



3 SURPRISING WAYS CONTRACTORS & SUPPLIERS IMPACT YOUR BOTTOM LINE

Most hiring organizations monitor their supply chain for qualifications, safety risks and liability but often overlook other critical business risks with huge impacts. Simply running a credit check or looking at a few small data points when onboarding new suppliers no longer suffices in today's market. Companies must maintain real time visibility into the financial health, reputational risks, and legal issues of their suppliers to avoid costly disruptions, fines and incidents.

Which supply chain business risks should be on your radar?



FINANCIAL HEALTH

Do you have full visibility into the financial health of your supply chain?

Have you considered what would happen if a large supplier went bankrupt and couldn't deliver?

Are you monitoring your suppliers' credit score fluctuations, late payments, bankruptcies, fines, liens, etc.?

55% of organizations feel that suppliers' insolvency is one of the leading financial risks originating from the supply chain.¹

In 2020, supplier financial risk represented **48%** of all risk events.¹

Companies facing financial pressure have **5-15% more safety incidents.**²

Supplier financial risk caused **product release delays by a 302%** increase in 2020.³



LEGAL ISSUES

Are you monitoring your suppliers' lawsuits, legal proceedings, criminal activity, investigations, sanctions violations, child labor, etc.?

What are the ramifications if one of your suppliers was sued for millions?

Would they be able to complete your projects?

65% of the world's iron is sourced from sanctioned countries.⁴

35% of General Liability claims result in lawsuits.⁵

In 2021, the US Office of Foreign Assets Control assessed over **\$20.8 million** in penalties, settlements, and violations.⁶



REPUTATIONAL RISKS

Are you monitoring your supply chain for negative media reports about investigations or potential criminal activity?

What if one of your suppliers became entangled in criminal activity? Would their workers complete the job? How would your reputation suffer?

From scandals to fraud, consumers and employees increasingly care about organizations' reputations. Companies with a poor reputation pay an average of **10%** more per hire.⁷

88% of consumers trust online reviews as much as personal recommendations.⁸

70-80% of an organization's market value comes from intangible assets, like brand equity, goodwill, and intellectual capital.⁹



Three Ways to Mitigate Business Risk:

1

Streamline onboarding. Find and hire top notch contractors and suppliers based on safety compliance, financial health, legal compliance, reputation, and other critical factors.

2

Continuously & comprehensively **monitor your contractors and suppliers** across sectors and countries in real-time, including media reports, legal proceedings, sanctions lists and credit bureaus.

3

Automate your Supply Chain Risk Management to simplify and expedite the process. Use the latest in multi risk supply chain management technology to gain real time visibility.



Avetta One's Business Risk powered by Creditsafe provides organizations with a global, real-time, comprehensive view into suppliers' financial, legal, compliance and reputational risks, to help you make smarter sourcing decisions and protect your bottom line.

Manage all your supply chain risks in one place with Avetta One. **Learn how to uncover hidden business risks today!**

[Request a Demo](#)

Sources:

¹Risk Report 2021; riskmethods; <https://view-su2.highspot.com/viewer/62d1c6e3ea03e5a76682ca39>

²Research: Workplace Injuries Are More Common When Companies Face Earnings Pressure, 2017; <https://hbr.org/2017/05/research-workplace-injuries-are-more-common-when-companies-face-earnings-pressure>

³Supplier financial risk 'biggest threat to supply chains'; <https://www.cips.org/supply-management/news/2021/april/supplier-financial-risk-biggest-threat-to-supply-chains/>

⁴Compliance Week

⁵The Hartford Reports: More Than 40 Percent Of Small Businesses Will Experience A Claim In The Next 10 Years; <https://newsroom.thehartford.com/newsroom-home/news-releases/news-releases-details/2015/The-Hartford-Reports-More-Than-40-Percent-Of-Small-Businesses-Will-Experience-A-Claim-In-The-Next-10-Years/default.aspx#:~:text=Based%20on%20The%20Hartford's%20claims,in%20the%20past%20five%20years.>

⁶2021 Enforcement Information; <https://home.treasury.gov/policy-issues/financial-sanctions/civil-penalties-and-enforcement-information/2021-enforcement-information>

⁷A Bad Reputation Costs a Company at Least 10% More Per Hire; https://hbr.org/2016/03/a-bad-reputation-costs-company-at-least-10-more-per-hire?ab=at_art_art_1x4_s01

⁸The Importance of Online Customer Reviews; <https://www.invespro.com/blog/the-importance-of-online-customer-reviews-infographic/>

⁹Reputation and its Risks; <https://hbr.org/2007/02/reputation-and-its-risks>