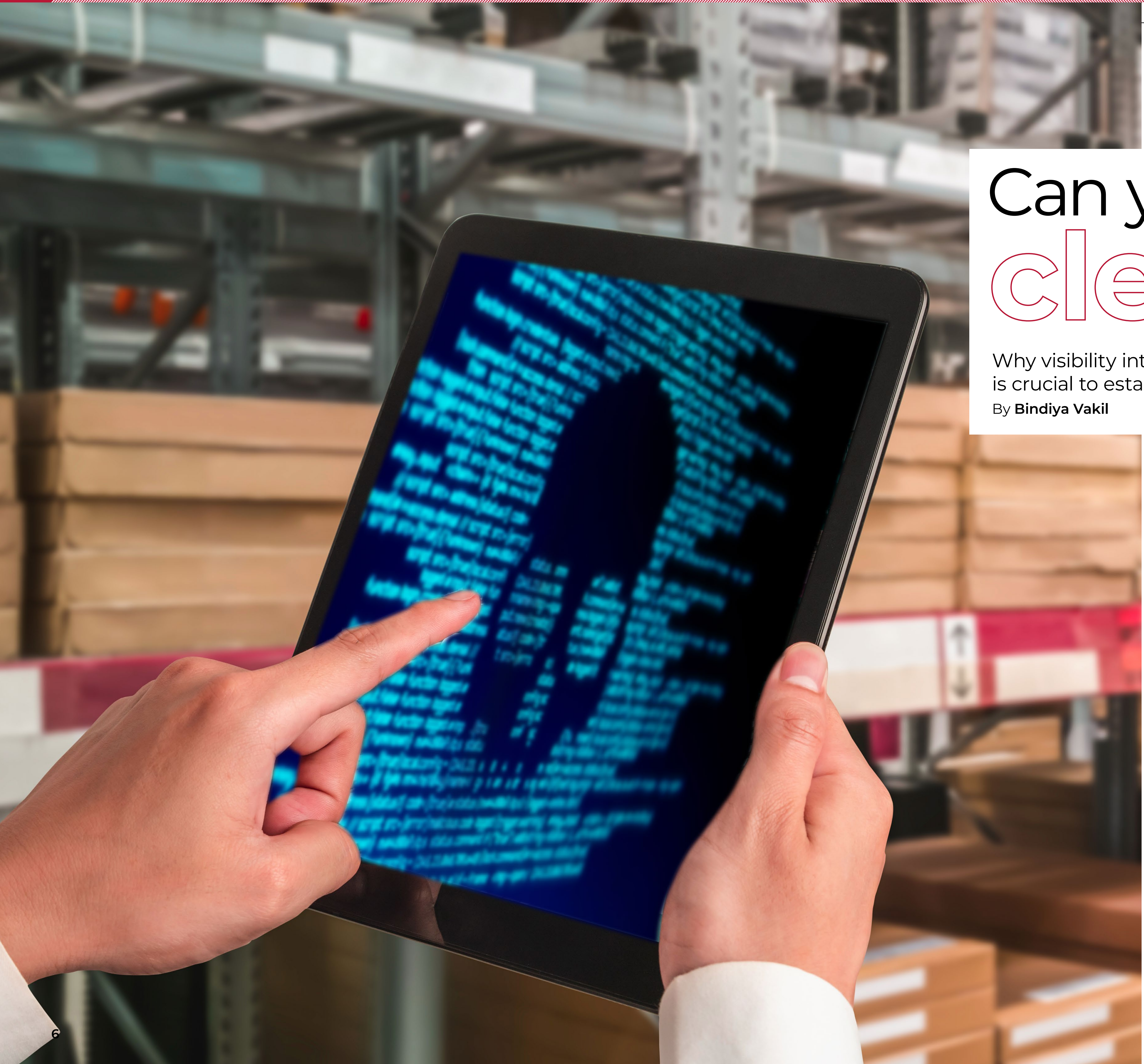

# Can you see clearly?

Why visibility into your company's supplier network is crucial to establishing secure supply chains

By **Bindiya Vakil**

The coming year will certainly continue to challenge suppliers and companies seeking to build resilient supply chains. In 2022, we witnessed a surge in geopolitical disruption, labor strikes, Covid lockdowns, and supply shortages. These factors will continue to pose a challenge for companies, but what lies ahead for 2023?

This article explores some of the key areas that organizations need to consider moving forwards to build a strong and secure supply chain.

## Effective *cyber* security is key to *supply* chain security

The most recent figures from our database show that cyberattacks were up 90 percent in the first half of 2022 compared to the same period in 2021. And unfortunately this trend shows no signs of slowing. Cyber threats typically emerge in the supply chain where there are gaps in companies monitoring their partners and vendors. A company often limits its cybersecurity strategy only to immediate vendors and suppliers, potentially exposing itself to cyberattacks deeper in its supply chain. After all, a company can

only be as strong as its weakest link when it comes to security, hence organizations need to ensure that all suppliers and vendors are incorporated into any cybersecurity processes, irrespective of software type or service offered. To combat this, many organizations use a 'Corrective Action Report' to fix any cybersecurity problems identified in a supplier's processes: this is the most effective way to ensure cyber risks are kept as low as possible. Steps to address the given issues should also be incorporated into the report and deadlines should be given for enacting measures. Fortunately, this awareness of lower tier risk is increasing, and by 2025, Gartner estimates that around 60 percent of organizations will be using cybersecurity risk as a key factor to determine business engagements with third parties.

## Inflation's increasing risk to secure supply networks

Inflation will continue to feature heavily throughout the coming year, meaning supply chains will become more expensive through increases to costs and services. And it is these added pressures which may require companies to reassess their current supply chains to help minimize costs or to ensure continuity of supply if suppliers are no longer able to provide products or services. The ripple effect this could cause to organizations may be significant. One way to combat rising costs and secure supply is to map your supply chain down several tiers. It is often low-spend, single-sourced materials and components produced by third or fourth-tier suppliers that cause the most disruption if they become unavailable. I read an example of this not too long ago which saw the absence of just one of 20 components - a 12-cent part - halt an assembly line for two weeks, causing weeks of disruption and significant revenue loss. This only underscores the need for suppliers to have multi-tier visibility through mapping, and it is paramount that companies increase visibility over low-spend suppliers in particular. Even in the context of inflation or a recession, this will best ensure a company's supply chain has been mapped to help minimize future disruption, providing lasting savings to companies in the long-term.

## Geopolitics continue to undermine established supply chains

As we have seen over the past year, geopolitical developments in Ukraine as well as lockdown policies employed by China to combat Covid-19 have impacted supply chains profoundly. Now, many businesses are adopting a China-plus-one strategy to mitigate exposure to political decisions and diversify away from China. Establishing a mature supply chain resiliency program is key to mitigating risk from geopolitical events. Such a program should include real-time event monitoring and alerts, as well as supply chain mapping down to part origin for single-sourced parts to give the greatest insight into potential emerging disruptions and supply weaknesses ahead.

In order to have a secure supply network, it is crucial that companies establish a supply chain resiliency programme that not only maps suppliers down to the part origin level, but one that also prioritizes risk mitigations based on revenue impact, rather than by spend. Whilst the traditional approach focuses on the top 20 percent of suppliers that make up 80 percent of the spend, this leaves procurement teams with little to no visibility over the other 80 percent of suppliers - the overwhelming majority of a company's supply chain! This extremely risky approach should therefore be avoided, and attention should instead turn to the suppliers your organization has no visibility over which tend to be lower-spend.

Building supply chain resiliency is a very effective way for companies to prepare for and minimize disruption in 2023 - taking the focus away from costly crisis management towards a more considered approach. By taking a proactive attitude, supply chain risk management is then viewed across the organization not as an operational burden, but as the foundation of a secure and resilient supply network. ■

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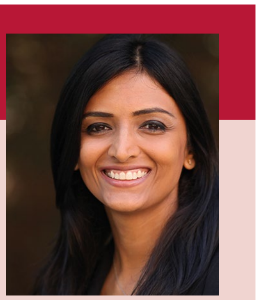

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*Resilinc was founded with the purpose to strengthen global supply chains, making them resilient, sustainable, transparent, and secure. Since its launch in 2010 Resilinc has defined the supply chain mapping, monitoring, and resiliency space and is widely considered the gold standard for supply chain resiliency, worldwide.*