CASE STUDY

CUSTOMER INFORMATION

Our customer is a specialist risk and compliance firm that offers governance and risk consulting services to clients across the globe. Since servicing its first customers in late 2004, the company has built the practice with the help of two sets of very strategic and powerful brand ambassadors – its customers & its people. More than 60% of the current management team has been with the company since 2006. Of the customers acquired pre-2006, ~80% are still with our customer. This track record of customer and people loyalty has helped the growth of the company along with its clients and its people.

Today our customer serves ~100+ customers globally (ranging from Fortune 100 companies to small & mid-sized companies) and are proud of maniacal focus on customer centricity and customer delight.

Customer's 450+ professionals, spread across offices in multiple continents come with diverse skill sets and includes a specialist IT Risk Management and Control Analytics team.

Customer specializes in Internal Audit, Enterprise Risk, Distributed Controllership, Business Process Improvement, IT Risk, Continuous Transaction Monitoring, Transaction Support, Fraud Risk, Audit & Accounting Support, SOX Compliance, Regulatory Compliance and Recovery Audit.

CHALLENGES/BUSINESS NEEDS

As globalization and outsourcing have expanded so that companies can stay competitive, it's become more evident that companies can be responsible for the actions of the third parties they work with. The need for third party risk management solutions is becoming more apparent by the day with organizations looking to focus on their core competencies while simultaneously ensuring that, with minimum effort from their end, they face no regulatory or operational issues from their third parties. The definition of third parties has grown beyond just the direct suppliers with partners, sub-contractors, distributors, business associates service providers, etc. coming into the fold. Companies need to take ownership even in an outsourced environment, especially consumer products companies and retailers concerned about reputation management. There is also the issue of higher corporate visibility due to new regulatory requirements. Every organization needs a mechanism to proactively identify, assess, mitigate and respond to TP risks in its supply chain.

Over the years, there have been multiple instances of value destruction caused by third party failures cutting across industrial segments.

Our customer needed to build a solution which can be offered to their end customers as independent and complete third party risk management software integrated with the best of the systems which provide any accessible information.

SOLUTION

TPRM solution is an integrated product which facilitates customer to analyze its engagement with Third party providing differentiated ratings on each risk dimensions involved. The product will allow customer with the following tasks:

- Have the desired view to see overall health of all the Third Parties a company is planning to work or is working with.

- Create new third party engagements – Add new third party or third party engagement manually one at a time or in a batch mode by adding a file containing information.

- Third party profiling - Basic TP information such as identification number, address, ownership info, product & business summary etc. This information can be reused between different clients as it's a public data.

- Conduct Third party screening - Further analysis on the company in terms of screening against PEPs, sanction lists, country risk and negative media etc.

- Inherent Risk assessment - In depth analysis, through questionnaires with the TPs and their engagements on their specific risk areas.

- Come up with risk ratings based on risk categories – depending upon the risk categories defined for a particular customer their risk ratings will be derived according to workflow and risk rating score matrix.

- Financial Risk assessment - Financial assessment including current performance and rated future indicators such as credit ratings, PAYDEX, bankruptcy indicators etc.

- Due diligence – Non Financial risk assessment through questionnaire.

- Audit - Remote, on-site or network audits on high risk TPs with standard methodology and output.

- QA Function - QA function to evaluate effectiveness of TPRM policies & benchmarking with best in class.

- Ongoing Monitoring - Near real time monitoring on above parameters for identified high risk TPs.

BUSINESS RESULTS

Well defined & a fully integrated TPRM solution will be a multi-million business by 2020 with substantial gains in terms of profitability from the first year of operations.

High visibility on TP health & potential high risk pockets where senior management can see the health of the third parties quickly and identify any potential high risk pockets depending upon the region, product category or value of business. This improves decision taking capability.

Reduction of TP failures as a detailed Risk Assessment questionnaire needs to be filled for all the new engagement or third party. System will give a recommendation of further risk assessment which needs to be done which will ensure that correct risk assessment is done and underlying risks are highlighted as soon as possible.

Tool will also give steps to mitigate the risk ensuring the following parameters are met:

- Improved awareness and compliance to regulations.
- Improved protection against reputation losses.
- Improved speed & cost of assessments – The new system allows a lot of automations and workflows increasing productivity and accuracy.

Reduction in effort involved in dealing with multiple agencies as public data will be shared across multiple clients that will reduce the effort of doing the same steps for multiple agencies for same Third party.