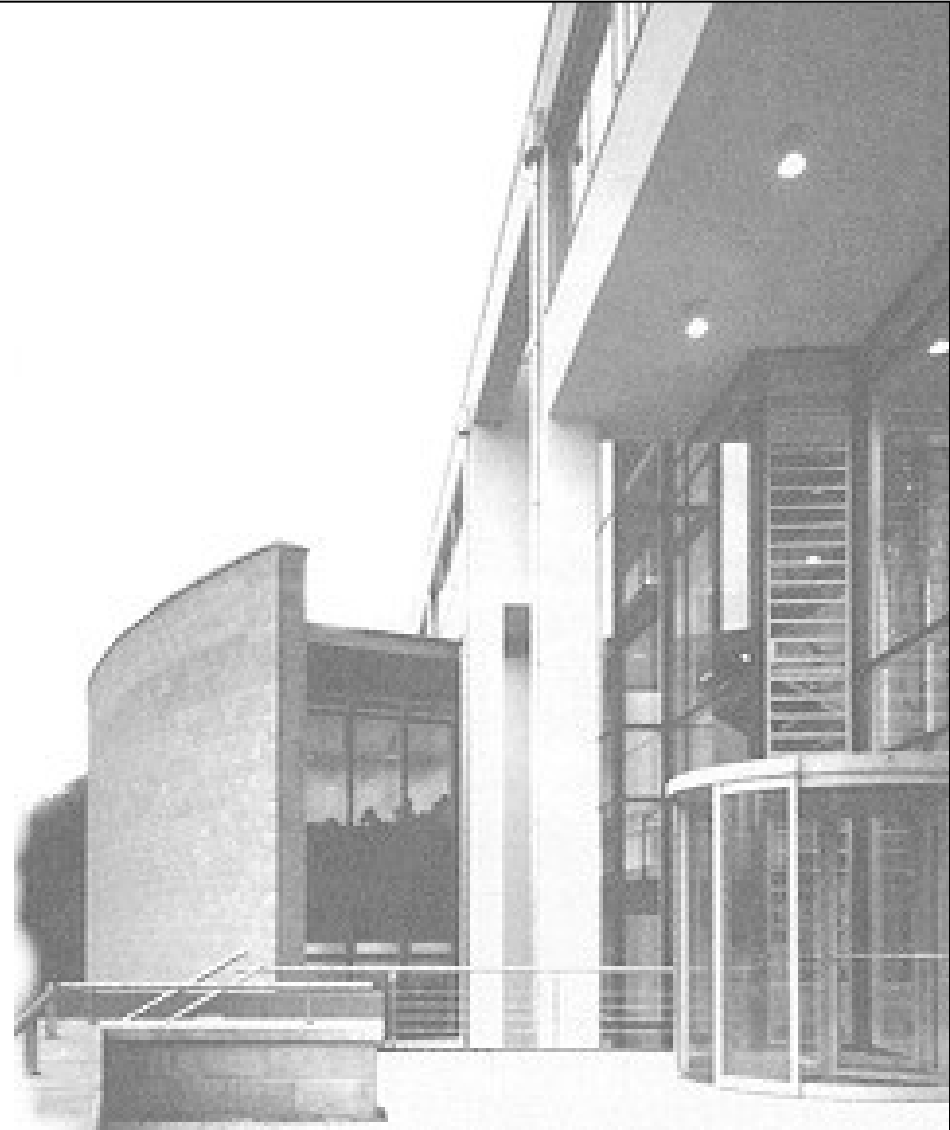


# Risk Controlling in Inbound Logistics

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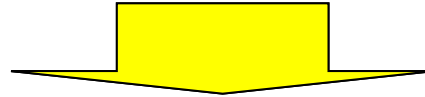
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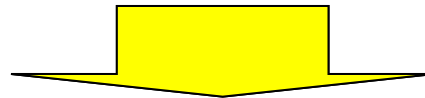


1. Introduction
2. Literature Review
3. Risks in Inbound Logistics
4. Risk Controlling in Inbound Logistics
5. Conclusion

- Multi-sourcing approach facilitates further complexity
- Increasing speed of environmental changes
- Economical challenges



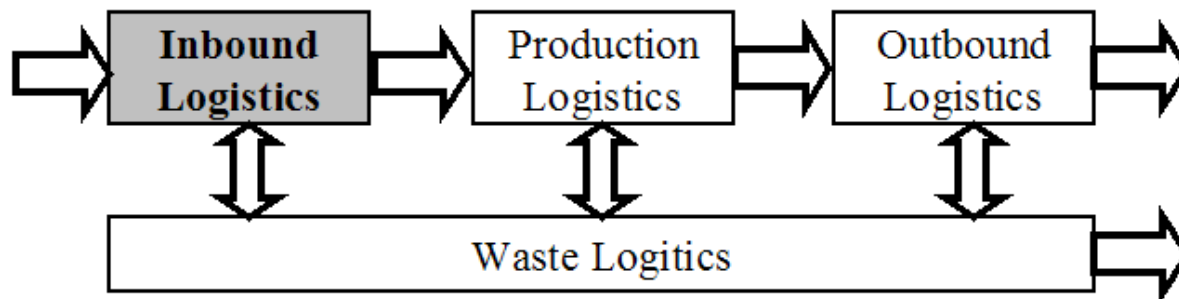
- Rising risks regarding time, quality, place and costs of materials
- Competitive disadvantages → decreasing overall performance



- Need for specific definition of risks
- In-time 360 degree risk controlling conditioned to a companies targets and strategy

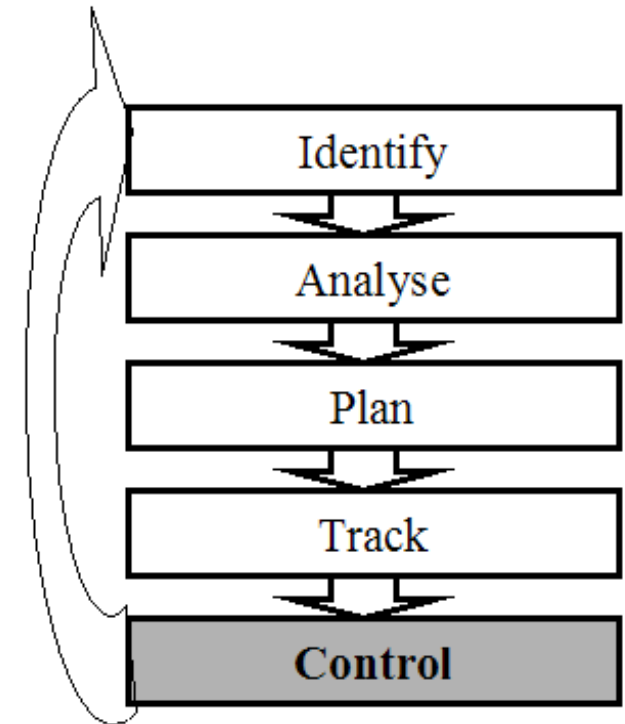
## Inbound Logistics:

- Upstream process from purchasing to transportation of goods towards production
- Linkage of supplier's outbound logistics with production logistics
- Focus on cost-saving purchases, efficient storage and inventory reduction



### Risk Controlling:

- Risk = hazards of loss or damage in defined time periods
- Reporting functionality
- Initiating corrective actions
- Aims:
  - Transparency of defined risks and their development
  - Increase of productivity
  - Compliance with legal requirements



# 3. Risks in Inbound Logistics

## Defining potential risks for inbound logistics

1. Internal Risks

2. External Risks

3. Non-business related  
risks

# 3. Risks Inbound Logistics

	<b>Risks</b>	<b>Impacts</b>	<b>Prevention</b>
<b>1. Internal Risks</b>	<ul style="list-style-type: none"> <li>• Incoming goods inspection</li> </ul>	<ul style="list-style-type: none"> <li>• Warranty claims</li> <li>• Quality problems</li> </ul>	<ul style="list-style-type: none"> <li>• 100% inspection</li> <li>• Declaration of conformity</li> </ul>
	<ul style="list-style-type: none"> <li>• Warehousemanagement</li> </ul>	<ul style="list-style-type: none"> <li>• Damaged material</li> <li>• Loss of material</li> </ul>	<ul style="list-style-type: none"> <li>• Alarm-, locking systems</li> </ul>
	<ul style="list-style-type: none"> <li>• Stock disposition</li> </ul>	<ul style="list-style-type: none"> <li>• Production deficiency</li> <li>• Out-of-stocks</li> </ul>	<ul style="list-style-type: none"> <li>• Efficient forecasting</li> </ul>
	<ul style="list-style-type: none"> <li>• Inhouse transport</li> </ul>	<ul style="list-style-type: none"> <li>• Damaged materials</li> <li>• Increased costs</li> </ul>	<ul style="list-style-type: none"> <li>• Efficient location</li> </ul>
	<ul style="list-style-type: none"> <li>• Planning, steering, controlling of information and material chain</li> </ul>	<ul style="list-style-type: none"> <li>• Information losses</li> <li>• False decisions</li> </ul>	<ul style="list-style-type: none"> <li>• PPS-systems</li> </ul>

# 3. Risks in Inbound Logistics

	<b>Risks</b>	<b>Impacts</b>	<b>Prevention</b>
<b>2. External Risks</b>	<ul style="list-style-type: none"> <li>• Number related supply risk</li> </ul>	<ul style="list-style-type: none"> <li>• Dependency</li> <li>• Supply interruption</li> <li>• Health risks</li> </ul>	<ul style="list-style-type: none"> <li>• Dual sourcing strategy</li> </ul>
	<ul style="list-style-type: none"> <li>• Location related supply risk</li> </ul>	<ul style="list-style-type: none"> <li>• Delayed delivery</li> <li>• Increased costs</li> <li>• Price disadvantages</li> </ul>	<ul style="list-style-type: none"> <li>• Domestic sourcing</li> </ul>
	<ul style="list-style-type: none"> <li>• Communication risk</li> </ul>	<ul style="list-style-type: none"> <li>• Misunderstandings</li> <li>• False decisions</li> </ul>	<ul style="list-style-type: none"> <li>• Standard documents</li> </ul>
	<ul style="list-style-type: none"> <li>• Legal risk</li> </ul>	<ul style="list-style-type: none"> <li>• Claims</li> </ul>	<ul style="list-style-type: none"> <li>• Legal review</li> </ul>

# 3. Risks in Inbound Logistics

3. Non Business Risks

## Risks

- Environmental disasters
- Political instability
- Macroeconomical conditions

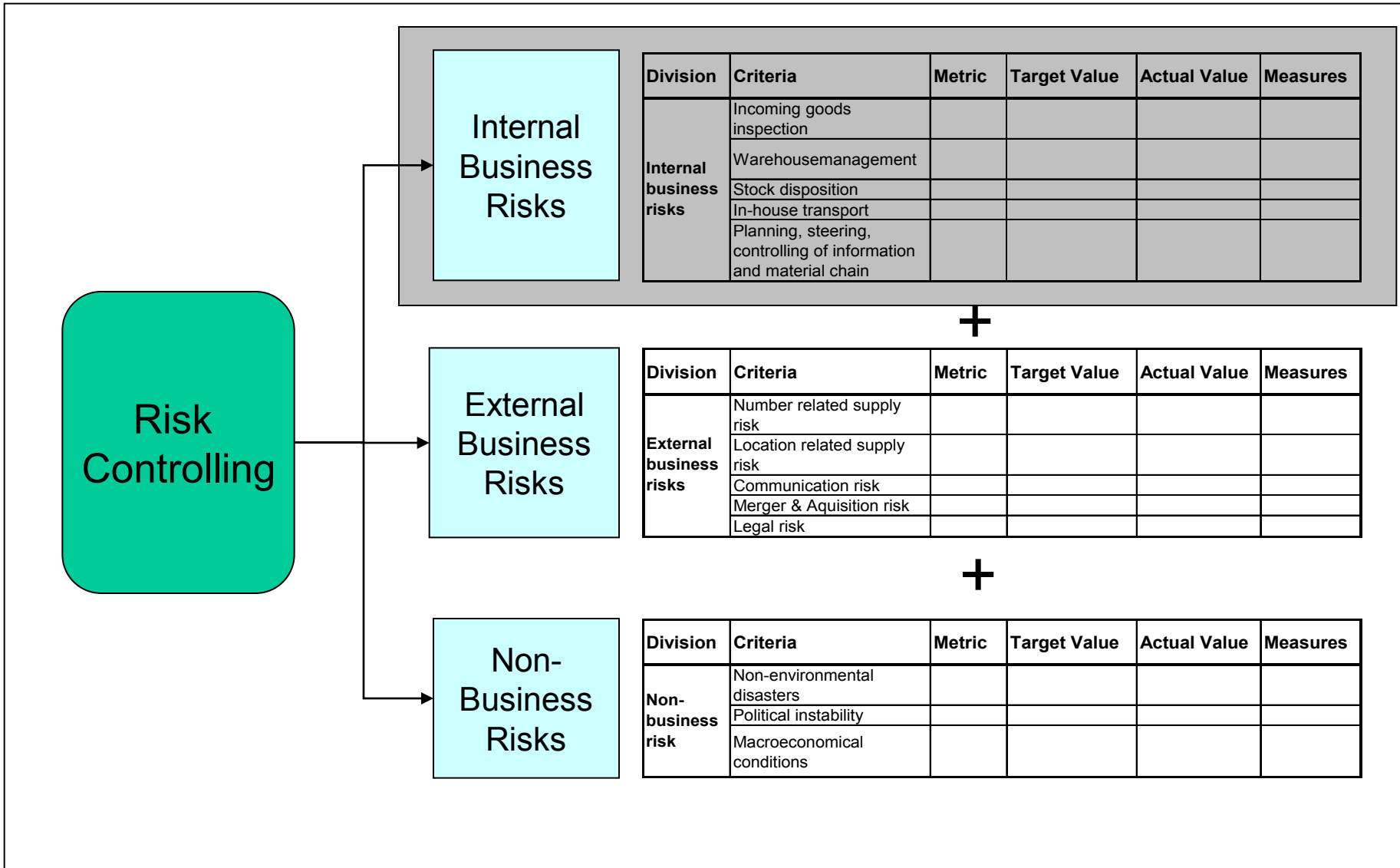
## Impacts

- Supply chain disruptions
- Non delivery
- Increase in costs

## Prevention

- Information management
- Insurances
- Emergency plans
- Standardizing processes

# 4. Risk Controlling in Inbound Logistics



## Balanced Scorecard - Example

Division	Criteria	Metric	Target Value	Actual Value	Information to	Measures
<b>Internal business risks</b>	Incoming goods inspection	Share of damaged goods in total incoming goods	< 4%	6,0%	Mr. A	100% inspection Use of contractual penalties
	Warehousemanagement	Share of inventory items incorrectly located / stored in total number of items	< 1%	0,5%	Mrs. B	IT-based warehousing (e.g. RFID)
	Stock disposition	Out-of-stocks (OOS)	< 5%	5,0%	Mrs. C	Adaption of forecast accuracy measurement Controlling of supply reliability
	In-house transport	Share of delayed transports / empty running in total amount of transports	< 3%	10,0%	Mr. D	Hub and Spoke Concept Cooperation with (inter) national third party logistics provider
	Planning, steering, controlling of information and material chain	Share of manually conducted reports in total number of reports	< 1%	4,0%	Mrs. E	Reduction of interfaces Avoidance of media disruption Development of Information Governance Framework

## + Advantages

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- + Cause-and-effect outline
- + Company and risk related performance metrics
- + Information flow and escalation process included
- + Management reports on a regular basis



## - Challenges

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- Continuous alignment with overall strategy
- Regular review of defined risks and adaption if necessary



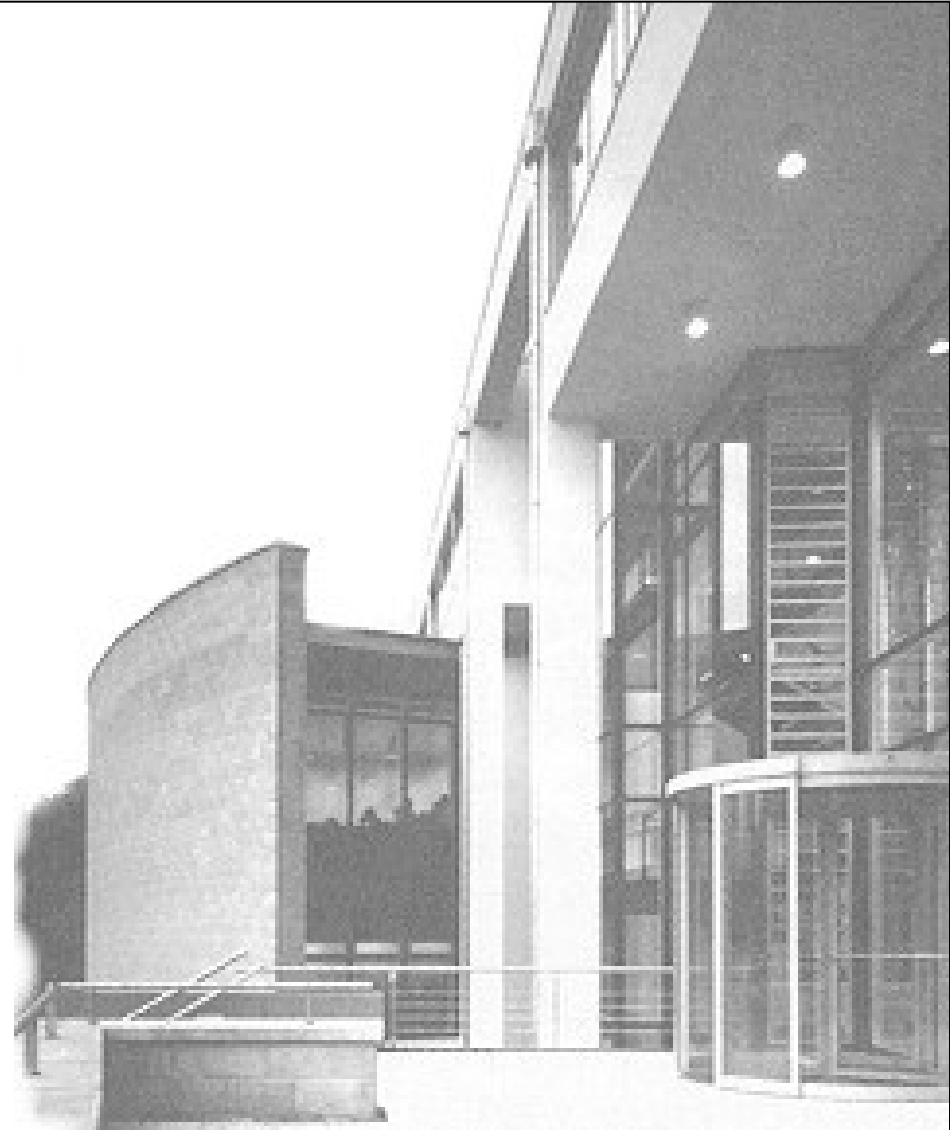
- Increasing complexity of business environment:
    - Out- and multiple sourcing activities lead to increased risks
    - Importance of inbound logistics is rising
    - Risk controlling of paramount importance
    - Employees need to be sensitized with regard to risk avoidance
  
  - Risks and resulting performance losses can be avoided if:
    - Risks are defined and reviewed regularly
    - Tracking tool is in place (e.g. via balanced scorecard)
    - Corrective measures are defined and used if necessity is signaled
- Risks cannot be turned off – Balancing chances and risks is the very essence of entrepreneurship

# Risk Controlling in Inbound Logistics

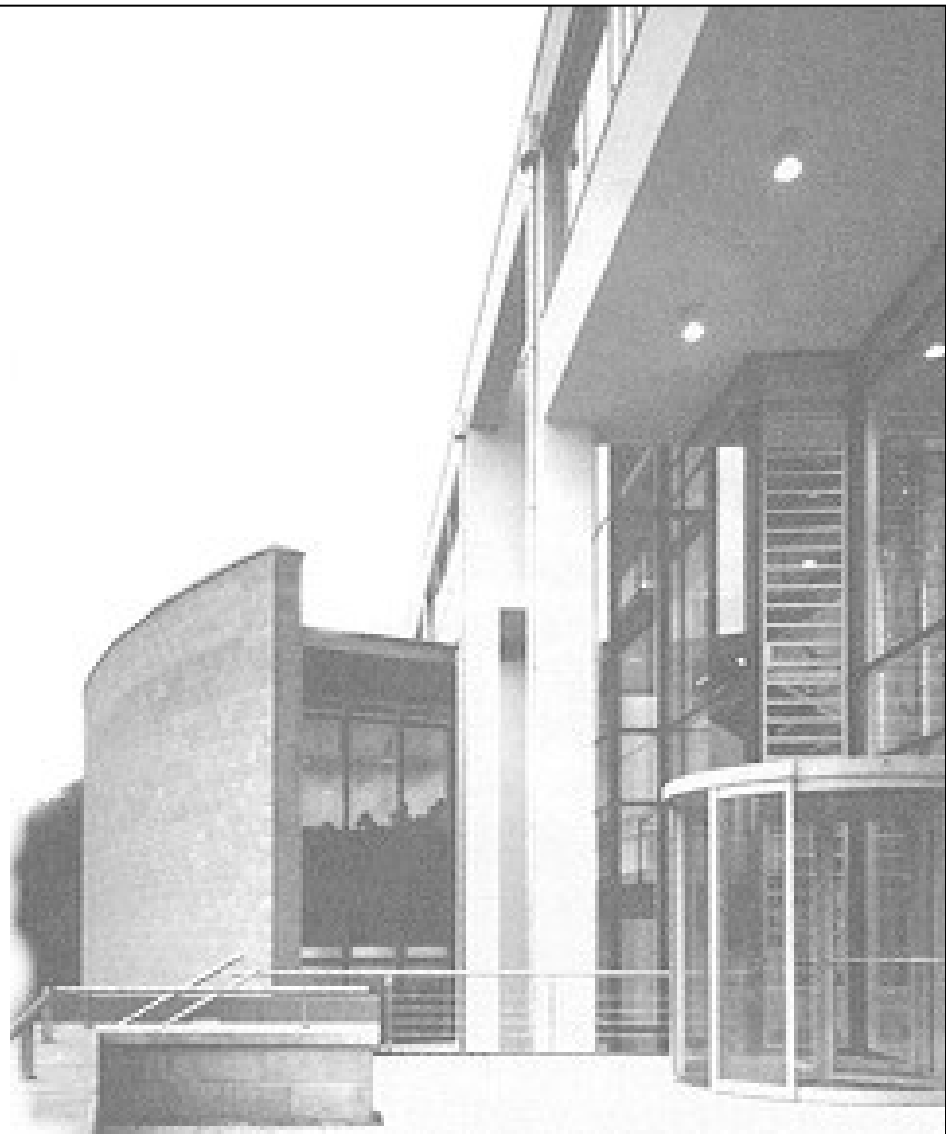
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**Thank you for your  
attention!**

Hamburg, September, 3th 2010



# Back-Up



## External Business Risks – Example

Division	Criteria	Metric	Target Value	Actual Value	Information to	Measures
<b>External business risks</b>	Number related supply risk	Number of suppliers for strategic materials	< 2	4	Mr. D	Supplier evaluation and reduction of number of suppliers
	Location related supply risk	Lead time in days	< 3	2,5	Ms. G	Analysis of forecast accuracy Implementation of vendor managed inventory
	Communication risk	Share of standard order definitions in total number of order definitions	< 15%	12%	Mrs. C	Avoidance of media disruption Implementation of vendor managed inventory
	Merger & Aquisition risk	Comparability of sourcing strategies	yes	yes	Mr. Y	Analysis if adaption of sourcing strategies is possible
	Legal risk	Compliance with purchasing conditions	100%	99%	Mr. A	Standardization of contracts Internal awareness training

## Non-Business Risks – Example

Division	Criteria	Metric	Target Value	Actual Value	Information to	Measures
<b>Non-business risk</b>	Environmental disasters	Asurances for most common environmental risks	yes	yes	Mrs. B	Conclusion of assurances
	Political instability	Asurances for political risks for international operations	yes	yes	Mrs. B	Conclusion of assurances
	Macroeconomical conditions	Share of strategic materials not purchased from best-in-class suppliers in total number of strategic materials	< 10%	17%	Mr. D	Supplier evaluation and bid solicitation