

5 Activities of Offboarding a Vendor

For one reason or another, vendor relationships don't last forever. Whether your organization's needs have changed or the vendor is no longer performing well, sometimes you'll have to offboard a vendor. The offboarding process should be thoroughly planned and tested to minimize the potential for serious issues.

Do the following to ensure the process goes smoothly:

1

Follow the Identified Strategy

Your organization should know how to end the relationship before selecting a vendor and signing the contract. In advance of contract termination, consider contract language, termination costs and a documented and tested exit plan for critical or high-risk vendors. It's a best practice to understand what you might be facing if and when you decide to offboard your vendor.

Here are four common exit strategies:

- Replace the vendor
- Bring the activity in-house
- Terminate the activity
- Combine the three methods of replacing the vendor, bringing the activity in-house or terminating the activity

2

Validate and Test the Process

Reviewing and validating your exit strategy is essential, and whenever possible and practical, you should test the plan. For example, if you plan to bring the activity in-house, run a functional test to ensure that the resources intended to handle the work have the proper skillset and capacity to take over from the vendor.

3

Validate the Pros and Cons

The decision to end a vendor relationship shouldn't be made lightly. You should be able to validate your decision to terminate and make sure you're aware of any financial implications. If you're ending the relationship during the contract period, you'll also want to make sure you have the right to do so. Any termination notification requirements will also need to be followed.

4

Terminate the Contract

The offboarding will proceed much easier if you maintain regular communication with both the vendor and your internal stakeholders. Taking this action will help avoid any misunderstandings or confusion throughout the process.

This activity will also include the following activities:

Recovering Assets

Make sure to retrieve or ensure the destruction of any of your organization's or its customers' data that the vendor has in their possession. Confirm the return of any of your organization's equipment or other assets. Vendor access credentials should also be deactivated for any systems, data or your organization's facilities.

Considering Issues

If there are delays to return the equipment or confirmation of disconnected systems, document as part of your risk management program. Make sure an owner is assigned and escalate the issue to legal or senior management as needed.

Finalizing Payments

Any open invoices should be paid in full before the offboarding process is complete.

Updating Your System

Once you've completed all final tasks, remove the vendor from your active database so they will no longer be included in your active reporting. Also, make sure you properly organize and archive vendor records. Those records should be easily accessible should you need them for an audit or regulatory examination.

5

Final Review

It's important to reflect on your experience with the vendor to identify any lessons learned. Perhaps you missed a few red flags early on or you failed to provide the vendor clear instructions and requirements. All of your findings from this review should be documented and shared with your team.



Offboarding a vendor requires careful planning and execution to protect your organization from avoidable impacts during a messy vendor breakup. Keep these things in mind to help you establish a safe and effective vendor offboarding process.



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