TABLE 10.2: Types of Supply Risks and Mitigation Approaches[39]

TYPE OF SUPPLY RISK	DESCRIPTION	MANAGEMENT AND MITIGATION APPROACH
Strategy Risk	Stems from the choice of a company's sourcing strategy. For example, a small family-run business may not have the resources to support a global sourcing strategy.	Choose the right sourcing strategy up front to identify and qualify the right suppliers using reliable market intelligence.
Market Risk	Stems from volatility in market prices caused by fluctuations in stock prices, exchange rates, interest rates, and commodity prices.	Use approaches such as price hedging, forward contracts, quantity discounts, multiple suppliers, and supplier incentives, or postpone decisions to counter volatility in market prices.
Implementation Risk	Stems from suppliers' inability or unwillingness to meet delivery lead times or increase production because of capacity problems or because the buyer is not a key customer.	Identify and select new suppliers quickly to minimize disruptions in production, lead times, etc.
Performance Risk	Stems from ongoing quality and financial issues with the supplier.	Continuously monitor all suppliers using technology to detect early-warning signals to avoid disruptions caused by bankruptcies, performance problems, ownership changes, labor strikes, geopolitical changes, or the inability to meet compliance regulations. Use prequalified suppliers and clearly establish tolerances for product quality standards and consequences of quality failures.
Demand Risk	Stems from fluctuations in demand and inventory levels.	Use multiple suppliers and suppliers that have the capacity flexibility to respond to demand changes.