SUPPLY CHAIN RISK MANAGEMENT

KEY RISKS GUIDE - COVID-19

OBJECTIVE
To review the University’s supply chain to determine areas of risk, in particular where there is:

1. a critical reliance on supply of a product(s) (or components) or service(s), where a shortage, delivery delay or failure to supply may result in significant financial or reputational risk to the University or compromise our ability to deliver essential services.
2. a reduction in usage or requirement for a product(s) or service(s) - assess the risk, cost and environmental impact of over-supply, particularly in relations to perishables.

IMPACT - COMMON QUESTIONS
1. How will my Faculty, School, Department or Office be affected?
2. What are the Human, Operational, Legal/Regulatory, Reputational and Financial impacts?
3. How can we prepare for and/or mitigate supply shortage or failure?
4. How do we ensure quick identification and response to a situation that is constantly changing?
5. How can we make the best decisions to manage any disruption?
6. What industries, markets and economies are going to be most affected and will this impact our supply chain?

EXAMPLES OF CHALLENGES ACROSS THE SUPPLY CHAIN:

- **Suppliers:**
  - limited supply from suppliers (or their supply chain) located in affected countries,
  - significant challenges in distributing or delivering supplies or providing services due to quarantine, suspension of air travel and air freight, extra demand for courier deliveries, etc.,
  - possibility that suppliers will cease or reduce operating (e.g., small businesses, sole traders);

- **Manufacturing:**
  - complete closure and/or reduction in production,
  - placement of a factory/production line under quarantine,
  - disruption in supply chain that may limit availability of materials or components;

- **Logistics and Distribution**
  - restricted travel and transportation options: airports, roads, trains and ports are closed, blocked or restricted;
  - courier companies experience shortage of drivers;

- **Sales:**
  - change in consumer needs (e.g., more time in-doors leads to an increase in online sales),
  - decrease in consumer needs due to decreased income and fall in consumer numbers,
  - outlets on campus are closed or have shorter hours;

- **Labour**
  - quarantine measures or requirement for social distancing cause labour shortages,
  - increase in illness and sick leave,
  - absence caused by panic;

- **Storage and waste**
  - overstocking items, including perishables, if demand decreases,
  - erratic consumption patterns,
  - waste disposal,
  - environmental impact;
- **Commercial impacts**
  - price and cost increases due to scarcity, increased complexity of logistics and delivery, etc.

### STEPS TO IDENTIFY RISKS:

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| **1** | **What are the products and/or services which, if stopped, delayed, or become scarce, will impact on business operations? Highlight those that are business critical.**<br><br>**Suggested approaches to assist with the analysis:**<br>- Start with the Business Critical Activities in your own area and identify the supply chain risks within those areas.<br>- Look at spend data to:<br  
   - identify suppliers we order frequently from (large and/or regular invoices),<br  
   - suppliers with largest spend,<br  
   - categories where there are a large number of invoices and/or high spend. |
| **2** | **Consider the impacts?**<br>- How critical are these products/services and why? Can limited supply or failure to supply lead to reputational, financial, operational, legal/regulatory risk (e.g., failure to supply a part to a critical medical equipment leads to patient’s death; failure to supply a specific chemical leads to a disruption in an experiment resulting in 5 years of research having to be repeated)?<br>- In what timeframe will undersupply or failure to supply become a critical issue? Consider if the situation persists for 2, 4 or 12 weeks or longer.<br>- What is our consumption pattern now? Do we buy as required, on a regular basis, do we hold stock, do we practise ‘just in time’ approach, etc.?<br>- Who supplies the products/services to us?<br  
   - What is our relationship with the supplier/s and do we have a contractual or other agreement/s with them?<br  
   - Are there risks that the supplier will not remain solvent/continue to trade (e.g., small business or sole traders)?<br>- Are you observing or expecting cost implications caused by significant price increases?<br>- Have we had any advice from the supplier about potential supply issues and their mitigation plan? |
| **3** | **Consider mitigation options, such as:**<br>- Do we already have a disaster/back-up/risk management plan? If so, how fast can it be implemented?<br>- Identify alternative/substitute products/services?<br>- Are there alternative suppliers of the products/services? Is it feasible to switch suppliers?<br>- How can we manage delays?<br>- Identify if there are reserves/stores within your area or across the university that could be accessed<br>- Seek advice from suppliers in relation to potential supply issues and determine if they can resolve the issues or have a mitigation plan **(Note if you do receive advice from suppliers please forward it to the Strategic Procurement team so that we can share it across the University)** |
| **4** | **Develop a plan which includes the actions you will take if/when an issue arises, and review the plan (and adjust) as the situation evolves** |

**Help**
- Contact the Strategic Procurement team at procurerightdesk@mq.edu.au

In the near future the University Coronavirus webpage will have a section dedicated to supply chain risks. It will include:
- Copies of any advice received from our suppliers;
- Updated with any useful advice or information or links to sites that might be useful;
- Information on actions and initiatives being undertaken across MQ.