



Up In the Air

How Other Areas of Non-Cyber Risk Can Impact Your Supply Chain

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About the Speaker

Jon Ehret is Vice President of Global Cybersecurity with Mastercard. Jon brings 20+ years of experience in technology and risk, including extensive experience building, maturing and running third party risk programs in both the finance and healthcare industries.

Before joining Mastercard, Jon built and lead the third-party risk program for BlueCross BlueShield of WNY and also served as President and Co-founder of the Third Party Risk Association, an international professional association of third party risk practitioners and vendors.

A Frustrating Experience



Air travel can be a **FRUSTRATING** experience for many people.

Just getting to your destination at all often is considered a victory.

There are so many factors that come into play that can affect whether or not you have a safe, successful on-time trip.

The supply chain that keeps your organization operating is not all that different from an airline trip.

We historically have looked at cyber risks, but other areas of risk can impact your supply chain as well.

Let's take a look at the supply chain through the lens of a trip on the airlines.....

The Security Checkpoint

The Security Checkpoint



- Critical to ensuring that airports and the flights departing from them are secure
- Depending on the location, typically have very stringent security controls in place
 - Overly strict controls can slow down passengers, resulting in missed flights
- Breach of the security checkpoint results in the shutdown of the airport
- Excessive traffic can cause passengers to miss flights
 - Akin to a denial of service attack shutting down a critical supplier

Risk Equivalent: Cybersecurity Risk



- One of the most prominent areas of concern with regards to third party/supply chain risk
- Historical TPRM/Supply Chain security programs have heavily focused on cyber risk
- Various ways to impact your supply chain
 - Breach of data
 - Denial of service
 - Ransomware
- Seen as a critical set of controls, but sometimes too many controls hamper business
 - TPRM reviews can slow down onboarding of suppliers
 - Security questionnaire fatigue for suppliers

Mechanical Issues

Mechanical Issues



- Airplanes are complex machines. If they are not operational, no travel can occur.
- Significant expense is required to keep planes up and running.
 - Service costs
 - Parts
- When issues pop up, it can be frustrating for travelers
 - Especially when the issues are with non-critical systems

Risk Equivalent: Financial Risk



- Traditionally one of the risks looked at by Procurement and Vendor Management teams
- Look at various things like:
 - Liquidity Risk – How easily can the organization convert it's assets to cash
 - Credit Risk - Can the organization pay it's bills
 - Market Risk – the changing market conditions in the specific marketplace
- Suppliers experiencing financial issues are likely to experience issues with delivery
- When events tied to other areas occur, financial risk is almost always increased
- Can be a leading indicator of future increased risk in other areas even if those areas are OK now

Weather

Weather



- Arrivals and departures from an airport often get snarled up due to weather issues
 - Thunderstorms
 - Fog
 - Snow
 - Wind
- Large scale storms have the ability to snarl traffic for days
- Potentially problematic for travelers because the airlines does not have to provide accommodations for weather delays
 - If stuck overnight, might be hard to get a hotel room.

Risk Equivalent: Geopolitical Risk



- The geographical and political risks associated with your supplier which may impact their ability to deliver services to you, such as:
 - Political unrest / government destabilization
 - Located in or near a conflict zone
 - In an area of frequent natural disasters
 - Pandemics
- Examples of recent geopolitical risks we have seen
 - Companies exiting business in Russia because of their invasion of Ukraine.
 - China essentially shutting down for a portion of the COVID pandemic
 - Major hurricanes in the Gulf of Mexico shutting down gas processing in Texas and Louisiana.

Staffing Limitations

Staffing Limitations



- Without air crews, there is no travel
- Air crews have strict flying-time limitations. Even when the crew is present, a flight might get delayed if the crew is past their daily work limit.
- Strikes can greatly impact operations
 - Striking air crews mean nobody to operate planes
 - Striking air traffic controllers would mean nobody to direct flights
 - 1981 PATCO strike
- Under-resourced grounds crews can lead to delays as well
 - Your plane boards, but there is no grounds crew to push the plane away from the gate.

Risk Equivalent: Regulatory and Sanctions Risk



- The risk that your supplier has run afoul of imposed regulations that will impact their ability to deliver their service to you.
- Examples:
 - They may be doing business with a company or a country that is on a sanctioned list
 - They may actually be the company on the sanctions list
 - Has a direct correlation to geopolitical risk
 - They may not be providing services in accordance with regulations and requirements, which may impact the service provided to you



Nth Party Risk

Compounding Risk



- In air travel, it's not just about the airport that you are at.
 - The plane comes from another airport
 - You might be relying on a crew coming in from somewhere else...that crew might have been delayed by something mechanical
 - Weather within the system might affect your trip, even if it's sunny at your airport
- Supply chain risk similarly extends beyond your immediate third parties
- Different risks at different suppliers compound to increase the risk that your service will not be provided to you.

Questions

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