Inverto
a BCG company

Risk Management in Procurement

Insights, Strategies & Recommendations for Building Resilience in a Poly-Risk Environment

Procurement Excellence

> **Procurement is navigating an increasingly complex environment, where rising compliance expectations, regional instability, and economic pressure demand new levels of agility and foresight.**
>
> **Sebastian Wellmann, Associate Director, Inverto**

Key Insights

Executive Summary

Procurement in a Poly-Risk Era: Why Proactive Risk Management Is No Longer Optional

Procurement has entered an era defined by **poly-risk:** no longer dominated by a few critical threats, but shaped by a wide spectrum of risks that are equally urgent and deeply interconnected. Energy costs, inflation, supply disruptions, ESG compliance, cyber threats, and regional instability now converge, creating a risk environment that is more **complex, dynamic, and unpredictable** than ever before.

The **Inverto Risk Management in Procurement Study**, based on insights from 260 senior executives across major European markets and diverse industries, underscores this shift toward a multi-dimensional risk landscape.

The Central Challenge

Most companies still rely on **fragmented or reactive approaches**. Measures are often tactical rather than strategic, leaving organi-zations exposed to sudden disruptions.

The Way Forward
To stay ahead, procurement leaders must:
- Embed **risk awareness** into everyday decisions.
- Invest in **digital and proactive monitoring**.
- Balance **resilience with cost efficiency**.

Proactive risk management is no longer a choice, it is a strategic advantage.

From Awareness to Action: A Structured Path Forward
To navigate this evolving landscape, companies need more than isolated measures—they need an integrated, systematic approach to risk. Based on years of hands-on experience and data-backed insights, Inverto recommends a **four-step risk management** process as a foundation for building long-term resilience:

1 Risk Identification
Identification of all potential events that could run off-schedule and have a significant impact on costs, supply security or quality

2 Risk Assessment
Assessment of the probability of occurrence of events and estimation of possible impact on the company's performance

3 Risk Management
Implementation of strategies for making risk manageable:
- Risk prevention
- Risk-taking
- Risk spreading
- Risk transfer

4 Risk Monitoring
Continuous monitoring of all risks and definition of appropriate measures in the event that a risk occurs. Establish a risk control tower in order to be able to act quickly

Risk Identification

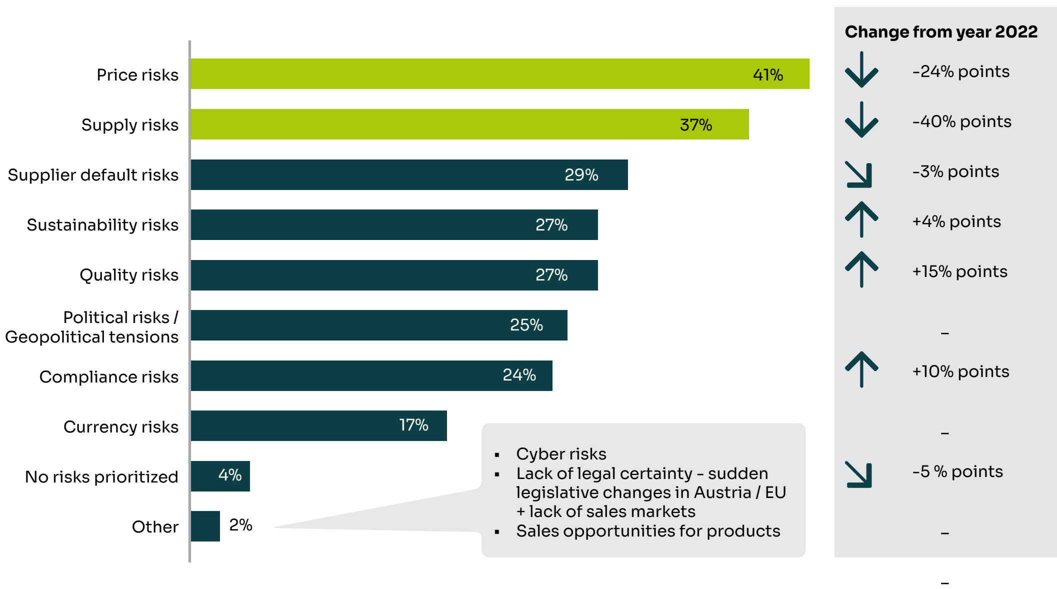
Building a Complete Picture of Your Risk Exposure
Effective risk management starts with knowing what to look for. Yet, many companies still struggle to systematically identify risks within their supply chain. The study shows that while awareness has improved, most organizations remain focused on a narrow set of risk types—often centered around price and supply—while underestimating newer or less quantifiable risks like geopolitical risks, supplier insolvencies, or regulatory exposure.

From Isolated Risks to Integrated Risk Mapping
Procurement risk identification is no longer just about flagging the most visible threats. The 2024 study reveals that procurement leaders are increasingly aware of a broader, more complex mix of risk types—but clear prioritization is fading as these risks begin to weigh in more equally.

When asked which risks currently have the highest priority for procurement, respondents named the following:

Price and supply risks still dominate, but further risks have grown in significance, reducing the dominance of clear top risks seen in 2022

Which risks currently have the highest priority for procurement?[1]



1 Multiple responses possible; - Comparison to year 2022 not possible as new response option added in 2024

Additionally, the study shows that the cause of supply shortages has shifted significantly:

- Supplier insolvencies rose sharply from 7% in 2022 to 31% in 2024
- Capacity bottlenecks decreased from 76% to 51%
- Supply chain disruptions dropped from 82% to 49%

These shifts underscore the need for a more structured, dynamic, and inclusive approach to risk identification that extends beyond traditional risk definitions.

Key questions regarding risk identification

- Do you have an overview of potential risks for your supply chain and your company?
- Are (potential) risks created by pandemic, war and supply chain regulations sufficiently taken into account?
- Have you identified the risky product groups, services, and suppliers?
- Which systematic analysis methods are you using to identify risks and which departments are involved?
- Is the identification of potential risks carried out continuously?

Risk Assessment

Prioritizing What Matters: From Intuition to Intelligence
Identifying risks is critical—but it's only useful if the organization can evaluate which risks deserve the most attention. Risk assessment gives procurement the ability to separate day-to-day challenges from potential threats to business continuity, helping leaders decide where to act first and with what intensity.

To be effective, risk assessment must go beyond gut feeling. It requires a structured, consistent approach that combines data, collaboration, and decision-making logic.

From Visibility to Strategic Prioritization
Risks differ in impact depending on the business model, sourcing strategy, or industry. To assess them meaningfully, companies need to evaluate two core dimensions:

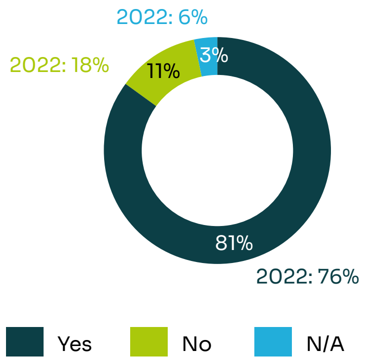
- **Probability of occurrence** – How likely is it that this risk will materialize?
- **Severity of impact** – What would it cost or disrupt if it does?

Assessment can include both quantitative criteria (e.g., spend levels, supplier concentration, delivery frequency) and qualitative factors (e.g., geopolitical exposure, ESG violations, reputational risk).

Common and effective methods include ranking risks in matrices, scoring systems, and traffic-light dashboards that visualize risk levels at a glance. These tools support better decision-making and enable scenario planning.

What the Study Shows
The latest results show progress toward a more systematic and technology-supported approach to risk assessment:

Do you systematically assess and evaluate risks?



Despite these advances, the remaining share of companies still rely on fragmented or reactive evaluation models. Especially among smaller and mid-sized firms, there is often no consistent framework to score or compare risks.

Additionally, companies with higher turnover and greater procurement complexity are more likely to assess risks holistically—factoring in everything from supplier insolvency to digital compliance breaches.

Strengthening the Assessment Process
To improve accuracy and consistency, organizations should embed risk assessment into their operational and strategic routines. Practical steps include:

- Defining a standard scoring system based on clear evaluation criteria
- Assigning ownership for assessing different categories of risk
- Running regular cross-functional reviews to revalidate assumptions
- Linking assessment results to procurement actions (e.g., dual sourcing, contract clauses, or hedging strategies)

When risk assessment is treated as an ongoing process—not a one-time check—it becomes a key driver for resilience and agility.

Key Questions Regarding Risk Assessment

- Do you assess risks for suppliers, product groups, and supplier markets in terms of severity of impact and probability of occurrence?
- What criteria do you use for the assessment?
- How do you classify and prioritize potential risks?
- Are all relevant departments in your company involved in the assessment?

Risk Management

From Reaction to Resilience: Making Risk Tangible and Actionable
Risk management is not one-size-fits-all. The appropriate response depends on each company's risk appetite, industry pressures, and maturity level. For example, a start-up might tolerate more volatility in favor of speed, while a global manufacturer may prioritize long-term stability and compliance. Regardless of context, organizations must define which risks are tolerable—and for which risks proactive mitigation is non-negotiable.

Strategy Before Reaction
Effective risk management is rooted in clear strategy. Companies should build structured sets of measures tailored to different types of risk.
These typically fall into four categories:

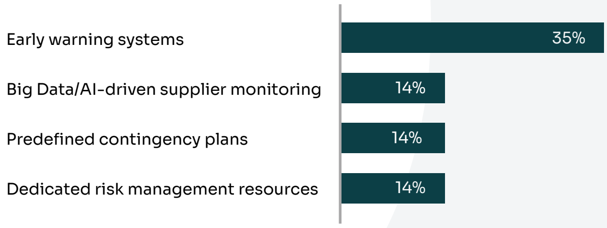
- **Risk prevention** – e.g., multi-sourcing, longer lead times, compliance audits
- **Risk acceptance** – where mitigation is too costly or impact is low
- **Risk spreading** – through diversification of suppliers, geographies, or materials
- **Risk transfer** – via insurance, contracts, or shared responsibility with partners

The goal is not to eliminate all risks—but to manage them intelligently based on their business relevance.

Standard Tools Are Common, but Proactivity Is Uneven

The most widely used risk management actions among study participants include:

However, more advanced or (digital) approaches remain underutilized:



Empowering Procurement Through Structured Action
To improve their maturity, companies should:

- Assign risk ownership and define responsibilities
- Embed response plans into category and supplier strategies
- Use spend analyses and forecasting tools to anticipate disruptions
- Establish task forces to handle acute events (e.g., production stops, supplier collapse)
- Explore design-to-risk approaches with R&D to substitute volatile inputs

Procurement's position at the heart of the supply chain makes it uniquely suited to manage risk upstream—by shaping supplier relationships and influencing design, volume, and inventory strategy.

From Risk Tactics to Risk Culture
Procurement must move beyond toolkits. True resilience is built when:

- Risk prevention becomes part of everyday routines
- Functions collaborate on shared metrics and early signals
- Leadership supports risk transparency—not just cost KPIs
- Teams are empowered to act early, not just react fast

Over time, this builds a competitive advantage: clients and partners trust organizations that manage uncertainty with foresight and structure.

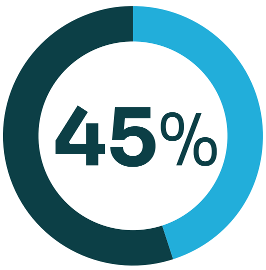
Key Questions Regarding Risk Management

- Have concrete measures been assigned to the main risks identified?
- Which sets of measures are available in the context of risk management?
- Are risk management responsibilities and tasks clearly defined?
- Do employees have the knowledge and tools to take risk prevention and intervention actions as fast as possible?

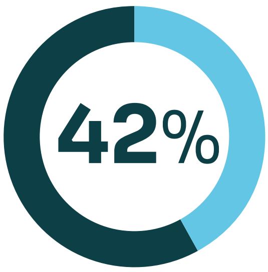
Risk Monitoring

Staying Ahead of Disruption: Why Continuous Oversight Is Essential
Monitoring risks in real time is critical to moving from reactive firefighting to proactive decision-making. Yet many organizations still assess risks as one-off events, rather than treating monitoring as a continuous capability. Effective risk monitoring allows procurement teams to spot trends, detect early warning signs, and trigger pre-defined mitigation measures—before issues escalate into full-blown disruptions.

Improvements Underway, But Monitoring Remains Reactive
The study shows that while many companies have strengthened their risk identification and assessment efforts, monitoring is still often limited to periodic reviews. However, there is progress:



of companies have introduced early risk detection systems



are building cross-functional risk management structures

Despite this, most firms still rely on ad hoc updates or single-point contacts for critical risk information—leaving them vulnerable to surprise disruptions.

The Case for Ongoing Risk Visibility

Supply chains today are exposed to a wider range of unpredictable and fast-moving events. From energy price swings and cyberattacks to regulatory shifts and geopolitical instability, threats can evolve quickly. That's why risk monitoring must be:

- **Continuous**, not periodic
- **Data-driven**, not anecdotal
- **Integrated**, not isolated within one team or system

For high-priority risks—such as supplier default, raw material shortages, or regulation violations—it's essential to define specific indicators that are tracked consistently across business units.

Establishing a Risk Control Tower

One of the most impactful steps companies can take is to build a centralized risk **control tower**. This is not a physical space—but a digital and organizational setup that brings together:

- Relevant risk KPIs (e.g., delivery performance, financial health, ESG compliance)
- Market and supplier intelligence (e.g., sanctions, bankruptcies, strikes)
- Automated alerts for critical thresholds
- A cross-functional team to respond and escalate when needed

The goal is to make risk visible, actionable, and continuously updated.

Monitoring as a Business Enabler

When executed well, risk monitoring becomes a performance driver—not just a safeguard. It enables:

- Faster decisions based on real-time data
- Transparency across procurement, finance, logistics, and leadership
- Documentation for audits and compliance (e.g., LkSG or CSRD requirements)
- Trust within the supply chain through collaborative risk transparency

In fact, according to the study, **85% of respondents reported improved supply security as a result of enhanced procurement risk management**—a clear validation of ongoing risk visibility.

Key Questions Regarding Risk Monotoring

- Do you continuously monitor identified risks or assess them only once?
- Are there clearly defined indicators and thresholds for ongoing monitoring?
- Is your monitoring process supported by digital tools and cross-functional collaboration?
- Can you respond quickly when a risk escalates?

Focus Topic:

Regionalization & Supplier Consolidation

Restructuring Supply Chains for Greater Control and Resilience

Global supply chains are being redefined. After years of focusing on efficiency, cost, and global sourcing, many organizations are shifting toward **regional supply networks and more consolidated supplier bases**. This strategic reorientation is not about turning away from globalization—but about gaining more control, flexibility, and transparency in a volatile world.

A Clear Shift in Priorities

According to the study:

- **Over 50% of participants** are planning structural changes in their supply chains over the next five years
- **Regional sourcing** (nearshoring) and **supplier consolidation** are the most cited strategies
- More than **half of respondents expect higher costs** as a result — but view them as necessary trade-offs for improved resilience

Implications for Procurement

This transformation reshapes procurement's role—from transactional coordination to strategic supply network design. Key changes include:

- **Evaluating regional supplier ecosystems** and developing new sourcing strategies
- **Working cross-functionally** with operations, R&D, and logistics to balance cost, risk, and service
- **Developing deeper partnerships** with fewer, more critical suppliers
- **Integrating ESG and compliance metrics** into supplier selection and development
- **Reassessing total cost of ownership** to include risk exposure and agility—not just price

> While this may increase upfront costs, it creates long-term value by reducing disruptions, improving responsiveness, and supporting compliance with regulatory frameworks.

From Complexity to Clarity:
Making Risk Management a Strategic Advantage

Procurement has reached a turning point. The findings of the study clearly show that while many companies have laid the groundwork—by identifying risks and implementing basic measures—most are still in the early stages of developing a truly proactive, structured, and digitally enabled risk management approach.

Those that succeed in the coming years will be the ones that integrate risk thinking into daily decision-making, invest in technology, and empower their teams with the tools and processes to anticipate disruption—not just respond to it.

Risk Management as a Competitive Advantage
Based on our consulting experience, we recommend six key actions to strengthen your risk management in procurement:

1. **Get an overview of your current risk performance**
Conduct a comprehensive self-assessment to identify strengths, and maturity level across the risk management lifecycle.

2. **Establish cross-departmental processes and clear responsibilities**
Risk management must be collaborative. Ensure procurement, finance, operations, compliance, and leadership are aligned in ownership and decision-making.

3. **Make risk visibility part of daily operations**
Integrate risk KPIs and early warning indicators into supplier reviews, dashboards, and category management routines.

4. **Continuously adjust procurement strategies**
Use risk insights to refine your sourcing models, contracts, supplier mix, and inventory decisions. Adapt based on changing external conditions.

5. **Set up a risk control tower**
Build a centralized digital structure for monitoring, diagnosis, and response—with the ability to coordinate action across teams and geographies.

6. **Empower your organization**
Invest in training, awareness, and digital tools. Make risk management part of the culture—not just a checklist.

Image credits:
Inverto owns the copyright of all images unless otherwise stated, with the exception of the following sources: Title AdobeStock/marina, p.2 IStockphoto/gremlin, p.4/5 AdobeStock/Clover Background, p.7 Adobe Stock/Achirawee, p.8 Adobe Stock/Sandwish, p.11 Adobe Stock/Oleksandr Zastrozhnov, p.12 AdobeStock/Koko Art Studio, p. 13 Adobe Stock/phuadiesta, p.14 Flaticon/War pack

Inverto
a BCG company

About Inverto

Inverto is a leading global consultancy specializing in strategic procurement and supply chain management. The consultancy goes beyond pure cost management to deliver business value and a competitive edge for its clients. Inverto transforms procurement and supply chain functions, enabling long-term success by fostering innovation, resilience, and sustainability.

Operating under the umbrella of BCG, Inverto expands BCGs extensive offerings with a comprehensive array of procurement optimization solutions. Inverto currently employs more than 600 experts across three continents. Clients are globally renowned brands from all industries, as well as the world's leading private equity firms.

Your contacts:

Isabelle Pinto Carradine
Managing Director
isabelle.pinto@inverto.com

Sebastian Wellmann
Associate Director
sebastian.wellmann@inverto.com

Jan-Dirk Albers
Principal
jan-dirk.albers@inverto.com

Download
Study Results

www.inverto.com

Visit www.inverto.com to find your regional contacts around the globe.