

Report on Supply Chain Compliance Volume 2, Number 5. March 21, 2019 Survey lists top ten risks facing companies worldwide

North Carolina State University's Enterprise Risk Management Initiative, in partnership with global consulting firm Protiviti, released their latest survey of boards of directors and C-suite executives. The report, [2019 Executive Perspectives on Top Risks](#), highlights a business environment focused on digitization and the challenges a digitalized global economy poses for firms that lag behind.

One of the big areas of change will occur in the global supply chain. Digitalization and automation of processes such as manufacturing, third-party vetting, and customs brokering require large up-front investments and onboarding before the effects can be felt through the value chain. The findings in the report show that companies are very aware of current trends and are able to recognize the risks, but they are still unsure how to best proceed.

Digital risk jumped from number 10 in 2018 to the top spot in 2019, followed by the risk of succession challenges and retaining top talent, regulatory changes and heightened scrutiny, cyberthreats, and a culture of resistance to change in many major companies. Three of these risks, cybersecurity, digitalization, and a resistance to change, are interlinked and point toward a sentiment of coming change—big change—that many companies may not be prepared for.

“The perceived increase in the magnitude and severity of risks in today’s ever-changing landscape should prompt boards and senior executives to closely scrutinize the approaches to proactively address emerging risks,” said Dr. Mark Beasley, professor of enterprise risk management and director of NC State’s Enterprise Risk Management Initiative. “Boards of directors and executive management teams cannot afford to manage risks casually on a reactive basis, especially considering the rapid pace of disruptive innovation and technological developments in an ever-advancing digital world.”

Top ten risks

According to the report, the top ten risks facing companies worldwide, according to high-level executives, are as follows:

- “Our existing operations and legacy IT infrastructure may not be able to meet performance expectations related to quality, time to market, cost and innovation as well as our competitors, especially new competitors that are ‘born digital.’
- “Our organization’s succession challenges and ability to attract and retain top talent in a tightening talent market may limit our ability to achieve operational targets.
- “Regulatory changes and scrutiny may heighten, noticeably affecting the manner in which our products or services will be produced or delivered.
- “Our organization may not be sufficiently prepared to manage cyber threats that have the potential to significantly disrupt core operations and/or damage our brand.
- “Resistance to change may restrict our organization from making necessary adjustments to the business

model and core operations.

- “Rapid speed of disruptive innovations enabled by new and emerging technologies and/or other market forces may outpace our organization’s ability to compete and/or manage the risk appropriately, without making significant changes to our business model.
- “Ensuring privacy/identity management and information security/system protection may require significant resources for us.
- “Inability to utilize data analytics and “big data” to achieve market intelligence and increase productivity and efficiency may significantly affect our management of core operations and strategic plans.
- “Our organization’s culture may not sufficiently encourage the timely identification and escalation of risk issues that have the potential to significantly affect our core operations and achievement of strategic objectives.
- “Sustaining customer loyalty and retention may be increasingly difficult due to evolving customer preferences and/or demographic shifts in our existing customer base.”

One overall trend

The common theme that runs through all ten risks is the rapid change taking place across the spectrum of business, disrupting traditional operations and leading major organizations—such as Sears, Roebuck and Company and Toys“R”Us, Inc.—to seek the shelter of bankruptcy while “upstart” born-digital brands steal the show. Evolving customer preferences and demographic shifts point to a new world that might not accommodate old modes of thought. Companies are coming to the realization that the big spenders of the past, baby boomers for the most part, are being replaced by their grandchildren, who demand a much different type of good and service.

Key examples, according to the report, are the pace of innovative changes in technology and market behavior, the increasingly vocal demand for privacy and identity management and protection, and the ability—or inability—of companies make proper use of big-data applications to increase efficiency and drive value within their companies.

The new supply chain

Many of the risks listed in the report deal directly with modern global value chain issues. Some of the more salient ones deal with emerging technological solutions to age-old supply chain problems, such as transparency, flexibility, resilience and efficiency. One of the more important challenges is meeting increased regulatory scrutiny, driven in large part by shifting consumer demand, with a compliance program that is as modern as the technology it’s tasked with policing. Below are some examples of how companies can leverage supply chain risk into opportunity.

- “Using merging technologies such as blockchain platforms to digitalize and track products from source to consumer.
- “Making use of big data and artificial intelligence to maximize productivity and stay ahead of competitors that are “born digital.”
- “Maintaining a robust data management system that protects privacy, ensures security, and adheres to regulatory requirements.

- “Building an organizational culture flexible and visionary enough to put the procedures and policies in place that will carry a traditional company far into the future, and be able to respond to whatever that future has in store.”

The companies that are able to recognize and take action on the big changes coming to how supply chains are managed using automation, cloud-based software and digital ledgers will be able to flourish into the future.

Takeaways

- Digitization and automation top the list of risks and opportunities facing companies today.
- Companies that are able to embrace change and adapt to shifting environments within global supply chains will be able to mitigate risk and reap the rewards presented by new opportunities.

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