Securing supply chain resilience

The unprecedented supply chain disruptions of recent times have been challenging to navigate. As we start to settle into something approaching a 'new normal', many organisations are reflecting on how they can improve their supply chain resilience.

Best practice is to take an 'all hazards' approach to resilience, using a holistic, asset centric lens to identify and mitigate material risks before they impact core operations.

The 'all hazards' approach helps leadership teams gain a deeper, more nuanced understanding of the role critical assets, and their associated supply chains, play in delivering and maintaining an organisation's essential services – enabling stakeholders to better anticipate and prepare for future supply shocks.

An 'all hazards' approach also has broader applications and can assist a wide range of organisations with uplifting their resilience.

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The new normal requires a new approach to resilience

A year ago, we were in the eye of a global supply chain storm. A surge in demand for physical goods and components exceeded available manufacturing and shipping capacity, resulting in congestion, delays and cost escalation throughout the supply chain. This was further aggravated by Russia's invasion of Ukraine and its impact on energy prices and overall uncertainty.

This situation not only highlighted both the interdependency of global supply chains, but how risk can manifest in unexpected and complex ways – often leaving governments and organisations without any clear solutions. The impacts of the pandemic and recent geopolitical tensions on supply chains have been the genesis of multiple different government reviews touching on supply chain resilience.

While there are positive signs that manufacturing and shipping capacity are recovering, lessons from the last few years and recent weather events have shown us nothing is certain. With ongoing economic volatility and de-risking through initiatives such as 'reshoring' and 'friendshoring', supply chains have yet to find equilibrium.

What this instability has shown us, is that linear and siloed approaches to procurement and asset management are no longer effective. Now is the time for organisations and policy makers to proactively start adapting to the new normal and develop more agile, effective strategies to deal with risk. An 'all hazards' approach offers an effective and efficient way of managing supply chains and improving organisational resilience in an environment dominated by global uncertainty.

The 'all hazards' approach to resilience

An 'all hazards' approach is being increasingly adopted by organisations, helping them respond to the rapidly expanding collection of nuanced hazards materialising in the current environment.

At its core, this involves identifying critical assets, their interdependencies, and assessing how key functions could by disrupted by material factors. The approach represents a fundamental shift from more traditional enterprise risk models through a granular focus on assets and their impact on an organisation's ability to operate effectively.

This more converged approach is designed to look across an organisation and ensure all relevant risks are identified. Through the application of a holistic, asset level lens, the framework is intended to help organisations uncover and prepare for increasingly complex, multifaceted hazards.

The 'all hazards' approach is at the centre of recent reforms targeted at uplifting the resilience of critical infrastructure in Australia.

Recent changes to the Australian Security of Critical Infrastructure Act require all responsible entities to create and operationalise a risk management program based on an extensive 'all hazards' framework.

These reforms have wide application – the requirements extend to electricity, water, gas, telecommunication networks, ports, freight services, financial services, supermarkets, health care and higher education.

Organisations need to be efficient and effective in delivering their services. Current market and operational challenges are impacting the capabilities and functions required to do that across supply chain and other domains:

A new approach is needed to build greater resilience:
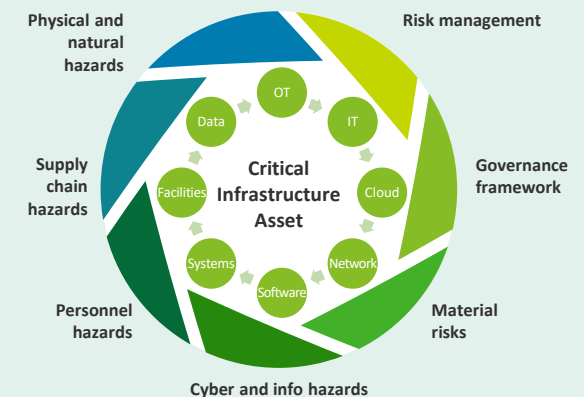
Assess all hazards facing an organisation's critical assets to ensure its capabilities and functions can efficiently and effectively deliver the essential services in an increasingly disrupted operating environment.

Securing the supply chain

All hazards approach reflects the complexities of supply chains

The pandemic highlighted the complex multi-layered nature of supply chains, and how supply chain challenges can manifest in unexpected ways.

The application of an 'all hazards' lens allows supply chain participants to understand and mitigate potential sources of risk in a granular way.

Its core tenet is ensuring organisations have an understanding of their critical assets and services, and how their supply chains impact these and their essential operations.

This enables organisations to, in a structured way, identify critical suppliers and the full suite of potential risks, such as supplier concentration, geopolitical risk, and third party access to an organisation's critical data and assets through the supply chain. Criticality assessment is essential as it enables organisations to prioritise controls and mitigations within its available resources.

The process also helps organisations identify how each function that touches, relies or adds to procurement, contributes to the management of supply chain risk, including communication between different business units and how people work together in proactively mitigating risk.

Wider application

The principles of an 'all hazards' approach enhance resilience across an entire business.

For critical infrastructure entities, such as ports, airports, railways and freight operators, resilience can be challenged through a variety of touchpoints and sources – cyber, personnel and physical hazards. An 'all hazards' lens, applied to critical components and services, provides a means of identifying hazards down to a discrete asset level, thereby helping to improve organisational resilience and ensure essential services can continue to be delivered in the face of multiple, concurrent shocks.

Getting ahead of the curve

Now is the right time for organisations to consider the benefits from adopting an 'all hazards' approach. With its mandated introduction in Australia, we expect it will materially influence the standard for how organisations should anticipate and manage risk more broadly.

Responding to recommendations in New Zealand's first 30-year infrastructure strategy, officials are considering reforms to the frameworks governing critical infrastructure resilience in New Zealand. Based on the headway being made in other jurisdictions, we anticipate this will involve active consideration of incorporating an updated 'all hazards' framework.

How we can help your organisation uplift resilience

Deloitte provides strategic support tailored for organisation's looking to apply the 'all hazards' approach, which offers actionable, pragmatic solutions developed collaboratively. Building and maintaining resilience is an ongoing process that needs to be effective in the current climate. Our approach is segmented into three key steps:

Phase 1: Orientate
Outlining current best practices and strategic objectives for the organisation and management to guide a current state assessment and identify existing practices in setting a target state.

Phase 2: Uplift
Plan and prioritise 'sprints' to uplift and fill capability gaps uncovered in the initial assessment through a converged and co-ordinated approach to security and resilience.

Phase 3: Continuous Improvement
Ongoing monitoring and assessment to test and validate the effectiveness of the organisation's capabilities and appropriateness of the target state.