

Guide to Onboarding a New Vendor

THE IMPORTANCE OF Vendor Vetting

Vendor onboarding, if not done well, can produce a bottleneck effect for both your operation and your vendor partner. One of the main pain points in third party risk management at the department level is requests for quick approval of a prospective new partner. And, the process of doing proper vetting of the vendor sometimes is even viewed as an after-thought. If your organization has the mindset that third party risk management is there to perform annual due diligence, then you're only halfway there.

Investing in a solid, well-structured third party risk management program can make a significant strategic impact to the vendor onboarding lifecycle and, therefore, the company. After all, if there is a desire to take advantage of a new product or service, the long run-time to actually execute on the vendor deployment means you could be leaving serious returns on the table, all while opening up the doors for your competition to seize the opportunity.

The role of vendor vetting isn't necessarily to block a potential vendor but to review the data, offer a risk assessment and then let senior management make an educated decision based on the available data – board and executive team own the risk.

2 APPROACHES OF Seeking a New Vendor



1

Jumping Right In

A team member has the traditional sales call from the vendor sales person, sees value in the product and feels comfortable moving forward. Contract negotiations commence. This is typically the time that the vendor management department is instructed to, "Make sure this firm is okay." The bigger question then becomes, "Well, what if we find something?" The response, "We'll answer that question later."

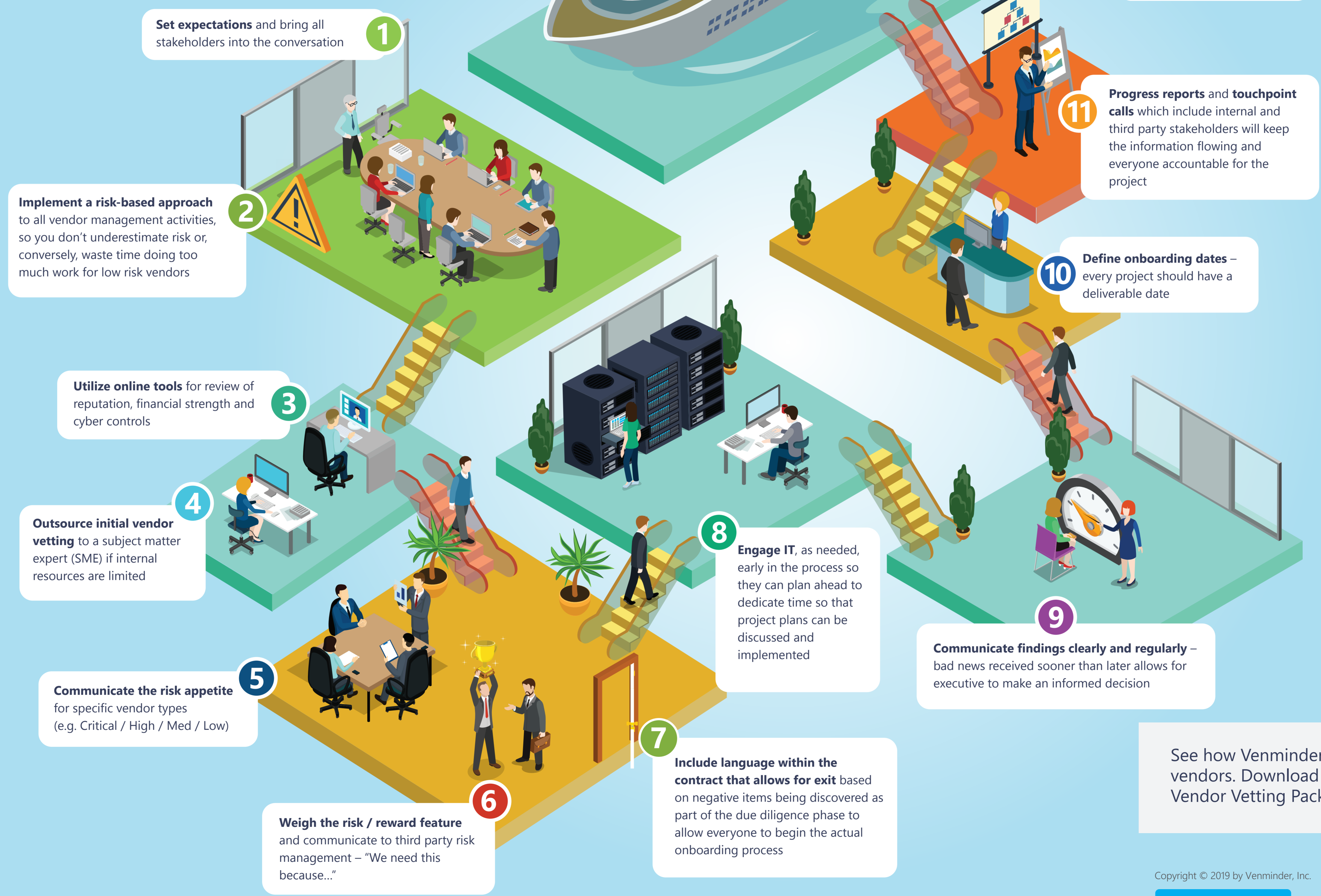


2

RFP Process

Use the Request for Proposal (RFP) process. Maturity levels vary in an RFP framework. This is a great process for scoring and weighting the responses of your new prospective vendor partner, but from an internal standpoint, the decision maker isn't in the vendor management department and there's a danger that the risk appetite of the decision maker is not communicated clearly to the vendor management department. This disconnect could result in a qualified vendor missing the mark.

12 TIPS TO Streamline the Onboarding Process



1 Set expectations and bring all stakeholders into the conversation

2 Implement a risk-based approach to all vendor management activities, so you don't underestimate risk or, conversely, waste time doing too much work for low risk vendors

3 Utilize online tools for review of reputation, financial strength and cyber controls

4 Outsource initial vendor vetting to a subject matter expert (SME) if internal resources are limited

5 Communicate the risk appetite for specific vendor types (e.g. Critical / High / Med / Low)

6 Weigh the risk / reward feature and communicate to third party risk management – "We need this because..."

7 Include language within the contract that allows for exit based on negative items being discovered as part of the due diligence phase to allow everyone to begin the actual onboarding process

8 Engage IT, as needed, early in the process so they can plan ahead to dedicate time so that project plans can be discussed and implemented

9 Communicate findings clearly and regularly – bad news received sooner than later allows for executive to make an informed decision

10 Define onboarding dates – every project should have a deliverable date

11 Progress reports and touchpoint calls which include internal and third party stakeholders will keep the information flowing and everyone accountable for the project

12 If internal resources need help or other responsibilities are getting in the way, outsourcing can be a solution – you can use online and commercially available tools to help gather the vendor vetting information

8 REASONS WHY IT TAKES SO LONG TO Onboard a New Vendor

- ✗ Vital that every new vendor goes through a vetting process
- ✗ A lack of resources
- ✗ A lack of defined procedural guidance
- ✗ Trying to apply a one size fits all approval process to all vendor types
- ✗ The vital vendor vetting process especially for a more complex and high risk vendor (due diligence, risk assessment, contract review, etc.)
- ✗ Contract negotiations
- ✗ Committee availability for approval
- ✗ Process is often approached as a Stop/ Approve/ Proceed to next stage type of mentality

7 VENDOR VETTING Best Practices

- 1 Run a commercial credit report or other business health check to get some basic color on the business
- 2 Obtain proof of the Articles of Incorporation/Business License
- 3 Collect a Secretary of State Check – Are they licensed to do business or trying to fly under the radar?
- 4 Obtain the Tax ID # to ensure they are registered with the IRS and Google the business name, address and principals
- 5 Conduct an OFAC Check – This is the Treasury's Office of Foreign Asset Controls
- 6 Check their cybersecurity – Depending on the type of vendor service, run a cybersecurity test report
- 7 Conduct complaint and negative news research to avoid surprises and protect your reputational risk

Onboarding a new vendor takes planning, preparation and communication. By clearly communicating goals and expectations, third party risk management can help move the needle and work toward an efficient onboarding process.

Over and above all of this, you need senior management to back you up and support you and not allow people to circumvent the process. If you implement strong vendor vetting and onboarding procedures, this process can work well for organizations of all sizes."

See how Venminder can help you analyze new vendors. Download a **free sample** of our Vendor Vetting Package. [DOWNLOAD NOW](#)