



SUPPLY CHAINS IN CRISIS: THE LOOMING CRISIS OF TRUST IN AUSTRALIAN LOGISTICS AND SUPPLY CHAINS

In our rapidly evolving digital age, business survival, let alone success, depends on an organisation's ability to respond almost instantly to changes in customer demand. This means that excellence in supply chain and logistics is not an option – it's mandatory.

And yet, Australia faces a looming crisis in supply chain and logistics. According to the Chartered Institute of Procurement & Supply (CIPS), almost half (48%) of Australian supply chain managers say their employer has failed to equip them with the new skills they need to fulfil the demands of their jobs and avert major crises.

UNCERTAIN TIMES

Australia, by virtue of its geographical isolation, sits at the end (or beginning) of what are, by any definition, long supply chains. Moving anything into or out of Australia is simply made more challenging by this "tyranny of distance."

Chartered Institute of Procurement & Supply ("CIPS") Australian Managing Director Mark Lamb commented: "The growing complexity of supply chains, coupled with a heightened focus on supply chain risk, are changing the role of supply chain managers. There is already evidence showing a fundamental shift in the role and priorities of supply chain managers, from a traditional cost control role to one that increasingly prioritises managing risk and building fair and sustainable supply chains."¹

CIPS found that the role of Australian supply chain managers is expanding and extending well beyond traditional boundaries. They are not just simply controlling the flow of products and raw materials into and out of Australia. Because of the changing nature and complexity of logistics and supply chains, their responsibilities are taking on a lot more risk management.

This includes fraud prevention, managing relationships with partners, and even in some cases, the identification of human rights abuses, further down (or up) the supply chain.

Together, the factors can pose increasingly serious commercial and financial risks not only to individual businesses, but to the whole economy.

At a time where, according to CIPS, supply chain risk in the Asia-Pacific region is reaching an all time high, Australia faces a looming crisis of confidence and trust in our supply chain and logistics management capabilities.

A recent CIPS survey of 645 global supply chain experts and managers revealed that almost half (48%) of all Australian supply chain managers say that their employers are failing to equip them with the skills and training they need to do their jobs and avert major crises.

The survey also highlighted that supply chain managers are inadequately trained. They are failing to prevent errors and demonstrating poor management, not properly investigating the origin of raw materials or following best practice.

¹<http://www.tandnews.com.au/2015/08/26/article/do-australias-supply-chains-face-a-looming-crisis/>



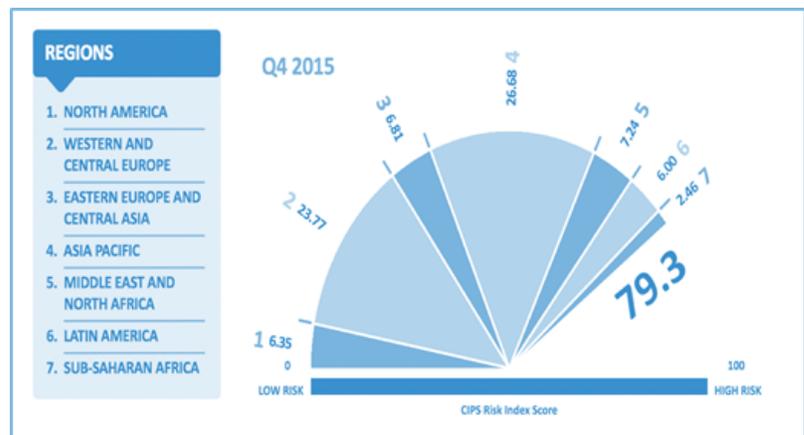
Eighty per cent of survey respondents called out their own inadequate training and support, conceding the very real possibility of undetected faults or negligence in their supply chains. Fewer than 18% said they were able to even see the entire length of their supply chains.

Says Lamb, “You wouldn’t trust an inadequately skilled surgeon using outdated equipment to operate, but that is often what is happening in the management of Australian supply chains. It is a looming crisis that requires immediate action.”

These findings were revealed at the same time that the Q4 2015 CIPS Risk Index showed that global supply chain risk has jumped to its highest level since late 2013 – and that the Asia Pacific region contributed more to that risk than any other geographical region. The rise has been predominantly driven by a continued tightening of credit in China, which has forced managers to look much more closely at how robust and reliable their Asian supply chains really are.

CIPS RISK INDEX Q4 2015

Regional Contribution to Global Supply Chain Risks



Source: CIPS Risk Index Q4 2015

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