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'Unsatisfactory attention for supply chain risk management'

The globalisation of world economy during recent decennia has brought about problems. This is what Els Pandelaere of Vlerick Ghent Management School and Jonas Hatem of MÖBIUS point out as they organise the conference on Supply Chain Risk Management in Ghent (Flanders) on 26th September.

Hatem: "An expanded chain or working with companies that are located remotely results also in a more sensitive chain. The importance of supply chain safety is herewith proven. This is enhanced by the wishes of company shareholders who increasingly want guarantees on safety and control". This explains the necessity for the organisation of a special event about risks in the supply chain.

Optimisation model developed

During the event a model will be presented by the two organising parties with which companies can optimize their own supply chain risks. The tool is the result of a cooperation between the Management School and the MÖBIUS consultants. Before the development of the tool started, one first had a close look at the possible risks in the different chains of the companies. Thus a risk list came about which was tested afterwards with some core companies and employees who are active in safety matters. Due to this list it was possible to indicate how risks can be important for an organisation and which issues are vital or not. Hatem: "Companies can determine the risks themselves, but often miss out on some, though. But what mainly goes wrong is the quantification of risks. We are more competent in doing so and we can, if we have the necessary data, simulate the supply chain risk and calculate its impact on profit and loss of the company. And companies are mainly interested in the latter, as we expect".



Europe does not do much with SC risks

European companies are not yet fully equipped in mapping, let alone measuring of their supply chain risks. That's Els Pandelaere's opinion. "And if they think of mapping out the risks, then they mainly think about financial risks. Matters such as fire safety and suppliers' risks and their consequences for the chain can less easily be placed in frameworks for many companies. That is therefore not often done. We have asked several companies whether such risks occur and whether they have impact on the supply chain. Both questions were answered with a 'yes'. But to the question whether the company already had a solution for the moment the risk would become a reality, 'no' was often the answer. According to Pandelaere supply chain,

managers from the management ought to focus increasingly on efficiency, but what equally is often not perceived neither by the management nor by the supply chain manager is that increased efficiency may be related to increased supply chain risks. "Minor stocks bring about risks if they are not located on the right place in the chain and are therefore a strengthening factor in the rest of the chain", says Pandelaere.

5 risk categories

Möbius and the Vlerick Louvain Ghent Management School identified 5 risk categories:

At the 'demand' side

At the 'supply' side

Environmental factors

Process related factors

Control on internal processes

Launching the study during seminar

During the seminar organised on supply chain risks, a broad project was launched, at which companies from small, medium-sized and large scale categories are present, but all companies are quoted on the stock exchange. These companies were chosen because safety is a very important issue for them. In October specific tools will be developed for these participating companies with which the possible risks will be mapped and which actions may be taken in order to limit these. A further step is that in January 2009 a risk inventory will be performed with three companies, the results of which will already be made public in the first quarter of 2009.

More information on the stock exchange is to be found on this link:

<http://www.vlerick.be/scconference>