

# ARIBA SUPPLY RISK ASSESSMENT SERVICES

## Diagnose it, Mitigate it and Sustain it



Cost savings may be job number one today, but the current economic crisis portends an equally disturbing storm brewing on the horizon: heightened supply risk. Volatile commodity prices, credit shortages, consolidation and bankruptcies are combining to threaten companies regardless of their size or the industries in which they operate with some form of supply disruption in the year ahead. Of all the risks that affect the supply chain, **Supply Risk** accentuated by **Supplier Failure** has been identified as the top risk that many organizations worry about in the current economic climate. Bankruptcies for U.S. companies were up 74 percent in 2008 and another surge in corporate bankruptcies is likely, as companies across all sectors react to the global economic crisis. According to American Bankruptcy Institute, **"Bankruptcies in 2009 will increase > 35% over 2008 levels"** and in spite of these gloomy economic headlines, less than half of Fortune 500 companies have a formal risk program and even those fail to examine market risk. According to a recent survey conducted by Aberdeen Research as part of the 2009 CPO Agenda, **"71% of CPOs surveyed believe "Supply Risk" is increasing, yet less than 30% have formal programs to manage risk". Two-thirds of the same companies expect supply risk to increase over next three years.**

### BENEFITS

**Ariba Supply Risk Assessment Services provide organizations with a single point of control to help govern risk activities and gain the insight needed to make effective decisions. Some of the key benefits include:**

- Help identify suppliers at-risk for supply failure
- Recommend strategies and tactics for mitigating future risks
- Enable continuous measurement and monitoring of risk and performance of the supply base
- Proactively develop contingency plans for potential high-impact supply disruptions.
- Streamline reporting to increase visibility, foresight and agility for better and faster decision making

Assessing supply risk requires a broad view of the supply chain and makes it challenging especially if it involves monitoring thousands of suppliers. In today's economic turmoil, additional measures and due diligence are needed to identify and predict in advance suppliers at risk in a multi-tier supply chain. It is also not a question of if your suppliers may be at risk of failing. But which suppliers will fail and when? And, most importantly, what can you do to detect and protect against this risk. Yet there are a number of challenges that may be encountered in taking on this effort:

- Large numbers of suppliers ('000s) can make supplier aggregation efforts cumbersome and limit coverage
- Fragmented supplier data across multiple disconnected purchasing systems
- Lack of a single "owner" and standardized processes to drive supplier on-boarding and performance management and be accountable for results
- Shortage of manpower/resources to run a supply risk management program on top of all the other strategic initiatives.
- Lack of information (financial, market and supply knowledge) and appropriate sources to this type of information

As companies confront these new realities that affect their extended enterprise:

- There is renewed pressure to improve how to diagnose and manage risk
- Access to a consolidated and comprehensive view of supplier information becomes all the more critical to monitor supplier performance
- A requirement for predictive supplier intelligence to identify suppliers at risk

Needless to say, all these situations contribute to the overall inaccuracy of supplier intelligence and highlight the significance of a holistic supplier risk assessment services solution.

**Ariba Supply Risk Assessment Services helps organizations overcome these challenges and stay on top in identifying suppliers at-risk for supply failure, recommends strategies and tactics for mitigating risk in key areas, and develops a program for ongoing, proactive collaborative supplier management.**

### ARIBA SUPPLY RISK ASSESSMENT SERVICES

Ariba Supply Risk Assessment Services combine risk-mitigation services and global supplier and supply market expertise with market-leading supplier information and performance management software to help companies identify potential financial, operational, and market risks in their supply chain and rapidly develop and execute contingency plans to mitigate these risks.

Developing a proactive supplier risk management plan can be accomplished through a rigorous approach that includes the following:

#### Financial Position Profiling:

- + Analyze the financial health of suppliers to understand inherent risks and trends that indicate a supplier's ability or inability to whether the difficult economic conditions
- + Leverage external data services, financial statement reviews, public filings, RFIs and interviews
- + Utilize supplier site visits to obtain proof of Supplier financial soundness, especially mid-sized and non-U.S. suppliers

#### Supplier/Customer Profiling:

- + Self-reported supplier information augmented with supply market expertise resulting in a supplier risk profile that includes both the supplier's customer as well as vendor organizations
- + Research top customers and % of total business they represent and identify the impact of supplier losing those customers

#### Category Profiling

- + Analyze commodity trends and discern the impact on the suppliers due to price fluctuations
- + Investigate the stability of a supplier's raw material supply and impact of specific trends such as market consolidation and capacity constraints
- + Formulate a Category and Industry Risk profile to evaluate a supplier's category industry threats

#### Risk Mitigation Strategy

A robust Supply Risk Management Program requires effective risk mitigation strategies to reduce the likelihood of supply market disruptions. Ariba is uniquely positioned to deliver comprehensive risk mitigation strategies after the initial diagnosis and assessment utilizing a combination of a globally deployed supplier outreach team, robust supply market intelligence through experienced category managers, the large community of customers, along with the world's leading Supplier Network augmented by financial, operational and supply market metrics. Potential strategies to mitigate supply risk vary depending on the strategic importance of the supplier and existing supply base. A comprehensive view of the overall financial health of suppliers is included in the final assessment along with a supply risk summary report and proposed strategies and tactics for reducing the likelihood of a supply disruption.

#### On-going Risk Management

In order to minimize future risk, Ariba Risk Assessment Services would also include an on-going Risk Management program to monitor and to manage supply risk across a key set of categories and suppliers. Ariba will also work alongside the customer—conducting workshops and training—to ensure that the supply risk program is effective and sustainable in the long run. On-going risk management program includes:

- Identification of high-risk suppliers and the associated Supplier Risk Matrix
- Creation of contingency plan and governance models
- Development of supplier communications plan and reporting framework
- Roll out of new risk management processes and templates using Ariba Supplier Management technology to measure and monitor identified suppliers going forward
- Creation of new surveys and scorecards using Ariba Supplier Management and incorporate supply risk measures used in the assessment

#### CONTACT ARIBA NOW

Given the ever-increasing risk of doing business in an unstable economy, the time for automating the supplier onboarding process as well getting a 360-degree view of supplier information and performance is now. And the right tools and expertise are critical for success. Whether you are interested in establishing a common supplier registration process or a global supplier information repository supported by a common process backbone to improve supplier collaboration providing additional visibility in both Sourcing and Spend Management process, Ariba can help. Best-in-class organizations have realized that supplier development strategies can improve quality and performance by 20 percent; increase time-to-market cycles 10–20 percent; reduce new product costs by 18 percent; and reduce errors, mitigate risk and improve performance. Contact Ariba today to learn more.

#### ABOUT ARIBA

Ariba, Inc. is the leading provider of spend management solutions to help companies realize rapid and sustainable bottom line results. Successful companies around the world in every industry use Ariba Spend Management software and services.

#### SUPPLY RISK MANAGEMENT – “ACT NOW” BEFORE IT IS TOO LATE

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