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Recalibrating for Resilience

How to effectively mitigate supply chain risks at a time of permacrisis

Procurement's New Role: Driving Sustainability and Resilience

In our rapidly changing world, with an accelerating pace of disruption and unforeseen challenges, supply chain resilience has never been more crucial. As a result, the role of procurement is rapidly shifting. It is no longer limited to cost management and efficiency, procurement is now at the forefront of managing a diverse range of risks, and sustainability is becoming a key focus. And, as it turns out, companies that not only manage sustainability risks but proactively drive sustainability throughout their supply chains are not only building resilience but are gaining competitive edge by boosting revenue, attracting and retaining top talent, deepening relationships with trading partners and leading innovation in their industries.



Tackling Supply Chain Risk: A Framework for Action

As procurement and supply chain leaders confront the challenge of increasing resilience and risk preparedness, it becomes clear that changes are necessary to tackle the amplifying risk factors effectively. Below is a new take on the risk management framework to help guide your strategy.



Risk Mapping & Identification

- Analyze your operations and the entire supply chain for human rights and environmental risks.



Risk Verification

- Conduct due diligence at the supplier level to verify identified risks.



Risk Mitigation & Prevention

- Take decisive steps to mitigate risks and negative impacts, and prevent them from reoccurring.



Monitoring & Reporting

- Regularly assess the effectiveness of your efforts, recalibrate your approach and ensure transparency.





Risk mapping and identification

Analyze your supply chain for human rights and environmental risks, and identify priorities for further due diligence.

What’s changed?

Procurement teams need faster visibility that scales across an entire supply base. Although often used at this stage for lack of better intelligence, “supplier self-assessment” questionnaires are not optimal for this purpose: Attempting to query 100% of your suppliers directly before knowing where likely risks and priorities are will be impossible for the “long tail”, and even for the “top 90% of spend” can squander precious time/resources – of your team and your suppliers. Instead, this stage can be achieved through predictive analytics using “intrinsic risk” scanning and mapping of environmental, social and ethical risks by the suppliers’ **country**, and by **industry** (e.g., purchasing category). This provides the needed insight on where to prioritize engagement first, and next, and so on.



Risk verification

Conduct due diligence at the supplier level to verify identified risks.

What’s changed?

Disclosure is no longer enough. Building resilience will require an assessment and measurement systems that can quantify supplier practices, such as a rating and scorecard detailing performance levels across each area. Key attributes of the assessment and measurement to assure reliability and engagement include robust methodology and clear benchmarking as well as comparability across countries and regions.





Risk mitigation and prevention

Take decisive steps to mitigate risks and negative impacts, and prevent them from reoccurring.

What’s changed?

Avoiding risk by simply disqualifying low-scoring suppliers based on their rating or a scorecard is still possible but it can be inefficient and expensive in the long run, especially with a large established supply base. Many procurement and risk managers are finding the path to achieve enduring risk mitigation means helping those suppliers improve practices. This builds resilience from the bottom up and leads to strong long-term relationships. This strategy means procurement teams should take proactive action to help suppliers transfer their results (e.g., from a scorecard or benchmark report) into action plans, and facilitate access to relevant education/knowledge and capacity building, and support through the journey.

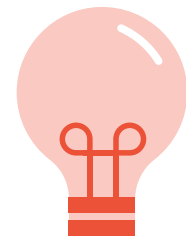


Monitoring and reporting

Regularly assess the effectiveness of your efforts, recalibrate your approach and ensure transparency.

What’s changed?

Transparent and substantiated reporting is now more crucial than ever. It not only fosters trust among stakeholders – including suppliers, customers, investors and the broader public – but also enables you to share the progress and challenges you’ve encountered in your sustainability journey. This transparency can catalyze positive change across the entire industry, as it provides a window into best practices and lessons learned.



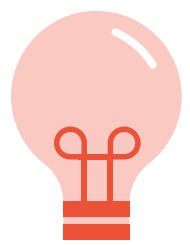
In the era of permacrisis, procurement departments are becoming critical hubs for risk management. They are now responsible for monitoring and mitigating a host of sustainability risks including operational, financial, and reputational threats associated with their supply chain.



Breaking Silos and Acting on Risk

However, even when working with tested risk management frameworks, many businesses face challenges due to siloed efforts, overlooking aspects of supply chain sustainability and inefficient use of resources. It's a project that can be tough to carry out on your own. A centralized supplier sustainability monitoring program can play a proactive role in risk identification while simultaneously guiding suppliers along their journey toward improved sustainability. Over recent years, a plethora of solutions have been developed to enhance the effectiveness of sustainable procurement programs, yet their value and efficacy are not all equal.

Here's a checklist that will guide you through the key considerations when choosing a partner to enhance your supply chain's sustainability, streamline your procurement processes, and ultimately, drive impactful and lasting changes toward a more sustainable future.



Sustainability as a Revenue Booster: According to a [2023 study conducted by Bain & Company](#) in collaboration with EcoVadis, companies that actively integrate sustainability into their supply chains experience significant performance advantages. The study found that these companies see an increase in operational efficiency, leading to superior financial performance compared to their less sustainable counterparts.



Broad Risk Navigation

The partner should be able to navigate sustainability risks across a wide range of industries and regions. They should account for the diversity of your suppliers and provide effective assessment tools that consider unique industry risks and regulatory landscapes.



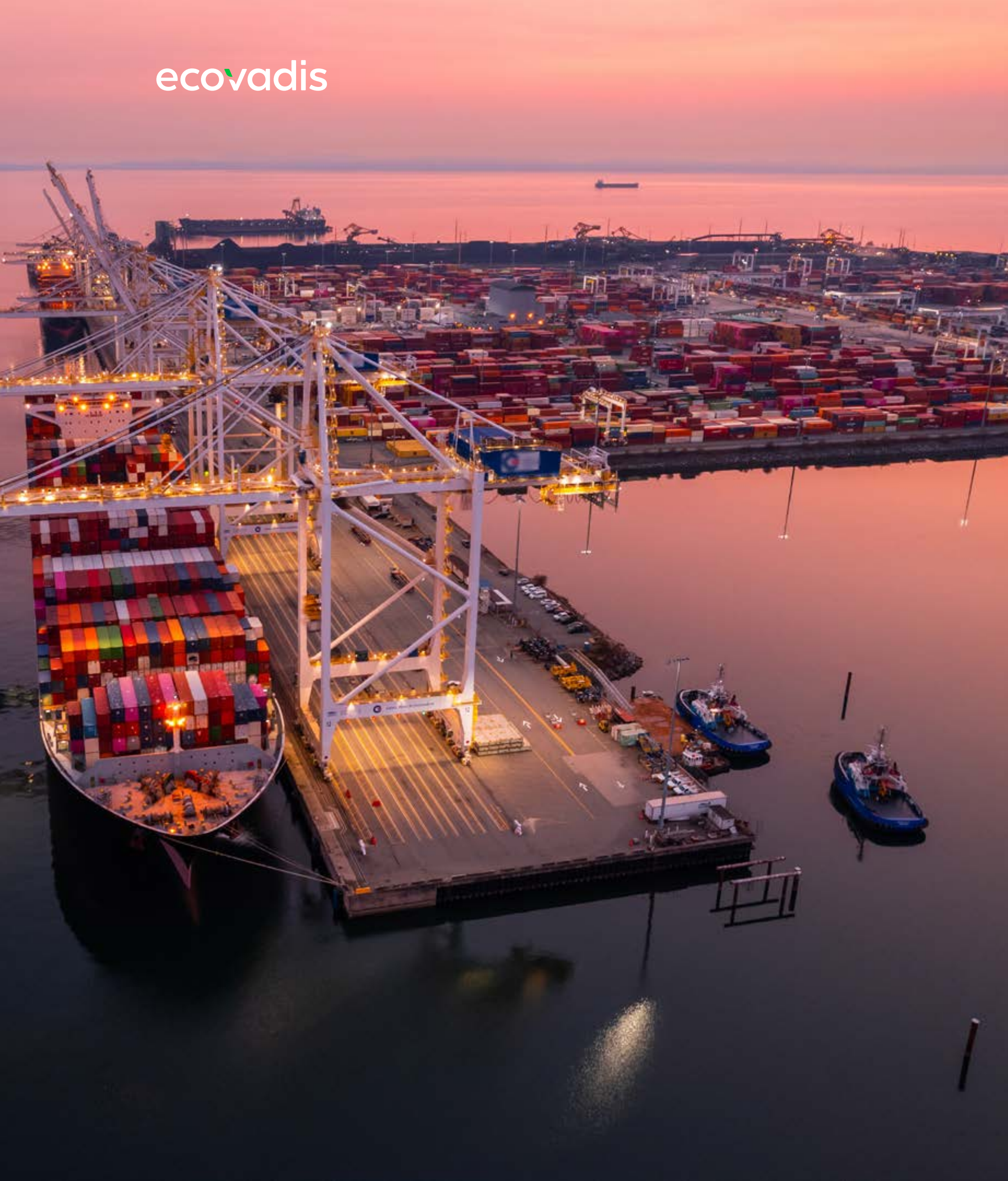
Comprehensive Topic Coverage

A robust solution will include criteria to assess a broad spectrum of sustainability issues, from modern slavery to anti-discrimination to carbon management practices. It should align with global standards and initiatives, considering a wide array of risks pervasive throughout your supply chain.



Universal Benchmarking & Actionable Insights

The partner should facilitate comparison of supplier performance across industries and regions, providing actionable insights that help suppliers improve. Consider solutions that benchmark sustainability performance to drive meaningful impact.



Seamless Integration with Existing Processes

Look for a solution that can be easily integrated into your existing procurement processes. Whether it's sourcing, onboarding, supplier relationship management, contracting, or annual reviews, the solution should embed sustainability at every stage of the procurement lifecycle.



Program & Change Management Services

Sustainable transformation is a journey that requires support beyond the initial assessment phase. Your partner should offer program management expertise, help with onboarding, and provide assistance in facilitating supplier improvement.



Capacity-Building Resources

An ideal partner will have resources to help suppliers improve across a wide range of sustainability topics. This is crucial for scaling impact and unlocking value throughout the supply chain.



Commitment to Sustainable Procurement

An effective sustainable procurement program needs buy-in and ownership. Make sure you choose a solution that enables you to build this both within your organization and among your suppliers.

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