

HOW TO MANAGE

ISSUES WITH VENDORS

What Is Vendor Issue Management?

Vendor issue management is the process of identifying, managing and tracking issues that arise, and remediating them through a collaborative and centralized approach.

Why Is Vendor Issue Management Important?

Failing to address vendor issues will only cause you and your organization more problems.

Here are 6 reasons why managing vendor issues is important:

1

Protects your reputation:

If a vendor is experiencing a lot of issues and/or receiving complaints due to the issues, your customers will start to notice, and your organization will take the blame, resulting in your own reputation being impacted – especially if they're a customer-facing vendor.

2

Keeps customers happy:

If many issues arise with vendors who are critical to operations or to the services you provide to customers daily, your customers will become dissatisfied and disappointed in the quality of products and services.

3

Meets regulatory expectations:

Regulators require you to have a mechanism in place that creates a standardized process to identify, manage and remediate issues. Adequately responding to vendor issues is a best practice and both a customer and regulatory expectation.

4

Ensures SLAs are being met:

To ensure your vendors are meeting their obliged service level agreement requirements and other expectations, you must track and review any issues that occur to have a good handle on when and why they're in breach. And if SLAs aren't being met, a log of the issues helps when evaluating the vendor's plans to address the underlying issues.

5

Assists with contract renewals:

Having the ability to see vendor issues, in detail at any given time, helps when determining if the vendor is still the right fit or not, and may even provide you with some leverage during contract negotiations.

6

Ensures the vendor has proper controls in place to protect data:

Noticeable vendor issues can be the result of underlying problems, which could then affect the quality of information security. When a vendor lacks proper controls, they often experience data protection issues. Having a process for managing issues will help you highlight vendors who are struggling in this area – especially important if it's a recurring problem.

Here's an example:

You're reviewing a vendor's business continuity and disaster recovery plans, and you discover that findings within their last disaster recovery test haven't been addressed. This is a major concern, especially if the vendor is critical to your ongoing operations. It should be tracked as an issue and followed up on.

The Process of Vendor Issue Management

Any time you experience an issue with a vendor, steps must be taken to adequately resolve it.

Here's what the process should look like:

1

Identify the Issue

Recognizing an issue is the first step. Some issues you may encounter as part of this process are the following:

- o Security issues
- o Poor vendor communication
- o Resistance to provide required due diligence
- o Not meeting SLAs
- o Not providing required reporting
- o Failing to disclose material issues, such as breaches or key management departures

Defining what scenarios are considered an issue is up to your organization; however, having a standardized approach to issue management and an intuitive tool to assist with the process is the best way to ensure issues are being resolved and reported to the correct people.

During this step, you should also determine the severity of the issue. Severity levels should be from severe to minimal.

Here's an example of severity metrics:

1. Critical/Severe
2. Moderately Severe
3. Moderate
4. Moderate – Minimal
5. Minimal

You determine severity levels to help with prioritizing issues and allocating resources in the most effective way to make sure you're addressing the more significant ones first. The severity helps you understand the next steps to take.

2

Manage the Issue

It's important to take a collaborative approach when managing vendor issues. While one person may be overseeing all of your organization's vendor issues, specific teams and departments need to help with managing the issues related to the vendors they work with daily.

Here are 9 data points you should track to help with managing the issue:

1. Vendor name
2. Product or service being used
3. Origin (root cause) of the issue
4. Severity
5. Date of the issue
6. Overview of the issue
7. Next follow up and who is responsible for it (be sure to assign individual accountability)
8. Issue escalation process
9. Close out and lessons learned

3

Track the Issue Through Remediation

To ensure the issue is resolved properly, you must discuss your concerns with the vendor and keep your team informed on the progress or lack thereof.

Here are four recommendations to help with remediation:

1. **Keep a conversation and document log.** Log all communication regarding the issue at hand as well as keep all documents and emails centralized in one location.
2. **Determine an action plan.** Work with the vendor to ensure issues are resolved. This could include implementing new controls, increased monitoring and due diligence, contract amendments, more regular follow-up meetings, etc.
3. **Escalate and/or terminate as needed.** If you can't resolve the issue or come to a mutual agreement, you may need to take further action which can include escalating to the board, seeking a report on the issue, referring to the exit strategy, etc.
4. **Report on the issue.** Run reports on vendors that are in progress and resolved vendor issues and share that with senior management and the board, as needed. This is an easy way to flag problem vendors, spot trends and keep them informed.

Strong vendor issue management provides:

- ✓ Increased visibility into vendor performance
- ✓ An opportunity to negotiate better pricing or other contract terms & conditions due to poor performance or multiple issues
- ✓ Better reporting on vendor issues
- ✓ The ability to terminate a vendor relationship due to things like breach of service level agreements, which leads to realizing they're no longer the right fit due to the number of issues and more
- ✓ Long-term insight into recurring vendor problems that gives you the opportunity to improve your overall process

Learn about using Venminder's platform for Issue Management.

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