



RISK & INNOVATION

Going Digital: Managing People And Cyber Risk

OVERVIEW

In 1974, the first Universal Product Code (UPC), more colloquially known as the barcode, was put on a small pack of Wrigley gum. This barcode would revolutionize the manufacturer and retailer relationship.

Today, digital technologies are reshaping commerce. While some online retailers have already built fortunes from their innovations in supply chain management, others like Apple and Netflix have revolutionized entertainment as content makes its way from studios straight to consumer devices.

From the first barcode to entirely digital supply chains, logistics have evolved. Some organizations were born into this new era while others are learning how to best adapt to this change. Whether competing in a new industry or facing disruptions by new technologies, what can be learnt from pioneers regarding change?

IN DEPTH

“Shifts within industries naturally create uncertainty and anxiety about the future” says David Sult, Managing Partner, Aon Strategic Advisors & Transaction Solutions. Understanding this future, and how to approach and manage it, is essential.

Digital supply chains are already the new business reality across countless verticals – yet as with any fast-emerging technology or new way of working, grappling with how to manage a smooth transition to a brand new model of operations can be difficult. “It is important to be able to think outside the box, as these situations almost always require capabilities, insights, and modes of operation that are outside the experience of the existing leadership team” says Sult.

Understanding Emerging Risks

Whether navigating new regulations or managing emerging risks, change is inevitable, and digital supply chains can expose organizations to whole new areas of risk. For instance, as technologies are introduced, new vulnerabilities arise. “Every new connected device is a new potential attack service, while increased reliance on technology to run operations creates more cyber exposure,” explains Stephanie Snyder, National Sales Leader, Cyber Insurance, Aon.

With more entry points that may not have complementary security systems, “maintaining overall supply chain-wide cybersecurity is a serious issue. After all, any chain is only as strong as its weakest link,” says Snyder.

Furthermore, threats enabled by digital supply chains are increasingly impacting the physical world. In one well-documented case, pirates were able to board shipping vessels and, instead of taking hostages, were able to identify and rob select shipping containers. By hacking into digital databases of commercial shipping information, the pirates could determine the precise location of certain items on board the vessel.

IoT nodes – one of the key technologies powering digital supply chains – are particularly notorious soft spots for hackers. Many are left with factory setting passwords after they have been installed which introduces additional weaknesses and points of attack into a digital supply chain. Snyder emphasizes the need to truly understand technology, “an understanding of the technologies at the heart of digital supply chains, as well as their vulnerabilities, is vital.”

As more organizations move to digital supply chains, standardizing technology and operational practices should be core to plans. Companies now store vast amounts of data about their operations. This level of data available through a digital supply chain is unprecedented, yet few firms have adequate platforms to aggregate and manage this data, produce actionable insights, or prevent the emergence of new inefficiencies. Determining a strategy to manage data complexity, and standardize it across business functions is key to managing the integrated challenge that cyber poses.

Managing The Transformation: 5 Key Steps

From addressing emerging risks such as cyber or adjusting to a shift in business strategy, as industries go through transitions, organizations should prioritize the importance of two-way communication with all stakeholders. Sult advises, “take care to identify and understand *all* stakeholders, internal and external, know how the change will impact them, and develop specific actions to address the unique needs of each stakeholder group.” Failing to, for instance, engage with external stakeholders when establishing technology standards across third parties can introduce serious vulnerabilities into supply chains.

Moving an entire business – or, as the case may be, an entire string of interconnected businesses – over to a digital supply chain is a major organizational change. Sult has outlined five key points that every organization going through large-scale changes is likely to experience – and questions to ask to check on progress:

- 1.) Determine and document a clear vision of the future state of the organization... where will this change take us?
- 2.) Develop a clear change roadmap that defines the change journey... how will we get there?
- 3.) Provide adequate resources to effectively execute the change roadmap... what is my role in the change?
- 4.) Deliver timely and ongoing communications with active participation from leaders... how are we doing?
- 5.) Ensure accountability to change initiatives and track progress on a rapid cadence... are we meeting our goals?

These may seem straightforward, but turning specific insights into a strategy for organizational change requires a strong leadership team. Leaders should be “active and visible,” says Sult, “as well as exposing oneself to questions that may not yet have answers, and enrolling managers and workers to help develop the solutions.”

When Change is Inevitable

Organizations do not stand still – they are either growing and moving forward, or shrinking and moving backward. In the case of technology, change is being thrust upon organizations and solutions require new and different approaches.

Effective change management is a leadership-led process and as with any change management process, communication is vital. Sult advises, “Before taking any action within a department or single initiative, first assess the impact across the entire organization and then prioritize the steps to take.” During times of change, a critical role of leadership is to develop and communicate a vision, strategy and plans to address the changes.

TALKING POINTS



“Leadership is not the sole responsibility of the C-suite. Managers at all levels of an organization must overcome resistance if genuine cultural change is to occur. Thus, change initiatives—which require a deviation from a dominant set of norms and behaviors—are the best learning environments for star managers to develop leadership skills, as well as a necessary component of a successful culture-change initiative.” – Harvard Business Review, Change Management and Leadership Development



“Time is money, and speed wins. Through investments in AI and robotics in the shipping and distribution channels, we expect to cut our distribution and end customer sales costs significantly over the next year or two. Greater efficiency, speed, quality control, and customer satisfaction are essential to the bottom line and will grow our market share.” – Jim Hardy, executive vice president, global operations, Under Armour



“The ability to collect and make effective use of Big Data is essential to the success of our business and its supply chain. One of the key challenges today is finding the right people and skills to realize this potential. We need different skills sets – more data scientists and IT professionals conversant with Big Data, analytics, and tools to interface with data available from the Web. We need to train key employees who know the company’s infrastructure to team with fresh university and college graduates and data scientists.” – Keith Miears, vice president, global supply chain, Dell

FURTHER READING

- Digital Supply Lines: A Frontside Flip – The Center For Global Enterprise, October 3, 2016,
- Bridging The Gap Between Finance And The Supply Chain – theCSuite, October 26, 2016
- IoT Will Revolutionise Supply Chain Management – Business Insider, October 14, 2016
- Absent Digital Culture Biggest Problem For Logistics – Logistics Manager, September 28, 2016
- The Rise Of Fintech In Supply Chains – Harvard Business Review, June 22, 2016

