

# Business continuity and supply chain risk

## April 2011

**Worldwide uncertainty following recent disasters suggests that while awareness of supply chain risks is increasing, many businesses remain exposed to high levels of risk.**

**Understanding your exposure to supply chain risk – both upstream and down – helps to identify the weakest links**

### **The impact to supply chains following the recent disasters in Japan remains unclear.**

Lack of visibility in complex supply chains has left some businesses scrambling for limited resources, uncertain still of how badly they are affected.

For many companies the immediate impact of shortages are clear and as a result they have arrangements in place for alternative supply. For others however, the impact is less certain.

### **The most significant impact will be felt in the hi-tech, steel and automotive industries followed quickly by those dependent upon these industries for supply.**

Honda, Sony, Panasonic and other global brands are reviewing their operations in Europe and North America as port closures factory shutdowns and rolling blackouts across Japan continue to disrupt the supply of vital materials.

Other global manufacturers, dependent upon specialist components made only in Japan are facing up to 18 months delay to strategic projects.

In today's interconnected world, focused on cost cutting and lean supply chains there is little spare capacity in the systems.

Complex, multi-agency and cross border delivery schedules mean that few businesses can claim true visibility to any significant depth in their supply chain.

Business Continuity Management planning is therefore an important risk mitigation technique that should underpin any decision to extend or optimize supply chains.

Most businesses understand how key partners feature in their long term strategy and their position in the supply chain.

Few however, have developed joint contingency arrangements to manage a prolonged loss of service from either side of the relationship.

### **While most manufacturers maintain contingent supplies, these tend to provide cover for short-term disruption only.**

Some will have alternative suppliers identified as a contingency against failure.

This kind of resilience planning is usually carried out in isolation and focused on protection of the dependent organisation rather than the collective resilience of the interdependent supply chain.

Rehearsed plans are unlikely to be in place to ensure this alternative supply.

For many companies supply chain continuity planning extends only to a cursory examination of high-level information about business continuity arrangements in a few key suppliers.

### **Few companies conduct detailed reviews of supplier arrangements and fewer still carry out joint planning.**

Organisations focused on long term survival of the supply chain, that can work collaboratively with key partners and suppliers to plan and exercise contingency arrangements will be more confident that supply is available when it is needed most.

Setting up a crisis communications process with key vendors can be the first step and a foundation for success.

Understanding each others priorities and working together to develop supply chain continuity plans builds on this foundation to create greater resilience.

Joint rehearsals help to validate this planning and to create confidence among employees, customers and stakeholders in your ability to prevail.

By integrating Business Continuity with other risk management disciplines companies can gain better insight and create lasting capability.

Significant levels of supply chain disruption coupled with the wide range of threats to which companies are exposed underscores any business case for investment in Business Continuity Management.

## Key Questions

- How well do you understand your supply chain exposures?
- Do you know who is important to you in a crisis?
- Do you know your priorities in the event of supply disruption?
- Have you examined BCM capability within your key suppliers?
- Are you planning collaboratively with supply chain partners to build greater resilience?
- Do you consider business continuity management when extending or optimizing your supply chain?
- Is supply chain risk management integrated with business continuity planning?

## PwC Services

- **Crisis management:** We advise on the development of crisis management plans and response frameworks including emergency response, crisis management, crisis communications and business recovery. We help businesses to develop plans that are simple to use, easy to navigate and straightforward to maintain.
- **Supply chain resilience:** We help businesses to gain clarity and understanding of their exposure to supply chain risk and develop capabilities to mitigate the potential impacts.
- **BCM Programme management:** We help businesses manage complex BCM programmes, often across multiple geographies to maintain consistency, to ensure the priorities are correct, and to ensure that the management are kept properly informed about progress.
- **Exercising:** We work hard to understand your organisation in order to develop challenging exercise scenarios in order to rehearse crisis management and business recovery teams. This services a number of purposes – training the teams, testing the plans, and providing assurance. The most critically important exercises are the top team crisis management exercises
- **Governance:** We provide advice in setting up a governance and assurance framework for BCM within a wider risk management context.
- **Review & Assurance:** We review and audit BCM and IT recovery capability and provide assurance to management that plans are effective.

## Contacts

### Martin Caddick

[martin.caddick@uk.pwc.com](mailto:martin.caddick@uk.pwc.com)  
020 780 46547

### Tom Buchanan

[thomas.j.buchanan@uk.pwc.com](mailto:thomas.j.buchanan@uk.pwc.com)  
020 780 47809

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