Press release

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| *Date* | 8 August 2013 |
| *Contact* | Mike Ascolese, PwCTel: +1 (646) 471 8106 e-mail: mike.ascolese@us.pwc.com |

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**PwC, MIT Forum for Supply Chain Innovation releases risk report**

The MIT Forum for Supply Chain Innovation has released a report in collaboration with PwC titled, “Making the right risk decisions to strengthen operations performance,” based on the results of its 2013 Global Supply Chain and Risk Management Survey. The findings validate five key principles that companies can use to better manage risks to their supply chains and prepare for future opportunities.

They are:

1. Supply chain disruptions have significant impact on company business and financial performance.
2. Companies with mature supply chain and risk management capabilities are more resilient to supply chain disruptions. They are impacted less and they recover faster than companies with immature capabilities.
3. Mature companies that invest in supply chain flexibility are more resilient to disruptions than mature companies that don’t.
4. Mature companies investing in risk segmentation are more resilient to disruptions than mature companies that do not invest in risk segmentation.
5. Companies with mature capabilities in supply chain and risk management do better along all surveyed dimensions of operational and financial performance than immature companies.

A total of 209 companies with global operations completed the survey. As global organizations, they are exposed to high-risk scenarios ranging from controllable risks — such as raw material price fluctuations, currency fluctuation, market changes and fuel price volatility — to uncontrollable ones, such as natural disasters.

The survey asked participants their views on how key supply chain complexity drivers have evolved over the past three years: 95 percent of respondents stated that dependencies between supply chain entities have increased; 94 percent stated that changes in the extended supply chain network configuration occur more frequently; and 94 percent stated that new product introduction has been more frequent.

According to the survey results, as many as 60 percent of the companies pay only marginal attention to risk reduction processes. These companies are categorized as having immature risk processes. They mitigate risk by either increasing capacity or strategically positioning additional inventory.

The remaining 40 percent do invest in developing advanced risk reduction capabilities and are classified as having mature processes. The data showed that companies with mature risk processes perform better both operationally and financially. Managing supply chain risk is good for all parts of the business — product design, development, operations and sales — the data indicates.

MIT professor David Simchi-Levi, founder of the MIT Forum, says, “Our survey indicates that supply chain disruptions have a significant impact on company business and financial performance, and companies that invest in supply chain flexibility are more resilient to disruption than mature companies that don’t.

“Flexibility is critical to a company’s ability to adapt to change,” he adds. “A greater degree of flexibility in their businesses will allow companies to better respond to demand changes, labor strikes, technology changes, currency volatility, volatile energy and oil prices.”

“As companies expand into the global marketplace, they need to adjust their supply chain strategies to meet the increasingly complex requirements of their customers and manage multiple distribution channels,” says Glen Goldbach, PwC’s supply chain director. “To help companies along the path to supply chain resilience, we propose a unique framework in this study that assesses a company’s maturity and recommends strategies to strengthen their capabilities. This is unique in the market.”

For the full report, “Supply Chain and Risk Management: Making the right decisions to strengthen operations performance”, go to [Supply Chain Risk Management](http://www.pwc.com/gx/en/operations-consulting-services/publications/supply-chain-risk-management.jhtml).

**About the MIT Forum for Supply Chain Innovation**

The [MIT Forum for Supply Chain Innovation](http://supplychain.mit.edu/) is a community composed of academics and industry members whose support allows forum researchers to provide customer-focused solutions to design and manage the new supply chain. The Forum has pioneered a deeper understanding of the supply chain and its relationship to corporate strategy and has broad support from a wide cross-section of industry.

**Manufacturing Technology Advisory board**

In June 2012, the MIT Forum launched the Manufacturing Technology Advisory Board in response to Forum members’ request for technology transformation guidance. The board consists of MIT academic and research leaders with major technology providers and industry leaders to collaborate on key issues around U.S. manufacturing.

**About PwC**

PwC helps organisations and individuals create the value they’re looking for. We’re a network of firms in 158 countries with more than 180,000 people who are committed to delivering quality in assurance, tax and advisory services. Tell us what matters to you and find out more by visiting us at www.pwc.com.

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