

Making Risk Management Work For You

You're a supply manager – you know how to do [strategic sourcing](#). You've done your due diligence. You've analyzed your spend and your supply chain. You've understood your stakeholder and customer requirements, and you've done your research to find the right suppliers. You've put out a competitive RFP and you've analyzed the responses. You've selected your finalist, you've negotiated, and you've signed a best-in-class contract. Your stakeholders are happy. On to the next...

Not so fast! Your job is not done. When is the Supply Manager's job ever that simple? If you simply hand over the contract to your stakeholders to manage for the life of the agreement, you could be setting your company up for failure. You *might* get lucky and see that both your internal customers and your purchasing staff use the right supplier and hold them accountable, while the supplier meets their obligations. But more likely is that you enter a state of neglect – you go on buying the goods and services, and your internal stakeholders get what they need, but your savings and improvements disappear because no one is holding anyone accountable. A year or two later and you realize you didn't get those savings. Or worse, your business' core operations are at risk because something happened in the supply chain.

That's where [Supplier Relationship Management \(SRM\)](#) comes into play. It's not a buzzword, and it's not a one-size-fits-all solution. Instead, it's a structured approach – tailored to your company, your spend, your requirements – that helps you become the ideal customer and grow the ideal suppliers. More to the point, good SRM practices enhance your team's capability as a [Risk Management](#) organization. Not by beating folks over the head or making them fearful, but by getting them to ask the right questions and take the right corrective actions – at the beginning, in the middle, at the end. One of the best places to start in building SRM into your organization's operating model is complete a [Supplier Segmentation](#). Let's face it, despite the immense benefits, performing SRM is still going to represent an investment in time and resources. It's going to be an even more immense undertaking if you try to apply the same level of management to every supplier you have.

So don't! Put your suppliers into buckets, broadly based on the criticality of the goods and services they provide against the amount your company spends with them. We've all seen the Kraljic Portfolio Purchasing Model and his matrix. So you take that principle and begin asking some questions about your organization's goals and its suppliers:

- ◆ How does this supplier fit into our long-term vision? Can they grow with us? Do we need them next year?
- ◆ Are my competitors using this supplier, too?
- ◆ What would happen if this supplier went out of business?
- ◆ Does this supplier have access to our internal systems?
- ◆ What is their financial risk rating?
- ◆ In what regulatory environment do they operate? Do they comply?
- ◆ What does their own supply chain look like?



Of course these are just a few examples of all the questions that could be asked, and in many cases you would need to ask them differently to get the right answers. But beginning this discussion should give you some immediate visibility into opportunities to target. If you've involved the right people in asking these questions (e.g., the customer who owns the relationship or uses the good/service most directly), you will have learned more about their needs and their pain points.

Your Procurement Support Team

We're barely scratching the surface here, and there are of course a lot more actions to take before you're where you need to be. But the point to stress is that **Risk Management** is more a mindset or a behavior than simply a task in the Supply Manager's list of duties. It's a logical piece of the sourcing and purchasing lifecycle – one that is incorporated throughout every activity, not just at the end when the ink has dried.

You know that getting to that level and adopting that mindset throughout your company won't happen overnight. And yet, you know your company can't afford to go on without the benefits that a Risk Management mindset provides. The highest performing supply management organizations are those that are most flexible and adaptive – and part of that flexibility is making the best use of outside help.

When you look for support in enabling **Risk Management** as a core behavior, make sure you select a [procurement services provider](#) who understands your needs and can collaborate with you to build and execute an actionable roadmap. It's not just about best-in-class, it's about best for you.

About Us

Source One has been a leading Procurement Services Provider supplementing client resources with cost reduction, strategic sourcing services and spend management solutions since 1992.

Our experienced sourcing professionals work closely with clients' in-house staff to reduce spend, optimize existing budgets, and increase the efficiency of operations by using proven sourcing and purchasing strategies, best practices, innovative technologies, and an unsurpassed database of market intelligence to achieve the maximum level of savings possible. Our ongoing monitoring and monthly audit process further ensures that savings remain competitive and sustainable.

Our process develops a secure and responsive supply base that is capable of providing quality, delivery, costs, technologies, flexibility, and services to meet the current and future business needs of our clients. We have strategic sourcing solutions for businesses of all sizes, from the small through the mid-market to Fortune 500 companies.

Procurement Solutions

◆ Spend Analysis

Understand your savings opportunities and gain actionable insights into an effective sourcing strategy

◆ Cost Reduction

Reduce the costs of procured products and services — average savings of 18%

◆ Spend Optimization

Optimize buying across locations and improve supplier relationships

◆ Market Intelligence

Benefit from our extensive pricing and sourcing databases, encompassing three decades of experience

◆ Flexible Arrangements

Customizable consulting arrangements include contingency based on hard-dollar savings, flat fees, daily rates, and more