

WBR Insights & Coupa Software White Paper

Rethinking Risk and Opportunity in the Supply Chain

A survey of 200 CPOs on the year behind us
and the year ahead

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Executive Summary

The COVID-19 pandemic of 2020 opened our eyes to the ever-changing conditions and uncertainty that exists in our world today. There are risks as well as opportunities across the supply chain, and CPOs are assessing the impacts of the past year, particularly with regards to supply chain disruption. Their mission is to figure out how to be agile to get ahead of future uncertainties.

WBR and Coupa Software surveyed 200 CPOs to find out what keeps them up at night and how they are rethinking risk and opportunity in their supply chains to prepare for the year ahead.

In the survey, we found a clear link between risk in the supply chain and visibility into areas that are most vulnerable to failure. In fact, less than a quarter (24%) of CPOs strongly agree that they have the right metrics to see and measure the health of their supply chains.

While the top supply chain risk concerns are operational risk and supplier risk, per the responses, CPOs report they lack confidence in identifying these risks in their supply chains. We also found that most CPOs do not think their functional leads and business units are properly equipped to manage risk. **Almost all (99%) of CPOs agree that risk should be the responsibility of the entire business, not just the risk and compliance teams.** Yet they are not confident in their organizations' ability to manage risk, noting that IT, Procurement, Legal, and Finance are not adequately able to manage this risk.

In this report, we also focus on key changes CPOs are planning to make for the year ahead, as well as opportunities to improve business reputation and create diverse and sustainable supply chains. Opportunities to enhance Environmental, Social, and Corporate Governance (ESG) initiatives abound. CPOs surveyed report that supplier diversity and inclusion is very important to all stakeholders in the business, especially to the board (81%) and investors (80%).

The following report dives into these various key findings in three chapters:

1. **Health of the Supply Chain**
2. **Managing Risk in the Supply Chain**
3. **Opportunities & The Year Ahead**

We report on both quantitative and qualitative findings, with many valuable insights from leading CPOs to assess the current state of supply chain health and how CPOs are rethinking their supply chains to prepare for the year ahead.

Chapter One

Health of the Supply Chain

Global events of the past year have made even the most seemingly bulletproof supply chains vulnerable to disruption. This has made supply chain health a priority for CPOs worldwide. In this survey, we asked 200 CPOs to assess the health of their supply chains, as well as share their top risk concerns and their level of confidence in being able to mitigate these risks.

A major concern for CPOs is the ability to quickly identify and act on problems in the supply chain early on, and thereby reduce the impact on their procurement teams and on overall business operations. This involves being able to sense problems earlier, make appropriate decisions, and execute on those decisions. For example, by detecting a slowdown in the supply chain early on, CPOs can make the decision to either bring in more suppliers or concentrate their efforts on their most trusted suppliers and execute a plan of action based on that decision. By accessing the right quantitative data at the right time and having the systems and tools in place to identify and act on problems quickly, CPOs are better able to spot and respond to potential risks. This helps to create adaptive supply chain strategies both for the present and the future.

Although CPOs have been focusing on rapidly redesigning their supply chains in recent years, many are still struggling to access the right data to help them measure the overall health of their supply chains. Less than a quarter (24%) of CPOs surveyed strongly agreed with the statement, “we have the right metrics and data to measure the health of our supply chain.”

This figure is concerning. In order to properly manage risk and assess opportunities in the supply chain, **it is necessary for CPOs to have the right data and the ability to digitally model alternate supply chain scenarios** to understand the potential detrimental impacts of inventory carrying cost, workforce utilization, cost to serve, and third-party risk on end-to-end supply chain stability and continuity.

24%

Less than a quarter of CPOs surveyed strongly agreed with the statement, “we have the right metrics and data to measure the health of our supply chain.”

Risk in the Supply Chain

This data-driven oversight of the supply chain is especially important in the area of third-party risk. Our research revealed that nearly half of respondents said that operational risk is their top risk concern today, followed closely by supplier risk.

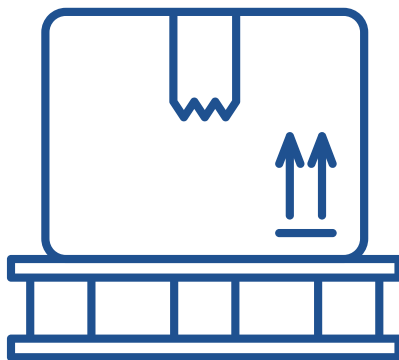
While operational risk in the supply chain is the top concern of CPOs, most lack confidence in identifying operational risk ahead of supply chain failure due to operational issues. Nearly 60% of CPOs surveyed said that they are not very confident in their ability to identify operational risk in their supply chains. This reveals a large gap which CPOs are seeking to resolve by implementing artificial-intelligence-powered, supply-chain-management systems.

Nearly 60%

of CPOs surveyed said that they are not very confident in their ability to identify operational risk in their supply chains.

What are your top risk concerns today and how confident are you in identifying these risks?

Operational Risk



45%
of CPOs are
concerned

60%
are not very confident
in identifying this risk

Supplier Risk



42%
of CPOs are
concerned

77%
are not very confident
in identifying this risk

In addition to operational risk and supplier risk, CPOs are not very confident in being able to properly identify fraud risk. This, along with concern about visibility into all third-party risk areas across the supply chain, points to a need for CPOs to take the lead in mitigating these risks in the year ahead.

While unforeseen and unprecedented circumstances, such as the impact of the COVID-19 pandemic, present an acute

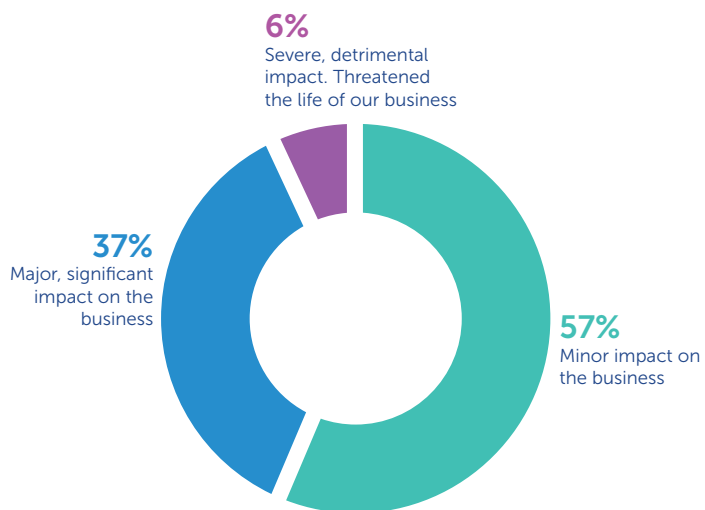
case of supply chain disruption, emerging trends and other global and regional shocks make the case for CPOs to rethink the management risk and opportunity across the entire supply chain. In our next chapter, we highlight how CPOs are managing these risks today, and the changes they are making to stabilize and support supply chain continuity.

Chapter Two

Managing Risk in a Rapidly Changing World

Economic shocks and other unforeseen events will continue to disrupt and destabilize supply chains long after the COVID-19 pandemic is behind us. It comes as no surprise that **nearly all CPOs surveyed reported that the COVID-19 pandemic has had an impact on their business.**

How would you best describe the impact of the COVID-19 pandemic on your supply chain?



Paramount to CPOs who are seeking to mitigate risk is the ability to rapidly rethink and redesign their supply chains to respond to shocks and to protect their businesses. According to respondents, their supply chains during the pandemic experienced long delays and several outright disruptions that were often caused by international travel restrictions, a lack of resources, and staff shortages as workers went on sick leave.

CPO thoughts on the pandemic:

"The supply chain went into damage control mode."

"The impact has been devastating. The challenges have amplified due to the lack of movement of personnel."

"It's difficult to be short staffed during a pandemic."

"Supply chains had to be realigned to provide stability that we were seeking."

"We may be forced to overutilize our supply chain once again if the pandemic conditions worsen."

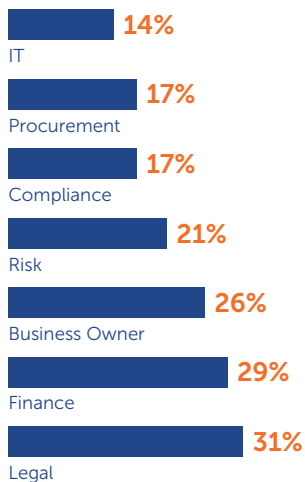
"The supply chain has been changed forever."

The Challenge with Risk Management Silos

CPOs surveyed note that in addition to tools and technologies to mitigate risk, it is increasingly important for risk management to be the responsibility of all functional leaders and business units and not just in a silo with risk and compliance teams. Nearly all (99%) said that risk should be the responsibility of the entire business, not just a few individual teams, and that everyone should be held accountable for it.

However, our research also identified a gap in the ability for these teams to support such risk management. **Over 50% of CPOs reported that IT, procurement, and legal are not very well equipped or able to manage third-party risks in the supply chain.** The survey also revealed that even risk and compliance teams are struggling to manage this type of risk, with almost half of CPOs reporting that these teams are not adequately able to manage third-party risks in the supply chain.

To what extent are the following teams unable to effectively manage all of the third-party risks in your supply chain?



In terms of managing risk, CPOs are looking to innovative tools and technologies to stabilize and support their vulnerable supply chains. Only 2% of those CPOs surveyed are currently managing their risk manually. Yet fewer than 65% are managing their supply chain risk with a comprehensive Business Spend Management (BSM) platform that provides visibility into all areas of third-party spend.

99%

of CPOs said that risk should be the responsibility of the entire business, not just a few individual teams, and that everyone should be held accountable for it.

Making Third-Party Risk Management a Priority for Your Entire Business

More agile organizations can ensure that the responsibility of risk management is shared equally across multiple departments. This breeds an internal culture that says that everyone has a part to play in risk management, from risk and compliance teams through to IT, Finance, Procurement, and to the employees that are working directly with third-party suppliers.

Coupa's recent whitepaper: Retrofit Your Risk, includes recommendations for how to empower all teams across the business to actively support third-party risk mitigation.

[You can obtain a complimentary copy here.](#)

Chapter Three

Opportunities & The Year Ahead

In looking to the year ahead, CPOs are focused on addressing supply chain vulnerabilities, as well as tapping into strategic opportunities to support the health of their businesses. Below are the 3 key areas, in order of priority, that CPOs plan to focus on for supply chain redesign and iteration in 2021:



Geographic Concentration of Suppliers:

1

CPOs saw their once-stable supply chains destabilized under the unprecedented global event of COVID-19 and now seek to mitigate the significant risk that a geographic concentration of suppliers poses to a business.



Shortened Lead Time and Contract Duration:

2

CPOs face higher uncertainty overall. They might have a lower level of trust with suppliers who could have failed them in this past year, and also might have little confidence in being able to accurately assess business needs and customer demand for the future. As a result, there's a strong desire for the ability to rapidly shift to new, more stable suppliers, instead of being caught in long-term contracts.

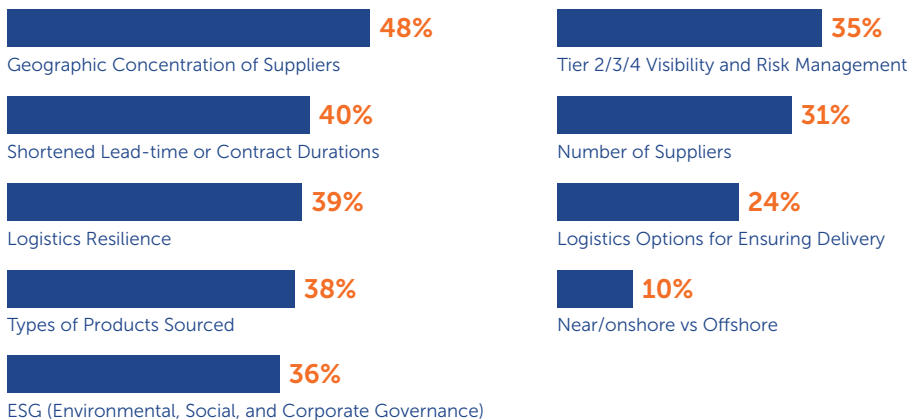


Logistics Resilience:

3

Quickly and intelligently responding to supply chain disruptions via deft and agile logistics strategies is important for CPOs in a rapidly changing world.

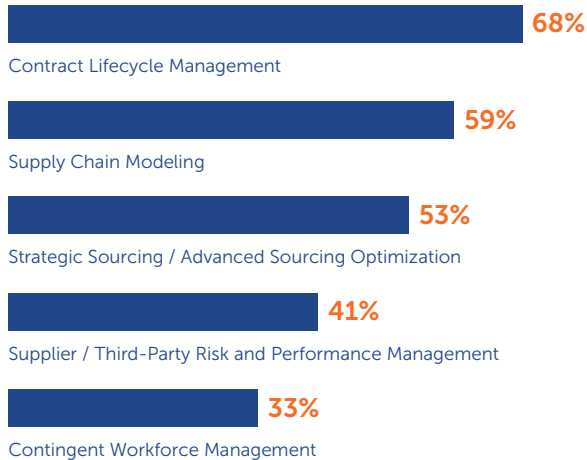
Which areas of your supply chain do you anticipate changing in 2021?



Supply Chain Redesign Tools & Approaches

CPOs are using different tools and approaches to support an agile supply chain in the year ahead.

Not having the right data and ability to measure the health of their supply chains adequately, CPOs are making investments to improve:



Contract Lifecycle Management:

When CPOs can manage contracts more effectively in one place, from creation, to signing, to revaluation, it makes it possible for them to quickly finalize contracts and start realizing the benefits of those contracts in their purchasing processes. They can obtain value faster with faster cycle times and integration into P2P, while also reducing risk.



Supply Chain Modeling:

Supply chain modeling informs intelligent responses to rapid demand changes (both in product mix and volumes) by optimizing for important factors such as cost and service. By having the ability to efficiently analyze the end-to-end implications of changes to supply sources, capacity, transportation availability, labor, etc. the business is able to make data-driven decisions as they adapt their supply chain structure and operations to a continually evolving market.



Sourcing Optimization:

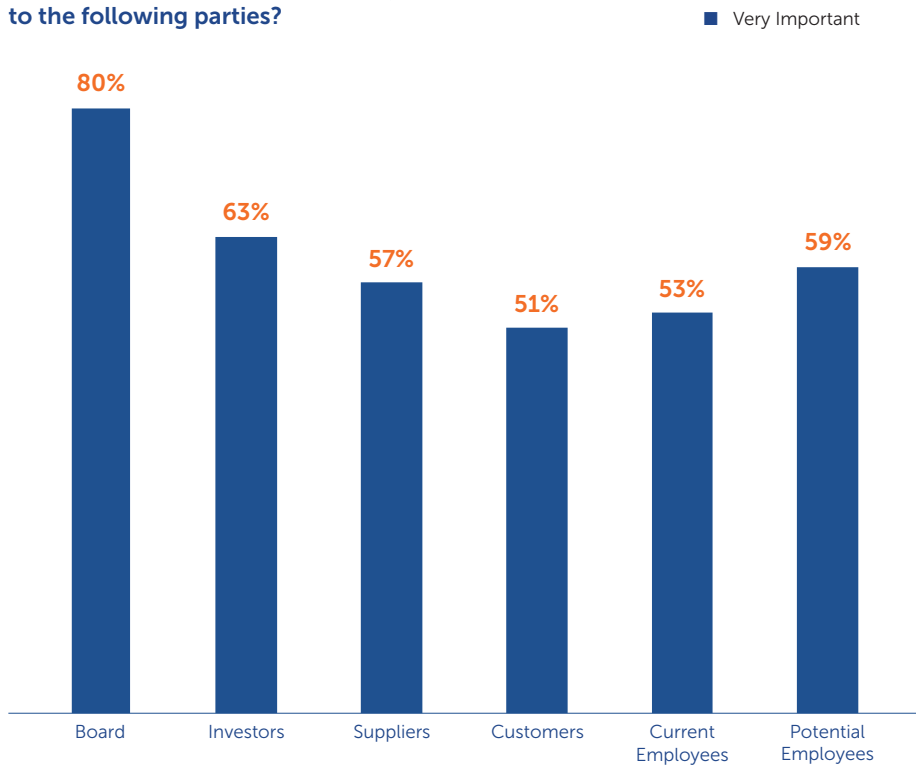
Advanced sourcing capabilities enable organizations to host more sourcing events and run complex scenarios to determine the best suppliers based on any number of set criteria that are important for their supply chain redesign and overall stability.

Environmental and Social Governance (ESG) in the Supply Chain

Both executive boards and investors are also becoming increasingly focused on supplier diversity & inclusion (D&I), with over 80% of CPOs reporting supplier diversity as a top initiative for these particular key stakeholders.

However, challenges CPOs report include: being able to source specific types of diverse suppliers (61%) & being unable to determine quality of suppliers (40%).

How important is supplier diversity and inclusion to the following parties?



Our data has revealed that it can be difficult for businesses to find the right diverse suppliers to meet the demands and particular challenges of their industry. This presents an opportunity to focus on driving D&I for indirect categories to meet existing company commitments. It's far easier to find diverse suppliers who provide indirect services where industry-specific criteria are less important in the search.

For example, temporary staffing services, technology hardware, etc., are all not particular to the industry of each CPO's company. And, participating in community-powered programs that source and on-board these suppliers represents low-hanging fruit for immediate D&I impact.

Conclusion

The global health, social, and economic events that rattled businesses around the world in 2020 have kicked off a new, uncertain era of supply chain management, and it may take a long time for supply chain uncertainty to ease. Many experts and economists are predicting that it could even outlast the pandemic itself.

Having the ability to rapidly redesign the supply chain and mitigate risk is now becoming a must-have for businesses to survive and thrive in the current economic environment and to keep up in a fast-paced world.

With less than a quarter (24%) of CPOs reporting access to the right metrics to measure the health of their supply chains, and many reporting a lack of visibility into vulnerabilities tied to their top risk concerns (operational and supplier risk), CPOs are looking to new systems, tools, and technologies to support proactive, agile supply chains.

We also found that CPOs are in agreement that risk management shouldn't be the responsibility of any one business unit, including those with the titles of risk and/or compliance managers. Yet functional leaders and teams across the company are not properly equipped to manage third-party risk today.

Business Spend Management (BSM) technology, which supports all business spend across the supply chain, from procurement to payments and from sourcing to delivery, enables CPOs with one data and execution system to manage supply chain design, third-party risk, and to make the most of opportunities for improving strategic sourcing, contract management, and advancing ESG initiatives such as increasing supply chain diversity, all without introducing additional risk.

Based on survey findings and interviews, it is clear that CPOs will continue to have a "seat at the table" and are actually in a position to "lead from the front." These strategic leaders must focus on areas beyond savings, such as risk mitigation, ESG support, and supply chain design to advance the field and support business success in the year ahead.

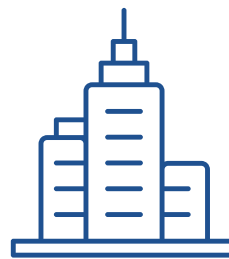
Methodology

In Q4 of 2020, WBR Insights surveyed 200 CPOs, from medium-sized businesses to global brands, across many different industries in the EMEA and North American regions to find out what challenges they are facing with their supply chains and how ever-changing conditions are shaping their internal procurement strategies.

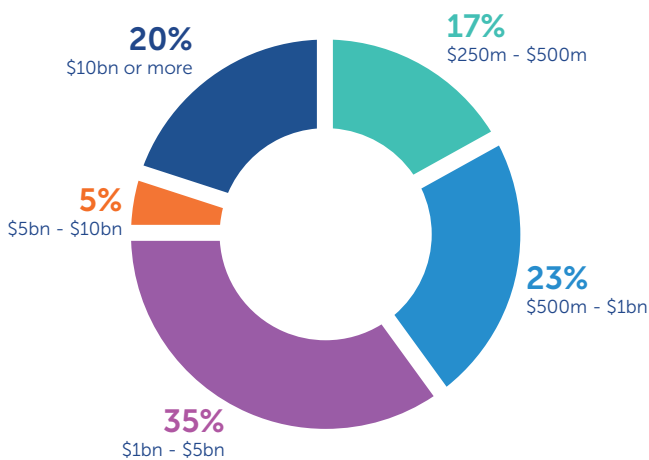
This report aims to provide a greater understanding of how the supply chain redesign is not a “moment in time” problem that needs to be addressed every few years, but something that needs to happen constantly and consistently in order to adjust to the ever-changing conditions in the world.

While COVID-19 may have been a wake-up call, it is just one of the many global shifts that require procurement leaders to rethink how they are managing their supply chains.

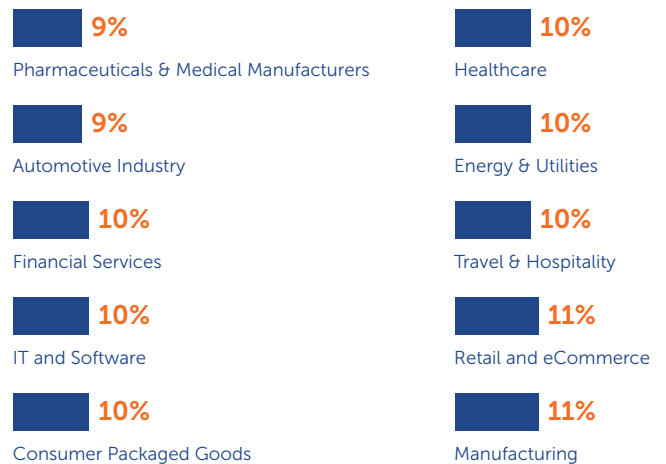
The survey was conducted by appointment over telephone. The results were compiled and anonymized by WBR Insights and are presented here with commentary from Coupa contributors.



What size is your company in U.S. dollars?



What type of company do you work for?



About Coupa Software & WBR Insights



Coupa Software (NASDAQ:COUP) offers a comprehensive, cloud-based Business Spend Management platform that empowers businesses with the visibility and control they need to manage costs, mitigate risks, and scale for growth in times of certainty and uncertainty.

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