



# MEDIUM-SIZED ENTERPRISE GERMANY

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## The risk story 4



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# Medium-sized enterprise from Germany

## Context of the Company and the Supply Chain

The firm is a leading IT service provider for networks and data security. The services range from selling of hardware to complete managed services. The firm offers turnkey solutions comprising network planning, installation, operation and management. Services are provided by 180 employees from 12 locations close to customers in Germany, Austria, and Switzerland. The challenge of the business is to ensure a high reliability and availability of client networks and in case of disturbances to minimize down-times. This puts pressure particularly on spare parts provision.

## Digitalization of SC

Interactions with suppliers are not yet by EDI; pilot projects are underway. In its own processes the firm is highly digitalized. Collaborators can access the ERP and warehousing system remotely via Smartphone App.

## Risk Management

To ensure high quality of services and to be prepared for risks the company is certified according to several standards (e.g. ISO 9001, ISO 27001) and has developed its own risk management system inspired by ISO 31000 within a business continuity logic. The firm has a risk board which meets monthly. Members are managing director, head of quality management, heads of units and an external consultant. The board systematically identifies business risk including supply chain risks, carries out a business impact analysis and prepares measures. This quality and risk management is also a sales argument and a must demanded by clients. In addition, clients perform their own audits.

## Practice of Risk Management:

### Operational risks

The main operational risk is related to missing spare parts. This risk is tried to be mitigated by stocking of spare parts in decentralized warehouses and using a dual-supplier strategy while sourcing the parts. Further, the company is having the parts delivered by its own drivers and vehicles, which improves the flexibility and delivery reliability.

### Market risks

Another risk refers to sourcing components from suppliers. In order to reduce dependency from the suppliers the firm applies a dual vendor strategy, having 25 strategic suppliers. But even though the main suppliers are located in Germany, they rely on sub-components from China. The risk of being dependent on sub-suppliers is a further issue for this company and the company tries to avoid this issue as well with a dual vendor strategy and working around sub-components in case there is a shortage.

### Cyber risks

As a leading IT service provider for networks and data security the firm has an effective IT-security strategy and system

### COVID-19 related risks

As different vendors source from the same sub-supplier in China, even a dual vendor strategy cannot completely avoid sourcing disruptions. This was the case with the closure of the Wuhan region during the Covid crisis. This showed the risk of being dependent from single suppliers, even when the company seems to have multiple alternatives. Further, there is also a possibility to fix a network by working around a component if temporarily unavailable, this alternative is not always possible within a timely manner.

**Benefits of risk management:** An adequate and proactive risk management reduced the dependency on suppliers and assured a better overview of the supply chain, including having alternative sourcing possibilities in case of a delay or an interruption in the supply chain.