis and cloud-based investments are now integral to handling the complexity of contemporary risk assessment and decision making

3. **Talent management** - Logistics continue to be one of the areas most in need of new talent, calling for better domestic training and streamlined international hiring processes

4. **Global process standards** - The patchwork of international transportation and communications networks is slowly being standardized by commercial investment.
Implementing a Plan to Mitigate Risk

Each risk factor comes with a variety of possible solutions as they move along a scale that runs from “delay” to “disaster.” The companies that have been the most successful at mitigating risks to their supply chain have done so by implementing large scale plans that isolate and define the impacts of risks across the organization. Here are three new strategies for risk planning that are gaining traction:

Balance Cost vs. Risk - Lowering costs is not always a benefit. Attempting to lower the cost of labor by moving factories to receptive political climates has introduced substantial new risks, as companies from Nike to Apple have recently learned. Conduct a thorough risk assessment, using the best information technology available, before embarking on any new management policy.

Negotiate - For many companies, supply chains are no longer represented by straight lines from the resource to the consumer. Suppliers can also include distributors, wholesalers, customer contact and competitors. There is a good chance that your company is a link in someone else’s supply chain. Effective risk managers negotiate up and down the chain to mitigate risks cooperatively. Business partners have as much invested in the supply chain as you and cooperation is the best way to cover all your bases.

Consider the Source - Source planning is a relatively new field, but it has already won many converts in the business planning community. Managing sourcing, from parts to employees, begins with negotiating compliance standards at the contract level. This acts as an effective mechanism for spreading risks across your business partners.

Risk Management from LiveSource

Organizations from DANA to Kimberly-Clark depend on LiveSource to manage their risk and deliver products on time and under budget. LiveSource helps you collaborate, compare, discover and mitigate the risks of working with suppliers around the world. LiveSource also provides you with a way to manage your supplier list, monitor real-time performance, streamline processes, report activity and reduce your time-to-market. The end result is increased control over your supply chain without adding unsustainable resources, work load or costs to your IT infrastructure.

The LiveSource cloud-based enterprise SaaS sourcing platform levels the playing field when it comes to global risk management. LiveSource supports nine languages and 50 currencies, putting over 190,000 manufacturers in a single worldwide marketplace that you can now manage from your web browser.

Let us walk you through LiveSource’s cloud-based sourcing software and show you how to execute your sourcing processes easier and faster than ever before.

>> Click Here to Request a Live 30-Minute Demo

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CASE STUDY

KIMBERLY-CLARK

LiveSource bridges the gap between engineering and sourcing for Kimberly-Clark – delivering both tremendous cost savings and improved efficiencies.

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BUSINESS CHALLENGE
Kimberly-Clark has invented many processes used for manufacturing disposable consumer products. They have achieved success through continuous innovation and the ability to internally design and manufacture production machinery – allowing for product flexibility which ultimately gave them the competitive edge in the marketplace. Kimberly-Clark was looking for a platform that would help them bridge the gap between engineering and sourcing and bring their strategic sourcing process from the finished product stage to the component level while still providing consumers with competitive pricing.

SOLUTION
LiveSource is a scalable sourcing platform that not only provides powerful collaboration tools, it is completely customizable. Kimberly-Clark also benefits from multi-line item RFQs, non-disclosure management, Excel integration, real-time tracking, advanced quote analysis, order management and premium support.

RESULTS
“By using the LiveSource platform, our team was able to be a lot more efficient. We used to accomplish around 100 RFQs a year. Now, we can complete around 5,000-6,000 projects without increasing headcount whatsoever.” - Mark J. Rosenquist, North America Procurement, Kimberly-Clark

OBJECTIVE

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<tr>
<th>BENEFITS ACHIEVED</th>
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<tr>
<td>Increase sourcing flexibility</td>
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<td>Increased flexibility in manufacturing production machinery</td>
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<td>Optimize custom part spend</td>
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<tr>
<td>Efficiencies through comprehensive bid analysis tools</td>
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<td>Connect with suppliers effectively</td>
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<td>Develop long term relationships with quality suppliers</td>
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Over the coming months, we plan on expanding our reach within the LiveSource platform and utilizing it as our default sourcing engine. By using LiveSource, our team was able to be significantly more efficient.

Mark Rosenquist
North America Procurement
Kimberly-Clark

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