

Driving Enterprise Value through effective Third Party Risk Management

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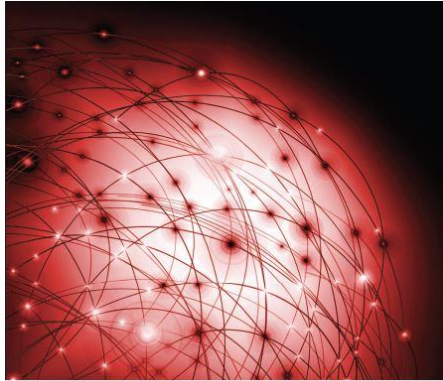
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THIRD-PARTY RISK MANAGEMENT

Driving Enterprise Value

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- 📖 **Author:** Third-Party Risk Management: Driving Enterprise Value
<https://amzn.to/2RCPB0Y>
- 📖 **Author:** RMA Journal, Wall Street Risk Journal
- 📖 **Educator:** Certified Third Party Risk Management Professional
<https://siguniversity.org/certification>
- 📖 **Educator:** Wharton Executive Education, Advanced Risk Mgmt.
- 🌐 **Expert:** Risk Management Association
- 🌐 **Expert:** APICS-ISACA 3rd Party Risk Research

Agenda

1. Introductions and Workshop Overview
2. Context for Change: The Big Picture
3. What's the Value Proposition?
4. What are the Risks?
5. Translating Concept into Action
6. Your Role in Third Party Risk Management
7. Solving the Innovation Conundrum
8. What Does Success Look Like?



Context for Change: The Big Picture

Certified Third Party Risk Management Professional (C3PRMP): Module 1, Lesson 1

What's a third party?

All business relationships, excluding those with your customers

“Vendors”

Typically sourced through a center-led sourcing/procurement process.
Paid by Accounts Payable.

“Non-Vendors”

Typically acquired directly by the business line/segment. Financial remuneration, when it exists, is not managed by Accounts Payable.



What's the Value Proposition?

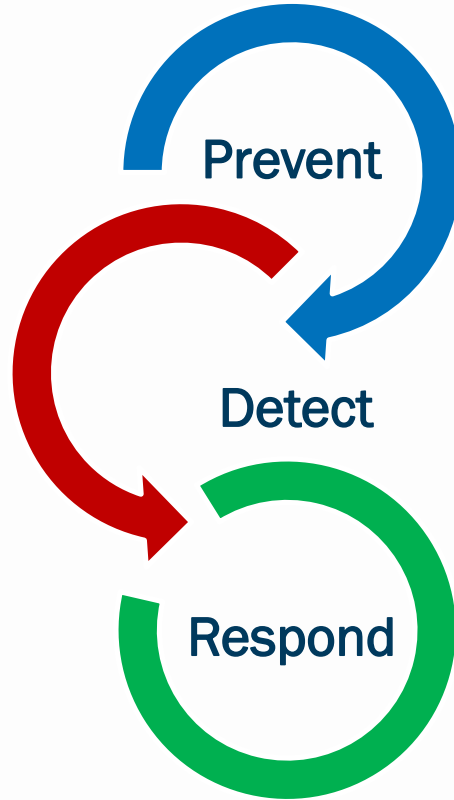
Key Elements of the Value Proposition

Fact-based decisions

Value for money

Achieve negotiated terms

Insight-based action



Protect your reputation
from damage

Protect your customers
from harm

Protect shareholders
from losses



What are the Risks?

Which risks could you have some control over?

1. Anti-Corruption/Anti-Bribery (ABAC)
2. Business Continuity Management/ Resilience (BCM)
3. Cloud computing
4. Company officers and corporate viability
5. Compliance (regulatory and legal)
6. Contract
7. Financial health
8. Foreign service-delivery location
9. Human Resources
10. Incentive compensation
11. Information and Cyber Security
12. Insurance
13. Model
14. Performance
15. Privacy
16. Physical Security
17. Records
18. Reputation
19. SOX- reportable financial loss
20. Supply chain
21. Sub-contractor
22. Technology
23.industry or service specific



Which risks are inherently embedded in the activity and relationships

Just how risky are they are?

How does criticality affect your willingness to accept risks?

What can you do to reduce risk exposure and the likelihood a serious risk event occurring?

What are the benefits of getting it right and the consequences for getting it wrong?

Risk Appetite and Risk Tolerance(s)

Risk Appetite is a statement about how much and which risks your company is willing to take on.

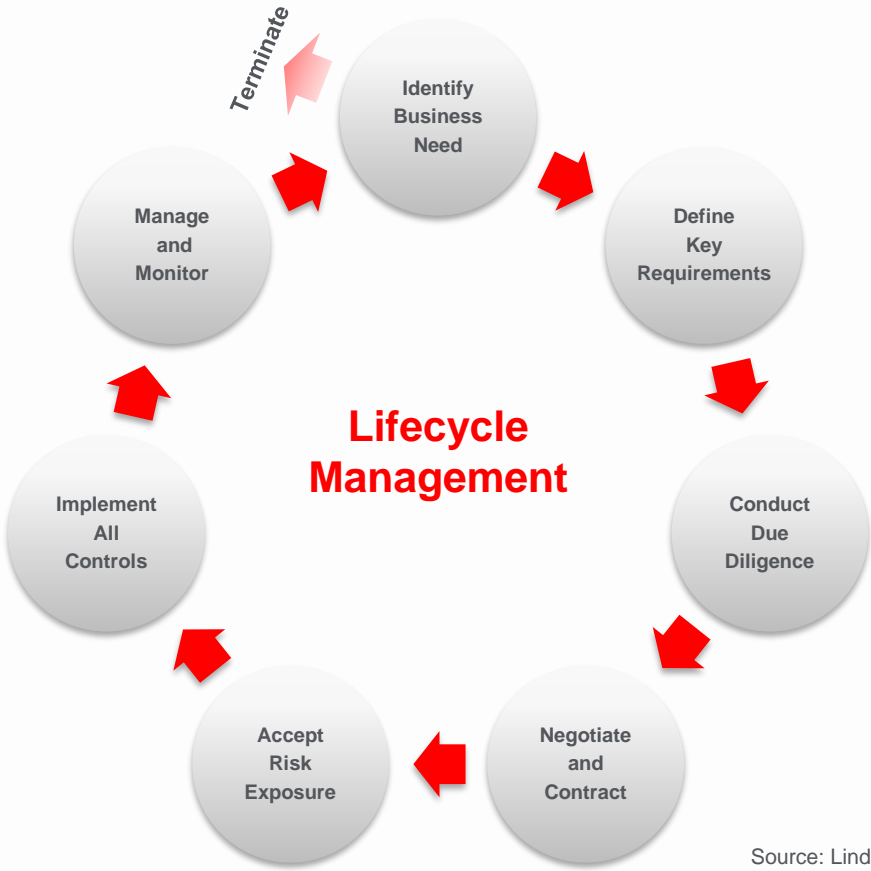
Risk Tolerance is the amount of risk your company and businesses have “tolerated” or taken on.

Key Risk Indicators (KRI's) are metrics used to determine which risks will be measured, how they will be measured, and the frequency.



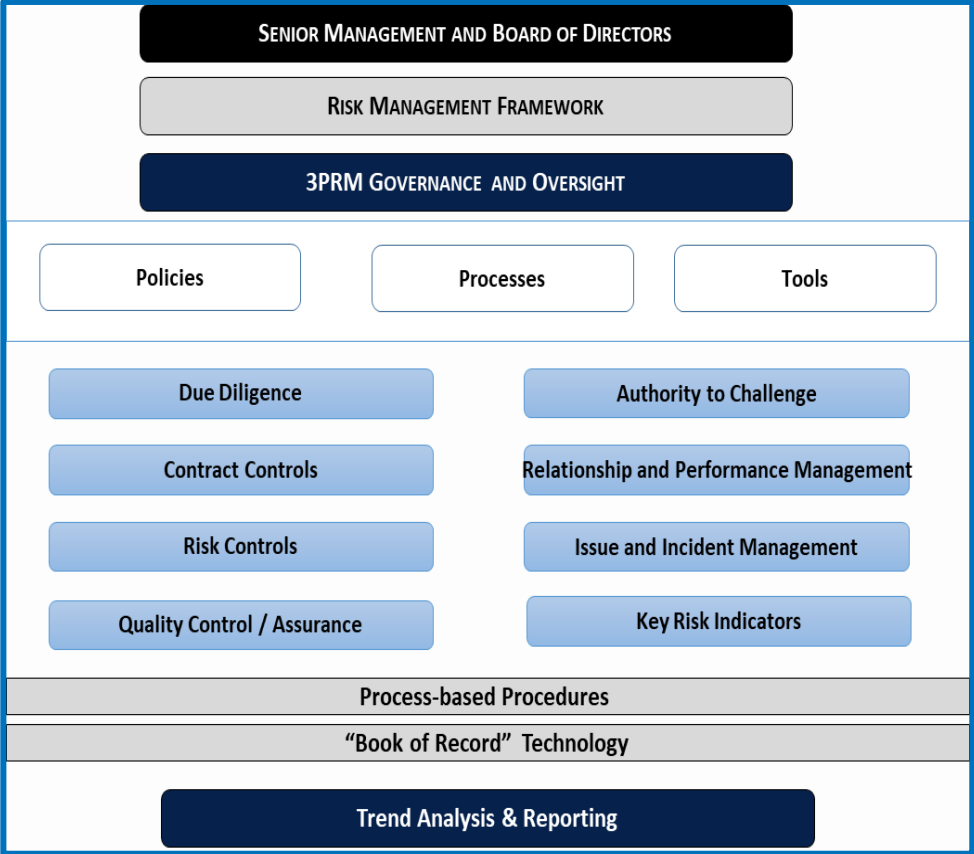
Translating Concept into Action





Lifecycle Management Framework



Source: Linda Tuck Chapman, Ontala Performance Solutions Ltd.

Governance Framework



-  methodologies
-  controls
-  metrics
-  engagement

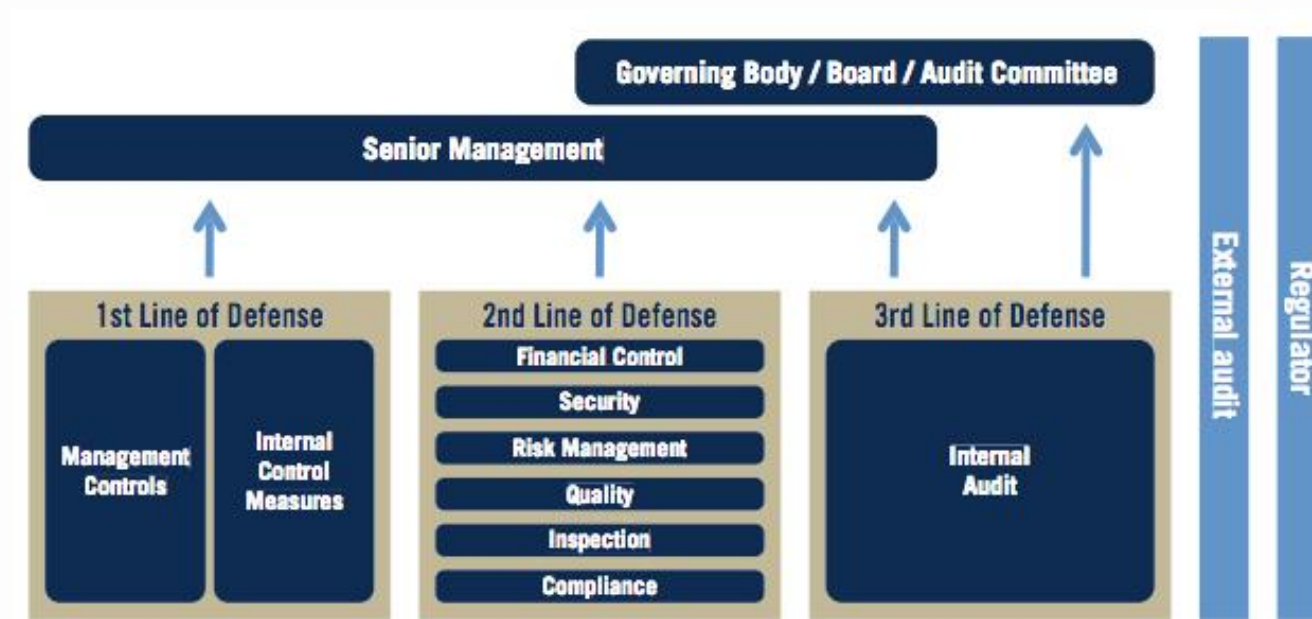


Your Role in Third Party Risk Management

Certified Third Party Risk Management Professional (C3PRMP): Module 1, Lesson 8

Three Lines of Defense Framework

The 3 LODs Framework defines the roles of internal stakeholders in an integrated third party risk management program, along with their authority and responsibilities.



Source: IIA Position Paper on the Three Lines of Defense in Effective Risk Management and Control (January 2013)
Adapted from ECIIA/FERMA Guidance on the 8th EU Company Law Directive, article 41



The Innovation Conundrum

Certified Third Party Risk Management Professional (C3PRMP): Module 12, Lesson 2

Innovation “game changers”



Robotic Process Automation (RPA)

third party **platform-based service** that replaces repeatable and rules-based workers with software “[ro]bots” that manage process execution.

- ✓ software may sit on top of a company’s existing systems, and is implemented without altering existing systems



Artificial Intelligence (AI) or Smart Process Automation (SPA)

software with embedded models and “**machine-learning**” capabilities



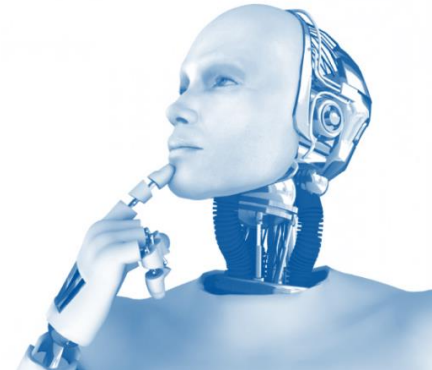
Intelligent Automation (IA)

incorporates some but not all machine learning capabilities of AI

Unlike RPA, AI can.....

1. **Train itself** or be trained to automate more complex and subjective work through *pattern recognition*
2. **Process natural language (NLP)**
3. **Process unstructured data** and “learn” to process new data and its variations over time
4. **Adapt and learn** new ways to process and manage data, information, business rules, and decisions **without human intervention**

Look both ways before jumping in!





What does Success Look Like?

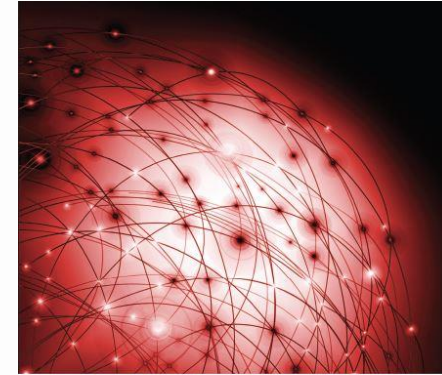
Some indicators of “effectiveness”

- ❖ **Alignment: risk management practices - vertically and horizontally**
Informed risk taking aligns action with strategy
- ❖ **Engagement: the right stakeholders - at the right time**
Compliance, proactive and reactive management
- ❖ **Integration: prevent, detect and respond – to risks**
Breaches, disruptions, deterioration, and other incidents
- ❖ **Analysis: trends, risks, capabilities - and results**
Portfolio and discrete risks, exceptions, systemic issues

Thanks!



<https://siguniversity.org/certification>



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