From Risk to Resilience: Find (& Overcome) Your Company’s Weakest Link

THE RISK INSTITUTE RESEARCH TRANSLATION SERIES
From Risk to Resilience: Find (& Overcome) Your Company’s Weakest Link\textsuperscript{1, ii}

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In an interconnected, volatile, global economy, supply chains have become increasingly vulnerable. Disruptions — even minor shipment delays — can cause significant financial losses for companies and substantially impact shareholder value. Globalization has made anticipating disruptions and managing them when they do occur more challenging. The potential risks of disruptions are often hidden, and the potential impacts may not be understood, which often results in black swan events – events can only be fully understood after the fact.

Over the last seven years, researchers at The Ohio State University have been exploring the concept of enterprise resilience, i.e. how companies can prosper in the face of turbulent change by being able to recognize, understand, and compensate for vulnerabilities.

The result is the SCRAM (supply chain resilience assessment and management) framework, which enables a business to identify and prioritize the supply chain vulnerabilities it faces, as well as the capabilities it should strengthen to offset those vulnerabilities.

Six Vulnerabilities You Need to Know About

Every business has its vulnerabilities, and most of the time, those vulnerabilities are inherent to the business and difficult to avoid, but by recognizing them, you’ll be better equipped to deal with disruptions as they happen.

Turbulence

Definition: Environment characterized by frequent changes in external factors beyond the company’s control

Examples: Unpredictability in demand, fluctuations in currencies and prices, geopolitical disruptions, natural disasters, technology failures, pandemics
Deliberate threats
Definition: Intentional attacks aimed at disrupting operations or causing human or financial harm
Examples: Terrorism and sabotage, piracy and theft, labor disputes, special interest groups, industrial espionage, product liability

External pressures
Definition: Influences, not specifically targeting the company, that create business constraints or barriers
Examples: Competitive innovation, government regulations, price pressures, corporate responsibility, social/cultural issues, environmental, health and safety concerns

Resource limits
Definition: Constraints on output based upon availability of the factors of production
Examples: Raw material availability, utilities availability, human resources, natural resources

Sensitivity
Definition: Importance of carefully controlled conditions for product and process integrity
Examples: Restricted Materials, supply purity, stringency of manufacturing, fragility of handling, complexity of operations, reliability of equipment, safety hazards, visibility of disruption to stakeholders, symbolic profile of brand, customer requirements for quality

Connectivity
Definition: Degree of interdependence and reliance on outside entities
Examples: Scale and extent of supply network, import/export channels, reliance on specialty sources, reliance on information flow, degree of outsourcing

So in the face of all these disruptions, what’s the answer?
Answer: resilience.

Resilience is the capacity of an enterprise to survive, adapt and grow in the face of turbulent change.

Resilience means improving the adaptability of global supply chains, collaborating with stakeholders and leveraging information technology to assure continuity, even in the face of catastrophic disruptions.
Resilience goes beyond mitigating risk; it enables a business to gain competitive advantage by learning how to deal with disruptions more effectively than its competitors and possibly even using those disruptions to its advantage.

Resilient systems don't fail in the face of disturbances; rather, they adapt.

Original article


MIT Sloan Management Review article


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The Risk Institute at The Ohio State University Fisher College of Business brings together practitioners and researchers to engage in risk-centered conversations and to exchange ideas and strategies on integrated risk management. Through the collaboration of faculty, students and risk management professionals, The Risk Institute addresses risk at a broad cross section of industries and is dedicated to developing leading-edge approaches to risk management. Visit www.fisher.osu.edu/risk for more information.

From business as usual to business unusual, The Ohio State University Fisher College of Business prepares students to go beyond and make an immediate impact in their careers through top-ranked programs, distinguished faculty, and a vast network of partnerships that reaches from the surrounding business community to multinationals, nonprofits and startups across the globe. Our students are uniquely prepared and highly sought, leveraging Fisher's rigorous, experiential learning environment with the resources of Ohio State, a premier research university with 500,000 proud Buckeye alumni.