Managing Supplier Risk
Assess, Monitor, and Mitigate Supplier Risk

The Challenge

Those active in the oil and gas industry know that drilling, producing, and transporting petroleum-based commodities are inherently risky, and that identifying, managing, and mitigating risk are the most important issues facing the industry. But equally important is **risk management in procurement**, where supply chain professionals must select the safest suppliers and contractors for a job.

Operational risk management processes for drilling, producing, and transporting oil and gas products are firmly in place with functions that continuously monitor each of those activities. Equally vital is that procurement professionals monitor each supplier's business and performance risk factors to ensure that neither external nor internal risks arise when those materials, equipment, or services are put into use. However, this responsibility involves proactively monitoring millions of suppliers and their agents worldwide. Supplier risk management is compounded by the fact that the software used is often not integrated with enterprise resource planning (ERP) or procurement software. This means that procurement professionals cannot be sure only risk-compliant suppliers and contractors are selected for specific jobs. But that aspect is changing.

Statistics from the United States Department of Labor indicate that, from 2000 to 2009, pipeline accidents accounted for 2,554 significant incidents, 161 fatalities, and 576 injuries in the United States.

SAP Run Simple

SAP Ariba ⚹

The Opportunity

The SAP® Ariba® Supplier Risk solution delivers oil and gas companies an integrated source-to-use supply chain and procurement solution to assess, monitor, and mitigate supplier risk. The solution manages risk assessment with:

- Ongoing monitoring for reputational, compliance, financial, sustainability, and operational risk
- Functions to track suppliers based on risk categories and to define thresholds of risk severity
- Automated data models to calculate risk scores based on company-specific context and external events
- Scalable supplier risk segmentation based on a unified supplier model that integrates with ERP, contracting, and procurement software

The monitoring function of SAP Ariba Supplier Risk provides:

- Data syndication from more than 500,000 sources, including news sites, government data, disaster systems, and public and private data sources
- Unified corporate information enrichment, country-specific risk profiles, supplier parentage and linkages, and natural disaster data
- More than 130 risk incidents tracked and delivered as risk alerts to users
- Comprehensive 360-degree supplier risk profile, including ongoing incidents, risk scores, and risk-assessment tracking
- An optional add-on with third-party checks on regulatory and compliance violations

Supplier risk mitigation is managed through:

- Engagement-level risk projects that assess inherent risk
- Assessment forms that are triggered based on risk and supplier type
- Intelligent assessment questions about risk exposure, risk appetite, and controls
- Flexible workflows for collaborative risk mitigation between procurement and risk management teams

With the resulting data describing millions of suppliers, SAP Ariba Supplier Risk gives you tools to identify risk as it happens, or even before. The software includes a graphical supplier-level workbench, a user customizable regional and category view with drill-down functionality, comprehensive supplier-level text reports, and a risk-incident monitoring dashboard that is updated on an ongoing basis.

By using the SAP Ariba Supplier Risk solution, your procurement, supply chain, and field operations professionals can know about any supplier's internal and external risks before contracting or ordering the work. The software can automatically block high-risk suppliers from your procure-to-pay processes (either in the buyer's ERP or the SAP Ariba software), to be unblocked only through an automated approval workflow.

Let's Work Together

To learn more about how you can use SAP Ariba solutions to address supplier risk management and other oil and gas challenges, please **contact us** or visit our **supplier management** solution page.