



Eyjafjallajökull volcano in Iceland...

...and the connection with supply chain risk management.

When I landed safely at Munich airport early on Friday 16 April, I had no idea of the extent of the volcanic eruption in Iceland. Just the day before I had been discussing the issue of supply chain risk management with a local company from Tiflis in Georgia. Admittedly the reason for the discussion was not the eruption of the volcano in Iceland but the 2008 war with Russia and the impact on trade that continues even today.

A few days later, however, the connection became very clear. Quite unsuspectingly, I was discussing an issue that would become critically important only a few days later: supply chain risk management. The companies that were hit hardest by the closure of European airspace were the ones that had built up particularly slender value added chains and had not defined any emergency plans or rooted them in the business. In light of recent events, it hardly needs mentioning how quickly such an emergency plan can become acute necessary.

The question behind this issue is not how such disasters can be avoided but to what extent corporate processes or value added chains can be optimised without becoming a business risk in the event of standstills lasting several days. This issue puts the importance of multiple storage levels or backup stocks in a different light.

For many years, the focus was on lean operations. The goal was to make processes as streamlined as possible. During my many years of consulting experience, however, I have come across very few businesses that have also developed risk prevention strategies to be applied in the event of an emergency. The goal of any business must be to develop a solid foundation for risk management so as to counter risks specific to the business and supply chain effectively and efficiently. For SMEs in particular, it is advisable to establish a standardised process for identifying, analysing, controlling and checking risks and hence to consider the perspective across the entire supply chain.

I would be delighted if, the next time there is a natural catastrophe, the focus was not on seven- and eight-figure losses and lost revenue but on how successfully business operate even when the supply chain is interrupted.

Yours
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