Manufacturers are placing the supply chain at the centre of their efforts to achieve their strategic priorities and with the continued globalization of industry the reliance on extended supply chains is leading to business becoming more vulnerable.

Supply chains are increasingly complex and involve many links and interactions supplier vs customer dependency, internal vs external suppliers/customers; as a consequence a supply chain diagram is impossibly complicated resembling a spider’s web of interconnections. The development of such extended and complicated supply chains has created multiple challenges for business the more global they are the more vulnerable.

That vulnerability is demonstrated by some of the key findings of the Business Continuity Institute Supply Chain Resilience Report 2014:

• 73.5% of respondents do not have full visibility of their supply chains. Only 26.5% of organisations coordinate and report supply chain disruption enterprise-wide
• 81% of respondents report at least one instance of supply chain disruption last year
• 51% of disruptions originate below the Tier 1 supplier and 13% of organisations do not analyse their supply chains to identify the source of the disruption
• Yet 40% of respondents did not insure their losses at all and only less than 20% have insured at least half of their losses due to supply chain disruption

Understanding and accurately quantifying both business interruption and contingency business interruption exposures has long been a challenge for Risk Managers and insurers, a challenge that has increased with the ever increasing complexity of global supply chains, however, complexity is not the only issue that is a block to accurately evaluating the exposures to the business.

The principle barriers are seen as:
Commitment – lack of commitment from senior management to mandate a formal interruption process that unifies different parts of the organisation.
Visibility – companies have little visibility beyond Tier 1 suppliers resulting in an incomplete picture of the supply base outside the company’s direct control. Yet they need a comprehensive picture of supply and capacity across all levels of their network.
Volume – some companies try to access all suppliers rather than concentrating on those that meet critical criteria.
Data – an ill-conceived expectation that Enterprise Resource planning systems will hold all the answers.

The supply chain is a vital part of business growth and while budgets for business continuity and ensuring supply chain resilience are often slashed in favour of other priorities, the BCI 2014 study demonstrates why this often might not be a wise course of action. With the growing cost of disruption worldwide, investments in this area are essential and can spell the difference when disaster strikes.

Arthur J. Gallagher’s team can help you to more fully understand the exposures to your supply chain through a comprehensive and thorough analysis to enable you to:
• Understand the key risk exposures within your supply chain and also that of your key suppliers
• Provide a risk management plan to help to reduce the exposures to your business
• Implement and monitor the plan
• Provide risk transfer options for the critical risks identified.

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