

Vendor Risk Assessment: Do you really know how to do it?

By Rodrigo Mentz*

Vendor Assessment aims to keep the quality of products and services and to guarantee an efficient support of management tasks within an organization. This is a rather complex activity (depending on the number of suppliers), therefore an appropriate management plan is paramount. If correctly implemented, vendor assessments can reduce costs, minimize risks and maintain compliance at high-standard levels.

The growth in third-party contractors and the rise of new legislation (agreements, laws and regulation), forced organizations to carefully consider the relationship with suppliers. What was considered as being a minor issue for the majority of organizations, has now become directly related to results, quality, image, security and the foundations of an institution. Consequently, the selection and management of suppliers must be part of risk management processes.

Faced with this new challenge, we need to highlight the importance of suppliers for an organization, the nature of its activities and, more importantly, the need of vigilance on hiring, supervising and following up.

To evaluate the importance of suppliers, it is important to analyze how contractors fulfil organization's needs and objectives. What are the possible business impacts if suppliers don't meet delivery targets? Is outsourcing causing dependency in relation to a specific task? Are there any other potential suppliers that could rapidly cover the services when required? Is the company able to supervise appropriately the contractors? Do suppliers understand regulation requirements for products and services?

Elaborated controls are essential for correct management practices. Even the relationship with suppliers offering low-risk services should be properly defined. All requirements must be well-detailed covering expectations, responsibilities, scope of work, deadlines, costs and so on. The expectations and responsibilities must be well communicated and understood by all parts involved. They need to establish performance and expected quality standards as covered by a previous agreement.

Finally, it is important to monitor the performance and conditions of suppliers. Tracking and supervision must include periodical revisions to determine whether suppliers are following the terms of the agreement. It is crucial to check if contractors are providing services according to the company's norms, policies and applicable regulation. A new market scenario requires new measures and your organization must be well prepared.

How Modulo Risk Manager can help?

Modulo Risk Manager evaluates suppliers intuitively and straight-forwardly. During the analysis phase, it is possible to perform online interviews to collect information. This feature optimizes the collection of data facilitating and improving the activity.

After analysis, the software allows the generation of a report (technical and managerial) and a dashboard offering integrated information about actions that should be implemented, monitoring and the impact on business. During this process it is possible to define deadlines, attach evidence and follow thoroughly all the necessary actions. With a periodical analysis, you increase reliability and, most of all, an effective risk management process.

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