

Supply chain management

Is your supply chain adequately protected from interruption?

Business supply chain interruptions occur on a regular basis, and on some occasions they can prove to be catastrophic. The prevailing volatile international economic climate means that business failures and currency fluctuations are a regular occurrence. Since the start of the Arab Spring, we have seen the potential level of supply chain risk and business interruption within the Middle East escalate. Threats which could interrupt business have been steadily increasing. The Allianz Global Corporate Claims Review for 2015 highlighted a number of trends in Business Interruption (BI). The report highlights that the cost of BI claims is rising, and eight out of ten of the top ten causes of BI losses are man-made. In particular, the review noted that within the Middle East (2010 to 2014 – base claims data), fire and explosion alongside, strike/riot/vandalism were the most significant cause of business interruption. The average costs for a BI claim in the Middle East across the period was over €3 million. This data alone points to the need to be alert to supply chain risks and to effectively protect your business.

If your key supplier suddenly failed to deliver, how well would your business cope?

Across the board, chaotic global developments are changing the way procurement departments and managers need to operate in order to pre-empt or react to risks and threats to supply chains. An increase in vigilance and awareness of potential disruption factors is essential to protect the business and maintain value creation. The Business Continuity Institute (BCI) Horizon Scan Report of 2016 placed the risk of supply chain disruption seventh in the list of top ten threats.

Are all your supply eggs in one basket? If so, do you have sufficient contingency to cope with a major supplier interruption or failure?



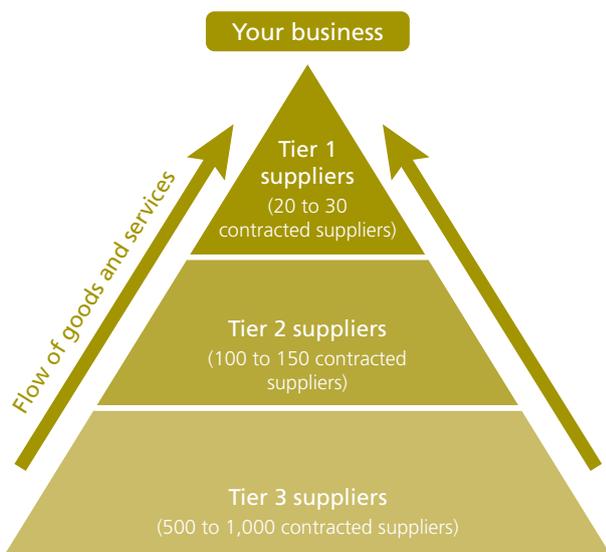
Most procurement departments and managers have to deal with changing stakeholder expectations and requirements, fast-paced and dynamic risk environments, and growing complexity of risks. There no longer seems to be a steady state within any sector of business; perpetual transformation seems to be the norm. The capacity and capability to react effectively and with confidence to multiple waves of technological, environmental and regulatory risks which can cause business interruption is essential. This is an area where Moore Stephens Governance and Risk Assurance specialists can help support you, the Board and Audit Committee. A deep awareness of geopolitics, emerging market risk and global economic volatility are all factors which need to feed into supply chain protection, resilience and understanding. This is where our experts have an acute awareness and can help shine a light on areas in your supply chain which may benefit from improvement or strengthening.

Demanding times require robust supply chains. We are able to assist you by providing tailored solutions.

Moore Stephens provides a range of assurance and advisory services to help you improve resilience and capacity to overcome supply chain issues caused by business interruptions.

Assurance review

- The Moore Stephens approach is based on ISO 22301 principles and ensures that a comprehensive approach to supply chain management in respect of continuity assurance is applied. We look to assess and confirm procurement and business readiness in the event that disaster strikes. Our work seeks to improve your capability and capacity to be aware of all critical supply chain interruption risks and to cope effectively should one or more of the risks become an issue.
- We examine the factors required for you to maintain a 'business as usual' approach should you be faced with a supply chain issue. Our work looks at the transparency and traceability within your systems and we provide meaningful recommendations to improve defenses. This is done by applying various stress testing scenarios and establishing the potential outcomes. By looking at your business in-depth and from all angles we can help you protect and maintain value creation within the business.
- An assurance assessment can help establish a baseline for an improvement programme and allow the business to gauge improvements and confirm that governance and controls are right for the business. It can also ensure you confirm the tiers of supply so that you can better monitor the supply chain.



“Moore Stephens recognises that every business is unique. Therefore, we can assess or help develop bespoke response plans.”

Benefits:

1. Clearly identify potential threats. This allows managers to effectively defend and protect the operation and business reputation.
2. Enable a clear line of sight in respect of the governance and controls currently in place and identify areas where change or enhancement would make a real difference.
3. Facilitate activities which will enable supply chain future proofing.

Develop and design supply chain interruption response plans

Moore Stephens recognises that every business is unique. Therefore, we can assess or help develop bespoke response plans. This ensures that management and staff have the confidence that should a major supply event occur, they will be able to deal with it efficiently and effectively, and with minimum impact on operations or the bottom line.

“Making sure you regularly undertake a thorough analysis of supply chain threats is vital to develop an insightful understanding of the causes of supply chain disruption.”

Risk assessment and risk mapping (based on top causes of supplier business interruption)

Making sure you regularly undertake a thorough analysis of supply chain threats is vital to develop an insightful understanding of the causes of supply chain disruption. Being well informed about the severity of threats from interruption gives managers a powerful edge to ensure the business continues when competitors may experience greater levels of shock or complete failure. Good supply chain risk management and mapping enables preparedness and robust strategies for response to business interruption to be developed, established and tested.

Some key risk areas to consider



We can assist your business by undertaking an end-to-end risk assessment of business-critical supply chains. We know that the longer, more complex supply chains can be more vulnerable to interruption without much warning for you as the end user. Whilst it can be tempting to try and transfer, or avoid, all risks in supply chains the reality is that a large proportion of risk will always remain and are ultimately retained by the buyer/procuring agent. Production of a risk map enables ongoing analysis of threats and can enable managers to model changes in the risk profile as threats change and evolve.

Failures in supply can happen at any moment. They can range from far-reaching natural disasters, cyber accidents or malicious attacks, environmental catastrophes to acts of terror. The causes of various perils and vulnerabilities can vary greatly. However, the outcome for the business at the end of a supply chain results in loss of profits, damage to brand, image and reputation or the company being forced into liquidation.

Moore Stephens believe that making sure the supply chain risks to your business have been fully assessed and that effective governance and controls have been established is an essential investment and makes sound commercial sense. We assess risks based on factual evidence not supposition or conjecture. This enables the business to really question supply tier transparency and the full traceability of all inputs to a supply chain including

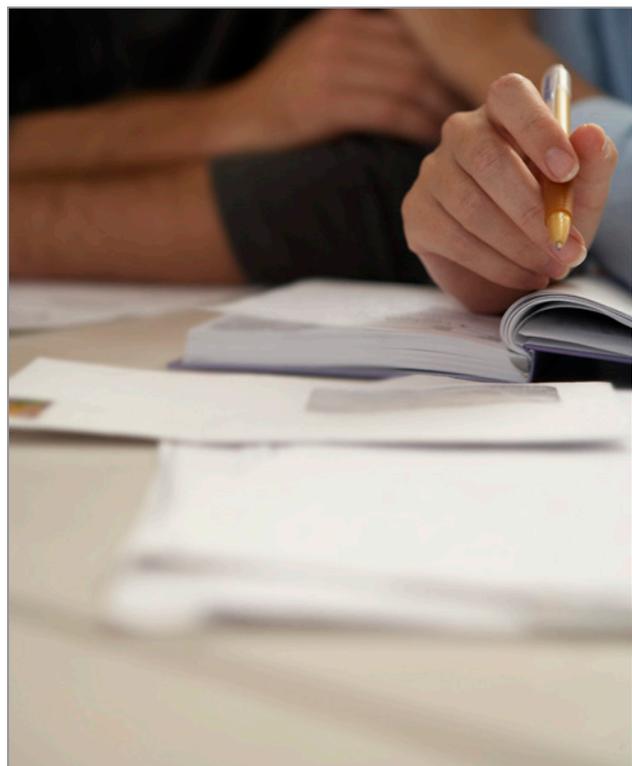
“Failures in supply can happen at any moment. They can range from far-reaching natural disasters, cyber accidents or malicious attacks, environmental catastrophes to acts of terror.”

contributions from related vendors/contractors. Only by gathering all of the information can a business truly gain meaningful data and insight.

The risk analysis can:

- help you identify suppliers currently at risk either from immediate threats or in respect of financial factors such as pending insolvency;
- look at current and past performance of your suppliers to confirm their stability and ability to deliver when issues arise;
- help inform an options appraisal to consider whether other suppliers or differing terms of contract may better protect the business; and
- help develop contingency plans which protect the operations, brand and reputation in the event that a supply chain interruption occurs. This can be via alternative sourcing, stabilisation options or exit considerations etc.

“Don’t simply rely on cost or expenditure as a critical indicator of the significance of a supplier.”



Moore Stephens' top tips for improving supply chain resilience

1. Start small by looking at your tier 1 suppliers. Consider their vulnerabilities and risks. Gradually build your intelligence confirming validity as you go.
2. Seek confirmation or independent assurance that your tier 1 suppliers have good business continuity risk management and mitigation plans in place. Then move on to your tier 2 suppliers.
3. Make sure you consider all aspects of supply chain interruption risk. Include things which you may consider highly improbable. It is often the 'black swan' events which take companies (large and small) by surprise.
4. Don't simply rely on cost or expenditure as a critical indicator of the significance of a supplier. Remember, it is often the basics that can trip you up. A product or service is often more than the sum of its parts.
5. Try and develop some simple risk indicators to bring a level of consistency to your assessment. This should allow you to compare risk in a uniform and practical manner across your full range of suppliers.
6. Try and obtain as much information on your suppliers as possible. Encourage a greater level of two-way communication and use the intelligence gained to inform your opinion of risk. Be careful not to simply assess tier 2 and 3 suppliers as 'amber' or 'red' risks simply because you cannot get hold of information. You could develop a biased opinion which may not be reliable or helpful.
7. Develop and test supplier failure continuity action plans based on a number of scenarios.

The above list is not exhaustive and our experts are ready to help you improve your understanding and resilience further.

If you would like further information on any item in this brochure or our services, please contact a member of the team.

Robert Noye-Allen – Partner

robert.noye-allen@moorestephens.com

Anthony Blenkey – Director of Internal Audit

anthony.blenkey@moorestephens.com

Amin Musa – Associate Director

amin.musa@moorestephens.com

Fadi Tahboush – Senior Manager

fadi.tahboush@moorestephens.com

Scott Garnett – Manager

scott.garnett@moorestephens.com

Moore Stephens LLP
150 Aldersgate Street, London EC1A 4AB
T +44 (0)20 7334 9191
www.moorestephens.co.uk