

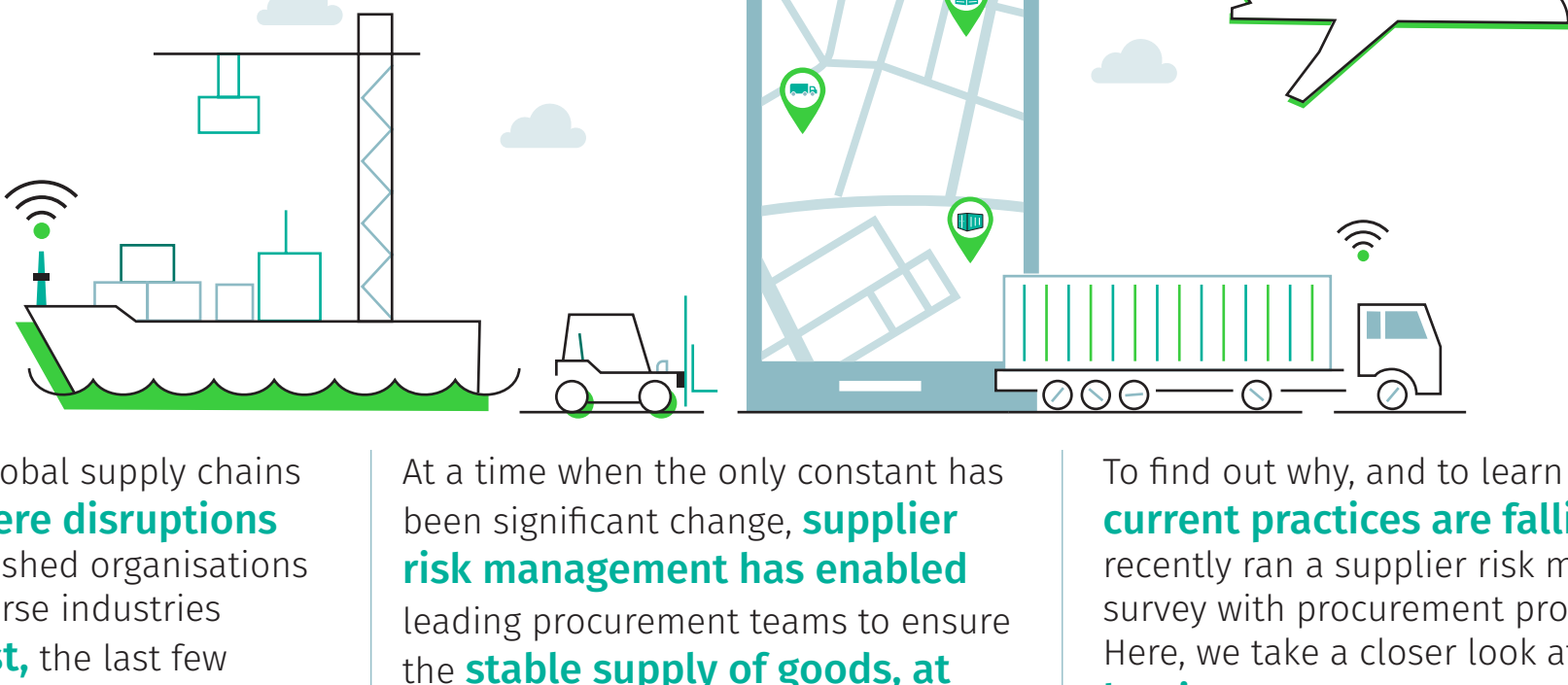


Supplier Risk Management Survey 2023

Key findings and strategic insights for procurement professionals

December 2023

1 Today's landscape



Between global supply chains facing **severe disruptions** and established organisations across diverse industries **going bust**, the last few years have reinforced the need for **robust supplier risk management**.

At a time when the only constant has been significant change, **supplier risk management has enabled** leading procurement teams to ensure the **stable supply of goods, at the right time and at the right price**. However, few organisations are harnessing its full potential.

To find out why, and to learn where **current practices are falling short**, we recently ran a supplier risk management survey with procurement professionals. Here, we take a closer look at the **key issues** with organisations' **risk management**, as well as the required foundations for building a successful **supplier risk management strategy**.

2 Supplier Risk Management Survey

Survey background

The Smart Cube recently surveyed **procurement professionals** to help them better understand where their business stands in terms of supplier risk maturity readiness. Organisations were asked a series of questions, and given a **risk management maturity score** based on their answers.

Source: Survey results were taken from 68 qualified responses, companies' sizes ranged from 250-10,000+ employees

Our findings

Lack of resources and awareness
Our survey found that over half of firms don't have a formal programme or clear mandate for supplier risk management, making it difficult to gain the resources they need to manage it well. In many of these cases, organisations haven't appointed a chief risk or compliance officer, so risk has no seat in the executive team. The majority of organisations have low-to-medium awareness of supplier risk – with awareness varying greatly between teams, leading to inconsistency in how risk is managed.

Highly limited risk coverage
A large proportion of respondents note extensive gaps in their risk coverage, with the result that around 95% of businesses are unable to detect risks well in advance of their occurrence. Nearly half say they only have 'minimal' notice before risks occur – meaning they are unable to proactively mitigate the risks they're exposed to.

Limited access to specialist advice
Once a risk has been spotted, procurement experts need to be able to take the right remediating actions at the right time. That demands reliable and actionable intelligence. Very few firms have access to supplemental risk deep dives that can help them contextualise their own data and insights.

5 issues facing organisations' supplier risk management practices

- Lack of integrated and holistic visibility**
Procurement teams need to gather and leverage a wide range of data sets. While most organisations already have a lot of the data they need, in many cases, that data is trapped across siloed systems, meaning procurement teams don't have a holistic view of risk.
- Low coordination and ineffective responses**
In many organisations, responses to risks and remediation actions aren't formally tracked. This significantly increases the likelihood that no remediating action will be taken. Individual responsibility become unclear, responses slow, and risks quickly materialise.

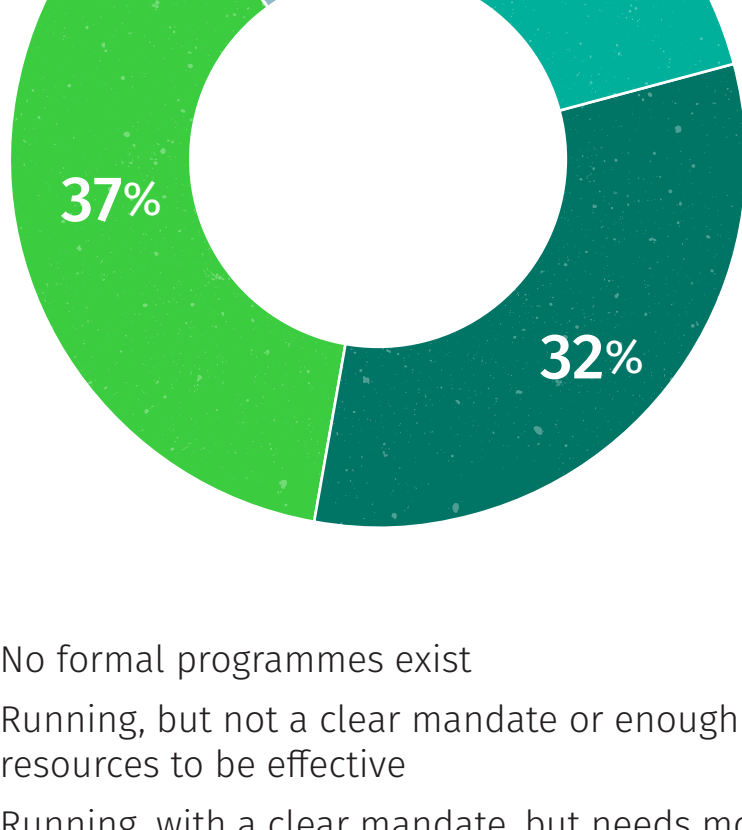
3 Key insights

What is the level of risk awareness within your procurement function?



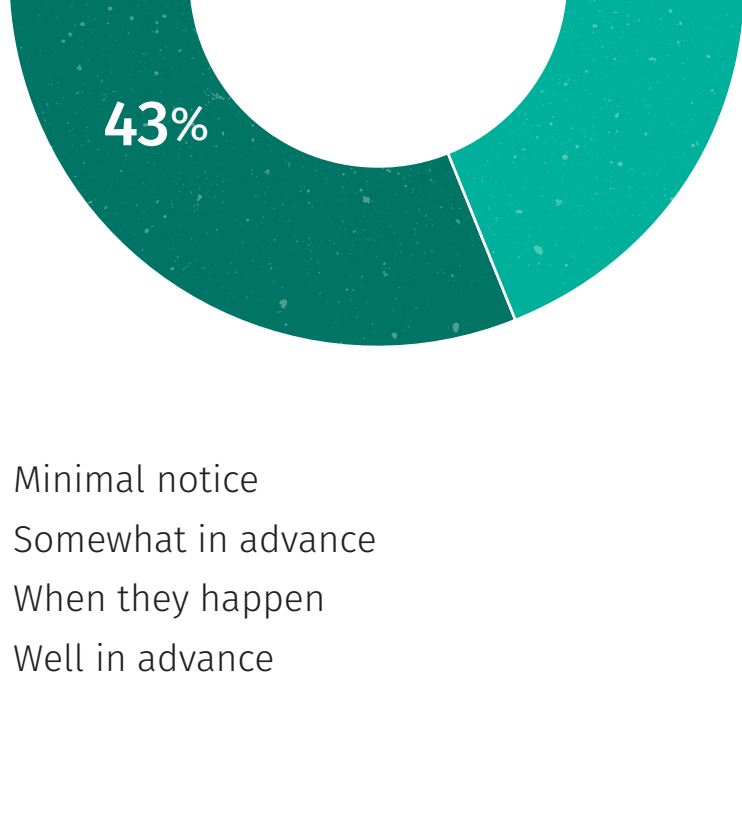
- High awareness and compliance; every team is focused on risk reduction and supplier compliance
- Good awareness but effectiveness can vary from one team to another
- Low awareness and supplier compliance is not a priority

Which statement best describes your organisation's supplier risk management programme?



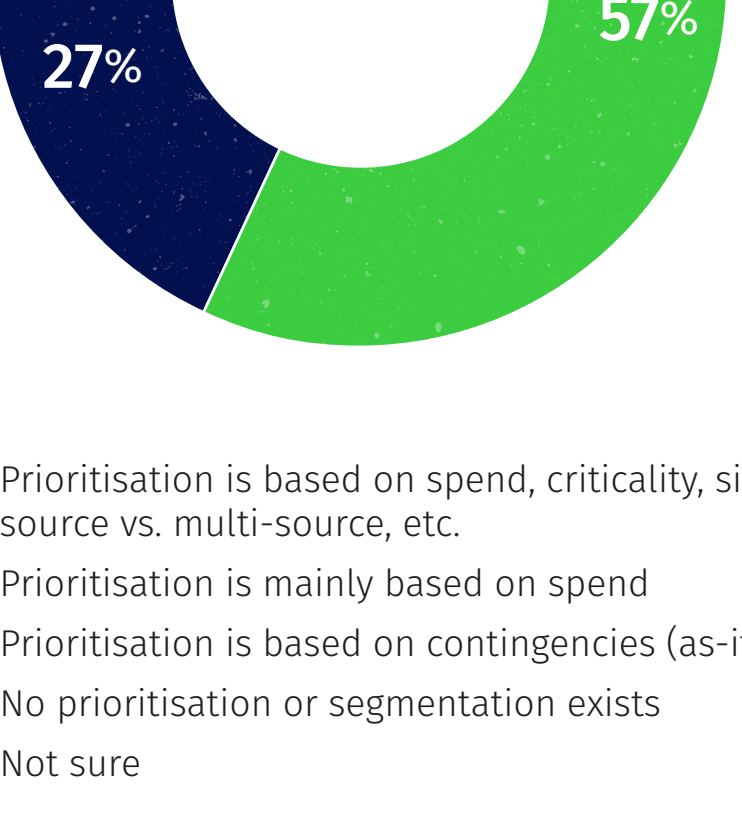
- No formal programmes exist
- Running, but not a clear mandate or enough resources to be effective
- Running, with a clear mandate, but needs more resources
- Running, with a clear mandate and sufficient resources

In general, how far in advance are you aware of the risks before they materialise?



- Minimal notice
- Somewhat in advance
- When they happen
- Well in advance

How do you prioritise suppliers, categories, and geographic markets for risk management?



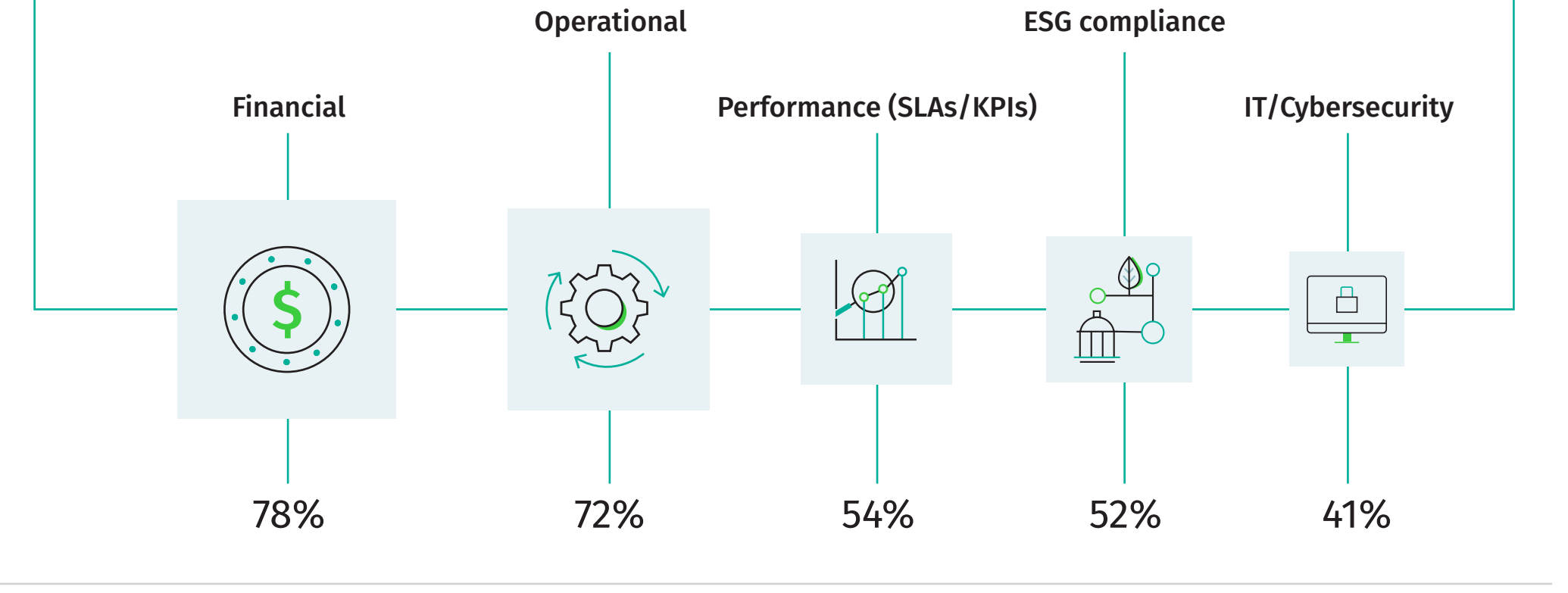
- Prioritisation is based on spend, criticality, single source vs. multi-source, etc.
- Prioritisation is mainly based on spend
- Prioritisation is based on contingencies (as-it happens)
- No prioritisation or segmentation exists
- Not sure

Top risk categories monitored by organisations:

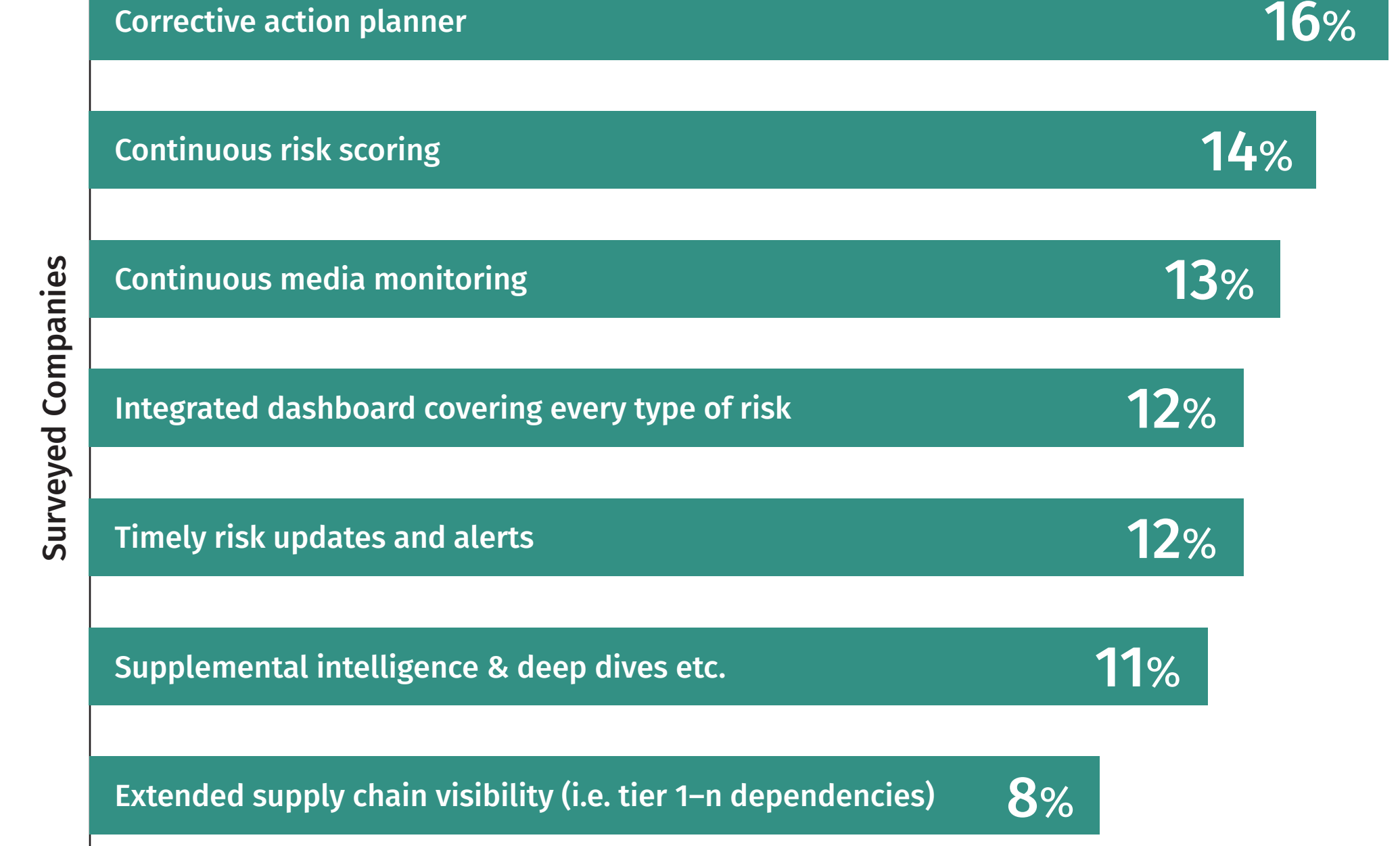
- Financial
- Operational
- Performance-related (SLA/KPI)

Companies are most concerned about upcoming risks in relation to:

- An economic downturn
- Raw material shortages
- Regulatory changes



In order of availability, surveyed companies have access to the following to improve visibility into risks and manage them effectively:



4 How can organisations transform their risk management approach?

The four pillars of supplier risk management transformation

- Enable wide and continuous risk listening**
The first step towards effectively managing risk factors is to actively monitor as many of them as possible. Some forms of risk are relatively widely tracked, such as financial risk. But there are numerous other risks that could negatively impact your reputation or ability to comply with regulations. Risk isn't static, and snapshots of conditions aren't reliable long-term indicators. Only by continuously listening to the right risk vectors can you consistently pre-empt and respond to risks.
- Conduct integrated and dynamic risk assessment**
Wide listening helps you identify and track all relevant risk signals. But, to have the right impact on your organisation and its supply strategy, the signals you monitor need to be brought together and assessed holistically. By looking at diverse signal and performance data in one place, procurement teams can gain a true understanding of a third party's risk profile. That holistic view of risk can then be used to make balanced, informed decisions about how best to engage with a particular supplier.
- Provide access to specialists and on-demand intelligence**
Internal teams must be able to access specialist support and actionable intelligence related to identified risks. With on-demand access to intelligence, procurement teams can ask the right questions at the right time. Having access to objective and expert advice can help teams think outside of their established patterns, and not only mitigate the impacts of identified risks but turn them into opportunities for value creation.
- Enable collaborative and well-defined remediation actions**
Organisations must have a framework in place to ensure that action is taken against identified risks. By building an action planner, you can gain visibility right across your organisation. With a clear view of what they need to do, and when, every member in your procurement team and beyond can start responding to risks quickly and consistently. An action planner provides a single source of truth for all remediation actions, so everyone is on the same page, and empowered to collaborate with ease.

The Smart Cube helps organisations across diverse industries access timely supplier and market intelligence, so they can surface potential risks earlier, and predict risk with greater confidence. Our team of market experts provides contextualised knowledge and advice to make sure that the actions procurement teams take in response to risk are the right ones.

To request a free risk maturity review from our experts, please get in touch via info@thesmartcube.com or, to find out more about our solutions and how we can help transform your approach to supplier risk, visit [our website](#).