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Stretching the extended enterprise to its breaking point

The pandemic brought to light the need to invest in third-party risk management and implement intelligent programs

COVID-19 brought third-party risk into sharp focus, revealing vulnerabilities in supply chains, procurement, and digital capabilities just to name a few. Deloitte Touche Tohmatsu Limited's extended enterprise risk management survey¹ was not only a deep dive into third-party risk management (TPRM) maturity across industries but also exposed the need for new technology solutions to enable real-time information and effective decision-making.

A wake-up call for TPRM



faced one or more third-party risk incidents during the pandemic

of those who had incidents

investment in TPRM

claim they needed significant

Maturity aspirations:

realize the need for significant or some investment in TPRM to mature their programs

31%

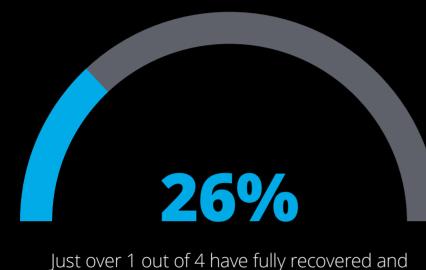
49%

want to be able to simply manage TPRM

aspire to go beyond just managing

desire real-time information and risk metrics in order to implement intelligent TPRM

Recovering and responding—but not yet thriving



built adequate mechanisms for resilience and flexibility to prepare for future events

Nearly half of organizations surveyed reported that they're building back business continuity and resilience by assessing third-party vulnerabilities

Digital risks: A top TPRM priority, yet underinvestment persists



regard digital risk related to third parties as the most common area of underinvestment

52% addressing threats in real-time

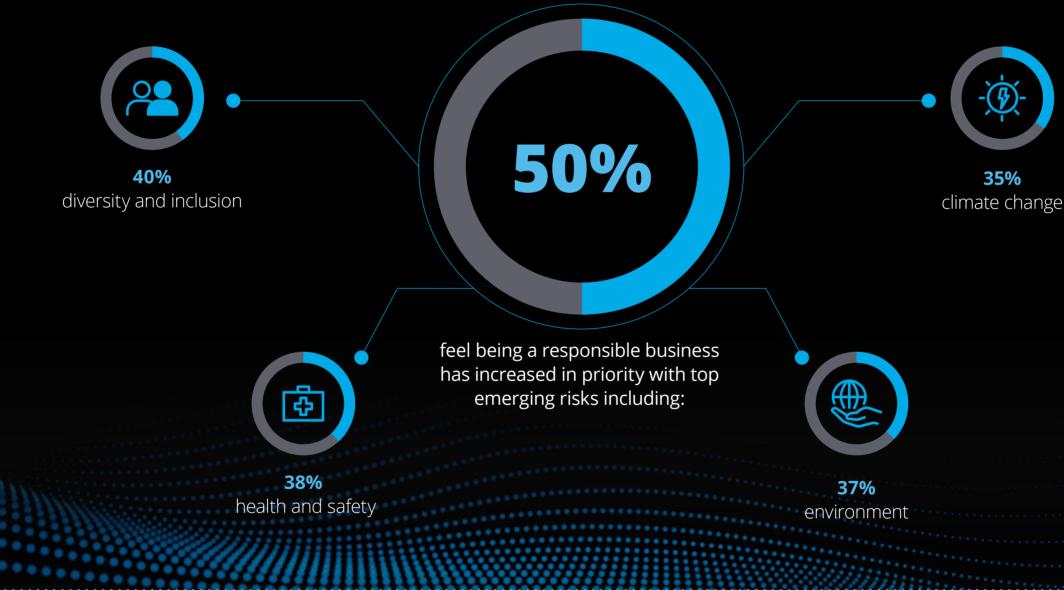
47% legacy infrastructure impairing digital ways

The most commonly reported third party challenges include:

> with new ways of working of working

44% ability to keep pace

Purpose-driven risks: Demanding responsible business practices in third parties



50% 80% \$\$\$\$\$\$\$\$\$\$\$

Cost considerations factor against insourcing

face pressure to save costs by continuing to outsource

do not feel strongly about moving outsourced activities

back in-house

53% NOT NOT NOT NOT NOT NOT NOT NOT NOT opted for risk management

(insourcing) over cost

reduction (outsourcing) as a higher priority

Most affected

While the most negatively affected third-party relationships were in the supply chain, the ripple effects spread beyond it

Broken links in the supply chain was only

Greatest industries impacted:

the beginning



Technology, Media & Telecommunications

suppliers of goods and services Distributors



Sales agents

Retailers

Overseas



In-country suppliers of goods



Globalization, cost-savings, just-in-time lean manufacturing—the rationales

Endnote:

for reliance on third parties are reasoned and varied, and will continue to be. But the interdependence so characteristic of third-party relationships requires new vigilance, timely insights, and the tools that can enable organizations to understand and respond with speed and resilience.

¹ Deloitte Touche Tohmatsu Limited, "Extended enterprise risk management survey 2021," September 3, 2021

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