

Third-Party Risk Management Performance Study

1 IDENTIFYING RISK TYPES

Supply chain, financial and information security risks are the most important risk types across all industries.

2 CRITICAL RISK FACTORS

Information security risk factors are most critical for all organizations. However, manufacturing companies are also highly focused on risk related to quality of goods and services.

3 RISK MITIGATION

Most organizations leverage risk reduction as the primary risk mitigation strategy, i.e., implementing contingency and backup plans like contractual clauses, or negotiating scope down.

4 VALUE MEASUREMENT

Supplier performance measurement and composite risk scores are the most common value measurement metrics. Notably, 33% of manufacturing companies do not quantify value created.

5 TYPES OF INFORMATION

Financial, compliance and risk data are the most important types of information being used to support risk management programs across all industries.

6 TECHNOLOGY USE

Microsoft Office is the primary tool used today for risk management. Looking forward, organizations expect to shift to spend management suites, ERPs and financial risk content providers.

7 PROGRAM OWNERSHIP

Within services organizations, chief procurement officers (CPOs) most often have ownership of the risk management process. Accountability is less consistent within manufacturing industries.

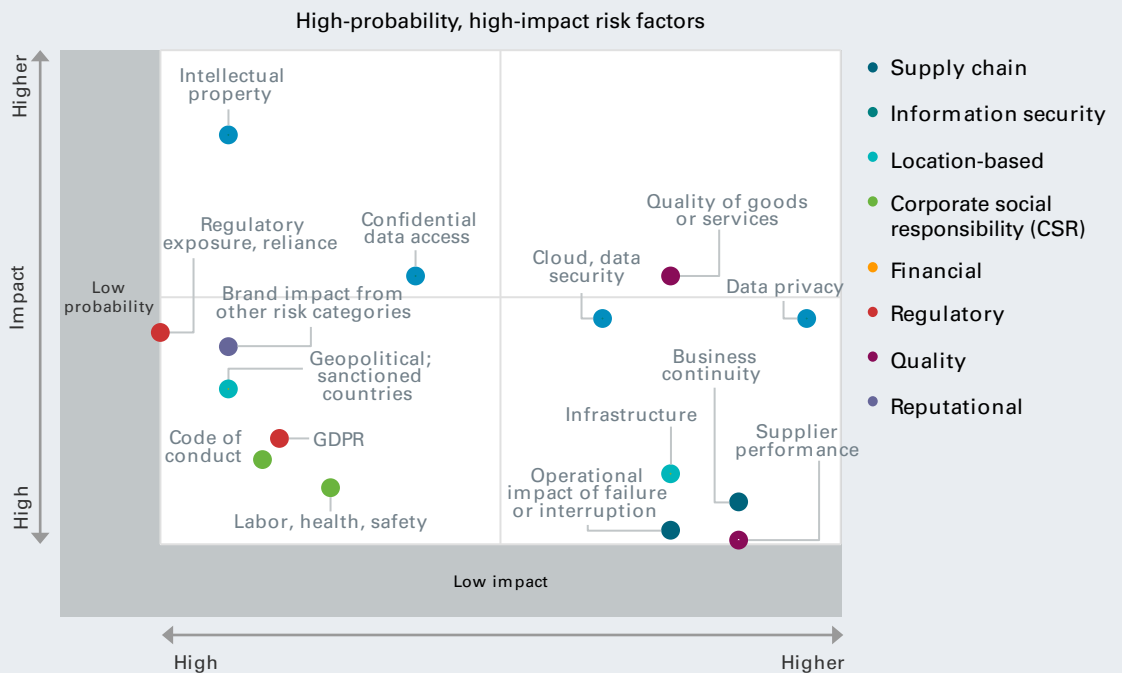
8 EXECUTIVE PARTNERSHIP

Risk is an executive-level issue at 88% of services companies, making them stakeholders in the governance model, while only 36% of manufacturing companies say the same.

CRITICAL RISK FACTORS IN MANUFACTURING ORGANIZATIONS

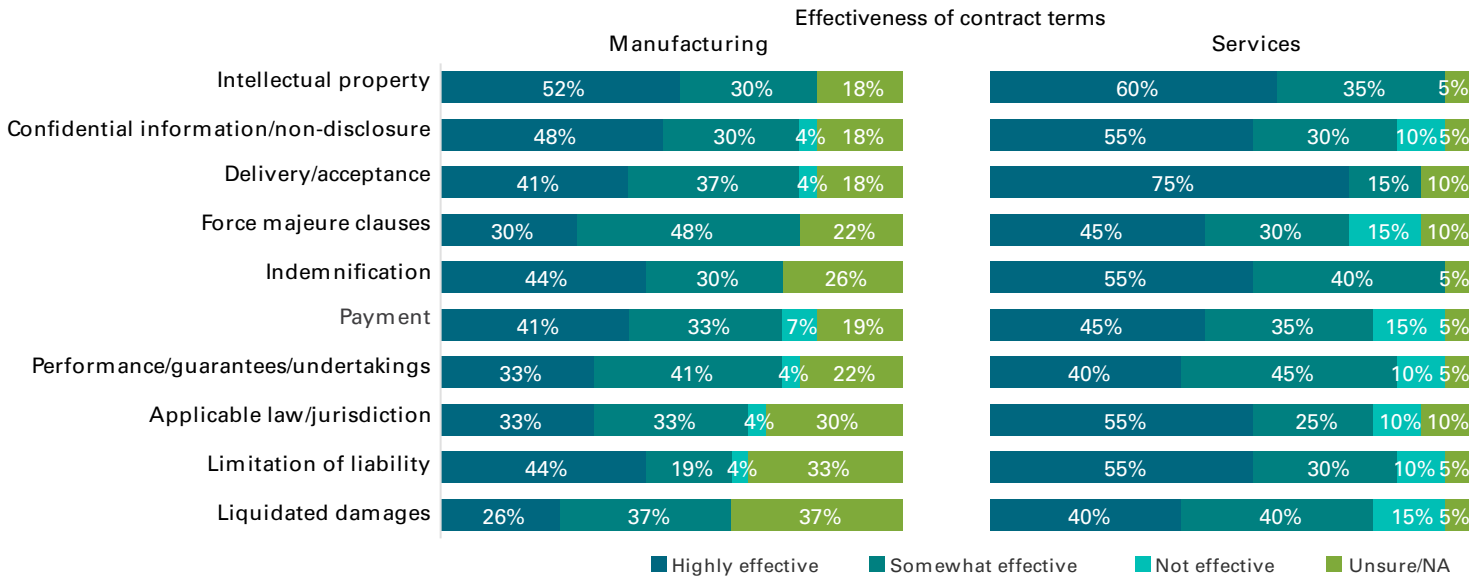
Manufacturing organizations highlight quality of goods/services and data privacy as the most critical risk types. They also consider a wide range of risk categories in the critical impact zone (high probability, high impact), including quality; data privacy; and cloud, data security.

These organizations have a complex risk profile, requiring unique strategies for each category.



EFFECTIVENESS OF CONTRACT TERMS

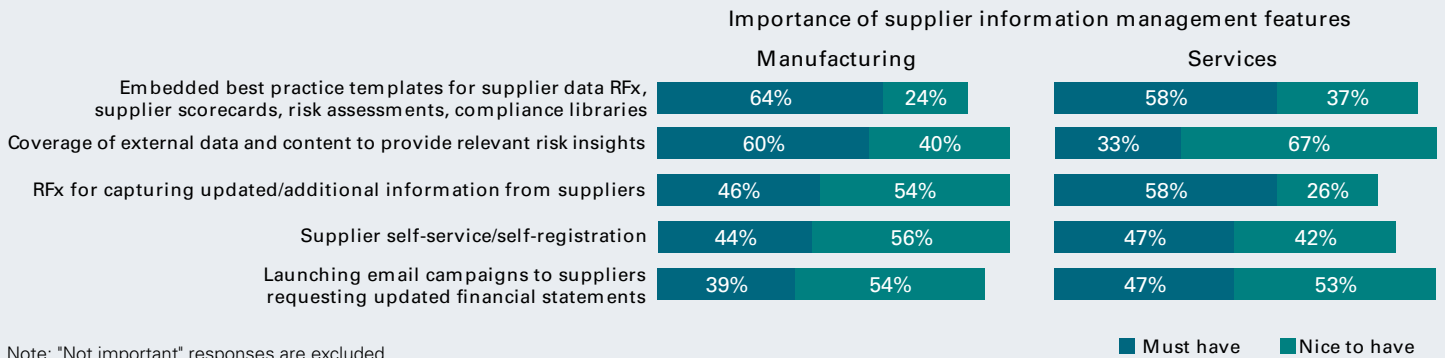
Organizations rely on multiple types of contract terms to effectively mitigate risk. In reality, the difference between effectiveness of contract terms is not substantial, indicating that a mix of terms is most effective for organizations across all industries. Related to manufacturing, intellectual property clauses are most effective. Related to services, delivery or acceptance terms are most effective.



Q.

Please rank the effectiveness of the following contract terms to mitigate risk.

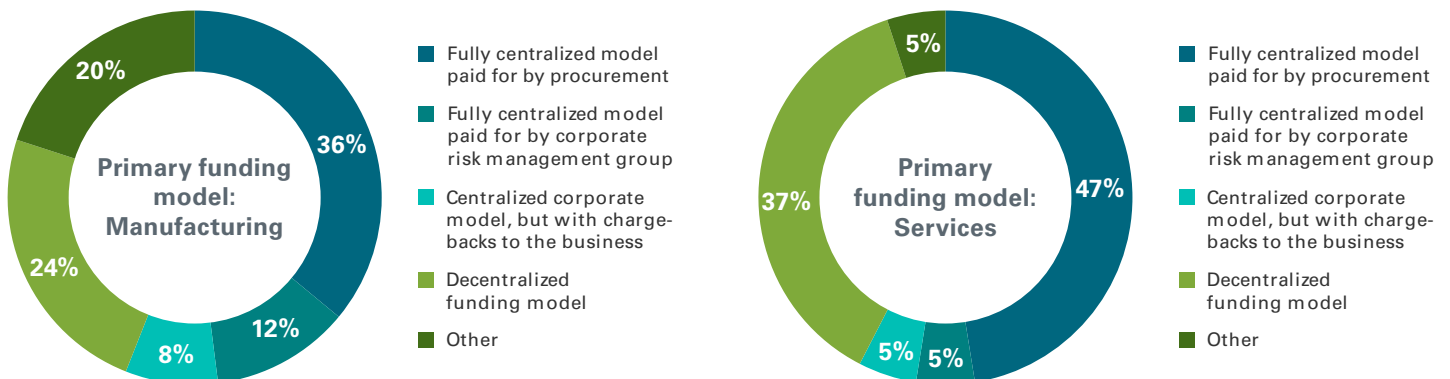
TECHNOLOGY FEATURES: SUPPLIER INFORMATION MANAGEMENT



Note: "Not important" responses are excluded.

PRIMARY FUNDING MODEL FOR RISK MANAGEMENT PROGRAMS

Approximately half of risk management programs have a fully centralized funding model paid for by procurement or, less frequently, by the corporate risk management group. Services organizations leverage a decentralized funding model 37% of the time.



Q.

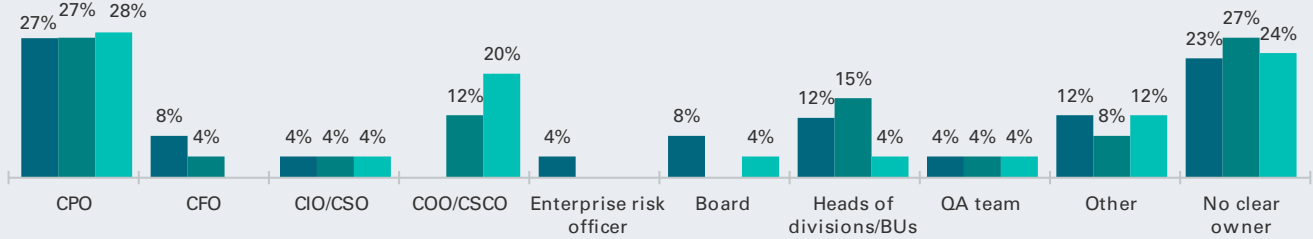
If you have an active third-party risk management program, indicate the primary funding model for that program.

ACCOUNTABILITY AND OWNERSHIP

Accountability for third-party risk management most often falls on the CPO, although approximately one-quarter of manufacturing organizations have no clear owner.

Services organizations have a higher tendency for the CPO to manage risk, but also rely heavily on business units to take action.

Accountability for risk management programs: Manufacturing



Accountability for risk management programs: Services



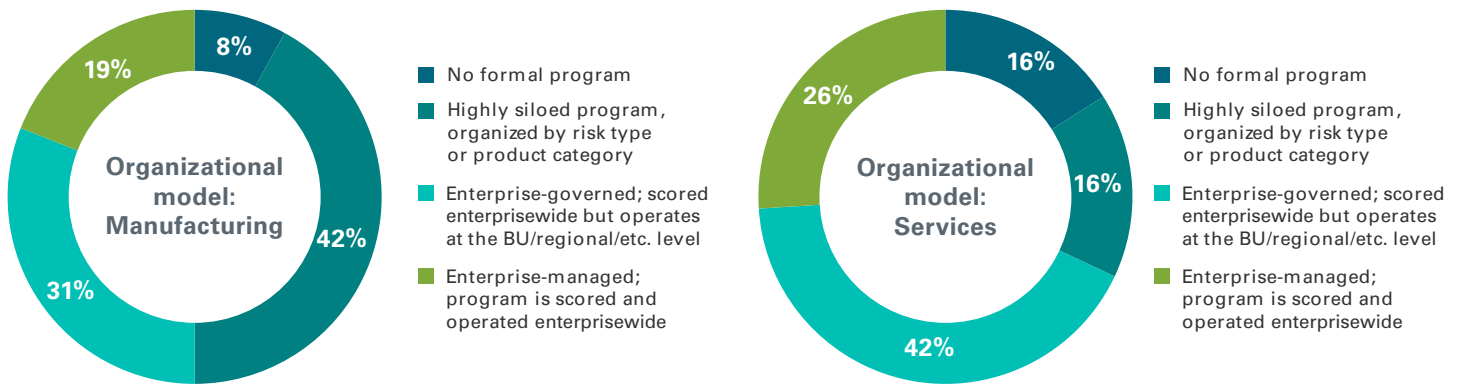
■ Monitoring and reporting ■ Taking action ■ Managing the process

Q.

Who has accountability for monitoring and reporting; taking action; and managing the supply risk process?

ORGANIZATIONAL MODEL OF RISK MANAGEMENT PROGRAMS

Half of manufacturing organizations either have a highly siloed risk management program or no formal program at all. Services organizations fare better in this regard, with 68% of organizations having either an enterprise-managed or enterprise-governed program.



Q.

Please select the organizational model that most closely resembles your third-party risk management program.

Source: The Hackett Group 2021 Third-Party Risk Management Performance Study

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