



# What does your third-party risk profile look like?

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## Digitizing Compliance and Risk Management

The **digital transformation** age is underway and quickly rewriting business and organizational activities, processes, and business models in almost every industry as customers turn to digital touch points in preference of traditional ones. We are now in an age where customers not only expect products and services to make their lives easier, but they expect those services to be delivered instantly – whether provided by the company or third-party contractors.

“Structural changes needed to bring costs down and improve effectiveness in risk can be accomplished much like digital transformations in other parts of the business. Substantial value can be unlocked with a targeted digital agenda for risk - featuring fit-for-purpose modular approaches.” (McKinsey, Digital risk: Transforming risk management for the 2020s).

Regardless of the macro-economic climate, compliance management is an accepted cost of doing business. While compliance can always be achieved through an army of people and a mass of spreadsheets; a manual approach is often ineffective and/or unsustainable. Going digital can be a key enabler and benefit driver for regulatory compliance. If you’re not using digital solutions to manage your risk and regulatory compliance - **think again - because your competitor likely is.** ([Capgemini](#))

In today’s competitive landscape, organizations have pushed many of their internal processes out to third parties in an effort to reduce internal costs. They have sought to increase efficiency and productivity in non-core business processes, save on infrastructure and technology, gain access to skilled resources and improve company cash flow.

Third-party contractors are often **key customer touch points** for activities that enterprise customers outsource. Digitizing these manual workflows can significantly streamline processes, reduce risk and ensure that contractors comply with your customer experience and quality standards.

While independent contractors can provide increased cost savings and flexibility to employers – **organizational risk can be very high if contractor compliance is not handled properly.** Third-party incidents in health, safety and the environment, among others, can negatively impact organization’s reputation, earnings, shareholder value and can shut down operations for extended periods of time; especially if there is an injury or fatality.



In a survey by [Deloitte \(2016\)](#), 87% of the respondents experienced disruptive third-party incidents. Even in leading organizations – it is rare for someone in the organization to have an overarching view of all of its contractors and the risks each of them bring to the enterprise. It is even rarer that they proactively manage risk on a contractor by contractor basis.

Regulators are increasingly focused on how companies are managing their outsourcing and third-party risks. Some health, safety and environment violations have seen fines reach millions of dollars. As such, many company boards have prioritized risk and compliance management as a top strategic priority.

## Supply Chain Disruption Impacts the Bottom Line

Disruptions anywhere along a supply chain – especially for those functions that have been outsourced to third parties - can translate into significant delays or fatalities if health, safety and environmental compliance risk management contingencies have not been put into place.

In 2010, a blowout on the Deepwater Horizon rig killed 11 crewmen and contributed to a disastrous environmental aftermath. BP and Halliburton knew weeks before the explosion that the cement they used to seal the bottom of the well was unstable. Further, lacking safety documentation & emergency procedures as well as differing policies on negative pressure tests all contributed to the disaster. BP and its contractors all paid billions in fines.

Boeing, hired numerous contractors to help build its 787 Dreamliner. Many tier one contractors further subcontracted their work to sub-contractors (tier two) who failed to deliver their components on time, despite having sub-contracted their work to sub-sub-contractors (tier three and four). Many of the parts did not fit together. Not managing the contractors effectively made the program billions over budget and years behind schedule.

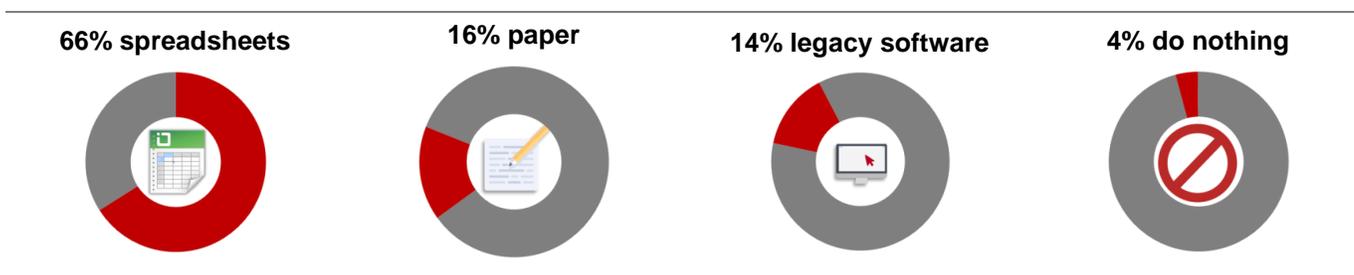
In 2014, Lowe’s paid a \$500,000 fine for not ensuring that the home renovation contractors it hires through its 1,700 retail stores adequately minimized lead dust, as required by federal rules on renovations, repairs and painting. Using a system to track the thousands of contractors, adequate training and sign-off could have helped mitigate the fine.

A recent study from [Capgemini](#) – warned that the **probability of supply chain disruptions is only going to increase** in the future, with the economic impact of such disruptions increasing as well.

The survey found that 40% of the disruptions were sourced to problems with second-tier suppliers that supplied products and services to first-tier operators and yet most of the organizations they surveyed indicated that they do not manage suppliers below the first-tier.

While impossible to eliminate risk completely, companies that identify risks in advance and plan for these contingencies are best positioned to survive third-party disruptions. Pro-actively managing risk can also strengthen supply chain sourcing strategies.

In a recent survey by ComplyWorks – we found that many enterprises still manage their contractors using:



These traditional approaches often consume considerable time and resources to track contractor relationships and can significantly increase risk to the organization. Further, many who manage contractor relationships lack the background, experience and time to do proper contractor prequalification, onboarding and support.

**And while the work can be outsourced to third-party contractors – the liability cannot.** Bills such as C-45 in Canada, OSHA in the United States, and strict environmental and industry specific regulations can result in significant fines or incarceration for violations.

## Assess your companies' third-party risk and compliance maturity level

Answer the survey by entering a "0" if your company lacks the capability or "1", "2" or "3" for increasing levels of excellence (i.e. "3"= Excellent).

#	<b>Unified Strategy &amp; Processes</b>
	We have a clear understanding of health, safety, environmental and industry regulations.
	Our board and executive support key third-party risk and compliance management (TPRCM) initiatives.
	We have a TPRCM strategy that is well documented and understood (clear policies & procedures).
	Our third-party risk and compliance management processes are aligned with our business strategy.
	We have the right skills, resources, training & funding to effectively manage third-party risks and compliance.
	We understand our TPRCM risks and which ones are high, medium and low.
#	<b>Evaluate   Select   Onboard</b>
	We perform due diligence screening (i.e. evaluate and vet new contractors).
	We have controls in place to ensure appropriate sign-offs/approvals to add new contractors.
	We verify tickets, permits, certifications and other compliance requirements versus what the contractor submits.
	We have ways in which to screen third-party contractors based on project, qualification or risk level.
	We have the ability to disseminate and track training for contractors by location, geography or worksite.
	We can rapidly disseminate policy changes to contractors and track and record sign-offs and completion.
#	<b>Technology and Tool Readiness</b>
	Our technology can quickly be disseminated to prequalify new contractors and assess their overall fit.
	Our easy to use tools monitor and automatically alert individual contractors for areas of non-compliance.
	We can easily track/evaluate health, safety, environmental incidents, record responses and remediate corrective actions.
	We can also view performance improvements plans at an individual third-party contractor level.
	Our solution can easily switch between corporate contractor compliance and workforce or worksite compliance.
	We track/monitor buildings, work sites and satellite offices where preventative maintenance is critical to operations.
	We have access to real-time reporting dashboards for environmental, health & safety, non-conformance and incidents.
#	<b>Manage   Monitor   Terminate</b>
	We have automated how we track contractor renewals and expiration dates of all permits, tickets and certifications.
	We regularly conduct third-party compliance spot and health checks and periodic detailed reviews.
	We can easily access real-time reporting dashboards that show risk at a corporate, worksite or workforce level for health, safety, and environmental compliance requirements for all or individual contractors.
	We have contingency plans for supply chain/service disruptions (natural disasters, accidents or intentional malfeasance).
	We have a way to determine where our efforts will yield the greatest returns on reducing risk.
	We leverage big data analytics to manage our third-party compliance management workforce.

Tabulate the scores and see where your company sits on *ComplyWorks* compliance and risk management "Journey to Compliance Excellence".



HIGH RISK

LOW RISK

1. Legacy Uses spreadsheets, paper or does not track third-party risk and compliance.
2. Infancy Received board/executive support – will soon launch strategy, policies, and procedures into the organization.
3. Emerging Has established policies, procedures and basic tools to manage third-party risk and compliance; but still not optimal.
4. Accelerating Has a well-defined strategy, evaluation, on-boarding process and risk and compliance solution, but ongoing third-party tracking is not effectively managed.
5. Optimized Has a comprehensive third-party management strategy, policies and procedures, effectively evaluates and on-boards new contractors, has a pro-active compliance management solution, and optimized monitoring and management practices.

## How ComplyWorks can help

The benefits of digitizing your third-party contractor risk and compliance management program are often significant - but many struggle with where to start or what to do to transform their company to a digitized compliance management approach.

What if there was a way to **accelerate your compliance and risk management digital transformation journey**? A way to effectively manage third-party working relationships, maximize business performance, reduce compliance risks, and reduce contractor incident rates? What if there was a way to have contractors share the responsibility of inputting and taking ownership of maintaining their compliance information?

Our pro-active compliance management framework is built upon three core considerations – an easy to use compliance toolset, flexible reporting, unmatched support and ongoing monitoring. ComplyWorks has seen third-party compliance management evolve from contractor prequalification to compliance management at all levels of the organization – from corporate compliance management to operational worksite and workforce solutions.



We enable organizations to spend more time on their core business activities. Typically, our customers have seen a payback period in less than 90 days once the solution is active.

ComplyWorks’ three solution portfolios can be scaled to your individual company needs. They enable corporate and divisional groups to collaborate with each other in a way that makes sense to each – **our key market differentiator**.



1. **Corporate Compliance** – our contractor management solution often begins with prequalifying basic requirements. It also includes the popular “Communications” bundle. **Benefits:** reduced administration, fines and risk while improving contractor relationships, internal processes and communications throughout the engagement lifecycle.
2. **Workforce Compliance** – every individual worker, asset, or piece of machinery that comes to your site must have the right security clearances, medical approvals, proof of maintenance and ticket tracking. **Benefits:** reduced incident liability and downtime for contractors that are not trained for a specific location.
3. **Worksite Compliance** – track your contractors by worksite, project, division or country. **Benefits:** monitor contractor workforce, assets and specialized training completions – all at site level.

Make third-party contractor compliance easy! Join thousands of other industry leaders who subscribe to ComplyWorks trusted solutions to manage their governance, risk and compliance (GRC) needs.

See how ComplyWorks can help reduce your compliance risk with our [free solution demo](#) .

It’s the best thing you’ve done for your business today.