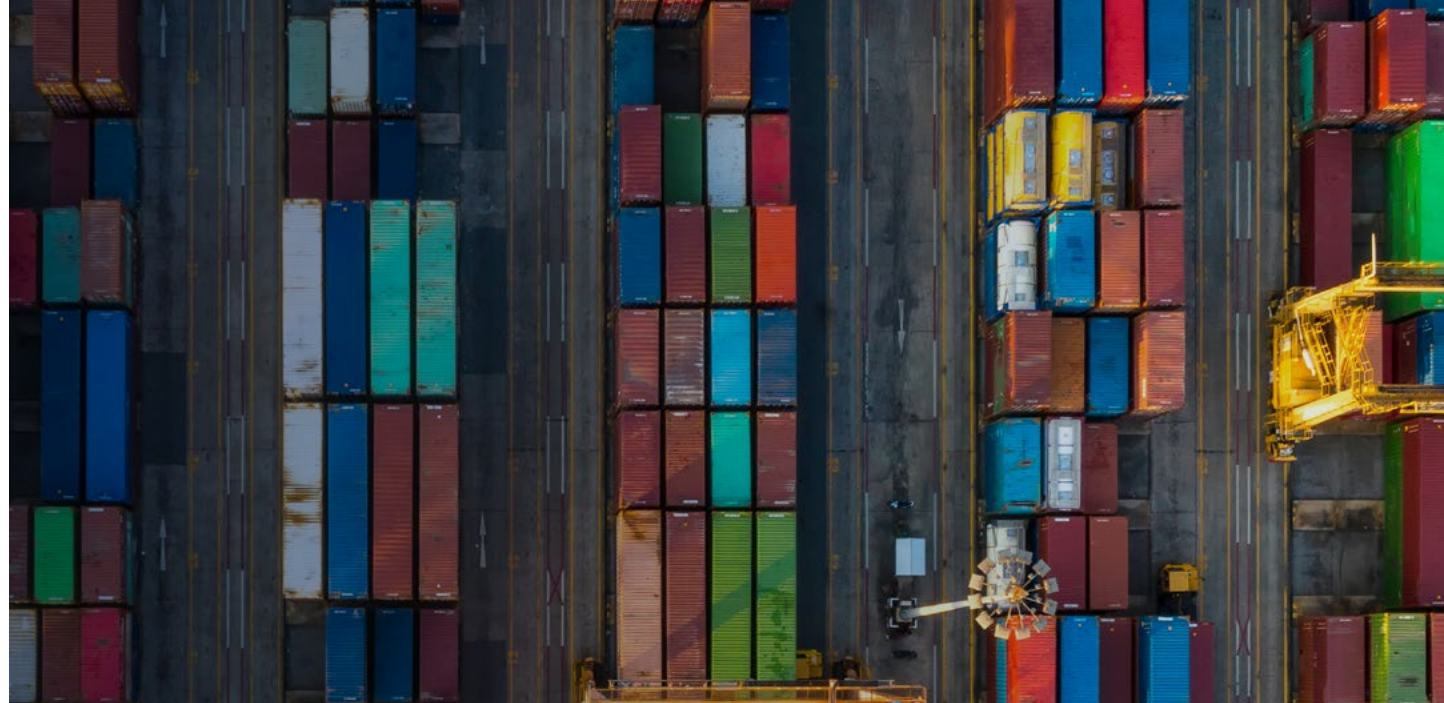




# Safety Drives Savings

Why Procurement Must  
Prioritize Supplier Compliance



## Introduction

Spend Matters, an industry research firm, suggests that procurement organizations are increasingly focused more on driving “soft” factors that contribute to savings and ROI rather than “hard” ones such as direct cost reduction. The additional areas increasingly center on risk management (supplier, supply, and supply chain), corporate social responsibility (CSR), and compliance. This includes supplier on-boarding, credentialing, and safety.

But curiously, supplier compliance and safety is not just a soft factor when it comes to the cost of supply and labor, whether it goes into COGs or SG&A line items. The savings from investing in these programs is quantifiable, which is precisely why more advanced procurement organizations are caring more and more about it.

# Safety Drives Savings

Content written & provided by:

**Jamie Brener, CWCP, ERIS, CIC**

Senior Advisor, Procurement & Insurance  
Veriforce

**Jason Busch**

Founder & Managing Director  
Azul Digital

DID YOU KNOW?



Based on estimates from the International Labour Organization (ILO), nearly **\$3 trillion** in world GDP is lost based on occupational safety related “accidents and diseases.”



According to Milbank Quarterly, in the United States, “the number of fatal and nonfatal injuries is estimated to be more than 5,600 and almost 8,559,000, respectively, at a cost of **\$6 billion** and **\$186 billion**.”

Globally, according to the European Agency for Safety and Health at Work, related economic costs by country for safety-related issues can be as high as 4% (Sweden). The Journal of Occupational Health and Hygiene further suggests that overall firm performance (competitiveness) and safety are correlated. Specifically, **“the lower the number of accidents the higher is the competitiveness and productivity.”**

The same study quotes ILO findings that safety costs impinging on the bottom line including worker turnover (employee and non-employee), training, loss of output, higher insurance premiums, and legal costs. Further, when combined with additional “Community” costs such as “social payouts, investigations, inspections, medical subsidies,” etc. The costs of non-compliance for safety can form a material percentage of actual contractor spend.



# The Challenge

Despite the clear, savings-driven value proposition for investing in supplier compliance and safety, several factors hold procurement organizations back from elevating this decision to the forefront of their technology investments. One of the challenges is many organizations falsely assume their existing investments, such as the procurement components of ERP systems, specialized sourcing, and procure-to-pay, can provide similar capabilities - and that turning on a switch or configuration in a particular system will “do the trick” when necessary. This is, unfortunately, not the case. These solutions focus on accounts payable onboarding and do not address the nuances of supplier and contractor onboarding, compliance, and safety requirements.

**Beyond technical obstructions and an incorrect belief that existing systems may do the job, other limitations hold procurement organizations back from making supplier and contractor safety a priority.**



## Mixed Ownership

Risks are greater without a centralized leadership armed with data to take responsibility for all aspects of supplier identification, onboarding, and compliance. Procurement may share responsibility with multiple functions and is often viewed as a bottleneck or roadblock versus an enabler.



## Prioritization

In deflationary (commodity, product, etc.) environments, procurement is tasked almost entirely with cost reduction; in rising price and allocation markets, margin preservation and supply continuity (at all costs) is nearly always the priority. Safety and compliance risk may accidentally get deprioritized or backburnered in both situations if there is not an understanding at the leadership level of its impact.



## TCO Confusion

A lack of understanding of the total costs of doing business with suppliers which are not fully and currently vetted including on-the-job supplier performance, rework, etc.



## Misaligned Incentives

Procurement is often only penalized for compliance and supplier risk issues after they occur (if at all) rather than incentivized to proactively reduce risk.



## Poor Options

Manual solutions (Excel, custom surveys, configured fields in existing systems, etc.) are costly to administer based on the time required for dedicated procurement FTEs to vet, review, and, above all, maintain after an initial enablement effort for a specific supplier.

## The Consequences

Most procurement organizations take partial ownership of the supplier and contractor compliance challenge, but fail to deliver continuous improvement while also exposing themselves to significant direct costs as well as brand and reputational risk. This results in billions of dollars of added costs for just the top Fortune companies in North America (let alone the world) this year. It also creates headline-grabbing narratives which can turn regulatory, investor and general customer and public sentiment against an organization, even if they are only complicit by association with an unqualified or underqualified vendor.



# The Solution

The only solution is an approach that systematically takes ownership of compliance and safety challenges throughout the lifecycle of supplier engagement, from search and discovery to offboarding and rehiring, while maintaining accurate information at all stages of the process and also incentivizing suppliers to participate.

Initial steps companies can take to move down the path to this competence and capability include:

- 1** Collaborating with partners to learn best practices and understand the different economics to implement a sustainable solution
- 2** Creating incentives and carving out designated ownership structures
- 3** Quantifying the costs of non-compliance and safety (direct and indirect) to build a tangible business case for investment
- 4** Identifying process and technology touch points with internal programs and systems
- 5** Developing a proper alignment structure internally



# Measuring the Outcomes with Veriforce

Veriforce has developed a supplier and contractor safety solution specifically designed for procurement that can directly drive cost reductions and cost avoidance while helping organizations improve their overall risk profile. Rather than hold procurement back, our philosophy is one of adding speed without risk—reducing friction and making the function more nimble and adaptable.

## The Veriforce Difference

*With Veriforce, procurement teams can count on:*



Reduced risk and fewer incidents



Better data to drive decision making



Quicker access to easy-to-find, compliant suppliers

This approach is mirrored in how we work with your existing infrastructure and systems such as SAP, Oracle, Coupa, and others — we “run in parallel” and fit on top of or alongside other technology systems enhancing the returns on these investments, or helping build the business case for them.



# Veriforce for Procurement

---



Visit [veriforce.com/demo](https://veriforce.com/demo) to learn more, or schedule a demo.



[discover@veriforce.com](mailto:discover@veriforce.com)



800.892.8179