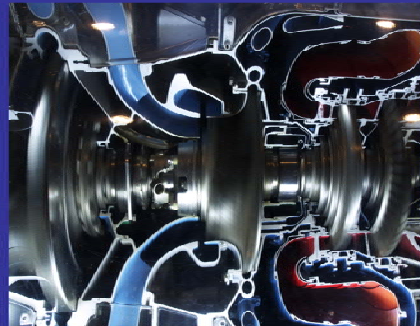


# Webcast

November 19, 2007



## Supply Risk Management

[www.bostonstrategies.com](http://www.bostonstrategies.com)  
(1) 781-250-8150



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# Agenda

- What is supply risk management?
- Why is it important?
- What can you do about it?
- How does each approach perform?
- What is the best way to cope with supply risk?



# Supply Chain Risk: A Hot Topic

Supply Chain Risk  
(ISM Conference 2004)

SUPPLY NETWORK DESIGN  
(MIT)

Supply risk  
(Supply Chain Planet)

Business continuity  
(MIT)

Risk management  
(Inside Supply Management)

Supply Management Risk  
(International Journal of Supply Management)

Holistic Risk management  
(Purchasing Magazine)

The breaking point  
(Journal of Commerce)

Supply risk  
(Supply Chain Management Review)

Balanced scorecard  
(Harvard Business Review)

Risk control  
(APICS Performance Advantage)

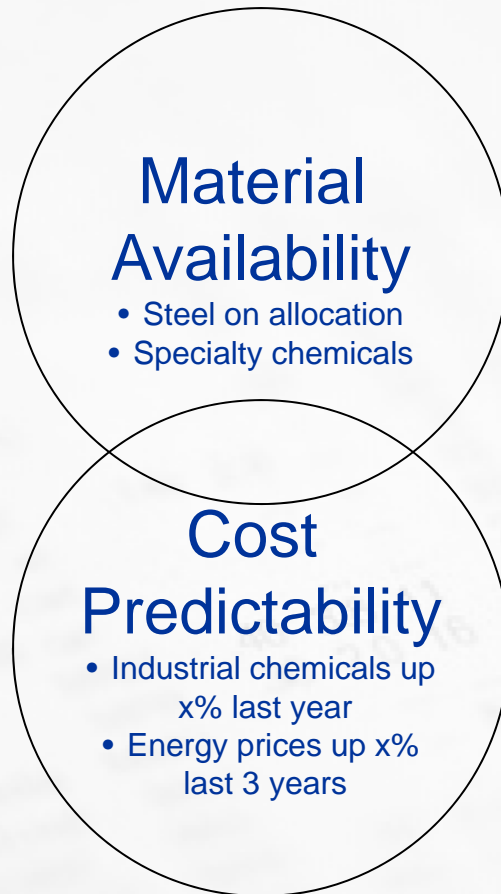
Supply continuity planning  
(Inside Supply Management)



# Categories of Risk

## Practical Categories of Risk

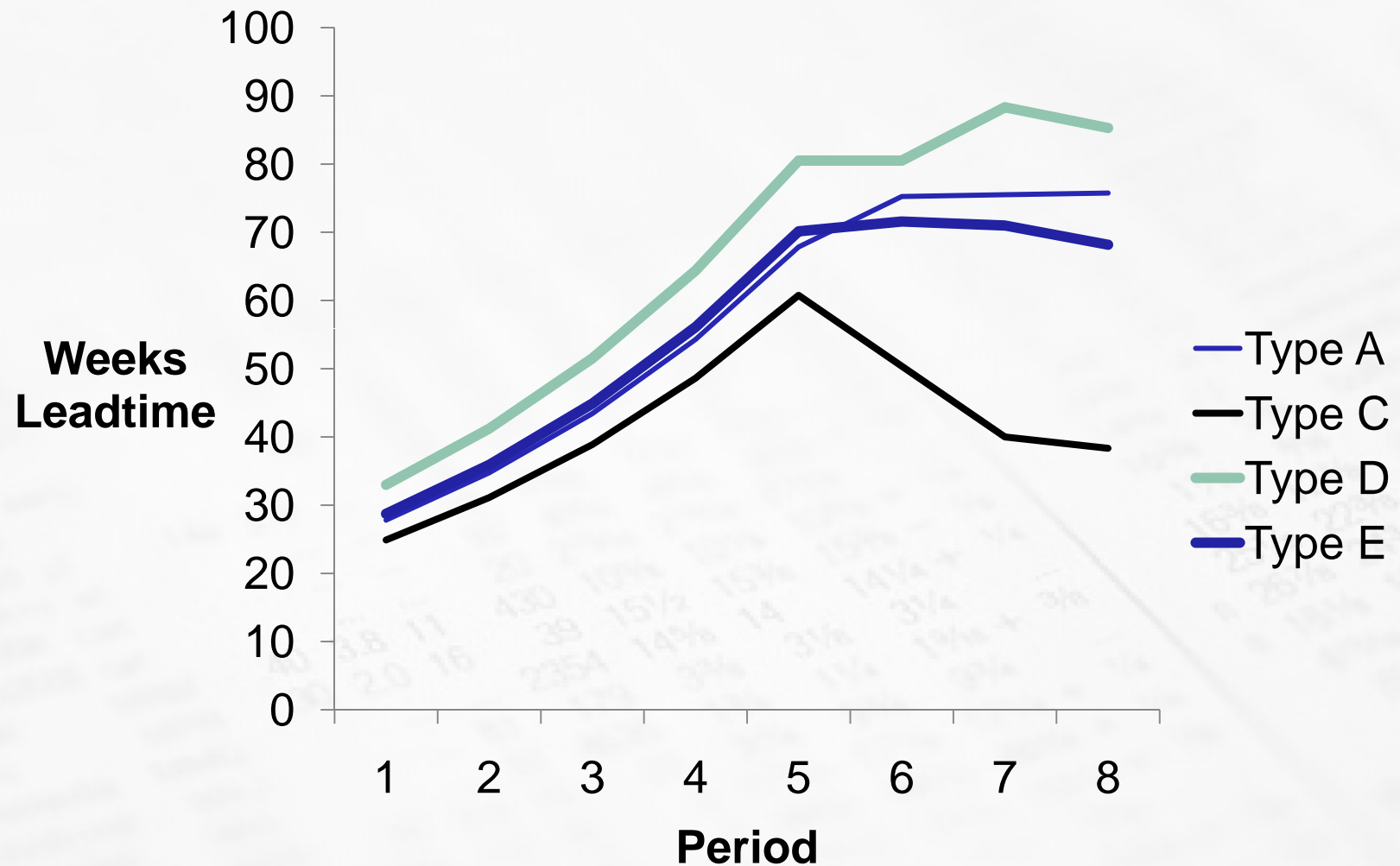
### Supply Risk



### Supply Chain Risk

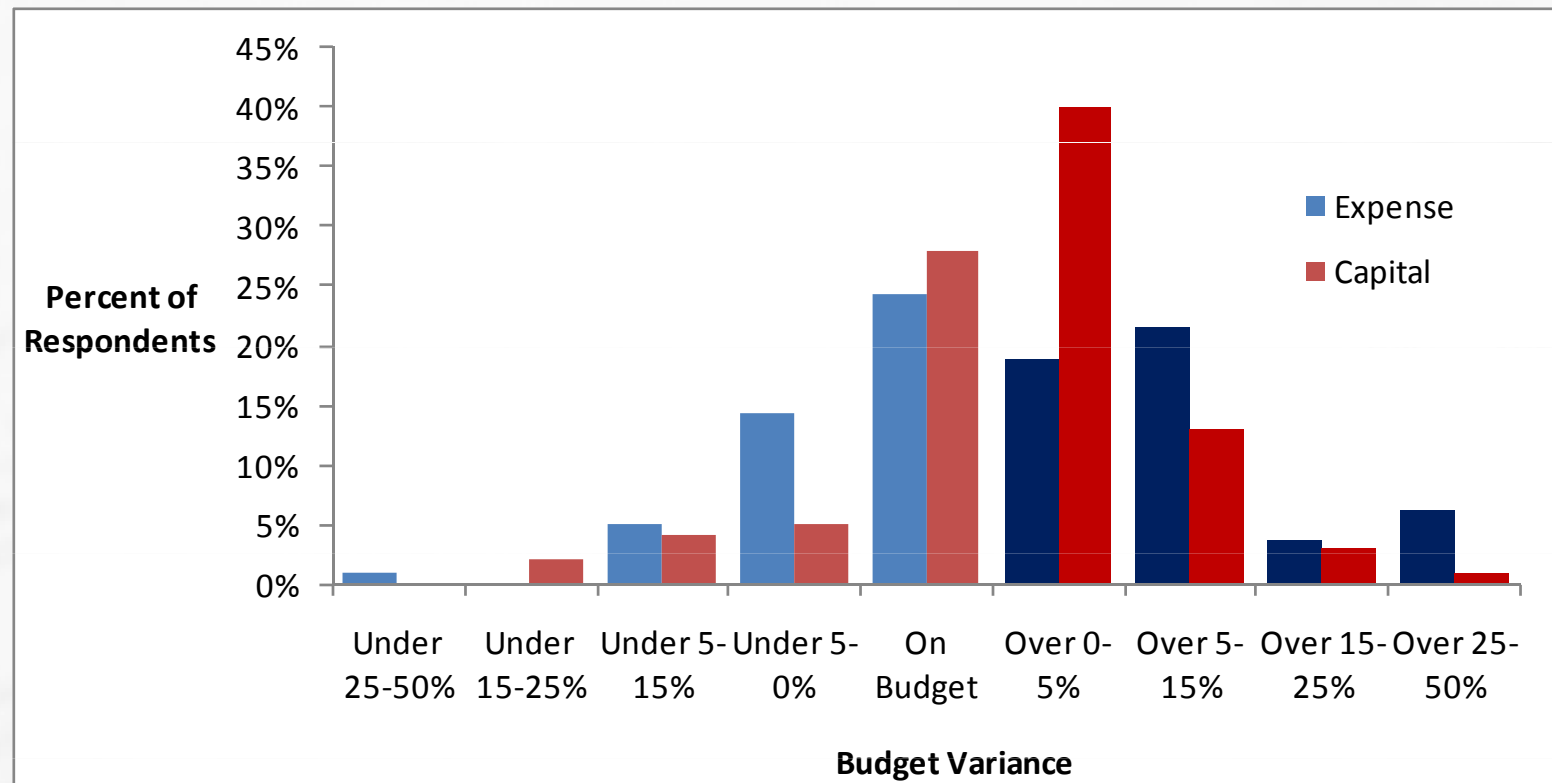


# Leadtime increases have been painful



# Raw materials costs have gone wild, and budget variances are increasing

- Expense: 50% are over-budget, 62% worsening
- Capital: 60% are over-budget, 73% worsening



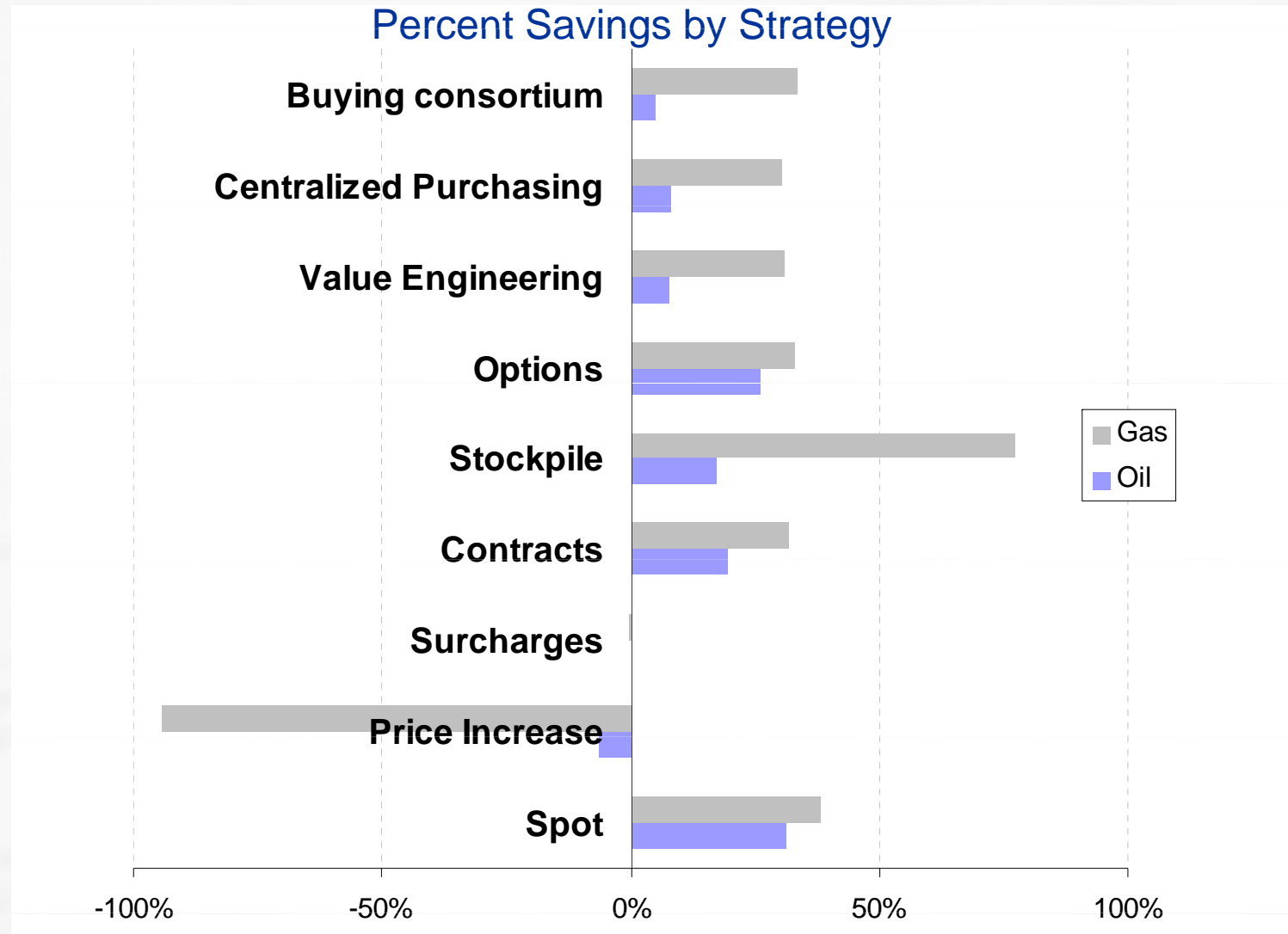


# High stakes

- Stock market devaluation
- Financial loss
- Lost productivity
- Lost speed to market
- Personal stress
- Career disruption



# Avoidance is best; hedging is often practical





# Potential risk management strategies

## Avoid risk

1. Reduce consumption
2. Pass costs on to customers

## Diversify risk

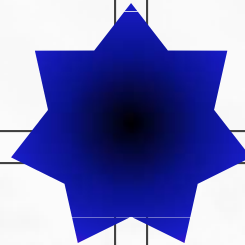
1. Decentralize purchasing
2. Join a buying consortium

## Hedge risk

1. Buy options
2. Study and anticipate market conditions

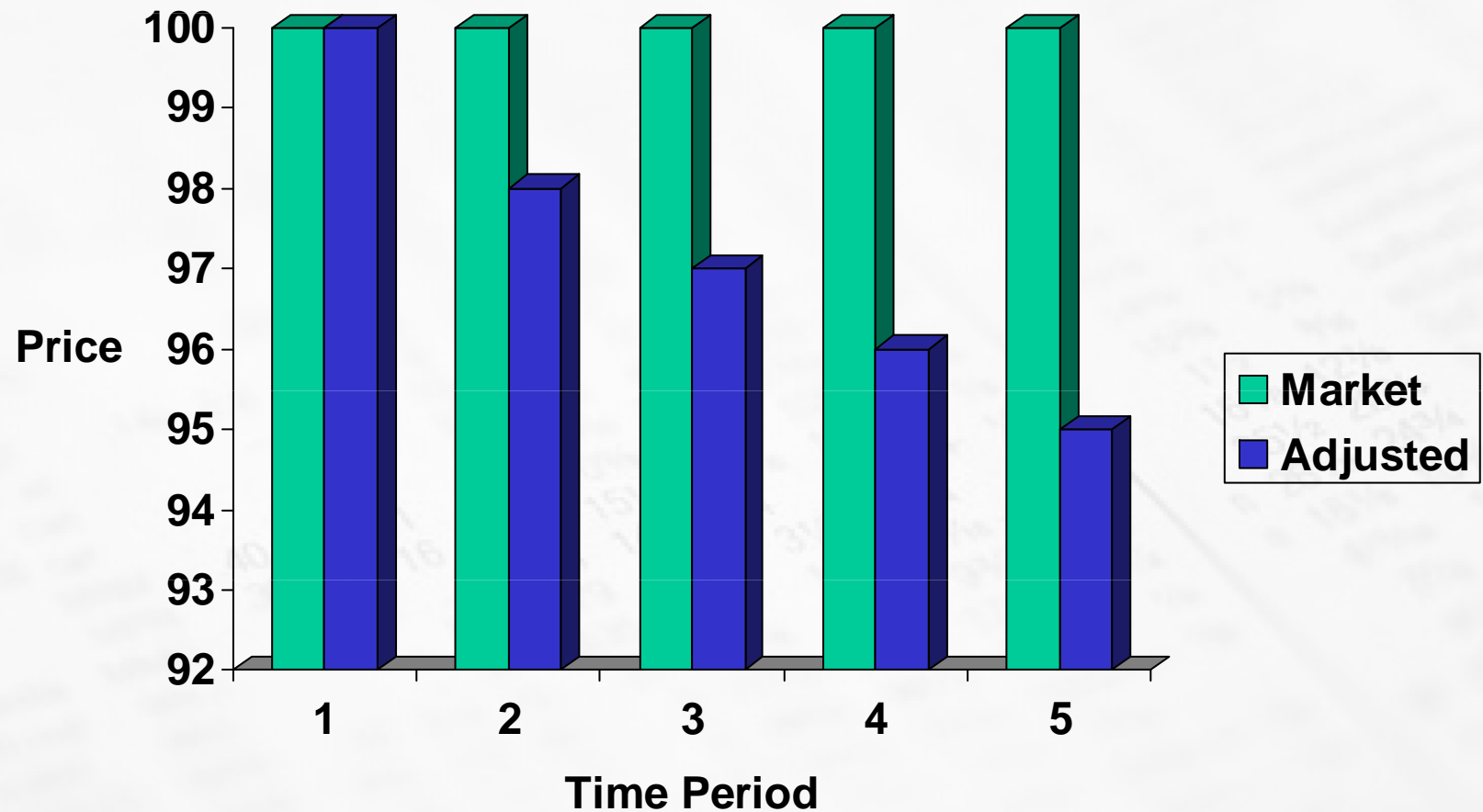
## Minimize risk

1. Buy in advance at the current price
2. Sign long-term contracts at forecast rates



# Managed risk

- Solid strategies for managing risk



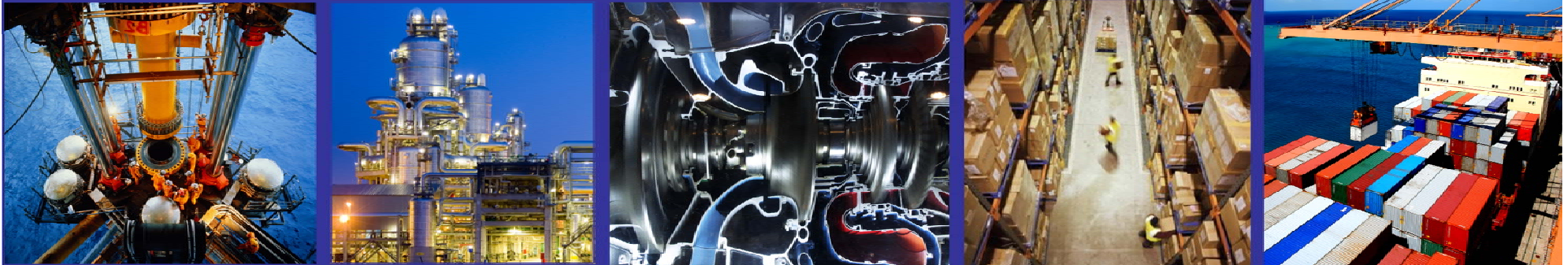
# Boston Strategies International

David Jacoby: [djacoby@bostonstrategies.com](mailto:djacoby@bostonstrategies.com)

Tel: +1 (781) 250-8150

Boston Strategies International is a global management consulting firm that helps market leaders achieve competitive advantage through supply chain management through:

- **Supply Market Analysis** that helps identify emerging issues that affect their supply chains
- **Supplier Enablement** that facilitates global growth and local content requirements
- **Supply Chain Optimization** that reduces project and life cycle costs



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