

How GenAI Reinvents Supply Chain Risk Management (SCRM)



Today's supply chain

From geopolitical to climate-change-related risk events, and from major supply and demand swings to major labor shortages, every supply chain organization is challenged with sensing risk exposure, proactively planning and mitigating disruptions.

GenAI challenges and solutions

While GenAI is increasingly leveraged to enhance risk readiness in the supply chain organization, it also introduces new risks that must be addressed, namely:



Risk overavoidance

While interacting via the GenAI chat interface and using the right prompts, users can uncover the risk associated with an event. In natural language, the user can easily determine an effective risk avoidance strategy. But not every risk is inherently bad. With further analysis, some risks should not be avoided, but rather pursued to capture new business opportunities.



False alarms

GenAI can “hallucinate,” mistakenly alerting to, or overreacting to, a minor risk, triggering unnecessary and costly responses.

Supply chain leaders can mitigate these GenAI-driven risks by:



Training the chatbot on the enterprisewide risk appetite.



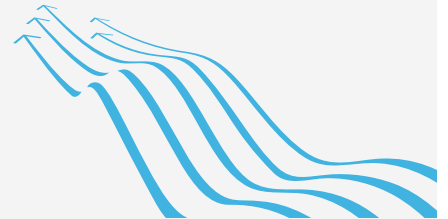
Defining risk thresholds that trigger human validation and approvals.

Seize the GenAI opportunity

GenAI can be used to fundamentally reshape how we manage the increasing frequency and magnitude of supply chain risks. For example:

- **Generating new risk mitigation strategies:** GenAI can propose new product design or network design options that reduce risk exposure. Additionally, GenAI can propose a new network model that optimizes for risk, rather than cost alone, or suggest a new product design that minimizes dependence on a few critical suppliers. These new strategies can go far beyond incremental improvements that rely on predicting future scenarios and prescribing optimal recommendations.
- **Presenting an intuitive interface to understand risks:** Not only can GenAI analyze user sentiment and power interactive chatbots in natural language processing, but it can also share insights back to supply chain leaders who may quickly identify and respond to risk.

Gartner is here to help supply chain leaders understand and implement GenAI and stay ahead of emerging trends. [Visit the Generative AI topic center on gartner.com](#) to learn about GenAI applications, deployment models, major tech providers and more.



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