



BCM CHECKLIST

Business Continuity in the Supply Chain - embedding resilience.

In a supply chain context, Business Continuity Management (BCM) is a highly useful risk mitigation technique for procurement professionals.

By ensuring that key supply chains have business continuity plans (BCPs) in place, aligned with your own requirements, the impact of any disruption to these chains is likely to be reduced and faster recovery assured.

It is good practice, of course, to have a BCP for your organisation as a means to identify key suppliers and your requirements on them.

A supplier's BCP is always going to be aligned with the supplier organisation's objectives, not your own. So you are looking for reassurance that the plans they have in place to deal with

disruption to their operations will also minimise disruption to your organisation.

The purpose of this note therefore is to help you:

- ask the right questions and interpret the answers;
- get the right people involved, and in a timely manner;
- build understanding and confidence among those asking business continuity questions.

Research shows¹ that the impact of supply chain failure through business continuity disruption is very common and commercial organisations are losing revenue and customer confidence as a result.

Applying BCM through the supply chain can help ensure a common

What is Business Continuity Management:

Business continuity is a management discipline that identifies potential threats to an organisation and the impacts to business operations that those threats, if realised, might cause. It provides a framework for building organisational resilience with the capability for an effective response that safeguards the interests of its key stakeholders, reputation, and value-creating activities.

language and skill set when working with suppliers and partners supporting a faster response and quicker recovery.

(This note should be read in conjunction with CIPS' Supply Chain Vulnerability Guide published January 2006).

5 key principles

1. Getting BCM in your supply chain is a risk mitigation measure. You still need to consider supply chain failure in your own BCP and what you would do about it and how you would recover. Understand and recognise that at some point things will go wrong however good the adoption of BCM practices in your supply chain.
2. BCM needs to be part of the procurement strategy. The engagement with the supply chain requires a positive relationship and the usual issues of purchasing power

and negotiating leverage apply with BCM. Procurement needs to make sure that the appropriate business continuity conversations have happened, if not carried out directly. Sourcing councils, for example, should ask if supplier BCPs have been evaluated.

3. Focus on key suppliers first. Key suppliers are typically defined by how difficult they would be to replace should their product or service not be available to you over a time-period that would cause significant operational performance problems. These key suppliers may well be those with the largest

spend but smaller niche suppliers may emerge from considering your business continuity requirements.

4. It's important to consider the whole supply chain to identify single points of failure, whether among the suppliers, subcontractors, logistic operations or warehousing, if applicable.
5. Work with suppliers to develop their business continuity capability. This is particularly important when dealing with off-shore service providers and for improving communication between parties should an incident occur.

Note¹: BCI & Zurich Supply Chain Resilience Survey 2009. 201 responding organisations.

The critical widget and other issues

- How many suppliers? We don't recommend that every supplier needs to have a vetted BCM programme: it is better to use scarce resources with the key ones than spread thinly across all.
- How deep to go? Stories of the critical widget demonstrate the importance of going deeper into supply chains to find single points of failure. The deeper that BCM is adopted within the supply chain, the greater the visibility.
- Working with existing contracts: There is a cost involved in developing and maintaining a

BCM programme. However the underlying BCM questions can be put to suppliers through performance reviews to build a picture of capability in preparation for the time when a BCM capability can be required contractually.

- It's highly recommended to involve the BCM manager early on in the procurement process. The BCM manager is there to provide expert advice and ask the procurement team the simple question: what do we do if a critical supplier fails? However good the risk mitigation measures undertaken, supply chain failure still needs to be considered, as you cannot outsource responsibility of your own BCP.
- Consider carefully those sup-

pliers that want to sell you a BCP as an additional product, when you ask for their BCP. BCM is not a project-add-on, it is integral to the supplying organisation's operational capability and a reasonable expectation to have of them.

- Force Majeure clauses are often seen as boiler plate clauses, however, the "unforeseeable" events covered in these clauses are often the high impact, low probability events that BCM provides a mechanism to mitigate and recover faster from. Being more specific here in terms of the excluded events and recovery from them could mean you get prioritised while others remain with the boiler plate.

"Yes, they have a BC plan, but what does it mean for me?"

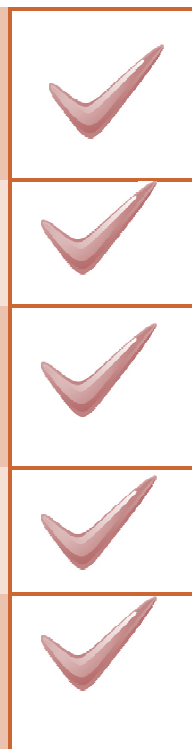
• **Does the supplier have a business continuity management programme?**
It's important to look not just for a business continuity plan but a programme of on-going activity. Check that plans assume working differently or at a reduced level and that there's a need to prioritise resources and activities.

• **Is their plan relevant to the product or service you are buying?**
You as customer, or the product you are buying, may not be their highest priority when disruption hits: other clients or product lines may take priority. Know where you stand.

• **Is the scope of their BCP appropriate?**
If the plan's scope is restricted to IT or telecoms, then you need to ask why other areas are not covered: sites & facilities, their supply chain, non-availability of people, dependencies on credit lines or trade insurance, or over dependency on a single customer.

• **Can they prove they can do what is in the plan?**
Is there evidence of an exercise and testing regime and embedding learnings? Is there evidence that the BCM people are working with the organisation and not around it?

• **Are there independent indicators of competency in BCM?**
Do certified professionals maintain the BCM programme e.g., BCI statutory members? Do suppliers work to a code of practice or published standard e.g., BS25999? Are BCM processes audited?



5-Point Check List

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The Chartered Institute of Purchasing & Supply (CIPS) is an international organisation, based in the UK, serving the procurement and supply profession. It is the worldwide centre of excellence on purchasing and supply management issues with over 54,000 members in 150 different countries.

The Business Continuity Institute (BCI) was founded in 1994 and leads on the development of best practice in Business Continuity Management. It has some 4,800 members in over 80 countries active in an estimated 2,500 organisations in private, public and third sectors.

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