

Boardroom questions

Supply chain risks

Board Leadership Center (India)



Supply chain risks

Supply chain risks are emerging as a key theme across organisations. In KPMG India's CEO Outlook 2020, supply chain risks¹ have emerged as one of the top five risks and the number of CEOs highlighting this as a critical risk has risen five-fold since January 2020.

The criticality of this was further underscored by the recent efforts of several governments in setting up regulatory and geopolitical frameworks to augment supply chain realignment.



'Signals' prompting a de-risking and expansion strategy

Supply chain risks impact organisation either due to consciously chosen business strategies or as a continuation and replication of "traditional" ways of working. In order to evaluate actions to mitigate these risks, organisations should watch for certain critical 'signals' which are key to identifying the dependencies and opportunities that may arise. These signals include –

Internal signals across supply chain

- Vendor dependencies
- Sales channel and market concentration
- Raw material dependencies
- Concentrated production facilities
- Logistics challenges



External signals on opportunities

- Regulatory framework
- Dramatically altered business and political environment
- Lucrative inorganic opportunities
- Change in customer strategies



While the 'signals' vary depending on the organisation's internal and external value chain, timebound actions in the form of risk mitigation and opportunity exploration are needed.

Over the medium-to-long term, the economies poised to benefit are those with high cost, technology and skill arbitrage coupled with improved business environment in new geographies (regulatory changes, global rankings etc.) and a strong indigenous consumption story. Hence, organisations should actively initiate efforts to ensure the risks and opportunities arising from diversification and expansions are adequately addressed.



1. KPMG 2020 CEO Outlook COVID-19 Special Edition (<https://home.kpmg/in/en/home/insights/2020/10/india-ceo-outlook-2020.html>)



Assessing the threat

1. What are the existing supply chain vulnerabilities in our organisation's value chain?
2. Has there been an objective reevaluation of our business strategy to determine the impact of supply chain vulnerabilities (whether through internal factors or external opportunities)?
3. Do we understand the evolving business and regulatory factors in the external environment that impact our existing supply chain network?
4. What are the macro-economic or geopolitical risks that we are currently exposed to?
5. Which elements (vendors, customers, production sites, logistical channels etc.) across our organisations' value chain are most vulnerable?
6. Has an impact assessment been conducted to quantify the potential exposure in monetary terms?
7. What measures are currently being taken de-risk our dependencies and leverage possible opportunities?
8. How do we conduct an assessment of our suppliers' background information (ownership, source of their raw materials, copyright restrictions etc.) to ensure that all potential supply chain threats are well identified?

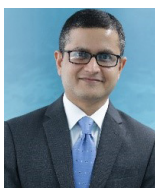


Assessing the opportunity

1. How do we plan on leveraging the ongoing global supply-chain realignment theme to our advantage?
2. Is there a concrete strategy for expansion and diversification of our supply chains?
3. What are the parameters for choosing the target expansion strategy amongst the available options?
4. How have the opportunities for inorganic expansion been evaluated? What are the identified targets for such expansion – either specific companies, sectors, technologies, solutions etc.?
5. How can we include safeguards in our renewed expansion and diversification strategy to ensure it is equipped to effectively handle turbulent situations?
6. What are the regulatory benefits or incentives offered in our target geography? Has a regulatory due diligence been conducted?
7. What are the limitations or exposures on entering new geographies for supply or considering our existing joint ventures, partnerships and any other contractual commitments?
8. Do we need to renegotiate certain strategic contracts?
9. Is there an active and continuous engagement plan with the local trade or industry bodies ensuring adequate support in our target region?
10. Do we have a relationship with local partners, and do we intend to set up a joint venture or a partnership with one or more local partners?



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