Tony McHarg discusses the interconnectivity of multinational businesses operating in Asia Pacific today and how best to mitigate the resulting supply chain risk.

Managing supply chain risks is critical to the success of any business. But the importance of supply chain risk management is perhaps most clear in Asia Pacific with its high growth rate, shifting industry trends, increasingly sophisticated consumers and expanding businesses.

With these marketplace dynamics comes greater interconnectivity of multinational risks. According to the WTO, Asia Pacific includes nine of the world’s top 15 countries importing and exporting intermediate goods. Companies in the region depend upon goods and services from companies in other countries in order to successfully operate their businesses, and vice versa. As the region becomes more interconnected and trade flows continue to increase, protecting valuable supply chains from both existing and new risks becomes critical to the success of companies based there. However, managing these risks can be challenging.

Today's supply chains are becoming deeper and spread over more countries. Knowing exactly what, where and how connections can impact a company’s business can be difficult. It is not uncommon for companies to have supply chains that go down several layers, beginning with one supplier or distributor which is dependent upon a second, which in turn depends upon a third and so on.

A disruption in its supply chain can have devastating effects on a company, potentially resulting in damage such as a tarnished brand, loss of customers and market share, and an overall fall in revenues and share price. If not resolved quickly and efficiently a supply-chain disruption can impact a company’s liquidity by hindering its ability to secure financing.

Despite the serious implications of a disruption, many companies are not devoting enough resources to safeguarding their supply chains. Many of the activities that make the supply chain more resilient, such as buffer inventory, redundant...
Managing the Risks of Multinational Supply Chains

sourcing, multimodal logistics contingencies and continuity planning, are often labelled unnecessary expenses and equated to over protecting business operations.3

Understanding supply chain risk

Many companies do not have a clear understanding of their supply-chain risks, nor an enterprise wide approach to managing them. To help companies address this issue, AIG engages consultatively with clients to understand their business risks and shares insights that can assist companies better understand, anticipate, plan and mitigate potential supply chain disruptions before they arise.

Most managers know they need to protect their supply chains from serious disruption. Their challenge is to recognize the cost of supply chain risk and strike the right balance between resilience and cost savings. While choosing cheap suppliers or manufacturers may look attractive, a company needs to understand the true cost of such a choice, which includes the supply-chain risk related costs.

Making appropriate and informed decisions as to who takes part in a company’s supply chain is vital to ensuring its business operates effectively. First of all, that means having clear visibility within its supply chain. We recommend getting to know suppliers to make sure they are up to your standards. It is important to verify that they meet minimum criteria, which includes having documented best practices, procedures, and perhaps most important, business continuity plans and data privacy procedures and practices in place.

Recent developments in technology offer the potential to further improve insights and decision making around supply chain risk. The use of “big data” may foster innovation in predictive modelling and new analytical techniques designed to spot issues in advance.

Tailoring multinational solutions

Working with our clients to understand their specific risks, AIG offers multinational programmes tailored to clients’ needs and preferences. We can provide locally admitted insurance in over 200 countries through AIG affiliate insurers and third-party network partner insurers. AIG also offers creative insurance and financing options, including fronting and captive services and global solutions for unconventional risks, which helps to protect against the risks associated with increasingly complex supply chains.

Today, more than ever, as companies expand their business operations into new areas of the world, managing supply chain risk is critical. Failing to do so can have serious consequences. AIG helps clients manage these risks with innovative and bespoke solutions that leverage its in-depth, global expertise and services.


For more information, please contact Tony McHarg at 61.3.9522.4600 or tony.mcharg@aig.com or visit www.aig.com/multinational

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