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Welcome to today's

ISM
Risk Management Group
Web Seminar

February 3, 2011

- *Track History*
- *Purpose of Track*
- *The Story We Tell*
- *Our Speakers*
- *Takeaways from Orlando*





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Presenters



Richard D. Rich, C.P.M.
Chair, Risk Management Group
Sr. Administrator of Enterprise
Risk Management
Seminole Electric



Mickey North-Rizza
Research Director
Supply Chain Leaders
Gartner Inc.



Catherine S. Herr, CPSM
Senior Director
Global Strategic Sourcing
Eli Lilly & Company



**Ernest Gabbard, JD,
CPSM, C.P.M., CPCM**
Senior Director
Corporate Strategic Sourcing
Allegheny Technologies
Incorporated (ATI)



James (Jim) V. Kelly, C.P.M.
CEO
JVKellyGroup



**Elizabeth (Beth) J. Green,
CPSM**
Corporate Manager
Supply Chain Risk Management &
Strategy
Northrop Grumman Corporation



**Robert A. Kemp, Ph.D.,
CPSM, C.P.M.**
President
Kemp Enterprises



Sherry R. Gordon
President
Value Chain Group



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Best Practices in Supply Chain & Supplier Risk Management

When: Sunday, May 15, 2011 3:30 – 4:45 pm

Session Code: AD

Presenter: **Mickey North-Rizza**

What YOU will learn:

- The toolkit required for supply chain and supplier risk management
- Company examples of best practices in supply chain & supplier risk management
- The best in class supply chain & supplier risk techniques



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Critical Points: Best Practices in SC & Supplier Risk Management

- 45% of companies have experienced a supply chain disruption and 41% of companies have experienced supplier failure!
 - Billions of \$\$ LOST & brands impacted significantly
- Successful supply chain and supplier risk management requires:
 - a focus on the enterprise and the extended enterprise
 - the right strategy and tool kit
 - visibility and proactive, continuously working mitigation plans

Reduce the probability of supply chain disruption and supplier failure by learning more about the Best Practices in Supply Chain Risk & Supplier Risk management! Attend this session.



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Strengthening Your Supply Chain Through Risk Management Processes

When: Monday, May 16, 2011 9:20 – 10:20 am

Session Code: BD

Presenter: **Catherine S. Herr, CPSM** and Richard D. Rich, C.P.M.

SCRM In Action!!

- Think your company won't have a supply chain disruption that will impact sales? Think again.
- In a recent survey out of the UK, over 70% of organizations surveyed reported having a supply chain disruption during 2010.
 - 49% estimated that the cost to their business of supply chain incidents in the last 12 months was between €10,000 and €500,000
 - a further 10% reporting a cost of €500,000 or more.
- Of more impact, 20% admitted they had suffered damage to their brand or reputation as a result of these disruptions.
- At Eli Lilly & Company, the results are similar; in March 2010, thieves stole \$75M USD of pharmaceuticals from a Connecticut warehouse.
- So how will a disruption impact your company?
- This section will demonstrate how Lilly applies risk management at both an enterprise level and supply chain level to proactively protect sales of the products patients depend on.



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Strengthening Your Supply Chain Through Risk Management Processes

Key Takeaway Points

- Supply chain risks continue to grow based on our sourcing strategies.
- Many companies do not do proactive risk management despite positive business case.
- Support needs to come from the top.
- Recognize it as a journey....
 - If not doing SCRM, start!
 - If you've started, grow it every year!
- Want to learn more or share your experience?
 - ISM Risk Management Group on Linked-In
 - ISM Risk Management Track at the ISM Annual International Supply Management Conference and Educational Exhibit



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Identifying and Mitigating Supply Chain Risk

When: Monday, May 16, 2011 10:40-11:40 am

Session Code: CD

Presenter: **Ernest G. Gabbard, JD, CPSM, C.P.M., CPCM**

ISSUE

What is the greatest risk to a
supply chain organization?

Supply Risk Mitigation/ Management Perspective

- Every transaction has some risk; however, we must determine which are “critical” supply chain risks
 - which supplies or services could affect our organization’s ability to perform?
 - ✓ physically
 - ✓ financially
- How we prepare for and manage supply chain risk demonstrates:
 - our strategic perspective & value
 - our professional competence
- What is supply chain risk mitigation?
 - What are the critical steps in the process?
 - What are attributes of best-in-class programs?
 - What factors impede effectiveness?



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Supply Risk Mitigation Process Summary



* SRMP = Supply Risk Mitigation Plans

KEY TAKEAWAY
Sequence is Critical!

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The Successful Implementation of a Supplier Risk Mitigation Solution

When: Tuesday, May 17, 2011, 10:20-11:40 am

Session Code: ED

Presenter: **James V. Kelly, C.P.M.**, Jim Lawton and Joseph J. Jackson

Overview:

- Fortune 500 Energy company PSEG
- Implemented D&B's Supplier Risk Manager, including PSEG branded Supplier Certification Portal
- Included integration of robust D&B supplier insight profiles
- Tailored to PSEG's unique requirements
- Solution was budget neutral for PSEG
- Accomplished goal of 80% suppliers registered accounting for 80% of spend
- Follow-up supplier satisfaction survey results from 175 respondents included 81% stating they would recommend being a PSEG registered supplier to others



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The Successful Implementation of a Supplier Risk Mitigation Solution

Key Takeaways of a Successful Implementation

- Very strong customer executive sponsor support
- A highly effective supplier registration communication campaign strategy including:
 - Supplier Pre-enrollment (“Primer” email to all suppliers)
 - Assertive language when communicating to suppliers
 - Defined escalation process for non-compliant suppliers
 - Email campaign targeted to key supplier contacts
 - Timely development of a high quality email contact list
 - Follow-up phone campaign for incomplete registrations



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Implementing a Supply Chain Risk and Opportunity Strategy

When: Tuesday, May 17, 2011, 3:00-4:00 pm

Session Code: FD

Presenter: **Elizabeth J. Green, CPSM**

As supply chain becomes a greater percentage of work product delivered to our end customers, effectively managing supply chain risks and opportunities (RskOM) becomes a greater focus for organizations across the globe.

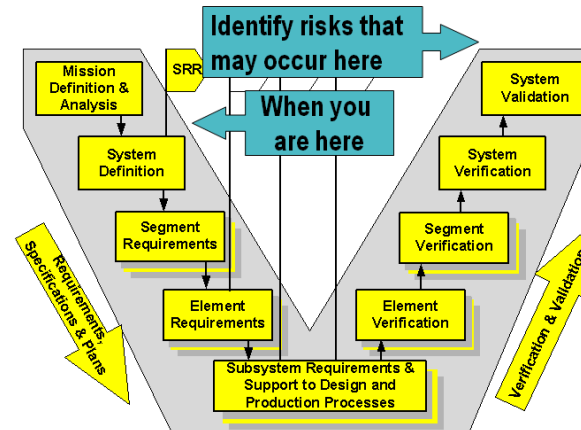
Historically, risk management has been held at the program manager level with focus on internal technical risks. In today's environment, the RskOM process needs to be broadened to incorporate all impacts to the program.

Risk and Opportunity Handling Methodologies:

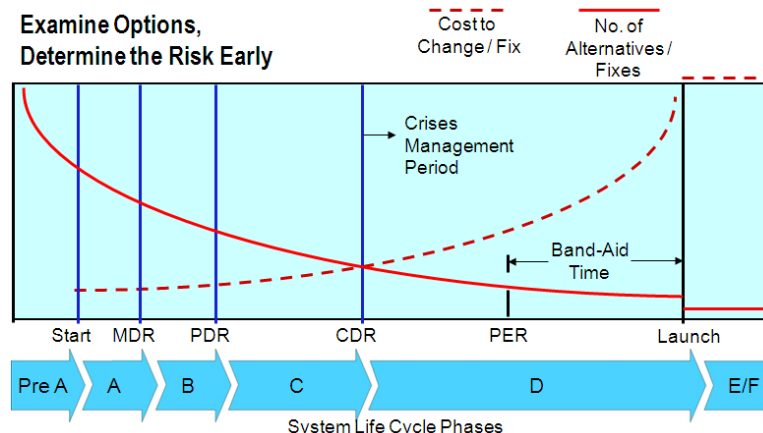
- **Avoid:** Develop a strategy to avert the likelihood (L) and/or consequence (C) by selecting a different approach or not pursuing the option
- **Transfer:** Shift the risk/opportunity to another area such as another requirement, Team Member, Function or IPT
- **Assume:** “Consciously” accept consequences of the risk/opportunity
- **Mitigate / Enhance:** Develop a strategy to lower or eliminate the risk (reducing L and/or C), and exploit the opportunity (increasing L and/or C)
- **Contingency:** Develop a back up plan in the event that a significant risk can neither be avoided nor mitigated (or the mitigation fails) or opportunity exploited

Implementing a Supply Chain Risk and Opportunity Strategy

- Early risk/opportunity identification is essential to minimizing/maximizing the impact to system successful deployment



- The earlier a risk is identified, the lower the cost to fix / implement contingency plans; or opportunity may be exploited
- More potential alternatives available, should redesign be required



Note: Opportunities have the inverse impact – may be depicted as a negative risk when there is not a separate opportunity tracking module



Implementing a Supply Chain Risk and Opportunity Strategy

Additional Session Takeaways

- Emphasis on the importance of integrating all risks into risk registers at appropriate level;
 - Program, chief engineer, IPT lead, supply chain or other functional level
- Understanding the elements that make up risks and opportunities internally and externally with Suppliers
- Writing effective risk and opportunity statements using IF/THEN/IMPACT framework
- Develop risk mitigation and opportunity plans
- When to require mandatory contingency plans
- Communication of risk mitigation strategies
- Insights from participant's experiences implementing risk and opportunity management processes within their organizations



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Supply Chain Risk Management Dashboard: Techniques and Tools

When: Tuesday, May 17, 2011, 4:15-5:15 pm

Session Code: GD

Presenter: **Robert A. Kemp, Ph.D., CPSM, C.P.M.**, Susan Modeland, CPSM, C.P.M., CPIM and R. David Nelson, C.P.M., A.P.P.

SCRM in Action!

You can run, but you cannot hide from risk management! World economics, competition and political conditions suggest that the supply chain operations will become even more risky.

Traditional supply chain is risk management. **It was often slow and reactive**

This presentation will identify organizational processes, techniques and tools needed to develop and manage risk in the supply chain.

We need to be more **proactive globally with identified risks by ensuring that our mitigations are in place and that we continually validate their effectiveness.**

Communication with top management is critical to risk managing the supply chain. Their support to finance creation and deployment of mitigations helps prevent disruption of supply.

Many outside sources can be "hired" to help us monitor risk, but existing supply base is often the best source of that information.



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Supply Chain Risk Management Dashboard: Techniques and Tools

Key Takeaway Points

You cannot hide from Risk and Risk Management, but you can learn to do it better. My point today is that millions of tools and resources are available, eg,

- ISM: www.ism.ws › Publications › *Inside Supply Management*
- ISM: www.ism.ws/pubs/content.cfm?ItemNumber=21030
- CIPS: www.supplymanagement.com/...management/risk-management/
- www.aberdeen.com › Research › Enterprise Applications
- Supply & Demand Chain Executive www.sdcexec.com
- Manufacturing Weekly: www.biztimes.com › Manufacturing Weekly
- Strategic Procurement Solutions; www.strategicprocurementsolutions.com/
- Global Supply Chain Review, www.scmr.com/
- www.fmglobal.com/pdfs/ChainSupply.pdf
- www.dnb.com/supply-management/14881781.html
- global.marsh.com/risk/supply/
- Supply Chain Risk Management: A Delicate Balancing Act, IBM Global Business Services White Paper, 2008

We will show and discuss what others are doing in terms of training, people, expanding resources, tools and techniques or processes to ensure that mitigations are available to better manage risk



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Core Risk and Performance Technologies You Can't Afford to be Without

When: Wednesday, May 18, 2011, 9:00-10:00 am

Session Code: ID

Presenters: **Sherry R. Gordon** and Jason Busch

Why do you need technology?

Technology:

- Move from reactive to predictive in your supplier management initiatives
- Analyze more of your supply base, not just a small subset (and tier suppliers as needed)
- Helps supply managers plan for and manage performance problems and disruptions in the supply chain
- Automates the collection of supplier risk and performance information to help prevent or avoid problems and also enables a timely response as unavoidable incidents occur
- Provides more information than most firms typically have access to within their own four walls



Essential Function #1: Supplier Financial Health

- Supplier financial distress and bankruptcies are costly and disruptive
- Enough of a warning runway can enable early intervention and action to avoid disruptions (e.g., build inventory, invest in supplier development initiatives with key suppliers, switch suppliers, etc.)
- Healthy suppliers are able to invest in cost reduction activities and in innovation



#2 Supplier Operational & Performance Management

- Supplier performance is a leading indicator for risk and often the best (and only) indicator with SMB suppliers where financial information is often less reliable
- Operational and performance data from suppliers provide better and faster insights into risks (i.e., late deliveries, lengthening cycle times, reduced responsiveness)
- Opportunity to develop relationships that provide valuable insights and mutual opportunity to take action



#3 Information on Supplier Engagement Lifecycle

- By engaging across the broader supplier lifecycle – rather than just intervening in crisis situations – procurement organizations can truly create new levels of value and insight for the business from initial on-boarding to ongoing supplier development
- Technology enables firms to manage and track more effectively the burgeoning amounts of information about suppliers from all phases of the supply management lifecycle and across multiple functions and organizations
- Scales the management of supplier risk and governance issues and provides audit trails of key activities





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Summary

- **Registration Forms**
- **Track is Part of a Strategic Plan**
- **ISM Risk Management Group**
- **Future of the Track**
- **Come and See Us!**



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96th Annual ISM International Supply Management Conference



May 15-18, 2011 • Orlando, Florida



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