


# 5 Supply Chain Disruptions & Mitigation Tactics

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Supply chain risk management (SCRM) is not an easy task. There are an infinite number of factors in supply chain disruptions which may affect the cost, timing, or risk of a supply chain at any given time. While total and complete supply chain risk prevention isn't possible, the goal of SCRM will always be to minimize the impact of supply chain disruption.

As many risk management professionals know, in reality, the best you can do is to make calculated decisions that'll reduce the occurrence of disruption events and to have systems in place to minimize their impact when they happen. There will never be a perfect answer to risk management, but some mitigation tactics are significantly more effective than others. Below, we highlight five major supply chain disruptions experienced across industries and the best mitigation tactics used to counteract them.

## 5 Major Supply Chain Disruptions & How to Reduce Their Impact

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### 1. Natural Disasters

Events such as floods, earthquakes, hurricanes, wild fires, and tornadoes are all unpredictable and cause catastrophic disruption in supply chains, worldwide. Sometimes a natural disaster is so devastating that full recovery isn't possible. This [infographic](#) from the Federal Emergency Management Agency (FEMA) states that, "roughly 40 to 60 percent of small businesses never reopen their doors following a disaster". Every supplier that shuts down because of a natural disaster causes major disruption to each one of its customers' supply chains.

### **Mitigation Tactic: Global Diversity**

It's becoming easier for supply chain professionals to access broader, more diverse networks of potential suppliers. Tapping into this potential supplier network and selecting backups in different geographic regions is a great way to protect against natural disaster risk, ensuring that your primary and backup suppliers are far enough apart where one natural disaster wouldn't affect both of them. Additionally, make sure contingency plans account for global diversity when it comes to supply chain components such as distribution centers and transportation routes. If a natural disaster were to affect these things, distribution networks should be set up to easily move items through varying global regions.

### 2. Transportation Failure

Cargo theft, regulation changes, shipping damage, weather, and traffic delays are some examples of potential supply chain disruptions in transportation. New [logistics and transportation service providers enter the market each year](#), creating a more competitive landscape by driving down costs, but unfortunately also driving up risks.

### **Mitigation Tactic: Cargo Carrier Assessments**

Carrying through comprehensive research is essential to cargo being delivered safely, on time, and at a fair cost. Before contracting with a transportation partner, it should be thoroughly analyzed. Active Scout Technologies published an excellent assessment [framework](#) for this, which consists of seven steps: Research, Analyze, Contract, Source, Monitor, Manage, and Record. Frameworks like these are valuable tools when performing cargo carrier assessments.

### 3. Geopolitical Instability

Civil wars, protests, riots, etc., have unquestionably lead to supply chain disruptions. A city or country under tensions of civil unrest may indefinitely produce a variety of issues that put your supply chain at risk. Loss of communications, travel hazards, and general time delays caused by this turmoil may make it difficult to solve supply chain problems in these volatile regions. Furthermore, the size and duration of these events are unpredictable.

### **Mitigation Tactic: Cultural Research**

Due to the erratic nature of these issues, it's critical that supply chain decisions are made with as much background information as possible in areas where political instability is common or is on the verge of outbreak. Conduct research to understand the historical and current political climates of the geographic area where you plan to source from. Any news that hints the chance of instability within a region should be heavily considered when developing a supply chain. In some cases, sourcing from a politically unstable region may be the only option, so it's especially important in these situations to develop a strong contingency that accounts for worst-case scenarios.

#### 4. Price Hikes

Markets are naturally volatile and unpredictable, and the price of raw goods influences the cost of every component in a given supply chain. The combination of these factors results in serious supply chain risk.

##### **Mitigation Tactic: Market Exploitation**

A unique aspect the global market is that it doesn't affect a single individual, but instead impacts everyone. Mitigating against market risks not only protects against supply chain disruption, but actually provide competitive advantages.

One of the best ways to reduce risks associated with rising prices is to understand the market's trends, then take advantage of them. If research and analysis suggest a given commodity's price may increase, buy some futures or work with suppliers to purchase more of that material before the price goes up. If the market suggests that a given commodity may decrease in price soon, don't be afraid to slightly lower inventory levels until the raw material price drops. This is where much of the price risk lies, so having knowledge of market trends goes a long way in the supply chain world.

#### 5. Cyber Attacks

Earlier this year, Supply Chain Insights published a [report](#) in which surveys discovered that cyber attacks and computer hackings were the most impactful events to supply chains over that last five years. This area is a growing concern across all industries because there's an immeasurable amount of data flowing through a supply chain on any given day. If this data becomes compromised, the consequences could be drastic. Also, this data is difficult to safeguard against cyber threats and new technologies make information assurance progressively more challenging.

##### **Mitigation Tactic: Employee Training**

Even with large IT departments and security experts, there's no better mitigation tactic to prevent against cyber attacks than educating your employees with best practices. Phishing emails, password breaches, and personal computer theft are some the easiest ways for hackers and thieves to gain access to your company's data. Teaching employees how to

watch out for suspicious behavior or strange emails is key to ensuring supply chain data is secure and these issues don't arise. This [blog post](#) from CSO provides a compiled list of various cybersecurity training programs and tools proven to be extremely beneficial.

### **Bonus Mitigation Tactic: Blockchain**

Just one of the many features that blockchain technology presents is its ability to secure data. In the future, this software architecture may provide solutions to many of the of the cybersecurity issues experienced today. While blockchain may still be in its early stages, it's not too early to start learning about its [features and use cases](#). Blockchain is well on its way to becoming the new standard in supply chain data transfer.

-Jonathan