

# Strategic Advantages of Third-Party Risk Management



There are many strategic advantages to having an effective third-party risk management (TPRM) program. One clear benefit of TPRM is that it allows organizations to meet regulatory requirements. However, TPRM provides a much broader range of benefits.

## Beyond compliance, let's explore the other advantages of TPRM

TPRM offers the advantages of controlling costs, ensuring quality, and delivering value.

### Cost

TPRM processes are designed to identify and manage third-party risks. Without it, your organization may experience costly rework, lost revenue, legal costs, and regulatory fines.

With structured contract monitoring, your organization can be aware of contracts set to auto-renew in advance. Proactive contract management prevents upcharges or price increases that can often be overlooked.

Ongoing performance monitoring and risk reviews allow your organization to constantly measure your vendor's performance and the value they bring. As contracts near their expiration date, you'll have timely and relevant information, aiding your decision to stay with your existing vendor or pursue a relationship that adds more value.



### Quality

Service level agreements (SLAs) are just one way TPRM keeps quality at the forefront. Consistent vendor performance monitoring and reviews are the best way to establish, maintain, and ensure vendor quality. SLAs are most effective when established early in the vendor relationship, memorialized in the contract, and reported throughout the contract term. Using those contract SLAs as the foundation of regular performance reviews and performing regular monitoring ensures that:

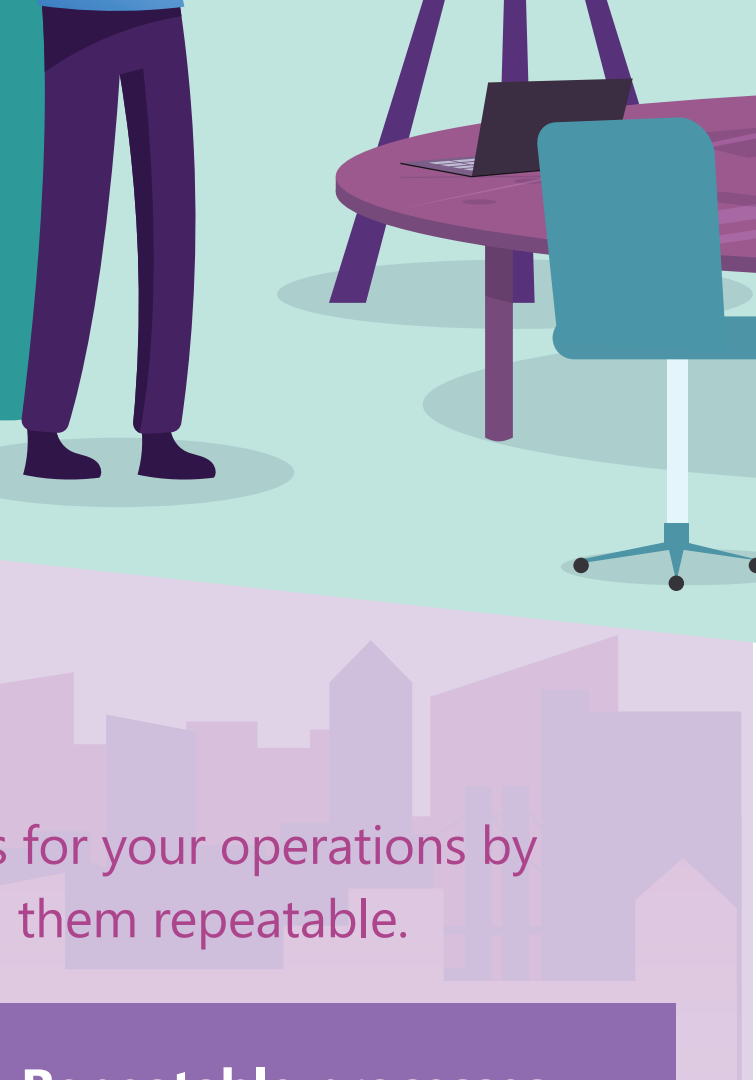
- Quality expectations remain top of mind.
- Issues can be identified early and mitigated before they become significant problems.



### Value

The result of managing costs and ensuring quality is value! Vendor value can be expressed through cost savings, efficiencies, operational improvements, and bringing innovative ideas to the process. In addition, the actual value of products and services is realized when they meet or exceed quality expectations.

TPRM processes confirm that a vendor's risk profile and control environment are sufficient to manage the risks posed to your organization or its customers. When your organization has confidence in your vendor, your business can focus its time and energy on driving revenue through its products and services.



## Operational Advantages

TPRM enables strategic advantages for your operations by streamlining processes and making them repeatable.

### Streamlined processes

Often, organizations have multiple business units that need to use third-party vendors. There's no efficient or effective way to handle third-party risk appropriately without a centralized and standardized set of processes. TPRM is the central point of contact for third-party vendor onboarding and monitoring, saving the organization valuable time and resources. An effective TPRM framework takes the guesswork out of the equation.

**TPRM can streamline processes by enabling the following:**

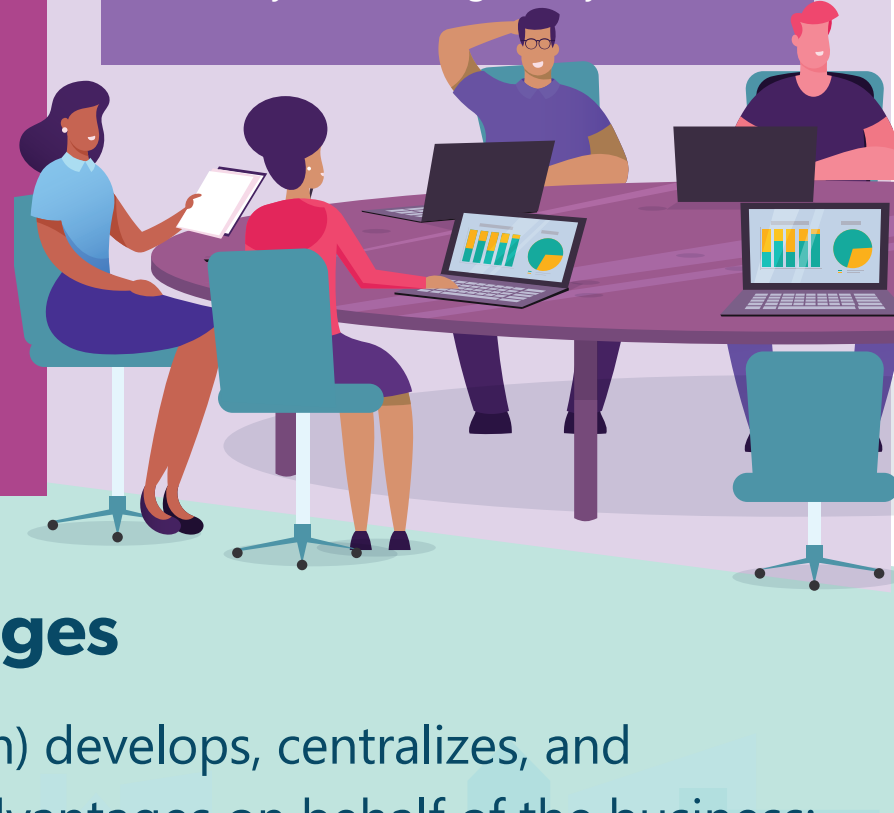
- Reliable workflows that ensure all necessary risk management activities occur and in the correct sequence
- A master calendar of key dates, including risk re-assessments, performance reviews, and contract renewals
- More efficient vendor communication and requests
- Housing and organization of vendors' data and documents for easy record keeping

### Repeatable processes

Standardized and repeatable processes allow TPRM to reduce errors and rework. It also provides data points for apples-to-apples comparisons between vendors, across a group of vendors, or for the enterprise.

**This benefits the organization in many ways such as:**

- Establishing a set process for when multiple vendors must be evaluated for the purposes of a request for proposal (RFP) or other sourcing activity
- Creating objective and reliable reporting
- Lessening the information and evidence-gathering burden for any audit or regulatory exam

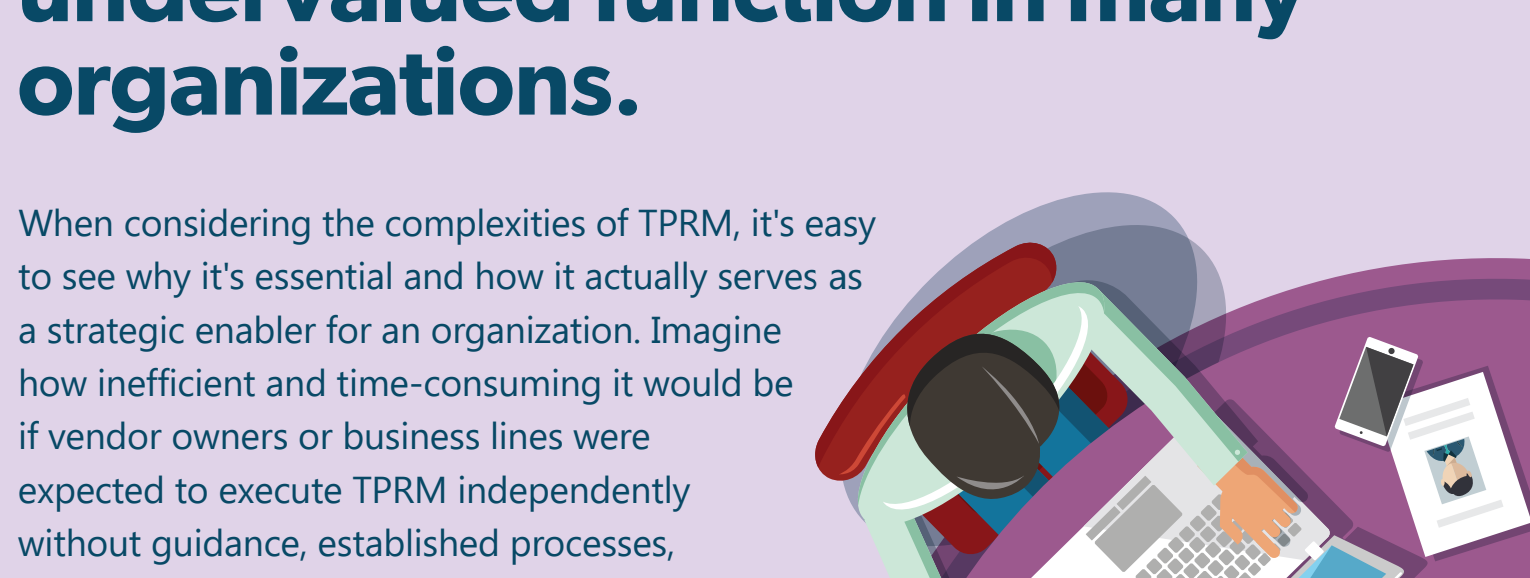


## Day-to-Day Advantages

The TPRM function (and team) develops, centralizes, and leverages the following 13 advantages on behalf of the business:

- 1 Establishing and maintaining **standardized risk questionnaires, risk ratings, and criticality criteria**
- 2 Ensuring that vendors undergo **appropriate due diligence** scaled in proportion to the risk, with the highest-risk activities undergoing the most rigorous and extensive reviews
- 3 Coordinating the review and **assessment of the vendor's control environment** with qualified subject matter experts specific to each risk domain
- 4 Defining the **minimum terms and conditions** to be included in vendor contracts for the highest-risk products and services
- 5 Scheduling **timely risk reviews and performance monitoring** for vendors
- 6 Managing **TPRM software** programs
- 7 Reporting **TPRM data** to senior management and the board of directors

- 8 Supporting the lines of business in the development of **appropriate vendor service level agreements**
- 9 Staying **up-to-date on relevant regulatory changes** and integrating those changes into all processes, procedures, and requirements
- 10 **Consulting and advising the lines of business** on all matters of vendor-related issues
- 11 Ensuring that the entire **TPRM framework meets requirements** of customers, employees, auditors, and regulators
- 12 Ensuring that **vendor records and documentation** are managed appropriately
- 13 Coordinating and collaborating with the **business continuity and resiliency function** to confirm the integration of critical vendors in the operational business continuity plan



## Unfortunately, TPRM is an undervalued function in many organizations.

When considering the complexities of TPRM, it's easy to see why it's essential and how it actually serves as a strategic enabler for an organization. Imagine how inefficient and time-consuming it would be if vendor owners or business lines were expected to execute TPRM independently without guidance, established processes, or expertise.

Before implementing TPRM programs, many organizations created and managed TPRM processes within their business units, resulting in organizational inconsistencies while increasing the likelihood of poor TPRM. Many organizations didn't manage third-party risk at all.

### Why Is This Important?

Without an established set of rules and expectations, many organizations would revert to the "ignorance is bliss" mentality, only to be shocked into reality when a significant issue impacts them or their customers or involves litigation or fines. However, with effective TPRM, that scenario isn't necessary.



TPRM serves an essential and strategic function for your organization. It provides the structure and all the rules, tools, and processes necessary to help safeguard your business, customers, and employees against unidentified and/or unmanaged third-party risk. Regulatory requirements must also be met, quality must be ensured, and revenue must be protected.



**Organizations that adequately resource and empower their TPRM teams will reap the benefits whether they realize it or not.**



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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