



Blog

# How to identify and mitigate supply chain risks before they become a reality

Sage

The ability to contend with a myriad of potential risks and disruptions is make or break for the modern supply chain. From natural disasters and political instability to fluctuations in demand and supplier failures, these risks come with severe.

A seemingly simple disruption can come with ripple effects that lead to production delays, increased costs, lower product margins, and lost revenue, so brands have a lot to lose by waiting for a crisis to strike. Maintaining a competitive edge means proactively addressing these vulnerabilities and transforming supply chain chaos into supply chain predictability.

The good news is that brands can build supply chain resilience and efficiency by adopting a thorough risk management strategy. This is how brands can identify risks, assess their impact, and fold ongoing risk mitigation into their day-to-day operations to not only protect themselves against costly disruptions, but also improve their supply chain performance long-term.

### Phase 1: Risk identification

#### Mapping the supply chain to create risk profiles

The first step towards effectively managing these risks is to map out the entire supply chain and create risk profiles for each node, like suppliers, manufacturing locations, and ports. This process makes it easier to visualize weaknesses and strengths within the logistics network by clarifying important considerations—like the geographic concentration of your suppliers, and their suppliers—and where your most critical materials and parts come from.

Routes and modes of transportation should be mapped next, to shed light on inefficiencies in transit and potential risks from weather or port congestion. For instance, a supplier located in a region prone to natural disasters might be associated with more risks than one situated in a stable environment.



## Phase 2: Impact assessment

### Scoring risk profiles

Once the risk profiles are established, the next step is to score each profile based on three key factors: the impact of the risk, the likelihood of its occurrence, and the organization's preparedness to deal with it—for example, how long it would take them to change suppliers.

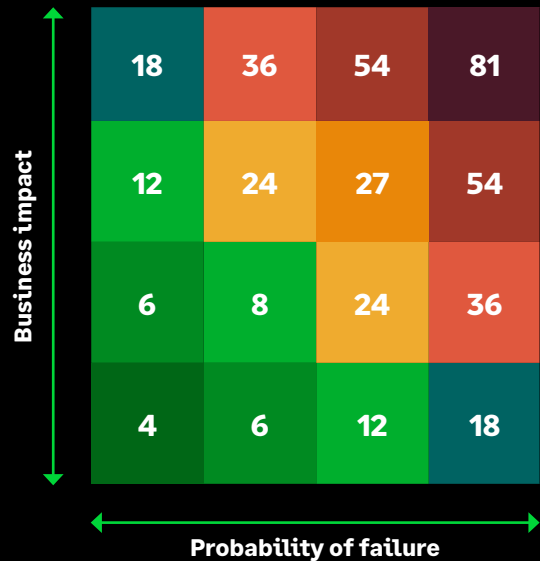
The key to a valid assessment is ensuring a consistent scoring methodology that's aligned with the company's overall risk appetite. In practice, each risk can be assessed using a standardized and weighted scoring methodology like the one below to assign each factor a score of 1-3.

Risk factor	Score		
	1	2	3
<b>Business impact</b>	0.5% of revenue	5-25% of revenue	> 25% of revenue
<b>Source type</b>	Competitive	Single-sourced	Sole-sourced
<b>Time of change suppliers</b>	< 4 weeks	4-8 weeks	> 8 weeks
<b>Probability of event</b>	0-30%	31-60%	> 60%

From there, the scores are multiplied to determine the severity of the risk. For instance, a high-impact risk that is likely to occur but for which the organization is unprepared would score particularly high, indicating an urgent need for attention.

Done right, a standardized system for quantifying the impact of each risk will ensure brands focus their resources where it matters most so they're always in a position to mitigate potential disruptions.

And on that note, perfect segue—



## Phase 3: Risk mitigation

### Monitoring supply chain risk metrics

To keep tabs on the high-priority risks identified in phases one and two, brands should monitor key risk metrics that shed light on early warning signs and empower them to respond proactively.

Some of the most telling supply chain delay risk metrics include:

#### 1. Days Estimated Lead Time

With so many potential variables and complexities affecting lead time, this metric helps supply chain managers forecast fulfillment times so they can build a buffer into the production timeline to ensure goods are delivered on time.

#### 2. Days Before Estimated Ship Date

When each supplier in a logistics network operates with a different lead time, this metric is how brands can anticipate disruptions at a glance. If a supplier requires 60 days lead time and a brand places an order that needs to be shipped in 30 days, this metric tells supply chain teams they need to take action to prevent delays.

#### 3. On-Time Delivery Performance

This metric provides valuable performance insights for suppliers, carriers, and logistics partners, and is pivotal for overall supply chain efficiency. It reveals the percentage of orders that are delivered within the expected timeline from the supplier, providing brands with historical data to help forecast potential delays.

#### 4. Customs Clearance Time

Delays in customs clearance are usually caused by documentation issues, regulatory changes, or high volumes of shipments—and this metric is how supply chain teams can plan accordingly to mitigate delays and honor delivery timelines.

#### 5. Inventory Replenishment Time

This metric tracks the amount of time needed to restock and replenish inventory levels once they reach a predetermined reorder point, making it easier for teams to maintain optimal stock levels and meet customer demand.

By regularly reviewing these metrics, brands can spot trends and deviations from expected performance at a glance, and address them before they escalate. Continuously measuring these potential risks not only helps mitigate them—but also helps brands optimize their supply chain over time for peak efficiency and resilience.



### Conducting regular supplier assessments

Regularly assessing supplier performance is essential for effective risk management for the same reasons as monitoring delay risk metrics—by evaluating supplier performance over time, brands can flag potential risks and identify opportunities for continuous improvement.

Supplier scorecards are one of the most practical ways to establish a structured process for defining meaningful KPIs, measuring performance against clear benchmarks, and facilitating ongoing evaluation.

Taking a systematic approach to supplier performance helps build accountability and incentivizes suppliers to swiftly address potential issues before they become a full blown risk for brands. In turn, brands glean valuable insights into supplier reliability so they can make better partnership decisions and adjust their overall supply chain strategy if necessary.





## Gain supply chain risk visibility with Sage 100 and Sage Supply Chain Intelligence.

There's a common theme across these tactics for mitigating supply chain risk: enhanced visibility. Risk identification and impact assessment will only get brands so far without the ability to analyze real-time data at every stage of the supply chain.

Access to the right information at the right time is mission critical for proactively handling potential disruptions—and real-time visibility is the secret to effective decision-making, timely interventions, and effective stakeholder collaboration to prevent a ripple effect of delays throughout the supply chain.

Sage Supply Chain Intelligence PO management platform provides an in-depth and up-to-the-minute view of operations to help brands act on data-driven strategies, drive steady improvements, and build resilience against supply chain disruptions. When integrated with Sage 100 ERP, brands have an automated view across their supply chain vendors, facilitating a synchronized workflow. All teams across the organization can now stay informed on order updates and get access to all necessary information.

To learn more visit [www.anvy1.com](http://www.anvy1.com)

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