SESSION I:
THE ROLE OF BUSINESS CONTINUITY PLANS IN LOGISTICS MANAGEMENT

THE IMPORTANCE OF SUPPLY CHAIN RISK MANAGEMENT
AT THE TIME OF HAZARDS

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PART 1: BCP VS. BCM

■ Business Continuity Planning (BCP)
  - Identifies exposure to internal and external risks
  - Synthesizes hard and soft assets
  - Provide effective prevention & recovery for the organization
  - Maintaining competitive advantage & value system integrity

ALSO CALLED:
* Business Continuity and Resiliency Planning (BCRP).

US GOVERNMENT:
PART 1: BCP VS. BCM

- BCP Life Cycle

BCM
Business Continuity Management

SCM RISK MGMT
PART 1: BCP VS. BCM

- Common Natural Hazards → POSSIBLE RISKS

- Earthquake
- Flood
- Typhoon/Hurricane
- Blizzard
- Tornado
- Pandemic
PART 1: BCP VS. BCM

Four Major Risk Manage Categories:

**AVOIDANCE**
- Eliminate – Withdraw from or not become involved

**REDUCTION**
- Optimize – Mitigate

**SHARING**
- Transfer – Outsource or Insure

**RETENTION**
- Accept & Budget
PART 2: CASE STUDY/ HITACHI CABLE

- **Hitachi Cable: Company Profile**

  - Founded in 1918 as Densen Works
  - Became an independent spin-off of Hitachi Group in 1956.
  - 17 locations in JP with 32 major oversea companies across 5 continents.
  - Products: wires/cables/electronic materials/automobile parts/
    information network devices/system integration solutions
  - 2012 global net sale: 432,540 million Yen (US$5.4 billion)

- **the 2011 Great East Japan Earthquake (the 3.11 Earthquake)**

  - Magnitude 9.0 with hundreds of after shocks average M 4.5
  - Tsunami up to 40m high and 10km inland
  - Estimated economic cost was US$235 billion (by world bank)
  - The most expensive natural disaster in world history
PART 2: CASE STUDY/ HITACHI CABLE

It's a Predictable Hazard:

The headquarter of earthquake research promotion had predicted a possibility of 99% for earthquake over M7.5~8.3 to take place at the Miyagi area within 30 years.
PART 2: CASE STUDY/ HITACHI CABLE

- **No Alternative Production Facility**
  - Lost production lead time during disaster recovery

- **Vast Outsource Strategies**
  - Low self-reliance ability on specific parts or techniques

- **Multiple LSP (2\textsuperscript{nd}/3\textsuperscript{rd}/4\textsuperscript{th})**
  - Complex supply chain hierarchy

- **JIT Management to Raw Material**
  - Minimum / no extra inventory

- **High Reliance on ICT**
  - Massive data lost & need alternative operation procedures

Problems arose after earthquake:
PART 2: CASE STUDY/ HITACHI CABLE

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- **Prevention and Recovery: BCP & BCM**
  - Standardize and communalize ICT: “Intelligence Sharing Frame Work”
  - Relocated a LED plant to Taiwan

- **Current Status: 2012 Financial Report**
  - Operating income grew 149%
PART 3: WHAT COULD BE DONE

Continuous review on current BCP/BCM or DRP

⇒ INTERNALLY
1. Production line self-reliance
2. Adjust JIT level of inventory
2. ICT structure sustainability

⇒ EXTERNALLY
1. Supply chain 2nd Tier vendor backup plans and alternative logistic route planning
2. Introduction to the Geographic Information System (GIS) to overlay risk information
PART 3: WHAT COULD BE DONE

Taking a comprehensive view of the supply chain

Taking an in-depth view of the supply chain

Facilities handling or storing hazardous materials such as a nuclear power plant
Infrastructure disruption
Shaking, liquefaction and tsunami

Tier-1 supplier factories (primary suppliers)
Tier-2 and lower supplier factories (secondary and lower suppliers)
Plants for final assembly

Social hazard factors
Electricity, water, transportation and communication service interruption assessment map
Tsunami inundation assessment map
Seismic intensity distribution assessment map

Source: "Rethinking a Business Continuity Plan (bcp): What Should Companies Learn from the Great East Japan Earthquake?" by Nomura Research Institute, Ltd. 2012
PART 3: CONCLUSION

EPS or BCP?

IT’S A DILEMMA