



Risk Management Is Your Job, Not Just “A Priority!”

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Supply Management recently reported a global survey by Consero Group in which almost half of CPOs named supplier risk as a top concern – “their biggest worry.” This is good news and bad news. Guest author, Sigi Osagie, expert on effectiveness in Procurement

& Supply Chain Management, discusses.

The good news is that a significant proportion of procurement executives are concerned about supply risks. They should be. However, despite perceiving supplier risks as a major concern, risk management does not feature as a top priority in the next 12 months for the survey participants. That’s the bad news. Somewhat unsurprisingly, “cost reduction” features as the number-one top priority for CPOs in the survey.

This is somewhat disappointing, considering Procurement’s primary role in the enterprise: to harness optimal value from supply markets in a safe, ethical and efficient way for enterprise success.

The prevalent perspective of the ‘efficiency’ element of our functional responsibility is delivering financial value improvements, what most Procurement people refer to as “cost savings.” And this is where many Procurement folks focus inordinate attention, rather than taking a balanced approach to our functional obligations.

It’s sad to see that many procurement executives are still trapped in such a myopic perspective. An overriding focus on purely financial or short-term performance will definitely not lead you to your procurement mojo.

Delivering bucket-loads of “cost savings” without adequate focus on protecting the enterprise through sound risk management is tantamount to professional negligence.

We in Procurement are just as responsible for what our suppliers deliver to the enterprise – satisfaction or pain – as we are for our internal operations. The pain and disruption supply risks can inflict on an organisation can be dire; think of the operational, financial and reputational damage from recent examples

reported in the press, such as North Face's *foie gras* debacle, Mattel's problems with lead paint on some externally manufactured products and the supermarkets' horsemeat scandal.

The potential harm to organisations make it crucial for procurement people to give greater focus to managing risks in the supply pipeline; if we really want to do the job properly, that is. How can we gain the organisational respect and kudos we often moan about if we are not protecting the enterprise robustly in our sphere of responsibility? **Risk management shouldn't just be a priority for Procurement people; it is an intrinsic aspect of doing the job effectively!**

This is particularly important for all purchasing people to grasp, especially in light of the geo-political and socio-economic challenges of today's business landscape.

In truth, 'risks' in the procurement arena do not just pertain to those factors which pose a threat to supply continuity in an obvious and direct way. There are other risks which may not directly cause supply disruptions but are pertinent to procurement's functional responsibilities, and, thus, must be mitigated properly. For example, issues like volatility in commodity prices, political instability, legislative requirements, exchange rate fluctuations and cyber security threats may also be important risk-creating factors across many organisations' supply operations. The same can be said for the heightened risks many enterprises currently face stemming from the continued uncertainty created by the global economic situation.

We could go on and identify a number of other risk factors in the supply management arena. But **what is really important is that Procurement people in all organisations embrace risk management as a fundamental aspect of their functional responsibility.**

So, thinking broadly, unencumbered by the shackles of conventional purchasing perspectives, what risks do you see your organisation faces across the supply management sphere?

What about your internal customers and other stakeholders who hold different positions, hence, perspectives, in the organisational landscape – what risks do they see? Have you asked them?

And what are you doing to mitigate those risks? Do you have a comprehensive risk management approach integral to your supply management activities?

Remember, protecting the enterprise we serve through effective risk management in the supply management domain is part and parcel of the Procurement job.

Sigi Osagie is author of 'Procurement Mojo: Strengthening the Function and Raising Its Profile' (£14.99, Management Books 2000 Ltd). We loved it - see our [review here](#) - and for more information visit www.procurementmojo.com)