

## TRAINING

# People power

*Irvin Varkonyi argues that the human factor must play a vital role in securing the supply chain*



Irvin Varkonyi is Director of Education for the Trade Security Institute. He has spoken at some of the leading organisations in transportation and supply chain security including the American Society for Industrial Security (ASIS), Air Cargo Americas, Technology Asset Protection Association (TAPA), the National Cargo Security Council (NCSC), Transportation Lawyers Association and the National Defense Transportation Association. He was the 2003 Conference Chairman for 'Securing the Supply Chain: A Workshop to Maximize Supply Chain Preparedness', co-sponsored by the Council of Logistics Management and the School of Public Policy at George Mason University. Varkonyi's airline career included KLM Royal Dutch Airlines and Martinair Holland.

The head-long rush to meet new, and old, threats to the supply chain has given short shrift to the human factor. Not the threats from humans, such as terrorists and thieves, but human solutions to enhance security. Let's ask the obvious question – who is in charge of protecting a company's supply chain?

You might say the Chief Executive Officer (CEO)? Perhaps this might be the answer from the Board of Directors or the shareholders. It is not likely that the CEO will bring the type of experience that provides an understanding of the nature of all hazards to the enterprise, though some hazards such as global financial disruptions are very much on the CEO's horizon.

How about the Chief Security Officer (CSO)? Well, possibly – but well under half of *Fortune 1000* firms have a corporate-level individual in this position. So, we look at mid-level management where there are many CSOs. Many of these CSOs are really charged with protecting their company's Information Systems, not the supply chain.

Perhaps the Director of Security? Everyone has such a position. What is the experience of this individual? 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 the security professional to secure the supply chain? If the expectations of today's global corporation are for the security professional to protect the global supply chain, defined as the integration of internal and external units from raw material procurement to delivery to the ultimate customer, then we should have concern about this individual and subordinates in securing this supply chain.

Writing in the September/October 2003 issue of *Supply Chain Management Review*, Jim Rice and Federico Caniato commented: 'Companies will need to design for both security and resilience. Today's operating environment also calls for new organisational capabilities... to forge new relationships with those US

Government agencies... with suppliers and customers to co-create a more secure and resilience network. Internally, the biggest organisational 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 to spearhead the challenge posed by Rice and Caniato? They would require greater knowledge, experience and training in the supply chain. Perhaps over time, using the 'on the job' (OTJ) method, this will occur. Given the rise in cargo theft, the risk of terrorism, the ever-greater impact of environmental factors on global supply chains, we should wonder how effective this individual will be. And if the Director of Security is not the right person to carry out Rice's message, then who should it be? Thus we still have not answered the question we posed at the outset.

It appears that the requirements to be the Director of Security, not to mention the corporate officer responsible for asset protection, demand additional training and experience beyond law enforcement. These include, among others:

- logistics experience
- third party vendor relationships
- government security initiatives
- regulatory and financial compliance
- understand the difference between security and protection.

## 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 professionals interact closely with logistics departments but without sufficient training in the discipline. Would the security professional view differently the definition of logistics? Where is the word 'safely' in this definition? Efficiency in distribution is meaningless if disruptions are allowed to enter the logistics process.

The enterprise of today is more accurately characterised as a 'virtual corporation'. Look at the contents of a **General Motors (GM)**

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automobile. Well over half the value of their vehicles result from third party manufacturers and transportation or distribution vendors. The name on the vehicle may be GM but it could be a consolidation of hundreds of names. Who protects this supply chain? In the case of GM, the organization is an excellent example of best practices because GM's supply chain security integrates all vendors. Responsibility for security rests with logisticians and security professionals trained in both disciplines, understanding their roles in the 'virtual corporation'.

### Government security initiatives

The Customs–Trade Partnership Against Terrorism (C-TPAT) is the best-known US Government initiative. However, C-TPAT lacks standards in its approach and lacks a fixed place within an enterprise. It may or may not be the responsibility of the Director of Security. Is there uncertainty as to who is in charge? Best practice calls for a security management team, composed of representatives of the appropriate business units including marketing, finance, legal, operations, distribution and security.

### Regulatory and financial compliance

What about *Sarbanes Oxley*? This law, passed by the US Congress soon after the financial excesses of **Enron** and other US corporations, is now seen to also apply to supply chain security. The relationships between the corporation and its third party vendors 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*? If this position is not concerned with *Sarbanes Oxley*, then is it the VP of Legal? Does this make the VP of Legal responsible for securing the supply chain?

On 1 July, the maritime industry was required to comply with the **International Maritime Organization's (IMO)** International Ship and Port Facility Security (ISPS) Code. These regulations are very similar to the Code of Federal Regulations, Part 33, promulgated by the US Government. At the heart of these

regulations is new role for the Ship Security Officers (SSOs) and Port Facility Security Officer (PFSOs). Many institutions and governments developed training to certify security officers, based on the requirements of the codes. Was there sufficient logistics training given to these individuals to understand the interaction among the various internal and external trading partners involved in the maritime industry? Was there consideration on the overall responsibilities of these individuals, on whether they were to hold many titles simultaneously including safety officer, along with being security officers? The human factor is a real key in maritime security.

### Security and protection

Security is the word of the day. The Security Officer has received the attention that the position has always deserved but normally received only after a theft or a terrorist attack or an employee who went out of control. 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 – defence, guarding, invulnerability, safety, stability, strength and security. These sound much more actionable.

So is the security professional, as trained today, the right individual to protect the assets of the enterprise? Or should this individual obtain additional training and experience in understanding the business processes of the enterprise as they relate to protecting assets including people, facilities, goods, transportation conveyances and trading partners?

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

ASIS offers the Certified Protection Professional (CPP); Professional Certified Inspector (PCI); and the Physical Security Professional (PSP).

The **Association of Certified Fraud Examiners** has the Certified Fraud Examiner (CFE).

**APICS** – the **Educational Society for Resource Management** founded in 1957 as the **American Production and Inventory Control Society** – has the Certified in Integrated Resource Management (CIRM); and Certified in Production and Inventory Management (CPIM).

The **International Warehouse Logistics Association (IWLA)** has the Certified Logistics Professional (CLP).

The **Sans Institute** offers the Global Information Assurance Certification (GIAC).

The impression given by these associations is that logistics is separated 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, then it would make sense to meld these disciplines. Otherwise, our logisticians develop efficient supply chains without the necessary awareness to reduce vulnerabilities while our security professionals are called upon to protect vulnerable supply chains?

This is a hot discussion today. Other associations such as the **National Cargo Security Council (NCSC)** and the **Council of Logistics Management** continue to discuss training and certification. Our suggestion is to develop the security logistics professional with the goal of reaching the corporate suite. It is an opportunity whose time has come.

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