

The Spectrum of Risk

The Supply Chain Risk Leadership Council (SCRLC) defines supply chain risk management as: “The practice of managing the risk of any factor or event that can materially disrupt a supply chain whether within a single company or spread across multiple companies.” The council adds, “The ultimate purpose of supply chain risk management is to enable cost avoidance, customer service and market position.”

Unfortunately, 2010 offered stark examples of “any factor or event”: Iceland’s Eyjafjallajökull volcano; the Gulf of Mexico oil rig disaster; and the parcel bomb plot involving air cargo destined for the US. Add to that: volatile demand, vulnerable suppliers, a fragile recovery, expanding regulations, gridlock in Washington and an uncertain outlook for 2011 – in short, plenty of potential for “material disruption.”

With this unstable environment as the backdrop, this Special Edition of *Supply & Demand Chain Executive* looks at several different aspects of risk that have direct relevance for the supply chain today. The magazine’s staff has produced this issue in conjunction with IHS, a leading provider of critical information and insight well known for its expertise and thought-leadership around the product lifecycle, environmental, security and energy domains, including as they relate to the supply chain.

The article “Components of Risk,” starting on pg. 8, looks at the volatility that has hit the electronics value chain since the start of the Great Recession in 2007. Experts from industry analyst firm iSuppli and from IHS address the causes and implications of the V-shaped

recovery in the industry, and the article addresses the need for a “real-time” strategy for managing the risks inherent in product lifecycles.

In “Get off the Commodity Rollercoaster” (pg. 10), we look at the ups and downs of commodity prices during, and in the wake of, the latest “super cycle.” John Mothersole, an expert on the nonferrous metals market with IHS Global Insight, offers a strategic approach to managing commodity price intelligence, and he lays out steps that companies can take to begin mitigating the impact of commodity price volatility.

The article “Conflict Minerals: A Supply Chain Perspective” (pg. 18) gives a primer on the conflict minerals issue and the potential for supply disruptions as a result of new regulations due to go into effect in 2011. Scott Wilson, an IHS expert who works on issues of supply chain risk mitigation around material supply, addresses the preparedness of the supply chain for the impact of the new regulations. The article highlights the need for a proactive strategy based on product information management, risk mitigation and supply chain optimization. And a companion piece, “Lessons Learned from the Congo” (pg. 14), offers best practices in sustainability and environmental compliance to be gleaned from the conflict minerals issue.

We look at emerging technologies that are driving a new generation of global supply chain visibility in the article “The Supply Chain Goes Mobile @ IHS” (pg. 26). The article describes a new marriage of enabling technologies like GPS, “augmented reality” and geospatial information systems that are helping to improve



Andrew K. Reese

Editor

Supply & Demand Chain Executive
areese@sdexec.com

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visibility to assets in motion throughout the supply chain. To that end, Ron Crean, a maritime industry veteran with IHS Fairplay, puts forward a vision for advancing global location intelligence strategies.

A common theme in these and the other articles in this Special Edition is that leading companies cannot afford to wait. The threats to supply chain continuity, to revenues and market share, and to brand and corporate reputation are only growing in number, complexity and severity. It therefore is imperative that supply chain leaders proactively define the threats to their value chains, frame the risks to the enterprise for senior management, and drive initiatives that mitigate the risks before they occur. Dianne Feinstein, the California senator, said, “Ninety percent of leadership is the ability to communicate something people want.” It’s up to supply chain leaders to start that communication today.

How are you mitigating the primary risks to your supply chain? Write me at areese@sdexec.com to share your thoughts. I’ll look forward to hearing from you. ■