

Executive Briefing: Risk Management

It was a beautiful morning. The sun was shining. The birds were singing. My coffee was delicious and perfectly brewed. Mornings like that are rare in our beautiful Portland. Life was good - until I opened my emails and found out that a supplier had decided to discontinue supplying. Our product was too much of a headache, the specifications too tight and the margins too low. But they were generous and gave us 3 months notice (great). After I wiped up the coffee I had spilled I got busy and applied everything I told in my other briefing about supplier relationship management. It ended up working out, but the few days until I had enough supply guaranteed were not pleasant.

So how do you avoid spilling your good coffee like that?

Risk management. When people consider risk, they often think of 'Acts of God' like wars, fires, floods, etc. But these days we all have to consider way more than that: Supply shortages, bankruptcy, plant closures, mergers and good problems like unplanned growth. Do you know for sure that your supply chain has plans in place to mitigate those?

If you don't know, it is time to review your suppliers so you don't lose sleep at night or spill your coffee in the morning.

Start by prioritizing your strategic suppliers by risk (the infamous cross-functional team will be good support to make sure all risks are considered). Then prioritize by spend. Tackle suppliers that are high risk and high spend first. Make sure you consider second and third tier suppliers - if your suppliers do not have risk management in place, those lower tier suppliers can shut them (and you) down. Then create a business continuity plan for each supplier. Move on to the next level of priority (high risk, low spend) and repeat.

Using simple and free tools like Google alerts will keep you up-to-date and your mornings beautiful.

Zirna Process:

