

## Supplier risk Take control, protect your organisation



### **Turbulent times**

The current economic downturn continues to see the failure of significant and previously profitable suppliers to major organisations. These failures are having a knock-on effect on the organisations they supply.

Your suppliers can influence your ability to meet objectives, maintain operating capacity and service customers. Failure to evaluate and respond to the risk of supplier failure could leave you exposed. Are you prepared?

### **Take control**

How do you know which of your suppliers are most vulnerable in current markets? You may appreciate the value of monitoring supplier risk but do you have the expertise, tools and techniques required to gain a deep insight into the position of your suppliers? Establishing the vulnerability of suppliers can be time consuming and historical financial information available to you may provide little comfort. Once it hits the headlines it is often too late.

You may have a high level understanding of the suppliers where you have the greatest level of spend or those that have a direct impact on customer facing operations, but are you comfortable that this analysis focused on the key risk factors, was systematic, comprehensive and up to date? Do you know how many contracts you have with that organisation and where they are located? Do you have a response plan in the event of supplier failure?

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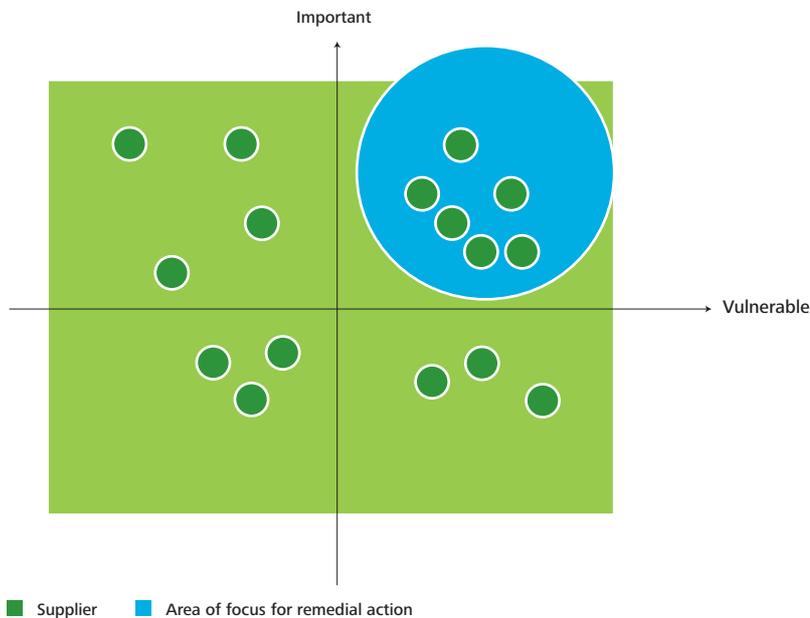
Do you know your key suppliers, how vulnerable they are and the impact of their failure on your organisation?

**Your supplier risk profile**

Our team has developed an approach that brings together a range of skills, tools and techniques. Our supplier risk team will work with you to develop an insightful view – quickly and efficiently.

Your supplier risk profile should simply but effectively illustrate which of your key suppliers are most important to you and which are most vulnerable.

**Indicative supplier risk profile**



**Supplier risk assessment**

For many organisations the first challenge is to understand the supplier and contract portfolio. We have tried and tested techniques to help assess the current situation. Risk factors will need to be carefully considered and configured to reflect your supply chain and your business model. A risk model can then be developed as a foundation for the effective management of supplier risk. Information can be gathered from a number of sources internally and externally to inform the analysis. Much of this information may already be available but not yet structured as to efficiently inform the analysis. Financial analysis capability may not be sufficiently developed to provide the insights you require. Deloitte can help you develop your capability.

Your risk assessment will indicate those key suppliers where there is most concern regarding financial situation and impact on your business. Supplier risk management, if effective, will result in swift, systematic and tailored actions. Your risk response framework will enable these actions to be tracked, systematic and repeatable.

As a full-service professional services firm our supplier risk team has access to a broad range of specialists that can provide guidance and solutions for a wide range of remedial options. These options typically fall into areas such as:

**Enhanced internal monitoring processes**

We can work with you to develop a supplier risk management framework including key indicators which, if regularly monitored, will identify change in supplier status. This will assist you in preparing more effectively to manage the impact on your business in the event of the supplier’s failure. This framework can use information gathered from a variety of public and subscription sources. It can also be developed to incorporate information provided to you by your supplier. Enhancements to your supplier management processes could also then include validation and confirmation of such information.

**Example factors for analysis**

Supplier importance including:	Vulnerability including:
• Contact with customers	• Financial strength
• Spend levels	• Signs of distress
• Availability of alternative suppliers	• Covenant compliance
• Ability to bring services in-house	• Availability of your contracts
	• Supplier location

**Strategic actions**

In the event that the likelihood of failure and the potential impact is deemed to be unacceptable a range of strategic options exist, whether the solution is acquisition, establishment of a joint venture or bringing the service in-house our team has access to the expertise necessary to advise and assist you.

**Why Deloitte**

Our team of dedicated third party risk professionals have a wealth of experience in helping organisations across a range of industries understand and manage supplier risk. In delivering such services to our clients we have developed a series of tried and trusted tools and techniques which enable an efficient and effective outcome. Having developed a greater understanding of your supplier risk and identified areas requiring remediation our team has access to a broad range of specialists to help you develop bespoke solutions to your problems.

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**Supplier risk assessment**



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Designed and produced by The Creative Studio at Deloitte, London. 29871

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