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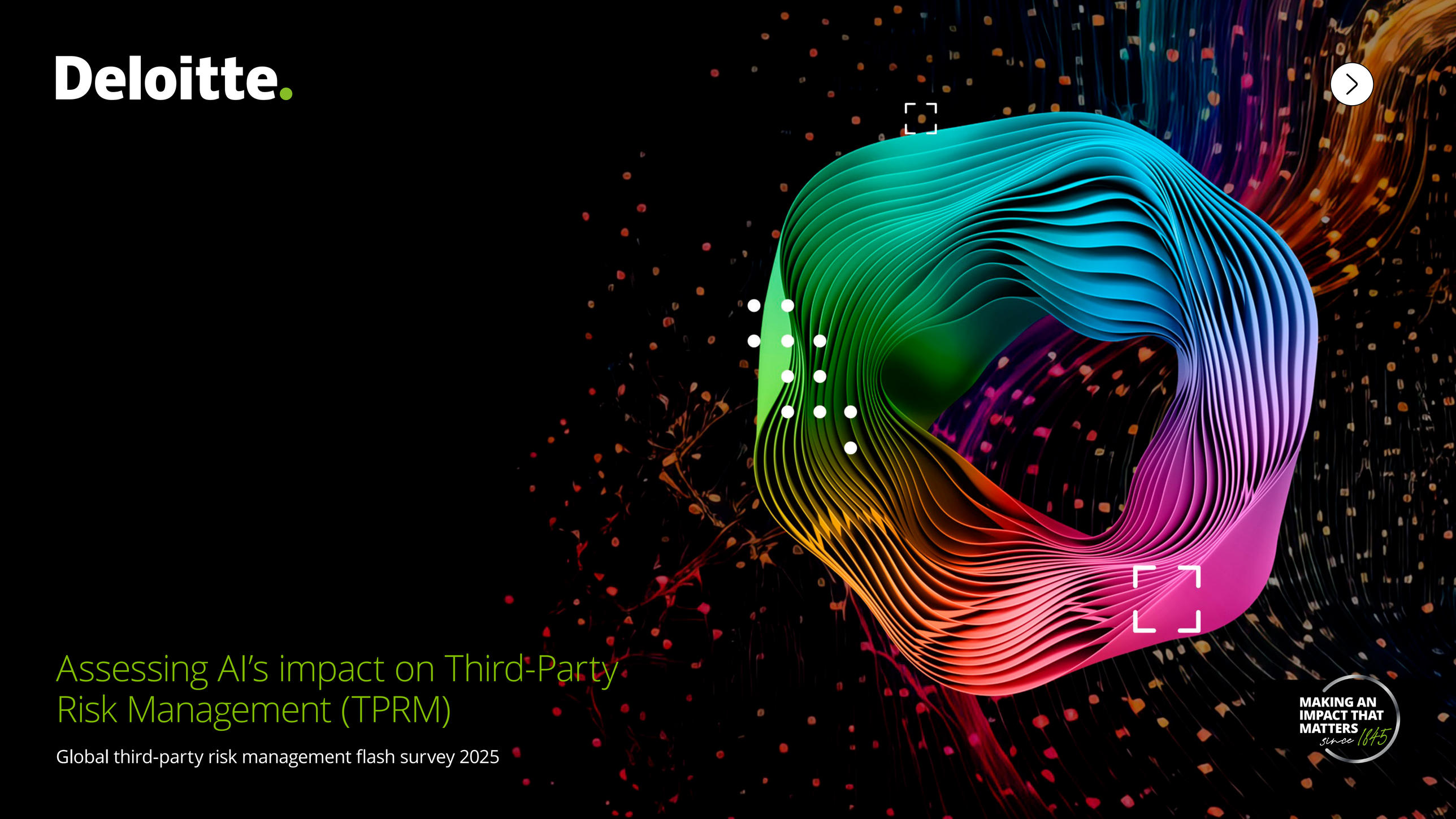


Assessing AI's impact on Third-Party Risk Management (TPRM)

Global third-party risk management flash survey 2025

MAKING AN IMPACT THAT MATTERS since 1845

Foreword

Building on the success of our global Third-Party Risk Management (TPRM) survey series[1], I am pleased to present the report on a pulse survey focused on the rise of AI in helping maximize third-party opportunities while mitigating the risks. The survey (covering 338 respondents) was conducted between December 2024 and February 2025 with participants responsible for TPRM in organizations of a variety of sizes in 12 countries across the Americas, Europe, Middle East and Africa (EMEA), and Asia Pacific (APAC). Detailed demographic information of respondents is included in Figure 1.

Throughout the survey, we acknowledge how the definition of AI is broadening to not only include Generative AI (GenAI) but also encompass an interconnected array of technologies that go beyond machine learning, deep learning and generative pre-trained transformers (referred to as GPTs) to help enable intelligent automation in managing third-party ecosystems. This survey builds on the ongoing research series (published quarterly) by the Deloitte AI institute entitled The State of Generative AI in the Enterprise: Now Decides Next[2]. Specifically, it explores how actions taken now by organizations exploring AI-enabled TPRM capability can enable them to gain sustainable competitive advantage by leveraging their extended enterprise.

The report has been structured into the following four sections:

01. Building the business case where we explore the business benefits for using AI-based technologies to transform TPRM, together with implementation challenges, along with the potential financial impact.

02. Benchmarking AI progress where we assess progress made in adopting AI for TPRM, keeping in mind the new risks that use of AI may create for your organization.

03. Prioritizing AI usage where we take a deeper dive into understanding organizational aspirations as well as success achieved in leveraging AI across specific TPRM processes and related technologies.

04. Future implications where we examine the broader impact of AI on various risk domains and how managed services solutions for TPRM are expected to evolve.

We conclude this section by recapping respondents' views on prioritizing AI usage to provide our point of view on the road map for future growth in AI-enabled TPRM.

The results of the survey highlight the significant gap that exists today between aspiration and reality in leveraging the power of AI and GenAI to enhance organizational capability in TPRM. Enhanced capabilities could enable these organizations to be more agile, cost-effective and resilient as they navigate through the growing complexities and risks in the ever-changing external environment. Respondents indicate that they would need to orchestrate their approach to this AI-enabled transformation through a combination of making their own investments in talent and technology alongside assistance from carefully chosen providers of external assistance and knowledge while managing the risks that this new technology can create for them.

In the words of one of our participants:

> **The journey towards AI-powered TPRM is a marathon, not a sprint. Organizations must adopt an ambitious yet balanced approach, carefully navigating the risks while harnessing the power of AI to build more agile TPRM frameworks**

[1] The State of Generative AI in the Enterprise 2024 Deloitte US

Foreword

The sentiment expressed here mirrors a key finding in Q3 of our 2024 "Now Decides Next"[3] research which highlights that most organizations can only progress at the speed of organizational change. This is typically much slower than the rapid technology evolution. This survey report, however, dives deeper to relate this to the increasing financial consequences of major third-party failures, compared to what may be currently driving the business case for such TPRM technology investments.

Another respondent summarized the overall solution to this challenge in the following words:

> **By prioritizing intelligent automation in specific TPRM processes that provide the highest potential for efficiency and effectiveness in a well-orchestrated way with their own technology investments alongside providers of external assistance and managed services, these organizations can unlock the transformative potential of AI and establish a new era of intelligent and proactive third-party risk management on a timely basis**

What follows in this report is a deep dive into these current and emerging topics.

Our key findings are as follows:

- Greater efficiency, more effective third-party management and enhanced decision-making present the strongest drivers for investment in AI, providing a further opportunity to reduce the growing financial exposure following a major third-party incident.
- Despite the majority (93%) of respondents reporting low levels of maturity levels, they are ambitious about embracing intelligent automation, while managing both the risks of AI in their organizations and those arising from third-party AI usage.
- Inherent risk determination on a dynamic basis and due diligence activities presents the greatest potential for using intelligent automation/AI for efficiency and effectiveness.
- Managed services solutions alongside enhanced in-house capabilities including ongoing investment in technology may help enable most respondents to prioritize their AI roadmap. In doing so, they propose to focus on those risk domains that present the greatest potential damage from third-party incidents.

I hope the insights that follow will enhance your understanding of prominent trends and themes on a cross-industry basis, as well as those specific to your sector, as you navigate your organization on its TPRM journey. As always, I welcome your feedback on what you are seeing in the marketplace – or if you want us to benchmark anything else in future reports. Our TPRM professionals can help you understand how this survey's findings reveal distinctive opportunities for your organization. To learn more, please **contact your local expert**.

Kristian Park
Global Third-Party Risk Management leader
Deloitte LLP

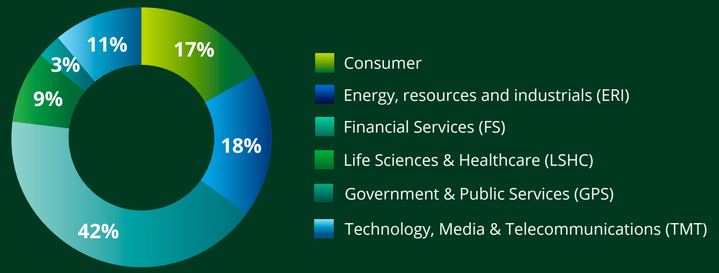
Respondent demographics

Respondent demographics

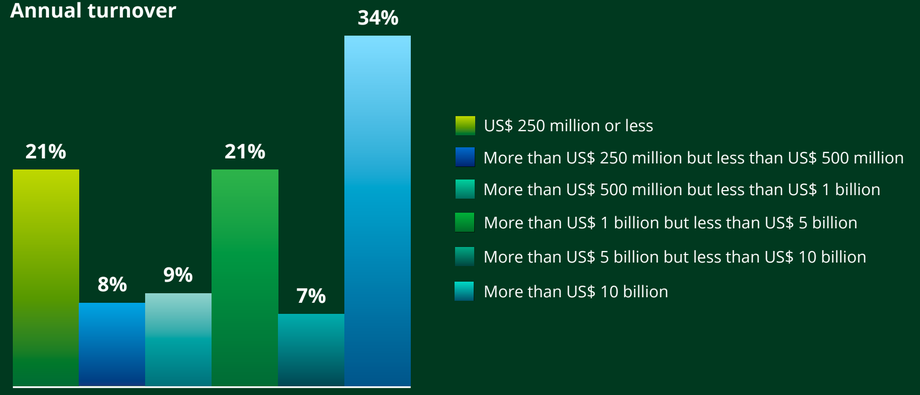
The survey (covering 338 respondents) was conducted between December 2024 and February 2025 with participants responsible for TPRM in organizations of a variety of sizes in 12 countries across the Americas, Europe, Middle East and Africa (EMEA), and Asia Pacific (APAC)

Figure 1: Demographic profile of survey respondents

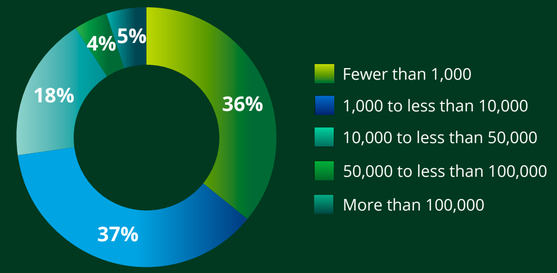
Industry



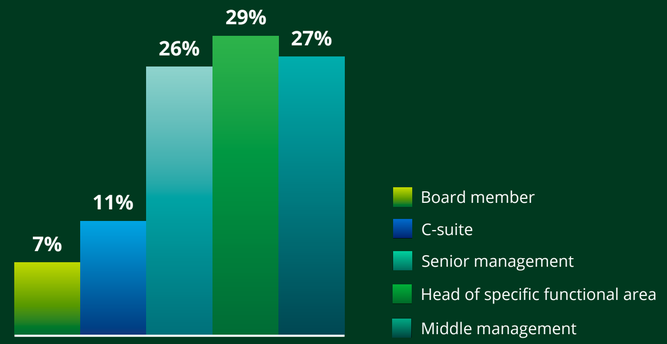
Annual turnover



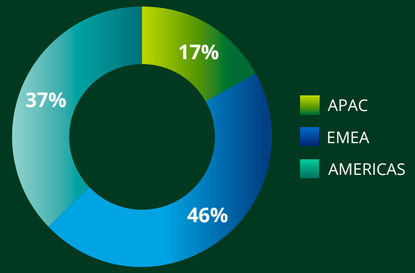
Number of Third Parties engaged



Respondent profile



Region



Contents

Key findings

Key findings

01. Organizations are prioritizing AI investments in components of their TPRM frameworks that will realize the greatest efficiency gains as an outcome, with other key drivers including 'more effiective third-party oversight' and 'enhanced decision making' to mitigate growing financial exposure from third-party incidents.

02. Despite low maturity levels today, leadership teams have strong ambition to rapidly embrace intelligent automation extensively within their TPRM capability, while managing both the risks of AI in their organizations and those arising from third-party AI usage.

03. Respondents believe that infusing AI and GenAI into the inherent risk assessment and due diligence activities offer the greatest potential for efficiency and effectiveness improvement across the third-party lifecycle.

04. Combining managed services solutions with enhanced in-house capability development (including ongoing technology investment) is the preferred approach to realizing our respondents TPRM ambition in a timely manner.

01. Building the business case

Efficient third-party management and enhanced decision-making present the strongest drivers for investment in AI while helping reduce the growing financial exposure following a major third-party incident.

Building the business case

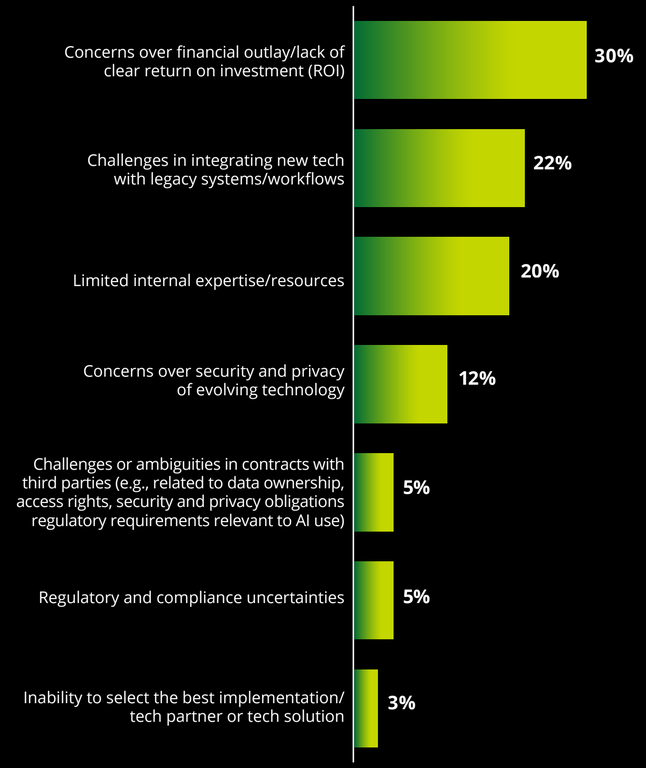
Lack of clear Return on Investment (ROI) and technology integration capability present the top concerns. Prior to exploring the drivers encouraging organizations to progress forward on this exciting journey, we wanted to set the context by understanding the key barriers that organizations face in investing in intelligent automation in TPRM. Our survey identified that the top barrier to investing in intelligent automation in TPRM, enabled by evolving AI-related technologies, relates to concerns over financial outlay/lack of clear ROI (30% of respondents). This is followed by concerns related to integrating new technologies with legacy systems and workflows (22% of respondents) and limitations on internal knowledge and resources (20%). Concerns over security and privacy of evolving technology (12%) also appears on the list of key concerns, albeit with relatively fewer respondents, putting it in fourth place on this list.

It is interesting to note the diversity across industry segments in identifying the top challenge. For example:

- Consumer industries appear to have the greatest concerns over financial outlay and ROI with 46% of respondents in this segment (compared to 30% overall) flagging this as the top barrier.
- On the other hand, challenges in integrating new technologies with legacy systems and workflows appears to be the top concern in TMT with 28% of respondents (compared to 22% overall) putting this on top of the list.
- Life sciences and healthcare organizations report that limited internal knowledge and resources is their top concern (30% of respondents compared to 20% overall). This industry segment also has the greatest concerns over security and privacy of evolving technology (19% of respondents compared to 12% overall).

Figure 2(a): Top barriers to organizational investment in AI-enabled automation: Overall and by industry

Percentage of respondents – overall



Percentage of respondents – by industry

Consumer	Energy, Resources & Industrials	Financial Services	Life Sciences & Healthcare	Technology, Media & Telecommunications
46%	30%	27%	22%	28%
18%	21%	27%	7%	28%
19%	21%	18%	30%	19%
9%	11%	12%	19%	8%
5%	4%	5%	4%	11%
0%	5%	6%	7%	0%
0%	7%	3%	7%	0%

For visual clarity, the percentages of industry respondents have been shaded in red to green in ascending order.
Due to an insufficient number of responses, the industry analysis does not include the GPS sector.

Building the business case

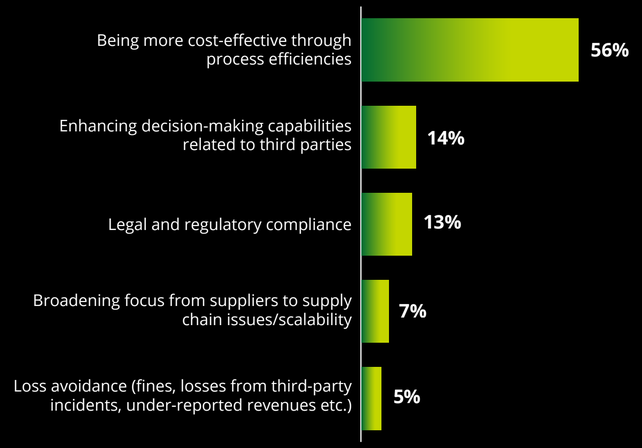
Despite the variance by industry segment, there is little doubt that the current macroeconomic scenario is driving a strong focus on efficiency and concerns about large financial outlays with uncertain ROI. This includes the ongoing global economic slowdown fuelled by inflation, interest rate hikes and supply chain disruption leading businesses to reassess their priorities and optimize resources. Many organizations are therefore focusing on efficiency and prioritizing investments, with clearer ROI potential as their topmost priority.

Justifying technology spend in challenging times

The majority of respondents indicated that they are motivated by the opportunity to be more cost-effective, using AI-related technologies to help enable process efficiencies (56%). Short-term focus on cost saving appears to be taking precedence over investments that may enhance their decision-making capabilities related to third parties in the more medium term, which features in a distant second position on this list (14%). So does strengthening legal/regulatory compliance (13%), (compared to cost-effectiveness) in the third position.

Figure 2(b): Top motivators for organizational investment in AI-enabled automation: Overall and by industry

Percentage of respondents – overall



Percentage of respondents – by industry

Consumer	Energy, Resources & Industrials	Financial Services	Life Sciences & Healthcare	Technology, Media & Telecommunications
55%	46%	64%	46%	59%
9%	16%	15%	27%	11%
20%	13%	8%	19%	11%
7%	20%	3%	0%	8%
9%	5%	8%	4%	3%

Other key motivators for investment in AI-enabled TPRM include the desire to broaden their existing focus from suppliers to wider supply chain concerns (7%) and loss mitigation through fines, penalties and regulatory action (also 7%).

While the desire to be more cost-effective through process efficiencies is a common motivator for each industry segment, the aspirations are stronger at the board and C-suite level (63% compared to 56% overall in the survey). The case is the same with legal/regulatory compliance (16% at the board/C-suite level compared to 13% overall).

AI-driven efficiency and regulatory agility

One might have expected that emerging legislation on AI around the world, alongside other recent regulatory framework publications in the EU, such as DORA (Digital Operational Resilience Act)[4] and the EU AI Act[5], would be a significant driver for heavily regulated financial services (FS) firms investing in AI for TPRM. However, our survey findings suggest a counterintuitive reality: cost efficiency is the dominant and more universal motivator, while a smaller proportion are building a business case based on regulatory compliance alone. Some respondents report that investment in AI-enabled TPRM can potentially expose them to evolving AI-related regulations, creating further uncertainty as organizations strive to understand what exactly is required of them. However, despite this, even organizations within the highly regulated sectors are building business cases around efficiency savings to realize the benefits of leveraging these types of technologies.

AI investments to protect your bottom line

It is interesting to note that this reinforced focus on efficiency compared to the need to strengthen legal/regulatory compliance is happening at a time when the maximum financial exposure to an organization, following a major third-party incident, continues to increase.

Building the business case

Nearly half the respondents (48%) report that the potential damage arising from loss of revenue, reputation restoration costs, direct and indirect compensation costs, fines, potential action under legislation or regulation such as Foreign Corrupt Practices Act (FCPA), Global Data Privacy Regulations (GDPR)[6], Digital Operational Resilience Act (DORA)[7], EU AI Act[8] etc. can exceed US$ 50 million. This includes 36% who report this can extend to over US$ 100 million and 20% over US$ 500 million. Unsurprisingly, a much higher proportion of respondents with larger third-party ecosystems (more than 10,000 third-party relationships) report the potential financial exposure is higher in their organizations. For example, 36% in such organizations with larger third-party ecosystems (compared to 20% overall) report this potential financial exposure is US$ 500 million or above.

However, survey respondents perceive a potential reduction in such financial exposure through intelligent automation:

- 61% of respondents indicate that the use of AI can reduce this financial exposure by at least 10%.
- This 61% includes 42% who report that at least 20% of this exposure can be reduced through AI-enablement.
- Once again, this 42% includes 13% who have already started to reap the benefits of their initial investments and indicate such reduction in exposure can be as high as 40% or above.

Respondents from Technology, Media & Entertainment (TMT), Energy, Resources & Industrials (ER&I) and Life Sciences and Healthcare (LSHC) industries appear to have a higher level of faith in AI-enabled automation being able to reduce their financial exposure following major third-party failures with 50%, 49% and 45% of respondents, respectively (compared to 42% overall), indicating that this exposure could be reduced by at least 20%. Furthermore, 23% of TMT respondents (compared to 13% overall) indicate this reduction can be 40% or more.

Figure 3(a): Estimated financial exposure following a major third-party incident or failure

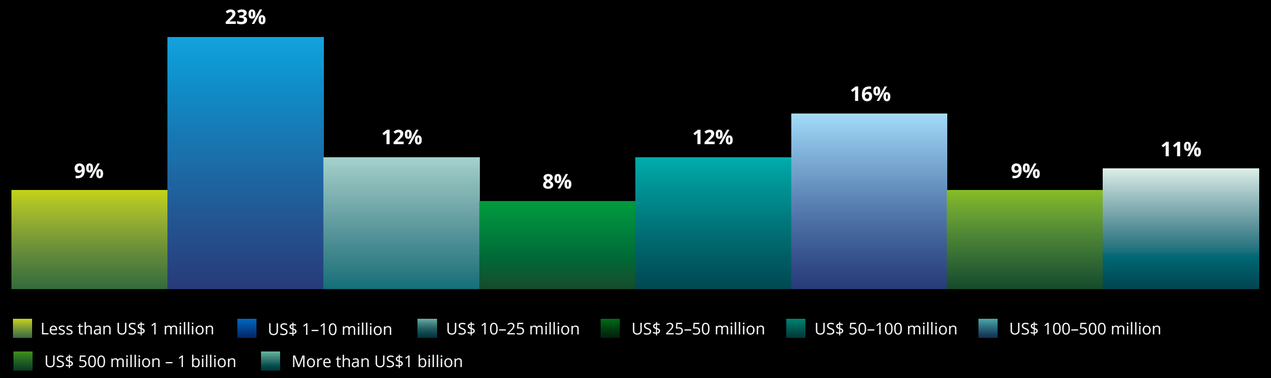
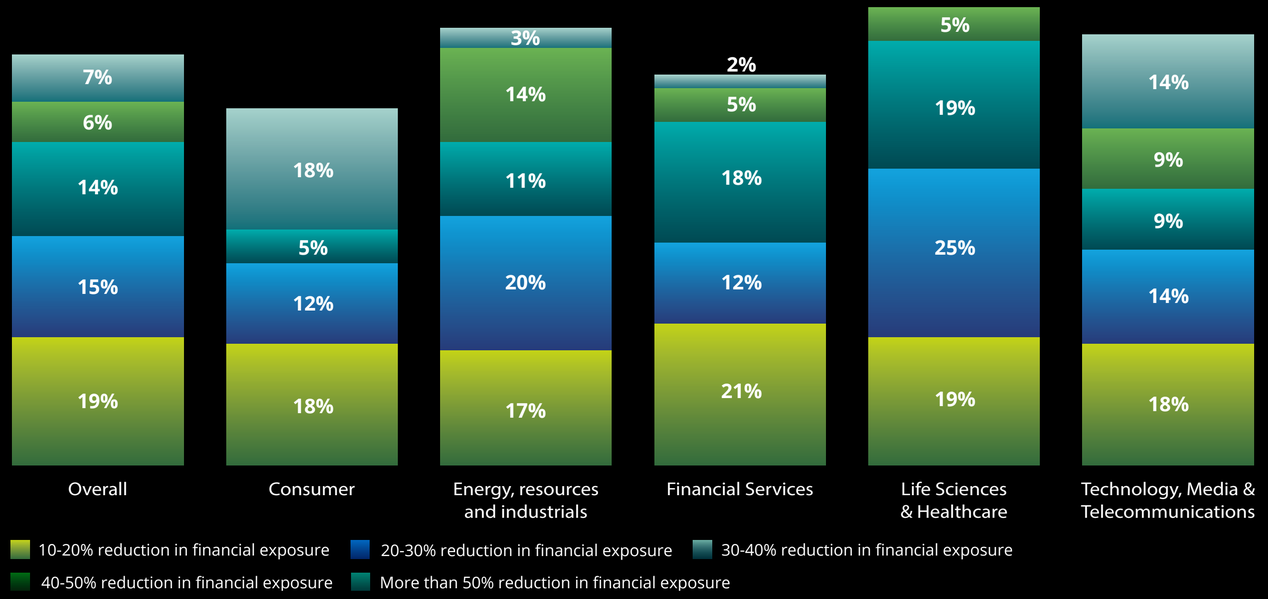


Figure 3(b): Perceived reduction in financial exposure through AI-enabled automation: Overall and by industry



Building the business case

Actionable intelligence and Deloitte points of view

The power of intelligent automation in enhancing cost-effectiveness for TPRM: the survey highlights a clear recognition (among those playing a key role in managing third-party relationships in their organizations) that AI-powered solutions may hold the key to unlocking greater efficiency and effectiveness in TPRM. The ability to intelligently automate repetitive manual processes including data collection, contextualizing multiple unstructured data sources such as news articles, social media and legal filings to raise red flags where appropriate, carrying out document analysis and risk scoring can make these tasks cheaper and faster while also freeing up time for more experienced TPRM team members to focus on the more non-routine aspects of third-party management and decision-making.

This sentiment is also reinforced by a finding in our global Deloitte research ***The State of Gen AI in the Enterprise: Now Decides Next*** (Q4 2024)[9] where 78% of respondents expect to increase their overall AI spending in the next fiscal year.

Addressing the Barriers: While the potential of AI is acknowledged, concerns around integration with legacy systems, financial justification, and access to knowledge and experience may pose significant barriers to adoption. Overcoming these hurdles will likely require a strategic approach that focuses on demonstrating clear ROI that measures and values time and cost savings alongside Key Performance Indicators (KPIs) that demonstrate better risk management. In this connection, it is heartening to note that nearly three quarters (74%) of participants in the above global Deloitte research series *The State of Gen AI in the Enterprise: Now Decides Next* (Q4 2024)[10] say their most advanced AI or GenAI initiative is meeting or exceeding their ROI expectations (43% meeting, 31% exceeding).

To help ensure better integration with legacy systems, organizations should first identify existing TPRM-relevant systems, data sources, and workflows to be integrated with the AI/GenAI solution. This would help them select the most suitable integration approach, e.g., API-led integration, Robotic Process Automation (RPA), data warehousing or Extract, Transform, Load (ETL) tools. This is echoed in the words of one of our research participants:

Once again, this resonates with a key finding in our global Deloitte research series *The State of Gen AI in the Enterprise: Now Decides Next* (Q4 2024)[11] that the most advanced GenAI applications outside of core IT applications overwhelmingly target critical business areas that are fundamental to success in a company's specific industry and business context.

Proposing a phased implementation plan may be more appropriate in some organizations, starting with the higher-impact areas and gradually scaling up, demonstrating tangible results and securing buy-in along the way. Within TPRM, various aspects can be considered for prioritization including selection of specific AI-enabled tools (see section 2 of this report), specific processes to manage third-party relationships (section 3) or domains related to third-party risk (section 4).

> **Data silos were a huge problem for us. Even with powerful models and computing resources, finding and accessing the right data was incredibly difficult. Centralizing our data strategy under one leader broke down those barriers and eliminated duplicate data, which really accelerated our progress with AI-enabled automation.**
>
> **Research respondent**

02. Benchmarking AI progress

Despite low maturity levels, respondents are ambitious about embracing intelligent automation, while managing a dual-risk landscape (i.e., risks of using AI in their organizations and those arising from third-party AI usage).

Benchmarking AI progress

The vast majority of respondents (93%) are in the initial two levels of maturity. We used a five-point maturity scale for this survey:

- The initial stage is all about **awareness** and exploration where organizations start to recognize the potential of AI in third-party management. However, at this stage, they typically have limited understanding and experience with the technology.
- The second stage, referred to as **defined**, moves onto further experimentation and pilot projects. At this stage, there is increased awareness of the potential benefits of AI, leading to pilot (smaller scale) projects in selected TPRM processes.
- As organizations move on to the third stage, referred to as **managed**, their scale of usage of AI-enabled solutions increases considerably. They are progressively rolled out across the entire organization, becoming more integrated not only into TPRM but also other cross-departmental processes such as sourcing, procurement, finance and accounts, logistics, business continuity, and reporting. As a result, this stage is all about expansion and integration.
- By the time respondents reach the fourth stage, they are likely to have achieved **greater integration**, with AI becoming a core component of the supply chain and TPRM strategy/framework, thus being able to drive optimization through continuous improvement and innovation.
- However, it is only in the fifth stage, referred to as **optimized**, where the organization becomes a leader in using AI for managing supply chain and other third-party relationships. This then sets the gold standard in terms of innovative action to enhance opportunities that peer organizations will potentially emulate. Ongoing optimization is required to remain best-in-class.

See Appendix 1

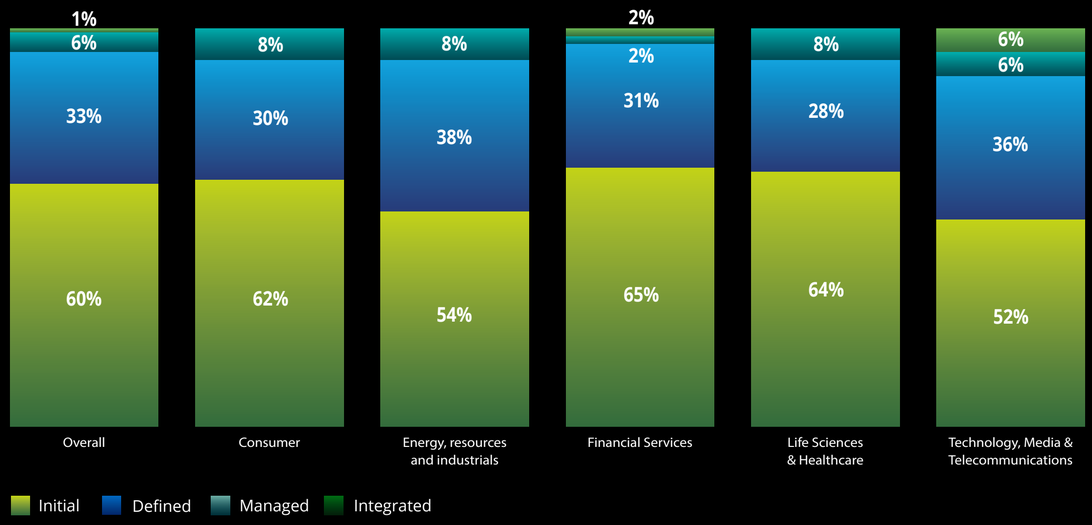
This low level of maturity is a common feature across major industry segments, with the exception of TMT where 12% (compared to 7% overall) report they have progressed to more advanced levels.

Only 13% of respondents state they are actually using AI technologies to better understand their third-party risk exposure today. But despite this slow rate of progress so far, as many as 70% of respondents plan to use AI technologies to understand their third-party risk exposure better. The gap between reality and aspiration is even higher in larger organizations with a turnover greater than US$1 billion. Only 14% (marginally higher than the 13% reported above) of such organizations currently have the capability to use AI-enabled technologies to understand their third-party risk exposure better. But as many as 84% in this category (compared to 70% overall) aspire to do so in the year ahead.

Similar is the case with those organizations with larger third-party ecosystems (more than 10,000 third-party relationships) where the proportion of such aspirants is even higher (94%, further up from 84%).

The level of aspiration in participants from those countries where legislation/regulation is still evolving is, however, much lower (57%), although 15% appear to have already developed this capability beyond the first two levels.

Figure 4: Maturity levels in AI-enabled automation for TPRM: Overall and by industry



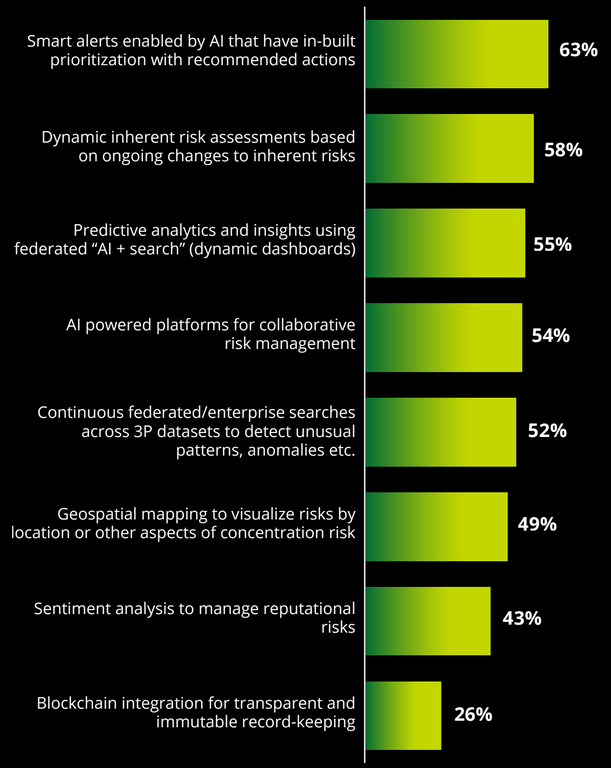
Benchmarking AI progress

Specific applications of AI-enabled tools and technologies

- 63% of respondents plan to use smart alerts, enabled by AI, that have inbuilt prioritization with recommended actions.
- 58% plan to carry out dynamic inherent risk assessments based on continuous searches across external data sets to detect unusual patterns and anomalies.
- 55% plan to use predictive analytics and insights using federated "AI + search" (dynamic dashboards).
- As reported in our earlier TPRM surveys, the growing need for collaboration across various internal and external stakeholders, functional areas and business units as a critical success factor also appears to be driving the uptake of those tools and technologies that help enable collaboration. This is reflected in as many as 54% of respondents aiming to use AI-powered platforms for collaborative risk management.

Figure 5: Aspirations to use specific AI-enabled tools for TPRM: Overall and by industry

Percentage of respondents – overall



Percentage of respondents – by industry

Consumer	Energy, resources and industrials	Financial Services	Life Sciences & Healthcare	Technology, Media & Telecommunications
68%	77%	58%	67%	57%
67%	76%	50%	50%	56%
67%	75%	45%	54%	58%
58%	63%	48%	42%	61%
55%	76%	49%	50%	47%
65%	68%	44%	53%	6%
54%	53%	34%	50%	44%
40%	35%	20%	18%	33%

Benchmarking AI progress

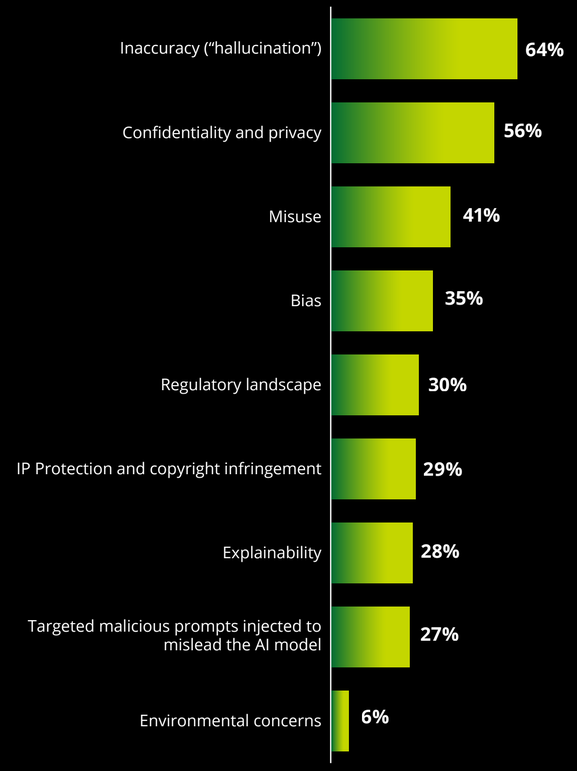
The new dual-risk landscape

Despite the opportunities that the use of intelligent automation can create, respondents are concerned about the potential for new risks related to their organizational use of AI for TPRM (top concerns being inaccuracy/"hallucination" in 64% of respondents, confidentiality and privacy in 56% and misuse in 41%).

We have explored these concerns in more detail in a recent publication Contracting for Generative AI and Mitigating Generative AI Supply Chain Risks.

Figure 6(a): Top risks related to organizational AI usage for TPRM : Overall and by industry

Percentage of respondents – overall



Percentage of respondents – by industry

Consumer	Energy, resources and industrials	Financial Services	Life Sciences & Healthcare	Technology, Media & Telecommunications
63%	60%	63%	63%	67%
48%	46%	63%	58%	48%
33%	52%	39%	42%	45%
38%	32%	35%	42%	36%
15%	26%	38%	42%	27%
33%	34%	21%	38%	36%
27%	32%	31%	33%	18%
15%	32%	27%	21%	33%
2%	6%	5%	4%	9%

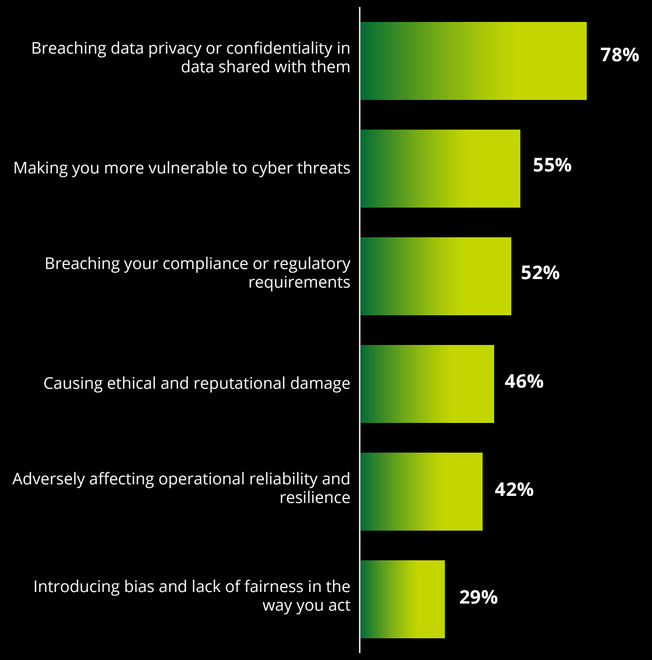
Benchmarking AI progress

However, respondents report that a dual-risk landscape is emerging – as many as 89% of respondents are also concerned about the risks that third-party usage of AI creates for them (top concerns being breach of data privacy/confidentiality in data shared with third parties (78%), being more vulnerable to cyber threats (55%) and exposure to regulation/legislation (52%).

As a result, the vast majority of respondents are grappling with two distinct but interconnected challenges. This convergence of internal and external AI risks underscores the need for more sophisticated risk assessment frameworks, stronger contractual controls, and enhanced regulatory clarity on mutually agreed responsibilities with the third party alongside evolving privacy and operational legislation and regulation.

Figure 6(b): Top risks that third party usage of AI creates for organizations: Overall and by industry

Percentage of respondents – overall



Percentage of respondents – by industry

Consumer	Energy, resources and industrials	Financial Services	Life Sciences & Healthcare	Technology, Media & Telecommunications
74%	84%	84%	50%	73%
41%	54%	64%	45%	54%
35%	51%	57%	55%	50%
53%	41%	42%	55%	58%
41%	27%	47%	30%	46%
24%	22%	35%	30%	27%

Benchmarking AI progress

Actionable intelligence and Deloitte points of view

TPRM stands at the cusp of an AI-powered transformation. The survey reveals a fascinating dichotomy: while the maturity of AI adoption in TPRM remains in its infancy, organizations are remarkably ambitious about harnessing its potential, all while acknowledging the inherent risks. Most organizations have a good vision of how AI can change things but are still figuring out how to actually realize this vision while grappling with the practicalities of implementation.

They are also noticeably aware of the dual-risk landscape that includes both the internal risks associated with AI adoption (inaccuracy, confidentiality breaches, misuse, etc.) on the one hand and the external risks posed by third parties' use of AI in delivery (data privacy breaches, cyber threats, etc.) on the other. This underscores the need for a risk management strategy covering both dimensions.

Similarly, the intent to leverage AI for better understanding third-party risk exposure (70%) and implement smart alerts with recommended actions (63%) reinforces the shift from reactive to proactive risk management, further characterized by:

- **Pragmatic adoption:** We can expect to see a more measured and strategic approach to AI adoption in TPRM, balancing the ambition for innovation with the need for robust risk mitigation and governance frameworks.
- **Explainable AI (XAI) for trust and transparency:** The emphasis on addressing concerns around inaccuracy and misuse may drive the adoption of XAI, enabling organizations to understand and trust AI-driven decisions, fostering greater confidence in AI-powered TPRM solutions. XAI is emerging as an entirely new field of research including techniques such as
  - **Feature importance analysis** that highlights which specific factor across many "tipped" the decision and
  - **Interpretable machine learning** that designs inherently transparent models rather than simply explaining "black box" decisions.
- **AI-Powered risk intelligence platforms:** The convergence of AI, advanced analytics, and data visualization may lead to the emergence of more sophisticated risk intelligence platforms, providing real-time insights, predictive modelling, and actionable recommendations.
- **Collaborative risk management:** Organizations may increasingly collaborate with their third parties to establish shared standards and leading practices for responsible AI use, mitigating risks across the extended enterprise.

03. Prioritizing AI usage

Dynamic risk assessment and due diligence activities present the greatest potential for using intelligent automation for efficiency and effectiveness.

Prioritizing AI usage

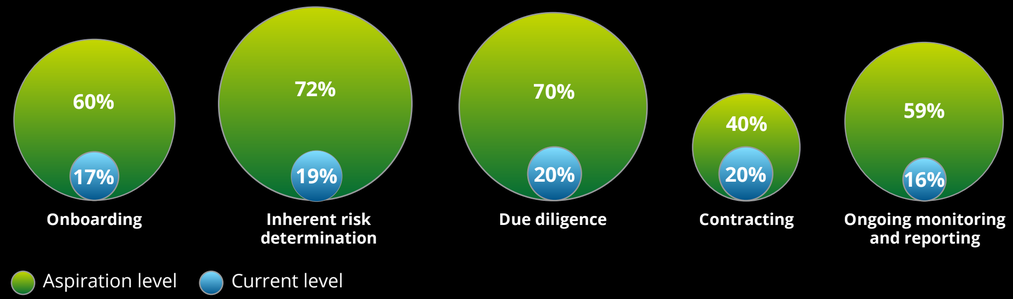
Respondents report that inherent risk determination and due diligence-related activities offer the most opportunities to apply AI in achieving efficiency and effectiveness across various third-party management processes (72% and 70% of respondents, respectively). This is followed by the potential use of AI in onboarding (60%) as well as in ongoing monitoring and reporting (59%).

It is interesting to note that only one in five report that they have so far achieved the desired level of AI-driven proficiency in inherent risk determination and in due diligence. This presents, once again, a significant gap between aspiration and reality. In a similar vein, only 17% and 16% respondents have achieved this desired proficiency for onboarding and in ongoing monitoring and reporting respectively, indicating far more needs to be done in these areas too.

AI regulation: Sentiment reflects potential

Despite this, it seems that the overall attitude to emerging AI regulation is overwhelmingly positive (73% of respondents) compared to only 25% being negative, the remaining 2% being neutral in their views. Of the 73% mentioned above, 57% indicate there will be more opportunities than challenges arising from emerging legislation. The other 16% are even more positive, reporting that these regulations will go a long way towards reducing risk and enhancing trust, with further opportunities to gain competitive advantage by doing this better than others in the marketplace. On the other hand, those 25% that feel negative do so because they indicate that these changes require significant investment and will move at a slower pace to technological advancements (21%). A further 4% who are the most negative across all respondents report that these regulations are now becoming overwhelming.

Figure 7: Current levels of AI-enabled proficiency in TPRM processes compared to aspirations: Overall and by industry



	Current level					Aspiration level				
	Consumer	Energy, resources and industrials	Financial Services	Life Sciences & Healthcare	Technology, Media & Telecommunications	Consumer	Energy, resources and industrials	Financial Services	Life Sciences & Healthcare	Technology, Media & Telecommunications
Onboarding	19%	20%	13%	20%	24%	68%	60%	55%	58%	64%
Inherent risk determination	24%	22%	15%	16%	28%	76%	82%	66%	75%	79%
Due diligence	28%	27%	14%	11%	28%	71%	70%	73%	75%	55%
Contracting	24%	21%	15%	16%	35%	32%	38%	47%	29%	36%
Ongoing monitoring and reporting	22%	19%	13%	15%	20%	54%	50%	59%	63%	67%

Prioritizing AI usage

Digitization of TPRM process and data is an important step in realizing the advantages of AI-enabled TPRM.

The current level of automation in capturing and leveraging data associated with the inherent risk of a third-party engagement leaves much to be desired. 18% of respondents continue to adopt manual mechanisms while a further 36% leverage spreadsheet-based functionality in doing so. As many as 24% of respondents reported that they have automated only the distribution and response collection processes related to third-party questionnaires, but the data analysis is not automated. Given the low proportion of respondents who have made significant progress on the maturity scale in using AI-enabled TPRM, it is therefore no surprise that this leaves just 22% who have extended their automation to scoring, clustering and categorization of third parties (partly or fully). Only 3% report they have achieved near-full automation including review and analysis (with advanced features such as ongoing matching of due diligence, auditing and ongoing monitoring to risks).

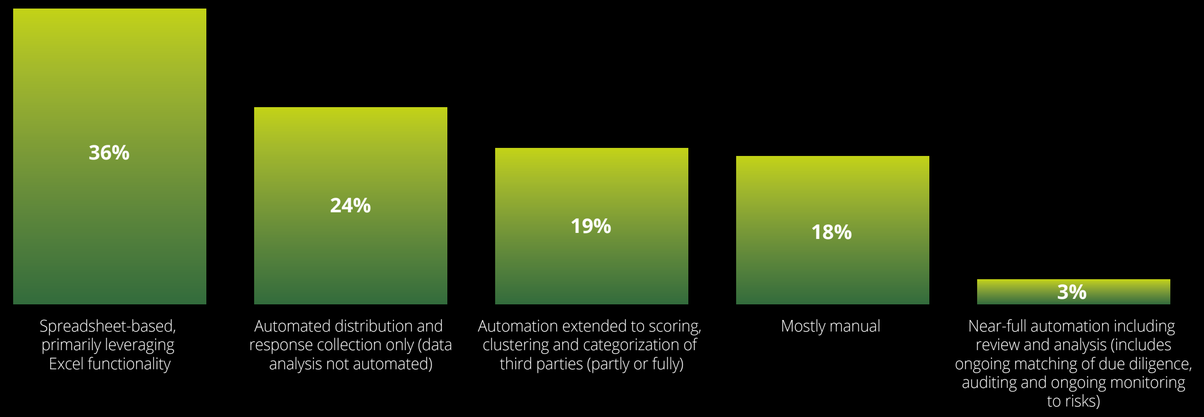
Automated contracting and contract management practices

Astute organizations are increasingly recognizing the importance of robust contract management in mitigating third-party risks efficiently and effectively. However, we were surprised to find that our survey revealed a relatively low perceived potential for leveraging intelligent automation in contracting and contract management compared to other TPRM processes (as explained below). This is particularly noteworthy given the emergence of leading Contract Lifecycle Management (CLM) solutions that incorporate AI-enabled functionality, offering organizations a significant opportunity to enhance efficiency and effectiveness in their contracting processes.

Survey respondents perceived relatively low potential for leveraging intelligent automation in contracting and contract management. Only 40% indicate that this presents a significant opportunity for enhancing efficiency and effectiveness. Compared to this, only 20% report they have achieved proficiency in this area with the vast majority (80%) indicating that more needs to be done, albeit with lower priority compared to other areas.

Continuing on the topic of contract management, as many as 53% of respondents do not have an automated contract management system, relying heavily on manual processes. A further 34% of respondent organizations have just achieved an elementary level of automated contract search and clause extraction (without use of AI). Of the responses, 10% have automated some routine tasks (and workflows) using AI such as contract drafting and comparisons (evolving into AI-enabled compliance checks). That leaves only 3% that have implemented AI-enabled predictive analytics to anticipate contract risks, compliance concerns, and performance trends with meaningful reporting (often triggering renewal or renegotiation).

Figure 8: Current levels of automation in capturing and leveraging data associated with the inherent risk of third-party engagement: Overall



Prioritizing AI usage

Several factors could potentially contribute to this counterintuitive finding around such a low perceived potential for leveraging intelligent automation in contracting and contract management for TPRM:

- **Lack of awareness** related to the latest advancements in AI-enabled contract management solutions and the potential benefits they offer. They may still perceive contract management as a primarily manual process.
- **Prioritization of other TPRM processes** for AI-enabled automation, such as due diligence or ongoing monitoring, where they perceive a greater immediate return on investment.
- **Data security and privacy concerns:** Contracts often contain sensitive information, and organizations may have reservations about entrusting AI systems with this data. Concerns about data security, privacy, and the potential for bias in AI algorithms could contribute to hesitancy in adopting AI-driven contract management solutions.
- **Integration challenges:** Integrating AI-enabled contract management solutions with existing systems and processes can be complex and costly, potentially deterring some organizations. This is particularly relevant in cases where legal teams operate in isolation, leading to siloed contract data and hindering effective integration with TPRM processes.
- **Profile of respondents:** Survey participants primarily included those responsible for managing third-party risk in their organizations. As a result of not being directly accountable for contracting activities, which are often part of another organizational function (such as legal departments), they could have considered this a lower-priority action area.

Another interesting observation on the same topic is reflected in chapter 4 of this report. While contract management is perceived as a top priority for AI-enablement to drive workflow efficiency and effectiveness in a small proportion of our respondents, a higher proportion report that their organizations can significantly benefit from incorporating AI into their overall strategy to manage contract risk. For example, AI can be used to develop more robust and relevant contractual clauses to mitigate current, emerging, and evolving risks more effectively.

Prioritizing AI usage

Actionable intelligence and Deloitte points of view

The survey reveals confidence in AI's ability to revolutionize key TPRM processes, with a priority focus on dynamic inherent risk determination and due diligence. However, a significant gap persists between aspiration and reality, highlighting the need for accelerated action to bridge this divide. Leaders should champion budget allocation with stronger business cases for intelligent automation for TPRM despite the challenging macroeconomic environment and difficult financial situation. The adage that 'you need to spend money to save money' has never been truer – proactive investment in intelligent automation is essential to efficiently and effectively mitigate escalating third-party risks and minimize potentially greater financial losses in the long run.

An overwhelming majority of respondents recognize the immense potential of AI in streamlining and enhancing inherent risk determination (72%) and due diligence (70%). This signifies a clear understanding of AI's capacity to automate manual tasks, analyze vast datasets, and provide data-driven insights for more informed decision-making. Yet a much smaller proportion achieving proficiency in these areas underscores the challenges organizations may face in translating their AI ambitions into tangible outcomes.

In addition to the factors covered in the earlier section, the survey exposes a glaring need for improvement in capturing, managing, and leveraging third-party risk data. An over-reliance on manual processes and basic spreadsheets continues to persist, hindering the effective deployment of AI, which thrives on accurate, high-quality, structured data. Similarly, while often perceived as less critical than other TPRM processes, contract management presents a significant opportunity for AI-driven transformation. Only 2% of respondents have implemented advanced AI capabilities for contract analysis and risk prediction. This highlights a largely untapped area with substantial potential for efficiency gains and risk mitigation.

- Going forward, we can expect to see a rapid increase in AI adoption across each stage of the TPRM lifecycle, driven by the need for greater efficiency, accuracy, and proactive risk management.
- Organizations will likely prioritize investments in data infrastructure, governance, and integration to create robust data pipelines that can effectively feed AI algorithms and unlock their full potential.
- The demand for end-to-end TPRM solutions will likely fuel the development of AI-powered platforms that seamlessly integrate data management, risk assessment, due diligence, monitoring, and reporting functionalities.
- AI may play an increasingly crucial role in contract management, automating contract analysis, contract authoring, and compliance monitoring, leading to more consistently applied contract terms and reduced risk exposure.

04. Future implications

Managed services solutions alongside enhanced in-house capabilities through organizational investments in technology will help enable most respondents to prioritize their AI roadmap.

Future implications

Next steps in the digital transformation journey for TPRM

In the current challenging business and macroeconomic environment, organizations should make strategic choices about where to invest their limited budgets to AI-enable their TPRM capabilities. Most respondents (61%) reported that they are prioritizing data quality and core system integration as a pragmatic next step in their transformation journey [Figure 11]. This foundational step would provide AI models with accurate, complete, and consistent data in real-time. This is a stronger priority in larger organizations (68%) with turnover greater than US$1 billion compared to those below that threshold (47%) participating in this survey. This is also a stronger priority in those with larger third-party ecosystems—defined as more than 10,000 third-party relationships (71%)—compared to those with a smaller number of third-party relationships (58%). We also see a similar disparity between respondents in countries with more evolved AI legislation/regulation (68%) compared to those in countries where this is still evolving (43%).

Re-engineering TPRM, including TPRM workflows, follows next on the list of immediate priorities. While this is a high priority for many (42%), it's notable that a smaller proportion (33%) of board and C-suite level respondents see it as immediately critical, compared to 43% who are a level or two below them. This difference suggests a potential disconnect: more senior leaders possibly view this as a matter of operational detail rather than a strategic lever. Their focus on more strategic, immediate concerns like revenue growth could potentially overshadow their concerns around inefficiencies of current TPRM workflows, which are perhaps less visible at their level.

Responses from FS participants were concentrated on these two priorities that topped the list across all respondents (i.e., prioritizing data quality/integration and re-engineering TPRM workflows) compared to other industry segments. In contrast, the choice of priorities was relatively more dispersed in other industry sectors and included acquiring/developing advanced AI/data analytics platforms and tools, building skilled AI talent and upgrading IT infrastructure to support AI deployment, or establishing/revamping existing governance/risk and regulatory frameworks.

Figure 9a: Top immediate priority areas for action: Overall

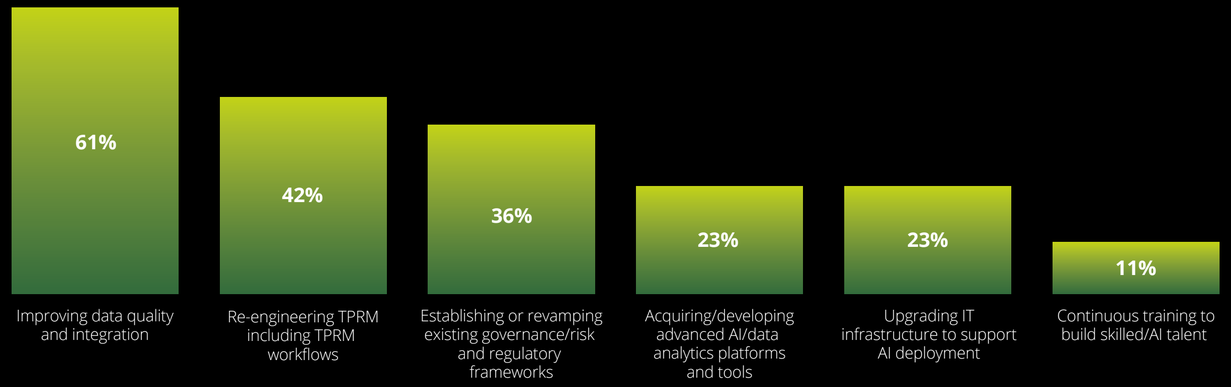
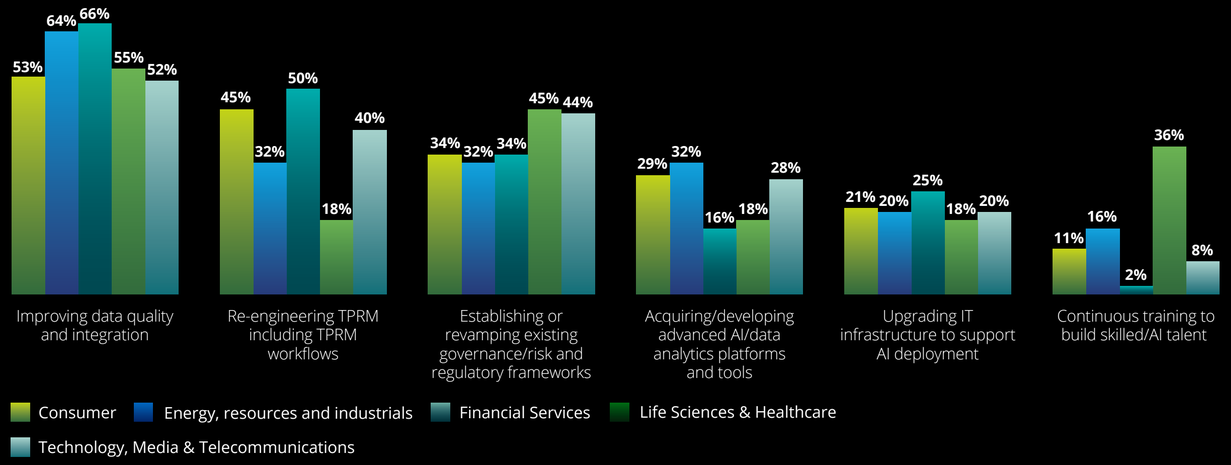


Figure 9b: Top immediate priority areas for action: By industry



Future implications

We believe there are three key reasons for this:

01. FS organizations operate in a highly regulated industry and have been focused on TPRM for a long period of time relative to some other industry segments, given the explicit regulatory expectation. This has driven a strong appreciation of the need to prioritize data quality and integration (with material consequences for not doing so), as well as the ongoing need to re-engineer their TPRM workflows.

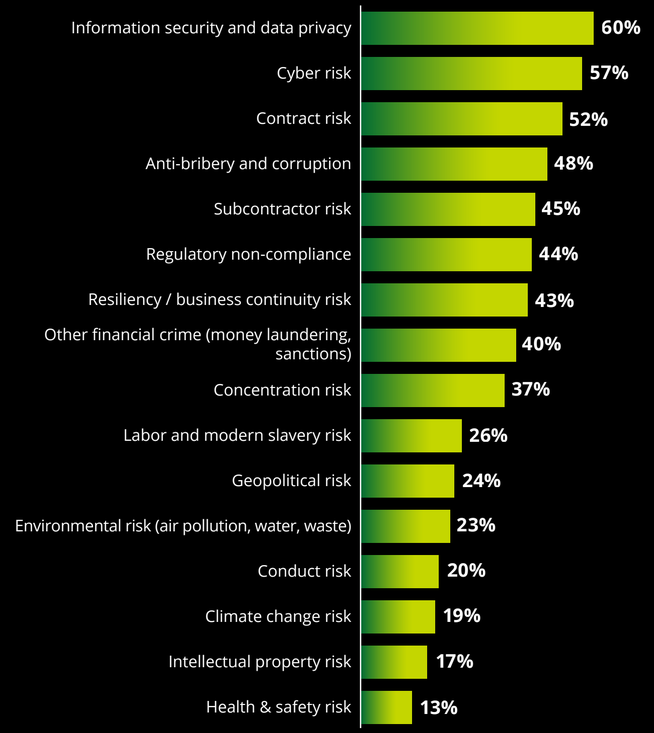
02. Traditionally, FS has operated with various siloed segments across business divisions/product offerings such as retail banking, corporate banking, investment and wealth management, insurance, lending, etc. We believe this may have reinforced the current focus on core system integration and data quality.

03. FS requires a high volume of instantaneous, high-precision decisions related to high-frequency trading, real-time fraud detection, biased credit decisions, etc. This can increase the risk of AI models amplifying systemic financial risks e.g., mispriced risk models.

Establishing or revamping existing governance/risk and regulatory frameworks is the third of the top priorities identified in this survey (36% of respondents). However, the need to do so appears to be stronger in respondents from LSHC (45%) and TMT (44%) compared to other industry segments.

Figure 10: Risk domains that have the greatest potential using AI: Overall and Industry

Percentage of respondents – overall



Percentage of respondents – by industry

Consumer	Energy, resources and industrials	Financial Services	Life Sciences & Healthcare	Technology, Media & Telecommunications
54%	59%	64%	48%	62%
54%	64%	56%	62%	59%
43%	45%	58%	48%	52%
62%	50%	38%	62%	52%
32%	41%	51%	48%	38%
49%	48%	40%	43%	45%
35%	43%	42%	52%	48%
41%	32%	43%	43%	38%
19%	23%	58%	19%	21%
35%	30%	20%	38%	21%
24%	27%	22%	29%	24%
32%	27%	17%	24%	21%
30%	20%	15%	29%	17%
24%	23%	19%	19%	7%
16%	16%	10%	33%	24%
24%	18%	6%	14%	14%

Future implications

Risk domain prioritization

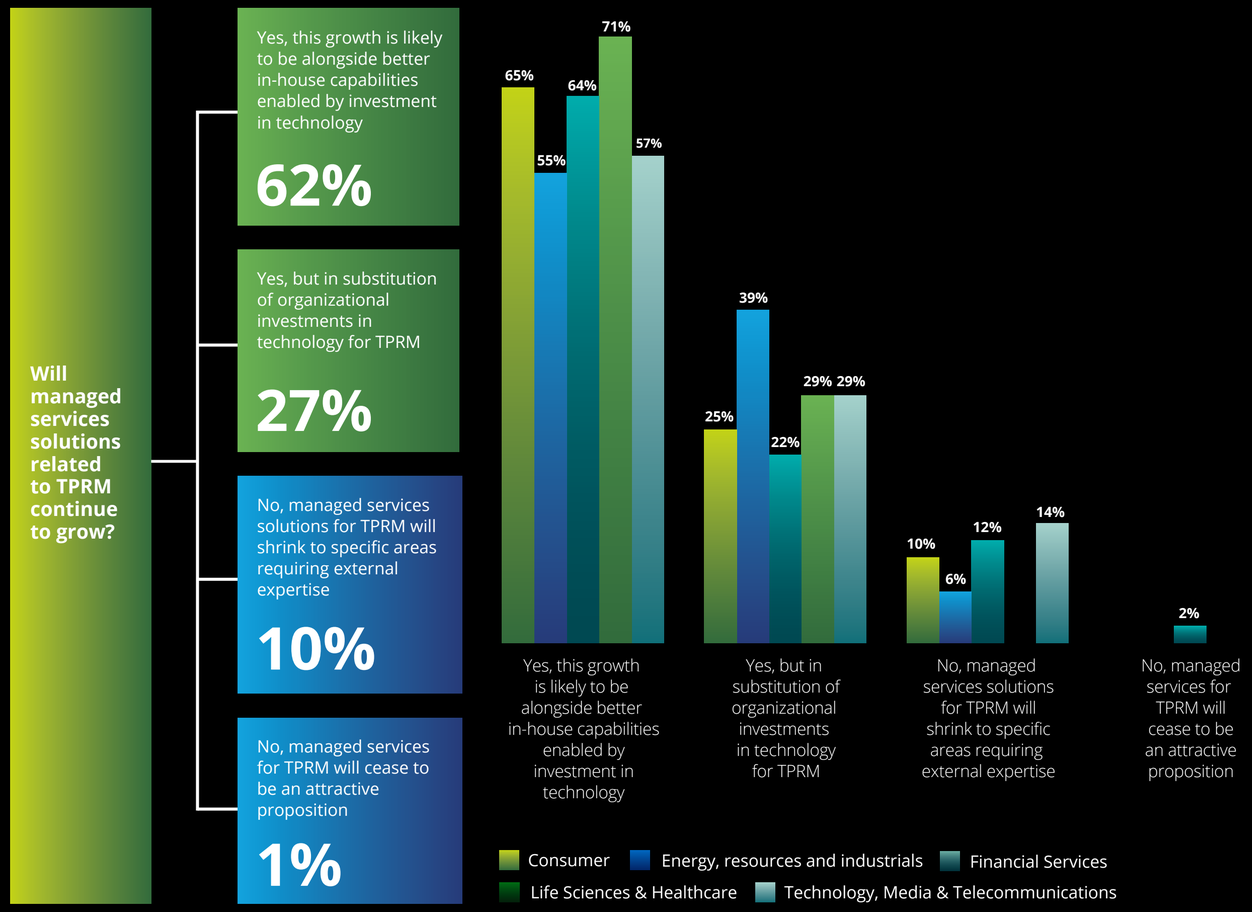
Respondents also appear to have prioritized certain specific risk domains [Figure 9] for initial exploration in driving their limited and focused approach to embracing AI to augment their third-party risk management. They report that the following top risk domains would benefit the most from the application of AI for managing third-party risks:

- Information security and data privacy (60%)
- Cyber risk (57%)
- Contract risk* (52%)
- Anti-bribery and corruption (48%) and
- Subcontractor risk (45%)

The future of managed services solutions for TPRM

To be able to exploit these opportunities, 62% of respondents indicate that managed services solutions for TPRM will likely continue to grow; however, this growth is likely to be alongside better in-house capabilities enabled by organizational investment in technology [Figure 10]. Only 27% report that such growth in managed services solutions would replace foundational organizational investments in technology related to third-party management. The remaining 11% indicate that managed services will shrink substantially to specific specialist areas only, including 1% reporting that managed services will cease to exist. LSHC is the biggest proponent of leveraging managed services to complement investment in in-house capability (71% of respondents) whereas ER&I firms are most interested in leveraging managed services to enable AI as a substitute for significant internal investment in technology and specialist knowledge/skills related to TPRM capability (39% of respondents).

Figure 11: Will managed services solutions related to TPRM continue to grow?



*As indicated in the preceding chapter, while contract management is yet to be perceived as a top priority for AI-enabled efficiency, the same respondents report that their organizations can significantly benefit from using AI to proactively manage contract risk with stronger strategic foresight. For example, AI can be used to develop more robust and relevant contractual clauses to mitigate current, emerging, and evolving risks with a more holistic perspective.

Future implications

Actionable intelligence and Deloitte point of view

Prioritizing foundational actions and higher-impact risk domains: foundational actions such as improving data quality, integrating multiple TPRM systems, re-engineering workflows, and revamping governance frameworks are important for building an effective AI-enabled intelligent TPRM function. Poor data quality contributes to inaccurate risk assessments, while fragmented systems can create silos that slow down decision-making. It is only by standardizing, cleansing, and integrating data across risk, procurement, finance and compliance functions that organizations can enable real-time risk intelligence and make informed, proactive decisions. Organizations should streamline legacy data integration by leveraging evolving AI-driven approaches and replacement strategies to move beyond reactive, semi-automated systems.

Similarly, TPRM workflows should be assessed for their 'readiness' for AI-driven automation, and potentially redesigned with real-time risk scoring, and continuous monitoring, helping to ensure agility in responding to evolving risks. Governance, risk, and regulatory frameworks should also be updated to align with emerging and evolving compliance requirements.

All of this should be executed within organizational budgetary constraints, referenced earlier in our report, which is why prioritization of effort (either by risk domain or stage of the third-party lifecycle) is so important.

- We believe this strategic prioritization can continue to reflect increasing maturity in understanding organizational risk appetite and also help ensure that risk management efforts are proportionate to the risks involved.
- Budgetary constraints will likely reinforce the desire, particularly in the short-term, for targeted solutions and actions that offer "quick wins" or the highest impact to effort ratios (Eisenhower matrix).

The rise of the AI-enabled hybrid TPRM managed services model: the integration of AI into Third-Party Risk Management (TPRM) is ushering in a new era of hybrid models, where organizations can strategically leverage both managed services and enhanced in-house capabilities to navigate the evolving risk landscape. This suggests that managed services are viewed as a complementary force, augmenting in-house capabilities rather than supplanting them entirely. This approach can offer a safer path to AI adoption in TPRM, allowing organizations to experiment and realize benefits alongside experienced collaborators. By leveraging the knowledge and prior learnings of established managed service providers, businesses can mitigate potential risks associated with AI implementation and accelerate their journey towards a more robust and agile TPRM framework.

We believe that larger organizations, often with bigger budgets and more significant critical third-party relationships, will likely take the lead in investing heavily in AI-powered TPRM platforms and tools to empower their teams with advanced analytics, automation capabilities, and real-time risk intelligence.

- These organizations may also prioritize upskilling their TPRM teams to effectively manage AI-powered tools, interpret data-driven insights, and supplement with managed services support in niche areas. This is in contrast to mid-tier and smaller organizations who are more likely to embrace the more holistic managed service solution set.
- Software solution providers are likely to embed AI-driven functionality in their offerings.
- We can also expect to see a rise in specialized managed services offerings focused on specific aspects of AI-powered TPRM, such as data analytics, risk modelling, or continuous monitoring.
- Such co-creation of tailored approaches is likely to be more cost-effective than ever before.

Future implications

Roadmap to maturity in AI-enabled intelligent automation

We have set out a suggested roadmap to maturity in AI for TPRM as an appendix to this final chapter of our report. This sets out the overall path to maturity (see chapter 2) but also provides a more granular deep dive into four of the key TPRM processes: inherent risk determination, due diligence, contract management and ongoing monitoring/reporting. Respondents indicate there is potential for AI-enabled intelligent automation in each of these more granular areas (see chapter 3).

This maturity roadmap consistently follows five stages from initial through to optimized at the overall TPRM level (see chapter 2) supported by examples of pathways to progress in enhancing specific TPRM processes.

Using this overall framework, we then assess how this translates into specific milestones in various stages of third-party management from inherent risk determination through to ongoing monitoring and reporting.

Agentic AI as the next milestone for TPRM

Deloitte's AI Institute in its Q4 2024 report on the state of generative AI highlights the growing prominence of agentic AI – autonomous bots or agents capable of actively performing tasks with minimal direct human intervention, in contrast to passively responding to prompts or generating content. The report notes that one in four organizations are actively exploring the development of such agents viewing them as the next step in AI evolution that holds the key to sustainable value through efficiency and productivity improvement. Current generative AI, with its ability to process information, learn patterns, and create new content, can be seen as a key building block for agentic AI. The capabilities being developed now in natural language processing, code generation, and creative content creation are likely to be used to power more autonomous agents in the future. Some of these capabilities relevant to TPRM are set out in level 5 of our roadmap to maturity for AI-enabled TPRM.

However, the development of agentic AI raises important ethical and practical considerations that include ensuring that agentic AI systems operate safely and ethically, with their goals aligned with human values; addressing potential biases in the data used to train these systems to prevent unintended consequences; and transparency on how agentic AI makes decisions and takes actions is essential for building trust and accountability.

Endnotes

[1] Navigating the headwinds: enhancing agility to regain momentum, Deloitte UK, 2023
[2] Now decided next: Generating a new future, Deloitte Insights, 2025
[3] Now decided next: Generating a new future, Deloitte Insights, 2025
[4] Digital Operational Resilience Act (DORA) - EIOPA, European Insurance and Occupational Pensions Authority, 2025
[5] EU AI Act: first regulation on artificial intelligence, European Parliament 2025
[6] Data protection under GDPR, European Parliament 2025
[7] Digital Operational Resilience Act (DORA) - EIOPA, European Insurance and Occupational Pensions Authority, 2025
[8] EU AI Act: first regulation on artificial intelligence, European Parliament 2025
[9] Now decided next: Generating a new future, Deloitte Insights, 2025
[10] Now decided next: Generating a new future, Deloitte Insights, 2025
[11] Now decided next: Generating a new future, Deloitte Insights, 2025

Appendix: Journey to maturity in AI for TPRM

Appendix: Journey to maturity in AI for TPRM

	Stage 1: INITIAL Awareness and exploration	Stage 2: DEFINED Experimentation and pilot projects	Stage 3: MANAGED Expansion and integration	Stage 4: INTEGRATED Full integration, setting the stage for innovation and optimization	Stage 5: OPTIMIZED Ongoing transformation to remain best-in-class
Overall journey to maturity in AI for TPRM outlined in Chapter 2	**Organizations start to recognize the potential of AI in third-party management** but have limited understanding and experience with the technology. At this stage, we typically see more examples of reactive automation of repetitive tasks, a focus on historical data for problem-solving and decision-making (rather than predictive insights).	**Awareness of AI's potential benefits is increasing, leading to smaller-scale pilot projects and experimentation** within selected TPRM functions. Examples include automating data collection from multiple sources and piloting analyses of third-party and external data for due diligence and monitoring across multiple risk domains. While often siloed initially, a more integrated and forward-looking approach emerges as ideas and concepts are validated.	**AI solutions are scaled up and rolled out across organizations, integrating into key TPRM and cross-departmental processes.** These processes can include those related to sourcing, procurement, finance, logistics, business continuity, and reporting. This integration increasingly provides an end-to-end, real-time view of the third-party lifecycle, enabling more proactive management. Organizations continue to augment their AI capabilities through training and hiring.	**AI becomes a core component of supply chain and TPRM strategies, enabling continuous improvement and innovation.** This is characterized by the extensive use of AI and machine learning for predictive analytics, enabling highly accurate sensing, evaluation and seizing of opportunities that create competitive advantage and proactive risk management. Near-autonomous decision-making in certain TPRM processes is enabled by AI-driven insights with human-AI synergy.	**The organization becomes a leader in using AI for managing supply chains and other third-party relationships.** This is characterized by the extensive use of AI and machine learning for predictive analytics, enabling highly accurate identification, evaluation, and leveraging of opportunities that create a competitive advantage and proactive risk management. AI-driven insights, working in synergy with human oversight, enable near-autonomous decision-making in certain TPRM processes.
Examples of pathways to progress in enhancing specific TPRM processes					
Inherent risk determination	**A basic level of automation to handle repetitive tasks.** For example, using simple scripts or basic robotic process automation (RPA) to gather information from third parties, automated distribution, and collection of inherent risk questionnaires with elementary levels of validation to ensure completeness.	**Automated data enrichment,** such as combining inherent risk-related data from third parties with other external sources, can pull in real-time updates. This data relates to factors in the external environment that increase inherent risk. Examples include sanctions lists, political stability indices, sentiment analysis on diplomatic relations, credit ratings of the third party's country or region, currency volatility, industry-specific disruptions, or news sentiment analysis relevant to the third party.	**Machine learning-based analytics** can analyze inherent risk and qualification (IRQ) data more broadly, spotting patterns with advanced features. These features include risk scoring of third-party engagements across multiple risk domains and predictive analytics to identify future red flags or higher-risk relationships. These analyses can consider diverse criteria, including dependency and substitutability, leading to risk scoring or categorization across all third-party relationships.	**Advanced AI-driven insights can provide deeper, real-time insights related to inherent risk determination,** along with recommendations for human validation or action. Intelligent automation can ensure continuous (rather than periodic) reassessments of inherent risk questionnaires. This ensures inherent risk levels remain up-to-date, and downstream third-party controls are appropriately evaluated for relevance and effectiveness.	**Near-autonomous inherent risk management, with optimal levels of human-AI collaboration,** becomes achievable. This involves the full-scale integration of AI capabilities to independently identify, prioritize, and manage the inherent risks associated with third-party services. Human-in-the-loop (HITL) or human-over-the-loop (HOTL) models can be implemented, indicating supervised or governed autonomy, respectively.
Due diligence	**Ad hoc due diligence** (often limited to a **few risk domains** such as cybersecurity or data privacy) and monitoring of third-party relationships occur, with minimal automated alerts for potential risks or compliance issues.	**AI-driven third-party assessment tools are being piloted** to enhance due diligence efforts and identify potential compliance issues across a broader range of domains. These tools might include financial health data, reputation scores, or compliance sources that can be manually combined to provide a holistic view of third-party risk profiles, including some initial capability to identify potential red flags early.	**Enhanced due diligence on a larger scale through AI-enabled risk scoring models.** These provide a more comprehensive assessment across the entire ecosystem of supplier and third-party relationships covering all key risk domains, on a more real-time basis.	**Proactive, AI-enabled due diligence on supplier and third-party activities is conducted, with real-time risk assessment and anomaly detection.** This leverages deeper insights to pinpoint high-risk areas for focus. For example, natural language processing can be used to analyze unstructured data, including news and social media, to determine risk signals or provide risk-mitigation recommendations with real-time alerts relevant to the third party and industry context.	This stage marks a paradigm shift in third-party risk management. Advanced, **self-learning AI algorithms are integrated,** capable of comprehensively analyzing and adapting to the complexities of third-party relationships. This includes navigating contractual dynamics amid evolving regulatory landscapes and addressing issues like resilience. Ultimately, this unlocks new opportunities for shared value and sustainable growth.

Appendix: Journey to maturity in AI for TPRM

	Stage 1: INITIAL Awareness and exploration	Stage 2: DEFINED Experimentation and pilot projects	Stage 3: MANAGED Expansion and integration	Stage 4: INTEGRATED Full integration, setting the stage for innovation and optimization	Stage 5: OPTIMIZED Ongoing transformation to remain best-in-class
Contract management	**Contract management is primarily manual, with limited use of technology.** For example, basic document search and extraction tools might be used to extract key terms, but these are employed on an ad hoc basis without any standardized approach.	**A robust contract management tool, supported by standardized contract management processes,** forms the basic digital backbone. The primary focus at this stage is piloting the automation of routine tasks. These tasks include contract drafting, renewal reminders, and compliance checks. Some interplay between AI tools and contract management systems is used to improve data utilization.	**AI-driven insights, using predictive analytics, enable more proactive contract management and decision-making.** This allows for anticipating contract risks, compliance concerns, and performance trends with greater visibility, control, and more meaningful reporting.	**An AI-enabled collaborative platform with supporting tools is developed and integrated across the entire contracting ecosystem.** This platform facilitates real-time contract negotiation and management. Potential integrations with IoT and blockchain technologies enhance secure and transparent contract management. For example, IoT and blockchain can track real-time performance against contractual terms, automatically triggering penalties or rewards based on SLAs in a transparent manner.	**A near-autonomous contract management system is implemented, operating with minimal human intervention.** This system utilizes smart contracts (for lower-risk third parties) that can draft proposed changes or even self-execute based on predefined conditions, all with human oversight. Deep and unsupervised learning techniques are increasingly employed, ensuring that AI systems continuously learn and adapt to optimize contract management processes.
Ongoing monitoring and reporting	**Basic (mostly manual) data collection from third parties** focusing on historical compliance and risk metrics rather than forward-looking insights. Technology use is limited, relying mainly on spreadsheets and simple databases. This supports a reactive approach to risk management, addressing concerns as they arise. Tech tools are primarily used for automating data entry and basic reporting, with some attempts to identify patterns in historical data.	**Automated monitoring and alerts build on the automated data collection from the previous stage.** Real-time monitoring, often restricted to specific compliance and risk metrics, triggers automated alerts for deviations from acceptable thresholds. This stage reflects a clear shift towards a more proactive risk management approach, enabling quicker responses to concerns. This eventually evolves into AI-driven tools for continuous monitoring with real-time alerts. These tools leverage NLP to analyze unstructured data from external sources (e.g., news articles, social media) alongside structured internal and third-party data.	**Real-time predictive analytics proactively identify potential risks and compliance issues** by recognizing complex patterns and trends in vast internal and external datasets. Although human oversight remains essential, this results in: • **More contextualized and accurate reporting** with fewer false positives: This allows for a deeper understanding of risks. • **AI-generated visualizations:** Tools such as risk heat maps dynamically illustrate risk exposure levels across various domains, enabling drill-down analysis for informed decision-making. • **System-generated risk mitigation action plans and progress tracking:** These streamline the path to problem resolution.	This level represents a further shift towards **proactive and collaborative risk management, where AI augments human experience** (as a co-pilot) to create a more resilient and secure operational environment. AI-driven intelligent decision support systems become more deeply embedded within the risk management framework, empowering organizations to make more data-driven decisions and optimize their risk management strategies. For example: • **AI-Guided risk acceptance:** Intelligent systems, with human input, generate comprehensive risk-acceptance documentation, ensuring informed decision-making regarding risk tolerance. • **Collaborative risk mitigation:** AI facilitates stronger coordination with third parties to collaboratively implement risk mitigation measures, such as joint resilience testing.	**Seamless coordination and optimization of supply chain activities are achieved through interconnected, AI-driven processes and systems.** These leverage AI for advanced analytics, dynamic scenario planning, and predictive insights, all aligned to the ever-changing environment. • **Continuous improvement and adaptation:** AI models are continuously improved and adapted based on real-world performance, enhancing transparency and accountability in third-party risk management. • **Intelligent scenario planning:** AI can combine internal risk appetite, contextualization of the third-party relationship, and risk signals from publicly available data to drive intelligent scenario planning. This informs better, more timely decisions to mitigate risk exposure and realize better outcomes.

About the authors

About the authors

Kristian Park
Partner and Global Leader, Extended Enterprise
Kristian Park is the global leader of Deloitte's Extended Enterprise practice. Based in the UK, Kristian works with clients on a variety of different Third-Party Risk Management topics – including designing and revising TPRM frameworks, implementing technology solutions and brining our operate offerings to clients e.g., screening and monitoring, third party questionnaires, etc.

Kristian also leads the UK and NSE firm's Strategic Risk offering, this includes Extended Enterprise as well as Deloitte's ESG and Resilience offerings. The intersect between these services has been clearer in recent years and is evidenced in the latest survey results.

He covers all industries, with significant experience in Financial Services, Life Sciences, Energy & Resources, Technology, Media and Telecoms, as well as consumer products.

Danny Griffiths
Partner, Extended Enterprise
Danny Griffiths is a Partner in our Extended Enterprise (EE) team, with over seventeen years of experience providing assurance and advisory services on Outsourcing and Third-Party Risk Management (TPRM) to his clients. He has assisted clients on all aspects of TPRM across a wide variety of industry sectors but primarily works with organizations operating in the Financial Services sector. Danny specializes in advising clients on their interactions with, and management of, third parties against regulatory expectations and good industry practice. He supports his clients to benchmark their existing TPRM practices and challenges them to establish new practices that will enhance their TPRM maturity. Danny also helps his clients to understand the technology landscape for TPRM and how to 'tech-enable' their TPRM practices or unlock the benefit of external assistance (such as managed solutions).

Danny is a leader within our international network for TPRM services and has worked extensively with clients throughout Europe, the Middle East and Africa (EMEA). He also has experience working with international organizations operating globally and engages collaboratively with international colleagues to provide insights for his clients. Danny is a regular participant and contributor at TPRM forums and hosts TPRM roundtables for Deloitte in the UK and internationally.

Dr Sanjoy Sen
Head of Research and Eminence, Extended Enterprise
Dr Sanjoy Sen is the head of research for Extended Enterprise at Deloitte and co-director for Aston University's MSc programme in AI and business strategy. Sanjoy's pioneering research and thought leadership in the area of third-party management has earned him a doctorate from Aston University in 2019 and the prestigious global research impact prize awarded by the Association of MBAs (AMBA) in 2021.

Since 2014, Sanjoy's work has been cited in various academic and professional journals including the Academy of Management, as well as the Wall Street Journal and other frontline newspapers.

Sanjoy has extensive experience advising boards, senior leadership, head of risk, and internal audit on strategic governance and risk management of the extended enterprise, outsourcing and shared services. He is a chartered accountant (FCA), cost and management accountant, and certified information systems auditor (CISA) with over 35 years of experience, including 17 years of partner-level experience at Deloitte and another Big Four firm.

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