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Supply Chain Security: Best Practices Build Success

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Supply Chain Security: Best Practices Build Success

As the supply chain industry continues to evolve at record pace, so does the need to improve protection for the products that move inside the networks. Two factors inevitably continue to push the need: (1) the value and attraction for theft; and (2) pressure from the consumer to get their valued products to their destinations – yesterday.

These two challenges faced BAX Global Inc. when I started its Corporate Security Program in 1992. BAX Global (now a component of DB Schenker) was an integrated cargo carrier and distributor. We had a U.S. domestic air and trucking network that offered overnight and deferred services for our customers. In this complex express cargo network, our success relied on very efficient coordination and interaction throughout the supply chain. As the head of BAX Global Security for more than 17 years, I had the opportunity to create, design and implement a security program that achieved that coordination by integrating with existing operational practices and encouraging user ownership of security. Our program eventually became an industry-leading, best practice model.

When introducing new security practices, we recognized the need to work closely with the operators. I set forth a strategy that included scheduled communication forums with the key management stakeholders. Through effective communication and implementation processes, we stressed the team concept from the beginning, and that team approach became ongoing, proactive and key to our success.

Not only did strong user participation help us reduce liability costs, it helped drive creation of revenue-generating opportunities. Several of our policies were cited as best practices, including our high-risk product management program and reweigh process. These security practices became added values that impacted our company's bottom line, as well as the supply chain industry.

High-Risk Program

Our high-risk product management program began as a response to the increase in higher-risk products, such as electronics and pharmaceuticals, moving in our supply chain networks.

Through the high-risk program, we instituted an escalated communications process that was security protected in our IT systems. Information regarding higher-risk shipments was communicated from the origin and down the line to any other locations that would receive these consignments, all the way to the destination. At each location, there were requirements that demanded escalated attention for this particular cargo.

We reduced our problem experiences to rare exceptions. And because this process influenced a very strong awareness of high-risk cargo consignments, our ability to address problems became immediate. The program was embraced by the entire organization; it led to major business growth, because high-risk shippers knew they could trust us to protect their valued products.

In this case, we drove a security practice that met a customer need. The result was improved customer satisfaction and a high level of security awareness that became cultural.

Reweigh Process

One of the primary security challenges for many supply chain operations is how to reconcile palletized or over-packed cartons at each transaction point. Over packing is a method of combining multiple cartons into a single unit. One way to over pack is to palletize cartons – to stack multiple cartons on a loading skid and shrink-wrap them together. It is not uncommon to have a pallet of 50 or more computers or other valued commodities moving on these palletized units. This method enables customers to keep consignments of multiple pieces together as one unit, but it can also raise risk to a very high level.

It is a fundamental security practice to ensure your supply chain product is confirmed for any discrepancies at the receiving point. You need to know if any product was stolen or compromised so that immediate steps can be taken to investigate the root cause. However, perpetrators began using innovative means to remove product from over-packed shipments and disguise the theft. Cartons were being taken from the bottom and middle of pallets. Electronics products were being removed and the cartons put back. The skids would arrive at the destination, looking as perfect as when they were tendered at the origin. But upon delivery and final breakdown, the consignee would discover empty cartons.

The compromised skid could move through four other locations prior to delivery. We coordinated with our operations management to create a solution that provided significant returns on our investment.
Whenever we had over-packed or palletized shipments, our operators would re-weigh the units at each transfer location. We would do this for specific high-risk commodities only. We developed an electronic re-weigh communication that would begin at the origin location and then pass along the line. In some of our network chains, a product could move through as many as five transfer locations before getting to its destination. At each point the cargo would be re-weighed and checked to ensure it was within a kilo of the weight that was recorded at origin.

This practice, which began as an essential solution, became a major selling point for the high-risk shippers. Because it worked as an integrated step in our operations, it did not impact our productivity.

Real ROI

Each of our security policies provided tangible returns on our investments. For example, we worked to calculate the customer revenue value that was generated by our reweigh practice. I teamed with the marketing group and began identifying the customers that required re-weigh as part of their shipping services. We designed a database to track those customers' revenue contributions and our claims activity for them. On both financial indices, we were able to generate results that amounted to several million dollars. When I reported these dollar values, reweigh became a hot topic with our senior management. Through a best practice, we strengthened

our security culture by teaming up with operations, connected a marketing and sales opportunity because of a customer need, and gave senior management data that showed genuine returns being produced by strong security.

Best security practices in supply chain operations will connect your security program to returns on investment and net gain opportunities. We all need to justify our existence, and in a corporate environment, there needs to be business purpose. Any good corporate security program should be based on fundamental security practices and policies. However, you can reach a best practice level by ensuring continuous improvement. Find ways to involve the operations people, who are the users and who will have the best ideas.

About the Security Executive Council

We are a research and advisory firm for security leaders. We have a collective of close to 100 security subject matter experts that have been successful security executives or are recognized industry experts in their field. The resources and tools we develop are constantly evolving to provide maximum value. Some engage with us by way of multi-year "retained" services agreements (Tier 1 Stakeholders). Tier 1 Stakeholders are those that want support on an ongoing basis but also want to have an active role in identifying solutions for the industry. Others come to us seeking a specific solution to a contained issue. In all the ways people engage with the SEC the bottom line goal is to help define and communicate the value of the Security organization.

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