Driving Enterprise Value:

Integrating Procurement and Third Party Risk Management

Ontala
Linda Tuck Chapman
President
Driving Enterprise Value

Integrating Procurement &

Third Party Risk Management

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Linda Tuck Chapman

Career highlights:

• President, Ontala Performance Solutions Ltd.
• Chief Procurement Officer, BMO Financial Group
• President & CEO Education Collaborative Marketplace
• Chief Procurement Officer, Fifth Third Bank
• Chief Procurement Officer, E.O. Shared Services, Scotiabank

Leadership profile:

• “Third-Party Risk Management – Driving Enterprise Value” — available on Amazon —
• Wharton Executive Education: Lecturer, Industry expert
• SIG University: Professor, Third Party Risk Management
• Risk Management Association: Subject matter expert, Facilitator
• APICS-ISACA Research: Subject matter expert
• Sourcing Industry Group: Chair, SRC Thought Leaders Council
• Shared Assessments Group: Advisory Board
• Author: RMA Journal, Wall Street Risk Journal …..


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AGENDA

1. 3PRM fundamentals
2. Making sense of complexity
3. Working collaboratively
4. Cross-functional integration
5. Organizational design
6. Who does what?
7. Driving enterprise value
8. Lessons learned
Procurement supports their internal client, leads cross functional teams and leverages their expertise to lead processes to source, select and contractually bind vendors.
## Operational Performance (Actual vs Budget)

<table>
<thead>
<tr>
<th></th>
<th>Amount</th>
<th>Better / (Worse)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current Month</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Year to Date</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Full Year Forecast</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Vs Prior Year</td>
<td>$0</td>
<td>$0</td>
</tr>
</tbody>
</table>

## Savings

Targeted Spend Reductions (Savings)

<table>
<thead>
<tr>
<th></th>
<th>Amount</th>
<th>Goal</th>
<th>% to Goal</th>
</tr>
</thead>
<tbody>
<tr>
<td>YTD</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Projected Savings - Full Year</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

## Savings per Manager (YTD)

<table>
<thead>
<tr>
<th>Name</th>
<th>Name</th>
<th>Name</th>
</tr>
</thead>
</table>

## Supplier Spend *

<table>
<thead>
<tr>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Excludes certain categories and internal entities not considered addressable spend

## Supplier Base

<table>
<thead>
<tr>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of Active Suppliers Paid YTD</td>
</tr>
<tr>
<td>Number of Active Suppliers = 80% of Spend</td>
</tr>
</tbody>
</table>

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Reporting is typically focused on savings and operational productivity.
Driving enterprise value

“RISK COMES FROM NOT KNOWING WHAT YOU'RE DOING.”
WARREN BUFFET

#DiscoverRisk
Typical Lifecycle Management Framework

The business, supported by Procurement and risk specialists, work collaboratively to identify, assess, manage and control performance, costs and risks throughout the lifecycle of relationships.
To govern, senior management relies on business to manage the risks, supported by specialized risk functions who design risk identification and evaluation processes and controls.
Reporting is prepared for business line leaders, senior management and the board. The focus tends to be impact-based, versus transactional. More granular reporting is provided for big ticket and high impact relationships.
What’s the value proposition?

Informed decisions
Value for money
Achieve negotiated terms
Insight-based action

Prevent
Detect
Respond

Protect your reputation
Protect customers from harm
Protect shareholders from losses
How does it all fit together?
A massive cultural shift occurs

• The business owns the relationship but can’t make an independent decision to select a “high risk” third party

• Risk specialists, including Procurement:
  - are given the authority and
  - must accept the responsibility
  - set the standards and controls, and
  - challenge the business and each other if:
    - policy violations occur
    - If risks exceed the company’s risk appetite
    - one or more parties does not deliver their mandate

• Challenge processes are documented, published, include an escalation path

• Challenges are tracked until closure
This framework, increasingly in common use, helps to define the roles and responsibilities of all stakeholders.
What does success look like?

Engaged Employees

- Performance Management
  - Risk Management
  - Value Management

- Internal Operations
- Third Parties

- All-Star Brand
- Happy Customers
- Happy Shareholders
Thanks!

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