

oneAdvanced

MANAGING THE SUPPLIER LIFECYCLE

# How to mitigate supplier risk in 2024



**A resource for organisations  
across Australia and New Zealand**

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## Executive Summary

Modern procurement is complex, and it's only going to get more so. Many factors have converged on a global scale over the past few years to create an unusually high-risk environment for suppliers and procurement teams across Australia and New Zealand. While globalisation has opened up new markets and opportunities for our region, it has also made supply chains more susceptible to disruptions caused by pandemics, political instability, trade conflicts, an intensifying regulatory landscape and more frequent natural disasters.

Our team has put together some helpful pointers on mitigating exposure to the main risks that will be facing procurement teams in 2024. We hope this helps gain insight into how supplier relationships can be nurtured and leveraged for success in the year ahead!

The key to a resilient, agile procurement function in 2024 and beyond will be getting full visibility into the supplier lifecycle. Combining this visibility with diversification of supply, a renewed focus on digital capabilities and extensive contingency planning will help to ensure success for ANZ organisations over the next year.

### Keep reading for useful insights on:

- The current procurement landscape
- Key supply chain risk factors for 2024
- How to mitigate these risks
- How Supplier Relationship Management Software can help



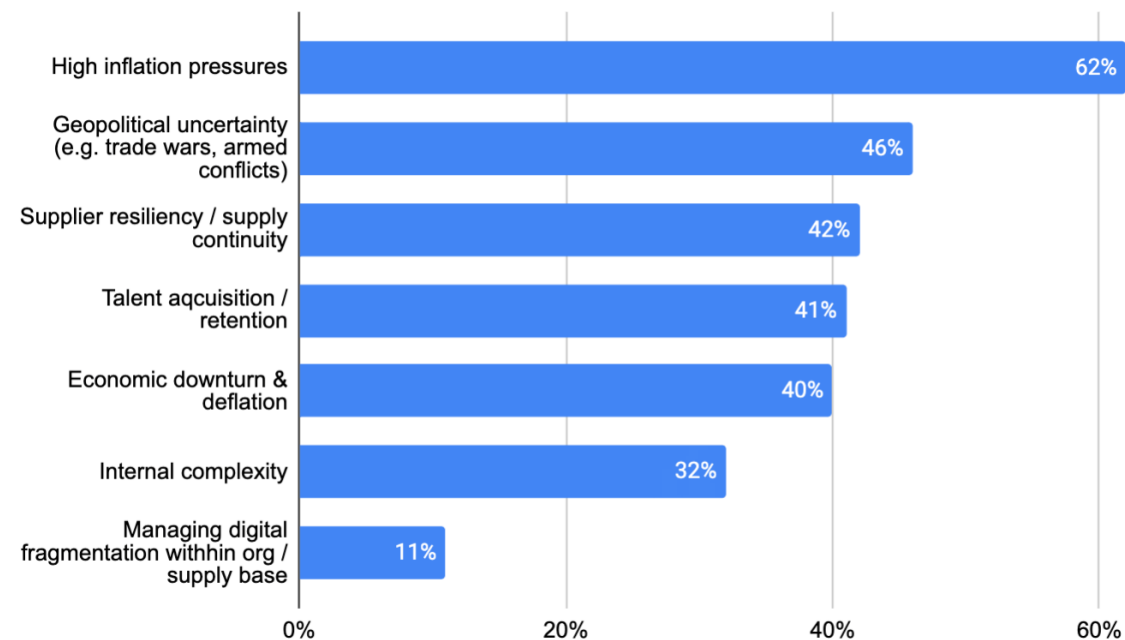
# The current procurement landscape

## Globally, overall risk is increasing

In Deloitte's recent CPO Survey, over 70% of procurement professionals cited an increase in overall procurement-related risk in the past 12 months on top of an already elevated baseline.<sup>1</sup> These professionals see inflation pressures, geopolitical uncertainty and supplier resilience as the current key risk factors for supply chains.

## Risk scenarios presenting the greatest risk, cited by CPOs globally

[Deloitte CPO Survey 2023](#)



Source: Deloitte 1

This survey also revealed that most organisations aren't willing to expand the size of their procurement functions, despite increased risk and complexity. So, procurement leaders will be expected to achieve more with less resources in 2024.



## Suppliers are recovering from a disruptive start to the decade

### We've had a few major shocks across supply chains:

Between 2020-2022, the **Covid-19 pandemic** caused global upheaval for suppliers and completely reshaped the procurement landscape. Covid-related disruptions have mostly eased in ANZ throughout 2023,<sup>2,3,4</sup> though many suppliers are still navigating challenges and latency caused by the pandemic - often referred to as the "Covid hangover".<sup>5</sup>

In 2020, the pandemic quickly (and brutally) revealed the limitations of our complex global supply chains. Our relative isolation, reliance on Chinese suppliers and extended lockdown measures caused chaos for freight, logistics and labour.<sup>3</sup>

However, increased awareness of procurement processes helped to fast-track transformations across the industry! Organisations were forced to reevaluate their supplier relationships, and rapidly invest in technical capabilities such as real-time visibility and resilience. As a result, a high-performing supply chain is now perceived as a competitive necessity.<sup>3</sup>





In 2021, the Ever Given grounding and resulting week-long **blockage of the Suez Canal** reminded us of the risks associated with trade route 'choke points'. The blockage threw the industry into further disarray and held up almost US\$10B worth of trade.<sup>6</sup> Approximately 12% of the world's total trade volume passes through the Suez Canal; there are several global choke points, including the Panama Canal and the Straits of Hormuz and Malacca, which could cause similar levels of disruption if blocked - whether through accidents or deliberate geopolitical actions. It's important for procurement teams and their suppliers to create backup plans to adapt to any future choke point blockages.

The **ongoing Russian invasion of Ukraine** continues to impact many components of the global supply chain, along with the way organisations manage their relationships with their suppliers.<sup>7</sup>

Russia "plays above its weight" as a "major exporter of some of the world's most important commodities" such as oil and raw minerals.<sup>8</sup> So, sanctions against Russia have had a ripple effect on prices and accessibility of key commodities as they move across the world. This was most obviously felt amongst consumers in ANZ when gas prices spiked in 2022, but the prices of transport and energy impact every supplier logistically and financially.



Russia's position makes it complex for ANZ procurement teams to ensure they are complying with the ongoing sanctions. There are less than 15,000 Tier 1 suppliers in Russia, but there are 7.6 million Tier 2 supplier relationships with Russian entities globally.<sup>9</sup> In Deloitte's recent global survey, 64% of CPOs believed they had good visibility into risks in their Tier 1 suppliers, but only 28% had the same level of certainty in Tier 2 and beyond.<sup>1</sup> To ensure full sanction compliance, procurement leaders need increased visibility into the deepest layers of their supply chains.

Ukraine also accounts for more than 10% of the global wheat, corn and barley markets.<sup>8</sup> Their export capacity has been limited by the conflict, which has caused major supply issues and spikes in grain prices for ANZ food producers. This has prompted many producers to switch to grain suppliers within APAC.

## The outcomes

### We are looking for suppliers closer to home

All of these recent disruptions have shown us the risks of importing essential goods to ANZ - whether it's vaccines, food or energy. We now have lower confidence and trust in other countries to allow goods to flow in times of crisis.<sup>10</sup> After decades of globalisation, we have seen increased localisation/regionalisation as much of our production and inventory storage has been brought closer to the end consumer.<sup>11</sup>

### Supply chain 'mistakes' are no longer deemed acceptable

The expectations of consumers and organisational stakeholders are now for agile, transparent supply chains that can keep up with rapid shifts in demand and continue supply throughout potentially disruptive events.<sup>12,13</sup>





## Key supply chain risk factors for 2024

### Geopolitical factors

More than half of the economic activity of both Australia and New Zealand relies on global trade.<sup>2,14</sup> The past three years have showcased how drastically our suppliers can be impacted by wider global dynamics.

#### Shifting trade dynamics

Global trade flows are likely to be increasingly dependent on geopolitical alignment, with competing blocs emerging.<sup>15</sup> This is being driven both by state policies and by organisations continuing the trends of reshoring, nearshoring and 'friend-shoring'.

China is the largest trading partner of both Australia and New Zealand.<sup>15</sup> The US has been gradually decoupling from China; organisations have been prioritising suppliers in Central/South America and South-East Asia in response to tariffs and other policies.<sup>16</sup> Europe is also taking similar measures, particularly with their electronics and semiconductor supply chains.<sup>10</sup>

That said, Australia and New Zealand both have Free Trade Agreements in place with China, and a further 15+ states. We are also members of 'bloc-style' regional multi-party trade agreements, including the Regional Comprehensive Economic Partnership Agreement (RCEP) and the ASEAN-Australia-New Zealand Free Trade Agreement (AANZFTA).<sup>14</sup>

ANZ is very close to Asia so continued trade within this region makes more economic and logistical sense than looking to suppliers further abroad. Many organisations are taking advantage of increasingly diverse options for supply, especially in South-East Asia, or are building contingency plans based on those options.<sup>17</sup>



However, there are growing fears that China will pursue military action or blockades to reintegrate Taiwan.<sup>18</sup> Taiwan is still the most significant hub for semiconductor production; a blockade or invasion could catalyse global economic losses of over USD\$2.5tn per year.<sup>19</sup> The ripple effects would go far beyond industries reliant in semiconductors, so all procurement teams should be establishing multiple contingencies to mitigate the effects of this potential conflict, which could include:

- Physical supply chain disruption and trapped assets
- Relocation costs
- Increased financing and insurance costs
- More suppliers going bankrupt<sup>17</sup>
- Heightened regulatory burdens<sup>20</sup>



## Geopolitical conflicts

In addition to the Russia-Ukraine conflict, procurement professionals are concerned that expansion of the Israel-Hamas conflict - potentially through involvement of the US and Iran - would cause major supply disruptions.<sup>21</sup> Israel and Palestine aren't major oil players, but the region is significant (and volatile) due to its proximity to oil production, key air and maritime supply routes and choke points such as the Suez Canal and Strait of Hormuz.<sup>22</sup>

Organisations need to be consistently checking in with their suppliers who have higher geopolitical risk profiles, and to have mitigation strategies ready to put into action if those risks escalate.



## High inflation and economic uncertainty

High inflation pressures have become the top risk factor globally for CPOs,<sup>1</sup> and an estimated 90% of supply chains have been disrupted by inflation in the last year.<sup>23</sup> 60% of organisations also reported high or moderate impacts due to expedited freight costs, and the high-interest-rate environment in ANZ and beyond has executives preparing for an increase in supplier bankruptcies.<sup>1,4</sup>

Given that more suppliers are at financial risk, organisations need a deeper understanding of how this could impact their supply chain. More insights around supplier performance will help procurement leaders to assess the resilience of each of their suppliers and make contingency plans wherever there is exposure.

## The increasing importance of ESG

“ **72% of CPOs see enhancing ESG as a top priority.**

[2023 Global CPO Survey](#)

Environmental, Social and Governance (ESG) principles are increasingly important for regulators, consumers and stakeholders globally. Organisations are expected to understand, report on, and take steps to prevent environmental impacts and modern slavery violations in their supply chains. Both Australia and New Zealand have increased legislative requirements<sup>17</sup>. While it can be straightforward to understand your impacts closer to home, assessing whether all of your suppliers in different regions are meeting ESG requirements can be a challenging task.

**In fact, 40% of CPOs cite supplier-related compliance as a high-impact risk factor.<sup>1</sup>**

Procurement teams clearly define ESG requirements for their suppliers, and build these into the procurement, contract and project management stages. This will ensure organisations can:

- Avoid prosecution or fines from ESG non-compliance
- Avoid reputational damage
- Foster customer loyalty and trust

**Investing in ESG will also improve the long-term resilience of your entire supply chain, and ensure that you are supporting suppliers who are operating ethically.** By using automated supplier due diligence and management software, you can avoid any nasty surprises and prevent undue reputational or financial damage to your organisation.<sup>11</sup>



## More frequent extreme weather events

Globally, the frequency of extreme weather events is increasing due to climate change,<sup>24</sup> and experts note Asia-Pacific in particular as a region with elevated risk.<sup>25</sup>

The 2019-2020 wildfires in Australia and the 2023 cyclone/flooding events in New Zealand had major impacts on domestic suppliers, infrastructure and export producers.<sup>26, 4</sup> While we are exposed to direct risk from severe weather events at home, similar disruptions offshore will impact our global suppliers. This amplifies our need to diversify both our go-to suppliers and our contingencies across multiple countries or regions.

“ **Studies show organisations equipped to handle extreme weather events can minimise disruptions to their supply chain and limit losses to about 5%, while those that are unprepared can incur revenue losses of 35% or more.**<sup>17</sup>



## Cybersecurity risks

Procurement is quickly becoming more digital; smart technology in factories and distribution centres, online ordering and fulfilment platforms, the rise of IoT and software for performance monitoring and data analytics are all becoming crucial for suppliers to manage everything from materials sourcing to production to delivery. While these systems improve overall efficiency, every supplier within your supply chain must be protected with advanced cybersecurity.

We've seen that supply chains are attractive targets because they provide the potential for large-scale attacks; from one entry point, cyber criminals can use one attack to infiltrate multiple organisations. **93% of global firms admit that they have suffered a cyber breach because of weaknesses in their supply chains, and the average number of breaches is increasing 37% each year.**<sup>27</sup>

“ **38 percent of Australian organisations rank cyber risk as a top 3 challenge.**<sup>20</sup>

In the wake of high-profile ransomware and cyber attacks, ANZ regulators are increasingly holding organisations, their Boards, and Directors, responsible for managing all cyber and data protection risks associated with their suppliers.<sup>20</sup> Protecting public and private infrastructure from cyber threats will be an ongoing challenge, but will be essential to mitigating risk in the modern procurement landscape, and to set up both your organisation and your suppliers for safety and success!

## How to mitigate these risks

Deloitte explains, “the time has long since passed when supply disruptions can be treated as one-off events, with organisations scrambling to mitigate the disruption to their business and to keep goods, funds, and information flowing across the supply chain.”

With the support of their Boards and C-Suite, and with visibility across their entire supply chain, successful procurement leaders can build strategies that support resilience, sustainability, and effective collaboration with suppliers.

## Improve visibility across supply chains

“ Only 25% of CPOs say they can currently identify and predict supply disruptions in a timely manner to a ‘large extent’.

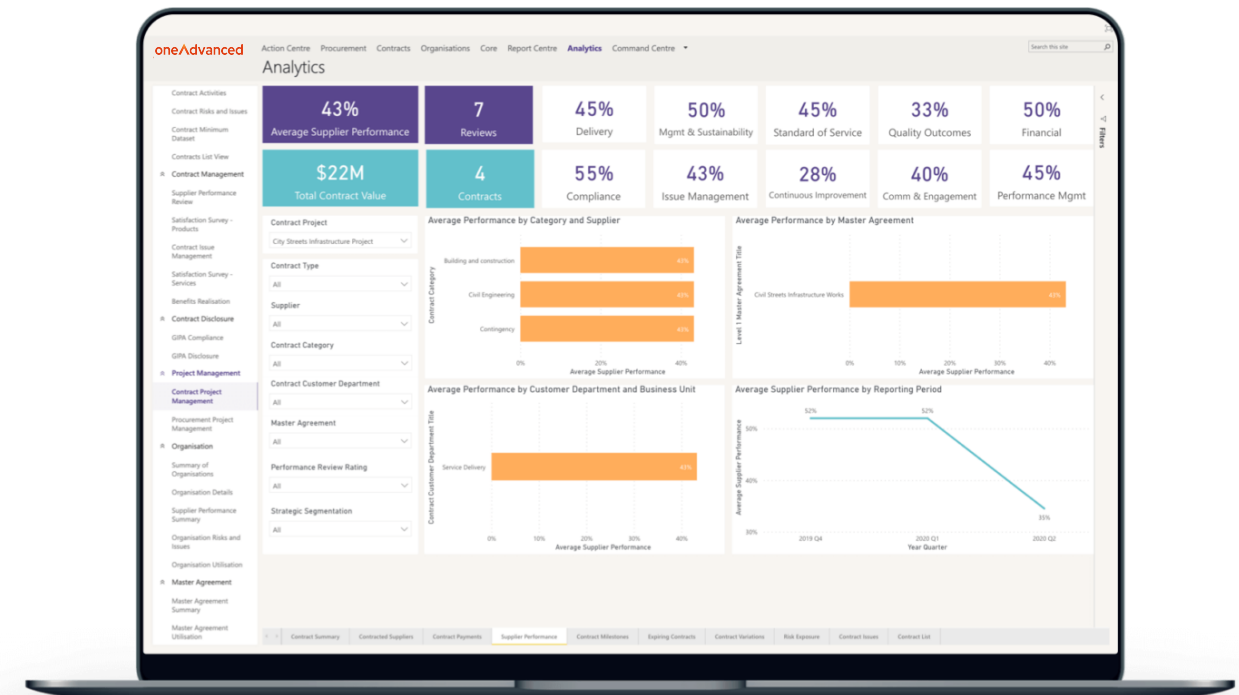
63% said they can do this to ‘some extent’.

[2023 Global CPO Survey](#)

“ Major barriers to addressing supplier performance and risk in Australia:

- Limited transparency and an inability to source appropriate data on the supply chain
- Undocumented accountability

[2023 Australian supply chain survey](#)



**Visibility is one of the core pillars of resilience in procurement, especially now that suppliers are so a) globalised and b) scrutinised.**

We recommend that procurement leaders take a holistic approach to supplier management, with increased collaboration and information-sharing. By thinking of service providers as an extension of the organisation, all parties involved can enable better flexibility and mitigate risk.

Supplier networks have become more complex than ever before, and McKinsey notes that most disruptions originate in deeper supply tiers.<sup>28</sup> So, having the right tools and processes in place will deliver an end-to-end view of the supplier lifecycle and allow organisations to adapt to disruptions more effectively. Not having these systems in place will leave organisations exposed to an increasing number of risks that damage performance and profitability.

“ Improving supplier collaboration is the top strategy CPOs are now implementing to deliver value.

[2023 Global CPO Survey](#)

While there is no step-by-step playbook to improving visibility in the rapidly evolving procurement landscape, having the right frameworks in place will enable organisations to make informed decisions, and oversee the supplier lifecycle from the beginning. Here are some actions that can be taken right away!





### 1. Use technology for accurate insights

Using advanced technology will give organisations better visibility to more effectively manage supplier performance — and as mentioned on page 6, this needs to go beyond Tier 1 suppliers.<sup>15</sup> Having right-time analytics that extend across the supplier network will allow procurement experts to more accurately anticipate potential issues, and help to identify alternative routes to market in times of disruption. Also, given that most organisations aren't currently willing to materially expand their procurement functions, technology will be key to improving performance without hiring more staff.

“ **42% of CPOs are investing in digital transformation to deliver more value.**

[2023 Global CPO Survey](#)

### 2. Manage supplier data efficiently

A critical aspect of supplier onboarding is capturing accurate information, but managing this information shouldn't end there. Adding ongoing reports and keeping supplier details up to date will ensure that organisations are across new risks related to locations, accreditation, insurances and overall performance throughout the supplier lifecycle.

### 3. Establish clear supplier KPIs

Without logical and transparent key performance indicators (KPIs) in place, managing and keeping track of supplier performance is particularly challenging. It's recommended to set up supplier assessments and ongoing performance evaluations to quantify the efficiency and effectiveness of the supply chain as a whole. While they do vary by industry and sector, some common supplier KPIs include:

**Lead times** – the average delivery time for a supplier's goods or services.

**Invoice accuracy** – comparing supplier invoices with the initial purchase order and contract.

**Compliance rate** – whether the supplier meets the demands of the original contract.

**Emergency spend** – the running total of funds that have gone towards unplanned expenses.

**Customer service** – this might assess vendor response times, complaint resolution, or ease of communication.

**ROI and benefit tracking** – goes beyond the cost-benefit ratio to measure ROI and also captures benefits like positive community outcomes.

### 4. Implement ongoing risk management

Managing risk should go beyond the initial assessment when onboarding a new supplier. Organisations can get complacent once this process is over, but it's critical that risk management remains a priority throughout the supplier relationship, so that organisations can pivot when potential threats arise.

# How can Supplier Relationship Management Software help?

**Procurement teams who rely on legacy solutions will lose their competitive edge in 2024.**

Using supplier relationship management software (SRM), organisations are able to get full transparency over risk and compliance throughout the supplier lifecycle. This allows organisations to easily collaborate with their vendors and holds all supplier related data in one centralised hub. With real-time analytics, procurement experts can get total visibility to track spend and supplier performance on an ongoing basis, to make more strategic procurement decisions.

**With technology at the helm, procurement becomes less about chasing down paperwork and more about strategy, relationship building and value creation.**

SRM software exists for procurement leaders to:

- Identify suppliers by tier and map the entire supplier lifecycle
- Understand the interconnectivity of suppliers and processes
- Identify critical failure points and the likelihood of risk scenarios

“ **68% of high-performing CPOs are integrating more flexible automation tools into their procurement functions.**

[2023 Global CPO Survey](#)

## 5 ways OneAdvanced SRM Software will elevate your supplier relationships

### 1 Determine supplier risk instantly

Get full visibility into the entire supplier base, including your supplier's suppliers, to understand more about key risks such as financial performance, ownership structures, and crucial ESG indicators like Modern Slavery and environmental impacts.

### 2 Simplify classification of suppliers

Eliminate the guesswork with the highly configurable supplier classification functionalities that help model and tier the supplier base according to unique priorities. Using a classifications library, the software will automate the associated plans and tasks that need to be completed.

### 3 Automate recurring assessments and supply chain health checks

Improve the relationships and capabilities of suppliers with logic-based supplier relationship management software systems that drive continuous process improvements. Create category-based scorecards that ensure relevant supplier comparison, and set recurring reminders and tasks that encourage ongoing positive change.

### 4 Store your supplier contracts

Obtain the highest level of risk management efficiency while giving team members strategic insight into key dates and contract deliverables. Working alongside powerful supplier performance, KPI and stakeholder satisfaction management capabilities to consolidate all contract data.

### 5 Easily collaborate with suppliers

Easily collaborate with suppliers through self-service and information sharing functionality: a like-for-like system experience that provides a simplified touch point for suppliers, enabling effective contract, supplier and general procurement risk management.



# Wrap up

In an increasingly complex and scrutinised supply environment, procurement teams need to adopt agile mindsets to proactively manage risk. Additionally, understanding the deeper tiers of supply will allow organisations to focus on longer-term strategies rather than reacting to disruptions as they happen.

Knowledge is power, and mitigating risk throughout the supplier lifecycle comes down to visibility. Intuitive software that provides real-time analytics and seamless integrations for risk assessment equips organisations with the high quality data needed to anticipate issues around suppliers — before they impact organisational performance.

**Clear digital procurement strategies will enable companies to focus on the bigger picture, while still driving positive near-term results.**

# About OneAdvanced

**We power the world of work through our sector-focused software, that effortlessly gets the job done, giving you the freedom to focus on thriving for your customers and your people.**

From managing suppliers, reducing risk and increasing efficiencies, the responsibility of procurement teams has shifted strategically. It is not just about what you spend, it's about how you spend it. From prequalification through to supplier offboarding, we provide procurement professionals with an intuitive digital platform to:

- Mitigate third-party risk
- Seamlessly collaborate with suppliers
- Keep data safe
- Consistently monitor supply chain health
- Understand supplier performance
- Maintain a clear compliance track record
- Perform due diligence quickly and thoroughly
- Reduce costs
- Make well-informed procurement decisions

## Continue the conversation

**Maximise your supplier relationships and mitigate supplier risk.**

Empower your organisation with strategic supplier lifecycle management, and join the 9000+ public and private sector procurement professionals across ANZ who are making faster, better procurement decisions with OneAdvanced.

 1300 884 831

 [oneadvanced.com/en-au/](https://oneadvanced.com/en-au/)

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