

# 4 Spend Management Decisions to Cut Supply Chain Risk

How Business Spend Management (BSM) Can  
Strengthen Your Organization's Security



# Introduction

It's every business leader's worst nightmare – unbeknownst to them, a supplier skirts safety regulations or outsources to illegal third parties, and the media broadcasts the scandal globally. In this age of information, negative press could be catastrophic for both large and small businesses.

Managing risk in supply chains can be hard. With countless variables outside of your control, it's easy to feel overwhelmed by detailed regulations and ever-changing risk factors.

But reducing risk doesn't need to be difficult. Let's explore 4 simple, powerful actions that will mitigate liabilities and bring visibility and predictability to your business' supply chain.

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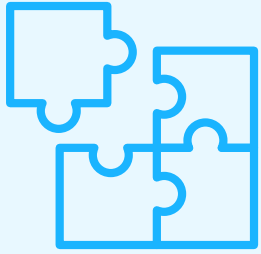
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# Sources of Risk in Supply Chains

In every supply chain, risks lurk constantly. They can materialize from financial missteps, unresolved litigation, cybersecurity attacks, outright fraud, and more. As a business leader, it's up to you to defend your company and proactively navigate these threats.

## FINANCIAL RISK

Your vendors' financial condition and compliance practices can pose a serious risk to your supply chain. Some warning signs of poor financial health include: deteriorating quality, late shipments, inconsistent statements, and lack of compliance.

## LEGAL RISK

Pending lawsuits, patent disputes, trade wars, and similar legal issues can influence a company's future. Will a potential supplier's negative public sentiment affect your business? Will a vendor still be able to fill your order in spite of higher tariffs?

## CYBER RISK

Cyber crime is increasingly relevant as industries digitize, and your suppliers may be putting your business at risk. Do you know what safety measures your suppliers use? Do their service contractors comply with relevant cybersecurity practices?

## FRAUD RISK

"Many organizations are trapped in a pay-and-chase model for fighting supply chain fraud," says Mark Pearson, Deloitte Advisory Principal, Deloitte Financial Advisory Services LLP.<sup>1</sup> This way of managing fraud risk could add up quickly and cost your business money.

# It's Time to Review Your Risk Profile via Business Spend Management (BSM)

You likely already have some processes in place to check the financial, legal, and product information of your top vendors. But in most systems, there are several critical information gaps, and it's in these gaps that the most severe risks grow.

Identifying, streamlining, and optimizing the most significant areas of risk in your supply chain is not an easy endeavor, but it's necessary. **Despite supply chain challenges, today's business leaders have a key advantage on their side: the right BSM processes can help mitigate financial, legal, cyber, and fraud risks.** They can verify vendor compliance, calculate risk scores, display spend-at-risk, and let you control in-progress transactions.

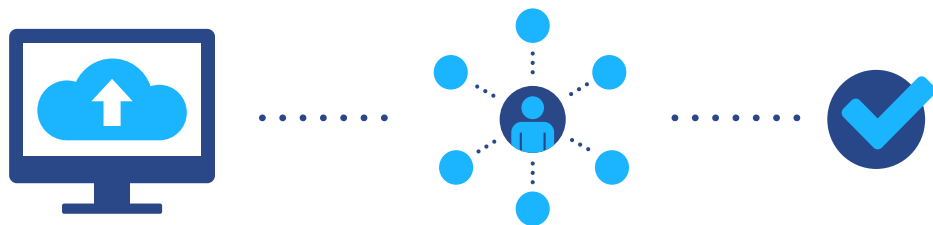


# 1 Automate Compliance Verification

To reduce risk in your business' supply chain, you need to make sure your organization is audit-ready and fully compliant. But you also need to ensure every vendor is compliant with relevant standards and your organization's tolerance for risk. This process includes checking vendor credit ratings, legal judgments, financial liabilities, and other details. And let's be honest; your team doesn't have time to do this for every single vendor.

You need to automate this work, so you are no longer limited to investigating just your top suppliers. When your finance team is not burdened by tedious fact checking, they can focus on tasks that add more value.

Take advantage of today's technology to amplify your team's power. Cloud-based BSM platforms can verify and catalog this data for you, while notifying you in real-time of any new risks.



## HEALTHCARE ORGANIZATION ACHIEVES 100% COMPLIANCE

Southcentral Foundation is a large healthcare organization serving thousands in Alaska. They needed a solution that ensured compliance for their many dispersed offices while being easy to use. With the implementation of a BSM platform, they can now easily identify nurses who are pre-approved for GSA rates. Capabilities like this have allowed them to achieve 100% audit compliance and save \$1.3 million.



# 2 Utilize the Insights of the Business Community

When you shop online as a consumer, it's helpful to read reviews of suppliers and their products to determine the risk of your potential purchase. When you're informed of supplier reliability and customer satisfaction ratings, you can better decide whether to click "add to cart" or keep looking.

### ***What if you could do this when procuring goods or services at work?***

While some organizations complete regular checks on their vendors or obtain credit reports from third-party sources, best-of-breed BSM technology goes a step further. Algorithms can quantify the financial, judicial, and public sentiment health of each supplier based on sources such as income statements, court documents, and news articles. Then, they combine this standardized information with the collective reviews of their customers. The result? **A comprehensive risk score for every supplier in the database, which integrates with procurement and payment systems for a holistic view.**



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# 3 Enable Real-Time Visibility for Spend-at-Risk

Once you understand the risk associated with each supplier, you can tie in this information with your actual spend. It's crucial for you to see which dollars and supplies are at risk so you can act fast.

Backward-looking reviews may have sufficed in the past, but today's world moves faster. **Trade sanctions, natural disasters, currency fluctuations, and hackers won't wait for you to be ready.** You need to be able to keep up with these changing factors at a moment's notice.

Integrating this live data with your procurement and payment processes allows you to instantly see what's happening *right now*. With this visibility, you now know which POs and invoices are vulnerable and take appropriate steps.



“ [With our BSM platform], we found risks that were unacceptable. We didn't have that kind of visibility before...[Our platform] will help us improve decisions and reduce risk. ”

– Ramona Moritz

PURCHASING MANAGER, ZUORA INC

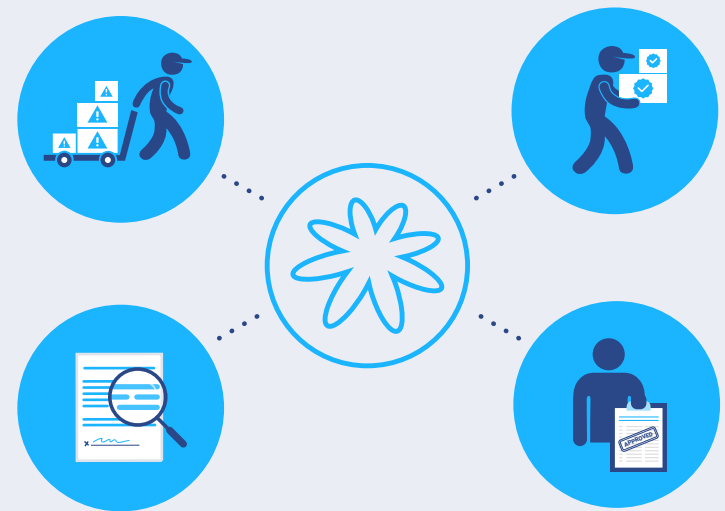
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# 4 Control In-Flight Transactions to Mitigate Risk

For most businesses, supply availability is critical. If you don't know you have a problem until a shipment of supplies fails to show up, you're in trouble.

You need to identify these types of risks before they materialize, so you can protect your business and provide the best products or services.

Visibility of transactions linked with supplier risk is important, but your BSM processes should allow you to do more than just keep tabs on risk. They should enable you to take action quickly based on this information. Modern BSM platforms can proactively monitor risks, prioritize serious vulnerabilities, and even recommend next steps so you can mitigate a risk as fast as possible.



## WITH ADVANCED BSM CAPABILITIES, YOU CAN INSTANTLY:

- ▶ Put high-risk suppliers on hold for evaluation, halting all transactions
- ▶ Review alternate suppliers that provide substitute goods/services
- ▶ Negotiate or review contracts in place to investigate breach of terms
- ▶ Add reviewers, like a Risk Manager, to an in-flight transaction's approval chain



# Improving the Supply Chain through Risk Reduction

It's time to rethink the way we look at risk. As a leader in your business, your first priority is delivering superior results for your customers. This means you need to have visibility and control of the risk in your entire business. And since supply chain is the highest cost after labor, its risk is critically important to manage.

When you think about managing risk, set yourself up for success. **A modern BSM platform can do the time-consuming work of certifying vendors for you, ensuring each vendor complies with standards you set by aggregating and analyzing legal, financial, news, and customer information.** Fight risk by choosing a BSM platform that scales with your business and accelerates your progress, allowing real-time changes.

With risk management built into your BSM processes, the next time an employee procures goods or services, they can rest assured they'll receive what they need. And you can rest assured their choice is good for the whole business.

[Learn more about Managing Risk in the Supply Chain at coupa.com](https://coupa.com)

## References

<sup>1</sup> Catherine Sampson. Healthcare Supply Chain Management Fraud Still Runs High. RevCycle Intelligence. <https://revcycleintelligence.com/news/healthcare-supply-chain-management-fraud-still-runs-high>

## About Coupa

Coupa Software (NASDAQ:COUP) is the cloud platform for business spend management (BSM). We deliver “Value as a Service” by helping our customers maximize their spend under management, achieve significant cost savings and drive profitability. Coupa provides a unified, cloud-based spend management platform that connects hundreds of organizations representing the Americas, EMEA, and APAC with millions of suppliers globally. The Coupa platform provides greater visibility into and control over how companies spend money. Customers – small, medium and large – have used the Coupa platform to bring billions of dollars in cumulative spend under management. Learn more at [www.coupa.com](http://www.coupa.com)

