



Presented by
Falconbury

Effective Management of Supply Chain Risk

28-29 November 2024

The increase of outsourcing and globalisation creates extended risk profiles for businesses. This course will bring you right up to date with best practice for supply chain risk management.



Format:
Live online



CPD:
12 hours for your records



Certificate of completion

Course overview

“A supply chain is only as strong as its weakest link.”

With increased outsourcing and globalisation, the risk to businesses of relying on external suppliers is greater than ever. This course will enable delegates to understand that through effective collaboration with their suppliers, those suppliers can add value and be part of any risk management solution, and integral in creating new opportunities for future success through innovation and efficiencies.

This supply chain risks management course will guide delegates through the process of maximising the benefits of outsourcing to specialist / expert suppliers who are able to achieve optimum outcomes and ensuring the impact of potential risks is kept to a minimum.

Suppliers are not exempt from risks, either coming from external or internal factors. This is why it is critical to work with your suppliers, to support them, collaborate with them, view them as strategic partners, to assist them to effectively mitigate, minimise or manage any supply chain risks which arise.

It's crucial to identify all potential risks, some of which are created by the buyer due to poor communication with suppliers, others due to external factors affecting all suppliers, and some may be self-made by a supplier. Once a risk has been identified and the buyer is made aware of a potential risk, the contracting parties can then work together to determine the best strategy for mitigating / eliminating that potential risk or minimising the criticality and the impact on the buyers' business.

This course will give delegates the framework to undertake thorough due diligence to gather that information, either from independent sources or through their tendering process, or their contract express terms. It will provide structure on how to process that information to determine the best approach to adopt taking into consideration their attitude to risk and their overall strategy, and their 'bigger picture' objectives in respect of their suppliers.

The expert trainer will provide procedures and best practise evaluation and planning tools to help you either avoid potential risks or minimise the impact when risks do materialise. Learn how to create a culture of pro-active risk management and understand lessons learnt within your own organisation and in your relationship with suppliers.

This course provides insight into the options available from legal recourse to practical remedies. It emphasises the importance of good supplier relationships due to the interdependent nature of the relationship between a buyer and a supplier, and the longer-term perspective. It is in no one's benefit if a risk materialises for the result to be litigation, where neither party truly wins.

Specifically designed for everyone interacting with suppliers, or supporting colleagues who are the interface with suppliers, either in the scoping of requirements for outsourced goods and services; the negotiation with suppliers; the management of suppliers; or are reliant on the output received from an external supply source.

If a risk is unavoidable and no acceptable remedy is possible, what should the business continuity plan look like? Do you have a disaster recovery plan in place? Does the buyer have the right to terminate the contract, is there an exit strategy / supplier transition plan?

This course focusses on best practice for success but also looks at how to plan and mitigate for the worst. Proactive management of supply chain risk means being prewarned and therefore pre-armed.

Benefits of attending

By attending this course, you will:

- **Understand** the risks and rewards involved with subcontracting
- **Learn** about the different types of risks in supply chain
- **Get to grips** with how to identify and mitigate against the risks
- **Evaluate** the best strategies to undertake a vulnerability assessment
- **Boost** your knowledge of aligning express terms with your company's attitude to risk
- **Appreciate** how to interpret meaningful performance information

Who should attend?

This course has been specifically designed for all those who manage stakeholders in a supply chain, including:

- Contract and commercial managers and engineers
- Project and procurement managers
- Business development managers
- Contract administrators, officers and specialists

Programme

Day 1

Introduction

Benefits of managing supply chain risk

- Why do we subcontract: Porter's value chain
- Exercise – Porter's value chain evaluation
- Benefits of subcontracting v loss of control & potential negative impact on buyer's organisation
- "A supply chain is only as strong as its weakest link"
- Negative consequences of risk in the supply chain, loss of control, potential of reputational damage
- Why supporting suppliers to achieve success, benefits the buyer
- Interdependency nature of relationship
- Avoiding litigation
- Benefits of pro-actively managing supply chain risks, pre-armed = pre-armed
- Developing a plan to recognise potential risks / challenges and effectively minimising their impact



Different causes and types of supply chain risk

- Different type of risks which potentially might impact the supply chain:
 - Operational
 - Strategic / relationship
 - Legal and reputational
 - Contractual / misunderstanding / miscommunications
 - Offshore sourcing / globalisation
- Identifying sources of Supply Chain Risk: within supplier's organisation / industry sector, within buyer's organisation / industry sector, and within the wider macro environment, STEEPLED / PESTEL
- Framework for gathering information on potential risks
- Exercise – STEEPLE
- Ensure you are not setting yourself up to merely react to potential risks, firefighting, but are aware of the cause of the potential risk. "Treat the cause not the effect" (Edward Bach)
- Benefits of undertaking a 'root cause analysis': 5 Why's methodology
- Look at common examples of root causes: flawed sourcing strategy, poor vendor selection / incapably supplier selected / single source, poor specification, inadequate demand / supply planning process, natural / manmade disaster, poor internal controls / cultural differences, market conditions etc.

Exercise – 5 Why's

Eliminating, avoiding and mitigating against supply chain risk

- When to start managing potential risks?
- Four step approach:
 - Step 1: Understanding internal need using internal needs analysis. Stakeholder involvement, clarity of expectations & needs to ensure goods / services procured are fit for their intended purpose
 - Step 2: Identifying best strategy to adopt: make / buy plan, new design or commercial off the shelf. Pros and cons of each option
 - Step 3: Undertake thorough and comprehensive due diligence. Supplier evaluation and selection
 - Sources providing insights about suppliers (3rd party credit rating services, ISO, London Stock Exchange, Companies (Miscellaneous Reporting) Regulations 2018 etc.) and their reliability as an information source
 - Use of Requests for Information, Invitation to Tender (ITT), Request for Quotation (RFQ) – asking the right questions to get required insight
 - Internal tendering governance - preventing potential of correction and fraud
 - Carter's 10C's approach
 - Step 4: Ensure the Express Term contract adds value in providing clarity:
 - Promise clauses – clearly set out obligations / promises on supplier, especially acceptance / measurement criteria / quality standard (Key Performance Indicators / scorecards – use of quantitative not qualitative measures); AND clearly set out dependencies on buyer ensure no risk of supplier being hindered / frustrated by the buyer
 - Procedure (governance) - Right to transparency / visibility of progress. Role of Buyer's representative in directing Supplier, importance of understanding terminology used between 'shall v should' / 'will v may'. Ability to adapt / change requirements. Use of subcontractors by the supplier. Right to assign by the supplier
 - Liability / Consequences – clear allocation of liabilities, especially fitness for purpose with Conformance Specification v Performance Specification and consequences if breach of contract. Understanding meaning and use of: waiver, exclusion, disclaimer and; indemnity express term clauses

Eliminating, avoiding and mitigating against supply chain risk continued

- Aligning Express Terms to own organisations' attitude to risk, risk taker v risk adverse. Appreciating limitations of re-allocation of risk in statute (Unfair Contract Terms Act) and depending on negotiating position with supplier / bigger picture objectives:
 - Bargaining position (Porter's 5 forces / Best Alternative to a Negotiated Agreement (BANTA) and Best Realistic Alternative (BRA);
 - Strategy / objectives (Relationship v Task)
- Structuring contractual relationship to support governance and collaboration. Supply Chain Management (SCM) AND Supplier Relationship Management (SRM) - 'Strategic' not 'Reactive' approaches. Encouraging feedback on performance to create opportunity for improvements
- Exercise – Needs analysis scoping and red team review
- Exercise – Carter's 10C's
- Exercise – Drafting Performance Specification KPIs
- Exercise – Review of express term indemnity, disclaimer and exclusion clauses

Day 2

Introduction to day two

Minimising criticality / pro-active management of supply chain risks

- Clarify ownership of liabilities / potential risks to ensure party holding responsibility takes ownership of what is required of them and the consequences if they fail and proactively manages the potential risks. Ensure no promises / liabilities hidden in the small print and therefore overlooked
- Placing the potential risk with the party best placed to manage it, not always the supplier

Minimising criticality / pro-active management of supply chain risks continued

- Evaluating all identified potential risks on the supplier and undertake a vulnerability assessment of supplier to determine best approach
 - Determining criticality of potential risk: Probability (vulnerability) v Impact (financial / time / reputation)
 - Different approaches to supplier chain risk management planning – 4T's: Tolerate, Transfer, Terminate, Treat
 - Express term contractual remedies for managing supply chain risk:
 - Monetary compensation v a practical solution / remedy / Plan B
 - Whether monetary compensation alone is desirable based on ease of sourcing an alternative supplier within project timeframe
 - Amount and type of monetary compensation – direct, indirect / consequential, limited or unlimited
 - How to realise monetary compensation / remedy without going to court.
 - Added protection of insurance
 - Option to terminate or not in event of breach

Minimising criticality / pro-active management of supply chain risks continued

- Crisis management process:
 - Pros and cons of a Business Contingency Plan (BCP)
 - BCP v Disaster Recovery Planning (DRP)
 - Force Majeure options
 - Exit strategy – contract termination and supplier transition planning, especially intellectual property rights
- Appreciating best time for buyers to negotiate / agree express terms and 'Plan B's' with suppliers is when they have a strong bargaining position
- Setting in place good governance for Supply Chain Management (SCM). Drucker – 'if it cannot be measured, it cannot be managed'
- Gathering meaningful performance information to enable early warning of risk materialising
 - Streamlining supplier data gathered so meaningful insights and enabling comparisons
 - Ensure easy means to collect information
 - Use technology to collect and analysis
- Different types of controls:
 - Preventative controls
 - Directive controls
 - Detective controls
 - Corrective controls
- Different approaches to managing performance - 'carrot verses stick'
- Action Plan approach to capture any misunderstanding between stakeholders, internal and external. SERVQUAL 'service gaps' – Gap, Explanation, Remedy
- Adopting a flexible project management approach which enables ability to easily adapt to manage potential risks. Agile v waterfall project management styles
- Exercise – Evaluating criticality of a potential risk, Traffic Light Analysis
- Exercise – 4 T's 'Treating' a risk, solution not problem
- Exercise – Carrot v stick approaches

Embedding supply chain risk management into corporate culture

- Risk evaluation as a continuous process to manage challenges but also seize opportunities
- Creating a risk awareness culture:
 - Evaluating organisation's present attitude to risk:
 - Compliance
 - Hazard management
 - Control management
 - Opportunity management
 - Formulating risk management policies and procedures to:
 - Reporting of risk events, line manager responsibilities
 - Capturing information on hazards, vulnerabilities and risks
 - Using information to make improvements / lessons learnt:
 - Quality Management System (QMS)
 - Total Quality Management (TQM) v Quality Assurance (QA)
 - Six Sigma (Define, measure, analysis, improve, control)
 - Deming's PDCA (plan, do, check, act)
- Exercise – PDCA

Final questions

Presenter



Catherine Hurst

Catherine Hurst BSc(Hons), CIMDip, PgDL, is an independent consultant in the contract and commercial fields. She was formerly a Commercial Manager at BAe Systems, following previous contract/commercial roles with GEC and Siemens. She has extensive practical experience of bid management, contract drafting and negotiation, contract and subcontract management as well as commercial risk management, both with UK and overseas customers and suppliers, in the private and public sectors.

She is a highly experienced trainer, having a style which brings a subject to life, creating interest and stimulating the enthusiasm of delegates. She combines academic best practice with real world experience.

She lectures Chartered Institute of Procurement and Supply (CIPS) diploma, levels 4, 5 & 6 at Chichester college. As well as being a member of CIPS, Catherine has a degree in Management Studies, a Chartered Institute of Marketing diploma and more recently achieved a distinction in her Common Professional Examination (CPE)/Post-grad diploma in law, winning the prize for the highest achieving student in the contract law module.

Catherine has successfully provided training to organisations across a wide variety of industries, including:

Transport / utilities / energy / construction / engineering / IT / telecons: Network Rail, ScotRail, Balfour Beatty, London Underground, Westinghouse Springfields Fuels, General Dynamics, Siemens, Metronet, Thales, ABB, Hitachi, Jungheinrich, Honeywell, PALL Europe, Senior Aerospace BWT, RES (Renewable Energy Systems), AGI, Silvertown, QinetiQ, Clyde Pumps / Weir Pumps, Scottish Power, NCOC (North Caspian Operating Company), Computacentre, CISCO, BT, United Utilities

Health / pharmaceutical / education: Nuffield Health, Surrey PCT, Bristol Myers-Squibb, Newcastle University, Exeter University

Public: Forensic Science Services, Office for National Statistics, DARA (Defence Aviation Repair Agency), Metropolitan Police

Charity: Phoenix Futures, Homegroup

Retail: Co-op

Course date

28-29 November 2024

Live online

09:30-17:00 **UK (London)** (UTC+00)

Course code 14222

GBP **999** ~~1,199~~

EUR **1,439** ~~1,719~~

USD **1,647** ~~1,959~~

Until 24 Oct

How to book



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Further information

Fee

The fee includes all meals and refreshments for the duration of the course (for venue-based courses) and a complete set of course materials (provided electronically). If you have any particular requirements, please advise customer services when booking.

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