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WhitePaper

WHAT GOOD IS DATA WITHOUT INSIGHT AND INSIGHT WITHOUT ACTION IN THIRD PARTY RISK (TPRM) & SUPPLIER MANAGEMENT

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Executive Summary ————

The increasing availability of cloud solutions and SaaS products in various industries has led to a significant growth in data feeds and software integration. One area facing disruption is Supplier, Supply Chain, and Third-Party Risk Management (TPRM), which poses challenges due to the complexity of large organisations and the vast amount of data involved.

The market offers several tools and solutions for Procurement and Supplier Management teams to minimise risk and gain insights within the supply chain. However, many of these solutions lack essential capabilities for case management and process orchestration, limiting their effectiveness. Data alone is meaningless without insights and actions to address them.

The proliferation of platforms and channels for obtaining insights has led to information overload and fatigue among users. The constant need to check multiple platforms results in decreased attention span and productivity. Organisations need to consider the impact of data overload on employees' focus and mental health when designing processes and systems.

When selecting an insight platform, evaluating its data archetypes, compatibility with existing systems, ability to hold custom data, and scalability for future needs is crucial. Additionally, executive dashboards, continuous solution enrichment, ease of setup, and integration with existing teams and processes are important factors to consider.

Insight platforms should be complemented with effective case management capabilities to track remedial activities, validate insights, and provide context. Without proper case management, organisations may be overwhelmed by insights and struggle to take appropriate action. Moreover, scaling these platforms becomes challenging when each insight requires a different platform and remedial process.

To ensure successful implementation, organisations should establish clear operating models, defined processes, and ownership of steps within the insight-to-action process. Centralised, decentralised, or hybrid operating models each have their benefits and drawbacks, but a hybrid approach supported by guidance and digital tools can provide significant benefits.

Building a strong operating model and implementing an effective organisational structure is critical for converting data into insights and driving efficient decision-making. Finally, organisations should follow a systematic process that encompasses insight generation, action, and continuous improvement to achieve desirable outcomes.

Overall, organisations can bridge the gap between data insights and actionable outcomes in Supplier and Third-Party Risk Management by addressing the challenges of data overload, implementing robust insight platforms with integrated case management, and establishing effective operating models.

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Introduction

As cloud solutions and services have increased over the last decade, it has been closely followed by an explosion of SaaS products available in every vertical, industry and discipline. This growth has paved the way for faster ways to integrate software being developed, making giant leaps forward in the amount and quality of open-source data feeds that can cover all different topics.

Over the last decade, there has been an increase in usage of cloud solutions and services. This has been closely followed by an explosion of SaaS products available in every vertical, industry and discipline, creating a crowded space. This growth has paved the way for faster and easier ways to integrate software, making a breakthrough in the amount and quality of open-source data feeds that can cover different topics.

One critical discipline currently being disrupted is that of Supplier, Supply Chain and Third- Party Risk Management (TPRM). It is a challenge in itself to understand a large organisation's structure and inner workings, let alone the data flowing within it. Now consider that on top of this one large organisation, it is consuming services from hundreds if not thousands of other organisations engaging and collaborating with them on a near daily basis which is indeed a problem of scale!

The Unanswered Problem

In today's market, there is a wide array of tools and point solutions available for Procurement and Supplier Management teams. These solutions aim to provide increased insight and minimise risk within the supply chain. While some have proven successful, many of these solutions are only necessary for a short period until the market adjusts to the identified insights, such as specific risk areas or cyber threat scores. Furthermore, these platforms often lack the essential capabilities for case management

and process orchestration, which are crucial for detecting insights from various sources and effectively addressing concerns to the conclusion, returning to a state of green or acceptance.

Tomas Chamorro-Premuzic of the Harvard Business Review in 2020 said in an article entitled 'Are You Still Prioritizing Intuition Over Data?'

> "Data has been hailed as the new gold, oil, and soil, out of which invaluable products, services, and progress shall arise. That may be true, but the fact of the matter is that data is just symbols, mostly numbers: zeros and ones. This applies even to the most complex algorithms, and most of what we mean when we talk about AI is classification software that assigns zeros or ones to match different variables or predict patterns at scale. To be sure, in most relevant areas of life, we still need human expertise to translate data into insights, and the willingness to act on those insights is what ultimately makes someone data-driven. Data without insights is meaningless, and insights without action are pointless."
>
> **Tomas Chamorro-Premuzic, Harvard Business Review, 2020**

Even though we are now three years on, this remains the case today; only the problems are getting exponentially more prominent with each passing moment! Figure 1 shows the volume of data/information created, captured and consumed worldwide, demonstrating the growth that has nearly
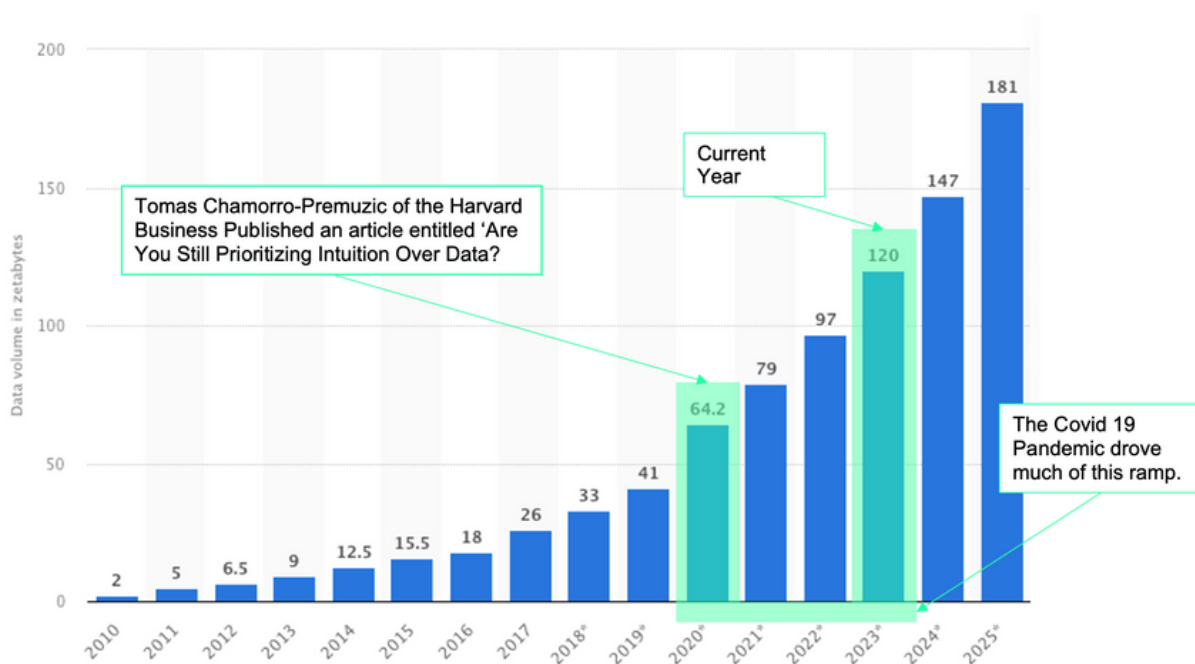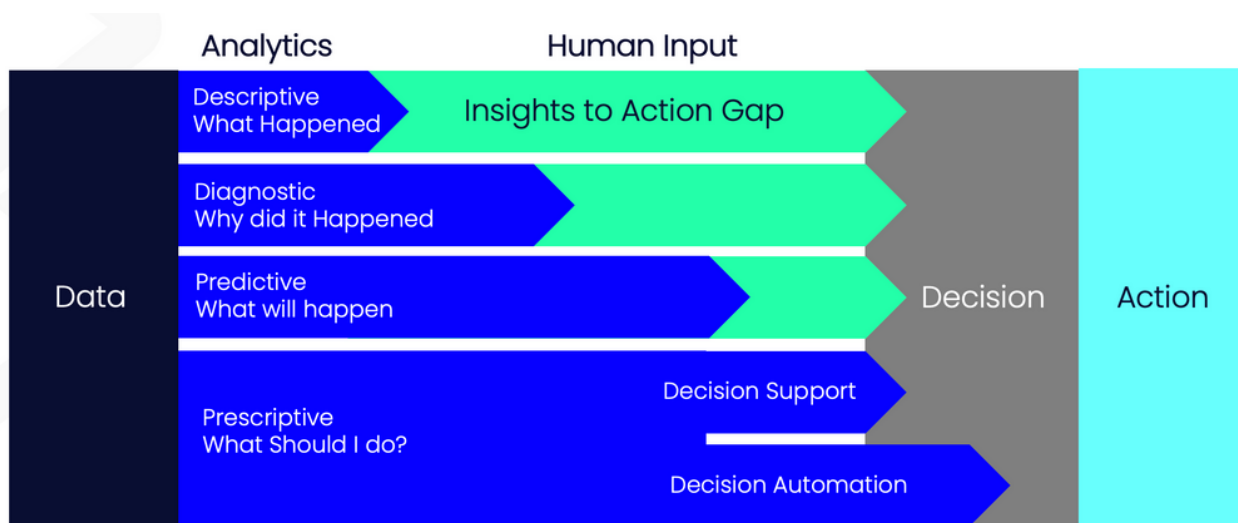
Figure 1

doubled in volume in just a few short years.

The problem with overwhelming amounts of data questions at which point do we become saturated or overloaded? In this whitepaper, we discover how to ensure our disciplines can scale and remain in control if we ever were or hope to be again.

Many topics and blogs have been circulating for quite a while now that cover this topic of data quite well. Gartner called it the Insights to Action Gap in 2014, where if we continually operate only at the top of this diagram, in the descriptive layer, we will never be able to deal with the continued data growth that we see happening today so we must adapt a progressive mindset away from that of just 'Data Repositories'.

Figure 2

The Attention Deficit

As the trend of outsourcing continues to gain momentum, investigating and gaining insight into multiple suppliers has become challenging. The abundance of platforms, feeds, websites, and communication channels can be overwhelming, leading to market fatigue. Consequently, many insight platform providers struggle to retain customers beyond the initial 12-month subscription period. This issue is not necessarily the fault of the solution providers themselves but rather a consequence of the vast array of resources and platforms available to users. Inevitably, users experience fatigue and gradually reduce their usage and engagement with these tools due to the monotonous nature of managing them all.

At Brooklyn, we have encountered numerous instances during meetings and events where prospects and existing customers have corroborated this sentiment. It feels like a battle for attention, as the discipline becomes saturated and overworked with multiple platforms bombarding the same individuals, already stretched, to their limits.

Over-subscription and information overload can have detrimental effects, with reports suggesting that sustained exposure to such conditions can result in a 10-point drop in IQ. Surprisingly, when you consider drugs and alcohol lower your IQ by, on average, 5 points, this implies that employees would be better off being under the influence than over-subscribed - However, neither of these is something that I would endorse or recommend!

Johann Hari's book, "Stolen Focus: Why You Can't Pay Attention," explores how the digital age and the abundance of information contribute to the loss of focus, decreased productivity, and fractured attention experienced by individuals. Hari highlights the potential negative impact on mental health caused by these circumstances. On the next page is an extract from the book that further illustrates this critical point, which is becoming increasingly common in workplaces where employees are overwhelmed with data and insights from various systems and platforms.

Figure 3

Gartner: 2014
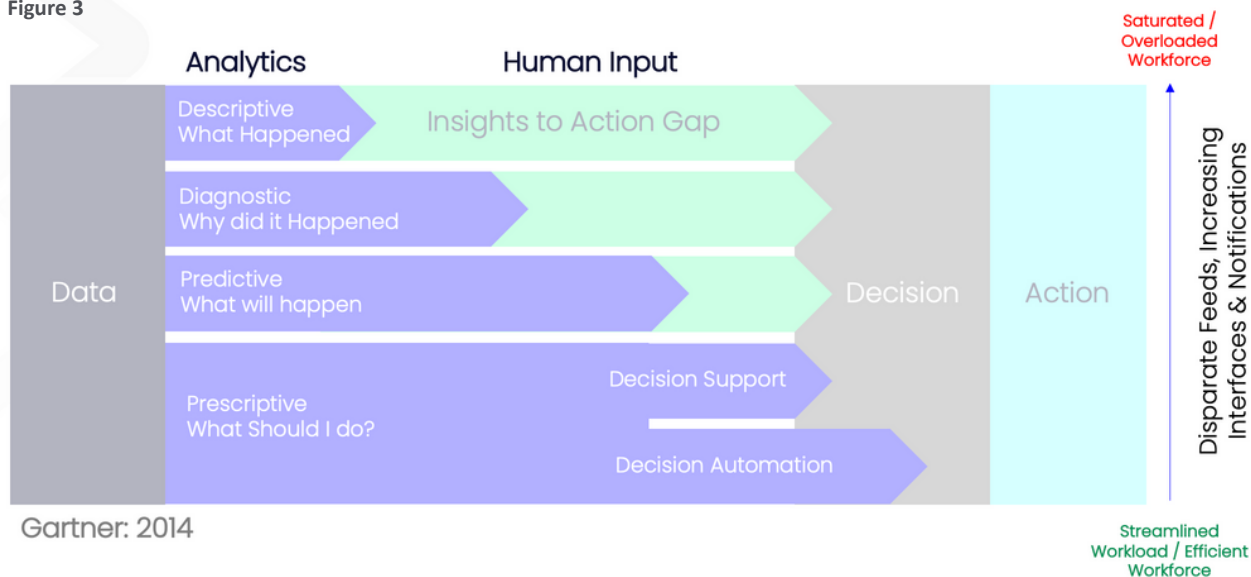
"As you switch from Task A to Task B, your attention does not drop Task A in favour of Task B; part of it remains anchored to Task A. Further research by Gerald Weinberg suggests that switching between tasks consumes 20% of our attention. Our attention bandwidth decreases the more we change activities because of the residue remaining in each. Here's how that would look in practice: Focusing on a single task allows us to commit 100% of our energy to it. When switching between two tasks, we give each 40% of our attention, and 20% goes to attention residue. Jumping between three tasks means only 20% of attention is available for each task, having now lost 40% to context switching. Implicit in this finding is the question, what about multitasking? As we have already seen, multitasking in humans is a fallacy."

Johann Hari , Stolen Focus: Why You Can't Pay Attention

True Insight - What is it?

Insight, as defined by popular search results, refers to the ability to perceive the inner workings of a situation or intuitively grasp the essence of things. However, I would like to delve deeper into the concept of Insight and how it relates to the solutions available today.

Specifically, these solutions claim to obtain the capability to extract valuable insights from diverse data sets, whether publicly available or proprietary and apply them to a range of similar topics or data structures, such as Suppliers or Contracts. This process involves identifying patterns, events, incidents, risks, or underlying causes, ultimately leading to predefined courses of action.

Nevertheless, the landscape is inundated with platforms and tools, making it crucial to accurately assess the initial value as well as the ongoing benefits. Many offerings may provide a fleeting advantage, acting as momentary indicators that swiftly lose significance once the broader market becomes aware of them. Consequently, buyers must exercise caution and focus on their specific requirements and desired business outcomes when purchasing an insight-style capability.

To aid in this evaluation, here are 10 key considerations that play a vital role in establishing requirements for Supplier or Third-Party Risk insight solutions:

1. What data archetypes does it hold, and how valuable is this to you?

2. Can it be used as a master data

In summary, it is crucial businesses and their leaders acknowledge oversubscription in the workplace. When evaluating processes, underlying systems, and their collective communication with employees, this is an essential consideration. Most of the work undertaken will remain stuck at the top of the Gartner Insight to action gap diagram. In such a case, note the augmentation made to the graphic demonstrating the risk of an over-saturated workforce.

repository or Golden Source, or is it duplicating?

3. Does it work well with existing data systems, how does fit in with your application landscape and data architecture, and what will it enrich and enable?

4. Can it hold custom data or be enriched with supplemental data from an existing or new system that has not yet been purchased?

5. Can future data rules or conditions be set up and new and emerging conditions watched for as the industry evolves and market changes with the ability to build new insight models built on top of the existing ones?

6. Can Suppliers be categorised and segmented into groups based on things like inherent risk, spending, and business area etc, as with some suppliers, there is a higher risk or concern based on the criticality?

7. Are there executive dashboards out of the box and ones that can be customised further with no code changes and no or little cost?

8. Is there a team or community

continually enriching the solution for all customers to benefit from as modern B2B SaaS players should?

9. Is it quick to set up, and will it have insight as soon as it is activated or is there a heavy data lift exercise to get any value?

10. How does with work with the existing team and processes in use, is it additive in workload, or will it digitise and automate existing processes, thus having an efficiency improvement across the function?

Additionally, the Gartner Insight to Action gap diagram can serve as a useful tool for measuring the effectiveness of a solution. By analysing how far down and to the right a solution or combination of solutions can take your team in addressing the desired topic or category, you can gauge its potential for scalability and responsiveness.

In the pursuit of true insight, it is imperative for businesses to comprehend these considerations. By doing so, leaders can make informed decisions when evaluating solutions, ensuring the implementation of a solution that aligns with their unique needs and drives sustainable success.
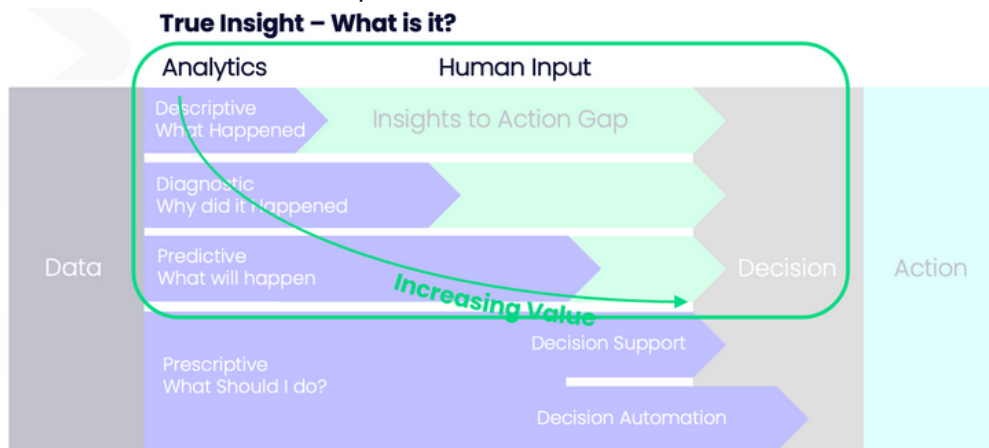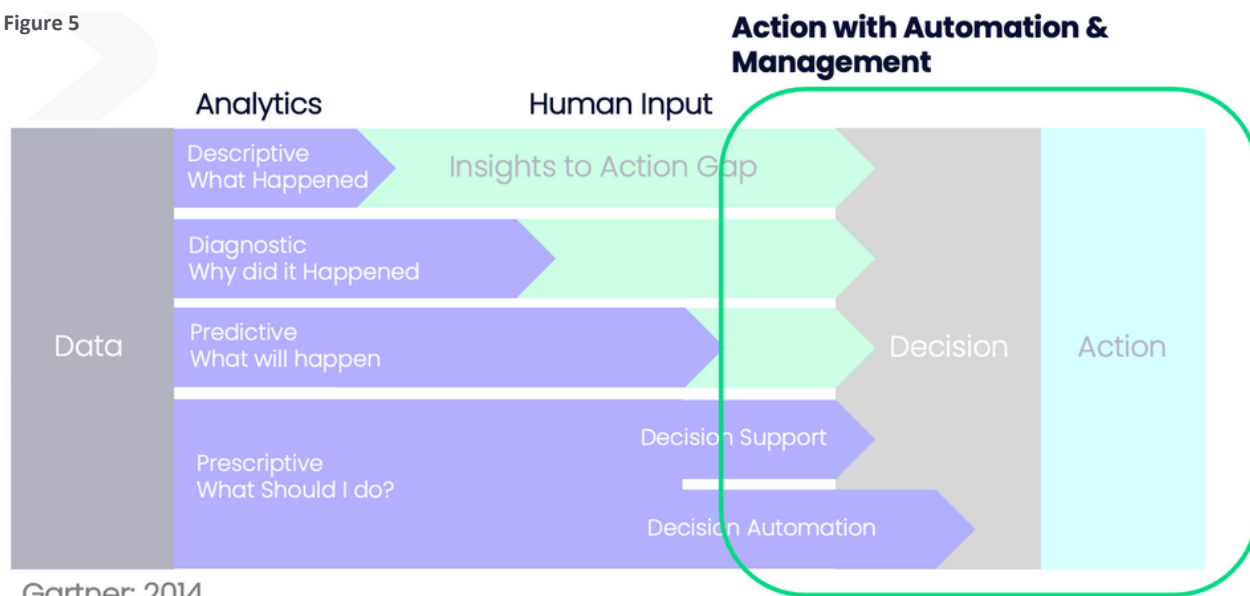

Figure 4

Action with Automation & Management

Figure 5

Gartner: 2014

Once concluded on the best insight platform or data source, the next stage is to consider how the solution can help or integrate with any other products to support case management.

It's all well and good to identify the data trigger and extract insight. But it is vital to have a capability that can help obtain supplemental data to determine if this is a positive hit or a false positive - Which is commonly referred to as Situational Awareness within the Information Security arena, which helps with the much-needed additional context ideally with little to no human intervention.

On top of this, all the activity, be it automatic or performed by a user is tracked through to closure or at least to the position of mitigation and thus control. This includes all communications, attached files, actions taken, and meetings held, and is fully inspectable if a retrospective audit takes place in the future. If there is no consideration for case management your solution will leave your team with too much insight that cannot manageably be acted upon.

You may think you have completed the hard part by gaining access to the insight, but in reality, generating ideas or spotting anomalies is the easier and quickest part of the end-to-end process. The hard, labour-intensive aspect is in the actual investigative delivery and remediation. It is a crucial element, yet the majority of platforms in the market overlook this.

The secondary issue is one of scale; even with an insight platform with an acceptable remedial process, it is usually only for that specific insight or topic. The results could require an alternative platform and remedial process for every insight. This outcome would require the Supplier Management function or associated teams to learn multiple processes for individual platforms making it impossible to scale past hundreds of Suppliers and Third Parties, let alone thousands, therefore arguing it cannot be considered an Enterprise solution.

Transformation & Operating Models

With the right insight captured whenever the data held aligns into the right predetermined manner, then managed to a conclusion is all great. However, it cannot work on its own.

To ensure the process runs smoothly, you require the right team and target operating model containing a clearly

Figure 6

defined process and clarity on what each individual owns at each step and the requirements. Alongside this, guidance is needed so that the cost of operation can be reduced over time, creating a more efficient the end-to-end process with each iteration.
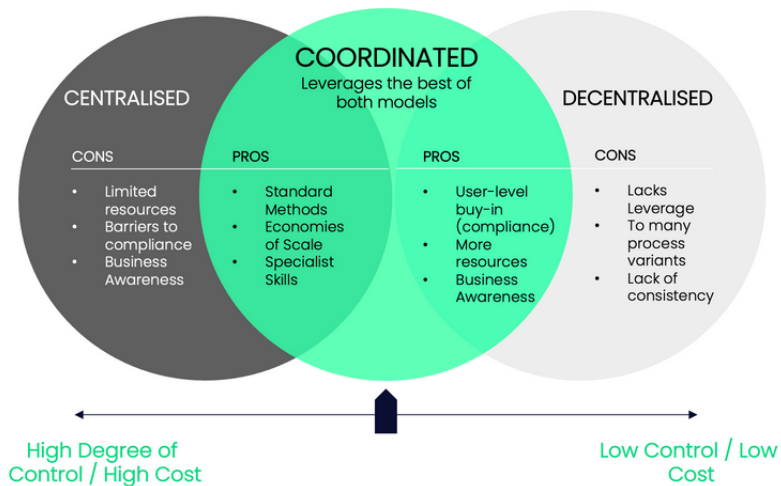
When referring to ownership, it is imperative to define who, via something like a RACI model should be responsible for what step, even those that are automated. As previously mentioned automation needs to be maintained and managed especially when working at scale so it requires a human operator to hold the responsibility and own it internally even if it is underpinned by a platform and or SaaS solution that is externally maintained.

The type of operating model or department structure is another key consideration in the process. There are centralised, decentralised or hybrid models to consider, with all having their benefits and drawbacks. For example, Centralised models can maximise control and quality but will struggle to scale the operation and at an expense.

Decentralised models give too much control away to those in direct daily contact with the vendor but struggle with control and quality. In most cases, visibility is low in these situations as well as efficiency and effectiveness. However, a mix of both approaches in a coordinated and aligned way will show the most benefit.

A hybrid approach, when supported by the high-quality guidance and digital tooling, will return over 99% of the benefit seen in both models with very few of the associated drawbacks.
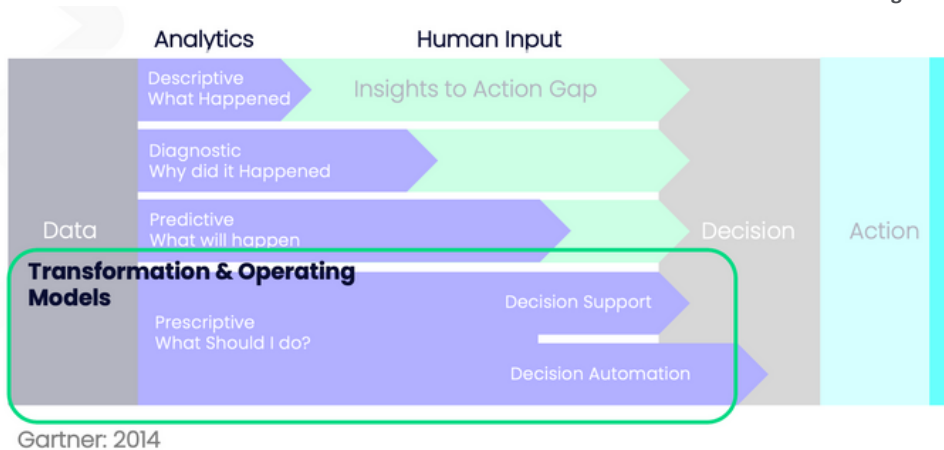

Figure 7
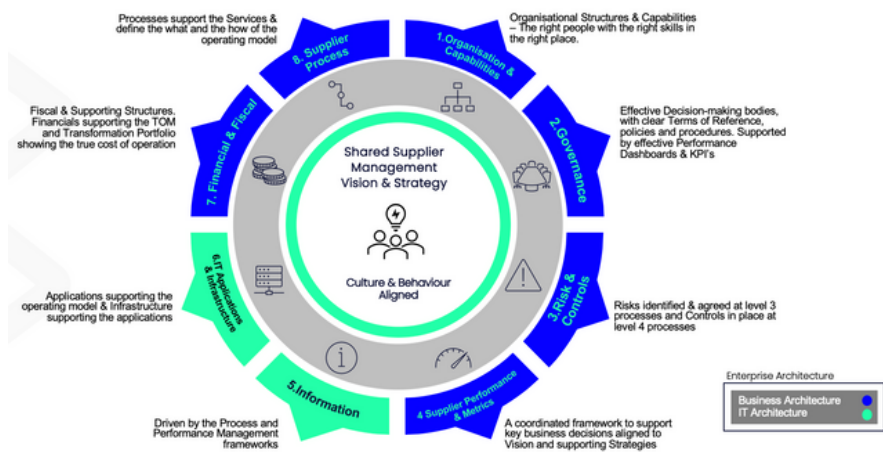
Organisational construct, the team and skills are the first tasks to assess when considering an operating model. Unbelievably, some people only consider these. This white paper would become a book if I covered every aspect of building and implementing an Operating model, but this topic has been widely covered, so to this end, Figure 7 has adapted for Supplier Management.

Figure 8

Like in earlier chapters, if you want to drive towards more advanced parts of converting data to insight and insight to action, you are going to need a strong and consistent operating model to act as the base that can drive both the decision support and decision support parts that can improve decision making time and shorten your response time.

The Process

We understand what insight is and its importance. The key to turning insight into action and the ability to manage this end-to-end is your operating model. Here are the stages that one needs to go through typically to arrive at a decent outcome that flows over all three previously covered areas:

1. Data or Topic of Interest - This is a well-researched and specific data set holding a dynamic set of information or data points designed to convey situational awareness about one or more topics.

2. Detected data change - A systematic and repeatable way to detect a change in the data that

is not expected or desired.

3. Issue insight - A definition or series of definitions about what the data change means or could indicate and recommend steps to improve or capitalise on the situation.

4. Enrich (Collect Supplemental Data) - A point in time or situational additional data points that add further clarity to the insight helping decide future actions.

5. Triage for impact - Using the supplemental data can define the course of action, how drastic it needs to be and how quickly.

6. Create Events - Once decided on the course of action, create the events to manage along with in-built guidance within each step.

Figure 9

7. Manage to Conclusion - Events created can now be managed to an outcome and tracked with a fully inspectable audit trail of the evidence gathered.

8. Review and Improve - Reflect on the following: Did the process fully mitigate the situation? What improvements could be made on any of the previous stages or was it a falsely flagged (false-Positive) event that requires some refinement at stages 2 and 3?

This process is easier to understand and relate to, a more practical and applicable way to approach the problem. A process in which can be overlayed onto the Gartner diagram.

By overlaying the process on a commonly used insight-to-action diagram. The aim is to be able to automate and digitise as much of the blue, grey and green as possible, moving to a prescriptive approach that is platform-supported and continually under refinement.

Inspiration & Approach

At this point, any of you reading this that have a background in IT security, as I do, may have picked up that there is an analogous to this problem that is very similar to the various feeds that a System Information and Event Management (SIEM) platform might ingest with data rules set up to indicate a data breach or cyber attack.

Typically this service is owned by a Security Operations team and watched by the 1st line Security Operations Control Centre. (SOCC). A lot could be learnt by Supplier and Vendor Management teams looking at how SOCC teams use their SIEM and the playbooks they run against established insight scenarios looking for false positive indicators to move a case through to a conclusion it also ensures, more importantly, that a team can deal with lots of different data feeds arranged into a logical list of issues to be worked through based on impact and thus the operators or users have much less chance of being overloaded or needing to continually switch context every couple of minutes
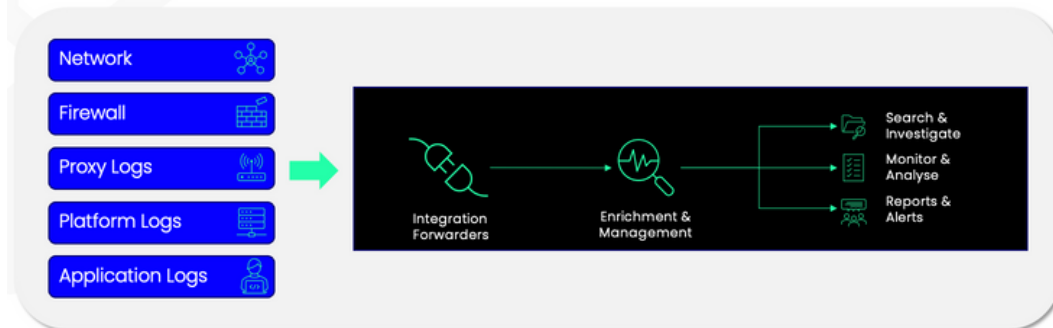
Figure 10
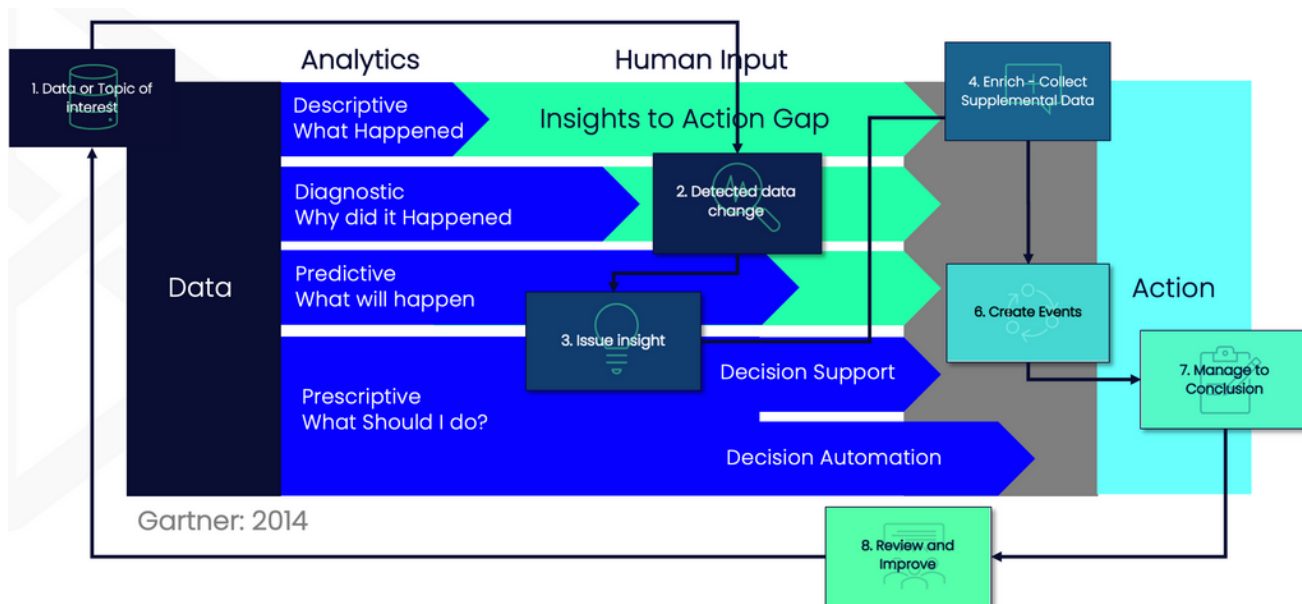
leading to the aforementioned attention deficit.

Figure 11 is a typical depiction of how a SIEM works at its highest level. In short, feeds come into the platform through a series of integrations or forwarders; the data is either automatically or manually enriched and presented as a case to be managed.

Figure 11

Therefore, and simply by an alphabetical coincidence, we can change out the 'System' part of 'System Information and Event Management' and replace this with 'Supplier' to create 'Supplier Information and Event Management', establishing a new wider capability and concept.

In doing this, we can step up the value chain into this broader capability by reducing tech and cyber activity down to one single consolidated set of feeds under Technology and putting in additional ones over time as the solution grows that can cover topics such as Political, Economic, Social, Technological, Legal and Environmental where you can easily see a solution emerging that is fit for Supplier Management.

Figure 12
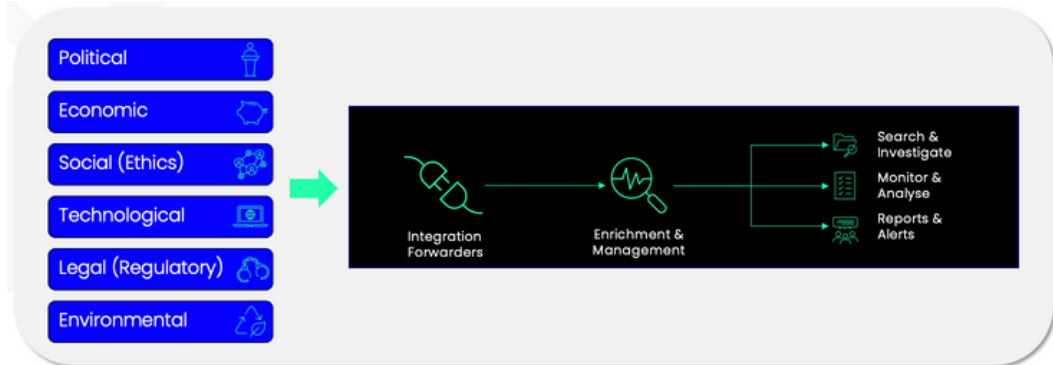
Wait! Why not just use an existing SIEM solution?

This is a question often asked and it is possible. In truth, we see this happen a lot in the market. We see all manner of Procurement, IT and Risk systems adapted to accommodate Third Party Risk and Supplier Management use cases that they weren't designed for, and some of this technology is very flexible.

For example, take one of the most flexible desktop applications; Microsoft Excel. I can build something with Excel to satisfy the most challenging business need. Excel, simply put is one

of the most used digital workhorses of our time and for many years, I challenged my teams to prove out a new process using Excel for a short period at the concept level in the first instance before going to market for a proper solution or building one internally. This approach typically has one person responsible for leading. But therein lies the problem with Excel - It doesn't scale well past a single-user solution, thus why Microsoft Office & Google - G Suite which is the alternative in the market comes under the 'Personal Productivity' Software category. Unless you have advanced level experience with formulas and some Visual Basic understanding, you will fail.

I won't go into the detail or the dozens of horror stories I have seen where some well-intended individual that created an Excel or G-Sheet Workbook a few years back has somehow organically moved it to become a critical part of that department day to day business function. Then something happens for whatever reason it becomes corrupted. If you are interested in looking at this topic further and the possible pitfalls or ways to mitigate having to deal with these issues, research 'End User Developed Applications'.

This remains true of what I continue to see today, don't get me wrong, we still see the Excel problem regularly but we also see several companies trying to use Customer Relationship Management (CRM), Source 2 Pay(s2P), Procure to Pay (P2P), Risk Management or IT Service Management (ITSM) platforms and sometimes Microsoft products such as MS Dynamics and

SharePoint to do Complex Supplier Management that covers all the basics such as Performance, Relationship, Third Party Risk and Compliance Management. Some of these platforms, not many I might add, can be bent to achieve this but at what cost?

I will ask that you indulge me at this point whilst I deviate for a while to explain why I feel I can cover this with at least a degree of experience. As someone who has worked in several Finance companies and for many years in departments that specialised in building and maintaining their own internally developed products that you could not procure commercially, I understand better than most the cost of either building or bending technical components to address a specific need. As I said, it's possible, but you need to consider things such as the following;

- Do I have a sufficient amount of technical resources to build and maintain the solution?

- Does it meet a high proportion of my needs?

- Can I escalate technical issues or challenges and get 3rd / 4th line help?

- Will this solution be under your team's control or are you just using another department's platform and can't control what order things get added or developed in?

- Can I get business process support if I need it?

- Can I access tried and tested

best practices such as templates and fully built-out documented processes?

- Can I access flexible Managed Services for key projects?

- Do I get access to a community of industry colleagues all working on the same issues learning and growing together?

This isn't an exhaustive list, but you don't have to answer 'No" to many of these questions before going your own way becomes either not viable or a lot more expensive to your business than a new product would be when calculating the true total cost of ownership.

If you do choose to bend a product out from the use cases for which it is built and sold, you do risk at worst, having some or all of it deprecated (retired) and at best, having no real support for it from the platform provider. It can be a lonely place out there on your own having built something internally, and part of my role not only used to be to do this but also to track the market maturity and plan when we could get off our solution onto a commercially available one as soon as we could!

So put more clearly and concisely, what are the risks you should knowingly expect by taking this approach and will need to try hard to mitigate;

- Data security, i.e. data confidentiality, integrity and availability.

- Data download issues

- Lack of structured development processes and change management controls

- The increasing complexity of the he increasing complexity of the the application

- Inefficient or ineffective development practices

- Lack of version control leading to multiple versions of the same application

- Lack of documentation

- Lack of support

- Limited input and output controls

- Lack of formal testing and acceptance

In conclusion, yes you can try it, and yes you might succeed, but in my experience, it is better to buy an off-a-shelf solution where you can benefit from the transformational support and community to thrive from. If you are in a space where Supplier Management has regulation applied to it, or there is a Supplier Management policy, this should also deter you even further from just 'making' do with another system all the more!

Conclusion

So classically, it is of no surprise, I have just outlined that three key areas need to consider that nicely overlay the Gartner model to ensure that someone in Supplier Management can avoid falling in their very own version of the Insight to Action gap and can really start to see how any meaningful action can be handled effectively by a team and at scale.
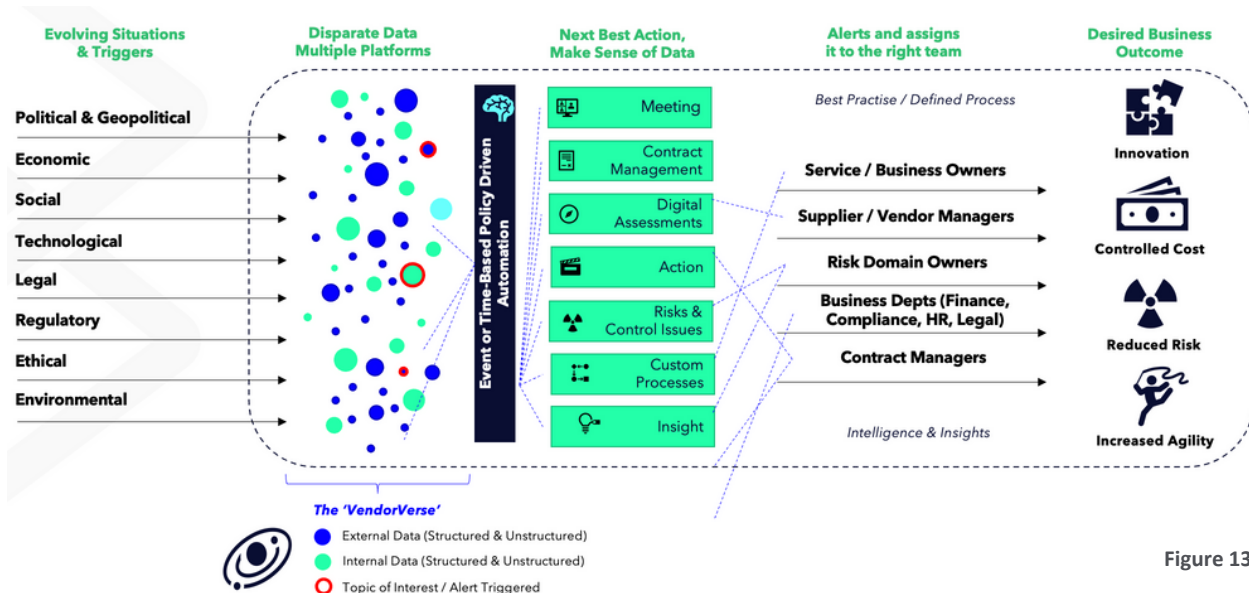
Therefore, with such an oversubscribed

Figure 13

customer (operator/user) base, the only way that can conceivably be the way forward is to ensure that any solution that is selected or used for that matter can not only hold the relevant data and true insight but when triggered start part or all of the triage and remediation journey with little to no human intervention. The platform must only engage the user when a decision requires action or there is a confirmed issue with a significant uncontrollable impact through existing known countermeasures and mitigation strategies that are actively crystallising.

Only an application landscape and ecosystem that can join all these feeds up, trigger the activity, and report to the necessary group or person at the required time will be considered 'fit for purpose'.

Only solutions architected this way supported by a suitable Operating Model and the right team will be able to continue to deliver the level of value expected and business outcomes in today's market whilst dealing with the ever-increasing tsunami of data that is continually coming at us in both our personal and professional lives.

Our Brooklyn Solutions SaaS platform is built to ensure businesses stay ahead of the curve regarding Customer-Supplier Management.

Are you looking to level up your Third Party Risk Management? Brooklyn TPRM streamlines the whole risk lifecycle, from risk assessments pre-contract to monitoring ongoing third-party risk post-contract award at the front line.

Learn more and speak to our transformational experts today:
https://www.brooklynsolutions.ai/get-started/