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Risk Management Remains an Untapped Resource in Procurement

When it comes to supplier risk management, many procurement teams are lagging. In fact, fewer than half are responsible for executing operations related to third party risk management, according to consulting company APQC. What's more, nearly 50% of the organisations don't have disruption contingency plans from the majority of their suppliers.

Meanwhile, just 7% of the organizations require concrete contingency plans – like alternate locations, and their activation timelines – from 90% or more of their suppliers.

Procurement teams need to have a comprehensive view of the risk that could potentially disrupt any and all sourcing. Give the ever-growing myriad of moving supply-chain parts to account for, procurement teams need right technology to continuously monitor risk factors in these areas. Such capabilities are critical to anticipating and quickly responding to the disruptions.

Unfortunately, about third of the organizations (30%) don't have electronic systems to track suppliers' risk profiles. Another third (33%) do have systems, but these systems don't provide information on the potential impact of disruptions to the supply chain. These gaps can leave organizations vulnerable and slower to react to unforeseen events. For example, one out of every five organizations told APQC that they take a month or longer to identify impacted materials, sites, commodities, or products when a supply chain disruption occurs.

Agricultural equipment manufacturer AGCO Corp. is an example of an organization that leverages risk technology to enable lightning-fast responses to disruption. The organizations' risk notification system creates a visual map of suppliers down to the third tier and sends notifications in the event of impending disruptions like supplier bankruptcy. Using this tool, AGCO was able to accurately predict when countries would be shutting down due to Covid-19 and then accelerate shipments out of those countries before borders closed – minimizing the disruption to the company's supply chain and customers.

Outlook

Third party risk management and continuous risk monitoring are both core facets of supply chain management that drive security, resiliency and competitive advantage. Organizations that make robust efforts will be better prepared for whatever disruptions comes next.

Excerpts: <https://www.supplychainbrain.com/articles/32560-risk-management-remains-an-untapped-resource-in-procurement>