Do You Know Who You Are Dealing With?

Business partner compliance screening is a crucial but often neglected task. Find out how to identify your compliance risks and which screening procedures are right for you.
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A The background: Rising demands on the choice of business partner

If the business methods of a company cause public interest through irregular actions or ethically questionable practices, their business partners will increasingly suffer from the detrimental effects as a consequence. Bribes committed by distribution partners and agreements to circumvent antitrust or child labour laws in suppliers’ plants can cause enormous damage to a company’s reputation – irrespective of its size and the industry in which it operates.

Almost all companies are nowadays part of a complex network of various different types of business partners – from supplier to agent to customer (see Fig. 1).

The identification of all existing business relationships often represents a major challenge for companies that aim to protect themselves against possible questionable practices by their business partners.

There is no common understanding of the different types of business partners depicted in Figure 1 above; however, the definition of the various types of business partners is irrelevant as the inherent risk remains the same: if a business partner undertakes acts of corruption or other economic offences, they implicitly represent a potential compliance risk for the related companies and/or the individual employees. As a consequence, legislation – starting with the German Commercial Code (Handelsgesetzbuch, or HGB),

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1 When speaking of employees, we are naturally referring to both men and women.
the Stock Corporation Act (Aktiengesetz, or AktG) and the Law on Regulatory Offences (Gesetz zu Ordnungswidrigkeiten, or OWiG), ranging all the way to the extraterritorial effects of US legislation such as the Federal Sentencing Guidelines (FSG) or the Foreign Corruption Practices Act (FCPA) – foresees sanctions, for example, in cases where acts of passive or indirect bribery have been committed.

The demand for supervision of the compliant cooperation with business partners and the installation of corresponding monitoring systems can be derived, for example, from the German Accounting Law Modernisation Act (Bilanzrechtsmodernisierungsgesetz, or BilMoG), the Sarbanes-Oxley Act and the FCPA.

The situation is obvious if an employee accepts a bribe: the employee concerned is guilty of illicit personal gain and inasmuch commits an economic offence (fraud) which can have serious consequences. The fact that companies are also liable for the illegal actions of their business partners, however, does not yet appear to have become firmly rooted in the minds of company executives – as indicated by the “Compliance and Corporate Culture” survey by PricewaterhouseCoopers (PwC), which revealed that a large number of German companies do not incorporate their business partners into their programs for the prevention of white-collar crime in a sustainable way. In addition, the study reveals that corporations subject to US legislation have identified the issue but have yet to implement effective solutions.

In German companies, the required transparency in terms of collaboration and business practices is often lacking. In many cases, structures, controls and processes as a foundation for rule-consistent, ethically correct behaviour by all contractual partners have only been partly established – an omission that entails serious risks and for which a company could be held liable!

Companies are very poorly prepared to face these liability risks – a whole range of compliance deficiencies was identified as a result of the aforementioned survey where 500 companies were interviewed. Only one third of the compliance programs focus on third parties. This evidentially shows that companies primarily focus on internal rather than external aspects in terms of their compliance efforts.

The dangers occurring from business partners – such as suppliers, wholesalers, consultants and commercial representatives – can in fact have an enormous impact: illegal conduct by business partners can lead to financial losses as a result of fines, penalties and compensation payments. There is the even greater danger of a possible loss of orders, termination of business relations and the tying up of resources as a result of impending legal action or organisational restructuring measures. As a matter of fact, companies not choosing and screening their business partners carefully are putting their reputation at risk.

In the face of these growing risks and challenges, management and supervisory boards are looking for solutions to mitigate the risks. In practice, there is often a great deal of uncertainty if one’s own company is already affected or has already committed offences that have not yet been detected. In addition, a lack of knowledge exists in terms of effective instruments that can be used to identify and prevent the described risks.

Non-compliant behaviour and anti-competitive practices are becoming increasingly apparent in Germany, Europe and the world. Legislation is attempting to control this situation with regulatory measures and sanctions, and (investigatory) authorities

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The background: Rising demands on the choice of business partner

have intensified and professionalised the prosecution of acts of corruption and other white-collar crimes in recent years. For this reason, companies are urgently advised to undertake suitable measures\(^3\) and in the run-up to planned business collaboration examine which business practices have been put forward in the past by a potential business partner. The larger the volume of available information on a targeted business partner, the greater the probability of making a sound decision. The decision for or against a business collaboration should be based as far as possible on facts and less on an understanding of human nature and gut feelings (see Fig. 2).

**Fig. 2  Information data as basic criteria for choosing new business partners**

<table>
<thead>
<tr>
<th>Screening Instrument</th>
<th>Known Information</th>
<th>Unknown Information</th>
</tr>
</thead>
<tbody>
<tr>
<td>BP Compliance Screening</td>
<td></td>
<td></td>
</tr>
<tr>
<td>BP Integrity Check</td>
<td></td>
<td></td>
</tr>
<tr>
<td>BP Background Check</td>
<td></td>
<td></td>
</tr>
<tr>
<td>No BP Check</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Figure 2 shows various screening instruments to assess potential business partners. The methods differ in terms of the amount of information required. In some cases, the review of publicly accessible information is sufficient, while in other cases the direct involvement of the potential business partner is advisable, for example, in terms of the completion of a compliance questionnaire.

A standardised Business Partner Compliance Screening (BPCS) in combination with a workflow-based IT application creates transparency, increases productivity, accelerates processes and minimises compliance risks, and therefore provides clear and comprehensive answers to all possible risks deriving from business relationships. Figure 3 provides a summary of the advantages of the BPCS process.

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The background: Rising demands on the choice of business partner

Fig. 3 Advantages of the BPCS process

Compliance benefits

1. Preventative control
   Performing a preventative integrity check of the potential business partner limits your risk of compliance issues during the business relation.

2. Risk-based approach
   A risk-based approach requires clear definitions and thus minimises the risk of misunderstandings with regard to different types of business partners and in addition limits the room for misinterpretation of guidelines.

3. Increased risk awareness
   The risk awareness of your employees will increase and hidden compliance risks will be identified and thus can be mitigated in the future.

Benefit for the corporation

1. High level of audit comfort
   A formalised and transparent approach as well as a central monitoring process lead to an increased level of audit comfort for you and your stakeholders.

2. Standardised IT workflow
   The combination of the standardised BPCS approach and a workflow-based IT application enhances the transparency, raises the productivity and accelerates the process.

3. Sound decision basis
   The information derived from the due diligence questionnaire provides a sound basis for required decisions and the assignment of responsibilities.
**B The challenge: Know your compliance risks, analyse business relationships**

Compliance guidelines are often neglected; even in companies with appropriate regulations, they are usually restricted to internal corporate processes and employees. Considering the fact that companies already face a big challenge in making their employees apply internal rules and compliance guidelines, it is not surprising that a screening of potential business partners is mostly not in place. It should not be underestimated that so-called trivial and common activities – eg, the submission of building applications by appointed architects or customs handling by a logistics company – could hide compliance risks and thus veil risk potential.

In order to prevent these risks, business relations should be analysed appropriately in terms of integrity. Experience has shown that relations to consultants, representatives, agents and joint venture partners in particular should specifically be screened to effectively prevent any occurrence of the crime cycle depicted below (see Fig. 4).

**Fig. 4 Typical cycle in cases of indirect bribery**

This illustration shows the typical sequence of events in cases of corruption: A corporation (1) appoints an agent/business consultant (2) to promote an end customer's (3) major sales project. The agent agrees with the company on an unusually high fee for this business collaboration and uses part of the remuneration to influence the end customer's decision in favour of the initiating company.
C A summary of the screening procedures

What options exist to implement an effective business partner screening? Depending on the type of operation and the volume of information required, three different conceivable procedures or solutions (see Fig. 5) can be integrated into existing processes.

Fig. 5 Different procedures for screening potential business partners

1. BP Background Check
   - Data sources
   - BP Background Check
   - Approval procedure
   - BP Report 1 (final decision by the executing employee)

2. BP Integrity Check
   - Data sources
   - Questionnaire (Self assessment)
   - Integrity check, incl. classified questionnaire
   - Plausibility check
   - Approval procedure
   - BP Report 2 (final decision by the executing employee)

3. BPCS procedure
   - Preparation phase
   - Risk classification
   - Integrity check, incl. classified questionnaire
   - Approval procedure
   - Contract management
   - Accounting
   - BP Monitoring & Reporting System supported decisions making and integration of the approach into the support processes (final decision by the executing employee)
1 Business Partner Background Check

The first solution is a simple background screening of the potential business partner performed by employees of the company. Based on existing master data, investigations are made in various sources which can be divided into the categories of public, semi-public and internally accessible and which differ according to the information they contain:

- Unsorted information from internet searches (e.g., Google, Bing and Yahoo)
- Business information from search queries at credit information agencies (e.g., Factiva, D&B and Creditreform)
- Information from public authorities by examining sanction lists or other publicly available lists (e.g., US Denied Party List, World Bank List and EU-VO 881/2002)
- Internal information from databases or lists that are kept within the company and possibly contain information about the potential business partner

The respective results are all collected and incorporated as part of the approval process. The employee responsible for the business relation makes his or her decision based on the gathered information without taking further aspects into account. In this case, the documentation consists primarily of printouts of hit lists and additional documents.

This relatively lean solution might be dangerous. The lack of a structured approach for the definition of catchphrases, the room for interpretation of the results, and misleading communications with contract management and financial reporting often lead to insufficient information on which to base the final decision. In addition, caution should be used when deciding who should be responsible for the background screening process as well as for the final approval of the business cooperation. It is in any case a must to ensure segregation of duties as well as professional guidance and supervision of the employees selected to do the analysis (e.g., through training, detailed process descriptions, etc.).

2 Business Partner Integrity Check

The second solution is a more detailed one. The results of the background screening are linked to the self-appraisal report provided by the potential business partner on the basis of a detailed questionnaire. Warning signals – so-called red flags – can be identified in the subsequent data plausibility check where publicly available information is compared with the information provided by the potential business partner and checked for inconsistencies. The results of the plausibility check serve as a basis for a decision in the approval process.

The advantages in comparison to the first solution are obvious. The potential business partner is involved in the verification stage and its contribution to the collection of information provides a much larger basis for a decision. All of the information provided is checked with regard to completeness and correctness. Due to a much larger input of information, it is easier to establish cross-connections – and a large part of the costs and effort linked to the information research are shifted to the potential business partner. This screening method can be said to be relatively lean, as well. The only time-consuming disadvantage is that all information received from the candidate has to be re-verified by the company.
3 BPCS procedure

The third solution, the BPCS, consists of six phases or related steps. With regard to BPCS, the responsibility for the first three phases has to be assumed by the business unit that proposed and applied for the business partner screening. However, the approval process has to be cleared and decided on by the business unit’s management and those responsible for compliance.

1. Preparatory phase
During the first phase, all relevant information regarding the potential business relationship is collected and recorded electronically under the leadership of the employee who had suggested the business partner. This information consists primarily of the master data (name, address, etc.) of the candidate for a business relationship as well as the transaction master data (contact, terms and conditions on which the required services are to be provided, etc.).

2. Risk classification
The risk classification as the second phase is crucial for a successful BPCS. The objective of the classification is to determine the potential corruption and bribery risks that are linked to the business relationship. The individual risk categories are based on objective criteria and guarantee an independent result. The individual risk factors can be defined as required and can easily be adjusted to any company. The following questions should be answered when considering a business cooperation:
- Has the company previously worked together with the prospective BP? If yes, how did the cooperation work?
- Does the potential business partner have connections to public authorities?
- What type of business partner is it?
- Where will the cooperation take place?
- What are the terms of payment?

The risk classification provides an initial evaluation of the inherent risk that is rated as low risk, medium risk or high risk. This initial rating either confirms the results of the database and Internet search or leads to additional questions. If the search results bring to light any doubts regarding the potential business partner, so-called red flags are incorporated into the rating. As the respective rating factors and indicators can be defined independently, the process can be limited to Internet search to start with; in case there is insufficient information, additional research can be done in accessible databases, etc.

3. Integrity review
The level of detail of the integrity review to be applied depends heavily on the results from the risk classification. The higher the risk classification, the more effort will be invested in the integrity review phase. The integrity review covers different areas: the structure of the potential business partner’s company can be just as informative as details indicating a certain risk potential (eg, did the candidate request anonymity with regard to communication?) or a bank report requested from the business partner’s principal bank in order to verify financial integrity. During this review, interaction frequently occurs with the prospective business partner; the same applies for the BP integration review. An agreement for the background check is required in both cases. Using a declaration agreement the reviewing company is on the safe side referring to confidential information, which may also be requested during the due diligence check.
4. Approval process

In the course of the graduated approval process the candidate is either accepted or rejected depending on the information made available by the business unit.

The BPCS approach provides for a multi-stage approval process depending on the risk classification. In case of a low risk level, the employee’s superior or a representative from management can approve the candidate. In this case, however, continuous monitoring by a compliance representative must be ensured as an additional quality assurance measure. A compliance officer must always be involved in the approval process (see Fig. 6) if a decision is required for candidates assessed as medium or high risk.

In case of a medium- or high-risk classification, management checks the plausibility of the information obtained, approves the envisaged business relation and initiates further processing. In such a situation, management confirms the correctness of the data and shows further interest in a business relationship. After successful clearance, the data is verified by a designated person from the company with professional compliance know-how as well as significant experience in compliance matters. After the completion of the reviews, the matter is released for approval.

If the risk factor is rated as high, the matter is only released for approval after additional verification by the compliance department or the respective legal department. This additional step is based on the fact that the persons or businesses subjected to the BPCS process include important and high-ranked business partners. As shown in Figure 6, approval is given either locally (by the corresponding local organisation unit) or centrally (by the legal or compliance department), depending on the risk level.

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**Fig. 6  Structure of the graduated approval process**

<table>
<thead>
<tr>
<th>Low risk level</th>
<th>Release, check and approval by local management (head of accounting or deputy)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medium risk level</td>
<td>Release by local sales management (CEO or deputy)</td>
</tr>
<tr>
<td>High risk level</td>
<td>Release by local sales management (CEO or deputy)</td>
</tr>
</tbody>
</table>
5. Contract management and financial accounting
In the case of approval, the latter is relevant for the precise wording of the contract and the incorporation into the contract management system. The corresponding compliance clauses are manifested in the contract management, and all necessary information for a contract is comfortably available in a single package. Financial accounting is informed once the contract has been signed and business activities have started. The new business partner is marked as compliance screened in the respective systems and payments from or to the new business partner can proceed accordingly. With this final measure, the BPCS process as shown in Figure 7 is incorporated completely and permanently into the company’s business processes.

Abb. 7  Overview of the complete integrated BPCS process
Choosing the right solution

All solutions mentioned above help companies gain knowledge about their potential business partner before starting a business relation. But which one of the three processes should be applied to a specific company? All three have the following characteristics and advantages in common:

- Processes that guarantee business practices with a high level of integrity
- Efficient, fast and sustainable processes covering all aspects of potential future business relations
- Low effort required concerning candidates with a low risk profile
- Central monitoring and reporting functions that can be used to save time
- Feasible integration into existing internal governance and compliance processes
- Harmonisation of existing BP processes

Depending on the individual objectives of the envisaged business relation, different criteria can be chosen to determine the suitable method. Some of the suitable criteria are listed in Table 1.

![Fig. 8 Selection criteria for the various screening procedures](image)

This comparison shows that only the BPCS process offers a risk-oriented approach, allows easy verification by third parties (audits) and incorporates a multistage approval process. This leads to the conclusion that BPCS best supports a sustainable implementation of a compliance screening process of business partners.
The SWOT\(^4\) analysis (see Fig. 8) displays additional advantages of the BPCS process.

### Fig. 9  SWOT analysis of the BPCS procedure

<table>
<thead>
<tr>
<th>Strength</th>
<th>Weakness</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Flexible</td>
<td>- Level of complexity</td>
</tr>
<tr>
<td>- Risk-orientated</td>
<td>- IT-based approach</td>
</tr>
<tr>
<td>- Central documentation and monitoring</td>
<td></td>
</tr>
<tr>
<td>- Participation of operative management and the compliance/</td>
<td></td>
</tr>
<tr>
<td>legal department in the decision making process</td>
<td></td>
</tr>
<tr>
<td>- Involvement of the business partner in the information gathering</td>
<td></td>
</tr>
<tr>
<td>- Workflow-supported decision making and reporting</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Opportunity</th>
<th>Threat</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Decentralised approach and coordination by central departments</td>
<td>- High administrative effort</td>
</tr>
<tr>
<td>- Involvement of all departments participating in the relationship with</td>
<td>- Increased training effort for</td>
</tr>
<tr>
<td>the business partner</td>
<td>employees</td>
</tr>
<tr>
<td>- Reporting capability toward third parties</td>
<td>- Investment costs</td>
</tr>
</tbody>
</table>

\(^4\) SWOT stands for strengths, weaknesses, opportunities and threats.
The six-stage process from PwC

PwC has developed a six-stage process for its clients which provides more detail to the BPCS process and enables a rapid and secure implementation of a business partner compliance due diligence (see Fig. 10).

1. Recording master data

During the first step, all requested information is collected to make sure that a clear identification of the potential business partner can be realised. In addition, the potential business partner is allocated to the specific unit of the company that is envisaged as the future owner of the business relations. This forms the basis for the approval process.

The following details are the minimum information requirements:

- Name
- Address (street, town/city, country)
- Telephone number
- Owner
- DUNS number

Additional details can be added to the basic information at any time.

Furthermore, it is important to provide details which focus on the company’s internal organisation and individual transactions. The (planned) relationship between the potential business partner and the organisational unit intending to enter the business relation must be clearly defined and documented. First of all, this serves to obtain

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5 Unique identifier for a data record at the business information company D&B (former Dun & Bradstreet).
a more precise specification of the transaction and/or detailed description of the candidate, and, secondly, enables a classification of business transactions within the corporate structure from which appropriate approval levels can be selected. The following information is mandatory and must be defined:

- Brief description of the business relationship
- Classification within the organisation

A record of all this information needs to be accessible by all units of the organisation, so that no new entries for due diligence processes are made for business partners that were already approved. The central availability of the data ensures that existing entries are re-used and/or updated.

### 2. Risk evaluation

After the recording phase, the major section of the BPCS process is initiated: the risk evaluation assesses a candidate's risk potential on the basis of a multi-stage set of criteria. The objective is to gain more details regarding the following points:

- Existing experience with the candidate
- Aim/intention of the order (sales oriented?)
- Order environment
- Type/description of the service
- Indexing in terms of corruption (country index) or other offences (business partner itself)
- Preferred terms of payment

Each point includes numerous secondary questions and all individual answers are assigned scores. The total of these factors provides an initial classification on the three-stage risk scale (low risk, medium risk and high risk).

Prior to the final risk evaluation, the applicant uses the internet for a brief research. The only thing to do is to enter the name of the potential business partner into a search machine and record the result. If any doubtful information is found during the internet research, the candidate needs to be assigned to the high-risk category.

The set-up of risk evaluation criteria indicates no particular question about the type of business partner. For example, the difference between a commercial representative and an agent is often unlikely to be clear and therefore difficult to classify correctly. Taking this into account, a general description of the type of business relationship is requested.

### 3. Due diligence

The risk evaluation is followed by the completion of the due diligence questionnaire, the details of which depend on the previously assessed risk category of the potential business partner. In the case of low risk, questions are only related to the behaviour of the potential business partner, such as:

- What was communication like?
- Have there been special requests for unusual partial payments?
- Does the website of the potential business partner indicate any unusual business activities?

The answers provided are used to verify and substantiate the risk classification and establish a consolidated basis for the decision to be taken.

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* An addition of the answers provides a total value on the basis of which assignment is made to a risk category. The weighting of the risk categories depends on the values which have been stored for the individual categories.
In the case of medium or high risk, additional information is required, which can be divided into the following categories:

- Information about the potential business partners
- Information about their business activities
- Information about existing or arising court cases
- References

At this stage, information is gathered regarding the candidate's corporate structure (ownership situation, shareholders, management, relationships to government representatives, etc.), as well as details about its business activities and possible court cases. As part of the BPCS process, the respective employee must provide a letter of representation, irrespective of the risk classification. This attestation ensures that the assessment work is done conscientiously and underlines the importance of the process for the company.

4. Approval

In the fourth stage, a final decision in favour or against the business cooperation is made. The outcome of the decision depends on the information obtained in the preceding process stages. The approval procedure of the BPCS process includes the following stages depending on the risk classification (see also Fig. 6):

- Clearance
- Review of collected information data
- Evaluation and (possible) approval

During the clearance procedure, an initial overall evaluation of the collected information takes place in which the respective members of management must be involved. The local management checks the main aspects of the potential business relationship. If management has any doubts or requests alternations, appropriate adjustments can be made in cooperation with the applicant before clearance is given.

The next step following the clearance stage depends on the risk category to which the potential business partner has been assigned: In the case of a low risk, clearance is equivalent to approval. In the case of medium and high risk candidates, clearance is followed by the next stage of the approval process, the review cycle.

In the case of medium risk, the review is performed by someone independent from the level of local management. This can be financial accounting or another independent department; in any case, a clear separation of functions must be guaranteed. The review involves a detailed analysis of the information provided by the applicant, and additional information is gathered to complete the picture of the applicant. An adequately qualified reviewer and substantial guidance are the keys to a successful integrity review. After the review, the case is forwarded for approval to the local compliance or legal department where the responsible employee checks the details and finally approves or rejects the candidate. If a decision is made in favour of the business collaboration, the case is passed on to contract management for further processing. In the case of rejection, no collaboration takes place or additional measures must be implemented to mitigate any risks inherent in the business relation.

Candidates rated as high risk must pass an additional review stage. In this case, either the chief compliance officer or the head of the legal department is responsible for approval, which indicates that the entire responsibility does not only lie with the employee who had approved the candidate in the first review stage. This additional measure is necessary as the correctness and consistency of the existing information play a significant role in the case of high-risk candidates.
The value added through the technical support of the BPCS process is significant for the approval process. An appropriately customised IT application supports the review and approval process and provides sufficient documentation and tracking of responsibilities and results.

5. Contract management

Contract management methods differ from company to company. To prevent compliance risks, however, it is highly recommended to link the elaboration of contracts closely with the BPCS process. The information from the BPCS process listed below must be forwarded to the department responsible for the elaboration of the contract:

- Name of the business partner
- Information about business partner's company
- Type of business relationship
- Result of integrity test
- Relevant information from the integrity test to define contractual terms

Standard compliance clauses should be incorporated into the contracts in order to meet compliance requirements and expectations with regard to business integrity. These clauses should explicitly declare that no direct or indirect payments or other performances have been offered or promised to third parties and that no payments or services have taken place with the intent to influence third parties in any manner whatsoever. Furthermore, review and inspection rights should be stated and the regulations regarding the involvement of subcontractors should follow the same principles. The amount of obligatory clauses depends on the respective risk category.

As the integrity review and the contract management are two different functions and often performed by separate departments, it is important to ensure and define an effective interface for information transfer and collaboration between both sides.

6. Accounting

In order to ensure that the company only processes payments to approved business partners, the information provided by the integrity review must subsequently be passed on to the accounting department. Therefore a clear interface to the accounting department must be defined to cover both functions of the BPCS process as well as contract management.
The BPCS process, as an integrative component of the BP lifecycle process, is based upon a multistage approach which increases process reliability and risk awareness of employees. This is not the only reason why the BPCS solution – with or without IT support – provides more advantages compared to a BP Background Check and BP Integrity Check.

The main advantages of the BPCS process are explained below.

**Risk orientation**
An efficient and fast process requires a graduated approach that guarantees that the level of screening depths depends purely on the risk classification. This supports a fast processing of candidates with a low or medium risk profile and maintains flexibility, which, for example, is requested if an initially harmless combination of various risk factors reveals danger and risk potential. Employee awareness with respect to compliance grows through the integrated risk evaluation and the follow-up process of due diligence.

**Transparency**
The standardised BPCS process ensures that important and up-to-date information about business partners is available to all levels, even in a complex organisation. Redundant activities, such as the duplication of integrity reviews, can easily be avoided. Transparent BP processes also make it easier to detect possible business synergies amongst business partners. Purchasing and/or sales activities from various sections of the company can be centralised and strengthen a company’s negotiating position. And last but not least, transparency makes it possible to focus on those business partners who are really important for the company.

**Integration**
Because of the modular design of the BPCS process, it can be integrated into existing business processes and easily adjusted to suit possible future requirements. The following are possible integrations points:

- Supplier rating
- Existing master data systems
- Existing internal control systems (ICS)

**Auditability**
The individual procedures performed as part of the BPCS process allow for auditability by third parties (internal and external) since all required information and decisions are comprehensively documented. Individual procedures are traceable and the documentation provides insights into the decision-making process that are based on solid criteria – this might be of interest for the investigating procedures of third parties.

**Workflow-based IT application**
The implementation of the BPCS process in combination with a supportive IT application provides even more advantages: the complete process can be run in a decentralised manner and – in the case of a high-risk classification – employees from central departments can be called in immediately to provide appropriate clearances and approvals. In addition, such a well-equipped process completely supports central monitoring and reporting and therefore strengthens corporate-wide governance.
Compliance problems are more and more in the media, and the actions of business partners are often enough of a trigger for unwanted negative publicity for companies and industries.

If a company is associated with dubious business practices – for example, fraudulent actions or contraventions of social standards – its business partners are often tagged with the same negative image. It is consequently a must to screen your potential business partners in depth before starting a business relation.

Which one of the proposed BP processes should actually be applied in a specific case depends first and foremost on the amount of information required. In some cases, it might be sufficient to just investigate publicly accessible sources. In others, it would be advisable to actively involve the potential business partner in the review process; the completion of a compliance questionnaire is one possible task which can be required of a potential business partner. In addition, various methods for structuring, analysing and evaluating the collected information are available.

Various screening processes of potential business partners have been presented in this white paper and the following advantages have been identified for the BPCS process:

- Applying preventive controls creates transparent business relationships.
- The risk of failing compliance requirements is minimised.
- Risk awareness of employees is increased.
- Well-reasoned decisions can be made based on comprehensive and reliable information.

Business Partner Compliance Screening is a standardised process that creates transparency, increases productivity, accelerates processes and minimises compliance risks which can occur from relations with a business partner. For those companies keen on safe business relations, this process offers a significant added value that can even be reinforced with the implementation of an appropriate IT application.

In order to protect the company against reputation damage or even worse scenarios, it is advisable to include external business relations in the compliance program as well. An effective business partner due diligence can be realised without great expenses and can prevent a company’s reputation, which has been built up over many years, from being ruined in no time. To quote Warren Buffett, “It takes 20 years to build up a reputation and 5 minutes to ruin it.”
Contacts

Jörg Busch
Elsenheimerstraße 31–33
80687 Munich
Tel.: +49 89 5790-5499
Fax: +49 89 5790-5501
joerg.busch@de.pwc.com

Hermann Gratzer
Niedersachsenstraße 14
49074 Osnabrück
Tel.: +49 541 3304-554
Fax: +49 69 9585-936532
hermann.gratzer@de.pwc.com

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Our clients face new challenges, explore interesting ideas and seek expert advice every day. They turn to us for comprehensive support and practical solutions that deliver maximum value. Whether they are a global player, a family business or a public institution, we leverage our full range of skills: experience, industry-specific knowledge, high standards of quality, commitment to innovation and the resources of our expert network in over 150 countries. Building a trusting and cooperative relationship with our clients is particularly important to us – the better we know and understand our clients’ needs, the more strategically we can support them.

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