

A Look at the Maturity of Vendor Risk Management

As the volume of outsourced products and services has surged in recent years, so, too, have risks associated with VENDORS and THIRD-PARTY PROVIDERS. Recent IT security breaches have heightened already significant concerns. Yet understanding vendor risk and how to manage it appropriately has thus far been more art than science.

This is changing with the development of the first comprehensive VENDOR RISK MANAGEMENT MATURITY MODEL by the Shared Assessments Program, a consortium of organizations dedicated to helping companies understand and manage vendor risk effectively. The Shared Assessments Program recently partnered with Protiviti to conduct the 2014 VENDOR RISK MANAGEMENT BENCHMARK STUDY based on this model.

Among the key findings:



Financial services organizations tend to have relatively mature vendor risk management programs compared to other companies.

LEVEL OF MATURITY

CATEGORY

	OVERALL	FINANCIAL SERVICES	HEALTHCARE	INSURANCE	ALL OTHERS
Program Governance	2.9	3.3	2.7	2.8	2.8
Policies, Standards, Procedures	2.9	3.4	2.7	3.0	2.8
Contracts	3.0	3.2	2.7	2.9	2.9
Vendor Risk Identification and Analysis	2.7	3.2	2.3	2.6	2.5
Skills and Expertise	2.3	2.6	2.2	2.0	2.1
Communication and Information Sharing	2.6	2.9	2.2	2.3	2.4
Tools, Measurement and Analysis	2.4	2.8	2.2	2.0	2.2
Monitoring and Review	2.9	3.1	2.5	3.1	2.8

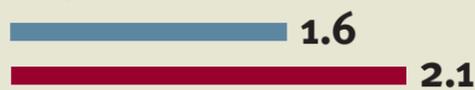
METHODOLOGY:

Nearly 450 respondents were presented with different components of vendor risk. For each, respondents were asked to rate its maturity level as it applies to their organization, according to the following scale: 1) Initial visioning, 2) Determine roadmap to achieve goals, 3) Fully defined and established, 4) Fully implemented and operational, 5) Continuous improvement - benchmarking, moving to best practices, 0) Do not perform

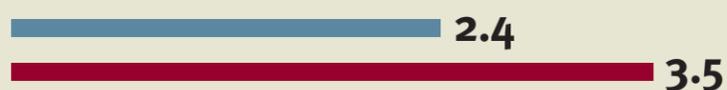
Insurance companies are at a lower level of maturity in their vendor risk management compared to other financial services firms.

Insurance Financial Services

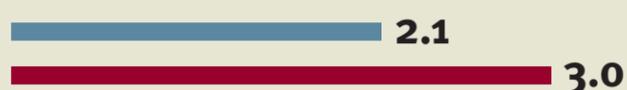
We capture and report on vendor review costs, budgets to actual, etc.



We determine the financial viability of key vendors



We report financial results from our vendors to relevant stakeholders



POLICIES, STANDARDS & PROCEDURES

PROGRAM GOVERNANCE

These areas serve as the cornerstones of a strong vendor risk management program. Higher maturity levels for them would be expected but are not evident in the survey results.