

Third party risk management: an innovative supplier risk management model

interview by Roberta Lospinoso



In view of today's economic and geopolitical scenario, supplier risk management is a priority for the majority of companies pursuing the goal of a resilient supply chain.

There are several areas of supplier-related risk, especially at such a time in history, and Purchasing Managers must succeed in identifying, assessing and mitigating these risks wherever possible to ensure uninterrupted supplies and preserve the company's business continuity.

Luca Visentin, Head of Group Supplier Certification and Analytics for the Mediaset Group, and Stefano Lubian, Head Of Procurement Solutions at Synertrade,

talk to us about the "Third party risk management" model created for analysis and monitoring of supplier-associated risk by the Mediaset Group's Procurement Management, analysing the advantages and benefits of adopting an innovative tool for identifying risk mitigation areas and setting up structured supplier risk management processes.

Luca, where and with what goals did the need arise to work on a project for analysis and monitoring of supplier-related risk in the Mediaset Group?



Luca Visentin

Head of Group Supplier Certification and Analytics
Mediaset



Stefano Lubian

Head of Procurement Solutions
Synertrade

synertrade | econocom

The project is inspired by a series of changes concentrated between the end of the year 2019 and the start of 2020.

The first of these was a degree of dissatisfaction with the previous supplier risk model within the company. The model worked, but its limits were becoming clear.

The second drive for change resulted from the pandemic, a time when supplier relations were sorely put to the test. Risk signals from the majority of our suppliers suddenly increased exponentially.

The appearance of these two factors at the same time, along with a number of others, inspired us to think, and we realised that the time had come to introduce a new model of supplier risk assessment.

The project began on the basis of these assumptions, with a number of goals. First of all, we chose to expand the number of risk areas we focus on, and the applicable KRIs, in order to obtain a broader, more complete perspective for analysis and assessment.

We introduced market categories and distinguished among them on the basis of their potential impact on risk areas and on business continuity, breaking them down into core and non-core categories.

We also added to and differentiated among external sources (info providers), leveraging specialisation to obtain not only information on results, but predictions, where possible.

We suggested that Management adopt a different approach to risk assessment, considered not only in terms of "documentary" certification of suppliers, but taking into account a vaster range of content. At the same time, we sought to encourage professional development among our resources, improving their skills in the areas of risk analysis and identification of risk mitigation actions.

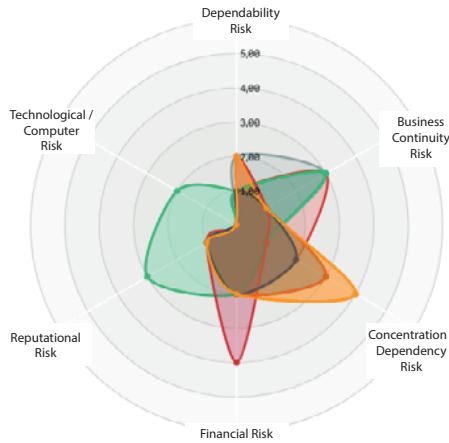


Figure 1:
"Spider" view of
suppliers of similar size -
illustrative

Supplier criticality:

5= Black list
4= High risk
3= Medium risk
2= Low risk
1= Zero risk
0= KRI off

Lastly, we aimed to cut the overall cost of info providers by focusing information on a few suppliers worthy of special attention. The slogan guiding the entire project was in fact "a lot of information on a few suppliers".

To achieve these goals, we wanted a flexible yet complete tool for representing summary and detailed information that would be as advanced as possible and capable of facilitating an autonomous user experience.

What were the areas you worked on, and which criteria did you apply to the choice of risk areas for monitoring?

The initiative identified three areas of action. The first step was working on a new risk matrix to channel Management's priorities and attention toward supplier risk. The matrix was created by crossing two dimensions: the criticality of the market category purchased, and the value of purchases from the suppliers. In these two dimensions, we identified a number of risk intensity quadrants in order to determine the breadth, depth and frequency of information to be analysed and purchased on the market.

We then selected the new risk areas to be considered alongside the existing ones in order to identify the KRIs to develop for supplier risk configuration.

In this regard, we made reference to best practices on the market in order to identify the risk areas most pertinent to what we do.

The challenge was to come up with a flexible tool that would, thirdly, allow us to perform a multidimensional analysis, making it easy for users to browse the information even without special training.

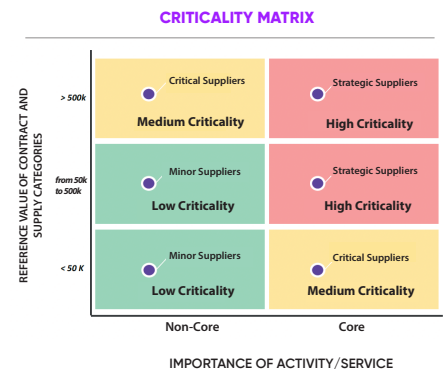


Figure 2:
Positioning in the matrix and
monitoring strategies



Are the results of the assessment shared with the supplier (improvement plan, actions for improvement or correction), or are they currently for internal use only?

For almost a year we made intense use of this tool internally, with Management, to determine how it would hold up under stress. The tool is now an integral part of our Management's governance.

The supplier is involved in the content of the mitigation actions, aiming to come up with corrective solutions together to allow suppliers to return to within the acceptable parameters for a specific type of risk.

What benefits did you obtain?

Purchasing Management now has an innovative risk analysis model at its disposal which overcomes the limitations of the previous model, accurately covering many more areas of risk. The tool is not an end in itself, however, but one of the levers of governance, ensuring more effective surveillance of supplier-associated risk.

In our purchasing processes, analysis of the risk configuration associated with suppliers who could potentially participate in a sourcing event has much more weight now than in the past.

The supplier certification process has been updated, and is no longer purely "documentary" in character.

We have also noted a better response on our own part in the area of compliance, with respect to the reasons for freezing and releasing suppliers.

In terms of human resources, we laid the ground for professional development through the training programmes we have implemented and will be implementing again this year, offering a richer model encouraging wider-ranging reflection on the issue, not only in terms of risk interpretation, but above all of the mitigation actions to be taken as a consequence.



In economic terms, after a year in operation we have noticed a drop in the cost of purchases from info providers, as we have gone from guaranteed purchases for all to purchases regarding only particular suppliers of interest.

The supplier assessment process must be continually adapted to align it with the evolution of the business, the market and emerging new risks. How does Mediaset plan to evolve its risk assessment processes in the future?

The direction in which risk assessment will be evolving is easy to see. Mediaset's point of view is and will be in-house – in terms of use of the tool and the contribution to this evolution made by the people who use it – while on the other hand external pressure and emerging risks will demand rapid evolution of the model. We are already on our third release. We have added new risk areas to be monitored, eliminating insignificant ones from our KRIs and replacing them with other, more pertinent ones. This evolution is the result of day-by-day use of the tool.

Stefano, how did Synertrade's Accelerate platform respond to and facilitate data management in this context, and how does it relate to issues in supplier risk management?

Synertrade's approach has always been based on the goal of "being smart and agile" in order to be as flexible as possible and adapt to our customers' demands.

We do not want to be mere providers of software applications; we want to offer companies new value, responding to our customers' specific needs and those coming from outside.

This takes concrete form in the ability to respond to change and support the evolution of processes, working side-by-side with our customers.

At the international geopolitical level, there is now a need to manage supplier-associated risk in all areas of the company, not only in Italy, and this represents a key area of study and an important focus for our procurement office, with consequences and impacts for all company processes and areas of competence (supply chain, compliance, finance,...).

Synertrade's Accelerate platform can orchestrate, harmonise and optimise the database to be used for all supplier risk management issues.

As an information management hub, the platform offers:



- 'open' data collection integrating a variety of specific data sources on the basis of the type of risk to be managed and monitored;
- certification of the data as coming from reliable external sources (info providers) and internal sources (the information assets specific to each company);
- harmonisation and optimisation of the information to make it easily usable by all the players involved;
- flexibility in construction of customised aggregate data on the basis of the needs of different stakeholders.

How does the platform support and enhance the evolution of processes in response to your customers' requirements?

Synertrade sees its vicinity to customers as a key to success, capable of supporting and enhancing the evolution of processes. This is why – as part of the company's overall restructuring in 2021 and 2022 – we introduced a new position in each country, the Customer Success Manager (CSM), to act as a contact person for our customer base.

Being able to count on the presence of local team of professionals and consultants with experience in end-to-end procurement processes who oversees the customer from close up allows Synertrade to anticipate trends and best practices in the world of procurement, contributing to the determination of the platform's evolutionary roadmap while providing outstanding support for our customer base and offering the market innovative solutions in line with the principal trends and demands.

One example of this vicinity is Mediaset, with which we have performed weekly project alignments, reciprocal sharing of expectations and expected solutions, and various other participatory initiatives. Ongoing discussion allows us to continue improving the coverage offered by our platform for application to different industries and business markets.

Your partnership with Mediaset dates back to 2016, and is now well consolidated. What are the benefits of using technology partners in a company's digital evolution?

Mediaset was one of our first major customers in Italy. We started working with them in 2016, and both companies have grown a lot over the past seven years.

As I was saying, our vicinity to customers such as Mediaset – who have complex internally managed procurement processes – allows software vendors to improve their coverage for application to a variety of processes. We are seeing this not only in Italy, but in the other countries where we work.

From the customer's point of view, vicinity to the technological partner ensures direct access to an innovative roadmap, with a view to mutual collaboration and discussion of the digital transformation of purchasing processes.

In terms of technological evolution – in parallel with the need to support customers from close up – being agile and smart means developing a platform that is as open as possible so as to integrate third-party solutions into our own suite to cover certain requirements of the procurement process more specifically, in response to the customer's needs, as a complement to Synertrade's offering.

In this direction, we are forming technological partnerships with other software vendors in Italy and throughout Europe who supply innovative solutions, integrating them into our platform to offer further added value.