

# Enhancing supply chain resilience

**Today's supply chains are complex and global, with many companies experiencing regular disruptions and increasing regulation.**

While the 1990s and 2000s saw supply chain efforts and initiatives focus on quality, efficiency and cost, the last five years have seen leading companies recognise their supply chain initiatives must have a greater focus on resilience.

Our research with MIT substantiates clear value for those companies who can successfully minimise and manage their supply chain disruptions.<sup>1</sup>

Yet, as illustrated by the Business Continuity Institute's 2013 survey, the majority of companies do not regularly assess the resilience of their supply chain in a substantive way.<sup>2</sup>

Our experience working across the retail and consumer sector validates this perspective.

We often find a lack of common understanding across merchandising and supply chain leaders about the specific risks posed by the supply chain and the impacts.

These shortcomings can result in a false sense of comfort, which can lead to an unnecessary focus on perceived 'risky' vendors that are neither key nor critical – and missing other vendors that are of far greater strategic, financial or operational importance.

Understanding the key risks of your supply chain and critical suppliers, together with understanding the likelihood and impact of their failure on your organisation's performance, is essential.

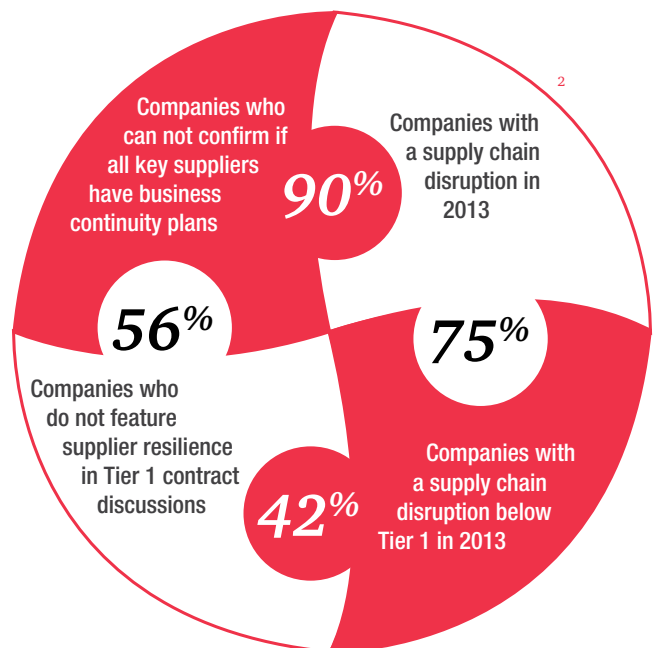
Organisations need to take a new approach – adopting an integrated focus to identify, assess, manage and monitor supply chain challenges and opportunities.

## So many threats, where to start?

It's not just about playing defence — it's also about playing offense — finding competitive advantage by shaping a supply chain resilience strategy focused on disruption avoidance and sustained performance that remains agile and operations focused (see graphic below).

In order to tackle this challenge, we encourage retailers to begin by defining their supply chain resilience objectives and anticipated benefits.

**By analysing Fortune 500 companies we found those with resilient supply chains command an average 7% premium on their stock price and market capitalisation.<sup>1</sup>**



<sup>1</sup> PwC/MIT Forum for Supply Chain Innovation, Global Supply Chain and Risk Management Survey, 2013

<sup>2</sup> Business Continuity Institute (BCI), Supply Chain Resilience Survey, 2013

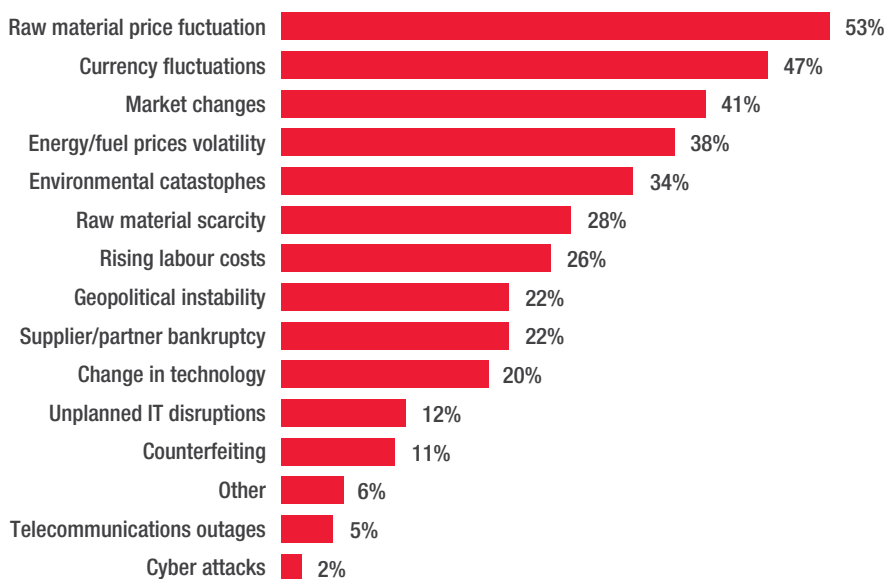
## Food trust snapshot: Supply chain resilience

### Critical areas of supply chain risk<sup>3</sup>

Our research with MIT identified the following critical areas of supply chain risk. These naturally vary across companies and industries, but should form the starting point to define what the company cares about most and why.<sup>3</sup>

The next step is to define priorities and objectives by performing a disruptive threat and vulnerability assessment across the supply chain to identify at risk areas.

#### Critical areas of risk<sup>3</sup>



*It's not just about playing defence — it's also about playing offense — finding competitive advantage by shaping a supply chain resilience strategy focused on disruption avoidance.*

Once complete, there should be an evaluation of the supporting supply chain processes (i.e. governance, personnel and enabling technologies). This should include an examination of risk management protocols, how the organisation currently manages supply chain or supplier disruptions and the existence and ease of use of alternate suppliers.

Finally, the organisation should determine the likelihood and impact of supply chain disruptions the company is willing to accept.

### The best practice response

Our experience indicates leading companies apply a range of faster and more reliable methods and approaches to understand and manage their supply chain resilience. These include:

- **Advanced supply chain management and logistics simulations** that model the evolution of risk across the supply chain to identify those areas most prone to incidents and disruption – resulting in a source-to-table understanding of resilience.
- **Rigorous supply chain risk and resilience processes** that integrate supplier financial and operational risks with product risk assessments to inform investment and resourcing decisions.
- **Use of third-party data sources** to understand emerging risks, meet regulatory and compliance obligations and track actions.
- **Leading scientific capabilities** such as DNA testing and isotope analysis that can facilitate accurate labelling or authenticate ingredients.
- **Robust business continuity programs** that provide strategic and tactical advice that support how the organisation should respond to disruptions in the supply chain.
- **Enhanced recall processes** connected to the overall crisis management framework that go beyond mock recall to look at capabilities across the supply chain.

Leading companies recognise a resilient supply chain is a competitive advantage — and their objective for managing risk in the supply chain has evolved from one of simple risk management to risk resilient growth.

<sup>3</sup> PwC/MIT Forum for Supply Chain Innovation, Global Supply Chain and Risk Management Survey, 2013

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