

# Creating a Secure Supply Chain



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**SUPPLYCHAIN**  
MANAGEMENT REVIEW

Conducted by:

**PRG**  
PEERLESS RESEARCH GROUP

## Creating a Secure Supply Chain

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### Background

For many manufacturers and distributors, the supply chain is the cornerstone to their business operations. It serves as the main conduit for sourcing goods and materials as well as the primary channel for moving product out to customers.

So it's fully comprehensible that operating a secure supply chain is of the highest priority. Breaches in the system can cripple operations and disruption of supply chain processes would most assuredly, have a significant impact on a company's performance. Breakdowns within the network can affect an organization's ability to run a lean operation and control costs, adhere to delivery schedules and expeditiously fulfill customer orders, safely ship product and protect intellectual property, maintain brand integrity, and run a socially responsible supply chain. Those failing to employ protective measures place their organization at great risk.

In a recent study conducted by **Peerless Research Group** on behalf of *Logistics Management* and *Supply Chain Management Review* for **BSI's Supply Chain Solutions Group**, supply chain and logistics managers are in agreement that global supply chains are becoming progressively complex causing more potential points for disruption along the supply network. Awareness of risk and threats, and solutions to help identify and prevent supply chain interruptions are essential for successful supply chain management.

To better understand the potential risks and exposures, as well as strategies being undertaken to address these hazards, it's important to first profile survey respondents. The organizations studied represent a wide cross-section of manufacturing industries (66%), wholesale and retail trade (14%) as well as other businesses such as 3PLs, transportation services, etc. (20%). Businesses of varying sizes are also well represented: 40% work at small companies (under \$100M in annual revenues), 33% are with mid-size firms (\$100M - \$999.9M), and 27% are at large enterprises (\$1B or more). Organizations work with, on average, 300 suppliers globally (median: 25) who operate predominantly in Eastern Asia (75%), Canada (61%), Mexico (51%), Western Europe (48%), and South East Asia (45%). Roughly one in six (17%) are government sub-contractors.

***"We can't claim revenue without the effective delivery of goods."***

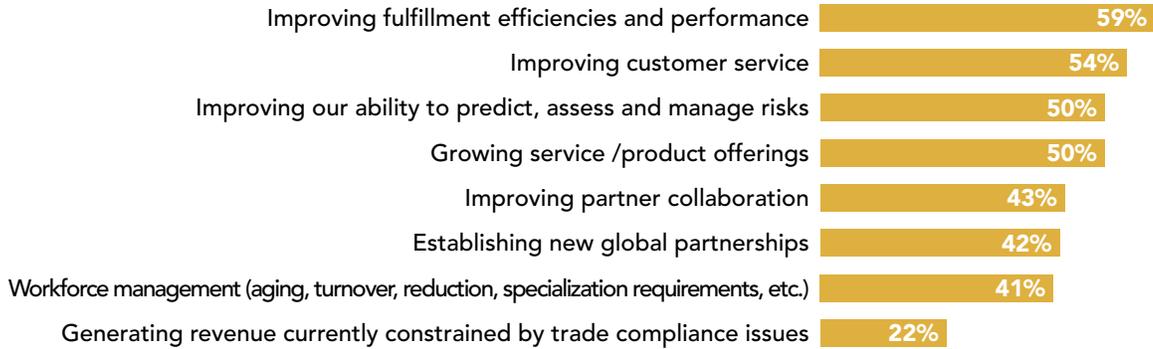
—Distribution Manager  
Medical Devices  
Annual revs:  
\$1B - \$2.49B

# Creating a Secure Supply Chain

## Challenges in Running an Efficient Supply Chain

This study supports prior research findings in that the challenges companies now face are universal. Reinforcing customer service and partner relationships, improving order fulfillment efficiencies, developing and expanding the current product line and service offerings, and further developing risk management programs are all pressures with which organizations are now addressing.

### Today's Business Challenges



And, specific to supply chain networks, managers are concentrating on gaining greater control over operating costs and cutting expenses, improving overall supply chain efficiencies, and attaining greater continuity over supply chain functions. Enabling greater visibility into their supply chain and improving risk management procedures also rate as critical initiatives.

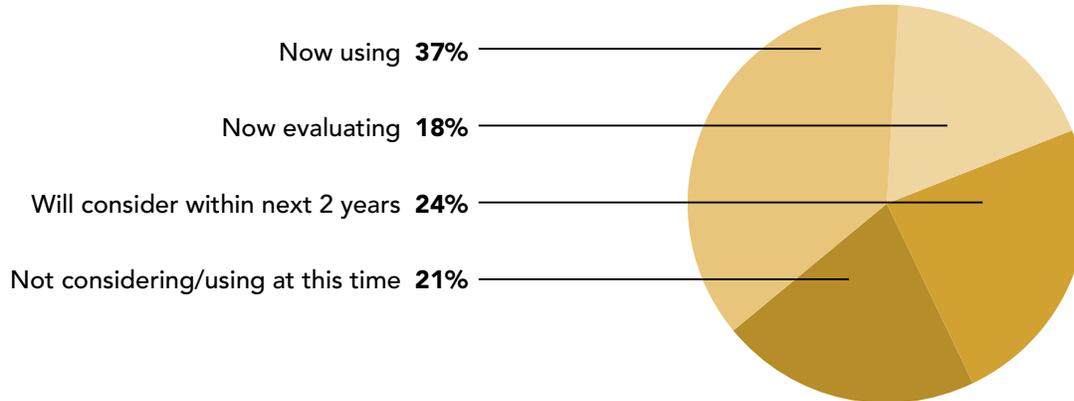
### Supply Chain Initiatives



## Creating a Secure Supply Chain

So while many are focusing their attention on improving supply chain process management to accomplish critical business goals, organizations (79%) are either now using or planning to use solutions that would enable suppliers, as well as customers, greater visibility into their supply chain for tasks such as checking order or shipment status, document processing, inventory management, etc.

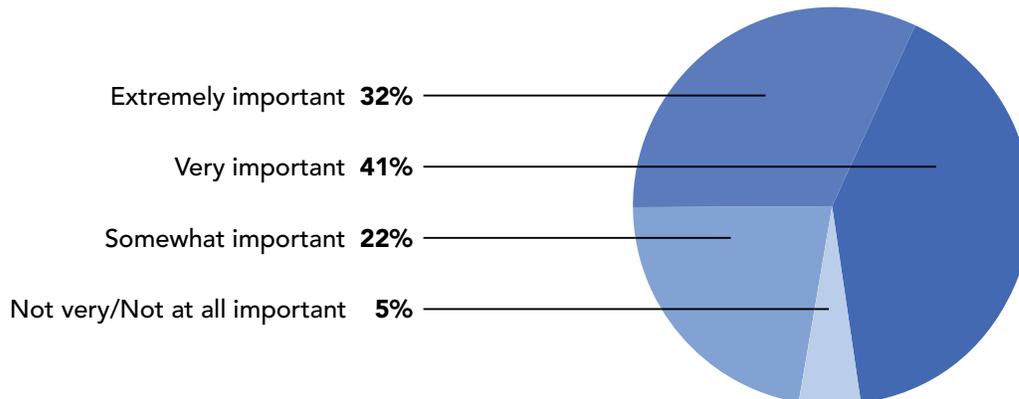
### Adoption of Supply Chain Visibility Solutions



### Operating a Secure Supply Chain

As we previously learned, many of these managers believe supply chain security is, or at least should be, a high priority initiative within their organization. Roughly three out of four (73%), in fact, contend it's a critical component to their company's success.

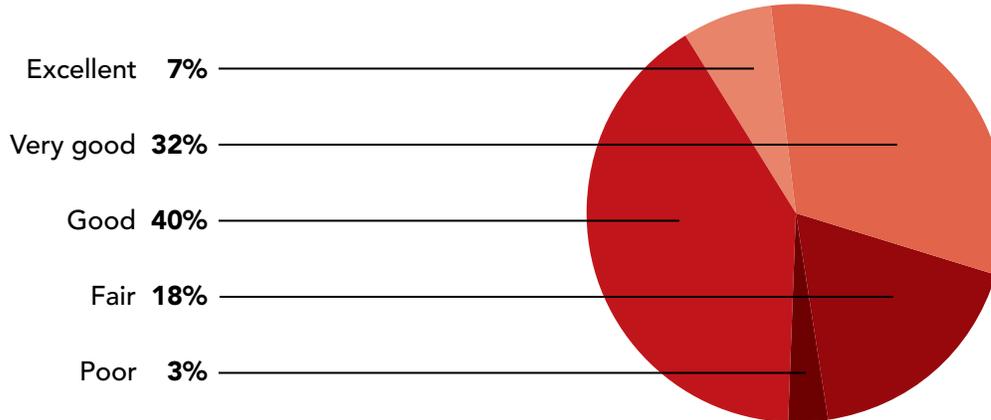
### Importance of Supply Chain Security to their Company's Business



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Many operations have followed through in immobilizing potential threats. In large part, the majority (79%) are well-protected against events against threats and gaps within their supply chain system.

### Rating their Own Supply Chain's Security



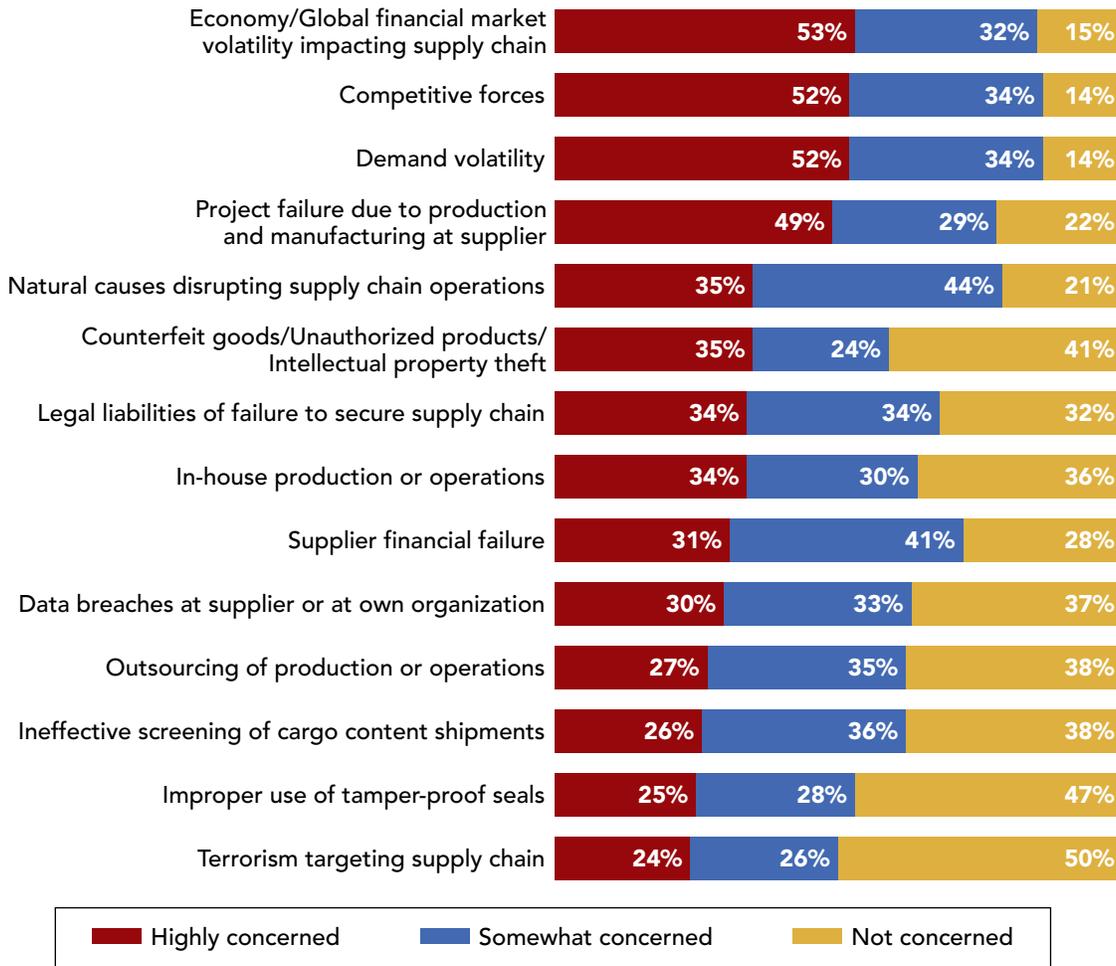
However, managers remain highly cautious of any threats to their supply chain and continue to be vigilant. As businesses enter new regions and supplier bases expand, having confidence across supply chain processes is paramount in managing overseas delivery strategies. Dealing with issues such as an unstable global economy, increased foreign competition, unpredictable demand for product, and poor planning during manufacturing and production cycles are areas of high vulnerability. Any anxiety among supply chain managers is largely attributed to pronounced uncertainties surrounding these issues.

***“We use multiple vendors and on-shore warehousing of product to hedge against shipping delays, commodity price increases and natural disasters.”***

—Vice President  
Textiles  
<\$100M

## Creating a Secure Supply Chain

### Supply Chain Concerns and Risks



So even though most believe their supply chain is well guarded, one in three reports that their supply chain experienced a breach resulting in severe consequences. Infringements have led to in added expenses, additional labor and resource allocation, and delayed time-to-market as well as product delivery which all lead to lost business opportunities.

### Implications Due to Supply Chain Breaches



*“Our business partners depend on product arriving on time and in good condition to support manufacturing and sales. With data and physical security risks continually rising, security of assets is becoming a prime consideration in supply chain network design.”*

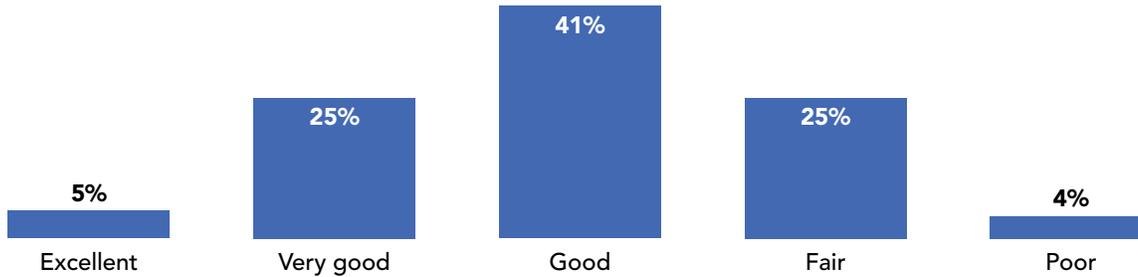
—Operations Manager  
Chemicals  
<\$100M

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### Risk Management

When questioned about their supply chain on disaster recovery capabilities, managers are fairly evenly split on its efficiency rating.

#### Rating Supply Chain Capabilities on Business Management and Continuity Planning



*"We follow our business continuity plan to identify, evaluate and mitigate risks in our operations."*

—Supply Chain Manager  
Computers & Electronics  
\$2.5B+

## Creating a Secure Supply Chain

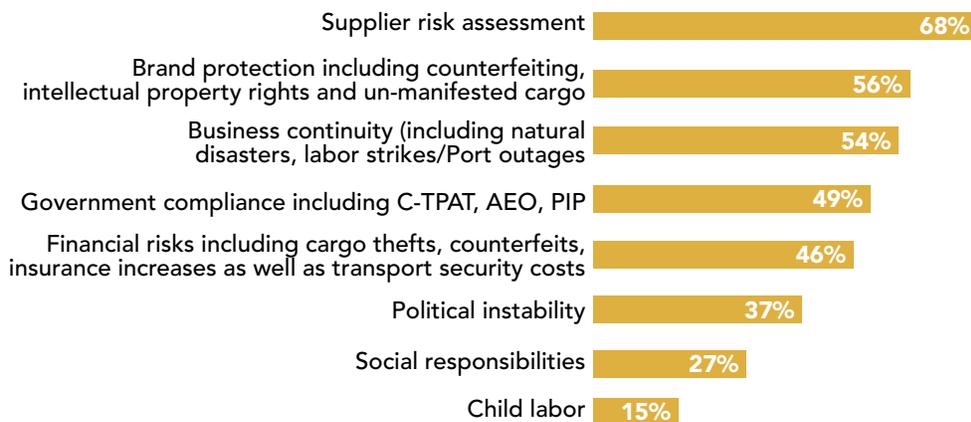
Most risks and threats that businesses are able to identify pertain to fears caused by suppliers, breakdowns sparked internally within logistics operations, or are a result of production or operations failures. Financial and legal exposures, uneven market demand for product, mounting competition and natural disaster are all also checked.

### Risks Quantified



As noted, risks linked to suppliers are a top concern among supply chain managers. Therefore, it follows that obtaining intelligence to assist in assessing potential supplier-related pitfalls is a priority. Resources to better protect intellectual property, data to maintain a business continuity foundation, and updates on government programs and policies are additional needs to help management stay current.

### Topics for Which More Information is Needed

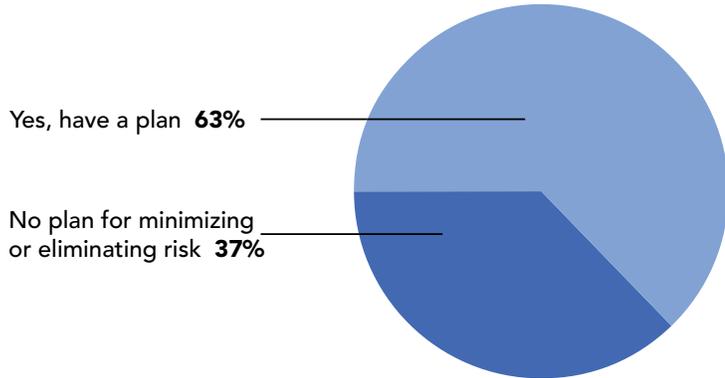


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## Security Measures

Yet, as important as it is for these organizations to maintain a high level of security for their supply chain and be able to identify and mitigate exposure to threats, more than one in three are without a plan and are at risk.

### Organizations With a Program to Minimize Supply Chain Risks



For those taking action to increase supply chain security, efforts are ongoing. Most feel container packaging, storage and shipment consolidation, in particular, are the areas along the supply chain in which they are most vulnerable. Businesses are working more closely with partners to define risk management policies, are establishing security initiatives, and attaining compliance with global standards.

### Initiatives to Secure Supply Chains



*“The benefits are that in complying with all of the supply chain standards, you have fewer problems and delays which could have major consequences to your business model.”*

—Inventory Management  
Pharmaceuticals  
<\$100M

*“We have a published/ shared SOP with our supply chain partners which include service options should it become necessary due to breaches, threats or disasters.”*

—Logistics, Distribution  
Management  
Wholesale  
\$500M - \$999.9M

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While some we interviewed were, understandably, unwilling to discuss their security strategies, those who could oblige said they are employing risk management protocols, increasing security measures, adopting policies on a corporate level, working with more suppliers and mixing modes of transportation, and installing additional on-site security monitoring systems.

Those without a plan in place candidly cite a lack of resources as the main obstacle for adoption.

***“We have a global/regional security organization identifying gaps, issues and potentialities in order to determine proper mitigation/elimination action plans across the whole product supply network including working with external parties related to it.”***

*—Purchasing, Sourcing  
Management  
Retail  
\$5B+*

***“Our company has developed risk management protocols for all corporate subsidiaries involved with import/export operations. Each subsidiary is subject to annual Risk Management audits to ensure compliance with corporate.”***

*—Operations Manager  
Agri-chemicals  
<\$100M*

## Creating a Secure Supply Chain

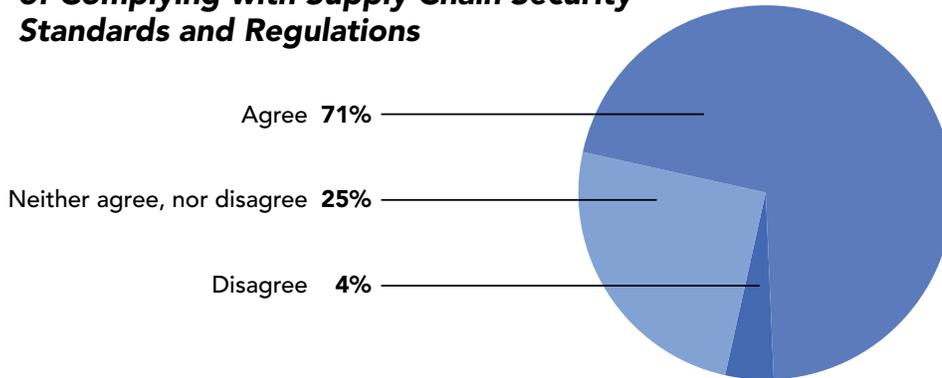
### Complying with Standards & Certifications

Overall, many admit that their efforts to comply with standards to help supply chain security and risk management policies could be improved. Extra information resources, greater awareness and exposure to additional compliance issues and corrective actions, as well as more information on certification programs are cited as means for upgrading supply chain security.

Most organizations (69%) rely on a set of standards by which they run their supply chain operations. These protocols are mostly used to assist with document management (83%), training procedures (66%) and workflow management applications (44%).

Many further acknowledge they need to learn more about the benefits that can be garnered from complying with supply chain security standards and regulations.

#### **Statement: We need to learn More About the Benefits of Complying with Supply Chain Security Standards and Regulations**



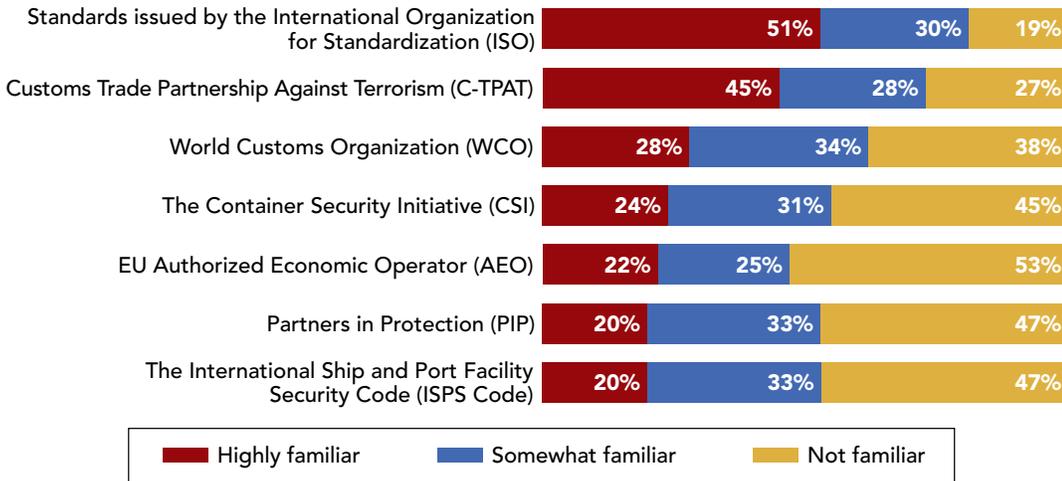
*“This new century has provided us with new challenges and opportunities. Everyone involved in the import/export industry has to step up their operational capabilities and adhere to strict regulatory codes of conduct. Large and small countries have enacted across the board changes that must be adhered to. Security remains a paramount concern as we provide greater loads of products and services. We are responsible to the countries and world class that we service. Technology continues to provide new avenues in which we can harness the winds of change as we elevate our revenues and our services.”*

—Corporate Management  
Transportation Services  
\$1B - \$2.49B

## Creating a Secure Supply Chain

Programs that are the most commonly recognized among those we surveyed are the Customs Trade Partnership Against Terrorism (C-TPAT) and standards sets issued by the International Organization for Standardization (ISO). However, many of these importers/exporters remain unfamiliar with these as well as other governing bodies.

### Familiarity with Trade Agencies and Organizations



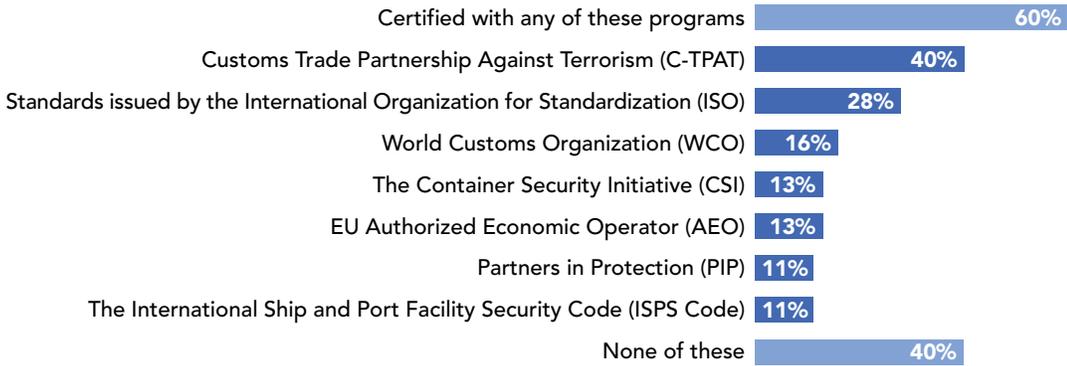
*“Certain standards, like CTPAT, AEOs are a must. Otherwise, shipping takes longer and becomes more expensive.”*

—Corporate Management  
Government Contractor  
<\$100M

## Creating a Secure Supply Chain

Six out of ten businesses in our survey say they are certified with at least one of these trade programs; C-TPAT is the most popular.

### Affiliation with Trade Agencies and Organizations



The standards or certifications with which companies are most widely enrolled are ISO 9001 and C-TPAT, those standards dealing with business management, environmental, health and safety, and cargo security. On average, the companies we studied are compliant with roughly two to three standards or certifications.

### Standards and Certification Compliance

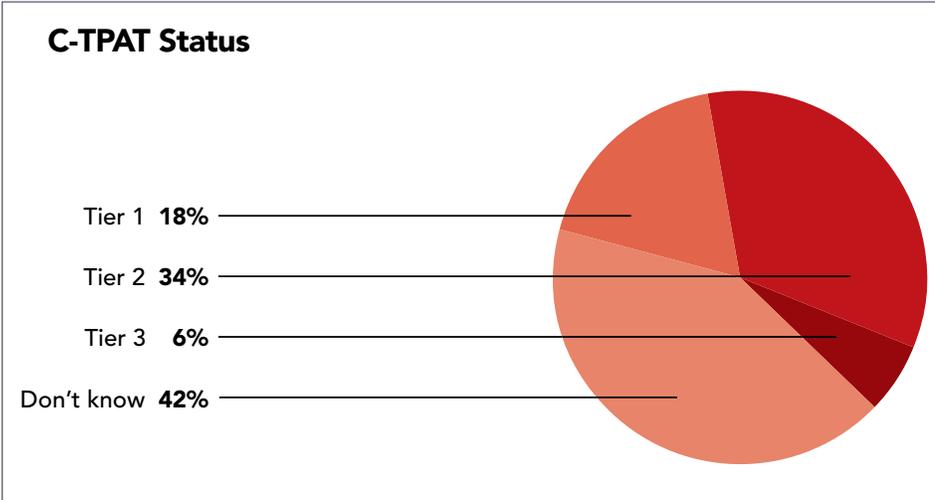


Some respondents, curiously, have yet to certify with any of these programs. While cost, insufficient resources, or a lack of perceived need are listed as reasons for non-membership, some admit they just have very little knowledge about these programs and subsequent benefits.

It is widely thought that the C-TPAT program is highly significant (90%) to supply chain operations. Certification enables greater security measures, and having an understanding of program features has facilitated shipping processes, reduced customs inspections and resolved borders issues.

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Interestingly, as vital as C-TPAT is to supply chain organizations, more than four out of ten are uncertain about the C-TPAT level they have attained. Most have reached either Tier I (19%) or Tier II (34%) levels. And, one-half are currently looking to advance their C-TPAT status.



*“There is training throughout the supply chain. C-TPAT standards are to be followed and flexible modes of transportation to many accounts.”*

—Logistics, Distribution Management  
Fabricated Metals  
\$500M - \$999.9M

*“We are C-TPAT Tier 3 (highest tier), so we have devoted a lot of time, money and resources towards this program, in order to be “fast tracked” in the event of any sort of port shut down (once it reopens), and also because we feel a sense of responsibility to secure our supply chain against terrorism.”*

—Supply Chain Management  
Rubber & Plastics  
\$250M-\$499.9M

## Creating a Secure Supply Chain

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### Conclusions

As manufacturers and distributors rely more on their supply chains and as these networks increase in their complexities, new demands and pressures are forced on supply chain managers. The stakes are high and security of the supply chain is a critical factor. Major concerns such as an unstable global economy, aggressive market competition, demand volatility and production failures can place revenue growth, a company's reputation and overall business operations at great risk.

Understanding the nature of potential supply chain breaches and keeping current on disturbances that can impact supply chain processes can help managers better handle and mitigate problems related to global supplier concerns, brand protection, financial risks and causes for disruptions to business activities.

### Methodology

This research was conducted by **Peerless Research Group** on behalf of *Logistics Management* and *Supply Chain Management Review* magazines for **BSI's Supply Chain Solutions Group**. This study was executed in August 2012, and was administered over the Internet among subscribers to *Logistics Management* and *Supply Chain Management Review*.

Respondents were qualified for being involved in decisions regarding the evaluation and usage of supply chain management software and solutions for either their company or for others, and work for an organization involved in exporting or both importing and exporting goods internationally.

The findings are based on information collected among 226 top logistics and supply chain managers. Respondents are predominantly executive management (31%), logistics and operations management (23%), supply chain management (21%).

### About BSI Supply Chain Solutions

BSI's Supply Chain Solutions group is a leading global provider of supply chain risk and compliance based solutions, supply chain intelligence, assessments, and training programs geared toward mitigating global supplier and supply chain exposures. BSI's Supply Chain security experts work at the forefront partnering with industry and government on innovative supply chain security solutions and intelligence tools designed for cargo inspection targeting. Helping companies achieve and maintain compliance, with a special focus on the C-TPAT 5-step Risk Assessment, is a key focus of BSI's Supply Chain Solutions. The combination of our tools and BSI's field-based, global network of supply chain security assessment professionals provides our clients with expert supplier vetting and risk assessment.

**For more information:**

**Call: 1-855-264-4650 or**

**Visit: [www.supplychainsecurity.com](http://www.supplychainsecurity.com)**

