

Survival Tactics In The Brave New World of Global Partnerships

The Current Business Climate Requires a Review and Reassessment of Your Organisation's Third-Party Relationships

LONDON, UNITED KINGDOM, October 9, 2020 /EINPresswire.com/ -- We won't soon forget the year 2020 and the myriad ways worldwide business was derailed over a microscopic virus that caused a global pandemic. From layoffs and shutdowns to shortages and closures, the long-term effects of the pandemic have yet to be determined. But one thing is certain: The disruption to the global supply chain has wreaked havoc in virtually every business sector.



Automobile manufacturing in Korea has been suspended due to a lack of parts from China. The fashion industry in the United States is struggling over sourcing as garment producers in Asia reduce output. U.K. aerospace manufacturer Rolls Royce has announced it is cutting 9,000 jobs

as a result of the coronavirus. And sharp declines in consumer demand have adversely affected global manufacturers who in turn are idling production to curb losses.

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It's highly probable that, at some point, organisations that affiliate with outside providers will eventually have to deal with an operational interruption resulting from a third-party related issue.”

Zafar Anjum MSc MS LLM

Global sourcing has been greatly impacted as suppliers have ceased operations, and multinational organisations have had to scramble to locate replacement supply sources.

This gloomy picture has been made all the more daunting as opportunists, bad actors and other sanctioned,

restricted or un reputable parties have set up operations to take advantage of unsuspecting and

desperate businesses by producing inferior goods, missing contractual deadlines, or operating in ways that could raise flags in the areas of ethical conduct, business integrity or jurisdictional compliance.

As such, multinational companies need to be on high alert for such nefarious outside operations, lest they put their reputations, stakeholders, directors and bottom lines at risk.

Now is the time to identify alternative supply scenarios and re-evaluate contractual terms and performance metrics with those parties in the sourcing network. And to accomplish this, a risk-based approach to diligence, screening and vetting present and potential third-party suppliers is more important now than ever before.

Current Risks

Threats are increasing on several levels for organisations that rely on outside third parties, such as agents, brokers, vendors and suppliers. While depleted inventories, idle production, inferior products and delayed delivery have greatly impacted the marketplace worldwide, multinational businesses are feeling the brunt of these pandemic-induced supply chain disruptions on a greater scale:

- Organisations are suffering financial loss as the supply chain falters;
- Companies are losing customers because of poor-quality products and services from third parties;
- Organisations are opening the doors to litigation by working with third parties that may be engaging in bad labor practices or forcing workers to produce in unsafe work conditions;
- Company data systems are being exposed and breached because of poor security practices by third-parties;
- Companies are experiencing a greater level of supply chain issues due to poor disaster recovery procedures enacted by third-parties;
- Organisations and boards are increasingly being exposed to litigation because of relationships with outside providers that may have violated contractual terms, potentially resulting in regulatory exposure;
- Such organisations are being targeted by story-hungry media sources determined to expose the company to a global audience.

The result of these increased risks can be highly problematic:

- Business litigation has skyrocketed.
- Corporate reputations are negatively impacted on a larger scale.
- Organisations have had to continually review, reassess and adapt risk management frameworks to adjust and acclimate to an ever-changing global business environment.
- Board members are becoming increasingly subjected to intense scrutiny from outside watchdogs and critics.

- Unfortunately, a highly educated market responds to the above scenarios accordingly with their pocketbooks.

From supply and production disruptions to regional compliance issues and bad media exposure, multinational corporations are facing increased scrutiny working with unscrupulous third-party partners. Thus the intense need to remain vigilant in conducting [due diligence](#) and vetting those outside affiliations.

Why Vet?

In a nutshell, conducting proper due diligence on outside parties safeguards an organisation from a number of risks. As organisations continue to expand their sourcing networks, vetting potential partners in the areas of compliance, integrity, quality, performance and readiness will ensure the company's product line remains in tact while cutting down on the possibility of litigation, fines or penalties. And just as important, vetting will ensure that the company's brand remains vital and untarnished.

Further, proper due diligence on outside partners all but guarantees a degree of business continuity for those organisations that practice proper risk management procedures.

A solid risk-based approach to third-party partnerships will help accurately determine the legal compliance, financial viability, and integrity levels of outside partners, suppliers and vendors who seek to affiliate with, and represent your business.

Such approaches employ programs that use gap analysis and investigative due diligence on targeted third-party partners to uncover and identify any anti-corruption, compliance and risk management deficiencies associated with international regulatory framework. In doing so, those programs can identify and raise a host of red flags, such as:

- Undisclosed third-party transactions.
- Material misrepresentations or omissions.
- Unreported financial liabilities.
- Criminal or regulatory sanctions.
- Prior bribe or corruption allegations.
- Undisclosed legal or bankruptcy proceedings.
- Politically Exposed Persons (PEPs).

Properly qualified firms that offer third-party risk management solutions and/or certification will employ a network of locally qualified auditors who are highly knowledgeable in the organisation's specific industry, as well as expert investigators, certified fraud examiners and sector-specific professionals who are familiar with the geography, culture and terrain where the investigation is being conducted to add a personalized level of "boots on the ground" due diligence to the investigation.

It's vitally important to retain such risk management experts to provide accurate and reliable counsel while recommending specific strategies and ongoing improvement as an effective preemptive measure.

As the world changes around us, so must the frameworks that guide the proper vetting of outside parties that want to affiliate with and represent your organisation. A properly developed third-party risk management program will protect the organisation against business interruption, brand damage, corporate litigation and director liability.

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