

Third party trust

Who's keeping your promises?

*The executive summary
series – paper No.3*

“An ecosystem of trust needs to exist between you and any stakeholder or partner who is making and keeping promises on your behalf.”

Qadir Marikar, partner

A contract is simply a promise written on a piece of paper which is often not enough.

Are you creating an ecosystem of trust that means third parties will keep your promises and more importantly, want to keep them, enabling your business to thrive? Will they be motivated to go the extra mile, beyond the bounds of their contractual obligations?



What's on your mind?

Trust is even more important where you rely upon others to keep your promises. Specialisation, offshoring, outsourcing and cost cutting – this is the reality of business and your reliance on third parties will only grow. A complex portfolio of relationships needs to work effectively to deliver the promises you make to all your stakeholders.

Promise vs profit

Promise and profit can be conflicting objectives. Demanding customers, regulators, suppliers, activists, investors and analysts all drive a business to make promises. Factor in the interests of suppliers, internal departments and subsidiaries, combined with the pressure to be profitable, and the margin for error in delivering your promises is increasingly small.

Broken promises

High profile events such as the horsemeat scandal, oil spills, illegal dumping of waste, rights violations, mis-selling and over-billing are examples of issues and vulnerabilities that have built up over time. They represent a broken promise and worse, an opportunity for your competitors to take advantage.

Your reputation depends on keeping your promises

This matters, because your business's reputation is all about making and keeping promises to people. Imagine what will happen if customers and suppliers lose trust in you because you fail to keep your promises?

It makes the effective management of your portfolio of promises and relationships a strategic and commercial imperative.

Our point of view

Know in whom you are placing your trust

Promises are made between people, not organisations or contracts. Trust can only exist where there is a clear line of sight between the promises you make and the people who are accountable for delivering them.

Know your 'pivotal promises'

Some promises have greater priority than others. You need to start at board level and understand the hierarchy. 'Pivotal promises' are those that, regardless of profit or scale, if broken, have the greatest impact on you. Knowing the most important ones and how these connect to practical actions is an essential first step.

Know who matters and build a way of working

There will be a set of relationships with the keepers of your promises that requires a different type of response beyond just a contract. These should be built into a way of working that reduces the risk of a promise being broken.

Contracts without context are less valuable

Contracts are important but often do not capture the essence of the promises being made. You need to have an approach to agreeing and communicating the promise beyond terms and conditions. This is important for the organisation, third parties and your procurement and legal functions to avoid ambiguity.

“...your business’s reputation is all about making and keeping promises to people.”

What good looks like

You gain trust and grow through:

-  Understanding your 'promise hierarchy' – brand, customer, strategic priorities and hygiene factors.
-  Mapping promises to accountabilities and understanding capabilities and third party dependencies. Taking a deliberate approach to enabling effective collaboration.
-  Ensuring contracts are fit for purpose and making contract development a dynamic process.
-  Taking a wide view of the chain of dependencies.
-  Embedding a governance and monitoring framework with goals, rules, a feedback system and collaborative approach that is self-correcting, promotes the right behaviours across your organisation and your third parties and is understood by all stakeholders.
-  Putting business on the front foot – able to protect your brand and reputation and improve your performance through better strategic management of your 'pivotal promises'.

When to act

There are logical triggers in your business activities that prompt action. These will almost always be times when you should talk to us. Here are some examples.

- ✓ Unexpected losses on customer contracts, for example: write-offs on work in progress or an inability to bill changes in scope.
- ✓ A high profile third party issue in your peer group.
- ✓ Strategically important business change involving third parties, for example: outsourcing, transformation, mergers and acquisitions.
- ✓ Third party supplier underperformance, failure or crisis events, for example: sub-contractors failing to keep their promises, resulting in a loss of trust with your customers.
- ✓ Technology failures resulting in customer disruption.

How we can help

Building resilience into your promises requires more than single solutions to deliver what's required. Through us, you have access to the breadth and depth of our skills, expertise and knowledge and can draw on multiple competencies to develop third party trust.

We work with senior management to understand your ecosystem of promises and relationships and identify which ones matter most.

We embed into your operating model a focus on understanding and keeping promises.

We engage cross-sector to bring you the relevant insights.

We work with you to influence your third parties to keep your promises.

We help you improve related policies, processes, data and technology.

We bring a tried and tested tool kit and expert team to help you rapidly identify what matters.

What you gain

Transparency

Knowing what your important promises are and where they are most vulnerable.

Confidence

Ensuring that key dependencies are being addressed and promises kept.

Trust

Improving customer confidence that you will deliver on your promises.

Reputational protection

Promoting trust and confidence among all stakeholders including investors, analysts, shareholders, employees and new talent.

Margin and cash flow improvement

Ensuring you can price more confidently

Commercial capability

Improving your commercial 'savvy' so you can keep your promises cost effectively.





Delivering value

We worked with a global IT solutions provider to deliver an operating model to improve their capability to manage customer risk.

We developed their commercial capability through a more structured approach to understanding their portfolio of contracts and how obligations were delivered.

This included changes in ways of working, risk assessing contractual obligations and understanding sub-contractor risk and improving governance maturity.

*Our work was awarded
“Outstanding Service Provider”
at the 2013 IACCM Americas
awards.*

We worked with a leading utility company to provide quality assurance services for their SMART meter programme.

This involved redesigning the way their retail business operated and how they deployed SMART meters to 9 million homes. It included support in implementing quality management processes over critical third party device suppliers, developing an approach to assessing risk and managing a set of processes to minimise device failure when they were fitted into customers' homes. This was in line with their ambition to be the leader in customer trust.

Contact:

Chan Hiang Tiak
hiang.tiak.chan@sg.pwc.com
+65 6236 3338

Greg Unsworth
greg.unsworth@sg.pwc.com
+65 6236 3738

Mark Jansen
mark.jansen@sg.pwc.com
+65 6236 7388

See Hong Pek
hong.pek.see@sg.pwc.com
+65 6236 7398

www.pwc.com/riskassurance