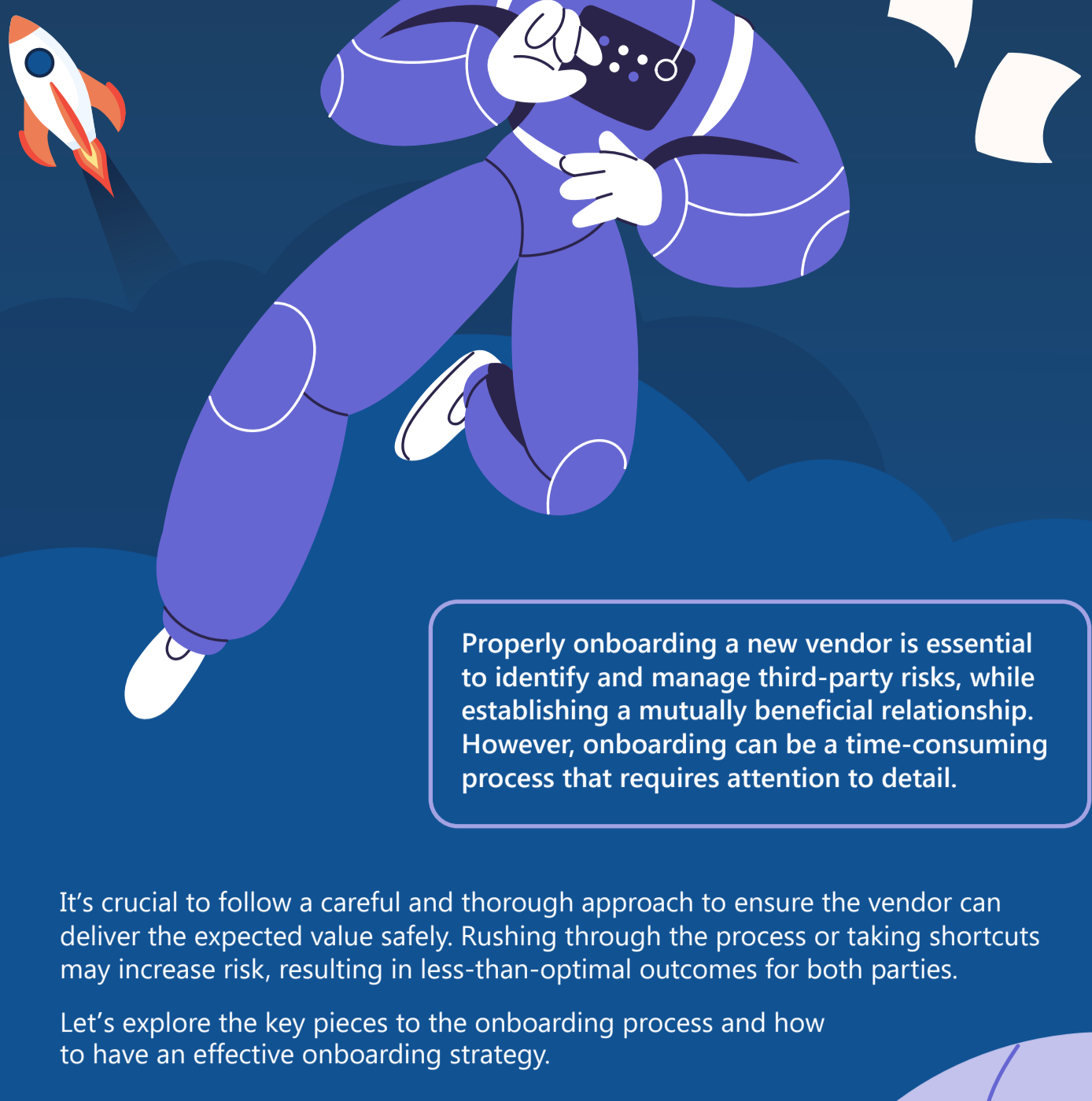


4 Key Onboarding Activities for New Vendors



Properly onboarding a new vendor is essential to identify and manage third-party risks, while establishing a mutually beneficial relationship. However, onboarding can be a time-consuming process that requires attention to detail.

It's crucial to follow a careful and thorough approach to ensure the vendor can deliver the expected value safely. Rushing through the process or taking shortcuts may increase risk, resulting in less-than-optimal outcomes for both parties.

Let's explore the key pieces to the onboarding process and how to have an effective onboarding strategy.

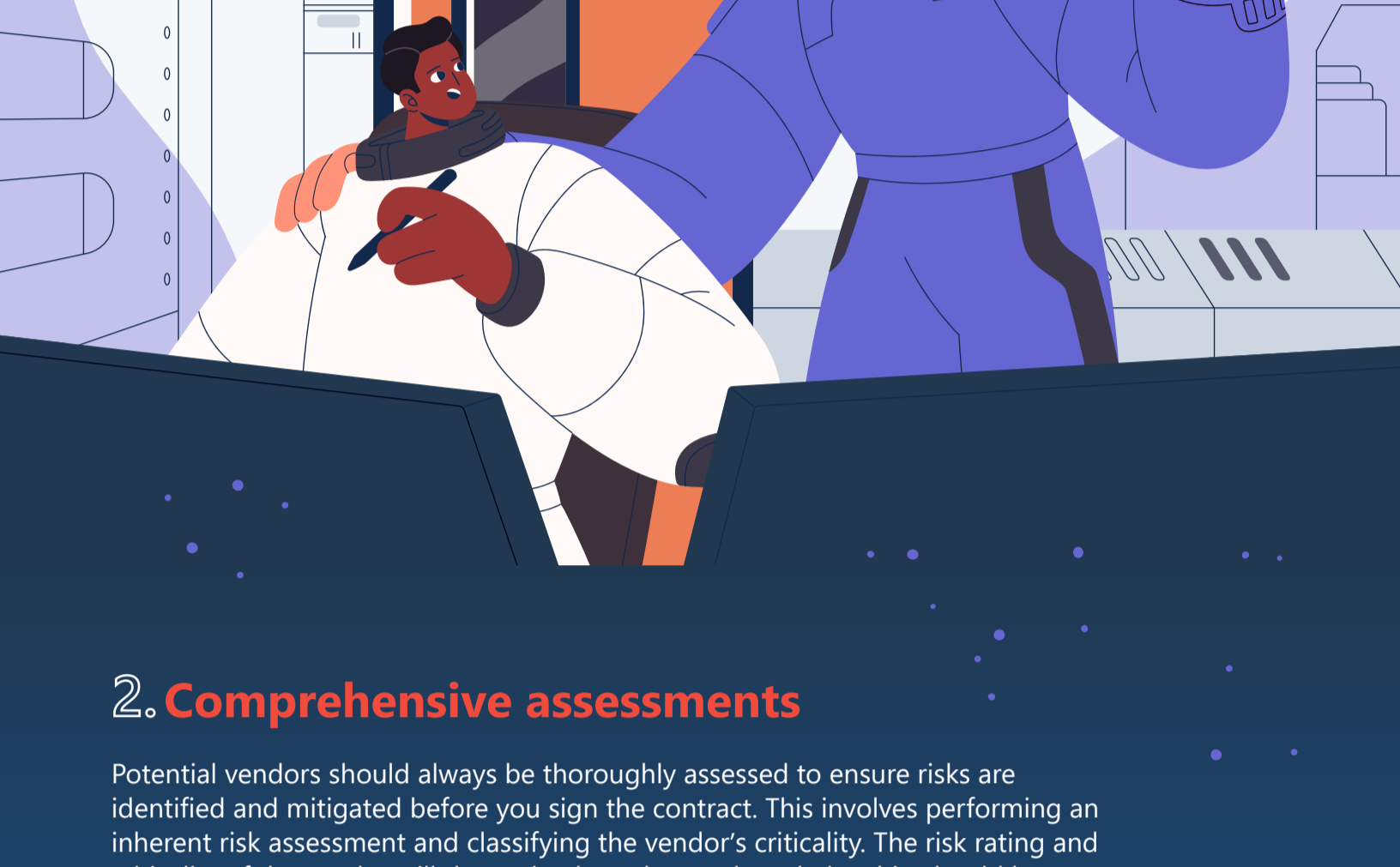
4 Core Components of Vendor Onboarding

1. Strategic planning

Before onboarding a new vendor, it's important to plan the relationship carefully, as it requires a significant investment of time and resources. Consider details such as how you'll determine the need for a new vendor and who will be involved in each stage of the onboarding process. Planning also includes choosing an exit strategy for critical or high-risk vendors and setting expectations about the onboarding cycle time.

Pro Tip

It's essential to have an exit strategy in place that considers the possibility of the vendor becoming nonviable or ceasing operations. Your exit strategy can include replacing the vendor, bringing the activity in-house, discontinuing the activity altogether, or a combination of these methods. It's important to document your exit strategies, consider the overall approach, identify the people involved, and estimate the time required.



2. Comprehensive assessments

Potential vendors should always be thoroughly assessed to ensure risks are identified and mitigated before you sign the contract. This involves performing an inherent risk assessment and classifying the vendor's criticality. The risk rating and criticality of the vendor will determine how the vendor relationship should be managed going forward, as well as the scope of due diligence required.

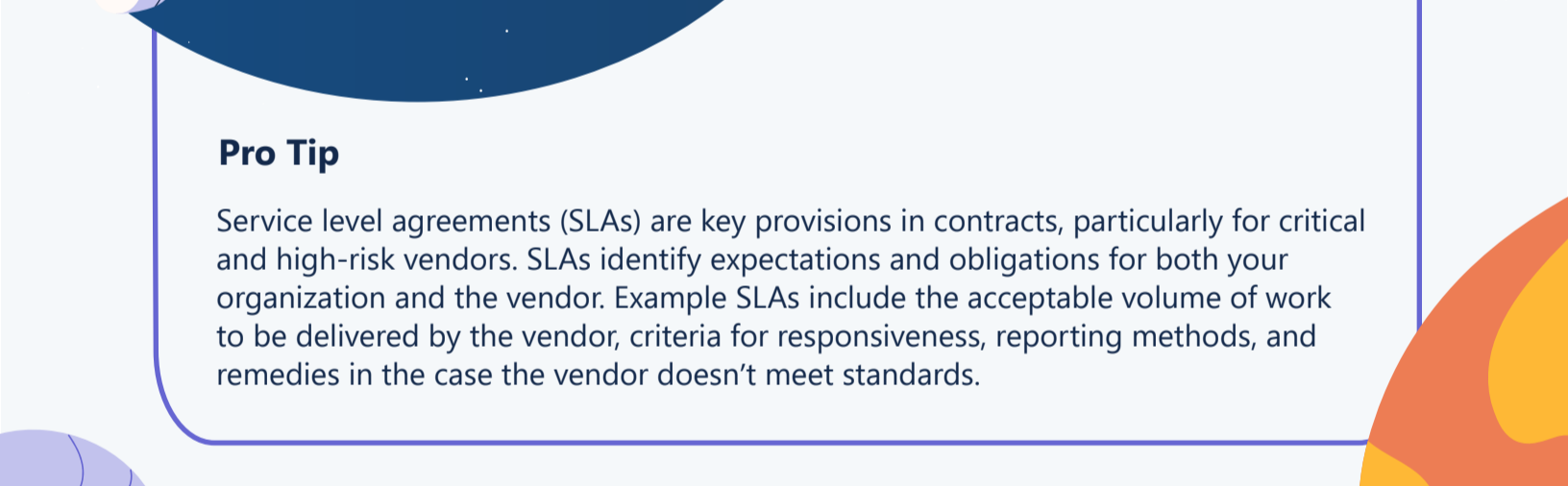


Pro Tip

Subject matter experts (SMEs) are essential during the due diligence process, as they'll review the vendor's documents and provide an opinion on whether the vendor has sufficient controls in place. Qualified SMEs have professional certifications and credentials for the risk domains they review and should be involved throughout the due diligence process.

3. Risk-based contracting

A well-written vendor contract is one of the most important tools in your third-party risk management program. As a best practice, your organization should engage its legal team to create a standardized set of terms and conditions that can be included in critical and high-risk vendor contracts. Additional provisions may be required to remediate any gaps or inadequacies that were discovered during due diligence.



Pro Tip

Service level agreements (SLAs) are key provisions in contracts, particularly for critical and high-risk vendors. SLAs identify expectations and obligations for both your organization and the vendor. Example SLAs include the acceptable volume of work to be delivered by the vendor, criteria for responsiveness, reporting methods, and remedies in the case the vendor doesn't meet standards.

4. Proper organization

Onboarding can involve a lot of vendor documentation, such as risk assessments, questionnaires, due diligence, and multiple contract versions. Organizing these documents in a centralized location will ensure they're easily accessible for future reference.

Pro Tip
It can be difficult to keep track of all of your vendors and their documentation, especially if you're relying on manual processes like spreadsheets and emails. A software platform can help store everything in one location for each vendor, which saves time and effort.



3 Traits of an Effective Onboarding Strategy

An effective onboarding strategy should include those four key components, but the step-by-step procedures may look different, depending on your organization's needs and goals. For example, your organization might have certain requirements for contract negotiation or drafting.

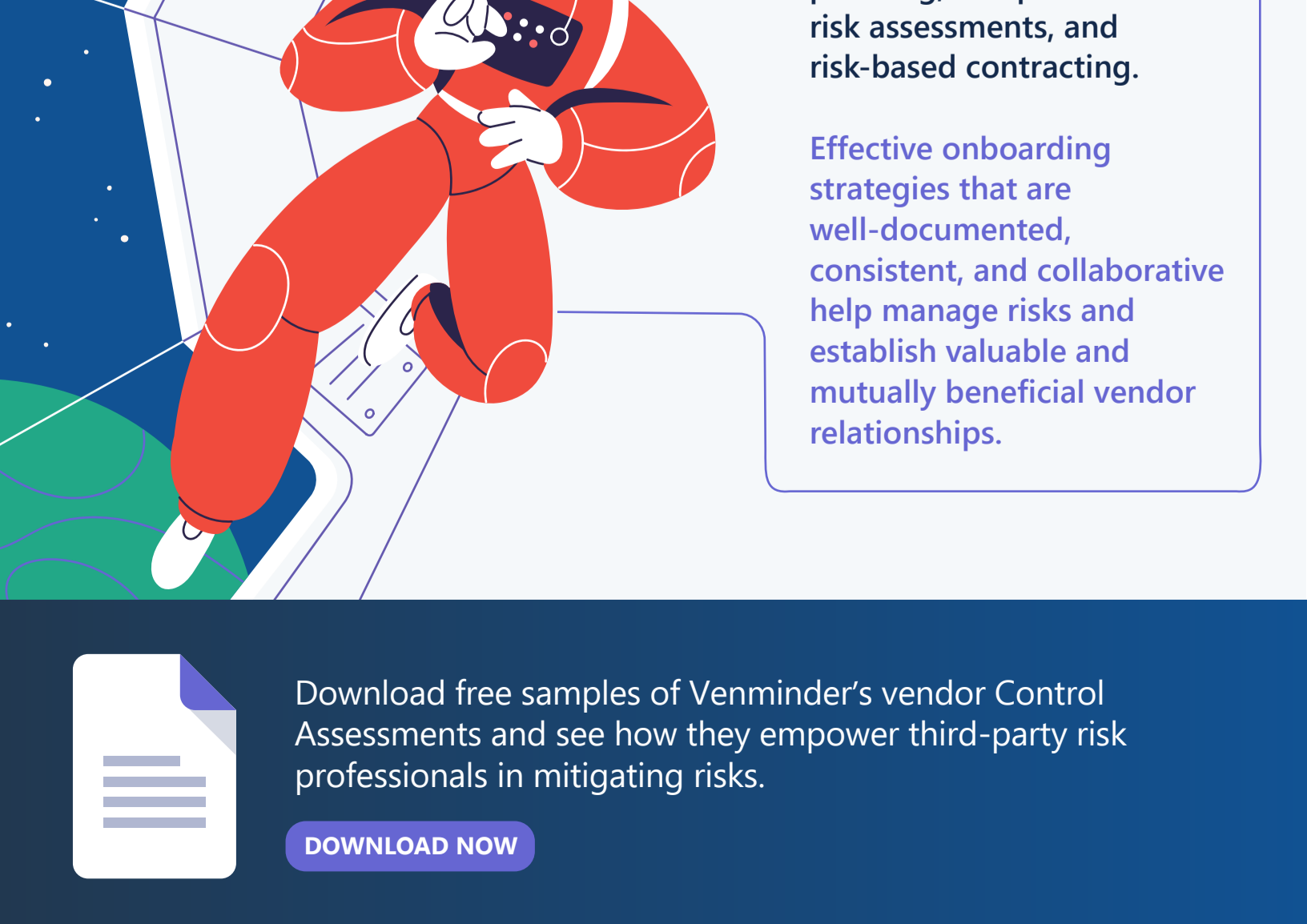
Consider evaluating your current onboarding strategy to ensure it exhibits these three traits:

1. **Well-documented** – The onboarding process should be well-documented to ensure the requirements are clearly defined. Each stakeholder should understand their expectations on how to complete a task, including where to store and submit relevant data.



2. **Consistent** – Onboarding new vendors can involve many steps, so it's important to create processes that are consistent. This can help increase efficiency and allows you to see where improvements can be made.

3. **Collaborative** – Your vendor onboarding strategy should support collaboration between different stakeholders such as vendor owners, SMEs, and senior management. Processes that are siloed within a single department can create misunderstandings or confusion about onboarding goals.



Successful vendor relationships require proper onboarding through careful planning, comprehensive risk assessments, and risk-based contracting.

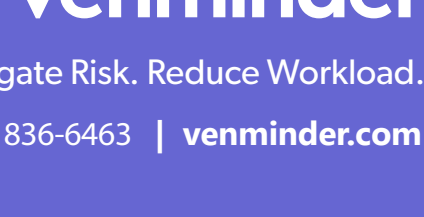
Effective onboarding strategies that are well-documented, consistent, and collaborative help manage risks and establish valuable and mutually beneficial vendor relationships.



Download free samples of Venminder's vendor Control Assessments and see how they empower third-party risk professionals in mitigating risks.

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