Supplier Risk Management

Industry Value Accelerator

THE BEST-RUN BUSINESSES RUN SAP™
Your Supply Chain is Only as Strong as the Weakest Link

- **Supplier Viability**
  - Credit crunch, business failure, bankruptcies
  - Failure of second and n-tier suppliers
  - Global production centers - impact of regional conditions

- **Increased Volatility**
  - Continuous change in market dynamics
  - Fluctuating commodity prices

- **Higher Operational Risk**
  - Higher operational risk and cash flow pressure on 3rd party logistics providers
  - Lower inventory levels, Just in Time, etc.
Challenges to Your Business in the Current Economy

Top Executive Issues

- Who are my most strategic suppliers?
- Which of my strategic suppliers are at risk in the current crisis?
- How can I pre-empt the impact of one of my major suppliers failing?
- What actions can I take to reduce the impact from such failures?
- How can I measure the effectiveness of my actions to change course if needed?
Impact on Supplier Ecosystem
Exacerbated by Credit Crisis

2) Economy & Environment
- Environment ecosystem imbalances
- Economic Weather Forecast

3) Early Signs
- Delayed, partial or missing deliveries
- Prices falling
- Product shortage
- Capacity bottlenecks

4) Business Planning
- Planning challenges, e.g. due to long planning cycle time
- Disconnected processes, e.g. no feedback into S&OP
- No consideration of product and supplier substitution options

5) Customer Impact
- Delayed or unfulfilled deliveries
- Revenue Loss / Margins
- Dissatisfied customers & Channels
- Increased competitive threat

Business Impact: Risks of Revenue loss, increased competitive threat & unsatisfied customers
**Qimonda's woes will zap gamers, PC and servers users**
Qimonda's problems are already rippling across the globe and could take down others, as well as cause a sharp rise in DRAM prices for users. Qimonda's problems could also zap computer gamers and businesses in the short term because the company supplies DRAM or specialty chips to around a quarter of each market.

There could be a number of follow-on effects from the credit crisis on Intel's business, including insolvency of key suppliers resulting in product delays…”

Except from Intel's 3Q08 report

**Parts Supplier Bankruptcy Could Delay Camaro Debut**
The all new Chevrolet Camaro isn't the car that will make General Motors, but it certainly could become the one to break the automaker if problems with a major parts supplier manages to ruin its February 17, 2009 introduction.

**Supplier Bankruptcy Forces Chrysler Plant Closures**
DETOURIT (AP) — Chrysler LLC plans to close four assembly plants temporarily due to the bankruptcy protection filing of one of its plastic parts suppliers, a company spokeswoman said Monday.
How can Supplier Risk be Mitigated?

- Assess the strategic importance of suppliers by analyzing the product portfolio
  - Identify key components and their suppliers
  - Analyze spend profiles to recognize strategic suppliers

- Appraise the health of suppliers that can cause highest vulnerability
  - Ongoing reviews and audits of suppliers
  - Performance management of suppliers and internal impact analysis

- Strategize and take actions to mitigate the identified risks
  - Use external data for due diligence on suppliers and market and industry trends
  - Proactive discussions with suppliers
### SAP BusinessObjects Supplier Risk Management
**Anticipate and Prevent Supply Disruptions**

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<th><strong>Assess</strong></th>
<th><strong>Appraise</strong></th>
<th><strong>Act</strong></th>
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| - Key components at risk  
- Product deliveries at risk  
- Strategic importance of suppliers  
- Annual spend with suppliers  
- Current supplier performance & financial strength  
- Leverage external data feeds to get a holistic view of the economic conditions and your suppliers financial health | - Supplier impact on operations  
  - Financial impact (Revenue, Margin)  
  - Inventory impact  
- Supplier Impact on customers  
  - Orders impacted or at risk  
  - Dollar impact of customer orders | - Detailed comparison of actions to assess effectiveness and costs  
- Identify detailed activities for each alternative with due dates, duration and point of contact  
- Track progress of actions  
  - Source from new vendor  
  - Assist original vendor  
  - Replenish from alternate vendor |
Discover the Potential Factors that can Cause Delays or Disruptions

**Strategic Assessment**

Comprehensive view of supply risk via interactive dashboard to improve visibility and decision making

Better management over the vendor portfolio to identify, assess, decide and monitor multiple areas of supply risk exposure

External analytics (news feeds, credit ratings, etc) to supplement the “within the fours walls” analysis of internal sourcing departments
Understand Your Supplier’s Performance, Reliability and Economic Viability

Performance and Financial health

Pop-up displays provide key insight into Supplier Risks and reliability indicators

Ability to see key trends of metrics to identify anomalies or deteriorating indicators

Current news article feeds related to your supplier ecosystem to ensure you have the latest, up to date information
Assess the Impact of Disruptions on Your Customers and Business

Risk and Impact Analysis

Unified view of holistic risk exposure to assess the impact of supply disruption

Ability to measure the impact of supply disruption on key metrics like sales, revenue and inventory

Identify alternative sources of supply from various suppliers and assess their overall viability in one place

[Preview alternative sources of supply to establish alternative mitigation actions]
Examine the Effect of Your Decisions and Execute with Confidence

Decide on mitigation option

Interactive Alternatives-Analysis to allow users to select different alternatives for different situations

Detailed views into the effectiveness and costs of the various alternatives

Ability to track and monitor the impact of the various alternatives chosen

[Supports decision on the optimal alternative action]
A comprehensive supplier risk management solution for SAP BusinessObjects

Supplier Risk dashboard

Risk Management

Risk assessment and establish alternatives

Spend Perf. Mgmt

Analyze spend and supplier profiles, act on decisions

Data Federator

ERP

Other

External

ERP

Other

External
Protect Existing Value
- Streamline cross-enterprise risk identification, analysis, and mitigation
- Prevent incidents and losses through automatic risk monitoring

Create New Value
- Increase the success of strategies and initiatives
- Improve performance through risk-adjusted forecasts and plans

Increase Enterprise Transparency
- Ensure business units operate within appropriate risk appetite
- Improve governance by aligning business processes, risks, and controls
Maximize Savings, Reduce Supplier Risk

Gain full spend visibility
- Automate data capture from disparate systems
- Accurate and trustworthy data
- Enriched supplier and spend data

Reduce supplier risk
- Pin-point single supplier dependencies
- Identify vulnerable and non-viable suppliers
- Establish supply risk mitigation priorities

Rapidly identify savings opportunities
- Find and act on savings potential
- Pro-actively monitor contract compliance

Increase spend under management
- Set up performance goals
- Incorporate external market conditions
- Collaborate effectively to act on insights

For more information: www.sap.com/spend-analytics
Seizing the Advantage in the Current Global Economic Downturn

- Gain a holistic view of your risk of supply disruption due to performance or economic viability issues within your supply chain

- The Supplier Risk Management solution flexibly complements and extends your existing IT infrastructure and data sources

- This Industry Value Accelerator comes complete with proven deployment assets that will accelerate your time to value and provide a quick ROI

- Sign up for an onsite vision workshop today to find out how what the Supplier Risk Management solution can do for your business today
Appendix
Supplier Management Visibility and Execution
End-to-end cross functional process

Proactive approach to supplier and economic shocks

Chief Operating Officer

Manufacturing
Network Planning

Production Planning & Execution

Supply Chain Operations

Material Supply & Replenishment

Supply Chain Planning

Internal Production Operations

Materials Management

Contract Manufacturer
Raw Material Supplier etc.

Supplier & Industry Indicators

SAP Benchmarks

Credit Scores

Industry Benchmarks

Industry Trends

Others

Economic Indicators

Markets

Economic Data

BLS

Others
Managing the Supplier Network

Current Situation

Manufacturers have made their supply chains leaner

- Manufacturers have achieved lower inventory levels and rationalized their supplier lists, BUT they have made their supply networks much more susceptible to risks
- The current financial crisis has highlighted these risks to manufacturers, resulting in potential delays to production and inability to meet customer commitment
- In addition to financial crises, political, economic, and national security crises could create the same disruptions to manufacturers’ supply chains

SAP helps manufacturers to manage risks in the supply network

- Benchmarking and best practices to optimize the supply network
- Instrumentation to proactively monitor suppliers by type, size, geography, segment, etc.
- Systems to act on insight, plan for, and manage the risks to the supply network
Industry Value Accelerator to Compress your Time to Value

Technical Content
- Relational Schema (DDL Scripts)
- Stored Procedures
- Working Sample Database
- Virtual Source Table Structures
- Mapping Rules
- Virtual Target Schemas
- Schema Definitions
- XML Interface Files for SAP

Documentation
- Data Model
- Administration Guide
- Deployment Planning Guide
- Data Dictionary
- Deployment Planning Guide
- Data Mapping Guide
- Workflow Guide
- KPI/Metric Definitions
- Deployment Considerations
Establish risk assessment process and risk mitigation options

Risk management process

Align risk exposure with risk indicators and corporate strategy

Establish [Define] risk mitigation options, identify balance between cost of risk avoidance and opportunity

Establish prioritization for response investment
Balance cost savings and risk while acting on the risk mitigation option

Balance risk with cost savings

Evaluate chosen risk mitigation option with spend and supply metrics to determine sourcing strategy

Review alternate suppliers’ history of operational and financial health factors

Launch action to establish alternate supply source or plan for supplier development processes
Leverages Powerful Capabilities from the SAP BusinessObjects Portfolio

**ANY SOURCE, ANY APPLICATION**
- Designed to fully leverage the performance and functionality of key SAP applications including SAP BusinessObjects Spend Performance Management, SAP BusinessObjects Risk Management and SAP ERP
- Flexibility to leverage data from other corporate applications and data sources to build a comprehensive picture of your firm's product specific exposure to Supplier Risk
- Easily extract critical information from your ERP or other 3rd party on-demand reporting environments and data sources

**ALL EMPLOYEES**
- Role based view of key KPIs and metrics to better manage your business
- Ability to embed within SAP ERP or other environments

**ALL VIEWS ON INFORMATION**
- Access your Supplier and Risk Management analytics comprehensively
- Drill down to specific customers, orders lines, etc.
SAP BusinessObjects Spend Performance Management

Pre-packaged application

Data Connectivity
- SAP Extractors for FI, CO, MM, SRM, BW; Data integrator for non-SAP
- Supplier normalization and data enrichment; Spend classification

Visualization & Semantics
- 7 supplier risk attributes, 5 supplier financial health attributes
- Supplier dependency sliced by 14 dimensions

Out-of-the box content
- 60+ out of the box metrics
- Over 100 reports and dashboards out of the box

Supporting technical delivery
- Pre-packaged analytics and ad-hoc analytics
- Set goals and performance thresholds
- Collaboration tools including briefing book, pdf, email

For more information: www.sap.com/spend-analytics