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MIRKETA WHITE PAPER

Beyond Tier 1

The Blind Spot in Supply Chain Risk

Why most supplier compliance and risk programs stop seeing risk exactly where it becomes most dangerous, and what it takes to see further.

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CONTENTS

01 Executive Summary

02 The Visibility Gap We've Normalized

03 Anatomy of a Blind Spot

04 Where Existing Tools Fall Short

05 What Multi-Tier Visibility Actually Requires

06 A Framework for Assessing Your Own Exposure

07 Closing the Gap

08 Conclusion

09 About the Author

A practical perspective on supplier visibility, downstream dependency risk, and the intelligent governance layer needed to act before disruption.

Executive Summary

The majority of the vendor management programs monitor only direct Tier 1 contract partners. What happens down at Tier 2 or Tier 3 among sub-contractors remains invisible until an operational disruption hits.

This is a structural limitation built into the legacy Vendor Risk compliance products. This paper breaks down why existing compliance frameworks fail past the direct contract line, how unmonitored downstream failures propagate upward, and how data models combined with automated document intelligence can make supply chain visibility achievable.

The Visibility Gap We've Normalized

Procurement teams believe they track supplier risks, and they back it with audit reports. However, when the team is asked if these suppliers rely on sub-contractors and whether the sub-contractors have active ISO certifications, adequate liability insurance, or valid environmental clearances, the answer changes immediately.

Organizations tend to treat direct vendor compliance as a proxy for total supply chain health. However, some Tier 1 partners pass every annual audit with flying colors while quietly relying on a sub-supplier whose environmental clearance lapsed three months ago. It is usually too late when organizations find out that there is a challenge to the supply chain due to a direct supplier's supplier.

Anatomy of a Blind Spot

The table below illustrates how a single compliance failure several tiers removed from the buying organization can travel upward, unnoticed, until it disrupts the operations.

Supplier Type	What is happening	Visibility in Traditional Systems
Tier 3 — Sub-supplier	A compliance certification quietly lapses.	Invisible
Tier 2 — Supplier	Inherits the risk without necessarily knowing it.	Invisible
Tier 1 — Supplier	Risk profile has changed, but direct paperwork looks fine	Rarely Tracked
Buying Organization	Discovers the issue only when it disrupts a shipment, an audit, or a contract.	Too Late

By the time risk becomes visible to the buying organization, it has already stopped being a risk and it has become an active operational incident.

Where Existing Tools Fall Short

Large existing platforms meet yesterday's needs

The existing legacy Procurement platforms were developed to manage both cost and procurement contracts. Their underlying data schemas are transactional pairs: Buyer-Vendor. They map money flows, not multi-node dependency trees. Trying to force a 2-node financial system to track N-tier supply networks breaks the core architecture.

Spreadsheet tracking is not scalable

Spreadsheet-based tracking is common across mid-market enterprise operations. While manual workflows can track 50 to 100 direct vendor contracts, multiplying that by sub-suppliers creates thousands of unstructured PDFs, insurance certificates, and audit documents. Without automation, manual multi-tier tracking is not realistic.

What Multi-Tier Visibility Actually Requires

The gap won't be fixed by sending more emails or by performing more manual checks. It requires three core technical capabilities working in tandem:

- **Recursive Mapping:** A relational architecture that maps vendors to their vendors. Instead of evaluating suppliers in isolation, risk must be modeled as a continuous graph hierarchy.
- **Automated Unstructured Document Parsing:** AI-driven document processing that automatically ingests, extracts, and validates dates, coverages, and legal terms from certificates across all tiers without manual data entry.
- **Dynamic Risk Propagation:** Automated recalculation rules so that when a Tier 3 supplier's status changes, that risk rating automatically updates up the chain to flag affected contracts before shipments leave.

A Framework for Assessing Your Own Exposure

Before evaluating any tool or vendor, you need to evaluate your operational exposure. The questions below will help you in evaluating that. If you answer "no" to two or more of these questions, your organization is operating with significant unmonitored downstream risk.

- Do you know how many tiers deep your critical suppliers' own supply chains extend?
- If a Tier 3 sub-supplier has a compliance failure today, how long would it take your risk team to find out?
- Is your current supplier risk tracking automated, or does it depend on someone remembering to check?
- When a supplier's risk profile changes, does your system automatically flag the specific purchase orders or business lines exposed?
- Would you be able to share an accurate, multi-tier risk breakdown for regulators today without launching a multi-week manual investigation?

Closing the Gap

To address this gap, you don't need to tear down your existing systems; all that is required is to add an intelligent layer, capable of handling unstructured vendor documentation and modeling dynamic relationship hierarchies, on top of your

existing system. When a sub-supplier's certification expires, that data point should automatically propagate upward, recalculating overall risk and flagging specific active commitments before a supply disruption occurs.

To address this issue, Mirketa has developed Vendor Governance, Risk, and Compliance Engine (Vendor GRACE). Vendor GRACE is designed to trace compliance status through Tier 2 and Tier 3 sub-suppliers, recalculating risk automatically as conditions change further down the chain; and surfacing that risk before it disrupts operations.

Conclusion

The organizations most exposed to supply chain risk today are the ones whose compliance programs are built around a first-tier view of a multi-tier problem. Every supply chain has a risk beyond Tier 1 and organizations need to identify them before it disrupts their operations.

About the Author

Ajay Jalali is the VP Delivery and Operations at Mirketa, a global IT consulting and services firm specializing in Salesforce, Oracle, enterprise integration, security monitoring, Site Reliability Engineering (SRE), data engineering, and AI enablement.

Ajay works directly with enterprise teams to move AI past initial proofs-of-concept and embed it directly into operational workflows. Whether it's Salesforce, data engineering, or AI orchestration, his focus is always on ensuring technology enables business resilience and growth