



## Managing the Risk of Supply Chain Disruption – Part 2 of 2

### Encourage Supplier Continuity and Determine Suppliers' Preparedness

Because of the interdependencies of the supply chain, more and more businesses are taking steps to ensure continuity of service from their suppliers. The following are some considerations and questions to help you determine your suppliers' preparedness for business disruption. Share these questions with your suppliers in-person or consider using them to draft an electronic survey. You could also use the questions to develop contract language, help your supply chain partners create their own business continuity plans, or make decisions about what emergency supplies you might need to store off-site for ready availability or contract with alternate suppliers and vendors as a backup strategy.

The goal is to find out what risks the supplier faces, their vulnerabilities or weak points, and what they are doing about it.

The bottom-line questions are: *"When interrupted, can you redirect your business to fulfill our needs for your product or service? If so, how long will it take?"*

### Gauging Supplier Preparedness

- 1) Has the supplier experienced an interruption in the past five years? If so, how did it respond? What did it learn from the experience?
- 2) What natural hazard events is the supplier exposed to? What is the probability of each event? What is potential impact to facilities, work processes, employees and transportation?
- 3) What human-caused incidents might occur, externally or internally? For example, political unrest, labor strikes, etc. What infrastructure might be vulnerable, e.g., electric power, telecommunications, energy supplies, water, transportation routes (roads, bridges, railroads, waterways)? How dependent is the supplier on these externalities?
- 4) What operational disruptions might occur, e.g., what critical processes or equipment might be affected by an event, or are vulnerable to malfunction? Could malfunction occur solely because equipment is not properly maintained? Are parts available?

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- 5) Where are the warehousing sites? What kind of security is there? Are they vulnerable to natural or human-caused events?
- 6) Does the supplier have a mutual aid agreement with a similar type of business, providing for a seamless flow of supplies you need if it cannot deliver?
- 7) If the normal staff is unavailable, does the supplier have alternative staffing trained, authorized or credentialed, and available to perform the function or service required?

## **Proof of Resiliency**

You may feel comfortable about the answers to a number of these questions, especially if you are familiar with the supplier, its location, its history and its reputation. But with increased reliance upon the supply chain, companies are beginning to demand that members of their supply chain provide proof of their resiliency.

If you are requesting that the supplier have a business continuity plan, or develop one, the previous questions should be answered as part of the plan. In addition, you will want to know:

- How often is the plan, including the risks and vulnerabilities, reviewed and updated?
- How often the plan tested?
- Have employees been trained and fully understand their roles and responsibilities?
- How does the supplier deal with changing business conditions?

## **Conclusion**

Within supply networks, firms are both “customers” and “suppliers.” As the world’s economy grows ever more intertwined, the need for Supply Chain Risk Management will continue to grow. It is vital that you understand the importance of your supply chain for your business’ success, as well as your role in the supply chain. Requiring evidence of preparedness on the part of your supply chain and being prepared to substantiate your business continuity capabilities can prove to a powerful marketing tool and provide you with a competitive edge in the marketplace.

***Information obtained from Institute for Business & Home Safety, Disaster Safety Monthly, September 2010 Edition.***

For more information about Business Continuity Planning, please contact us at [uticanational.com](http://uticanational.com).

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