

Top 10 Third-Party Risks

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Who am I?

Supply Chain and Strategic Sourcing Director at Pelco Products, the nation's leading traffic and utility hardware solutions provider.

Over 20 years' Supply Chain Management Experience:

- US Air Force
- Defense
- Energy
- Consulting
- Manufacturing

Why are we here?

Third-party risks are present throughout the Supply Chain. Increasingly, identification, management, and mitigation falls to Purchasing and Supply Chain Managers. Considering the impact to your organization if it experiences one of these risks, how do you know which ones to prioritize, given the limited time and resources available?

- Introduction and Background
- My Top 10 Risks and Mitigation Strategies
- Q&A

Top Supply Chain Risks

ESG/Geopolitical

- Location, Location, Location
- Climate-Related
- Business Practices & Regulatory Realities

Supplier-Related

- Material Availability
- Commodity Exposure
- Supplier Disruptions
- Logistics

Technology

- Cyber-security
- Fraud | Theft

Risk Mitigation:



Determine the Probability

Using a Risk Mitigation Matrix, determine the likelihood of an unfavorable event occurring. 1-5 scale, with 5 being most likely and 1 being least.

Assess the Impact

Evaluate the severity of the impact any given risk has to your business. A-E scale, with E being the greatest impact and A being the least.

ESG/Geopolitical

Location

Overseas Mfg (Taiwan)

- Near-shoring
- Secondary suppliers

Mfg in “remote” areas
outside of major
transportation corridors

- Secondary suppliers

Climate

Extreme weather events,
power disruptions

- Near-shoring
- Secondary supplier
development
- Negotiate FOB terms

Business Practices

A/P Terms/Contract
Language

Ownership/Organization

- Prioritizing critical
vendors
- Improve A/R and Cash
Flow
- MSAs/Contracts

Regulatory Reality

Buy America Act; Tariffs

Political climate

Customer/Supplier
sophistication

- Customer's customers
- Source domestically
- Favorable interpretation

Supplier-Related

Materials

Raw material or feed stock is no longer available.
Foundry stops production.

- Find substitutes
- Discontinue items

Commodities

Aluminum, Corrugated Paper, PCBs

- EPA clauses
- Price increases
- S&OP process

Logistics

Truck and rail availability

Ocean-going cargo | ports

- Longer lead times
- Increase costs/adjust margin expectations
- Alternate shipping (Air freight, other ports)

Disruptions/Concentration

Strikes

Product concentration

Pandemic Quarantines and outbreaks

- Higher safety stock
- Longer lead times
- Diversify supply base

Technology Risks

Cyber-security

IP and prototyping. RFID/QR codes.
[ITAR.]

- New capital investments in IT security, routers, firewalls, etc.
- 2FA
- Penetration testing
- Contract language, NDAs

Fraud

“Vendor” requested new account information.

- New controls and validation of changes through ERP and Purchasing.
- Better coordination with A/P

Questions?



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