



A Risk to Your Supplier is a Risk to You!

Protect Against a Broken Supply Chain



Products and services that are used but not produced by your business are most likely being provided by a third-party supplier. As a business owner, you likely depend on many suppliers, and it can be difficult or impossible to run your business without them. Therefore, strengthening your supply chain against disruptions is vital to your business.

A supplier disruption can result from natural hazards, power outages, transportation failures, and many other unexpected events. The chances of any specific problem occurring will vary by business, sector and geography, but the probability your supply chain will be affected by at least one of them is high. With this in mind, it is important to recognize your suppliers and vendors are a critical part of your business and should be included in your business continuity planning.



WHO ARE YOUR KEY SUPPLIERS?

To help you identify your key suppliers, the Insurance Institute for Business & Home Safety (IBHS) developed OFB-EZ® (Open for Business-EZ). Available at DisasterSafety.org/ibhs-business-protection/ofb-ez-business-continuity, OFB-EZ is a free business continuity planning toolkit to help small business owners recover, re-open quickly, and reduce losses from business disruptions. The starting point is the

“Know Your Operations” section, which helps you determine your critical business functions. Once these are identified, it is fair to say that any supplier associated with that business function is considered a critical and key supplier. The same is true for suppliers whose goods and services are critical to time-sensitive activities and potential bottlenecks.

HOW TO STRENGTHEN YOUR SUPPLY CHAIN



Have a good process in place for selecting the best and most reliable suppliers for your business.



Develop closer business relationships with your key suppliers; get to know them, including understanding their business's issues and challenges.



Remember that a single supplier may reduce paperwork, but multiple suppliers may reduce your vulnerability to supply chain problems.



Involve your key suppliers in your business continuity planning, maintenance and exercises so they understand their role in your business.



Closely monitor regions, both national and globally, where natural and man-made disasters hit and determine which of your suppliers are located in the area, and if they are affected.



It's important to detect supplier issues as soon as possible. Be sure to communicate with your employers about the need to detect early warning signs of supplier disruptions.



Communicate regularly with your staff to understand the early warning signs of supplier trouble (e.g., lengthening cycle times and delivery times, top management changes, etc.).

ARE YOU ASKING THE RIGHT QUESTIONS?

Planning for disruptions requires you to understand how you depend on your supply chain, where its weak links may be, and how to strengthen them. The more you know, the better you can evaluate your own preparedness, and theirs, and take steps to improve your recovery capabilities. The following are crucial questions to ask yourself and your suppliers.



Review your supply chain now and ask the right questions to avoid future disruptions.

QUESTIONS FOR YOUR BUSINESS	NOTES
<p>Do you have any suppliers who are a sole source provider of goods or services (i.e., you can only get what you need from that one particular supplier)? What alternatives do you have if they cannot deliver or go out of business?</p>	
<p>Where are your key suppliers located and what natural and man-made risks are they likely to face? Are they based in a single location or are they able to spread their risk among multiple locations?</p>	
<p>Do you have a key supplier located in the same region as your business? If so, how would a regional disaster affect both of your businesses?</p>	
<p>Do you have a close enough relationship with your suppliers so you will be aware of problems they may face and can work with them to minimize potential disruptions?</p>	
<p>Has your business considered stocking up on certain inventory to avoid just-in-time inventory disruptions?</p>	
<p>Should you ask key suppliers to stockpile an item or ingredient to ensure they will have the capability of providing it to you, despite any disruptions?</p>	
<p>Have you considered including "failure to perform" clauses in your supplier service-level agreements/contracts to minimize possible supply chain disruptions?</p>	
<p>Has your business entered into agreements with alternate/backup suppliers who would give you priority over others should a disruption occur with the primary supplier?</p>	

QUESTIONS FOR YOUR SUPPLIERS/VENDORS	NOTES
<p>Do they have a business continuity plan? Specifically, how can they redirect their business to fulfill your needs if they experience a disruption? Will they provide a copy of their plan?</p>	
<p>Does their plan include a recovery-time objective for having the product or service available after a disruption?</p>	
<p>Does their plan include an evaluation identifying its own critical suppliers of goods and services, in order for their company to minimize any disruptions?</p>	
<p>How frequently is their business continuity plan reviewed, updated and tested?</p>	
<p>Have they experienced an interruption in the past? If so, how did they respond, and how did the interruption affect their customers/clients?</p>	
<p>How do they plan to communicate with you during a disruption?</p>	
<p>If their product or service is limited due to a disruption, how will your business's needs be prioritized?</p>	

CONCLUSION

Identifying suppliers who are prepared for business disruptions can help you avoid losses when natural and man-made hazards put your business, or your suppliers' business, at risk. Strengthening your supply chain will reduce your business's vulnerability and provide you with a competitive edge in our global economy.