New Risk Management Practices Needed to Safeguard Transport and Supply Chain Networks, Report Warns

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Samantha Tonkin, Associate Director, Tel.: +41 (0)79 615 1640; samantha.tonkin@weforum.org

- *New Models for Addressing Supply Chain and Transport Risks* report finds understanding of risks and mitigation efforts lacking
- Mitigation focus needs to be on metrics, data sharing, incentivization and collaborative networks
- New model of explicit supply chain and transport risk management needed in B2B and B2G interactions
- Read the full report: http://www.weforum.org/SupplyChainReport

Davos-Klosters, Switzerland, 25 January 2012 – A World Economic Forum report released today calls for new models to address supply chain and transport risks. The report, *New Models for Addressing Supply Chain and Transport Risks*, produced in collaboration with Accenture, highlights the urgent need to review risk management practices to keep pace with rapidly changing contingencies facing the supply chain, transport, aviation and travel sectors.

US Homeland Security Secretary Janet Napolitano reinforced the report's warning. "We must continue to strengthen global supply chains to ensure that they operate effectively in time of crisis; recover quickly from disruptions; and facilitate international trade and travel," she said. "As part of this effort, we look forward to working closely with our international partners in the public and private sector to build a more secure and resilient global supply chain."

Trends such as globalization, lean processes, mass travel and the geographical concentration of production have made supply chain and transport networks more efficient, but have also changed their risk profile.

Major disruptions in the past five years – including the global financial crisis, the Yemen parcel bomb scare, flooding in Thailand and the Japanese earthquake and tsunami – have highlighted how risks outside the control of individual organizations can have unintended consequences that cannot be mitigated by one organization alone. Encouragingly, more than 90% of those surveyed by the World Economic Forum and Accenture initiative indicate that supply chain and transport risk management has become a greater priority in their organization over the past five years.

"General uncertainty in the global economy and the increasing sophistication of supply chains naturally breeds concern around network efficiency and vulnerability," said Frank Appel, Chief Executive Officer, Deutsche Post DHL. "Our industries are working through the World Economic Forum's Supply Chain & Transport Risk Initiative to understand and improve systemic resilience, for the benefit of business and society."

"The World Economic Forum has identified opportunities for improving risk mitigation and building resilience across networks," said Elaine Dezenski, Senior Director, Risk Response Network, of the World Economic Forum. "Global supply chain and transport networks form the backbone of the global economy, and the report is a call to action for the international community – business and government – to continue improving coordination and collaboration in order to effectively address these risks."

The report is based on input from executives participating in the Forum's Industry Partnership programmes in automotive, aviation and logistics, and an interview series and survey involving some

of the world's foremost academic, industry and government experts.

It identifies the most significant threats to supply chains and transport networks: natural disasters, conflict and political unrest, sudden demand shocks, export/import restrictions and terrorism.

It also highlights the vulnerabilities undermining the resilience of networks: reliance on oil, availability of shared information, fragmentation of value chains, extensive subcontracting and lack of supplier visibility.

The report identifies risk management priorities requiring further development. These tools need to be integrated into the broader strategic framework of organizations: collaborative and trusted networks, effective risk legislation and incentivization, appropriate data and information sharing, improved quantification metrics and enhanced scenario planning.

CEOs meeting at the Annual Meeting in Davos discussed five key recommendations for business and governments to enhance risk understanding and management: improve international and inter-agency compatibility of resilience standards and programmes; explicitly assess supply chain and transport risks as part of procurement, management and governance processes; develop trusted networks of suppliers, customers, competitors and governments focused on risk management; improve network risk visibility through two-way information sharing and collaborative development of standardized risk assessment and quantification tools; improve pre- and post-event communication on systemic disruptions.

Notes to Editors

For more information please contact:

Samantha Tonkin, Associate Director, Communications, World Economic Forum, at +41 (0)79 615 1640 or samantha.tonkin@weforum.org
Chris Allieri, Senior Manager, Accenture, at +1 917 452 5161 or chris.allieri@accenture.com

Notes to Editors

Download the report: http://www.weforum.org/SupplyChainReport
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