



Improving Supply Resilience

ivalua

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STRATEGIES to Establish Supply Chain Continuity

Supply chains are interdependent, global, and complex systems that are susceptible to various types of disruptions, including natural disasters, political unrest, regulation and more. To improve resilience, supply chains need to anticipate or at least detect issues early and be prepared to respond to mitigate impact to supply. Manufacturers are particularly impacted, with 60-80% of a product's cost comprised of purchased materials and services. But, supply resilience remains a top priority for organizations across all industries.

While ensuring supply continuity is a complex challenge, success is much more likely if you address key obstacles. Through our extensive research and work with hundreds of the world's most admired brands, we have established several key strategies to create a more resilient supply chain:

- 1 **Build a Solid Data Foundation**
- 2 **Ensure 360-Degree Supplier Visibility**
- 3 **Map Your Sub-tier Supply Chain**
- 4 **Take a Portfolio Approach to Category Risk**
- 5 **Implement Effective, Scalable Supplier Collaboration**

Other strategies, such as increasing inventory levels, can also play an important part of a holistic supply strategy, but come with costs (i.e. working capital being tied up) so must be optimized.



Supply chain disruptions cost the average organization **45%** of one year's profits over the course of a decade. – McKinsey & Co.



#1 Priority

Reduce supply risk to ensure supply continuity – [The Hackett Group 2022 Key Issues Study](#)

DEFINITIONS

Resilience:

The ability for an organization to withstand change, a shock, or disruption without being permanently impacted.

Agility:

The ability for an organization to act quickly in response to change, shock, or disruption. permanently impacted.

1

Build a Solid Data Foundation

The success of any transparency strategy relies heavily on building a solid data foundation, particularly when it comes to suppliers. For most organizations, data remains fragmented across many systems, with duplicate supplier records and errors, along with no effective way to consolidate internal, supplier-provided, and 3rd party information. This places limitations on the value that procurement generates for your organization and impacts the resilience and agility of the supply chain.

While much of this fragmentation is due to back-end ERP systems, many so-called “integrated spend management suites” exacerbate the issue with different supplier records at various steps of the process (sourcing, contract management, eProcurement, etc.). Efforts to consolidate that data inject additional errors in matching records and delays from batch uploads. Such issues create a range of pain points, including:

- ✓ An incomplete picture of all supplier activities
- ✓ Outdated supplier information such as financials, credentials, supplier risk and performance
- ✓ Unknown supplier risk exposure
- ✓ Process inefficiencies and transactional delays
- ✓ Time and manual effort required to complete analysis, generate reports, and derive actionable insights

Leading organizations proactively plan their digital transformation around data to gain control over master supplier files, compliment existing data with third-party information, and ensure users have easy access to insights when and where they need them.



See how Verallia consolidated supplier master data in Ivalua for control and visibility of the supply base and enriched supplier information leveraging 3rd party data sources connected to Ivalua.

Verallia Case Study



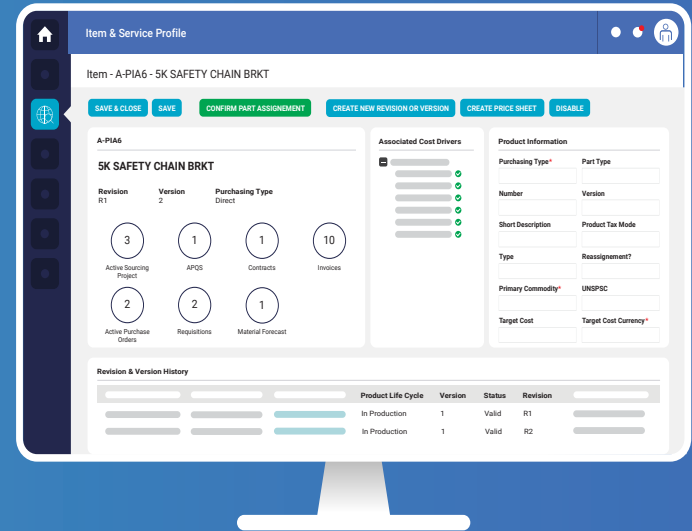
Benefits

- ✓ An incomplete picture of all supplier activities
- ✓ More-informed decisions on supplier selection, assessment and contingency plans due to more accurate and complete data
- ✓ Improved efficiency from less time spent looking for data
- ✓ Greater agility due to faster and more informed decision-making
- ✓ Improved transparency and collaboration between procurement and other parts of the business due to having a single source of truth
- ✓ Improved adoption of systems due to trust in data
- ✓ Smarter and more efficient spend and supplier management through the use of quality data and analytics

Procurement's ability to generate value largely rests on access and quality of data.

How Ivalua Helps

- ✓ **Generate Quality Data** from our unified data model. A single global view across all supplier activities from RFXs, contracts and performance evaluations to orders, invoices and payments.
- ✓ **Fix Issues in your Back-end Systems** with integrated vendor master data management capabilities to capture, cleanse, and maintain a single source of truth across all of your business units, processes, and ERPs.
- ✓ **Connect Source-to-Pay Data** for better and actionable insights. to seamlessly connect:
 - ✓ A product bill of material to an RFX and a contract, with a view into the suppliers' risk scorecards.
 - ✓ Inventory levels to forecast data and planned orders.
- ✓ **A Single Analytics Layer** across all Source-to-Pay activities. With our unified data model, customers have access to every element of Source-to-Pay data to build relevant insights for their business.
- ✓ **Understand your Spend Data and Enrich your Supplier Data** with our built-in spend cleansing and classification capabilities to access pre-connected data partners.



2

Ensure 360-Degree Supplier Visibility

Effective supplier risk management requires a complete view of your suppliers, including internal risk/performance assessments, supplier financials and qualifications, and 3rd party risk data. Most organizational data remains fragmented across many systems, with duplicate supplier records, errors and no effective way to consolidate information for a complete view. Many are not aware of all suppliers they do business with, and too few have complete visibility into the risks associated with each supplier.

While much of this fragmentation is due to back-end, ERP systems, many so-called “integrated spend management suites” exacerbate the issue with different supplier records at various steps of the process (sourcing, contract management, eProcurement, etc.). Efforts to consolidate that data inject additional errors in matching records and delays from batch uploads. Such issues create a range of pain points, including:

- ✓ Slow decision-making
- ✓ Manual and low value data consolidation or data entry activities
- ✓ Inaccurate assessment of supplier risk
- ✓ Sub-optimal supplier selection

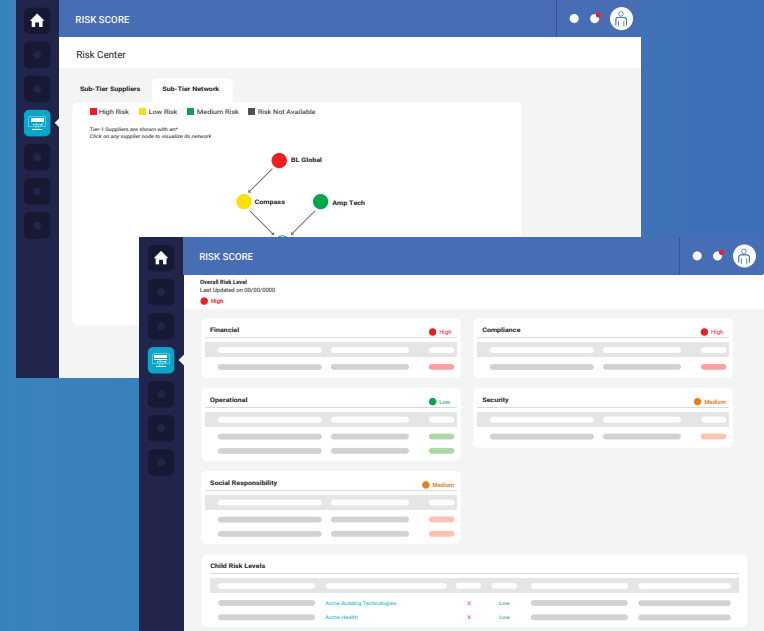
To improve supply chain resilience, procurement must address this fundamental requirement, implementing a robust supplier risk management program built upon a solid data foundation, with complete information that is easily accessible in one place for all suppliers.

Benefits

- ✓ Complete view of supplier risk
- ✓ Earlier detection of risk and ability to address
- ✓ More informed supplier selection
- ✓ Improved efficiency

How Ivalua Helps

- ✓ **Risk Center** combines internal, supplier-provided, and 3rd party data for an integrated view of supplier risk exposure covering:
 - ✓ Quality Risk
 - ✓ Environmental Risk
 - ✓ Social responsibility Risk
 - ✓ Governance Risk
 - ✓ Security Risk
 - ✓ Financial Risk
- ✓ **Performance Center** gathers and tracks qualitative and quantitative performance data from suppliers and buyers to accurately assess suppliers and take necessary actions.



3

Map Your Sub-tier Supply Chain

As supply chains have grown longer and more complex, businesses have become increasingly exposed to risks within their suppliers' supply chains. For example, according to **research by Dun & Bradstreet**, 163 of the Fortune 1000 had one or more Tier 1 suppliers in and around the Wuhan, China hot zone at the time of the Covid-19 outbreak, but 938 had one or more Tier 2 suppliers there.

And while most organizations have at least moderate visibility into their direct suppliers, visibility into the sub-tier remains extremely poor in virtually all industries. Companies typically struggle as they rely on manual, offline processes to capture and consolidate supplier information to gain a view of the full supply chain. Few of those Fortune 1000 companies were aware of their sub-tier exposure to Wuhan until the effects were felt.

Leading businesses are automating this process. That approach not only saves time, but allows more complete mapping and better assessment of sub-tier suppliers leveraging supplier-provided and 3rd party data.

Benefits

- ✓ Optimal, informed supplier selection
- ✓ Improved understanding of actual risk exposure
- ✓ More effective contingency plans
- ✓ Time freed to focus on planning rather than information gathering
- ✓ Greater ability to proactively mitigate risk

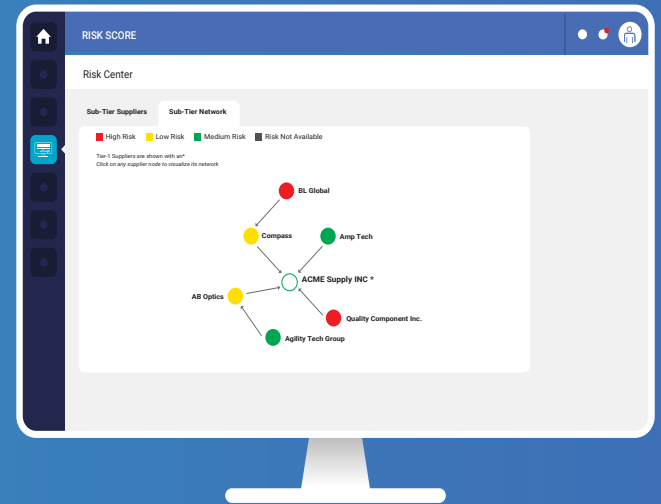
54%

of Fortune 1,000 Companies had sub-tier suppliers in Wuhan, China during the Covid-19 outbreak.

<https://fortune.com/2020/02/21/fortune-1000-coronavirus-china-supply-chain-impact/>

How Ivalua Helps

- ✓ **Automated sub-tier Mapping.** Suppliers can enter their suppliers directly into the system, with automatic visualization of the full supply chain, risks and dependencies of each supplier.
- ✓ **Automated Enrichment** of sub-tier suppliers with 3rd party risk information.



4

Take a Portfolio Approach to Category Risk

Most organizations assess the risk of their suppliers. To minimize the risk of disruptions, leaders are taking a lesson from investors, who have long understood the value of diversification. The lowest risk financial portfolio is not necessarily the one with the lowest risk investments if the individual investments are exposed to the same risk. The same applies to supply chains. For example, if two suppliers are exposed to the same risk in the same country, odds are greater that a risk event in that country would impact supply from both suppliers.

Category managers should assess the level and types of risk of each supplier, selecting two or more suppliers with diverse risk profiles. One such strategy focusing on geopolitical risk is low-cost country (LCC) + 1. This strategy provides many of the benefits of LCC supply with a viable alternative should supply from that LCC be disrupted. This enables effective contingency planning.

Benefits

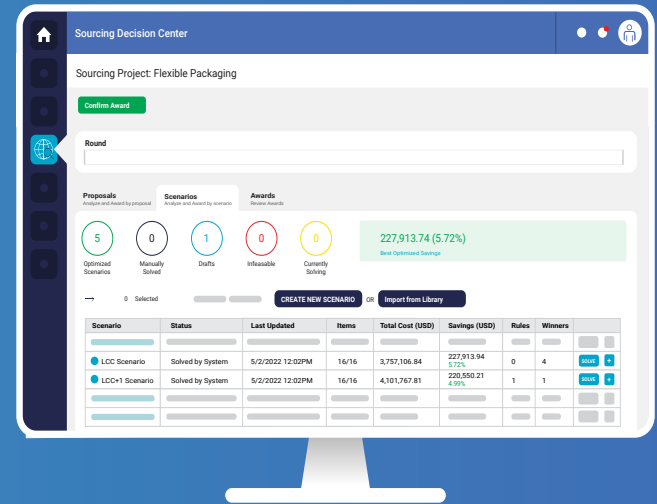
- ✓ A more resilient supply chain as a single risk event is less likely to block supply from all sources
- ✓ Greater agility with pre-selected alternate sources of supply, allowing more robust contingency plans
- ✓ A more optimal balance of risk versus other benefits (i.e. lower costs, faster supply, lower carbon).

60-80% of product cost comes from purchased materials & services.
– McKinsey & Co.



How Ivalua Helps

- ✓ **Automated Scenario Analysis** via our integrated Sourcing Decision Center determines the optimal bid allocation based on pre-packaged or custom-defined criteria to ensure business objectives and tradeoffs are considered.
- ✓ **Category Management** provides a complete 360-degree view of category spend, suppliers, items, risk, and performance in one place so Procurement teams can holistically monitor strategy execution.



5 Enable Effective, Scalable Supplier Collaboration

Many organizations today still face challenges in enabling internal and external collaboration across Procurement and Supply Chain activities. Many commonly used systems were never designed for external collaboration with suppliers (e.g., ERP, MRP, PLM). As a result, collaboration tends to be conducted via email or phone calls, which is inefficient and limits collaboration to a handful of suppliers.

The impact of poor supplier collaboration on an organization vary, from small and inconvenient instances to a complete disruption. A few effects of poor supplier collaboration include:

- ✓ Limited ability to be agile and respond to disruptive events
- ✓ Weaker, more transactional supplier relationships
- ✓ Limited ability to jointly plan and execute business objectives
- ✓ Lower levels of supplier development and innovation
- ✓ Inefficient buyer-to-supplier processes

Leading businesses are digitizing their collaboration to engage with more suppliers and activities in less time. This allows them to better understand how suppliers are impacted by these challenges and use that knowledge to model potential effects to the business. Suppliers can influence the success of products & services, costs & revenue, brand & reputation, speed to market for products, innovation, as well as the company's overall risk profile.



“ With Ivalua, our organization has improved collaboration both internally and externally with suppliers, automated processes, and greatly improved our visibility across the end-to-end direct materials procurement process ”



Beatriz Jimenez Benito
Control & Systems Purchasing
Director
Grupo Antolin

Benefits

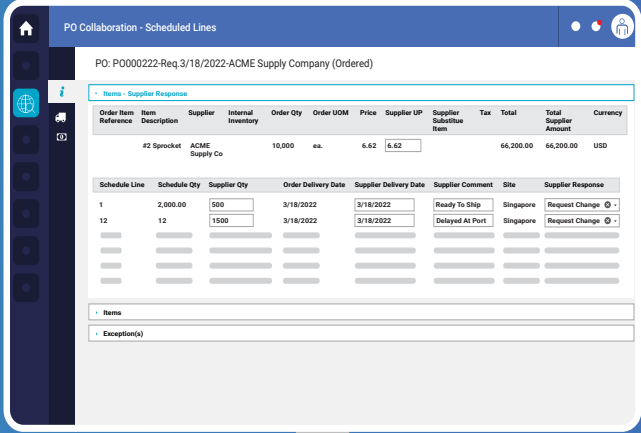
"In a recent report, McKinsey & Co. found that companies who lead in supplier collaboration and innovation create more value than their peers. Some benefits include:

- ✓ **Agility & Informed Decisions:** Collaboration enables both better and faster decisions. Procurement, internal stakeholders, and suppliers can all collaborate throughout the supply chain process to make the best possible decisions for the organization.
- ✓ **More Innovation, Less Risk:** Initiate, track and manage various collaboration plans including innovation plans, corrective action plans, improvement plans, etc.
- ✓ **Better Outcomes:** Structured and organized initiatives that are executed as projects.
- ✓ **More Resilience:** With deeper collaboration on key initiatives, stronger supplier relationships are formed

“Organizations with the most successful supplier collaboration beat industry growth trends by about 2 times and saw 4.9% growth in EBIT versus the average organization”

How Ivalua Helps

- ✓ **Automated Action and Improvement Plans** enable structured collaboration with internal stakeholders and suppliers, to drive performance improvements, corrective actions, risk control or mitigation plans, exceptions, and innovation plans.
- ✓ **Forecast Collaboration** enables communication around forecasts & capacity with suppliers at the part/material level, enabling the early identification of changes or issues.
- ✓ **Planned Order Collaboration** will help optimize supply chain order efficiency and identify potential supply issues by embedding collaboration into the ordering process at the scheduled line level.
- ✓ **Inventory Collaboration** will provide your team with collaboration and visibility across inventory related processes, such as the optimization of stock levels, and streamlining of the replenishment process, so issues are identified early.
- ✓ **Collaborative Contracting** helps align internal stakeholders and suppliers during the contract negotiation process.
- ✓ **Sourcing** provides your team with tools to collaborate with stakeholders to identify requirements, evaluate results and proposals, and work with suppliers to identify and evaluate new ideas and alternative proposals.



PO Collaboration - Scheduled Lines

PO: P0000222-Req.3/18/2022-ACME Supply Company (Ordered)

Items - Supplier Response

Order Item Reference	Item Description	Supplier	Internal Inventory	Order Qty	Order UOM	Price	Supplier UP	Supplier Subst. Item	Tax	Total	Total Supplier Amount	Currency
#2 Sprocket		ACME Supply Co		10,000	ea.	6.62	6.62			66,200.00	66,200.00	USD

Schedule Line	Schedule Qty	Supplier Qty	Order Delivery Date	Supplier Delivery Date	Supplier Comment	Site	Supplier Response
1	2,000.00	500	3/18/2022	3/18/2022	Ready To Ship	Singapore	Request Change
12	12	1500	3/18/2022	3/18/2022	Delayed At Port	Singapore	Request Change

Items

Exception(s)

About Ivalua

Ivalua is a leading provider of cloud-based Spend Management solutions. Our complete, unified platform empowers organizations to effectively manage all categories of spend and all suppliers, increasing profitability, lowering risk, and improving employee productivity.

Trusted by hundreds of the world's most admired brands and public sector leaders and recognized as a leader by Gartner and other analysts.

To find out more about Ivalua's Source-to-Pay solution, visit us [HERE](#)



ALL Spend, ALL Suppliers, NO Compromises