

TOP WAYS TO IMPROVE YOUR THIRD-PARTY OVERSIGHT PROGRAM

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1. Manage and assess third-party risks holistically

An effective third-party risk management process begins by comprehensively identifying third-party risks such as process risks, geo-political risks, supply chain disruption risks, single source risks, undesirable events, contract risks, legal and regulatory compliance risks, environmental, social and governance (ESG) risks, reputational risk and information system risk. Focus strongly on contracts that govern third-party relationships. A comprehensive and carefully written contract that outlines the rights and responsibilities of all parties can help you better manage third-party relationships. Also, make sure that you have a clear understanding of other risks which may lie outside the contract.

2. Have clear onboarding

Establishing and maintaining a strong third-party onboarding process is really the backbone of an effective third-party risk management program. It helps to set the tone and establish expectations early on- including your standards under your supplier code of ethics. Make sure to capture third-party information along with the any required certifications, contracts, and documents.

3. Conduct proper due diligence

Organizations often take a risk-based approach to third-party screening and due diligence. As part of the onboarding and maintenance of relationships, third parties should be classified based on the various risk categories based on the selected risk criteria. The level of due diligence screening and process is based on the perceived risk after assessing the criteria defined by the company and establishing the risk score. Using a reputable vendor to assist in further due diligence is key.

4. Extend the reach beyond direct 3rd parties

If there is anything that we have learned from COVID-19 it is that you need to know all of the parties involved in your supply chain. Whether it is an information security breach or an issue within a manufacturing facility, not having complete visibility into the supply chains puts a company at risk for unforeseen challenges. Keep tabs on critical fourth parties to ensure that they are in the scope of the screening and risk management processes.

5. Establish clear reporting and awareness at the Board

Senior management and ultimately the Board are on point for critical oversight of the company. The Board and C-Suite should have sufficient reporting and awareness to be able to identify and control for material risks within the supply chain. There should be regular reporting and updates that are predictable and fulsome.

6. Collaboration is key

Many companies have historically approached third-party risk management as a procurement or supply chain issue. However, this siloed approach doesn't align with the regulatory, information security and responsible business requirements and commitments. This leads to missed opportunities, gaps in awareness and makes it difficult to gain a holistic view of third-party relationships. The best way to overcome this challenge is to have a facilitated and collaborative approach to include the third-party oversight requirements for all departments into a unified approach. Adopt consistent, well-defined policies, procedures and processes for the third-party lifecycle. Make third-party information available centrally to facilitate oversight, accountability, monitoring, and risk management, and to ensure that there aren't significant gaps.

7. Evaluate the effectiveness of the program

Using an independent third party to help you identify and prioritize needs for your third-party oversight program can be beneficial. A 360-degree view of the third-party oversight process helps you to create and maintain important changes in the ever-evolving world of supply chain risk.

IF YOU WOULD LIKE TO TALK ABOUT THIRD PARTY OVERSIGHT, PLEASE CONTACT US AT LUMEN.

*Written by Lisa Beth Lentini Walker, mom of 4 children
and CEO of Lumen Worldwide Endeavors*