Supplier and Contract Management: The Risk Mitigation Platform

Compliance and Ethics

Hardly a day goes by that the repercussions of third-party risk don't impact companies, individuals, brands, or reputations. Factory fires in Bangladesh, food-borne illness at major dining chains, revelations of sweatshop labor practices — the headlines reveal the extent and variety of risk sources.

Risk is all around, all the time, and it's the responsibility of everyone in an organization to close ranks in order to thwart it. The old maxim, "Trust, but verify" still applies, but maybe it needs to be appended to "Verify, trust, then keep verifying."

The scope of constant vigilance needed can be a burden to many organizations, and legal sets the mandate for how that is accomplished. Your biggest ally is technology. For source-to-pay and procurement organizations, there is no better combination of risk mitigation tools than a Software as a Service (SaaS) contract management solution linked with a supplier management solution.

Risk grows in silos

Many organizations and departments are leveraging technology solutions to simplify their work and make operations more efficient. But, when the legal team manages contracts, procurement controls the supplier management, and finance monitors the budgeting and payments, the lack of seamless integration — visibility — is a breeding ground for risk.

After all, you can't manage what you can't see. Consider bacon. You wander through the meat section of a supermarket gazing at the tempting selection of beautifully packaged bacon. Meaty, lean, perfect. But, flip the package over and what do you see? The truth. In 1974, the USDA decided that producers were deceptively packaging bacon by stacking it so the "best face" always showed. Hence, [Section 317.8(5)(ii) of title 9 of the Code of Federal Regulations](#), which effectively put a window on the facts — or in this case, the fat.

The analogy to suppliers and contracts is, are you seeing the whole picture? Without having technology solutions with integrated workflows, shared data and a common platform, there is a lot of information that can go missing — and it quite often does. Just a few of the scenarios that have arisen include:

Sourcing and supplier data don't always find their way into contracts if there are two separate systems managed by different departments; The onboarding of suppliers separated from the creation of supplier contracts can mean lack of validation and verification before executing contracts; Data blind spots leave gaps, making it difficult to manage third-party supplier risk and performance; Multiple systems or solutions for suppliers, contracts, sourcing, and finance create complexity, instead of managing it; and, Lack of insight into contract performance and obligations increase the likelihood of missed opportunities while raising risk possibilities.

See more from a platform

In the past — and to a large extent, the present — enterprise software solutions functioned in relative isolation, not sharing much more than the link to an ERP. But that is changing rapidly.

The increasing capabilities and innovation on cloud platforms allow for an unprecedented level of functional convergence between solutions, data, people, and processes. This multidisciplinary approach gives legal teams much greater visibility into suppliers and contracts, and an exponential ability to manage compliance and risk.

Turning data into insights

Data pours into organizations from a variety of sources, and the growth is accelerating. In terms of

third-party and supplier risk management, gathering as much data as possible is critical. With questionnaires, references, D&B, and trade groups, the verification process starts long before the onboarding phase, and may ultimately include hundreds or even a thousand pieces of associated data. But then what? You know all about a supplier; making that data visible, accessible, and usable across the rest of a company is what makes it valuable.

A platform that features built-in, single source of master data, metadata, and document management provides the ultimate ability to create a "silo-less" organization. Managing all of these together empowers different functional areas in multiple ways: transitioning suppliers from pre-approval to validated is simpler and more accurate; departments gain complete situational awareness of how suppliers are performing against contracts and certifications; and financial reporting and budget control happen in real time. All of which adds up to risk mitigation. Here's why:

- Master data management is the technology-based ability for businesses and IT to ensure an organization's shared master data is uniform, accurate, consistent, and controlled.
- Metadata management ensures that data can be integrated, shared, linked, analyzed, and accessed optimally across an enterprise.
- Document management tracks, manages, and stores digital documents, records, versioning, and modifications (tracking history), thus reducing paper in complex workflows.

Turn insights into risk management and results

The upshot of having this process integration, data visibility, and efficiency is that legal teams are supercharged to perform much more effectively. Due diligence and supplier transparency simplifies addressing risk. Contract creation becomes more robust, with improved scoping, supplier measurement, and workflow/approval paths. Supplier contract performance strategies and risk management are unified to create accessible, quantifiable goals, and benchmarks for the business.

At the speed with which global commerce is changing, organizations will have to adopt a more platform-oriented approach to business. By establishing a holistic framework and view of the supplier and contract management, teams will have a much more proactive, agile, and flexible facility for optimizing results while mitigating risks.

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At [Determine](), Limberakis is focused on strategic efforts for creating brand awareness and promoting new ideas around the evolution of contract management and supplier management.