

OPPORTUNITIES AND RISKS IN WORLDWIDE SUPPLIERS EVALUATION PROCESSES



For years, a stream of disruptions has created a persistent state of uncertainty and instability in global supply chains but disruption is far from over. Geopolitical conflict is an ongoing supply chain risk, particularly in critical corridors, or pinch points, of supply. Disruptions and damage from weather-related disasters are unrelenting, and will continue as a result of droughts, fires, flooding. Trade tensions are choking the movement of semiconductor products, manufacturing equipment, and other critical materials.

The year 2025 sees significant changes to global supply chain infrastructure – a necessity for the resilience of the nations and alliances that depend on it. AI may hold the key.

The widespread adoption of advanced technologies will catalyze the digitalization of supply chain management, change how products and services are made and delivered, and enable the sharing of supply chain information in new ways. Companies that pilot and apply emerging technology platforms to traditional management will realize the kind of optimization the industry has sorely needed.

Supply chains are continually becoming more globalised, with the need for international trade, around-the-world shipping, and complex supply chain links driving the need for visibility and transparency in the supply chain.

2025 Challenges

Geopolitical and Trade instability

Geopolitical risk and political conflict between major states are often leading sources of disruption for global supply chains. While some events are less easy to predict, there is typically an evident build-up towards these events, allowing businesses to prepare ahead of time and find alternative suppliers if they know that disruptions will ensue.

Businesses must monitor potential conflicts and attempt to design resilient supply chains ahead of time. Early preparation will allow disaster businesses to effectively overcome potential roadblocks and find effective contingency plans.

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Climate and Environmental Disruptions

Over the past few decades, the number of natural disasters across the globe has starkly increased. This trend has continued to accelerate, with more disasters being recorded each year.

Natural disasters can create major supply chain disruptions. Considering recent data, 2025 is likely to be another year full of disasters around the globe, making this a key trend to consider in 2025. Businesses must conduct extensive risk assessments on their suppliers to ensure that disruptions do not derail their production schedules.

Workforce Challenges

Another challenge that can disrupt supply chains is the lack of an available workforce. There are numerous ways that this can occur, ranging from the changing workforce dynamics reducing the desirability of certain industries to skill gaps in the market meaning that there aren't enough skilled workers to take on the role. When a sector is facing workforce challenges, they are unable to maintain maximum productivity, often leading to delays or cancellations that impact the wider supply chain. In some countries around the world, the labour force participation is incredibly high, with countries like Switzerland, Angola, and Slovakia all ranging between 84-95% participation.

In other countries like the USA, this figure is down to around 60%, which could pose significant problems in the future. Businesses should strive to find suppliers that have a lower risk of workforce challenges to ensure the continuity of their supply chain in the future.

Cybersecurity Gaps

Supply chains are increasingly relying on technology, with the use of blockchain technology, AI, and other central factors becoming essential in supply chain visibility and continuity.

However, due to this increased reliance, the potential impacts of cybersecurity attacks have become more pronounced. With that in mind, cybercriminals have more leveraging power when targeting a company's supply chain. Companies often have larger attack surfaces due to relying on a wider spread of technologies, which can potentially lead to more unknown vulnerabilities that malicious actors can focus on.

Investing in cybersecurity protection, continually monitoring networks, and staying up-to-date with the leading practices in cybersecurity are all vital for supply chain management in 2025.

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ESG

In recent years, environmental, social and governance (ESG) requirements put immense demands on supply chain leaders, as the supply chain is a key avenue to meet organizational ESG targets. This responsibility is set to continue in 2025, but with even more on the agenda.

Industry transformation

Industry transformation has been in motion for some time, driven by the energy transition agenda, advanced technology and robotics, and rapid product innovations for some. This environment has led to the need for large scale operational change, requiring new skills, and changing workforce needs.

In 2025, industry transformation requires supply chain and procurement personnel to adapt even more to new technologies and be ready to upskill and reskill. Facilitating new responsibilities for supply chain roles, such as transport and logistics managers, category managers, spend analysts, and data and AI modelers, will likely become increasingly important for success.

Human Migration on a Mass Scale

Transnational labor migration is an established trend, but the past several decades have seen an increase in mass migration, with more than 240 million people living outside their countries of birth. More recently, we breached an ominous global milestone: the greatest number of forcibly displaced people ever recorded. By the end of 2016, a staggering 65 million individuals had been forcibly displaced—a rate equivalent to 20 people forced to flee their homes due to persecution, violence, or conflict every minute. Internal migration within countries like China also contributes to changing labor dynamics and is projected to increase. This mass movement of people and the circumstances of their migrations have shifted economic potential within countries and introduced new challenges and opportunities for companies seeking to respect and support human rights across their global supply chains. For example, migrants are particularly vulnerable to labor abuses due to language barriers, lack of formal networks, and limited legal protections.

Shifting Consumer Demands and Changing Market Demographics

Advances in digital technology have enabled high levels of personalization in marketing and product design and fuel the growing on-demand economy. In the U.S. alone, consumers are spending nearly US\$60 billion in on-demand services such as online marketplaces and transportation. Adding complexity to this trend, as companies look to meet demand for custom goods and faster delivery times in some parts of the world, they are also looking for growth opportunities in new markets and among new customer groups, including “base-of-the-pyramid” populations. These dynamics are likely to push companies in a range of industries to site sourcing and finished goods manufacturing to be closer to end customers. By 2025, many supply chains may shift from global flows of goods and services to national, regional, and local networks of buyers and suppliers.

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Challenges to overcome 2025 supply chain risks

With the vast array of potential supply chain risks that may face businesses over the coming months and years, it's always an effective choice to begin to prepare strategies to mitigate risk as early as possible.

Here are some strategies that will help businesses to identify and mitigate risk while building supply chain resilience and enhancing risk management.

Proactive risk identification: Implementing real-time monitoring systems is one of the most effective ways of detecting risks as early as possible. AI-driven platforms like Prewave offer businesses early warning systems that they can leverage to give themselves as much reaction time as possible to respond to events and even detect disruptions ahead of time.

Enhanced collaboration with stakeholders: Building stronger relationships with both suppliers and logistics providers allows businesses to enhance communication channels and improve coordination. With strong relationships, companies can more easily shift between suppliers, manoeuvre challenges, and improve collaboration.

Investment in technology: Technology has become central in the process of building resilient supply chains. From blockchain and IoT devices to automation technologies and AI, making practical investments in important technological architecture can help future-proof supply chains.

Strengthening workforce training: Upskilling employees with on-the-job training and educational seminars allows workers to enhance their proficiency in their job roles while simultaneously helping to address labour shortages.

Streamlining regulatory compliance: There are numerous regulatory initiatives that businesses need to follow. By utilising tools that streamline compliance, like Prewave, businesses can always stay one step ahead of new regulation.

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The Supply Chain of the future

To design a supply chain that is fit to flourish in 2025, supply chain leaders should anticipate how key forces of change will impact their supply chains and look to evolve their supply chain management approaches accordingly. This inflection point is an opportunity for forward-thinking supply chain leaders to build future-fit supply chains that both drive progress on top procurement priorities and advance the sustainable business agenda.

Though there is significant uncertainty in how these forces of change will unfold, supply chain leaders can take concrete steps today to plan for a broad set of possible future scenarios.

Below are five recommendations for how companies can embrace and capitalize on the key forces of change that are changing supply chains and achieve their top procurement priorities in the process. BSR will be working with companies over the next year to test these recommendations and identify other solutions to add to this initial list.

Rationalizing the Supply Base

While not a new trend, procurement professionals describe reducing the number of suppliers and third parties in their supply chains as a high priority for the future. Simplifying supply chains creates business efficiencies and can help to reduce uncertainty and risk. A more streamlined supply chain increases the importance of each supplier relationship, creating incentives for companies and suppliers to collaborate on development opportunities and innovation projects. It is also critical that this rationalized set of suppliers is fit for the future, keeping pace with technological advances and aware of how global trends are shaping their businesses. Working with a smaller number of suppliers creates the conditions under which traceability, supplier partnership, and supplier-enabled innovation can flourish.

Realizing Cost Savings and Optimizing Working Capital

Delivering commercial benefit to the business is a core element of procurement that will continue to be crucially important from today through 2025. However, procurement leaders are looking to realize these goals in new ways in the future. Improvements in real-time data availability allow for more dynamic decision-making, which can in turn support cost savings and enable procurement to more efficiently manage cash. For example, procurement can combine real-time demand data with historic trends to predict stock outages before they happen and direct replenishment. Improved technology can also allow for real-time insights into invoice approval status and facilitate faster transactions.

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Improving Risk Prediction and Management

Risk mitigation will continue to be paramount for procurement leaders through 2025, but the approach to delivering on this priority is changing. Legal requirements and stakeholder expectations for risk screening and due diligence are increasing, and procurement leaders will need to leverage more sophisticated tools, triangulate information and data from more sources, and scan for risks in deeper parts of the supply chain than ever before. In the past few years, there has been tremendous growth in the number of tools and technologies available to support supply chain risk prediction, and many of these include sustainability dimensions, such as environmental, ethical, and human rights risk monitoring. Procurement leaders are working to understand and test the capabilities of these tools and considering integration into and interoperability with existing systems across the business.

Providing Strategic Foresight to the Business at the Highest Levels

CEOs increasingly look to CPOs to understand market dynamics, support business agility through foresight, and enable differentiation through innovation with suppliers. In 2025, the role of the CPO may include even more focus on providing this kind of strategic foresight to the business, understanding forces of change and uncertainty, and translating weak signals about supply chains into valuable business intelligence. Oxford Economics and SAP found that procurement executives among high-revenue-growth companies are more likely to say procurement within their company is becoming more strategic and more collaborative and also that procurement data and information is being used across the company

Plan for the Supply Chain Impacts of Automation and Migration

Mass migration on a scale previously unimaginable, combined with projections that significant numbers of workers will be displaced by automation, will increase volatility in supply chain labor dynamics; companies need to evolve their approaches accordingly. Companies can mitigate this volatility through fostering responsible and inclusive labor practices. For example, businesses sourcing from regions impacted by mass migration can re-direct resources to engage with industry peers and cross-border actors, including government, labor unions, and employers, to reinforce legal frameworks and insist on better enforcement of labor laws. Companies with supply chains that expect significant uptake of automation through 2025 can insist that key suppliers develop clear plans to support a sustainable workforce transition. Business can also support the empowerment of individual workers within their supply chains through enabling them to participate in and lead trade unions and other forms of worker representation, by using technology like mobile apps to help workers understand their legal rights, and through evolving technologies that directly gather workers' views.

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Innovating and Collaborating with Suppliers

Supplier relationship management is at the heart of many leading procurement organizations today. Looking to the future, procurement teams will increasingly look to suppliers for innovation in products and processes, and to partner on areas of mutual benefit. For example, companies describe opportunities to strengthen demand planning and inventory management in tandem with suppliers. Others highlight a need to enhance their supplier development platforms in order to achieve public-facing sustainability goals, such as science-based climate targets.

Build Responsible Regional Sourcing Hubs

Growth in new markets and demographics and meeting customer demands for customized, on-demand goods and services will require understanding and meeting new consumption patterns and preferences, as well as providing goods and services in new locations and formats. In response, supply chain leaders will have an opportunity to develop nimble, regional supplier networks that can meet both commercial expectations and sustainability aspirations. Companies can build on the lessons learned in well-worn sourcing locations such as China to develop smart sourcing models in emerging hubs such as sub-Saharan Africa.¹⁶ Supply chain leaders will have the chance to embed social and environmental responsibility into the design of these regional sourcing hubs and to leapfrog supplier monitoring activities that have not delivered improvements in labor conditions or environmental resilience.

Digitalize Supplier Assessment and Engagement

With more data about supply chains produced and disseminated than ever before, supply chain leaders have the opportunity to rethink how they collect and interpret supply chain information. Practitioners will need to hone in on the supply chain information that is decision-useful in a sea of available data and dashboards and will need to reconsider which data they need to commission and how it is collected. Supply chain leaders looking to the future should firmly weigh the value of investing resources in a battery of one-time, on-site supplier audits when open access channels, such as the IPE Blue Map, already publicize factory emissions and wastewater in real time, and numerous digital platforms exist today to assess worker satisfaction and engagement, as described by workers themselves. In supply chains likely to be disrupted by automation, recalcitrant labor issues like wages, working hours, and safety are likely to be supplanted by new challenges such as responsible down-sizing and re-skilling of supply chain workers. Today's audit and remediation processes will hardly be fit for purpose to support responsible factory closures or retraining programs, and therefore supply chain leaders planning for the impact of automation will need to guide their teams from a focus on corrective action plans toward leading a sustainable transition in partnership with their suppliers.

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Strengthen Supply Chain Transparency and Disclosure

In the context of high levels of uncertainty about the future of global trade and of the regulations that shape mandatory corporate disclosures about sourcing practices, futuristic supply chain leaders can prepare for a variety of possible future scenarios through enhancing both visibility into supply chain practices and disclosures about those practices. Enhanced transparency will support supply chain leaders in the case that global trade is transformed by political shifts toward economic nationalism and will be valuable should free trade continue. Likewise, improving the quality and scope of supply chain disclosure will enable practitioners to stand ready should regulatory requirements increase and to weather the increased stakeholder scrutiny that is the likely corollary of a weaker regulatory environment.

Embed Climate-Smart Supply Chain Planning

To prepare for the changing physical environment and other supply chain risks related to global climate change, companies will need to factor climate risk and preparedness into supply chain planning models, seek alternative materials and resources where necessary, and look for new ways to secure supply and minimize disruptions in their supply chains.²⁰ This will also mean partnering with suppliers that share a commitment to climate awareness and action and providing incentives and access to technical and management skill-building to suppliers that lag behind peers. Suppliers situated in jurisdictions that have already made policy commitments to transition to low-carbon economies—such as China and India—are likely to accelerate their contributions to global buyers' visions of climate-smart supply chains. In all industries, climate-smart supply chain planning should become a fundamental part of good supply chain management from today to 2025.

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In such scenario presenting risks and opportunities, it's necessary to take into account that is crucial the correct evaluation of a supplier.

Thanks to SkyMinder, CRIF BTB risk information platform enabling international business, it's possible to access to different solutions crucial for the companies' evaluation in a supply chain scenario. It's possible to cover all the evaluation paths, considering local specificities in terms of data availability linked to legislation requirements.

Starting from Full Reports and Slim Report, is possible to have general information about the company, evaluation data, financial information, company structure, and negative information. Combining Monitoring solutions, changes affecting the company are provided to review the relationship if required. Company structure and shareholders are provided by verification report. Compliance aspects are becoming more and more important in an evaluation process intending to detect involvement in financial crimes or other crimes. Thanks Extended Check Report and Compliance Report provided a complete overview related to criminal activities. Knowing in advance that a business partner isn't involved in such actions, helps to exclude future negative impacts on business. Cyber Risk attacks are one of the main threats to the supply chain. Starting a check on how partners' IT system is open to vulnerability, is a good starting point in minimizing potential disruptions. Kynd Cyber Risk Report provides an overview of possible weaknesses.