

MICRO ENTERPRISE ITALY

The risk story 1



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Micro enterprise from Italy

Context of the Company and the Supply Chain

Enterprise 1 is a micro organisation of 9 employees founded in 2010. Enterprise 1 is part of the construction value chain. Enterprise 1's core business is the development and construction of buildings commissioned by real estate agents or owners of buildings such as hotels.

Enterprise 1's supply chain comprises suppliers of building products and furniture, from the light bulb to pieces of furniture. The organisation mainly operates in the Italian market.

Digitalization of SC

Enterprise 1's supply chain is partially digitalised. Enterprise 1 employs supplier web sites to order pieces of furniture and manage. In contrast, Enterprise 1 uses a paper-based system to manage relationships with building materials suppliers - selling products like reinforced concrete.

Risk Management

Enterprise 1 has structured risk management. They monitor operational risks during the project and conduct an ex-post analysis of the supplier at the end of the project - generally the building's production. They analyse suppliers' performance: the delay time of products, quality of products and order fulfilment (whether the supplier sends the entire order or just some products). Enterprise 1 has historical data of suppliers.

Risks:

Market risks. Enterprise 1 encounters supply chain risks with new suppliers related to longer response time, and for this reason, they have to solicit the orders involving extra time and administrative costs. Enterprise 1 also experiences issues to create a long and stable relationship with suppliers.

Operational risks. Further common supply chain risks involved long shipping time for goods produced abroad, delays or losses of ordered products. These issues

may slow down or block works in construction sites increasing staff costs and consequently the overall project cost. Thus, Enterprise 1 may become less competitive in the market.

COVID-19 risks. The pandemic generates various SC risks for Enterprise 1, which experiences a lack of physical support of the suppliers in case of any issue on the construction site. The suppliers are hardly ever presented on the construction sites, and Enterprise 1 hardly ever can go into their shops. Everything is now managed through mobile phones or online video-calls. Due to this constraint, Enterprise has difficulties choosing novel products because they cannot "touch" the products and understand their quality. Moreover, some products shipment is blocked and delayed due to the internal situations that suppliers go through.

Benefits of risk management:

Enterprise 1 mitigates supply chain risks with good scheduling of the project and good planning of extra time to compensate potential suppliers shipment issues. Moreover, they exploit suppliers' historical data to choose whether to change or not the supplier for the next project. The reputation of suppliers is another positive factor. Enterprise 1 privileges "trusted" suppliers that work timely and with a high-quality standard. Enterprise 1 prefers to supplier's web site to order products because it avoids creating potential misunderstanding, and the ordering process is faster than the traditional way of ordering. They can also browse a large variety of products and find suitable furniture for the construction project in less time. Enterprise 1 avoids potential cyber risks related to credit card data breach when they order with digital catalogues by paying by bank transfer.