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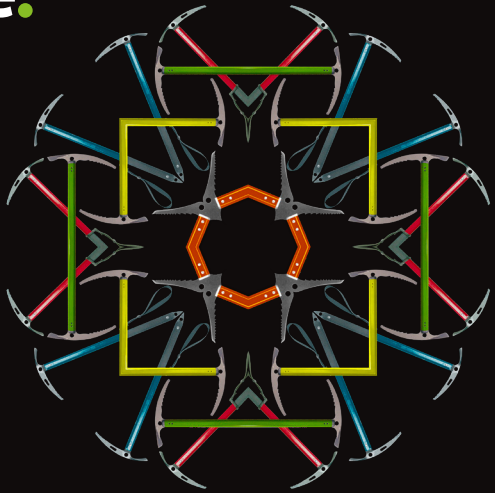


Focusing on the climb ahead

Third-party governance and risk management

2018 Global Survey — US results

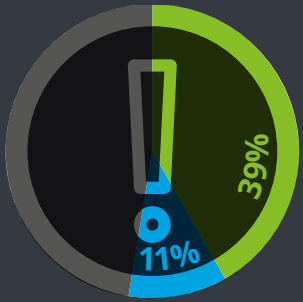
A renewed focus on enhancing extended enterprise risk management (EERM) maturity has emerged in the last year amid increasing perceptions of dependence on third parties, although moving up the maturity curve has been slower than expected.

The Deloitte Touche Tohmatsu Limited (DTTL) survey has identified six key areas of focus for most organizations:

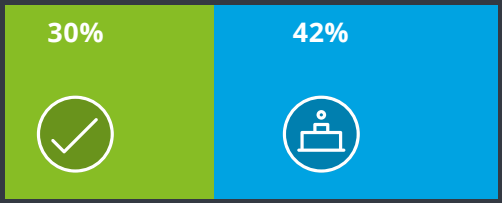
- Inherent risk and maturity
- Business case and investment
- Centralized control
- Technology platforms
- Sub-contractor risk
- Organizational imperatives and accountability

Despite a marked increase in the dependency on third parties, a perceived rise in the associated risk levels, and a renewed focus and investment in EERM, many organizations are still not fully equipped to manage the risks in a holistic and coordinated manner.

39 percent of US respondents perceived "some" increase in risks inherent in EERM while another **11 percent** of US respondents received a "significant" increase in such risks.



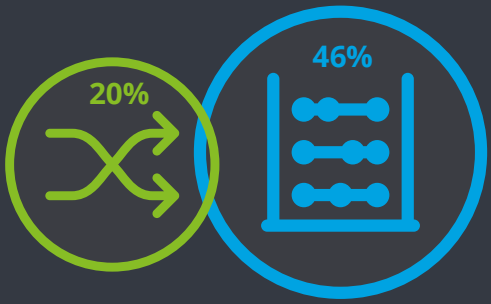
However, overall only **30 percent** of US respondents have integrated or optimized their EERM mechanisms (same as last year) with another **42 percent** of US respondents, currently in managed status, aspiring to do so within the next 1-3 years.



The business case for investment in EERM is increasingly being focused on realizing the upside of risk.

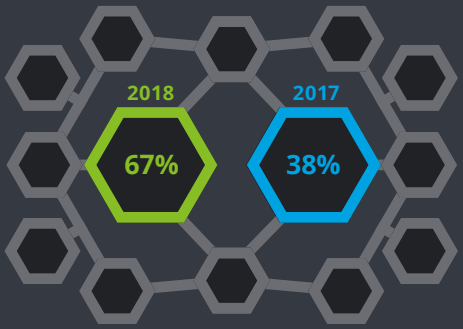
As many as **39 percent** of US respondents were driven by overall cost reduction objectives in investing in EERM, which they felt could be achieved by bringing in efficiencies through the use of third parties or by preventing financial leakage.

At the same time, **20 percent** of US respondents felt that they could achieve greater flexibility to address market uncertainty and **46 percent** of US respondents considered investment in EERM a revenue-generating opportunity, for instance by identifying under reported revenue streams.

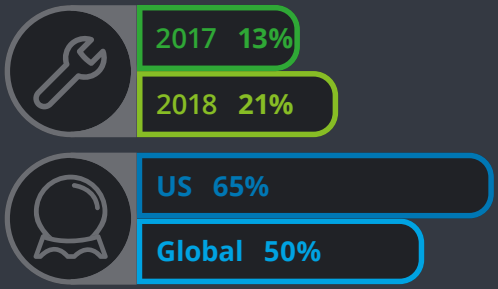


Organizations are increasingly centralizing roles and processes for EERM but are unaware of the breadth of utility options available to them.

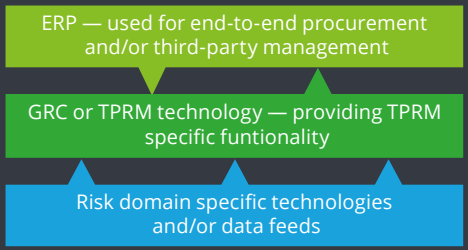
67 percent of US respondents report that their organization is either highly centralized or more centralized than decentralized. This is sharp uptick from last year's **38 percent** of US respondents who felt the same.



21 percent of US respondents are already utilizing market utilities for specific aspects of EERM (up from **13 percent** last year). **65 percent** of US respondents reported they are unaware of marketplace utilities, lagging behind their global counterparts at **50 percent**.

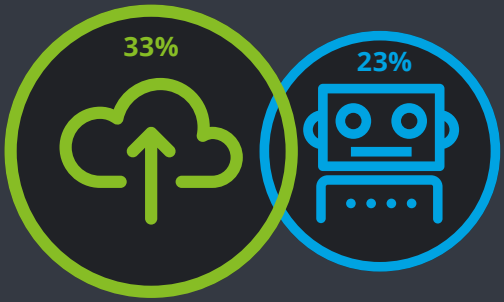


A standard three-tiered EERM technology architecture is starting to starting to emerge across many organizations, indicating an increased tendency toward centralized decision-making.



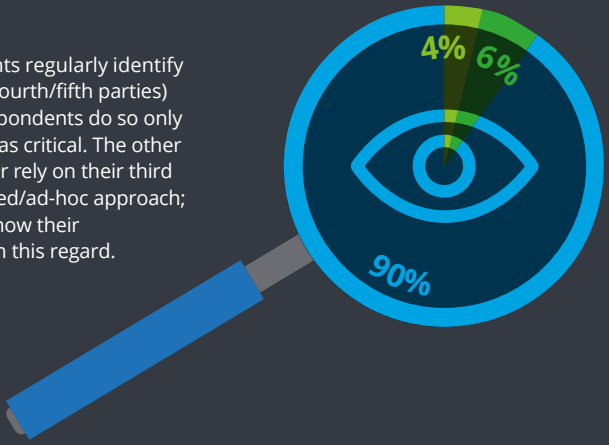
- Enterprise resource planning (ERP) systems or other backbone applications for procurement (ERP + Procurement)
- Generic Governance, risk, and compliance (GRC) software or EERM – specific risk management packages or those tailored from specialized risk domains (GRC + third-party risk management (TPRM) utility + TPRM solutions)
- Other niche packages for specific EERM processes or risks with feeds from specialized risk domains

33 percent of respondents are planning to utilize standardized cloud technologies for EERM while **23 percent** are considering using robotic process automation (RPA) for routine EERM tasks across the organization.



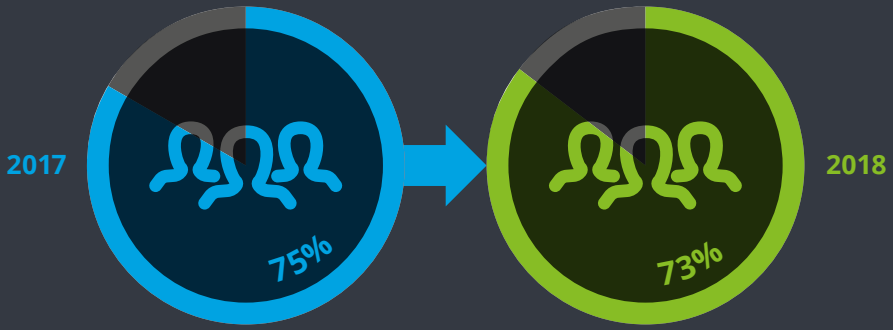
A majority of responding organizations lack appropriate visibility of sub-contractors engaged by their third parties, as well as the discipline and stringency to frequently monitor such fourth/fifth parties.

Only **four percent** of US respondents regularly identify and monitor their sub-contractors (fourth/fifth parties) while another **six percent** of US respondents do so only for those sub-contractors identified as critical. The other **90 percent** of US respondents either rely on their third parties to do so; have an unstructured/ad-hoc approach; do not do so at all; or do not even know their organizational policy and practices in this regard.



Ownership and accountability for EERM is well and truly established in the C-suite and board, however there remains a need for improvement in the levels of engagement.

Either the CEO, CFO, CPO, CRO, or a member of the board is ultimately accountable for EERM in **73 percent** of respondent organizations in the US in 2018 (down slightly from **75 percent** last year).



Talent, processes and stakeholder engagement have emerged as top organization concerns in relation to EERM.

Skills, bandwidth, and competence of talent engaged in EERM-related activities ties with EERM processes as the most significant concern for US respondents (**45 percent** respectively), followed closely by stakeholder engagement at **41 percent**.

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