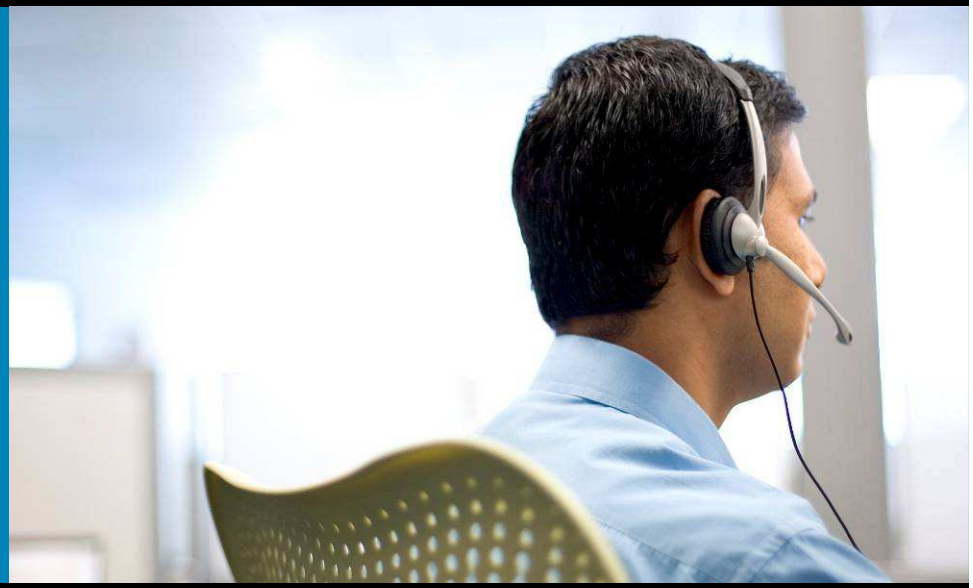
Supply Chain Risk Leadership Council: Risk Management as the New Dogma



Angel Mendez

Senior Vice President
Worldwide Manufacturing

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Risk Management as the New Dogma
Agenda

- Risk Management—New Dogma?
- Why Risk Management Matters
- The Evolution of Risk Management
- Cisco's Approach to Risk Management
- The Opportunity for This Group

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Is Risk Management the New Supply Chain Dogma?

Purchasing → Strategic Sourcing

Materials Management → Supply Chain Management

JIT → Lean

Quality Control → TQM → Six Sigma → DFx/ Prevention

Where Does Risk Management Stand in the Supply Chain Field?

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Supply Chain Management Was Easier when the World Was Still Round

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But, the World Is Flat…

Source: Thomas Friedman, The World is Flat

New Risk Factors Are Affecting Supply Chain Effectiveness…

Interdependencies on Multiple Physical Locations around the Globe

Risk Concentration in Vulnerable Emerging Market Locations

Increased Importance on Business System Connectivity and Information Velocity

Catastrophic Business Interruption Risk

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What Was Once a Local Issue…

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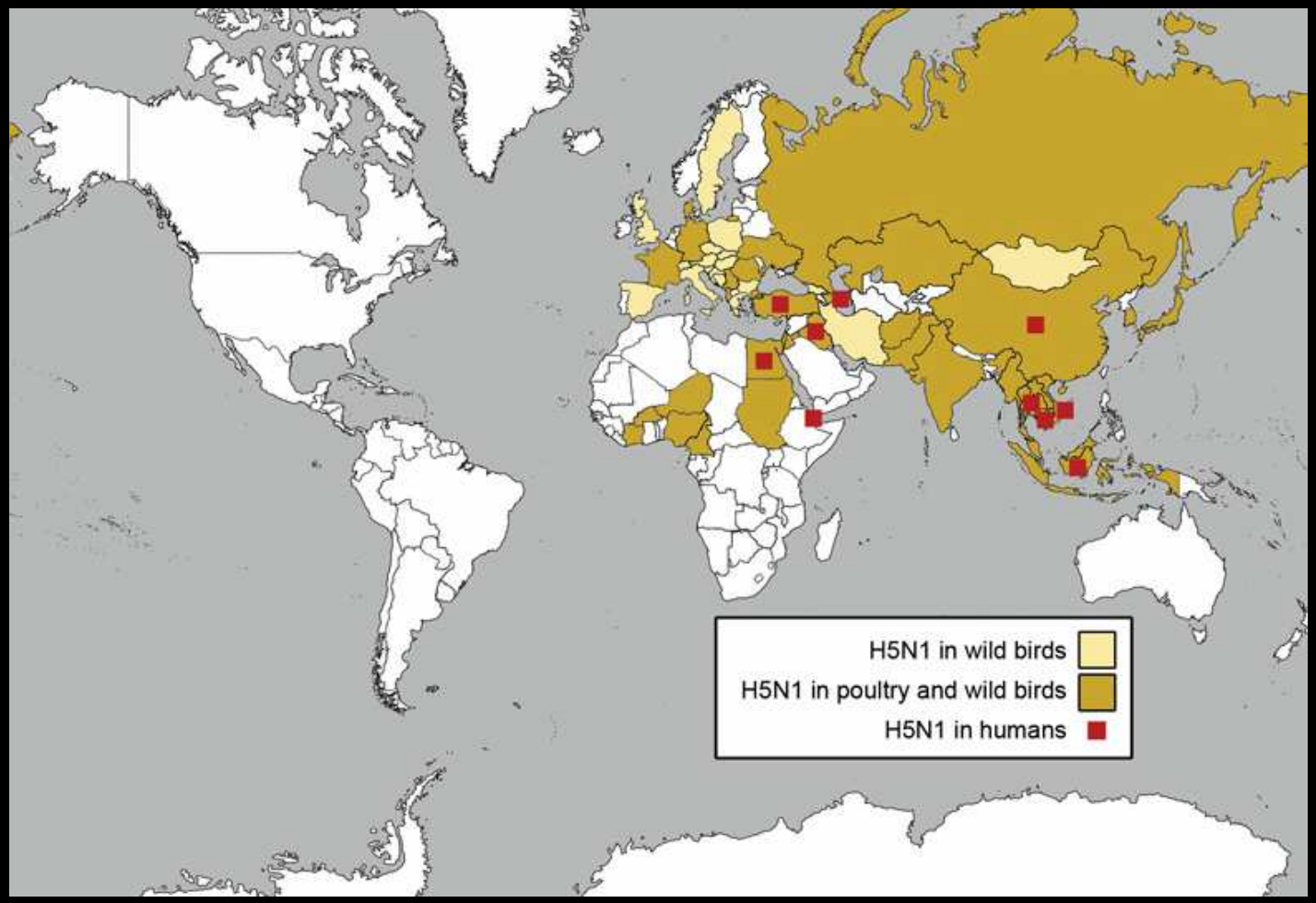
…Is Now an International Concern…



Source: U.S. Department of Health and Human Services, July 7, 2006

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…with Unprecedented Impact to Companies and Governments around the World

Security

Foreign Exchange / Trade

Financial

Macroeconomic

Tax Policy

Labour Market

Legal and Regulatory

Political

Payment

Infrastructure

Source: Economist

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The Supply Chain Has Evolved…

Traditional Manufacturing and Procurement

1

Process Improvement

- Flexible Mfg. (Lean , JIT…)
- TQM, SPC
- MRP

2

Supply Chain Management

- Core / Context
- Outsourcing
- Rationalization

3

Value Chain

- Customer / Partner / Supplier Integration
- Supply / Demand Matching
- Visibility

4

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The Supply Chain Has Evolved…

Exponential Risk Growth without Risk Management:

- **Processes**
- **Tools**
- **Capabilities**

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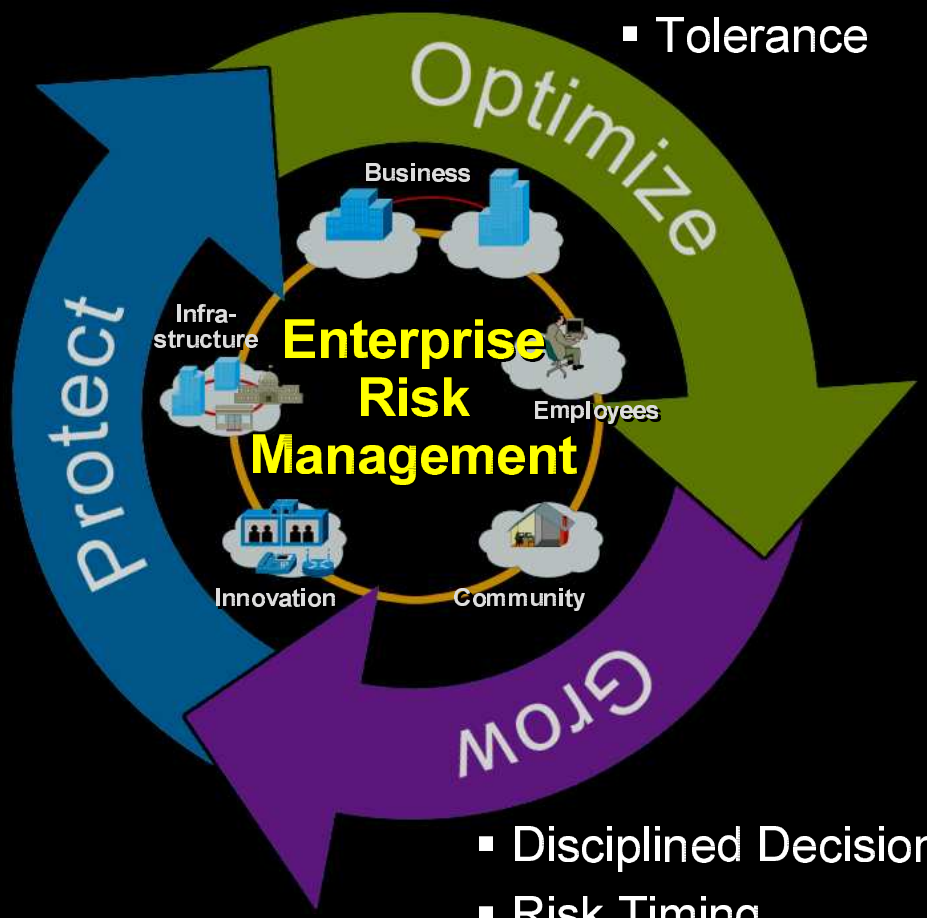
Cisco's Approach to Risk Management

- Business Risk Monitoring
- Risk Responsiveness
- Tolerance



- Risk Analysis
- Risk Assessment
- Business Continuity Planning
- Business Resilience
- Insurance

- Disciplined Decision Making
- Risk Timing
- Business & Technology Innovation

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Cisco's Risk Management Approach: Focus Areas

Most Significant Risks

External	▪ Competitors ▪ Catastrophic / Business Interruption
Strategic	▪ Business Model and Portfolio ▪ Resource Allocation ▪ Planning ▪ IP Infringement
Operational	▪ Investment Criteria ▪ Succession Planning ▪ Hiring and Retention ▪ Supply Chain

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What Is the State of this New Dogma?

- Process Development
- BOD and Executive Mindshare
- Financial Practices
- Academic Research and Scholarship
- Regulatory Environment
- Practitioner Training
- IT Tools Development
- Functional Competence
- Thought Leadership Venues

Opinion: Must Accelerate Progress in All Dimensions

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The Opportunity for This Group

We have a unique opportunity to accelerate and advance:

- Thought Leadership
- Best Practices in Supply Chain Risk Management

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Questions?

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