



Businesses facing high costs of supply chain disruption

Business Continuity Institute research has exposed the high costs that businesses are facing as a result of supply chain disruptions.

CAVERSHAM, BERKSHIRE, UNITED KINGDOM, November 5, 2014 /EINPresswire.com/ -- A newly published report from the [Business Continuity Institute \(BCI\)](#) highlights that nearly a quarter respondents to a survey claimed their organization had suffered losses of at least €1 million during the previous twelve months (up from 15% last year) as a result of supply chain disruptions. 13.2 percent suffered a one-off disruption that cost in excess of €1 million (up from 9% last year). The study also showed that 40 percent of respondents claimed their organization was not insured against any of these losses while a 20 percent were only insured against half these losses.

Organizations cannot simply bury their heads in the sand and pretend an incident will never happen to them. The survey showed that 76 percent of respondents had experienced at least one supply chain disruption during the previous twelve months, yet a quarter of respondents (28 percent) still had no BC arrangements in place to deal with such an event.

Supported by global insurer Zurich, the report concludes that supply chain disruptions are costly and may cause significant damage to an organizations reputation. While the survey results indicate a growing awareness of BC and its role in ensuring [supply chain resilience](#), many organizations have yet to improve on their reporting and BC arrangements. While budgets for business continuity and ensuring supply chain resilience are often slashed in favor of other priorities, this study demonstrates why this often might not be a wise course of action. With the growing cost of disruption worldwide and the potential reputational damage caused as a result of failing to have appropriate transparency in the supply chain, investments in this area are essential and can spell the difference when disaster strikes.

Further findings from the report include:

78.6% of respondents do not have full visibility of their supply chains. Only 26.5% of organizations coordinate and report supply chain disruption enterprise-wide. 44.4% of disruptions originate below the Tier 1 supplier and 13% of organizations do not analyze their supply chains to identify the source of the disruption.

The primary sources of disruption to supply chains in the last 12 months were unplanned IT and telecommunications outage (52.9%), adverse weather (51.6%) and outsourcer service failure (35.8%).

The loss of productivity (58.5%) remains as the top consequence of supply chain disruptions for the sixth year running. Increased cost of working (47.5%) and loss of revenue (44.7%) are also more commonly reported this year and round out the top three.

Respondents reporting low top management commitment to this issue have risen from 21.1% to 28.6%. This is a worrying finding as low commitment is likely to coincide with limited investment in this key performance area.

The percentage of firms having BC arrangements in place against supply chain disruption has risen from 57.7% to 72.0%. However, segmenting the data reveals that small and medium sized enterprises (SMEs) are less likely to have BC arrangements (63.9%) than large businesses (76.2%).

Lyndon Bird FBCI, Technical Director at the BCI, commented: “Should we be alarmed by some of the figures revealed in this survey? Perhaps so. Should we be surprised by them? Probably not. As long as organizations are failing to put business continuity mechanisms in place, and as long as top management is failing to give the issue the level of commitment it requires, supply chain disruptions will continue to occur and they will continue to cost the organization dearly. In our globally connected world, these supply chains are becoming ever more complex and more action is needed to make sure that an incident in one organization doesn’t become a crisis for another.”

Nick Wildgoose, Global Supply Chain Product Leader at Zurich Insurance Group, commented: “Top level management support is fundamental to driving improvement in supply chain resilience; I have witnessed the significant disruption cost reductions that have been achieved by companies that are proactive in this area. This should be regarded as business change program in the context of driving value through Supplier Relationship Management” and becoming the customer of choice for your strategic suppliers to improve your business performance.”

Now into its sixth year, the BCI Annual Supply Chain Resilience Survey has established itself as an important vehicle to highlight and inform organizations of the importance of supply chain resilience and the key role it plays in achieving overall organizational resilience in today’s volatile global economic climate. The outcomes of previous surveys have provided organizations with critical insights and valuable information to support the development of appropriate strategic responses and approaches to mitigate the impact and consequences of disruptions within their supply chains.

Ends.

For further information on this or the BCI, please contact the BCI Senior Communications Manager – Andrew Scott – at andrew.scott@thebci.org / 0118 947 8241 / 07800 552240.

Notes

- Note to the online survey: 525 respondents were from 71 countries working in 14 SIC industry sectors. The majority of respondents were from outside the UK.
- A major survey from State of Flux the “2014 Global Supplier Relationship Management Research Report” will be published on the 6 November which reinforces the importance of this area as part of overall business performance.

About the Business Continuity Institute

Based in Caversham, United Kingdom, the Business Continuity Institute (BCI) was established in 1994 and seeks to promote a more resilient world and to assist organizations in preparing for and surviving minor and large-scale man-made and natural disasters. The Institute enables members to obtain guidance and support from their fellow practitioners, as well as offers professional training and certification programs to disseminate and validate the highest standards of competence and ethics. It has over 8,000 members in more than 100 countries, who are active in an estimated 2,500 organizations in private, public and third sectors.

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