

Managing third parties in the digital era

Getting ahead of risk with an
integrated view of your business
relationships

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Working with organizations beyond your walls always brings the potential for risks. How can you be sure that third parties will protect your data, for example? How can you be sure that your partners and suppliers will deliver as expected?

The potential risks that come from working with third parties run the gamut—gaps in regulatory compliance, exposure to cyber threats, broken links in your supply chain, damage to your reputation, and a lack of information transparency for making better business decisions.

A comprehensive, digitally enabled third-party management (TPM) approach involves looking at more than just the structured enterprise data—more than your own corporate information.



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What you don't see ...

Across industries today, however, many companies continue to manage third-party relationships in a scattered or distributed fashion, failing to manage them as a comprehensive function of risk. They lack an ability to see across business units and geographies—even as organizations increasingly rely on third parties in today's digital economy. As a result, many businesses might fail to spot looming problems and address them head on.

Having a central view of these third-party relationships—a central point of management, with visibility into the different risk domains—can help you to avoid fines and penalties, meet the growing expectations of your customers, and improve relationships with suppliers and stakeholders. Today, your organization might have multiple touchpoints with a single supplier, with many different employees asking the supplier

for the same information. But you still may lack the ability to spot trends in that relationship. For example, are there signs that point to potential financial troubles for a key supplier? Are your third parties (and fourth parties) able to meet regulatory requirements?

A comprehensive, digitally enabled third-party management (TPM) approach involves looking at more than just the structured enterprise data—more than your own corporate information. It requires an ability to capture and analyze unstructured data such as social media posts about a supplier, news about a vendor's business, and information on natural disasters that could affect links in your supply chain.



On the lookout for value

With a comprehensive, integrated TPM approach you can begin stitching together all the aspects of relationships and get a more consolidated view of your relationships and the associated risks. From there, you can more proactively manage risk—identifying and addressing issues before they become bigger problems.

The need for a comprehensive view of your third-party relationships has likely always been there. The challenge, however, has never been more complex. Data continues to grow at an exponential pace as the Internet of Things and other innovative technologies radically alter the digital landscape. Along with the growth in data comes a growth in possibilities and questions. How should you analyze data? What insights should you be seeking? Which insights matter most? Which technologies and which vendors can

help you get insights most effectively? What data privacy issues emerge as you look at and share data in new ways?

At the same time, organizations increasingly rely on third parties for critical business needs. Many companies interact with thousands if not tens of thousands of suppliers and other third parties. These suppliers and third parties can be spread across the globe, across different business units, and across different functional areas. And there often may be little coordination on how to manage these relationships.

A more comprehensive approach that brings controls to TPM can help you boost regulatory compliance, avoid costs, and reveal opportunities for new value—such as opportunities to co-innovate with your supplier base.



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Toward a more complete picture

What does a modern third-party management solution look like? For organizations operating with SAP® Ariba® solutions, moving forward with a holistic TPM solution will require a focus on processes, relationships, and actions. Here's a look at some of the key ingredients for transforming TPM.

Building the view

Your TPM program and operating model should cross risk domains and organizational/geographic silos while also ensuring that roles and responsibilities are clearly defined. Such a common approach to TPM can provide a clear, enterprisewide methodology for assessing risk and taking action. Know how you will look across your risk domains to get a risk profile and risk score, for example. Building such a capability involves a process to collect information from internal and external sources and to analyze it in meaningful ways.

Managing relationships

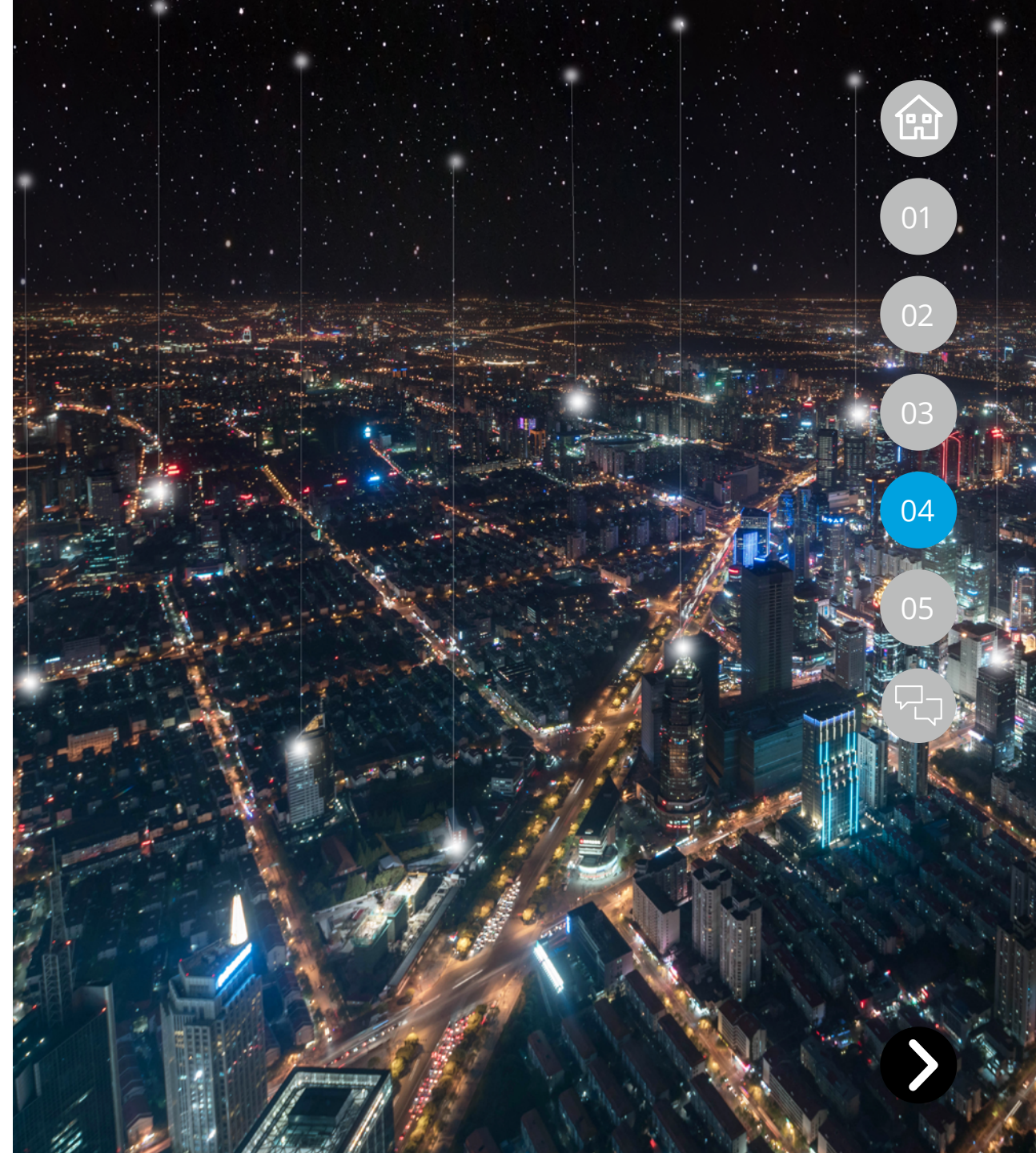
You also will need a plan for managing data and your TPM program on an ongoing basis. Each third party might warrant a different mitigation and engagement strategy. As you proactively monitor and look for risks, understand what your action plan will be for specific risks and for specific suppliers—and how you will generate alerts. If analysis reveals that a key supplier might be on the verge of bankruptcy, for example, how will you escalate information and issue alerts? What actions will you take, and how will you move to prevent any disruptions to your business? Likewise, how will your process differ if the supplier is not a key supplier? Ultimately, what will your governance and your set of policies look like?

Your TPM program and operating model should cross risk domains and organizational/geographic silos while also ensuring that roles and responsibilities are clearly defined.



Enabling a modern TPM solution

At Deloitte, our approach to modernizing TPM involves three key pillars: helping clients develop industry-specific strategies based on an organization's risk appetite, optimizing the operating model and key processes, and then leveraging leading technologies to support a holistic and proactive TPM capability.



We have extensive experience at the intersection of risk, sourcing and procurement, and SAP solutions.

Informed by design

Designing processes and operating models that facilitate information sharing across organizations is key. With defined processes that force the right information to be shared with the right stakeholders, you can create a foundation for improving third-party management. Your established operating model should designate responsibility and accountability to the right stakeholder to act.

Technology in action

When it comes to technology implementation, a final solution rests on top of clear processes and a well-designed operating model. Such a solution might take the form of a portal that decision-

makers can use to actively monitor issues, view alerts, and initiate actions. Such a portal is typically the product of an in-depth process that begins with a series of questionnaires, to help get a sense of your risks across various areas. Combining those results with data gleaned from external sources can help you develop lists, such as a “banned party” list, and a third-party scoring system that serve as an engine behind user-friendly dashboards.

Enriching the capability

Bringing in data from applications such as SAP Ariba solutions or others can provide additional third-party-specific details on spending and transactions. And supplemental risk-sensing

applications as well as the integration of external data can offer insights on broader events—such as weather-related events or big swings in a market—that could have an impact on your third-party relationship.

Making it actionable

Integrating all the sources of data and layering in issue-management and issue-resolution functionality can turn a TPM portal into a TPM point of action—a single interface for logging events, launching corrective actions, and routing actions for review and approval.

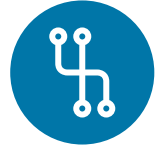


Potential benefits ahead

Transforming third-party risk management with a modern, integrated, digital capability can bring a number of potential benefits to your organization. What kind of results could you see? Here are a few possibilities.



Reduce costs through improved management of suppliers and third parties



Avoid significant fines and penalties



Increase trust among your customers, business partners, and shareholders



Boost investor confidence



Minimize negative impact on your reputation, brand, sales, and operations



Enhance regulatory compliance



Where do you go from here?

Moving forward with new TPM functionality that can help your organization operate more efficiently and get ahead of potential risks requires an ability to turn your vision into a reality. Deloitte can help. We have extensive experience at the intersection of risk, sourcing and procurement, and SAP solutions. We not only understand the broad business-focused issues, we know how to integrate all the processes and technologies that you will need to build an integrated, actionable view of your third-party relationship.

The Deloitte team brings a global network of business and technology professionals steeped in SAP® solutions, as well as a host of proprietary accelerators and industry-specific templates that can help you jump-start a TPM transformation and start seeing value sooner. If improving third-party relationship management and getting ahead of risks are priorities for your organization, we should talk. Contact us to get the conversation started.

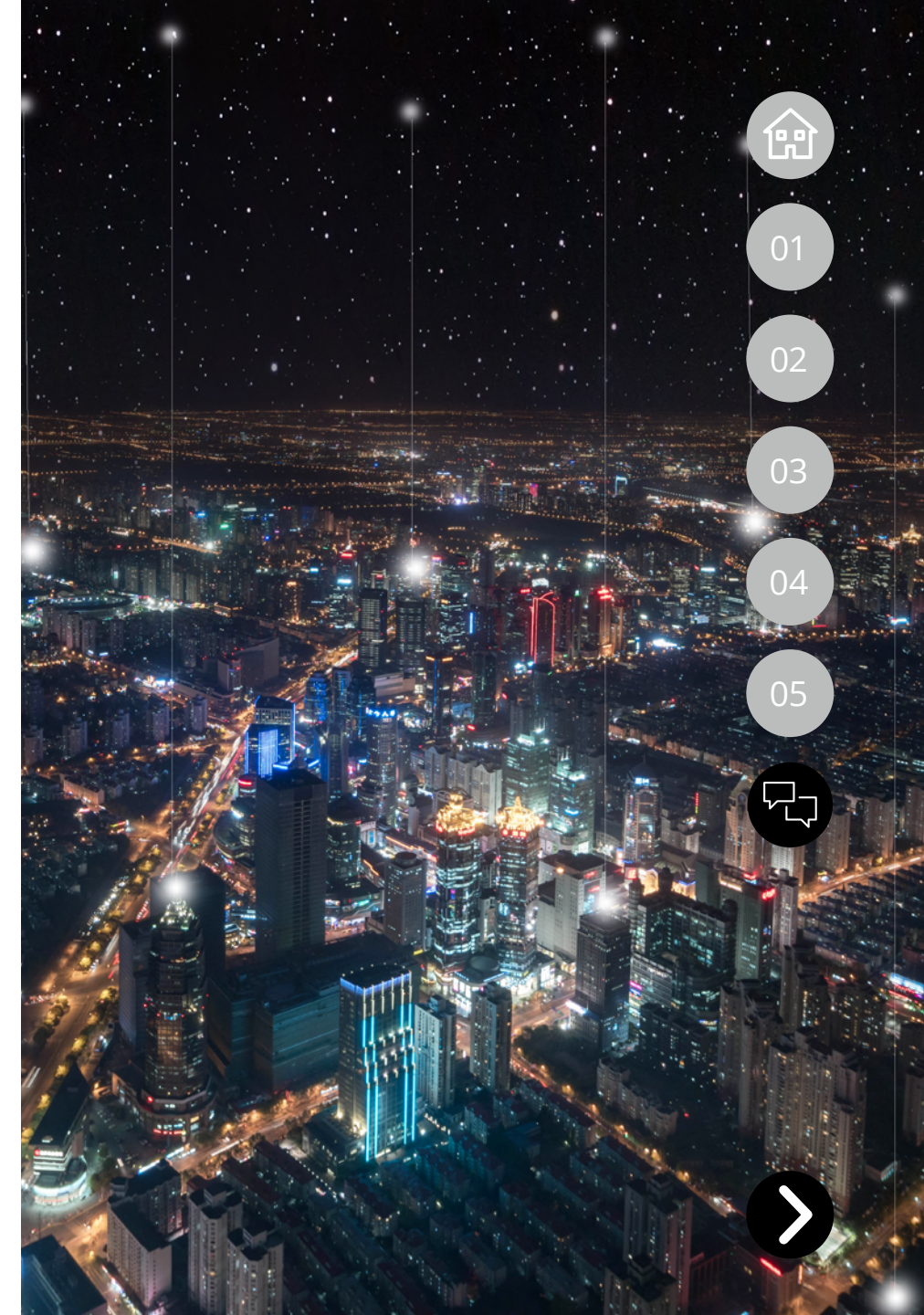
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