

# THIRD PARTY RISK MANAGEMENT IN SUPPLY CHAIN:

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## ABSTRACT OF THE STUDY:

In supply chain third party risk awareness, risk management, business continuity, planning, disruption, handling there seems to be consensus, that supply chain at its simplest degree of complexity, which comprises of three entities, an organization supplier, and customer in the upstream, and downstream, the flow of product services, necessary finance, and information in supply chain. Key characteristics of third party risk logistics management is the coordination activities between the organization in supply chain.

Third party risk management is the process of analyzing, and controlling risks in supply chain presented in the company, data, operations, finances, by the parties other than the self company.

Despite the third party risk global supply chain remain crucial to the success of many reputed organizations in supply chain. The pressure to reduce costs, with the advent of globalization, digitization transportation very few organization operate with their resources, and they have become so relevant with numerous levels of supply chain from suppliers they source raw materials, from distributors, and distribute their products in the market with transportation and services providers who assist them.

Many large volumes of raw materials, components, technology products, service and information are moved across, and new opportunities, and greater efficiencies also bring in complicated relationship leading to higher risk supply chain, and other 3<sup>rd</sup> party risks, are understandably capturing increased attention. The potential repercussions of disruptive natural and human aided events whether isolated or simultaneously highlight the importance of planning for managing such risks, and the companies that have identified these risks in advanced and planned for these contingencies are the ones best positioned to survive the disruption that result when third party risks exists.

Most companies rely heavily on third party for supply of raw materials, and good vendors in order to meet the requirement of the contractual obligations, and consumer demand, this is which include, as domestic companies are found also liable for illegal actions of their suppliers.

## INTRODUCTION:

In supply chain third party risk global supply chain remain crucial to many important organizations. The pressure of any organization is to reduce cost, along with the advent of globalization digitalization, transportation, and for organization which they are operating with their own risk and resources. These organizations become resourceful, and with numerous suppliers they source raw-materials, from distributors, suppliers, who distribute the products to the market, and all manufactures, transporters, and other service provides source from them.

The third party risk of reputation of damage for particular brand has also a significant effect on the companies. Financial dependence on supply chain since the volatility of the commodity prices have produced rapidly changing cost

structures from suppliers run virtually in every industry, leaving companies to direct the business to a single supplier, and bring in third party risk due to unpredictable price changes and shortages.

Effective third party risk management: This can be implemented by establishing an ownership, since third party risk in management, should be centralized rather than dispersed among multiple owners or suppliers making cross functional co-ordination making clear goals, and objective for third party risk management.

Evaluating risk have to be identified and focus on effort on the highest areas of risk and each third party relationship should be evaluated in terms of quantified information, integrity and supply chain risks.

Auditing and monitoring, should provide ongoing risk measurement and monitoring performance measurement and monitoring, incident tracking and evaluation of each relations.

## LITERATURE REVIEW:

In supply chain third party risk management, is a strategic process, that may occur within the organization, in supply chain, the major strategies that is to be utilized to prevent supply chain risk, and actions that are to be implemented, which planning can be identified, by supply lapses, and determining the possibility of occurrence, and establishing strong counter measures in supply chain, before they occur and damage, and have to be minimized, while the stocks are to be managed, and they are not redounded in supply chain.

Procurement in supply chain segments the vendor portfolio is based on the degree of risk since each buyer of the organization represents identifying vendors whose products support critical activities, and their liabilities of potential failures which would suffer more impact and suffer high risk in supply chain management.

Procurement has people with process tools, that serve as infrastructure to make compliance, procedural, framework a reality, and working together on both theoretical and practical expertise requires to build a compliant third party risk management in supply chain.

Procurement focus primarily on risk that result risk in financial impact, rework, down time, overpayment, and leveraging people, which accelerate the growth of demonstrating compliance bring some additional and more tangible benefits to high degree of risk in third party.

Measuring and depth and frequency of diligence and oversight which is too commensurate with risk based segmentation.

Adopting a life cycle approach to manage vendors that begins with planning prior to any interaction continued through selection of contracts provides monitoring which may involve third party risk in supply chain managements and eventually termination of relationship with vendors.

There is need to monitor third parties risks, in the area of supply chain finance closely, since third parties may not be limited companies whose financial strengths from vendors may not be appropriate .

In global supply chain maintaining them may be large and varied. Some suppliers of finished goods, components, and raw materials, often several from different brands or original equipments, manufacturers, and additionally vendors are mixed include logistics and transportation supporters or providers and since each presents a possibility of a business failure on unethically behavior that could threaten the entire supply chain, and then expose with liability of several issues.

## RESEARCH METHODOLOGY:

Third part risk in logistics, supply chain is mainly due to fluctuations, such variability in supply demand, uncertainties, price, variability, natural events in third party risk logistics, economic recessions. In supply chain effective management, of third party risk is becoming a concern for organization to survive, and thrive in competitive business, environment.

By developing an effective third part risk logistic, supply chain, it is the usual task, which requires the skill and expertise in areas where they are required in supply chain. In supply chain third party risk address the risk, issues on a functional aspect in supply chain, as demand management, supply chain management, product management in supply chain.

Choosing the third part supplier can mean the difference between having a significant asset or major liability. The goal of vetting (supplier effective sourcing to dig deep into supplier reputation), and selecting as to make sure that supplier can only meet the required prices, quality and delivery requirements and comply with regulatory requirements. Reputation in an industry is really an issue and are concerned about the quantum of work, and are concerned with third party, tending to work with supply chain, and are risk in selecting a particularly in an emerging market.

Many multinational companies select third party suppliers as their requirement is urgent, by losing their competitive edge, even before they are locked in crucial aspects of the contract, such as pricing supply chain risks and liability limits, and this can be an effective strategy to keep more than one supplier in running until you have negotiated the critical issues involving third party risks.

Information management: Third party risk management includes products and services which provides data on going assessment contacts, issues, and certification, due diligence status risk rating of associated business.

## RESULTS:

In supply chain third party risks have gone beyond traditional system leveraging to third party logistics, supply chain, suppliers, vendors, with increasing third parties in Sales, Distribution, Support services, customer services, with risk involved either as a joint-venture, or independently.

The increase view in technology in supply chain, have facilitated collaboration, and enable third party logistic risk in business to enhance the virtual boundaries and further enhance supply chain.

Third party risk in logistic management is becoming critical than ever before, and thus increasing the consequences on disrupted risk and failure.

**Due Diligence:** evaluate risk of each third party or their engagements and sequence of due diligence which while qualifying segmenting and ranking third parties, and their frequency period of assessment based on third party risk, and enable risk to be associated before they are put to use. In addition integrate with alternatives from reliable external sources to verify third party information through continuous monitoring to identify the crisis management. Principles based on globally sourced content periodically, sanction list, special interest, and owned media lists and regulatory alerts based on criticality of third parties, and upon receiving alerts providing risk rating to third parties so as to make up their risk assessment.

**Periodic Risk:** Enable consistent and third party risk, and compliance assessment based on the type of third party. The assessment should be monitored at pre-defined intervals, automatically to calculate the risk based on responses, and this should be based on the basis of aggregate risk scores to determine the overall performance of third party.

**Tracking and Action Management:** Systematically manage action plans and specific tasks assigned to internal uses and third parties. In the event of third party contract breach or expiry as well as incidence of non-compliance, simplify the third party with the built in work flows.

**Report and Analysis:** Leverage report analysis and business intelligence capabilities to help management to make information decisions based on good understanding of third party risks, and performances. Compare third party assessment with other service type, and track how third parties are improving, and risk can be monitored to progress through reports and analysis.

Third party risk management impacts not only the company contracting for the goods and services, and also its suppliers, and customers. The future of third party risk management brings in continuous change and more regulatory influence, more stringent management on the issues of third parties, that are critical to the organization, and internal and external audits of the business of the third parties bring better understanding of the supply chain.

With increasing outsourcing manufacturing, retailers, supply chain have become complex problems of many multiple vendors, distributor, supplier, sub-supplier, and organization. Many retailers, manufacturers, followed an ad-hoc approach to manage suppliers, and various program including, sourcing and supplier policy, audit, risk compliance, and performance management.

## **FUTURE WORK/CONCLUSION:**

The supply chain third party risk management is becoming increasingly important which is leading to outsourcing, ultimately helping the organization to cope up with work load, and become more efficient, and this leads to challenge in supply chain.

In supply chain it has become necessary to design and explicit third party logistic supplier, risk management, frame work, ownership governance, and the risk relevance, extend the scope to all third party risk, and by applying a risk based orientation to control the level requirement in supply chain.

In supply chain applying comprehensive methods to the size of risk to manage, monitor, the on-going escalation in supply chain, is to invest in information technology, data, management information system, from end-to-end work flow analytics to increase efficiently consistency in supply chain.

Streamlining of retailers, manufactures, and integrating various process, and programs such as third party, and progress such as third part due diligence supplier onboard, supplier quality, audit, and compliance monitoring, and improving supplier performance, and supplier risk, management. Retailers and manufactures can anticipate, and manage whole range of supply chain issues pertaining to sustainability, and social compliance security product, regularizing compliance, and non-compliance management, aspects, as well as supplier related risks with contract and legal issues in supply chain.

Supplier mapping, and end-to-end supply chain visibility, enabling manufactures retailers, to achieve, increase traceability of their products, and raw materials, and meet relevant regulatory and compliance required so as to avoid third part risk in supply chain.

As business takes the concept of the extended organization, to new level of the survey confirms how third parties are exposing to business to new risks, such as threats of high profile customer service disruption, and other major business failure. When these risks have been realized, this has comprised organization, reputation, bringing down business operations, and even attracted substantial liability, and penalty.

Suppliers and retailers consider disruption in supply chain services is due to third party action, as the most critical risk is followed by regulation or action to the organization, damage and supply chain break down, financial exposure in supply chain is caused by third party, whose action feature with list of critical risk, and is liable for threats from the action of third parties risk.

Over the past few years organizations are collaborating more and increasing their relevance on suppliers to perform grouping number of functions. As this practice grows more strongly there is an increase in risk associated with supplier service, interruption of data, and quality issues, representing challenges, and new risks are identified, and regulations with the use of supplier grows more numerous and complex.

To minimize risk exposure, and maximizing the strategic business and the value of relationship, and to bring the organization systematically, in evaluation of risk management policy, and capabilities in a supply chain management is a crucial part of the organization, and the sustainability of the organization.

### **PURPOSE OF THE STUDY:**

In supply chain third party risk logistics is to prevent, and resolve dispute effectively promoting smooth opportunity, operation, and prevent disputes that occur, and resolve them amicably. In supply chain third logistic is to avoid risk, and create value, by coordinating with other business enterprises, organizations, including supply, procurement, legal, compliance and finance.

To implement and take charge of the third party logistic risk, supply chain management, is to develop a formal Due – Diligence (a reasonable steps to avoid any calamity) process, gather data, analyze them, and create comprehensive solution from the enhanced data, with forward planning demand, and thus help the organization to assess to the risk problems, strategies, and record the performance and bring out the potential outcome for the organization in supply chain

Procurement will help the organization to work with suppliers, better and reduce third party risk, which frequently occur, and also frequented ownership risk within the organization. By leveraging the existing relationship procurement with external party it becomes easy for a strategic role, and setting risk requirements, and implementing a good supplier relationship in supply chain.

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