Hy Cite Enterprises Enhances Ethical Culture by Automating Third-Party Due Diligence

“The policy of our company is to do business with people who are ethical and who want to do business in the right way.”

Jessica J. Marquez
General Counsel and Chief Compliance Officer

Solution

Hy Cite Enterprises

Industry: Consumer Products
Number of Employees: 900

Before: Internally developed due diligence systems can’t keep up with expanding global operations.

After: Automated third-party risk management leads to greater efficiency and transparency.

Highlights
Third-Party Risk Management Best Practice

Use a Standard Process:

**Identify & Prioritize**
Identify your universe of relationships and prioritize them by risk.

**Assess**
Conduct due diligence on a risk-adjusted basis to uncover and assess risks.

**Mitigate**
Take steps to mitigate any risk that was uncovered.

**Monitor**
Conduct continuous monitoring to keep third-party information current and to ensure that policy compliance is in force.

Download the Definitive Guide to Third-Party Risk Management to Learn More

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**Challenge: Expanding Global Operations Leads to Tipping Point**

For the majority of its more than 50 years in business, wholesale distribution company Hy Cite Enterprises was primarily a domestic company, operating only in the United States. About fifteen years ago Hy Cite began expanding its operations in Mexico and then in Argentina, and soon it expanded to other countries around the world.

As their global profile grew, so did the complexity of managing the many subsidiaries, suppliers and different types of compliance risks to which the company was now exposed. Performing due diligence on new third parties and continuously monitoring those entities was challenging.

Hy Cite was using internally developed applications to track and monitor third parties, collecting information from a variety of sources that were not meant to manage the due diligence process. “It was not sustainable to continue using the same systems,” said Jessica Marquez, General Counsel and Chief Compliance Officer for Hy Cite. “Erik Johnson, our CEO, made it clear that it was time for us to shift to a system that had what we needed in a single place. He made this a priority for the company and put the resources behind it to make it happen.”

**Solution: RiskRate® Automates Third-Party Due Diligence**

After much research and internal discussion, Hy Cite decided to implement RiskRate enterprise due diligence software to meet its growing needs. RiskRate provided Hy Cite with the ability to screen and continually monitor its third parties in a single system. “The challenge was to balance our due diligence needs and protect the company, while making those third parties participate and for the process to be efficient,” said Marquez.

With RiskRate in place, Hy Cite is able to provide its potential third-party partners a screening questionnaire in their own language with a simple on-line form that can be filled out at the beginning of the due diligence process.

Once a third party is entered into the system, Hy Cite receives a report from RiskRate. Through clear and direct ratings, the report shows the company where potential risks may exist. Hy Cite is then able to decide if the identified items need to be escalated and investigated or if the potential relationship with a particular third party needs to be avoided.
Enterprise Due Diligence: RiskRate®

Protect your organization from third party risk with continuous due diligence. RiskRate is an affordable, automated platform that performs around-the-clock, automated third party risk monitoring—the industry standard for effective due diligence.

Program Reviews & Assessments

Third-party assessments help you ensure your E&C program is meeting its goals—and best mitigating your risks. Our reviews and assessments include:

» Code of Conduct Assessments
» Ethics & Compliance Framework Reviews
» Ethics & Compliance Program Assessments
» Ethics & Compliance Risk Assessments
» Organizational Culture Assessments

Independent Monitoring

Our Advisory Services team members are available to serve as independent, appointed monitors or examiners for Deferred Prosecution Agreements (DPAs), Administrative Agreements (AAs) and Corporate Integrity Agreements (CIAs) after an organization reaches a settlement with a government agency.

Results: Greater Transparency and Efficiency Reinforces Hy Cite’s Expectations

The impact of automating its third-party due diligence has increased Hy Cite’s resource savings as well as provided greater transparency to the organization as a whole. “Because sharing information with others in the company is so easy, RiskRate has helped us in a number of cases,” said Marquez.

There are also plans to use the company’s EthicsPoint® hotline system in conjunction with RiskRate. This would allow distributors and third parties to report information on unethical behavior, bolstering the company’s ability to continually monitor and assess third parties.

Having a third-party due diligence system in place reinforces Hy Cite’s mandate on doing business in an ethical manner. Employees know that if they want to bring in a new business partner, there is an evaluation process that the third party has to go through. “The company’s leadership has made very clear that our policy is to do business with people who are ethical and who want to do business in the right way.”

About Hy Cite Enterprises

Founded in 1959 by Peter O. Johnson, Madison-based Hy Cite has become one of the leaders and innovators in direct sales and marketing. Their direct selling success story began in Wisconsin, but by the 1970s, because of the popularity of their Royal Prestige® home cookware system, they began developing distributorships around the country. Their person-to-person approach remained the same, and as their company grew throughout the next three decades, so too did their network of distributors.