

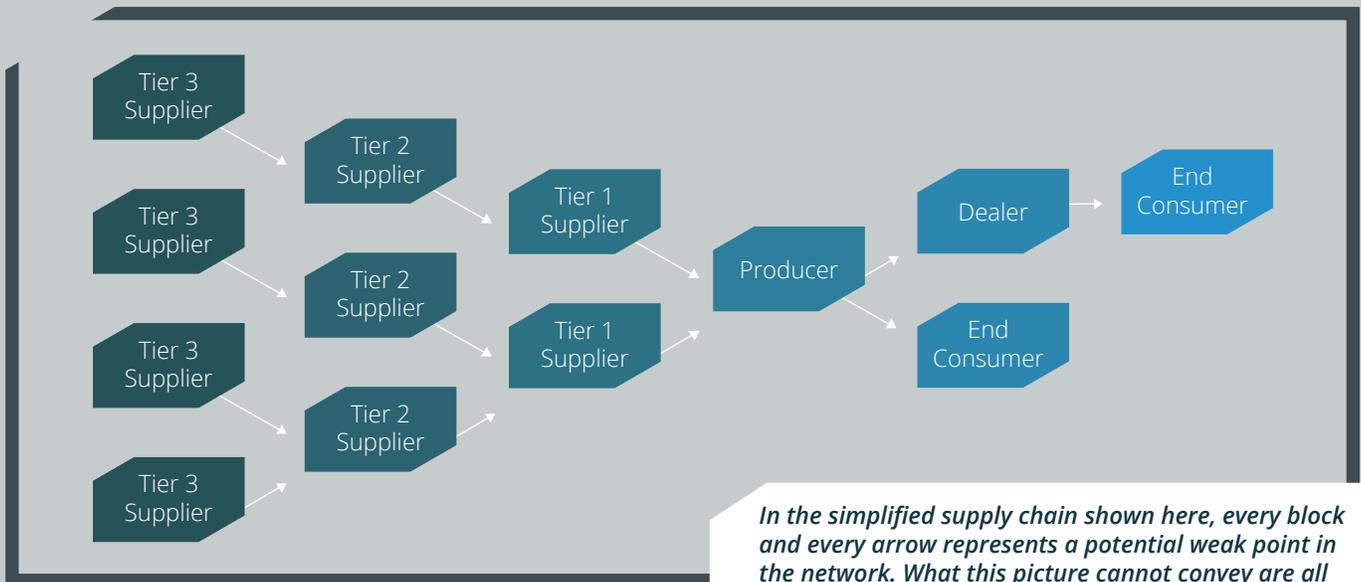
Black Swans

A Different Kind of Supply Chain Risk

The productive power of the modern economy fuels, for much of the world, a standard of living unimaginable even a generation ago.

Many of us take for granted the ability to travel to the local shop and walk out with the product we went to buy, or to flip a switch to power a computer and have that item delivered to our home the next day. Medical care, consumer goods and food are available without a thought as to how they got here. More than anything else, this is a testament to the efficiency and effectiveness of modern supply chains. These complex, often global, networks of people, processes, and products make life as we know it possible.

As remarkable as they are, supply chains are also fragile. In Greek mythology, Achilles was incredibly powerful, nearly invincible apart from one weak spot. He might have gone on if only the supply chains of the ancient world could have provided him a decent pair of boots. The challenge for executives, and supply chain managers is not so simple.



In the simplified supply chain shown here, every block and every arrow represents a potential weak point in the network. What this picture cannot convey are all the potential causes of failure.

Supply chain risk has always been a concern to business leaders; the pandemic of 2020 showed the rest of the world why they were concerned. Supply chain risk management professionals know risk takes many forms, all of which must be monitored, measured, and managed to maintain steady, uninterrupted flow of goods and services.

The COVID 19 pandemic showed the rest of us the impact of one specific category of risk, the “Black Swan” event.

Black swan events are characterized as events which: are *unexpected*, have tremendous *negative impact*, appear to have been *predictable* in hindsight.

Clearly the 2020 pandemic qualifies as a Black Swan Event. Early in the year, who would have expected a single event shutting down the strongest economy in recent memory? And yet that’s just what happened. Entire cities locked down, millions of people unemployed, hundreds of thousands of lives lost. Almost as quickly as it happened, people began to point to ways we “*should have known*” it was coming.

As recovery continues, the challenge for businesses is to learn from this experience, and to be more prepared for the next disruption. There will most certainly be another, so what should businesses do? At a minimum:



Honestly assess the performance of your business in the most recent disruption



Thoroughly assess vulnerability of the nodes and lanes in your supply chain



Make contingency plans for short and long-term supply disruptions



Put in place systems, plans and processes to monitor both potential disruptors and the ability of your supply chain to react to them



Work with customers and suppliers to understand shared interests and concerns

We cannot predict or prevent the next Black Swan event, but we can be better prepared when it comes.