TOP TAKEAWAYS

Supply Chain Risk Management in the Boardroom

1. A well-run supply chain is an asset to any company. A Board should be asking questions about how the company can enhance the value of the supply chain and minimize the risks to the supply chain.

2. Supply chains are facing increasing risk from developments in technology and manufacturing. Just-in-time delivery of inventory means that if disruptions or delays occur, a company will not have extra inventory on hand, potentially resulting in a shutdown of the facility. In addition, the use of sole source suppliers heightens risks. Risks also arise when the contracting processes between the various participants in the supply chain are inadequate.

3. Because the supply chain is critical to a company, the Board must have enough awareness to be able to recognize recurring issues and trends. Board members must understand the flow of goods and services into and out of the company. On the other hand, the Board must also avoid micromanaging the executives who manage the supply chain.

4. New regulations require more accountability of Board members, so Board members are under increasing pressure to hold management accountable. In addition, asking the right questions about the supply chain will insulate the Board from liability by demonstrating that they have fulfilled their oversight function.

5. The supply chain is now truly global, which is both an opportunity and a risk. Anyone who purchases material, makes a product, moves a product or stores a product is involved in the supply chain. Events around the world can impact a company's supply, even if its direct suppliers are unaffected.

6. Giving supply chain professionals a seat in the board room will help an organization with profitability, market share, and competitive advantage.

7. The Board needs to understand the potential risk in the supply chain, and drive the process of analyzing that risk, and then addressing the risk. Insurance is not always the answer; the solution may be increasing inventory levels or taking other low-cost steps to diminish supply chain risks.

8. The trend is toward companies evaluating the total cost of risk in the supply chain, including labor costs, political unrest, natural disasters, security of intellectual property and currency risk. In many cases, this is resulting in companies re-shoring operations into the U.S. or elsewhere in North America. Cost of labor is no longer the dominant driver of location of operations.

9. Board books should include information on legal risks in the Company's commercial contracting processes (such as warranty or dispute resolution provisions), the Company's use of sole source suppliers, and contingency plans in case supply chain issues arise. The Board needs to hear directly from executives about how risk is being managed in the supply chain.

10. In recent years, enhanced regulation of conflict minerals has caused companies to strictly scrutinize their supply chains and examine their suppliers' suppliers to ensure that there are no conflict minerals in the company's supply chain. This has had the positive effect of causing Boards and senior executives to better understand their supply chain and the impact it has on the company.

For more information

For more information on Supply Chain Risk Management in the Boardroom, please feel free to contact the moderator directly:

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