

HOW TO USE THE RACI Method

to Determine Third-Party Risk Management Responsibilities



Defining roles and responsibilities for your third-party risk management (TPRM) program may not seem like a priority, but this is an essential step that provides structure and promotes a stronger work ethic throughout your organization. One of the most effective methods to use in this process is called RACI, which refers to identifying the individuals that are responsible, accountable, consulted, and informed for TPRM tasks.

Here are some tips to apply the RACI method in your TPRM program.

Stakeholder Roles in TPRM

Each TPRM activity or process should be performed in a certain way to ensure effectiveness and on-time completion. However, when you're managing multiple vendors at different stages throughout the lifecycle, it becomes challenging to stay on track. The key is to assign stakeholder roles to each TPRM activity, which can help eliminate confusion about who should be involved and how much leverage they have on each task.

RESPONSIBLE
This role is responsible for carrying out the activity and will answer to the accountable stakeholder.

ACCOUNTABLE
This role has the ownership or authority to make decisions and approvals for the activity. The accountable stakeholder has ultimate control over the process or task.

CONSULTED
These are the stakeholders responsible for reviewing, approving, or providing information. Two-way communication is required.

INFORMED
This role doesn't have any authority over the activity, but still needs to know about it. The informed stakeholder is involved in one-way communication and only receives information from the other stakeholders.

Each task must always have a responsible person and an accountable person – sometimes that may be the same stakeholder.

5 Best Practices to Implement the RACI Methodology

TPRM involves many activities across three stages of the lifecycle, and some stakeholders won't have a role in every task. Here are some best practices to consider when implementing RACI stakeholders into your TPRM activities:

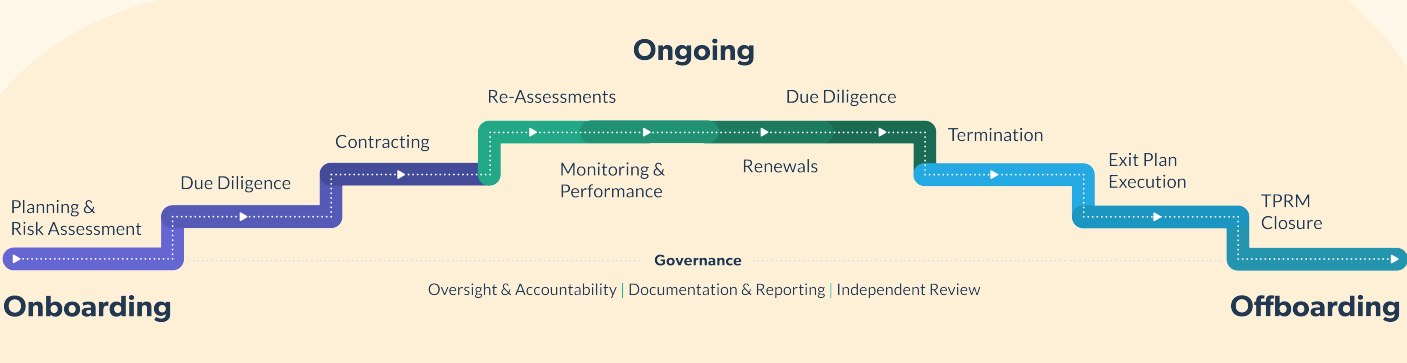
1 Engage senior management and the board

These individuals should be involved in the overall strategy of your TPRM program, which includes approving roles and responsibilities. They should especially be involved in any high-risk or critical vendor activities.



2 Consider the entire TPRM lifecycle

The onboarding stage will be a typical starting point for your RACI stakeholders as you determine roles and responsibilities for planning, performing risk assessments, due diligence, and contracting. However, don't forget about the other activities involved in the ongoing stage and offboarding stage. Ongoing monitoring, periodic due diligence, contract renewals, and exit plan execution are just some of the other activities you need to consider for your stakeholders.



3 Divide each activity into actionable steps

Each activity within the TPRM lifecycle can generally be separated into smaller steps. For example, the risk assessment process can include determining criticality, completing the inherent risk assessment, and assigning a risk rating. Each of these individual tasks should be accompanied by a group of stakeholders.



4 Identify any potential roadblocks

Certain TPRM activities will be more challenging or prone to errors. When you identify and remove roadblocks that can cause inefficiencies, your stakeholders will be better prepared to perform their duties successfully.



5 Establish governance documentation

Once you've determined the roles and responsibilities of your TPRM activities, it's important to formally document this information in your policy. This will help ensure that processes are carried out consistently across your organization.



Whether you're building a brand new TPRM program or making improvements to an existing program, this process of determining roles and responsibilities is a fundamental step that will create more efficient processes. Once your stakeholders are identified and tasks are assigned, your TPRM program will be on the right path to success.



Download free samples of Venminder's vendor Control Assessments and see how they empower third-party risk professionals in mitigating risks.

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