Black Swan Events: Planning for Supply Chain Resiliency

A supply chain includes the producers, raw materials, consumers, distributors and the commodities. The aim of a supply chain is to meet the demands of a consumer fully. Thus consumption, distribution, and production of goods and services are key for the project to be progressive and successful. The movement of goods and services from the producers to the consumers and the methods applied during distribution make a supply chain; logistics.

It’s essential to beware the ‘black swans’ available in the supply chain. Businesses have a lesser understanding that having a supply chain engages a certain amount of perils. Few do adequate to safeguard the extreme events that can disrupt them. The incidents such as unexpected hazards like the 9/11 terrorist attack, Hurricane Katrina, the 2011 tsunami that hit Japan, the BP Horizon oil explosion and the Volkswagen scandal of emissions. Whilst majority of the threat-planning processes focus on incidents which occur relatively frequent like emergencies from the weather. They frequently ignore the most hazardous ones which are regarded too unlikely to worry about. However, such incidents, the probability that they will occur isn’t zero. Severally history has proven again and again. ‘Black Swans’ are never anticipated (Chopra & ManMohan, 73). A huge business might have thousands of suppliers. For example, each of those firms can have suppliers of their own. Having all those ongoing parts, managing all the areas risks can hit is a complex matter. To start assessing the effect of a catastrophic incident, a firm requires going via the bill of items for each of its commodities. The enterprises should include an eye toward not just its central suppliers but also the secondary ones. Whenever a black swan occurs, firms should swiftly examine which commodities are affected consumers are utilizing them, along with the commercial attribution from every. Inventory levels and plant locations are essential. Equipped with that data, firms should decide where to target their recovery effort.

This can’t always be an automatic process, either. Firms should investigate any software available for their organization and talk to their individuals in their supply chain. Another effective method to make progress is to merge with industry groups (Walker, et al., 401). Also in matters of social responsibility, it’s essential to keep in mind supplier’s effect. For example if you’re running a big enterprise, you may not be polluting the environment, however, one of your suppliers is. This could be a serious problem since the customers will respond.

In conclusion, there many examples of high impact disruptions, low probability ‘black swans’ which people don’t trust they can occur, but they do and there will be more. The standards of this Supply Chain management should be reviewed and accepted by the inbound logistics.

Work cited

Chopra, Sunil, and ManMohan S. Sodhi. "Reducing the risk of supply chain disruptions." *MIT Sloan Management Review*55.3 (2014): 73.

Walker, Warren E., Robert J. Lempert, and Jan H. Kwakkel. "Deep uncertainty." *Encyclopedia of operations research and management science*. Springer US, 2013. 395-402.