

# Supply evaluation challenges in a worldwide scenario: risk and opportunities



The supply chain at the worldwide level is experiencing some changes and issues in terms of flows and organization. If 2020 was the year that underlines the crisis of the model so far implemented, now the current scenario isn't showing a stable situation but imposes a list of challenges that must be sorted out or at least considered.

If until 2020 strategy of the supply chain was to focus on efficiencies based on savings, never mind if the chain itself became very long, now it's clear that it's a no more applicable model. Globalization wasn't so successful as the supply chain was too long, with a poor selection of countries to deal with.

As the supply chain is a system of activities in handling, distributing, manufacturing, and processing goods in order to move resources from a vendor to a consumer is very critical in a business process. It means putting in place all measures to avoid any disruption in production, causing damages from both economic sides, with a loss in revenues, and from a reputational point of view.

In such a scenario is important to act at two different levels:

- understand trends and risks related to the supply chain itself considering also the overall worldwide scenario
- evaluate suppliers and understand the potential linked threats.



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## 2023 Supply Chain Trends and Risks

### Decreasing propension to full globalization

Due to last year's experiences, from Covid to geopolitical tensions, countries are reducing their confidence in terms of cooperation and interdependence. In presence of high tensions, raw materials cannot be available and at the same time, main trade routes are closed. As an impact, both governments and industries are moving towards a different approach to globalization. Starting from focusing on domestic material supply and manufacturing, moving to well know countries and partners (friendship approach) or developing nearshoring, and establishing relationships with geographically close countries considered as more secure.



Covid underlined how long the supply chain was weak with consequent disruptions. It means that is now required to find out new sources and raw materials, as much as possible, nearby.

Pay attention in do not consider globalization as ended, but it's going on a big and massive transformation thanks to emerging technologies. Global labor conditions with economic volatility are part of the new scenario.

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## Materials' availability generating manufacturing changes

Mixed reasons are generating a decrease in terms of materials' accessibility (both raw materials and semi-manufacturing): starting from commodity goods tensions due to political, environmental and climate turmoil. It's clear that a lack of materials is generating a disruption from a supply chain point of view and at the same time increase in energy price is imposing an overall re-thinking of the manufacturing process.

## Technology investments to mitigate crisis pressures

With the aim to neutralize inflationary pressure and economic stagnation, investing in technology can be a good path to overcome supply chain maturity with the automation of warehouses or another operational task with the aim to realize a unique experience. Technology can also help in understanding the geopolitical climate and focus on sustainability.

## Cyber risk will continue to increase

Considering investments in technology, they're also linked to cyber-attacks. Cybercriminals are becoming more and more sophisticated as a result to put the supply chain at risk. Attacks can be related to supplier networks or basic warehouse equipment but risks can be mitigated by a friendship approach or nearshoring with at the same time investments in technologies.

## Labor shortage

The supply chain is facing in the last few years a quite massive labor shortage due to external issues, like the pandemic, inflation, political instability, etc. Think of the factory sector, as an effect there is a slowdown in production or also in some cases a complete stop with connected issues on the distribution side. In addition, a shortage in logistics has negative effects on final customers. Labor shortage can be faced only with an overall review of human resources policy, from hiring to compensation and retention.

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## Supply chain as a ESG path

Strategies related to Supply Chain are now part of corporate ESG initiatives, for example in taking control of emissions. Institutions, banks, or shareholders are paying attention to how companies are acting in terms of sustainability requests. The growing attention to environmental, social, and governance (ESG) issues is having resulted in policies and rules established by governments.

This is why sustainability has to become a high-priority task impacting all aspects of life. Climate changes with extreme weather conditions can generate material shortages. For example, food, wool, and minerals can be difficult to harvest or access. Also, logistics is heavily impacted by floods, fires, and storms, as a result, in delays or losses.

Considering the above points there is strong attention to having a supply chain based on green and sustainable principles. Back to a new approach to globalization, a supply chain closer to home if compared to the past is automatically a greener one. But if companies agree in having maximum attention to ESG topics, it's now time for them to translate principles into actions.

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## Port congestions

Congestions on the ocean are related to port capacity and strictly connected to labor shortage but also to port closure or partial work due to external factors such as for example pandemic. In fact, some ports are operating beyond their capacity per month.

What happened in 2021 with a six-day closure of the Suez Canal, impacted the distribution of goods all around the world but, even if it was an outlying event, 2023 can be at risk in similar issues.

Combined with this freight congestion, also a shortage in warehouse spaces will negatively affect the last part of the supply chain and also storage criteria.

To solve this scenario, it's mandatory for companies to implement a technologically driven scenario with robust processes able to predict in advance risks of congestion or other shortages.

## How to deal with Covid

Even if there is a sort of back to normal with companies dealing and acting in a post-pandemic way, Covid with its variances can represent a threat difficult to predict in terms of general health but also for economic impact and effects on the supply chain. Continuous disruption must be monitored to identify areas at potentially high risk and put in place in advance proper actions.



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## Understand risk profile

As discussed above, 2023 is marked by several challenges required to be faced during the year with the aim to move towards a different perspective and definition of supply chain organization. If it's required to re-think globalization not as back to localization but with a more mature and aware approach, it's also important to focus on the right tools and solutions for partner evaluation at a worldwide level.

All challenges related to Supply Chain are focused to minimize at the maximum level of disruption risk that causes economic and reputational image damages related to the involved company. Better knowledge of a supplier profile through business information is a good way of avoiding any current or potential issues. It is also important to check compliance with regulatory requirements and to assess cybersecurity risks.

SkyMinder, CRIF BTB risk information platform enabling international business, offers different solutions critical for the companies' evaluation in a supply chain scenario. It's possible to cover all the evaluation paths, considering local specificities in terms of data availability linked to legislation requirements.



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Starting from Full Reports and Slim Report, is possible to have general information about the company, evaluation data, financial information, company structure, and negative information. Combining Monitoring solutions, changes affecting the company are provided with the aim to review the relationship if required. Company structure and shareholders are provided by verification report. Compliance aspects are having more and more important in an evaluation process with the aim to detect involvement in financial crimes or other crimes. Thanks Extended Check Report and Compliance Report provided a complete overview related to criminal activities. Knowing in advance that a business partner isn't involved in such actions, helps to exclude future negative impacts on business. Cyber Risk attacks are one of the main threats to the supply chain. Starting a check on how partners' IT system is open to vulnerability, is a good starting point in minimizing potential disruptions. Kynd Cyber Risk Report provides an overview of possible weaknesses. From a different perspective, is also important to understand the level of propension of innovation and research and development, and the Patent Due Diligence Report this area is fully covered. As Supply Chain is presenting several challenges to solve with the aim to put in place a safer model everywhere in the world the possibility to have an in-depth knowledge of supply partners is a good starting point in an overall process strongly based on awareness.