

# **Building The Resilient Enterprise**

Building a Resilient Supply Chain Vendor Management Process

v1.3

**Barry Gorelick – SVP, Union Bank**

# Agenda

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## The Resilient Enterprise

### Vignettes

- Supply Chain Risk Framework and Organization
- Continuous Control Monitoring

## Key Elements of Supply Chain “Resilience”

### “Toys and Tools” to Take Home

# Drivers of Broad Resilience

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Expectations of  
Recovery

Expectations of  
Privacy and  
Protection

Intolerance for  
Mistakes

External  
Interdependencies

Multi-Level  
Complexity

Regulation and  
Legislation

Requirements for  
Immediate Risk  
Transparency

$$\text{Risk} = \text{Threat} + \text{Probability} + \text{Outrage}^*$$

## A Sample Blueprint That Includes the Supply Chain

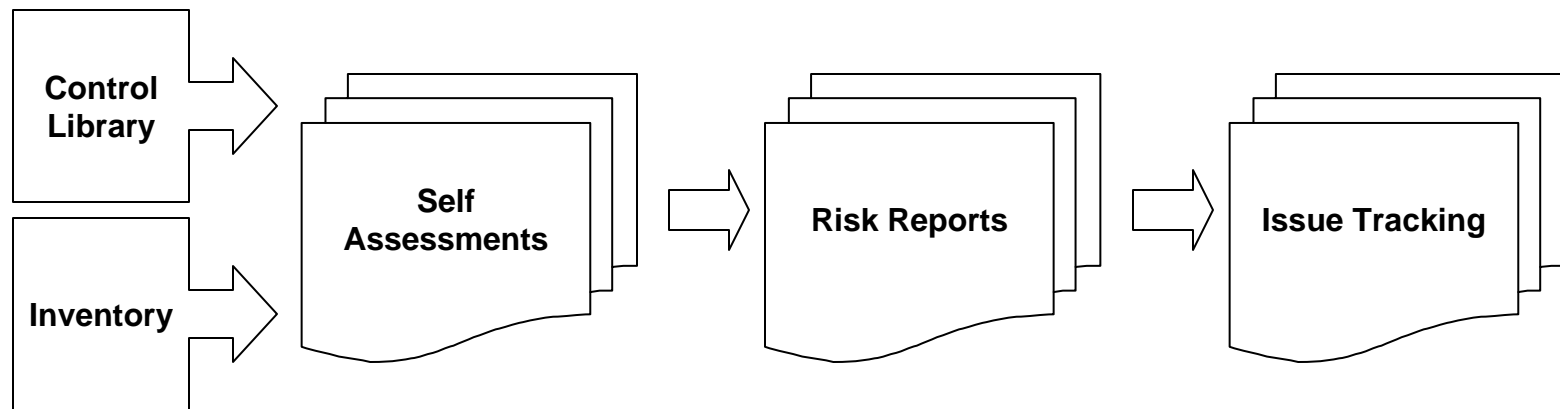
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- Resilience through Redundancy
- Resilience through Flexibility
- Near Miss Analysis
- Highest Common Factors
- Culture, Training, and Drills
- Detecting Disruption
- Collaboration

# Continuous Control Monitoring [Focus on Fixing not just Finding]

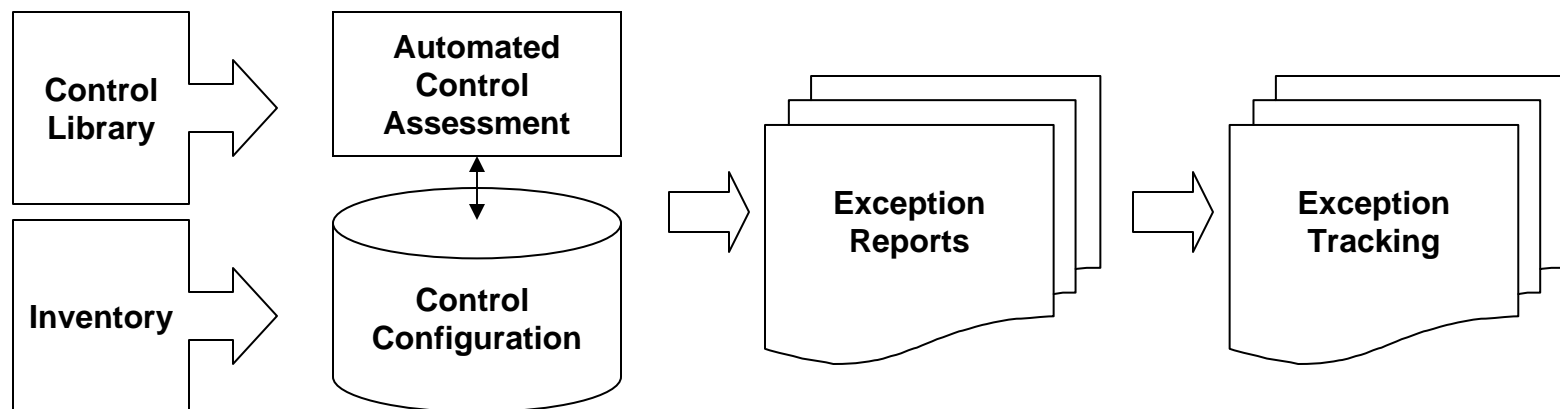
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**Control Self Assessment → Time Consuming, Bureaucratic, Snap Shot Based**



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**Continuous Control Monitoring → Real Time, Exception Based, Solutions Centric**



## 7 Key Elements of Supply Chain “Resilience”

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- 1 Continuous Control Monitoring → Inspection + Exception
- 2 Sustainable Feedback Loops through Triangulation → Continuous Enrichment
- 3 Convergence of Risks to Reduce Duplication → Highest Common Factors
- 4 Functional Dispersion → “Cellular” Operation
- 5 Bias Toward Embedding into Existing Processes → Enterprise DNA
- 6 Increase the Baseline → Reduce the *Cost* of Control
- 7 Incident Learning → Continuous Improvement

# The Challenge: Standards Proliferation

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- Multiple standards: some conflicting, some overlapping, none comprehensive
- Operationalizing of supply chain risk management is largely ignored



## Four Key Points: Supply Chain Management Operationalization

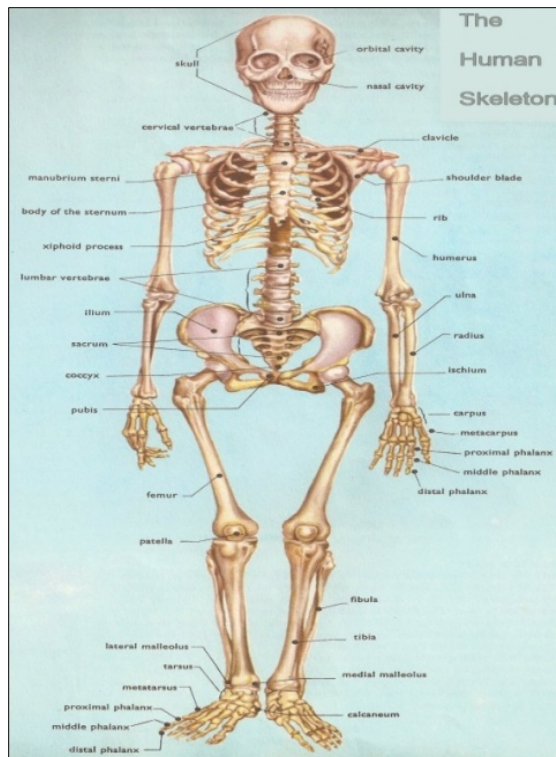
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1. Common shared context: Organization and process structure
2. Common language of risk and control
3. Common methodology
4. Enterprise-wide reporting

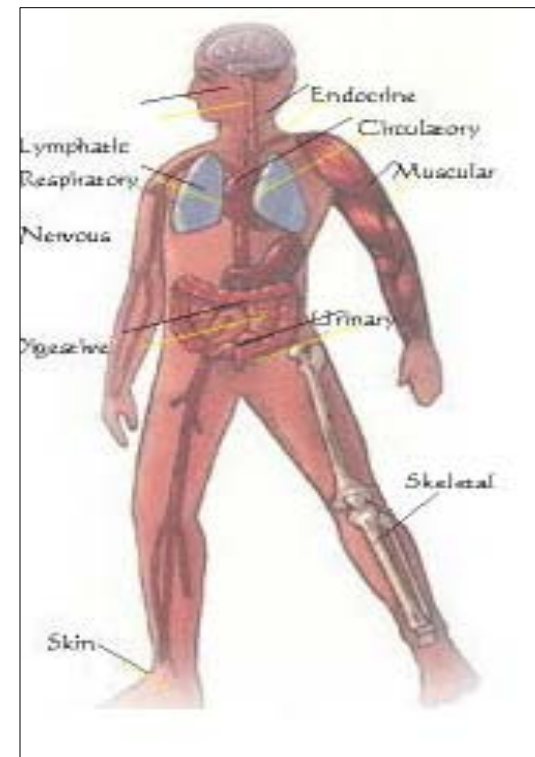
# Point 1: Common Shared Organization and Process Hierarchies

- Medical science has developed, over thousands of years, a shared context for all medical knowledge
- All illnesses and treatments are organized into these contexts and sub contexts.

**Organization structure**



**Process structure**



## Point 2 : Common Language - Sample Risk Types

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- Standard classification of risks and controls is essential to avoid duplication

<b><u>Environmental risks</u></b>	<b><u>Financial risks</u></b>	<b><u>Supply risks</u></b>	<b><u>Management risks</u></b>
Business continuity	Capital availability	Commodity prices	Corporate governance
Business market environment	Credit	Supply chain	Employee health and safety
Environmental	Financial market risk	Data security	Intellectual property
Natural disasters /weather	Inflation	Outsourcing problems	Labor skills shortage & disputes
Pandemic	Interest rates	Reputation	M&A/restructuring
Political risk	Liquidity		Managing complexity
Regulatory/legislative			Project management
Terrorism			Technology failure

## Point 3: Common Methodology

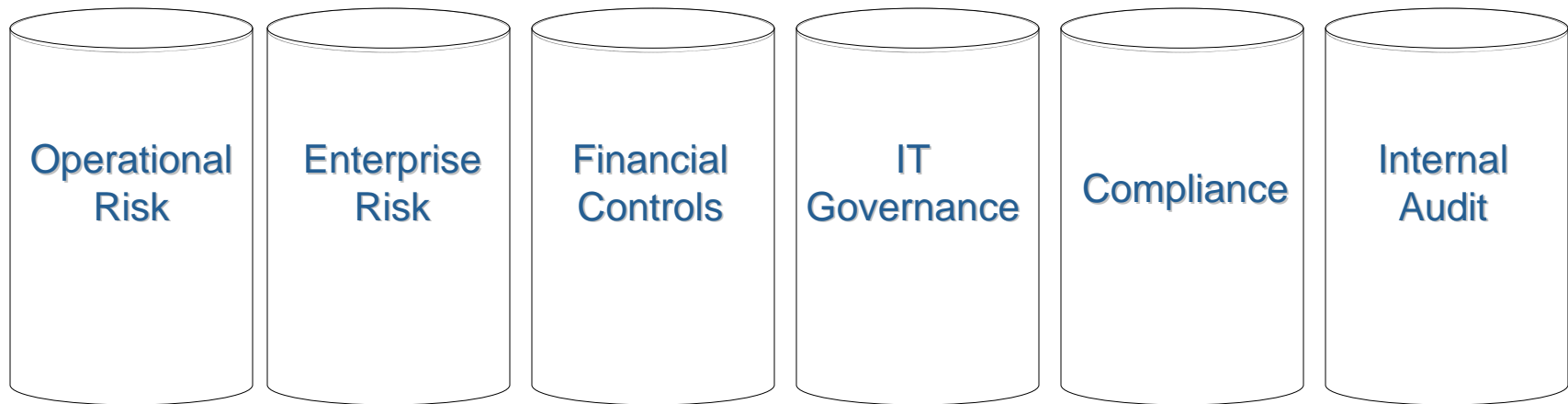
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- Common methodology exists when organizations collaborate and share work
  - Defining, rating and reviewing the risk and control framework of an organization is consistent not only within a particular assessment group but also across groups
  - Risk management assurance groups do not overlap unintentionally
  - Process owners are not unintentionally burdened by multiple or conflicting recommendations
  - Resources are deployed in proportion to need

## Point 4: Improving Process Maturity - Breaking Down Silos

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- Enterprise Reporting: Process maturity levels vary widely among silos and between organizations. Few achieve and sustain high levels of process maturity



# “Toys and Tools”

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- More than BCP
- Other categories include:
  - Governance
  - Info Sec
  - Privacy
  - Facilities
  - Asset Management
  - HR



## BCP Shared Assessment of Agreed Upon Procedures

<http://www.sharedassessments.org/download/files.html>



## Boeing Case Study

<http://www.supplychain-forum.com/article.cfm?num=19&art=170&CFID=10192252&CFTOKEN=37633412>



## HP Case Study

<http://www.supplychain-forum.com/article.cfm?num=9&art=85&CFID=4041133&CFTOKEN=93790443>



## Full Shared Assessment of Agreed Upon Procedures (AUP)

<http://www.bitsinfo.org/downloads/Publications%20Page/2009Framework.pdf>

# Conclusions

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- Vendor Management and Supply Chain processes are largely immature
- Multiple, single purpose standards drive silos
- Process maturity requires consistency
- There are tools that offer potential solutions

## Q&A

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If you have any questions, please feel free to contact  
Barry Gorelick:

- o 323-278-6347
- o [Barry.Gorelick@UnionBank.com](mailto:Barry.Gorelick@UnionBank.com)