

The headlong rush to meet new (and old) threats to the supply chain has given short shrift to the human factor. Not human threats like terrorism and thievery, but threats from a lack of human solutions to enhance security.

Ask yourself an obvious question: Who's in charge of protecting a company's supply chain? You might say the CEO. The board of directors and shareholders would probably share this belief. It's not likely, however, that a CEO possesses the kind of experience that offers an understanding of the nature of all hazards to the enterprise, though some—like global financial disruptions—are very much on a CEO's horizon.

Maybe you think the chief security officer is in charge of protecting a company's supply chain. Possibly. But well under half of *Fortune* 1000 firms have a corporate-level individual in this position. So, let's look at mid-level management where there are many CSOs. Many of these individuals are charged with protecting their company's information systems, not its supply chain.

Perhaps the director of security is the person responsible for this daunting task. Most companies employ an individual in this position. But what is the typical experience of a security director? The American Society of Industrial Security (ASIS) concludes that law enforcement and military experience are the most likely sources of security professionals. Thus, we pose the question, "Does law enforcement and/or military security experience provide the best preparation for a security professional to secure a supply chain?"

The question is not the relevance of law enforcement experience, as it's obvious that physical security experience is essential to protecting personnel, facilities, and assets in the supply chain. The more obvious question is the relevance of this experience in understanding the supply chain which is defined as "the integration of internal and external units from raw material procurement to delivery to the ultimate customer."

Jim Rice and Federico Caniato wrote in the September/October 2003 issue of *Supply Chain Management Review*: "...companies will need to design for both security and resilience. Today's operating environment also calls for new organizational capabilities...to forge new relationships with those US government agencies...with suppliers and customers to co-create a more secure and resilient network. Internally, the biggest organizational challenge may be to give individuals a solid understanding of the interdependencies and operational imperatives that now exist."

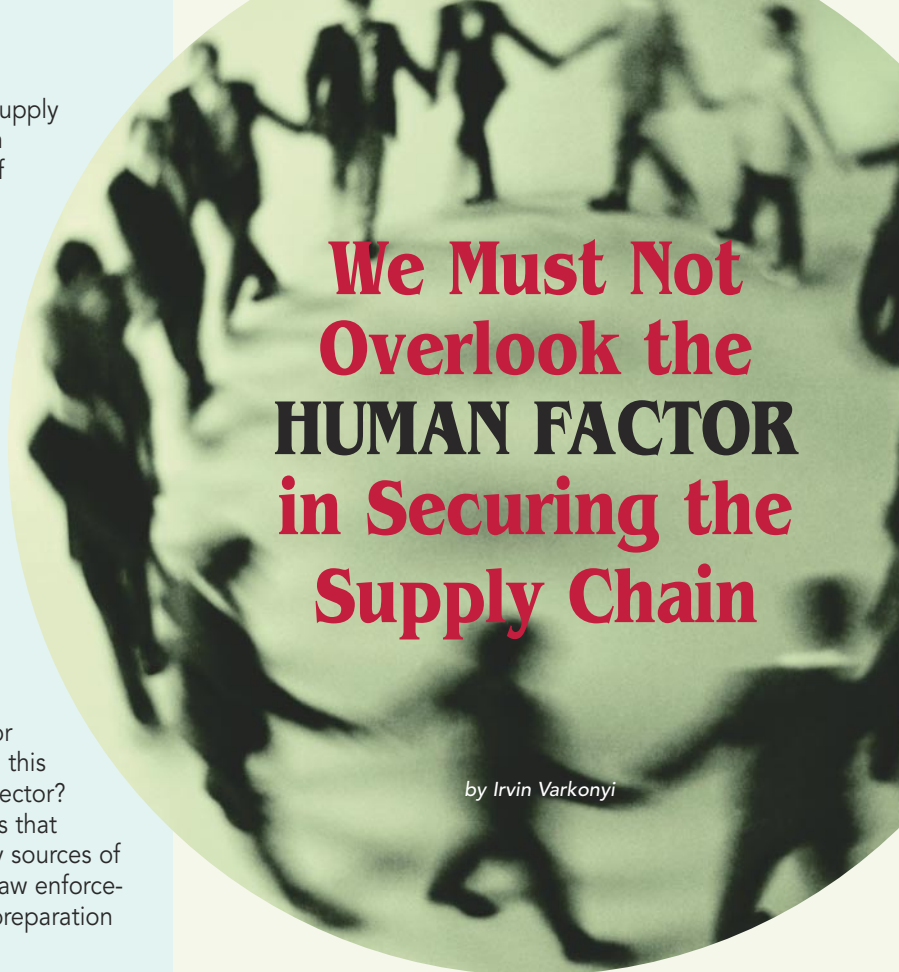
Will the director of security be capable of the task of spearheading the challenge posed by Rice and Caniato? Given the rise in cargo theft, the risk of terrorism, the ever-greater impact of environmental factors on global supply chains, shouldn't we wonder how effective this individual can be?

It appears that the requirements for being a director of security (and a corporate officer responsible for asset protection) require additional training and experience beyond law enforcement. These include, among others:

1. logistics experience
2. third party vendor relationships
3. government security initiatives
4. regulatory and financial compliance
5. understanding the difference between security and protection

1. Logistics Experience

The simple definition of logistics is to get the right item to the right place at the right cost in the right quantity at the right time. Security



We Must Not Overlook the HUMAN FACTOR in Securing the Supply Chain

by Irvin Varkonyi

professionals interact closely with logistics departments but without sufficient training in the discipline. Would a security professional view this definition of logistics differently? The word "safely" is not to be found in the definition. Efficiency in distribution is meaningless if disruptions are allowed to enter the logistics process.

2. Third Party Vendor Relationships

Today's enterprise can be more accurately characterized as a "virtual corporation." Look at the contents of a General Motors automobile. Over half the value of GM vehicles can be attributed to third party manufacturers and transportation/distribution vendors. The name on the vehicle may be GM but it's more accurately a consolidation of hundreds of names. Who protects this supply chain? In the case of GM, this organization is an excellent example of best practices because its supply chain security integrates all vendors. The responsibility for security rests with logisticians and security professionals trained in both disciplines, understanding their roles in the "virtual corporation."

3. Government Security Initiatives

Customs-Trade Partnership Against Terrorism (C-TPAT) is the most well-known US government initiative. However, the initial implementation of C-TPAT lacked standards in its approach and a fixed place within an enterprise. Responsibility for a C-TPAT program may or may not be under the director of security. Best practice calls for a security management team comprised of representatives from appropriate business units, such as marketing, finance, legal, operations, distributions, and security. The updated C-TPAT program will challenge companies to develop collaborative preparedness models.

4. Regulatory and Financial Compliance

What about Sarbanes-Oxley? This law, passed by the Congress soon after the financial excesses of Enron and other US corporations came to light, is now seen to also apply to supply chain security. The relationships between a corporation and its third party vendors, described on page 10, must be protected against financial vulnerabilities which may subject the enterprise to penalties. How much training is provided to the director of security on Sarbanes-Oxley (SOX)? If this position is not concerned with SOX, is the VP of legal concerned? Does this make him or her responsible for securing the supply chain?

5. The Difference Between Security and Protection

Security is the word of the day. The security officer has finally gotten the attention that the position always desired, but only received after a theft, a terrorist attack, or an out-of-control employee incident. What does security mean? Acceptable definitions deal with feelings of safety, assurance, reliance, freedom, and sureness. Are these actionable? Compare these with the definition of protection: defense, guarding, invulnerability, safety, stability, strength, and SECURITY. These words sound much more actionable.

The answers to our earlier question might come from different professional associations whose members are responsible for supply chain management and cargo security. Training and/or certification programs are in ample supply to list a few:

- American Society for Industrial Security (ASIS)—Certified Protection Professional (CPP); Professional Certified Inspector (PCI); Physical Security Professional (PSP)
- Association of Certified Fraud Examiners—Certified Fraud Examiner (CFE)
- The Association for Operations Management (APICS)—Certified in Integrated Resource Management (CIRM); Certified in Production and Inventory Management (CPIM)
- International Warehouse Logistics Association (IWLA)—Certified Logistics Professional (CLP)
- SANS Institute—Global Information Assurance Certification (GIAC)

The impression given by this list of associations is that logistics is separate from protection. Should it be?

If the human factor in protecting the virtual enterprise is to be given the attention and respect it deserves at the corporate level, it makes sense to meld these two disciplines. Otherwise, logisticians develop efficient supply chains without the necessary awareness of minimizing vulnerabilities, while security professionals are called upon to protect vulnerable supply chains.

This is a hot topic of discussion today. It's our suggestion that, alongside supply chain managers, there needs to be a "security supply chain" professional—one who's responsible for maintaining an efficient supply chain, while protecting it at the same time. It's an opportunity whose time has come. ■

This article appeared in the Council of Supply Chain Management Professional's newsletter, *Supply Chain Comment*, Volume 39, May/June 2005. *Supply Chain Comment* is published six times a year by CSCMP.



Irvin Varkonyi is a CSCMP member and President of Supply Chain Operations Preparedness Education (SCOPE) in Fairfax, Virginia. He is also an Adjunct Professor at George Mason University's Department of Transportation Policy, Operations, and Logistics.