

# In a New Era, Opportunity Arises from Risk Management



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Every supply chain professional knows it's a dangerous world out there, full of highly volatile and unpredictable elements that can grind production to a halt, hold up cargo in stubborn bottlenecks, drive up prices and drive down demand, all in the time it takes for a crack of thunder to rumble across the skies. Of course, that's nothing new. Some would argue the sheer number and variety of things to worry about has become almost overwhelming – including natural disasters, terrorist attacks, [computer viruses](#) [1], theft, hijack, “shrinkage”, transportation and labor disruptions, new regulations, bad weather, political unrest and [economic collapse](#) [2]. For all these reasons, risk management has become an ever-larger part of what occupies my time and attention.

However, it might surprise you that risk management is *not* just a defensive way of reducing the negative impact of unexpected or unwelcome events; it's also a way to proactively *boost* business. The kind of thinking, planning and modeling required to anticipate and ameliorate these threatening factors is also exactly the thinking that will make your supply chain more agile and therefore lead to an ability to capitalize on unforeseen opportunities.

An article by Mike Doheny, Venu Nagali, and Florian Weig, published in the

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McKinsey Quarterly earlier this month, "[Agile operations for volatile times](#) [3]," hones in on exactly this point.

Rising volatility, uncertainty, and business complexity have made reacting to – and planning for – changing market conditions more difficult than ever," say the McKinsey authors. But smart companies who focus on supply chain agility "are also seeking ways to use volatility to gain advantage over rivals." The paper goes on to cite examples of three companies doing just that.

In the hard disk drive industry, everyone was hit hard by the floods in Thailand last year. But that disruption accelerated already-planned initiatives to make Seagate's supply chain even more flexible, robust, resilient and responsive to change. We grabbed the opportunity to make Seagate's supply chain an even greater competitive advantage than it has been in the past. One change we are making, for example, is to dramatically streamline operations into fewer regionalized locations. This will give us much greater flexibility, capability and capacity to adjust to sudden changes in demand.

Today, supply chain leaders not only must know how to shift supply and distribution amid natural disasters, but they must be on the ball and agile in all kinds of other matters, such as finance amid wild currency fluctuations or political changes amid social unrest, to name but two.

Risk management, as we know, involves constantly asking "what if?" scenarios. The old, reactive mentality is to ask "what if" questions only about things going wrong. But exactly the same modeling and extrapolation can be used to break apart the whole supply chain process and design it to better adapt to a new situation quickly and efficiently.

Today's leading supply chains can be critical competitive advantages for their companies, investors and customers. It's imperative though to incessantly interrogate your supply chain with possible scenarios, good and bad, modeling outcomes and making changes in collaboration with customers, suppliers and all the major divisions within your own company, including sales, marketing, product design and manufacturing. The end result should be that smart risk management makes it easier to open the door when opportunity knocks.

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**Links:**

[1] <http://www.bbc.co.uk/news/magazine-17868789>

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[2] <http://www.europeanvoice.com/article/2012/may/asia-exposed/74448.aspx#http://www.europeanvoice.com/article/2012/may/asia-exposed/74448.aspx>

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