

14 Ways Vendor Risk Management Software and Services Help

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Partnering with third-party vendors for various products and services can present an interesting dilemma. On one hand, vendors can deliver a lot of value to an organization through cost savings, specialized expertise, and scalability. On the other hand, these vendors also create risks that need to be managed. Whether your vendor inventory is in the hundreds or thousands, vendor risk management (VRM) can be a challenging practice due to limited resources, evolving vendor risks, and increasing regulatory scrutiny.

Vendor risk management software and services can help alleviate some of these challenges in your vendor risk management program. Here's a look at some overall benefits of these solutions and 14 ways that vendor risk management software and services can help your organization.

How Vendor Risk Management Software Benefits Your Program

In recent years, more organizations have realized the necessity of developing strong vendor risk management programs to address information security and privacy, vendor financial health, operational disruptions in the supply chain, and the [growing complexity of artificial intelligence \(AI\) risk](#). Many vendor risk management programs must also [meet the demands of regulatory requirements](#), along with high expectations from senior management, the board, and customers.

Vendor risk management software that's specifically designed to [manage the entire vendor risk management lifecycle](#) can help your organization meet these challenges and bring the following benefits to your program:

- **Greater insight** – Throughout each stage of the vendor risk management lifecycle, there are various risk-based activities and decisions to be made. Examples include identifying the risk and criticality of a vendor engagement, [determining the frequency of due diligence](#), and deciding when to execute the exit plan. Vendor risk management software empowers stakeholders by providing deeper insights into individual vendor relationships, which in turn leads to improved decision-making and the timely execution of key activities.
- **Maturity** – In the ever-evolving business landscape, it's crucial to be strategic, use resources wisely, and enhance processes for optimal effectiveness and efficiency. Vendor risk management software provides the necessary data to assess the effectiveness and maturity of your vendor risk management program, identifying areas for improvement to align with your maturity goals.
- **Consistency** – Vendor risk management teams often [struggle to maintain consistency in their processes due to the large number of tasks involved](#), including managing workflows, updating vendor inventories, handling issues, and [requesting and reviewing due diligence documents](#). Using vendor risk management software and services can assist in establishing consistent processes, leading to more effective and consistent results.
- **Scalability** – As your vendor inventory grows larger and more complex, the demands of your program also increase. Vendor risk management software and services can be adapted to supplement your program, supporting more vendors or providing expertise even when it's not possible to add additional internal staff.

The 14 Ways Vendor Risk Management Software and Services Help

Managing all the interconnected inputs, outputs, and processes needed for vendor risk management can be challenging. Unlike outdated manual processes, vendor risk management software provides advanced tools to [streamline workflows](#), automate processes, manage documentation, consolidate communications, and generate detailed reporting. This functionality can save your team valuable time and resources and significantly enhance your vendor risk management capabilities.

It's important to note that effective vendor risk management requires more than software. Skilled and experienced individuals are essential to your program. Not all teams are capable of handling specific tasks. For instance, only some have the expertise to review

and analyze documents such as [financial statements](#), [business continuity plans](#), or [SOC reports](#). A detailed review and analysis of vendor risk questionnaires and documentation often demand qualified and credentialed expertise in specific risk domains.

To enhance your team's capabilities, consider outsourcing specific vendor risk management tasks to a professional service. This approach provides your organization access to professionals with certified expertise in compliance, cybersecurity, finance, and other risk areas to assess your vendor's risk management practices and controls, which is essential for effective due diligence. In addition to subject matter expertise, professional vendor risk management services can manage your high-effort but low-value administrative tasks, such as vendor risk questionnaires and due diligence document requests, as well as the collection, organization, and preparation for subject matter expert (SME) reviews.



Here are 14 advantages of using vendor risk management software and services:

1. **[Centralized vendor risk management across the organization](#)**. Vendor risk management software offers a centralized platform to handle all activities throughout the vendor's lifecycle – onboarding, ongoing monitoring, and offboarding. Key stakeholders can easily access the necessary information, documents, and communication to carry out their tasks, whether it's gathering due diligence to [onboard a new vendor](#) or terminating an existing one.

2. **Increased efficiency and bandwidth.** Many vendor risk management teams lack the bandwidth to complete key activities as they're often overwhelmed by time-consuming administrative tasks like [due diligence document collection](#) and vendor follow-ups. By using vendor risk management software and services, your organization can focus on managing risk vs managing paperwork.
3. **Reduced errors and rework compared to manual processes.** It's not uncommon for mistakes to happen during manual processes – after all, we're only human! However, these mistakes can lead to hours of rework and waste valuable time. Vendor risk management software helps prevent errors such as data duplication and inconsistent workflows, ensuring your team doesn't have to deal with costly rework.
4. **Streamlined and automated workflows.** Vendor risk management software simplifies task completion for stakeholders by enabling automated workflows with proper oversight, due dates, and escalation notifications to ensure timely processes.
5. **Standardized tools and processes for rating vendor risk and criticality.** It's crucial to have a consistent approach to identifying and managing vendor risk as your vendor inventory grows and regulatory scrutiny increases. With vendor risk management software, your organization can establish [customized criteria for risk ratings and criticality](#). It includes features like weighted responses and prevailing questions, which result in more consistent vendor risk ratings and criticality processes.
6. **Enhanced and automated record keeping.** Vendor risk management involves managing a large volume of records and documentation, which must be well-organized and updated throughout the lifecycle. Inefficient record keeping can lead to poor decisions regarding vendor onboarding, contract negotiations, and performance management. Vendor risk management software enhances and automates record-keeping efforts, so organizations can make informed decisions about their vendor relationships.
7. **Automated scheduling tools and reminders.** Automated scheduling ensures important dates, such as [mid-term contract reviews](#), contract negotiations and renewals, risk re-assessments, and periodic due diligence, are effectively managed and tracked. Automating these reminders can help prevent unexpected price increases, auto-renewals, and expired due diligence, which are often overlooked.

8. **Vendor issue management tracking and reporting.** Vendor issues are an unavoidable aspect of vendor risk management, whether it involves a [decrease in the vendor's performance](#) or an overdue risk re-assessment. Any problems should be recorded as they occur and monitored until they're resolved. Vendor risk management software has features to track open issues and generate reports on severity and status. Your organization can then promptly determine the status of each vendor issue, prioritize based on severity, and escalate as necessary.
9. **Vendor documents stored with vendor record.** Every vendor relationship likely involves numerous documents, particularly if the vendor has multiple products and services. Your organization may be handling several contracts and even more due diligence documents from the same vendor. Vendor risk management software stores all relevant vendor documents together, making it easy for stakeholders to access them quickly.
10. **Comprehensive offboarding processes.** Ending a relationship with a vendor carries risks, even if the termination is anticipated and prepared for. There should be [clear processes for offboarding](#), which may involve returning or securely disposing of data, completing final tasks, and reviewing contract termination terms. These processes can be established using vendor risk management software to ensure offboarding is done accurately, promptly, and effectively.
11. **Documented vendor risk and performance management.** Vendor risk and performance is subject to change even after the contract is signed. A sudden decline in the vendor's performance or a recent cybersecurity incident can negatively impact your organization. There [should be processes in place for ongoing monitoring](#) throughout the engagement. This can be particularly challenging for smaller teams with extensive vendor inventories. [Vendor risk management software offers risk intelligence data](#) and performance monitoring capabilities, so organizations can take prompt action and address issues before it escalates.
12. **Automated reporting.** Risk committees, senior leadership, and the board of directors heavily rely on vendor risk management reports for decision-making. However, creating these reports can be time-consuming. Vendor risk management [software with automated reporting capabilities](#) can efficiently generate reports on important details, such as critical vendor issues or the number of vendors with overdue risk assessments. These reports are invaluable for demonstrating the effectiveness of your vendor risk management program to examiners and auditors.

13. **Better organization for [audit and exam preparation](#).** When examiners or auditors arrive to assess your vendor risk management program, the last thing you'll want is to be unprepared. Rushing around to locate the right governance documents and vendor records will only intensify an already stressful situation. Vendor risk management software offers a centralized place to store key documentation, so your organization will be better prepared for audits and exams.

14. **SME access.** To effectively manage vendor risks, SMEs should assess the vendor's risk management practices and controls. Your organization should engage qualified SMEs for each risk area to handle key risk issues and activities appropriately. However, having a full-time staff of SMEs may not be feasible for many organizations. Vendor risk management services can provide certified SMEs to evaluate your vendors' risk profiles and offer recommendations for managing vendors.

Even with the best efforts, it's impossible to compensate for poor vendor risk management tools and processes. Oftentimes, vendor risk management teams will notice warning signs such as lagging onboarding times, missed deadlines, and internal noncompliance before realizing change is necessary.

To stay ahead of the evolving vendor risk landscape, organizations need to think strategically and use the best available tools. For many teams, vendor risk management software and services is the most effective way to optimize resources, enhance program effectiveness, and efficiently manage vendor risk.