

# Compliance And Procurement Sentiment Report

*Cyber Risk and Artificial Intelligence are concerns for  
third-party risk management and compliance*

JULY 2019



## EXECUTIVE SUMMARY

Third-party risk management and compliance programs can't remain stagnant. As technology changes and the amount of data companies are expected to manage increases, procurement and compliance professionals need to drive greater efficiencies within their programs. They need to accomplish more with less resources and tighter budgets while on an accelerated timeline.

Driving efficiencies can be accomplished in a number of ways. Simplifying processes, streamlining workflows and adding automation are all potential options. And the backbone to these types of enhancements is technology.

In the fourth Sentiment Report from Dun & Bradstreet, we took a deeper look into two of the key topics I hear about from customers on a regular basis: Cyber Risk and Artificial Intelligence. Over 600 procurement and compliance professionals across the US and UK were surveyed to understand their overall sentiment, concerns and how they view the effectiveness of their functions.



### SENTIMENT

remains positive among procurement and compliance professionals as it relates to the current and future effectiveness of the functions but has been trending down over the past year.



### ARTIFICIAL INTELLIGENCE

is believed to be a driver to help with risk and fraud detection, however how to implement AI within third-party risk and compliance programs remains unknown.



### CYBER SECURITY

is the top concern in the next six months reported by procurement and compliance professionals. Yet, despite being concerned respondents reported not always having a solution in place to mitigate the risk.

Dun & Bradstreet, is the best source of global data to drive the efficiencies compliance and procurement professionals need. We remain committed to providing information and insights to assist compliance and procurement executives with how they prioritize and overcome challenges. The Dun & Bradstreet Sentiment Report will continue to focus on Cyber Security and Artificial Intelligence throughout 2019, monitoring how procurement and compliance professionals are adjusting their third-party risk management and compliance programs to solve challenges.

Thank You,

Brian Alster  
General Manager, Third-Party Risk and Compliance  
Dun & Bradstreet



What % of decision-makers are confident in the current effectiveness of compliance and procurement?



What % of respondents said existing regulation has increased the risk to their business in the last 3 months?

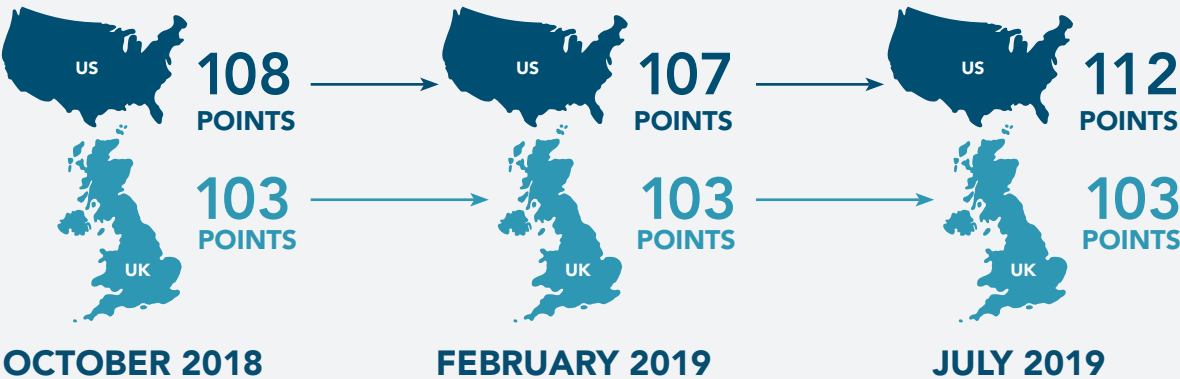


What % of respondents have concerns on the impact of regulatory items on the business within the next 6 months?



KEY SENTIMENT REPORT FINDINGS

OVERALL SENTIMENT SCORE POINTS 108



## SENTIMENT REMAINS POSITIVE AND STABLE

A marginal increase in the overall sentiment of compliance and procurement professionals by 1 point brings the May 2019 sentiment score to 108. While the overall lift in sentiment remained minimal, there was a dramatic shift in the US sentiment with a five-point increase. Within the past year, US respondents have reported less concern with existing regulations increasing the risk to their business in the next three months. In June 2018 66% were concerned however in May 2019 only 41% reported being concerned. The other notable shift within US responses was around key areas having an impact to their business in the next six months. In June 2018 65% were concerned but only 35% remain concerned now. While the UK respondents have also expressed less concern in these two areas over the past year, their change in responses has been less substantial.

When calculating the sentiment score, respondents are asked to provide insight into their current and future confidence in the effectiveness of compliance and procurement as a function. Over the past year, respondents' level of confidence has dropped. This year long decline in confidence was reported by both US and UK respondents.

### Percentage confident in the effectiveness of compliance/procurement as a function

	JUN 2018	OCT 2018	FEB 2019	JUL 2019	CHANGE OVER 1 YEAR (June 18 to July 19)
US	94%	90%	90%	87%	-7
UK	90%	85%	78%	81%	-9
TOTAL	93%	88%	86%	85%	-8

CURRENT EFFECTIVENESS

	JUN 2018	OCT 2018	FEB 2019	JUL 2019	CHANGE OVER 1 YEAR (June 18 to July 19)
US	93%	90%	91%	87%	-6
UK	87%	84%	79%	80%	-7
TOTAL	91%	88%	87%	84%	-7

FUTURE EFFECTIVENESS

Although the overall sentiment remains positive, and respondents' confidence levels in the current and future effectiveness of compliance and procurement as a function has consistently remained at or above 80% for the past year, the slow decline is worth a deeper look.

When asked about the current and future effectiveness as a function, companies with more than 1,000 employees reported a decrease over the past three surveys. In October 2018 and February 2019 compliance and procurement functions' confidence was in the low ninety percent, however for the July 2019 report confidence dropped to mid-eighty percent. At Dun & Bradstreet we believe this drop in confidence is a direct correlation to the increase in pressure felt by these leaders.

The pace and complexity of change in the regulatory landscape along with the increasing global footprint of third-party relationships has compliance and procurement leaders feeling less confident.

## CONFIDENCE BY ORGANIZATION SIZE

### 1-50 EMPLOYEES

		OCTOBER 2018	FEBRUARY 2019	JULY 2019
Current Effectiveness	TOTAL	78%	75%	79%
Future Effectiveness	TOTAL	82%	77%	79%

### 51-250 EMPLOYEES

		OCTOBER 2018	FEBRUARY 2019	JULY 2019
Current Effectiveness	TOTAL	93%	88%	88%
Future Effectiveness	TOTAL	91%	90%	87%

### 251-1,000 EMPLOYEES

		OCTOBER 2018	FEBRUARY 2019	JULY 2019
Current Effectiveness	TOTAL	91%	96%	92%
Future Effectiveness	TOTAL	87%	93%	92%

### 1,000+ EMPLOYEES

		OCTOBER 2018	FEBRUARY 2019	JULY 2019
Current Effectiveness	TOTAL	90%	90%	85%
Future Effectiveness	TOTAL	91%	91%	84%

## TOP CONCERNS

For this, the fourth Sentiment Report, Dun & Bradstreet updated the answers participants could select when identifying their top concerns in the next six months by adding Cyber Security / IT Security. When added as an option, it became the number one concern of compliance and procurement professionals. Given all of the publicity around failures, it is understandable why cyber security is such a focus. The daily threat corporations are under is too large to dismiss.

The second shift in top concerns among compliance and procurement functions is related to supplier due diligence. While supplier due diligence has been an option for the past year, this is the first set of respondents who have ranked it within their top four concerns. Prior to this, the fourth sentiment report, the highest supplier due diligence ranked was sixth in the October 2018 report.



PRIORITIES

Compliance and procurement professionals’ top priorities have remained consistent for the past year citing laws and regulations as their number one focus. This consistent priority is no doubt driven by the increasing complexity of regulations and the expectation that organizations respond swiftly when new guidance is released. With all of the changes in laws and regulations comes the need for training and comprehensive policies, thus developing and guiding policy and procedure ranks second among priorities.

TOP PRIORITIES			
	US	UK	RANK
Laws and regulation	1	1	1
Developing and guiding policy and procedure (creating best practice)	2	4	2
Process management	3	2	3
Vendor management	4	6	4
Data management	5	3	5

CYBER SECURITY

Cyber security is top of mind for compliance and procurement functions, in fact, it is their number one concern in the next 6 months. That’s no surprise, given the heightened awareness of the increased risk in the digital world. As corporations’ global footprints expand, more and more data is created. It is estimated that 85% of data creation is unstructured. The pace of innovation is faster than our ability to grasp it and threats are coming more rapidly than ever.

However, in order to perform accurate customer and vendor due diligence, compliance and procurement professionals must plan for cyber risk.

48% had not yet implemented a cyber risk approach towards third parties.”

These respondents were evenly divided into two categories. 24% had not agreed on or implemented an approach while the other 24% had an agreed upon approach, but not yet implemented it. When comparing the US and UK responses to Cyber Security, 57% of US respondents reported having an agreed and implemented approach. However, only 43% of UK respondents shared the same feedback.

Part of the challenge when assessing a supplier’s cyber security readiness is there are a lot of policies and points of view on how best to address the need. Additionally, as it relates to Cyber Security, most of the expertise lives within the Chief Information Security Officer’s organization, not within the procurement function. When asked, 48% of respondents cited the use of self-assessment questionnaires. Of the corporations reporting the use of self-assessment questionnaires, 63% rely on their own questions, 27% use the Cloud Security Alliance template and 19% leverage the National Institute of Standards and Technology (NIST) framework. The lack of one, consistent, global standard requires corporations to individually determine how best to screen for a supplier’s cyber security readiness, putting additional pressures on procurement leaders. It also provides an opportunity within the industry to standardize for efficiency and consistency.

As it relates to Cyber Risk, 41% of respondents reported using standard cyber ratings to assess risk. When it comes to using standard cyber ratings, the UK far surpasses the US with 51% versus 35% respectively.

40% of respondents that assess a supplier’s cyber security readiness in some way, do not use a third-party provider to assess a supplier’s cyber risk readiness.”

ARTIFICIAL INTELLIGENCE

As third-party risk management and compliance programs become more complex and costly to administer, compliance and procurement functions are looking to solutions that allow for some level of automation. Automation does not mean losing control, but rather, when implemented correctly, gives teams the ability to spend less resources on the more basic decisions. Technology like Artificial Intelligence can accelerate the onboarding and due diligence process while reducing costs.

TOP FOUR ANTICIPATED AREAS TO BENEFIT FROM ARTIFICIAL INTELLIGENCE
1. Risk and Fraud Detection (detection and monitoring of status, changing of circumstance and risks)
2. Data Gathering and Validation (new account setup, campaigns and ongoing monitoring)
3. Risk Screening (reducing false positives and remediation efforts)
4. Account Reconciliation (identifying/merging duplicates and updating records)

A majority of respondents to this survey believe there is merit in a risk management solution inclusive of Artificial Intelligence with 53% stating they “strongly agree” or “somewhat agree” that AI will improve efficiencies and enhance insight within the compliance and procurement function. However, the full impact of Artificial Intelligence is still unknown and 37% reported they “strongly agree” or “somewhat agree” that they are worried about the impact of AI on compliance and procurement over the next few years.

Despite the many unanswered questions around Artificial Intelligence in third-party risk management and compliance programs, respondents to this survey were consistent in where they anticipate seeing benefits of AI.

The top anticipated area expected to benefit from AI differs by industry. Financial services and retail most anticipate improved risk and fraud detection with 60% and 55% selecting this as their top area respectively. However, 56% of government agencies and 47% manufacturing believe that data gathering and validation will benefit the most from Artificial Intelligence.

66 60% are confident their data is configured in a way that allows for the benefits of AI in the next year.”

Artificial Intelligence within the compliance and procurement function is not something that will be resolved quickly. While half of our respondents believe that AI will improve efficiencies, 45% of respondents were not confident that they have the right skills in place to use artificial intelligence in the next year. This indicates that training and hiring the necessary talent will be key to any compliance or procurement organization looking to implement AI.



ABOUT THE PARTICIPANTS



630 compliance and procurement professionals took part in the survey  
• 200+ US & 100+ UK for each focus



12 major industries represented: Manufacturing - 134 | Retail - 87 | Financial Services - 86 | Government Agencies - 73  
Legal - 23 | Logistics - 22 | Utilities - 20 | Oil & Gas - 17 | Consumer Packaged Goods - 15 | Pharmaceuticals - 11  
Auditing - 10 | Fast-moving Consumer Goods - 1 | Other - 131



Annual company income: 44% above \$10M, 28% between \$1-10M, 21% under \$1M



38% of respondents represent large corporations (more than 1,000 employees)



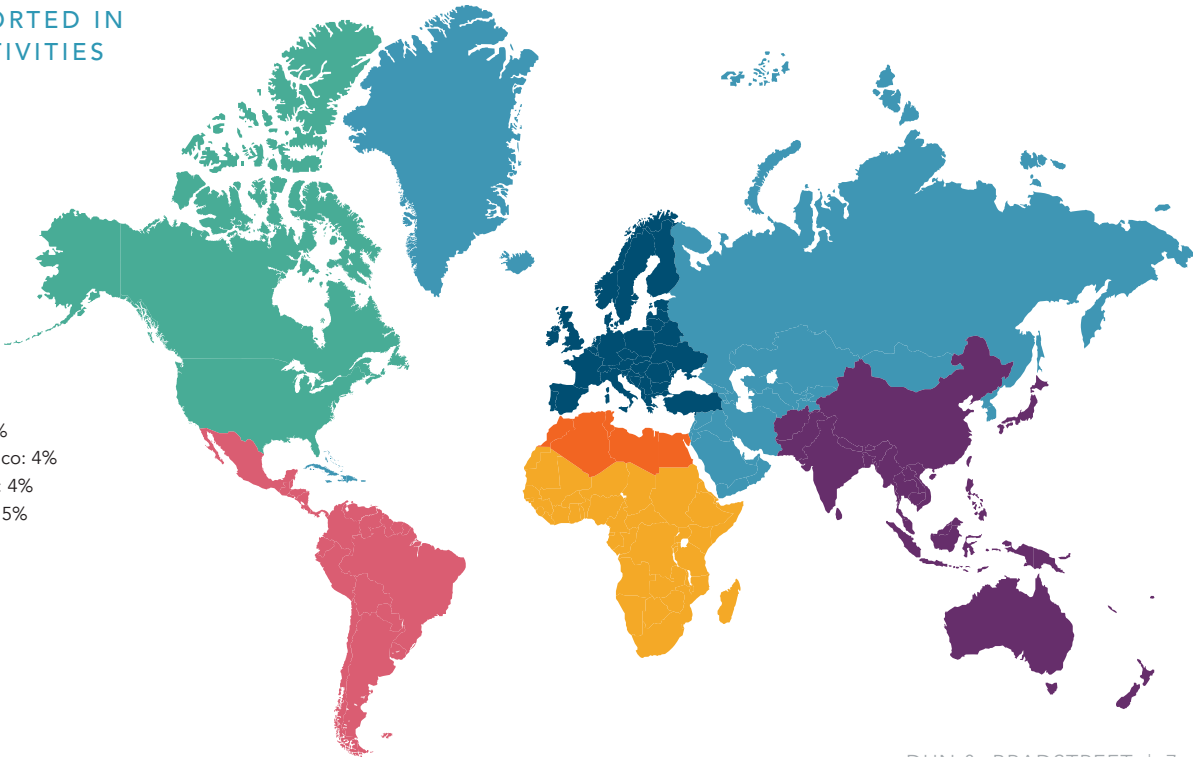
50% of all respondents are the actual decision-makers in their organization. 50% participate in the process.

Participants worked in different departments (survey participants could cover more than one department)

Procurement 63%	234 decision maker and 165 participate in decision making
Compliance 53%	167 decision maker and 167 participate in decision making
Operations 30%	135 decision maker and 56 participate in decision making
Finance 24%	117 decision maker and 34 participate in decision making
IT 22%	115 decision maker and 21 participate in decision making
Risk 22%	95 decision maker and 43 participate in decision making
Legal 17%	79 decision maker and 28 participate in decision making

LOCATIONS SUPPORTED IN ONBOARDING ACTIVITIES

- Global: 14%
- North America: 64%
- Europe, including Turkey: 28%
- Latin America, including Mexico: 4%
- Middle East and North Africa: 4%
- Asia Pacific, including Russia: 5%
- Africa (Sub-Saharan): 2%



## METHODOLOGY

The Sentiment Index score is calculated by summing the percentage of positive respondent replies and half of the percentage of neutral ones and is based on the answers to questions regarding:

- The current and future effectiveness of the compliance and procurement function
- The impact of existing regulation on the risk to the business in the last 3 months
- Concerns on the impact of certain regulatory items on the business over the next 6 months

The first sentiment score has been normalized to the value of 100 and used as a benchmark to measure the score.

ComRes interviewed 630 Compliance and Procurement decision-makers online between March 6th and March 22nd 2019. Respondents were screened to ensure they worked in either compliance or procurement and have knowledge of and/or responsibility in the decision-making for their company's compliance or procurement function. Data were not weighted.

To ensure the correct respondents were participating in the research, participants were pre-screened, targeting those in compliance and procurement decision-making roles. Screening questions were included within the questionnaire itself, asking respondents about their current role, and screening them out if they did not select compliance or procurement. Given that respondents were able to select multiple responses to this, some chose both compliance and procurement roles. Respondents were then routed to either compliance or procurement questions, but not both, to achieve the appropriate respondent base for each function.

The second screening question queried respondents on their knowledge of—or responsibility in—the decision-making process for their company's compliance and procurement function, screening out all those who were not involved in the decision-making.

Following the completion of field work, data was then reviewed to ensure its validity. This involved reviewing the raw data to ensure that no survey was completed too quickly, and that any fill-in text answers contained valid responses. In this way, ComRes achieved a robust sample of more than 600 completes among compliance and procurement decision-makers.

Data results were not weighted. Full data tables can be found at [www.comresglobal.com](http://www.comresglobal.com).

ComRes is a member of the British Polling Council and abides by its rules ([www.britishpollingcouncil.org](http://www.britishpollingcouncil.org)). This commits the researcher to the highest standards of transparency.

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