



**Asia-Pacific
Economic Cooperation**

2014/EPWG-SMEWG/HLPD/009

Session 3

Is Your Company Ready for “The New Norm”

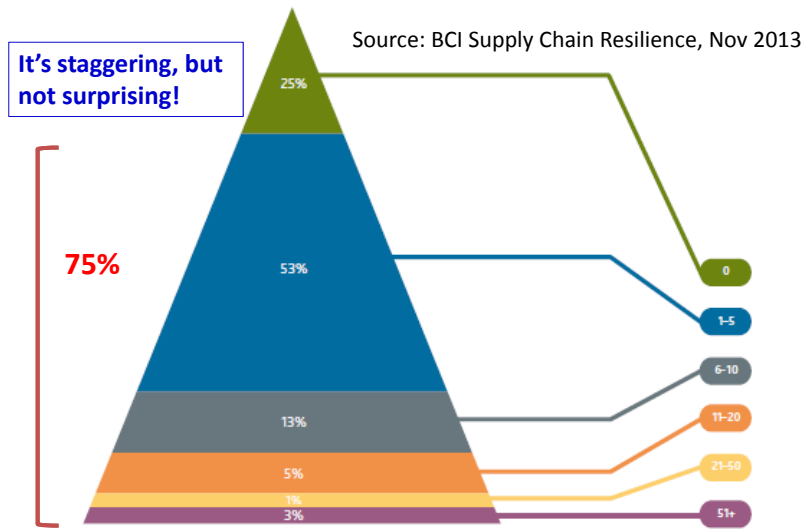
Submitted by: Taipei Computer Association



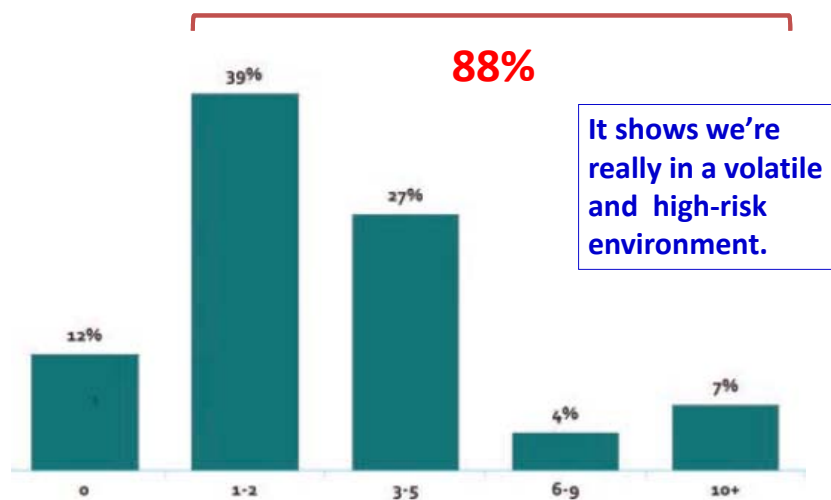
**High Level Policy Dialogue on Resilient SMEs
for Better Global Supply Chains
Taichung, Chinese Taipei
24 March 2014**

I. The State of Global Supply Chain Resilience

75% companies surveyed experienced more than 1 incident that caused supply chain disruption in past 12 months

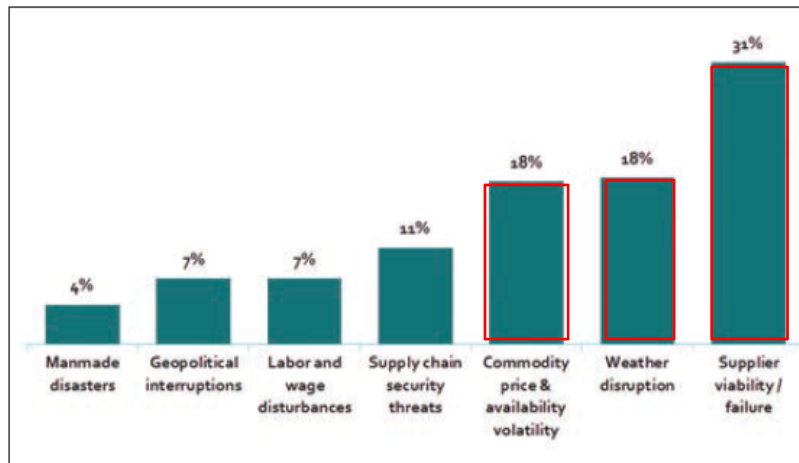


88% companies surveyed experienced more than 1 supply chain disruptions with a material impact on ability to operate, since 2011



Source: "Global Outsourcing & Supply Chain Risk", Supply & Demand Chain Executive magazine, Jan-2014

Top global supply chain concerns are Supplier Volatility or Failure (31%) , followed by Weather Disruptions (18%) and Commodity Volatility (18%).



Scenarios posing the greatest concern to supply chain

Source: "Global Outsourcing & Supply Chain Risk", Supply & Demand Chain Executive magazine, Jan-2014

II. SME's Myth Vs. Reality about Supply Chain Risk & Business Continuity

The Myth –
SMEs are too small to be affected
by supply chain risks, and disruptions?!

Do you agree on this point?!

The Reality...

SMEs are significantly harmed more often by the impacts of a disaster or disruption than large companies.

- The median cost of downtime for a SME affected by an extreme weather event is **\$3,000 per day** — enough to close a business for good. An estimated **25 % of SMEs do not reopen following a major disaster.**
- **“Small businesses with fewer operation locations and limited resources are particularly vulnerable to catastrophic extreme weather events.”** **The majority of small businesses operate out of a single physical location.** This makes small businesses more vulnerable to loss compared to larger companies that have backup resources at alternate facilities or branch locations.
- **“Lacking access to the financial capital and resources of large corporations, small businesses can suffer lasting economic damage as a result of a single extreme weather event.** For example, **60,000 to 100,000 small businesses were negatively affected by Hurricane Sandy, up to 30 percent are estimated to have failed as a direct result of the storm.**

(“Climate Change Preparedness and the Small Business Sector” report from Small Business Majority and the American Sustainable Business Council ., in July 2013,)

Key Message...

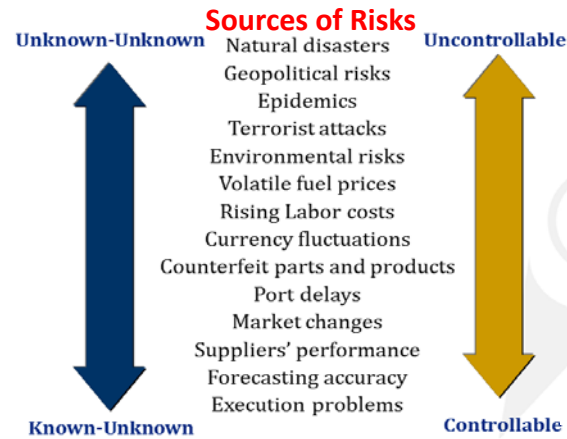
SMEs are significantly harmed more often by the impact of disasters or disruptions than large companies!

SMEs should consider these risks in their supply chain operations and business continuity planning.

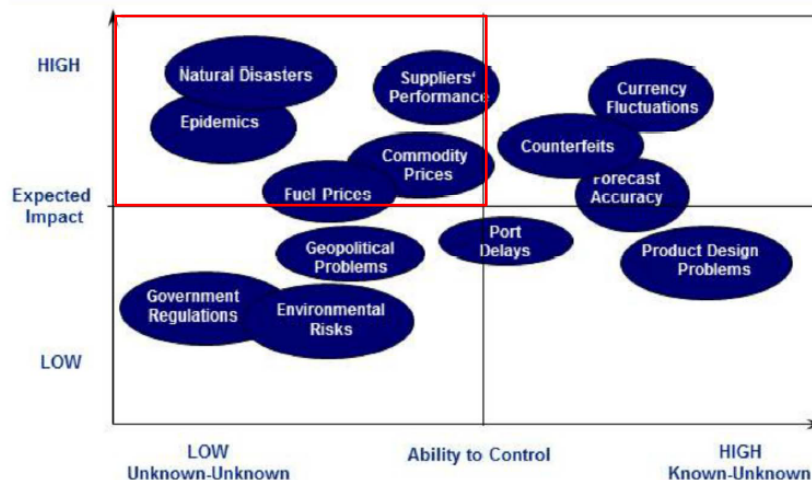
III. What you need to know in Adopting BCP

1. Identify and prioritize all of your sources of risk

As with all risk management and business continuity planning, the first step is always to identify and assess your company's risks.



Depending on your company's **type of business, geographic locations and supply chain complexity**, identify and prioritize potential risks specifically for your company, enabling to develop proper risk management and business continuity Plans. It helps make sure that you properly focus, and make the best use of your limited resources.

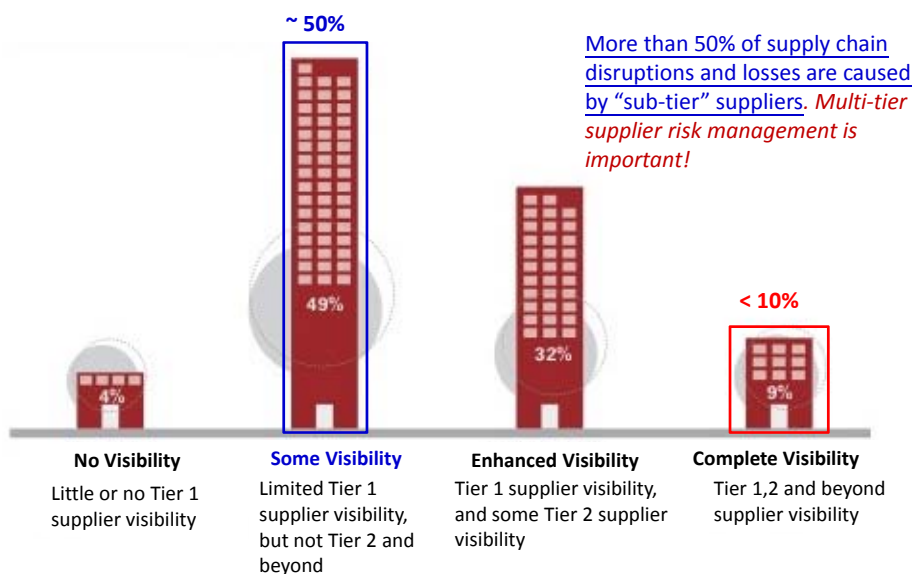


2. Visibility is key to supply chain risk & business continuity management

- “Supply chains are getting extended and more complex, but many companies are not even good at gaining visibility into their *first tier suppliers.*”, according to Economist Intelligence Unit survey, August 2013

Global supply chain risk is concentrated and concealed in Sub-Tier Suppliers of industry supply chain. That should be of high concern for Chief Supply Chain and Procurement Officer, according to survey findings uncovered by Resilinc .,

Companies have little visibility beyond tier 1 suppliers



Source: Economist intelligence Unit Survey,2013

3. You cannot manage what you don't measure

- Only about 50% of companies surveyed say their companies track the outcomes of their supply chain risk and business continuity managing efforts.
- Companies who do track supply chain risk and business continuity management outcomes report **substantially better performance**. (85% of those who track outcomes are successful, compared with 51% of those that don't.)

Source: Economist Intelligence Unit survey, August 2013

Include metrics in supply chain risk & business continuity plan

- o **Time-to-Recovery (TTR)**: the time it takes to recover to full functionality after a supply disruption occurs
- o **Financial Impact (FI)** : Lost sales during the period after disruption before full functionality is achieved
- o **Risk Exposure Index (RI)**: The maximum Financial Impact over all nodes in the supply chain

Manage supplier decisions and supply chain optimization decisions to reduce the overall Risk Exposure Index for a supply chain or a business area.

TOYOTA will Reduce Its Time to Recovery from Major Disruption from 6 Months to 2 Weeks

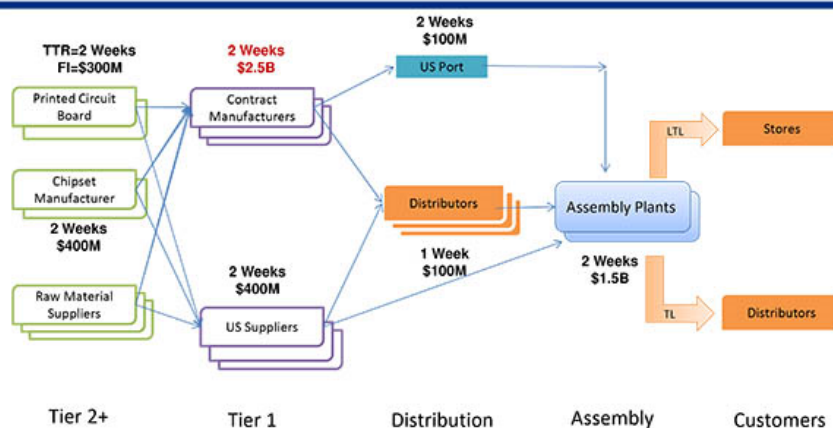
After taking a huge supply chain hit from the March 2011 earthquake and tsunami in Japan that caused it to have to dramatically throttle back production to a level that cost the company its position as the world's top automaker in 2011, Toyota announced last week that it would soon release a plan that will dramatically lower its supply chain risk.

The Japan disaster last year caused many of Toyota's part suppliers - often single sourced - to be unable to deliver products at expected volumes - if even at all - for many months. All told, Toyota says it took at least six months for its supply chain to fully recover from the earthquake damage.

Now, the company says that is close to the end of a massive effort that will lead to a dramatic reduction in its supply chain risk from future disasters, with the effort in large part focused on reducing its Time-to-Recovery from the 6 months experienced last year down to as little as just 2 weeks.

- Shift from **Single Sourcing** to **Multiple- Sourcing** of parts
- Ask suppliers **spread production to multiple locations** or **hold extra inventory buffers.**
- To design **common parts** for about half of its 4,000-5,000 components across different models within the next four years.
- etc.,

Takes Risk Exposure Index (REI) Approach to Supplier Risk & Business Continuity Management a Quantitative Approach to Measuring and Reducing Supply Chain Risk



- Time-To-Recovery (TTR): The time it takes to recover to full functionality after a disruption
- Financial Impact (FI): Lost sales during TTR
- The Risk Exposure Index (REI) is the maximum FI over all nodes in the supply chain

Be well prepared

- Proactive Risk Management and Business Continuity Planning are essential

- Supply chain disruptions will never be avoidable ,as globalization and the concept of a lean supply chain exposes companies to more risk from natural disasters and man-made incidents than ever.
- Well prepare to adapt to a rapidly changing, uncertain environment is the key to survival in global commerce.
- "Faster Reaction than Competitors to Supply Chain Disruption is the Key to retain competitive" (Peter Carlsson, VP of Supply Chain, Tesla Motors)
- Risk can't be eliminated, but it can be managed to respond to disasters quickly and effectively and ensure business continuity when competitors can't. (Bill Meahl, DHL's Chief Commercial Officer)

***Bad companies are destroyed at crisis;
Good companies survive from them;
Great companies are improving from them.***

~ Andy Grove, Intel