

4 Tips for Mitigating Risk in the Supply Chain

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Far too often companies underestimate just how critical a smoothly running supply chain is to their success. Poorly-run supply chains can have dramatic and often far-reaching impacts on operations for years.

Take for example Adidas. In 1996 the athletic shoe and attire manufacturer, tried unsuccessfully (twice) to integrate a warehouse management system into its operations, according to Supply Chain Digest. The second time the company tried launching a new WMS, it did so before it was ready, possibly because management felt aggravated by project delays. The end result: Adidas was unable to meet customer demand - filling only 20 percent of its \$50 million North American orders - and it lost incredible market share for years.

Adidas could have prevented problems simply by using the correct warehouse management system from the start, and then showing more patience before launching the second solution.

No more was this type of impatience brought to light than when Greg Rake, senior vice president-supply chain at Pier 1 Imports - maker of home furnishings - talked about how businesses value supply chains that ship products blazingly fast.

"The faster you get products to market, the more full-price sales you get," said Rake. "When you look at what we do, we understand there is some period of time where we bring in a brand or a new product line, color, or style, we have some sort of a proprietary system - or timeframe - where we actually are allowed to be the only company in the market that has that style, color or whatever that is."

Rake then followed up to say that if larger businesses replicated his unique product, "it's going to be a bad day." That's why it's crucial Pier 1 Imports finds a way to get their products into the hands of customers well before competitors do. This allows the company to enjoy full-price sales for a certain time.

There's no getting around it: Companies value speed. The problem is, some of them - such as Adidas - might become too impatient when either launching a new WMS or making changes to their businesses' operations. This causes employees to make grave mistakes that potentially sets them financially back for years.

It's crucial managers consistently monitor their company's SCM strategy for flaws, evaluate new ways to update it and carefully integrate new solutions only when needed but in the most efficient way possible.

Managing Supply Chain Risk Not a Top Priority Amongst Companies

Adidas isn't the only company that's failed to appreciate the value of a smoothly operating supply chain and SCM plan. Unfortunately, many businesses neglect to assess their operations for risk. A report published by AT Kearney & Rapid Ratings indicated that managing supply chain risk is not much of a priority for procurement. Most don't have a strategy to ensure supply chain stability, and very few have a plan in place to ensure their supply chain operations comply with environmental regulations or can handle drastic changes in supply and demand.

To solve this problem, we propose the following:

1. Develop the Correct Supply Chain and SCM Strategy: This SCM strategy should address a number of processes and procedures to help managers efficiently maintain operations while also protecting them from potential issues. These problems could range from internal happenings (work shortages) to external events (a supplier closes shop or an environmental disaster disrupts the transportation of goods).

2. Breakdown the Supply Chain into Segments: Some team members should deal with transportation logistics while others solely focus on the supply chain management system.

3. Hire the Right Employees: To ensure your supply chain and management strategy goes off without a hitch, you need to fill these segments with the correct employees. Before you look outside the company, think about hiring from within. These workers have cross-functional experience, which allows them to make more well-informed decisions.

4. Monitor the Supply Chain Strategy: Managers should consistently evaluate the supply chain for pain points and take the necessary steps to fix them. These, of course, will be company-dependent.