

Automation Matters: When Embarking on Your Supply Risk Journey, Don't Monitor Suppliers Without It

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Today, more than ever, organizations should all pay increasing attention to the incorporation of risk management into broader supply chain and procurement processes. Yet few that we've seen have taken the plunge to automate supply risk management processes through technology. Technology can be a critical enabler for mitigation on several levels, from monitoring supplier financial viability, quality, and performance risk to tracking regulatory and non-compliance issues such as watch lists, environmental/regional requirements, government control lists, debarment, etc.

Even with the basics of considering the financial health of suppliers, there are several reasons that automation matters in supply risk and why Microsoft Access/Excel driven approaches are insufficient. When companies begin to monitor supply risk, they quickly realize that periodic (often yearly or quarterly) reviews of top suppliers' financial health using an Altman-Z score or related calculation provides too slow a means to accurately predict and forecast overall financial and operational stability and viability. Moreover, organizations often limit their supply risk monitoring efforts to a handful of top suppliers when relying on manual efforts. Yet the risks that a smaller yet strategic supplier can pose are often just as great when it comes to overall cost and enterprise risk, especially in a direct materials supply chain.

Companies who are just getting started with supply risk management carry an advantage: they can incorporate potential technology enablement right from the get-go. Whether just getting started or well along the risk management path, though, companies must really consider technology in the context of both business requirements and their overall maturity in the area. Spend Matters believes that companies should only evaluate potential categories of supply risk software solutions based on the overall sophistication and ambition of their risk and procurement environment. Proper research and technology deployment can lead to the following benefits:

- Integration of real-time third party risk content (from sources such as D&B, Equifax, Bureau van Dijk, etc.) into your calculations and predictive models
- Successful incorporation of different internal data sets (e.g., defect rates, on-time delivery/performance, etc.) into risk calculations
- Integration of unstructured third-party content into a risk framework/environment such as news feeds, social media, etc.

If you'd like to learn more about all of the technology-enabled approaches to supply risk management, you can download the following Spend Matters research free of charge:

The Intersection of Analytics and Supply Chain Risk Management — Using Intelligence to Drive Early Intervention:

http://www.spendmatters.com/library/research_detail.cfm?asset_id=10

Technology, Practices and Approaches for Cost Reduction, Risk Improvement and Supplier Development:

http://www.spendmatters.com/library/research_detail.cfm?asset_id=18

Leveraging Supplier Management Platforms for Multiple Goals: Risk Reduction, Supplier Diversity and CSR:

http://www.spendmatters.com/library/research_detail.cfm?asset_id=16

Supply Risk Management and Supplier Performance Management — Managing Your Supply Base in Real Time:

<http://www.greybeardadvisors.com/link/scrisk>

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