

WHITE PAPER

Make or Buy

Since the dawn of the industrial era this is a question that should remain upper-most in the decision-making of every successful business venture. The underlying and overlying factor between 'make' or 'buy' is risk. Listing it. Quantifying each. Qualifying each. Costing. Rating each. Ranking them. Regular periodic maintenance. Decision Making based on currently acceptable 'lower' and 'upper' limits of risk aversion or appetite.

Take the USA for example. Decisions taken over time - and even now – decided they would buy from China. Now it's too late. You can't 'make' anymore in the USA. Had the US incorporated 'risk' as a national rating system – they would not be in the mess they are in today.

'Make' Risks

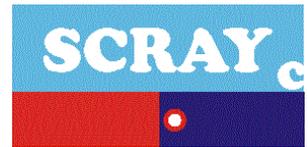
Make implies internal infrastructure, capital intensive, plant & machinery, fixed costs, raw materials, processing, value-addition, assembly, finished goods, packaging, storage, distribution and the whole cycle of Supply Chain as OUR problem, internally managed.

The list of risks across the Supply Chain can fill a DVD. We'll come to this later.

'Buy' Risks

A decision to buy; at its base level implies Trading. Perhaps with no value-addition. At a micro-level this could be just the knowledge of who has this and protecting your sources. It could also imply bulk Buying, Stocking or Logistics leverage. At an intermediate level there could be minimal to significant value-addition in terms of assembly, cross-docking, processing, finishing or an enormous range of 'actual' and 'perceived' benefits.

Essential difference between 'Make' and 'Buy' are an increased number of Suppliers; complexity in range of just-in-time supply needs; Procurement 'head-aches' that need to be constantly tracked.



'Buy' is here to stay.

With the dominance of manufacturing by a few countries such as China, Korea, Taiwan, India, Indonesia, Brazil, Russia, South Africa ...

Out-sourcing is on the increase. Contract Manufacturing, Off-shoring, Franchising, Vendor Managed Inventory, Consignment Sales, Managed Services, Staff Augmentation, Consultants, Temps all implies a constant and regular increase in the 'Risk' and exposure that any Government, State, Enterprise, Team or Individual faces in every section of the Supply Chain. Whether up-stream or down-stream.

With globalisation, cost-reduction, mass manufacturing, just-in-time inventory, zero-based budgeting most manufacturing and service-delivery is being consolidate in a few, large complexes. This is constantly increasing the cost and complexity of Logistics. In-logistics, Out-logistics, Warehousing, Distribution, Forecasting, Planning with ever increasing inherent risk.

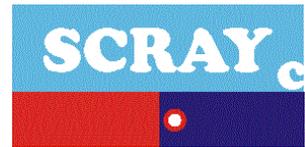
Vendor Information Systems; Vendor Rating; Vendor Engagement are paramount.

SCRAY

The Riskpro Supply Chain Rating And Yield (SCRAY) model allows you to build a comprehensive, single-point, right-to-left, top-to-bottom, front-to-back system that allows your to focus on and track and any risks related to 'Make' and/or 'Buy' whatever your Business or Industry. Services or Manufacturing or Agro. Based. Aeronautics; Electronics; Defense; Energy Production, Transmission or Distribution; Retail; Healthcare; Banking ... anywhere where Vendors, Vendor People-Bases; Vendor-Supplies; Customer-facing or Cash-handling exists.

Customers

Customers and Market Demand is what drives a Supply Chain in the first place. Sales Forecasting. Product Specifications. Service Level Agreements. Pricing. Demographics. Psychographics. Geography all play into significant 'risks' in the SCRAY model.



The customer is king and Customers are very important to the Business. Your best Customer gives you maximum revenue and the highest profit.

What if they go bust? What if they can't or won't pay? Where you caught unaware?

What is Risk?

'Risk' means different things in different industries to different people at different times.

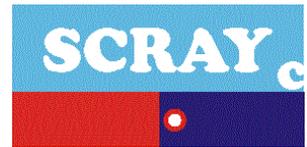
1. If you are insured then you don't have to worry about a thing.
2. It's fate. If its' meant to happen, it's going to happen, don't even think about it.
3. Pray. Donate. Pilgrimage. Sacrifice. Be good ... risk won't happen.
4. It's the other side of the coin. If safe, secure and vigilant; there is no risk.
5. Governance, Risk and Compliance (GRC) are the 3-corners of a stable Enterprise Tripod.
6. Integrated Safety, Security & Surveillance (i3S) will ensure that Risk is minimized.
7. Risk is inevitable; it has to be managed. It has to be 'Identified', 'Measured' and 'Managed'. However, it is qualitative and cannot be quantified.
8. Using a six-sigma paradigm, if you don't measure it – you don't know anything about it. You have to start metrics and numbers about 'Risk'.

The cost of not managing 'Risk'

1. It's an overhead. It's an un-necessary expense. No one plans for it. It was not budgeted for. We can't afford it TILL SOMETHING HAPPENS!
2. The cost of litigation. Environment damages. Class action suits.
3. Force majeure events. Earthquakes. Volcanic eruption. Solar flare related communications or Energy outages. Floods.
4. Political. Country-specific 'leftist' or 'rightist' governments that change laws within 6 months from 'favourable' to 'unfavourable'.

Possible Solution

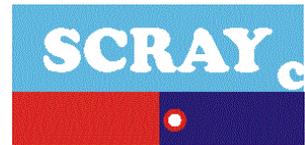
1. The ostrich syndrome. (Put your head underground and there is no problem). or pigeon syndrome (close your eyes the enemy is not there).



2. Insurance. It solves most problems.
3. What if either/neither of the above is acceptable ...
4. A first step is that an 'R %age' of your Revenue or Budget or EACH PRODUCT or SERVICE ITEM must be allocated to Risk Management. The 'R' must be kept to a minimum; and must be included in everything that we are talking about in this document

Action Steps

1. Add a 'Risk' Layer to your existing Vendor Information System.
2. Implement a Vendor Rating System.
3. Track your Vendor's Financials annually. Track your Vendor's Liquidity on a quarterly basis.
4. Since risk is inherently subjective having a qualitative measure and have a 3-point, 4-point or 9-point degree of risk makes sense.
5. Link all 'assets' and 'liabilities' with a 3-tier structure to your 'Revenue', 'Expenses' and 'Profit' bottom-lines.
6. Do you track 'incidents' in your firm? What about an internal FIR (Police First Information Report) kind of system within your Enterprise?
7. Is integrated Safety, Security & Surveillance under the same Management as Governance, Risk & Compliance?
8. Is 'physical' security and 'virtual' security treated with equal importance, competence and similar systems, methods, controls and checks and balances?



Our 3-tier approach

The single-point, one-off and first-of-its-kind People Risk Solution which we call SCRAY (Supply Chain Risk Assessment & Yield) solution from Riskpro India Ventures Pvt. Ltd. includes three broad components.

PART X : Model : SCRAY. A system, process, methodology, qualitative and quantitative method to have a similar comparable concept across Industries but specific to Manufacturing, Services or Agro. based. Typical to the model 20% of customization mostly at the 3rd level allows Apples to Apples and Oranges to Oranges comparison at an Individual, Enterprise, Group and Competitors level. It is a part of ERM & ORM (Enterprise and Operational Risk Management, Internal (or External) Audit. Just doing this better.

PART Y : Tool : With Vendors, Staff and Sourcing spread across the Globe, within each Country and into far-flung growing & mining areas etc. Reach and a collaborative collective portal Platform is of paramount importance. You have user-bases that need to access the same data, information, reports and analytics and track trends in risk increase. This is best done with our cloud based Platform. Server-side software as a tool, enabler, safe, secure, private, integrity ensured for each and all to use one 'standard' the SCRAY standard to Identify, Measure & Manage Risk.

PART Z : Services : The Model + Tool requires People and Services to make happen. You can do it yourself (DIY). Else you can out-source this to us as Managed Services. You could take Staff from us part-time, first-time or on-going. We could help you with this as your Internal (Or External Audit) Process. Hosting, uptime, Service Levels, Business Continuity, integration with other modules, IT inter-operability are all options that we have expertise in to remain your one-stop-shop.

What we do

IDENTIFY  **MEASURE**  **MANAGE**



Simple Steps to Implementation

1. Decide that a model or this model is the Best Practice for your Enterprise.
2. Deploy your initial user-base information after creating an instance for you on our servers. Admin to start with, then all, then Superiors and back to Managers will have access. Typically Quarterly Assessment.
3. In parallel arrive at the scope of supply of the 3 parts of our offer PART-X, PART-Y and PART-Z (detailed below) of what exactly you need.
4. Start using the Platform within 7-15 days of taking a decision.

Leadership

- Within your enterprise you need to the groups that are creating risk or reducing risk. Where it is acceptable and where it is not.
- You would like to regularly compare apples with apples and oranges with oranges.
- You need to weed out or at least isolate the ‘rotten eggs’ and ‘bad apples’. They stink or make the others rotten. They are an irritant and more.
- Life is tough; business is tough; tough and delicate decisions have to be taken all the time.
- You may want to outsource all this dirty work anyway. Even internally you may not have the expertise, the bandwidth nor the stomach to do this.
- You have to compare across divisions; across countries (it starts getting culture specific).
- Certain industries have higher acceptable risk. Threshold limits. Some are more prone to risk while others are not.
- An industry standard for People Risk must be out there that every one in the Risk or Safety Industry can rely on.

Please Contact ... (on any aspect of our offer)



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