



Case Study

Supply Chain Risk Management at Swiss Steel

From Risk to Competitive Advantage.





Unavoidable risks are a constant threat in our supply chains. Purchasing agents and logistics personnel are responsible for protecting their company from damages. Swiss Steel is an example of why creditworthiness is not sufficient as a single risk indicator and how risks can be turned into a competitive advantage through proactive management.

Few topics have attracted more attention than "supply chain risk management" in recent years. Why is it then that even after the events of the last few years – such as the Tsunami in Japan, the Arab Spring in North Africa, worldwide strikes or intensified regulatory interventions like the Frank-Dodd Act – companies are frequently still focusing only on the creditworthiness of their direct suppliers? Creating transparency in the entire supply chain, monitoring risks related to suppliers and subcontractors, recognizing the risks associated with locations, taking into account critical logistics hubs or country risks? Not happening!

To ensure supply security for the company, Swiss Steel has been dealing with the topic of risk management for quite some time now. Swiss Steel also previously used financial information to help keep an eye on the financial stability of its suppliers, and country risk ratings to define a weighting for supplier sales and country ratings. But if you want to monitor your global activities as regards suppliers and production, you need to be aware

of all the risks that threaten the supply chain. Another challenge was information procurement. Often, this meant cumbersome and time-intensive collection of information, and still, a full evaluation was lacking. "That resulted in an unsatisfactory feeling concerning supply security," comments Daniel Jung.

All-Inclusive Approach Today, Swiss Steel follows an approach of monitoring a comprehensive range of risks across the entire global supply chain. Since the end of 2014, Swiss Steel has been implementing an automated, multidimensional risk management solution in this regard ("Supply Risk Network" from riskmethods).

This solution covers the entire supply chain and performs "n-tier" modeling for all risk objects, which includes the entire supply chain with all suppliers, subcontractors, their locations and countries, as well as important logistics hubs.

The monitored risk universe comprises all types of risks, such as compliance, quality, price fluctuations (supplier risks), natural disasters, strikes (location risks) or political risks and sanctions (country risks). The "Supply Risk Network" generates this information via numerous linked databases, such as MunichRE NATHAN Risk Suite, World Bank, United Nations Data or CIA. In addition, the system searches more than 300,000 online sources and offers a degree of automation of almost 100 %, which virtually reduces manual maintenance to nil.

"As a result of progressive globalization and the associated increase in dynamics and complexity, it is becoming more and more difficult to ensure an overview of evolving or changing risks."

Daniel Jung,
Head of Strategic Procurement



Early Warning System and Latent Risk The risk management tool can be used in two ways: On the one hand, as an early warning system that constantly provides timely warnings of all types of threats and that can be used to respond to a damage event with appropriate measures. In this way, Swiss Steel receives real-time information on acute crises, or early indications in the case of negative trends, so as to be able to implement preventive actions. On the other hand, for "latent risks", such as location risks (political or economic circumstances or exposure to natural hazards), so as to assess, analyze and compare suppliers or locations, for example, as early as the business initiation stage where possible, and at the same time determine preventive action steps for risk situations in terms of existing suppliers. The interplay between an early warning system for reducing the impact in case of an event and analyses for risk prevention forms the basis of professional risk management.

End-to-End Risk Management Swiss Steel is already planning the next steps. Not only risks are to be monitored by the system, but the impact as well. The combination of risk information and criticality indicates where an urgent need exists for proactive addressing of risks using appropriate preventive actions. In addition, determination of the impact provides comprehensive options for analyzing supplier criticality and dependency. Swiss Steel will then be able to identify which suppliers require measures for risk prevention. Furthermore, Swiss Steel is planning a comprehensive end-to-end risk management concept that will also include the sales side in the risk evaluation. This will protect Swiss Steel not only from supply disruptions on the part of suppliers, but also from disruptions at customers or interrupted shipments en route to customers.

Swiss Steel is located in Emmenbrücke near Lucerne in the heart of Switzerland. In the European long steel market Swiss Steel is amongst the leading suppliers of engineering steel and free-cutting steel. Swiss Steel customers come from the automotive, engineering and apparatus construction industry.

Strategic Task Early detection of risks and a proactive approach to prevent losses enable quick and appropriate action should a risk materialize. Swiss Steel has recognized that. Because only in this way can companies ensure longterm protection against losses resulting from suppliers or supply chain disruptions. Certainly, this presents a challenge for purchasing agents and supply chain managers, but it also provides an opportunity to play a pivotal role in the company and to position themselves as important strategic partners for the success of the entire company. Last but not least, Procurement can thus help to ensure supply, and consequently sales, and to maintain the positive corporate image.

"Monitoring the entire supply chain is today extremely important, as the competitiveness of the entire supply chain is decisive for the success of everyone involved, but above all for the success of the global company."

Daniel Jung,
Head of Strategic Procurement



SWISS STEEL

Providing special steel solutions

