

## Driving Value & Increased Assurance Through Third-Party Risk Management

Proactively managing vendor relationships

November 2018

# Extended Enterprise Risk Management

## A proactive approach to vendor management

**Third party risk management (TPRM)** has become a growing challenge, as organizations increasingly rely on outsourced business models to control costs, leverage specialized knowledge and skills, and improve organizational agility.

While this presents significant opportunity, it also introduces commensurate risk that must be **proactively managed** to protect your brand, your customers, and your bottom line.

To combat this risk, leading organizations are consistently adopting **data-driven risk management techniques** to proactively identify emerging risks using internal and external data sources.



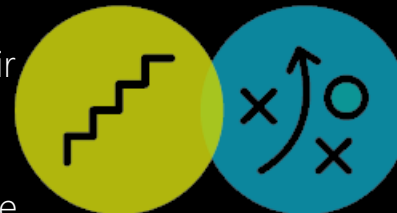
These tools and techniques enable organizations to fast-track their TPRM maturity and protect what matters most.

Insights from our Global TPRM Survey:

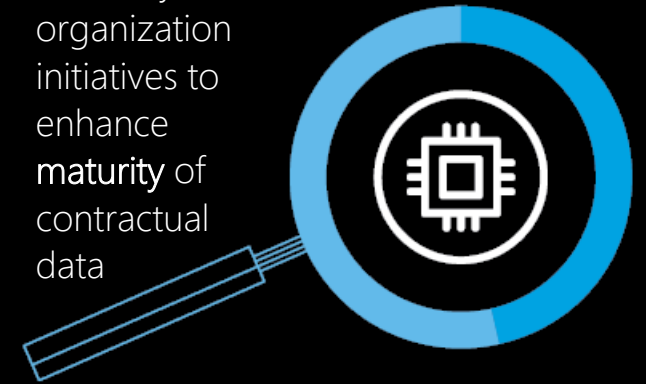
**64%** of respondents have a **reasonable to excellent** understanding of third parties



Just **9%** of respondents have **forward-looking** vigilance capabilities that are well integrated into their processes of managing their extended enterprise



**41%** do not have any organization initiatives to enhance **maturity** of contractual data



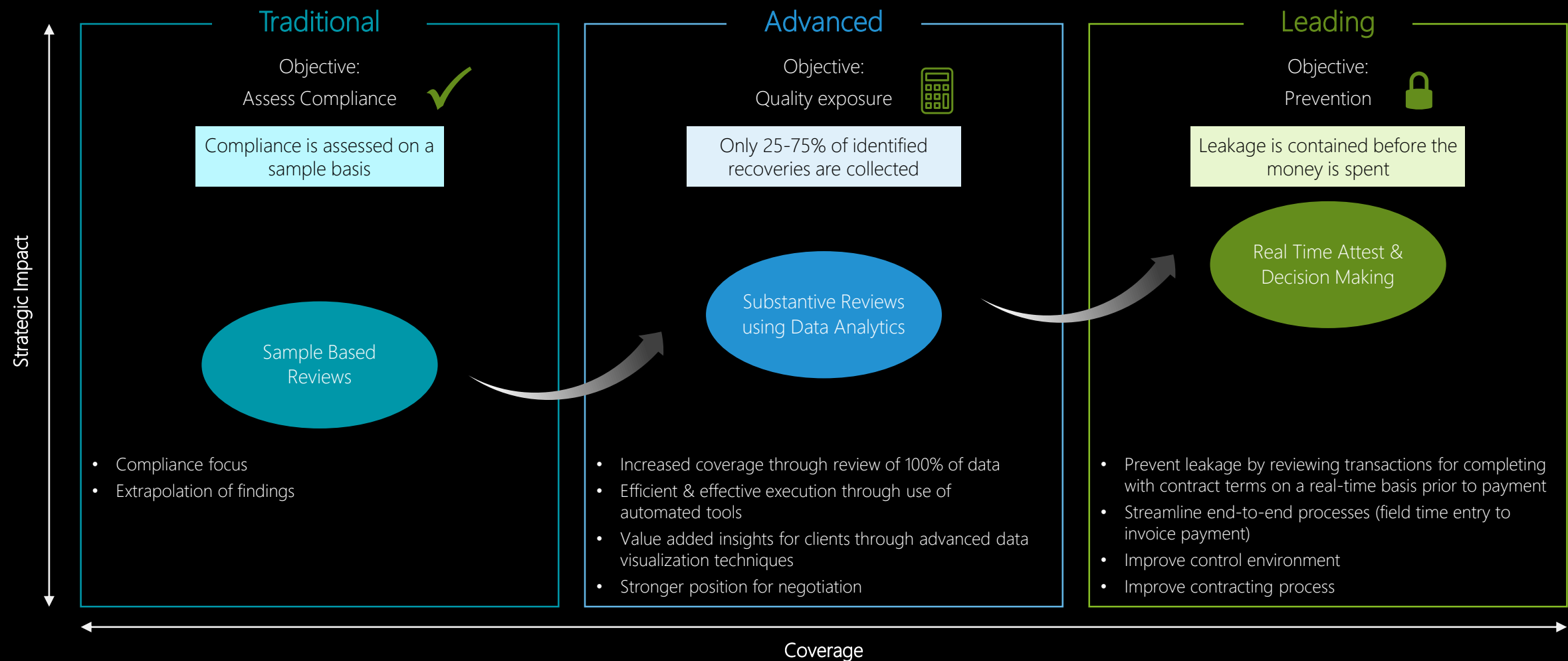
As many as **86%** consider their level of knowledge of third party **contract terms** and related **data** to be limited



# Third Party Risk Maturity Spectrum

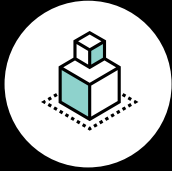
## Evolution of third party risk reviews

Over the past 15 years, third party risk reviews have evolved from a heavily manual process to a technology-enabled solution with a focus on strategic impact rather than compliance aspects. Leading practice is focused upon a **proactive approach to limit cash leakages** before the occur, compared to the more traditional reactive approach.



# Extended Enterprise Risk Management

## Data-driven vendor management: why are organizations taking advantage now?



Enormous **growth of data**



Advancements in **machine learning** and open source **toolsets**



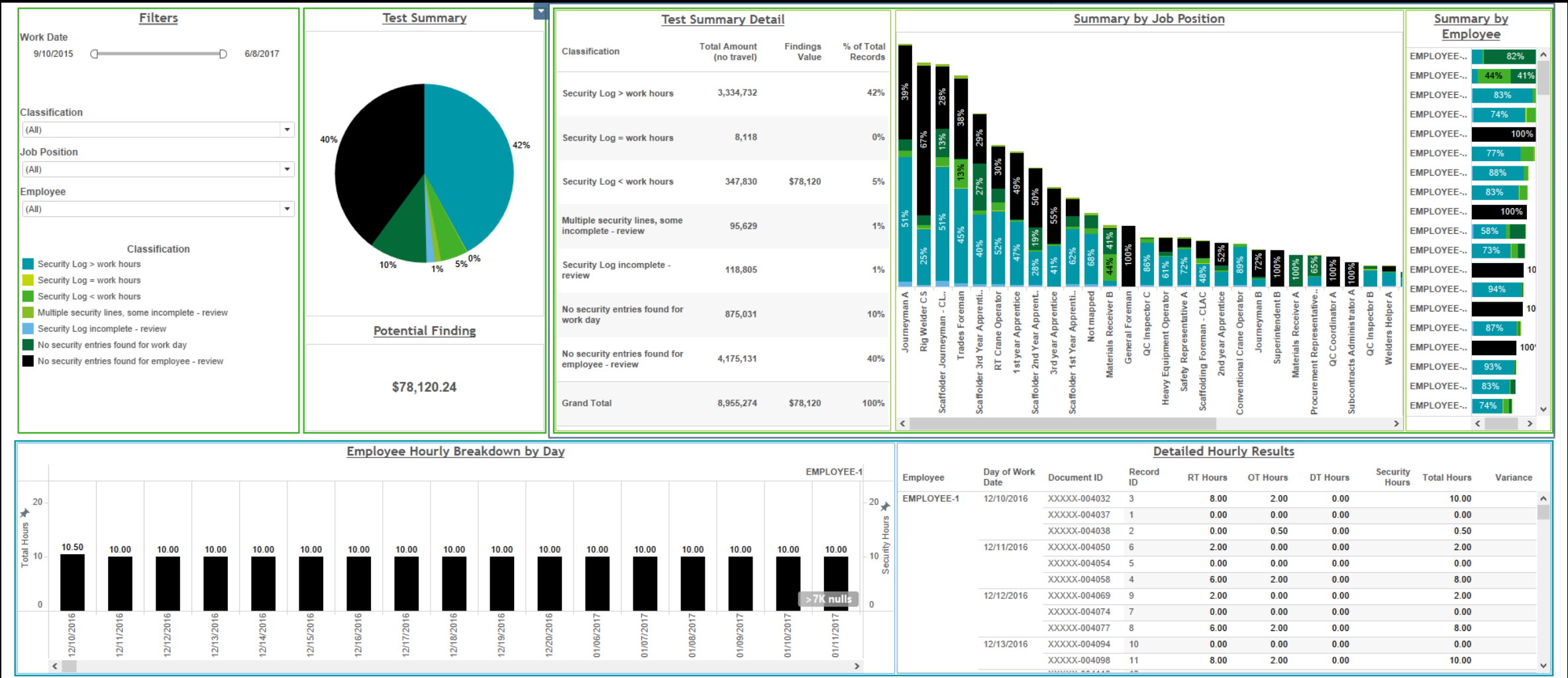
Advancement in hardware and optimization, **making better predictions cheaper**



The rise and growth of **data-driven organizations** that are driving measurable business value and disrupting existing industries

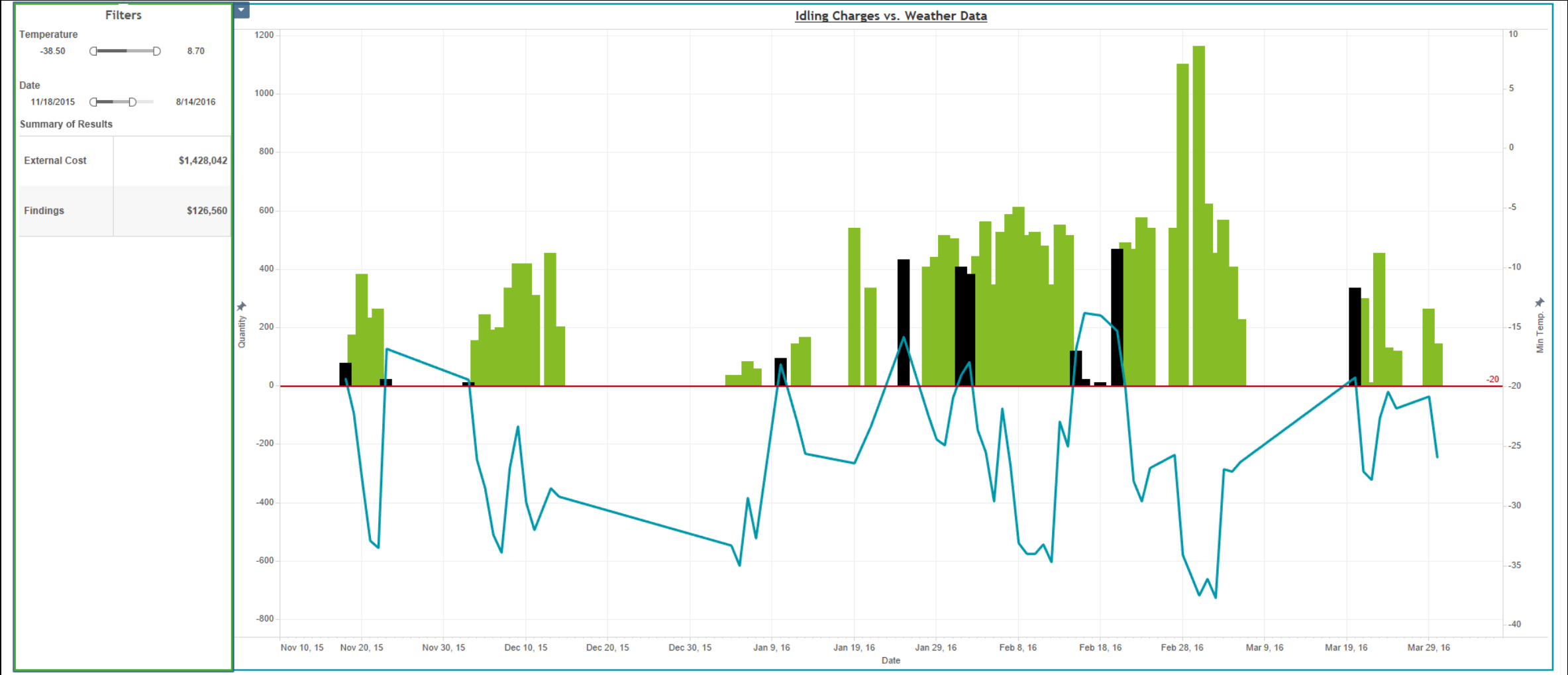
# Safety/Commercial Risk Exposure

## Security Log Analysis



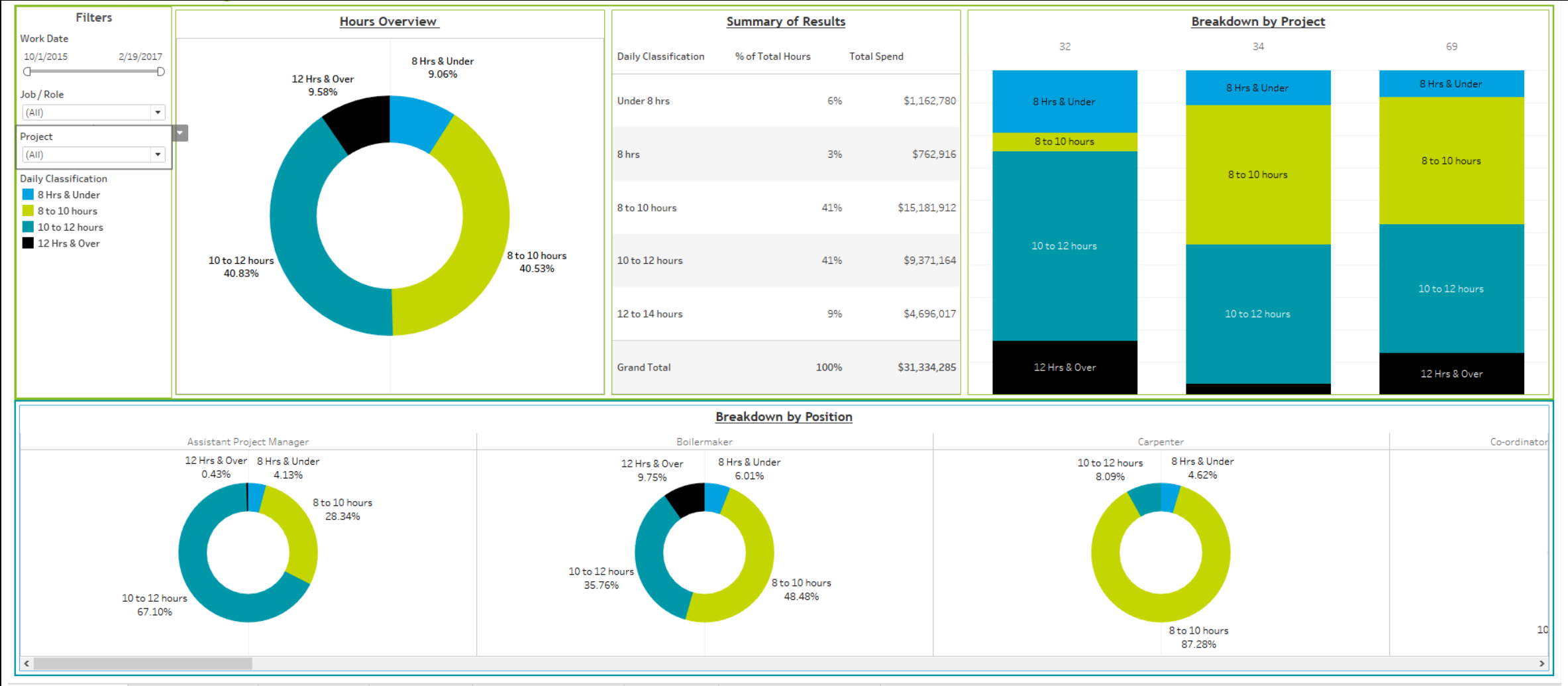
# Logistics/Commercial Risk Exposure

## Equipment Idling Analysis



# Safety/Logistics/Commercial Risk Exposure

## Daily Hours Worked Analysis



# Stakeholder impacts

## Discover savings and operations insights across the organization

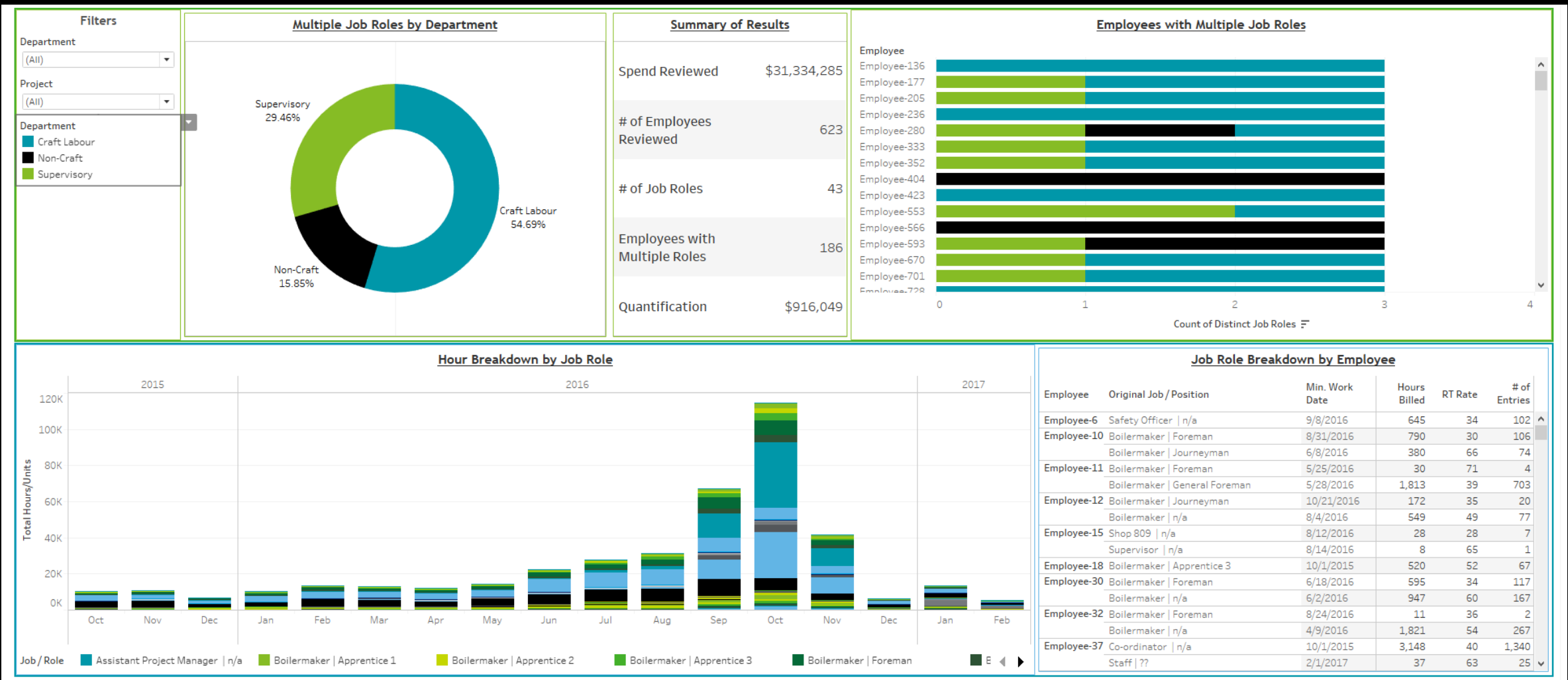
Through integrated **end-to-end**, technology enabled solutions, unlock value throughout the **procure-to-pay** process as opposed to relying on **point-in-time** or **retroactive** approaches deployed through traditional assurance models.

Business	<ul style="list-style-type: none"><li>• Increased access to supplier information to enable <b>benchmarking and comparative analysis</b> (e.g. rate comparisons across suppliers, shift composition analysis, productivity analysis)</li><li>• <b>Less time</b> spent on approving invoices so that they can focus on operations</li><li>• Claims <b>prevention</b></li><li>• <b>Audit trail</b> capabilities embedded into solution allowing the Client to track and quantify cost savings attributed to the Real-Time Assurance solution</li></ul>
Supplier	<ul style="list-style-type: none"><li>• Claims <b>prevention</b></li><li>• <b>Less time spent supporting audit requests</b> that encompass supporting invoice data for the past four years</li><li>• <b>Faster payment</b> of invoices</li></ul>
Supply Chain Management	<ul style="list-style-type: none"><li>• <b>Avoidance</b> of cost leakage and <b>full monetization</b> of such leakage</li><li>• Increased <b>access to supplier information</b> (e.g. payroll data to validate costs, trade tickets to validate qualifications)</li><li>• <b>Improved supplier relationships</b> through implementing scorecards and specific metrics to track performance</li></ul>
IT/Systems	<ul style="list-style-type: none"><li>• <b>Complementary</b> to existing tools and systems leveraged by the Client</li><li>• <b>Accretive value</b> realized through capturing data at a <b>more granular level</b> than contemplated with existing systems</li><li>• Creation of <b>automated audit trail</b></li></ul>
Legal, Internal Audit	<ul style="list-style-type: none"><li>• Mutual understanding of <b>key contractual terms</b></li><li>• Remediation of contract ambiguities <b>early</b> in the supplier relationship resulting in less legal claims</li><li>• <b>Audit trail</b> capabilities allowing Clients to track and quantify <b>process improvement / future cost savings opportunities</b></li><li>• <b>Improved Governance</b> over broader vendor population</li></ul>



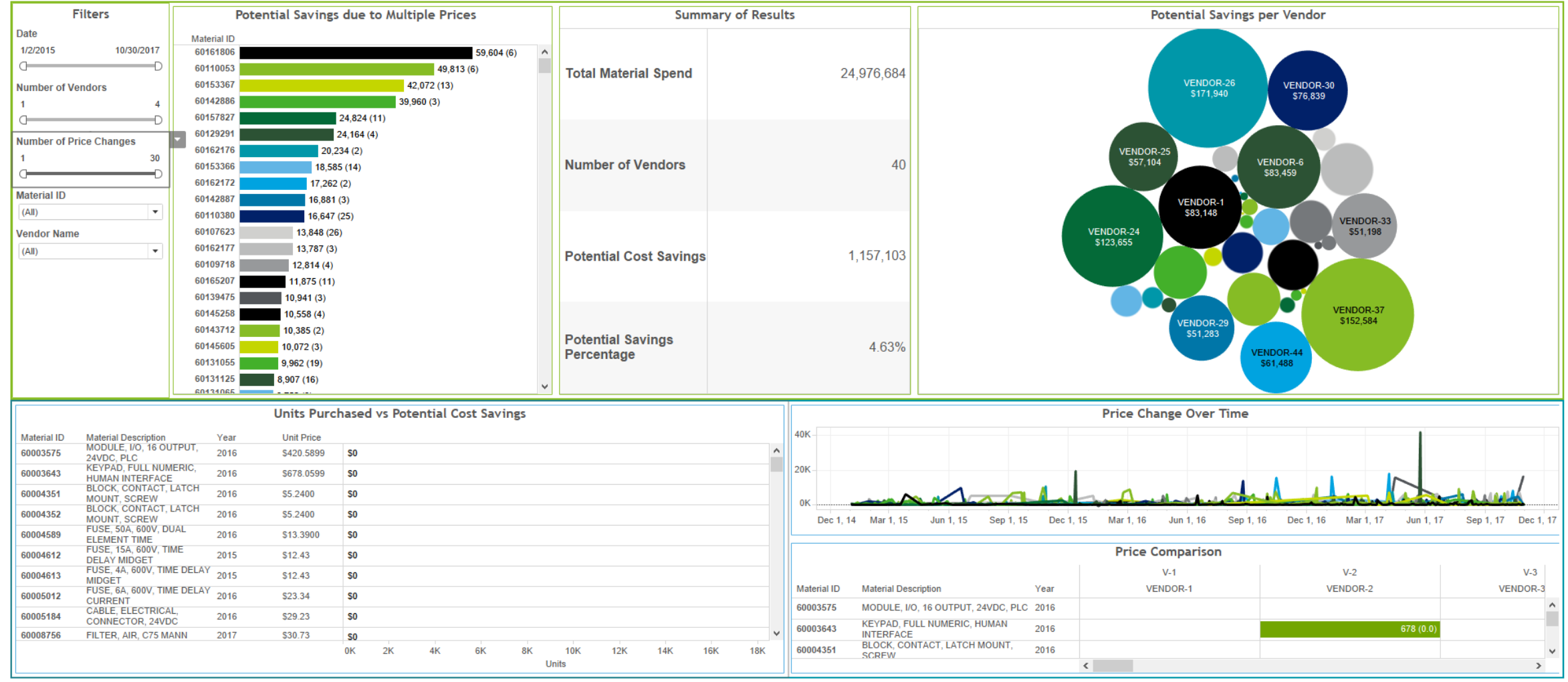
# Logistics/Commercial Risk Exposure

## Multiple Roles Analysis



# Logistics/Commercial Risk Exposure

## Materials Spend Roles Analysis





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