Hoover, Trump, May, Xi Jingping

Threats to the Supply Chain
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- Over twenty years’ experience at senior leadership levels within large multinationals designing, leading and delivering complex supply chain and business turnaround programmes.
- Solutions orientated leader with global, international scope and experience.
- Expertise is in B2B manufacturing supply chain, M&A, business development, supply chain strategy and implementation, cost reduction and business turnaround to drive profitable growth in International markets.
- Board adviser to SMEs within the Healthcare and Customer Service Industry primarily in Switzerland, UK and North America.
- James holds a BSc Pharmacology, MSc in Operational Research and is Lean/6 sigma black belt trained.
Introduc†on: The Broad Outlook

1. Uncertain Times
   - Seismic political events (Brexit, Trump)
   - Sluggish global economy
   - Natural Disasters

2. Volatility, Uncertainty, Complexity and Ambiguity (VUCA) encapsulates the conditions that Multinationals, Supply Chains are operating under.
   - Notably in the last decade many companies faced extreme supply chain challenges that stretched capabilities ... even to breaking point.

3. Challenges have not diminished.
Introduction: Natural Disasters

A Supply Chain Challenge

- The 2010 Eyjafjallajökull volcanic eruption in Iceland. The 2011 Tōhoku Earthquake and Tsunami - major impact on supply chains seeking to understand impact.

- Many lessons learned from these unexpected global events and supply chains are now generally better prepared for unplanned events?

- Keeping our supply chain lens...Could this worsen?
Introduction: Politics

A Supply Chain Challenge

- Global political landscape the next unknown? Brexit?
- What will the impact be on supply chains when goods do not move as freely as before?
- Will the pound take a hit causing a strain on suppliers and imports?
- What will the impact be on the UK if they are no longer part of current free trade agreements?
- Where else in the world is there political uncertainty?
CIPS Risk Index (Q4'16) – 132 countries; 90%+ global economic activity.

Score worsened for 5th Straight Quarter Signaling increased supply chain risks.

Political and policy uncertainty have emerged as top risks in a modest growth environment.
“The index has climbed to its highest level for 22 years, with more country downgrades than upgrades, and demonstrating that the world has become a much riskier place than just a few short months ago…

This precarious landscape makes the identification, and mitigation of risk all the more difficult, making 2017 a year of unprecedented supply chain challenges”

~ David Noble, Group CEO, CIPS
Supply chain risk in North America remained stable in Q4 2016, as neither Canada or the United States saw any changes in their country risk scores.

“Uncertainty will continue to dominate supply chains over the next few weeks as businesses, consumers, and policymakers (both in North America and globally) seek to understand how Mr Trump will translate campaign promises into future policy”.
Risk levels in Western and Central Europe increased, compared with Q3. While the macroeconomic outlook for the region remains on a generally improving trend & insolvency risk continues to fall, political risk is increasing.

“The growing likelihood for a ‘hard Brexit’ was the reason behind the only rating change the region has seen in Q4: we downgraded the United Kingdom’s country risk rating for a second time in 2016 (making the country one of the worst performers last year and maintained the ‘deteriorating’ risk.”
“With Theresa May’s keynote speech on 17 January confirming our expectations, we expect supply chain risks in the UK to increase once Brexit is completed and recommend that customers monitor the situation closely.”
The first few months of 2017 has seen the UK's manufacturing sector grow at its fastest rate for over three years as the fall in the pound since the Brexit vote has made UK exports cheaper.

Britain's factories grew at their fastest rate since the third quarter of 2013 while the balance of firms reporting an uplift in orders rose to 31% in the first quarter.

Meanwhile, the balance of firms reporting growth for Q2 currently stands at 33%. Only a fifth of companies said they had not yet seen any pick-up in overseas market.

* The report was conducted and published by the UK’s manufactures’ organisation EEF and consultancy group BDO.
Brexit
UK manufacturers enjoy surge in orders

“The post-referendum wobble that defined UK manufacturing's performance in the second half of 2016 has been left firmly behind with manufacturers now rallying far more strongly than even they had predicted. The sharp rebound in exports has been instrumental in helping firms regain ground and, with investment, employment and confidence all on the up, the picture now is of a sector not quite in peak health, but certainly making a positive contribution to UK growth this year.”

~ Lee Hopley, EEF Chief Economist
Brexit
UK manufacturers enjoy surge in orders

Differing View

- The EEF recently raised its forecast for growth in this sector to 1.0% this year, up from its previous estimate of 0.2%. It forecast for Britain's economic growth as a whole was also adjusted from 1.3% to 1.8%.

- However, despite encouraging signs of continued and measured growth, Reuters reports that many economists believe the revival in manufacturing is unlikely to offset fully the impact on the economy of slower consumer spending as sterling's fall pushes up inflation.

- Furthermore, the uncertainties surrounding the three-pronged spear that is Brexit, Trump and upcoming European elections still pose dangers to an already uncertain market.
Regional Risk Summary
Q4 ’16 (2)

Eastern Europe & Central Asia

Risk rating score for Eastern Europe and Central Asia saw a slight worsening in Q4. The score indicates that on average, supply chain risk is greater than in any other global region, with the exception of Sub-Saharan Africa.

“Downgraded Turkey’s risk rating in August by one quartile following the failed military coup in mid-July. Political and security tensions have risen significantly following the failed coup attempt and remain elevated. Thus, we advise firms and investors with strategic interests in Turkey to be prepared for further short term supply chain interruptions”
The Asia-Pacific region’s risk score deteriorated slightly in Q4. The net deterioration was driven exclusively by changes in country risk indicators for three small economies: Singapore, New Zealand and Cambodia.

Downgraded Singapore’s country risk indicator due to increasing payment delays, deteriorating growth momentum and diminishing container traffic.

By contrast, New Zealand saw its risk indicator upgraded due to the continued recovery in dairy prices globally, above-average immigration, and generally improving economic growth. 4-5% real GDP and private consumption growth.

Downgraded Cambodia’s country risk rating after political turmoil escalated on problems in multiple verticals such as endemic corruption, human rights infringements, political murders and abuse of power.
Regional Risk Summary
Q4 ’16 (2)

Middle East and North Africa (MENA)

- Risk score remained the same in Q4 2016, halting the worsening trend experienced in the previous two quarters. The overall position remains at its worst level since Q4 2013 and highlights that supply chain risk remains elevated by historical standards, and when compared to other regions.

- Egypt (in October) and Iran (in November) have been placed on a deteriorating outlook, while in November Lebanon was placed on an improving outlook and in December Tunisia was upgraded from deteriorating to stable.
For the ninth consecutive quarter, Latin America’s risk score deteriorated reflecting increasing risks for supply chains in the region.

Donald Trump’s election victory was arguably the main external shock in Q4 and contributed to higher currency volatility (especially for the Mexican peso) and investor uncertainty, more broadly.
Following two straight quarterly declines, sub-Saharan Africa’s risk score held in Q4 2016. The overall risk score, however, remained at its highest level ever, signalling that supply chain risks are elevated. Further, the underlying trend in risk in the region remains tilted to the downside.

2016 was worst year on record since the Great Recession. In 2017, the major sub-Saharan Africa economies will look to contain the protracted damages inflicted by the drop in global commodity prices.
Rise in Supply Chain Risks will mean that global businesses and supply chains should actively develop processes to Identify, Prioritize and Mitigate Risks.

- **Risk Identification**
  - What can go wrong?

- **Risk Assessment**
  - What is the likelihood it will go wrong?
  - What is the magnitude of the consequences & overall impact to your business?
  - How quickly will the problems be discovered?

- **Risk Mitigation And Management**
  - What options are available to mitigate the risks?
  - What are the costs and benefits of each option?
Global Supply Risks

Threats

- Quality & Safety Challenges
- Supply Shortages
- Legal Issues
- Security
- Regulatory & Environmental Compliance
- Weather & Natural Disasters
- Terrorism
Global Supply Risks
Additional Risks

- Longer Lead Times
- Supply Disruptions
- Foreign Regulations
- Port Congestions
- Political and / or economic instability - in a source country
- Exchange Rates
Response


2. Be Agile – flex and respond to changing.

3. Provide clear direction – consistent messaging.

4. Anticipate risks and less time on long term strategic plans.

5. Decisions based on Intuition as Analysis.
6. Manage complexity and capitalize on it – talent management.

7. Prioritize employee engagement.

8. Leverage diversity.


10. Be and remain curious.
THANKS!