

Achieving Supplier Collaboration to Reach Your Risk Management Goals



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Buy-in and cooperation from internal stakeholders “within the four walls” is no longer sufficient. You need tier 1 and sub-tier supplier collaboration and trust to manage supply chain risk and build end-to-end supply chain resiliency.

Hope is not a business strategy, and wishing that bad things don't occur is not a successful risk management plan. In a globalized world, with ever longer and more complex supply chains, populated with numerous trading partners, many things can indeed take place to disrupt the transfer of raw materials, parts, finished goods or the information each of those depends upon.

Consequently, it's essential to have a risk mitigation strategy in place but not one that's merely reactive, and not one that fails to encompass all supply chain partners, upstream and down. A truly holistic approach views risk management as a continuum, one that maps every node in a company's supply chain in advance, which means knowing the capabilities and vulner-

abilities of every partner.

Of course, it can be difficult enough to get internal stakeholders on board with risk mitigation strategies; getting wholehearted support from those outside the enterprise can be even tougher. Trading partners' reluctance should come as no surprise. They have legitimate concerns over disclosure of important proprietary information. Few companies want their vulnerabilities, crisis readiness, business continuity plans, production capacity, corporate social responsibility standing and financial stability to be on display. Nor do many want to advertise the number of threats received and how they were handled. Concerns such as these are understandable, but they must be overcome, and will be if suppliers see how they stand to benefit from collaboration, says Wayne Caccamo, Resilinc chief marketing officer.

If handled properly, there are four strategies that can lead to successful buy-in with one's suppliers. They include education; incentives, rewards and preferred status; financial stability; and productivity.

In their own interest, some original equipment manufacturers/brand owners may try to educate their suppliers on how to manage their own risks. The teaching may include providing best practices, strategies and methodologies for developing business continuity and crisis response plans and other risk identification, prioritization and mitigation/treatment processes. Clearly, the benefit to the supplier extends well beyond its relationship to the OEM/brand owner, to its own set of suppliers and customers.

Incentive programs, while hardly new to business-to-business relationships, can be particularly effective if instituted properly.

For example, suppliers may value being known as a “preferred” partner to widely-known and respected companies. They may even see it as a critically important part of their corporate identity.

Education and awards can even go hand in hand: the supplier that does the best job of proactively managing risk or responding to a crisis—due to the high quality of a business continuity and event response plan that an OEM/brand owner helped design—could very well achieve preferential status.

Though not as likely to occur as guiding and rewarding suppliers, enabling the financial stability of a supplier is an extremely important function. It certainly could be in the interest of the OEM/brand owner to steer an important, but challenged, supplier to new business with other customers in order to diversify and stabilize their revenue stream.

Finally, OEM/brand owners can effect improved productivity for processes involving customer-supplier communication and coordination. One way they are starting to do this is to standardize the data collection process using third-party data collection and centralized repository services such as that provided by Resilinc. Instead of continually responding to individual customer requests for risk information, suppliers are incented to share their information with Resilinc one time.

The importance of using a partner’s time wisely can’t be overstated, says Ann Grackin, CEO of ChainLink Research, an industry research and analysis firm. Suppliers can be virtually flooded with requests to provide all kinds of information – on such things as insurance and industry certifications, not to mention details on their risk mitigation plans, she says.

“It is enormously time-consuming to comply with these requests, and it’s very complicated, particularly in manufacturing, which has so many industry and legal qualifications.” Resilinc’s data repository enables supplier collaboration, in a secure, accurate and efficient manner, she says.

In fact, Caccamo likens the Resilinc tool to LinkedIn’s business model. Once one’s profile is posted, there’s nothing else to do save for the occasional update on LinkedIn. Similarly, suppliers clearly have an incentive to publish detailed and complete “profiles” with Resilinc. Once their data is collected, the process is finished but for updates deemed necessary. In turn, that



boosts productivity, since the process is less time-consuming and more efficient.

At the same time, OEMs also find that the “publish once, share with multiple users” collaboration model frees them from constantly having to survey their suppliers. Moreover, it results in a consistent set of data points across suppliers that can be used for “apples to apples” risk identifica-

tion, risk assessment and prioritization for mitigation processes.

In some ways, the four-point collaboration methodology is exemplified by the relationship between Amgen, an international bio-pharmaceutical company based in Thousand Oaks, Calif., and EMD Millipore, a Billerica, Mass.-based provider of purification and filtration systems among

other products.

For one, Amgen knows something about the value of a supplier data repository like that which Resilinc provides. Rod MacLea, the company's director of supply chain, says Amgen needed to map its entire supply chain, with particular emphasis on its suppliers of raw materials.

Working with tier one suppliers first, Resilinc onboarded each of Amgen's trading partners. MacLea says many suppliers who had had experience in pharmaceuti-

the usefulness of the Resilinc tool.

As it happens, Amgen brought the Resilinc data repository tool to the attention of Millipore, a supplier that has received Amgen's supplier relationship excellence award, McGuirk says. For his part, McGuirk says education is critical, especially as he feels there is a "disconnect in actual requirements" in the life sciences arena when it comes to risk management.

Getting preferred status from Amgen was of vital importance, McGuirk says. The

Grackin says. "Enough so, often the lowest bidder wins." But problems can occur when suppliers, whose margins are already thin, cut corners.

Helping suppliers be successful can benefit all parties and reduce risk enormously, according to Grackin. She points to a model that the former Big Three automakers used years ago in Detroit to ensure supplier health. Purchase orders from OEMs were used as collateral at a special bank set up by Ford and others. Obviously, loans



cals and high-tech electronics needed little education. They had little concern about leakage of their enterprise data. The mapping process was fairly new to many in the life sciences arena, however, and some suppliers had to be educated by Resilinc. "This was new for many in this vertical, so it took a while for some of them."

The education component is clearly of interest to MacLea. He and Bob McGuirk, vice president of supply chain at EMD Millipore, have co-presented at a number of conferences on the importance of supplier-OEM/brand owner collaboration to successful risk management initiatives – and on

upshot of that simply means that each party is vested in the other's success. "Our business is growing and theirs is, too."

Neither Amgen nor EMD Millipore has had the need to find business for a trading partner, but each recognizes the need to be aware of the financial health of a partner. Each sees the value in receiving alerts from the Resilinc tool on the financial viability of any company one does business with.

Financially weakened suppliers are hardly unknown. Unfortunately, it's been "standard MO" across most verticals to constantly drive to reduce supply chain costs by squeezing suppliers, ChainLink's

had to be repaid, but all parties working together tended to ensure success. After all, the car manufacturers simply wouldn't pay suppliers that defaulted.

The point is that ensuring a supplier is financially robust can be indispensable to mitigating risk. Contracting with a supplier for the first time can be a gamble, and that's where Resilinc alleviates worry, Grackin says. Collecting data from many sources, it is able to depict how financially stable a potential trading partner is.

"They're on a journey to be the biggest, baddest provider of supplier information out there."

When the disastrous explosions took place at China's Port of Tianjin in August 2015, MacLea saw the Resilinc tool in action; fortunately, Amgen wasn't involved or affected, so he was able to sit back and witness how effectively Resilinc monitored the unfolding event – and notified its customers.

"We were able to log into the tool and put a map around the area and see exactly what was going on," says MacLea. Because information began flowing within minutes,

ing to understand what happened, to what do we need to do, if anything, to recover.

Regardless of the nature of the disruption, with the capability to crowdsource, filter and validate data from tens of thousands of sources, Resilinc can immediately inform customers whether their suppliers are still operative or have been shut down. That information can be pushed to customers, or they can access Resilinc data banks to learn the latest about suppliers' status.

"We crowdsource supply chain event

strikes. Harnessing that same technology, Resilinc is able to share information with authorized parties in real time, anywhere, and from any device. Partners are no longer tethered to desktops, says Vakil.

She sees mobile technology as particularly disruptive in the workplace. "OEMs and suppliers are communicating and collaborating everywhere on mobile devices" she says. "They are collaborating over social media in a big way, and that means enterprises don't need to be too dependent on



he says he felt he had answers before questions were asked. "With something like this, you learn almost in real time if your suppliers have been affected and what segments of your supply chain have been impacted."

Technologies, such as social media and mobile communications, enable providers like Resilinc to notify customers within minutes of such events, says Bindiya Vakil, CEO and founder of Resilinc. In fact, Resilinc's continued monitoring of the event enabled its customers to respond appropriately, making supply chain adjustments where necessary. As a result, Resilinc shifts the emphasis on supplier collaboration from try-

ing information from social media because it's usually reported there first," says Vakil. "After all, everybody's a sensor, everybody's got a phone." That means that Resilinc is pushing not just news of an event to customers but pictures of it as well. Nevertheless, traditional media is used to validate initial reports since social media can be unreliable. Armed with Resilinc's ongoing event monitoring reports, customers can coordinate their response.

Statistical modeling and "big data" have impacted any number of areas, not least in gathering social media postings about such events as environmental crises, riots and

traditional ERP systems."

The "intersection of mobile and the human element," as Vakil calls it, is exciting because it puts valuable information in the hands of important stakeholders, be they enterprise employees, customers or suppliers.

There also is value in having a trusted partner in charge of the collection process, MacLea says. "Any data collection system that minimizes the amount of effort required to maintain and manage data – and in real time—just makes things more successful for us," MacLea says. "A system like that is foundational to us." ○