

Implementation of Vendor Management Capabilities

CHALLENGE

There is increasing concern that vendors and service providers increase the risk to customers due to their failure to perform at agreed-upon service levels or unexpectedly terminating service agreements. In order to reduce such risks, it is necessary to perform due diligence in regard to the risk exposure resulting from such third-party relationships.

APPROACH

The supply-chain lifecycle begins when a need for a particular product or service, which cannot be provided internally or for which internal supply might not be cost-effective, is recognized. After the specific needs have been determined and documented in a request for proposal (RFP), the request is sent to a number of potential providers. When responses are received, the customer must perform due diligence on such attributes as the viability and trustworthiness of the supplier. When a supplier has been selected, it is important that the service agreement is properly crafted so as to protect the customer in the event of unexpected events.

The project involved setting up questionnaires for suppliers that must be completed at the RFP stage and checked periodically during the life of the agreement or when a material change occurs. Particularly important are the terms under which the agreement can be terminated.



BENEFITS

The use of a standardized approach to vendor selection and management serves to reduce the risks related to supply chains for goods and services. For regulated industries, such as financial services, adhering to a generally-recognized approach reduces the likelihood of being out of compliance with laws and regulations. Also, both internal and external auditors are looking for effective processes and strong controls in this area.

RESULTS

The ability to gain greater oversight and control of third-party suppliers has enabled a number of financial institutions, which have adopted the industry-standard approach, to significantly improve their management of the supply-chain lifecycle and of the thousands of third parties with which a typical large financial institution does business.