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Third party trust

***Ensuring partners and
suppliers are keeping
your promises***



*Like it or not,
third parties hold the key
to your reputation.*

Changing perspective

A contract is simply a promise written on a piece of paper. But its true worth lies not in legality, but in the relationship of trust within which it was signed.

For you to keep your promises, it's essential that third parties keep their promises to you. So it's critical that they are motivated to act with integrity.

As we see the proliferation of outsourcing, sourcing offshore and cost cutting initiatives, the trust factor becomes increasingly important in ensuring that your complex network of relationships operates effectively and allows you to feel confident and secure.

Promise vs profit

There may be times when promise and profit appear to represent conflicting objectives.

Demanding customers, regulators, suppliers, activists, investors and analysts will all drive a business to make promises.

But within the business there may be internal departments, subsidiaries and stakeholders who are exerting extreme pressure to maintain profitability. The result is that the margin for error in honouring your promises becomes increasingly small.

Broken promises

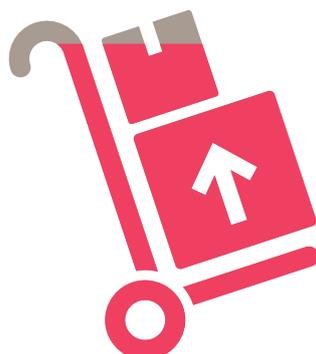
The news is littered with examples of broken promises contaminated food chains, poor labour hire practices, oil spills, the illegal dumping of toxic waste, human rights violations and over billing.

Every broken promise represents a fractured relationship and the possibility of a trust irreparably damaged. It's at such moments that competitors can press their advantage.

Protecting your business by protecting your reputation

Your reputation and the trust it inspires is a core component of every relationship that is critical to the success of your business.

As such, the protection of your good name is a strategic and commercial imperative.



90%

of companies can not confirm that key suppliers have business continuity plans.

Going beyond best practice

Properly managed, the development of trust and the growth of your business is a virtuous circle – one continually leads to the other.

Organisations should:

- Understand your promise hierarchy – brand, customer and strategic priorities.
- Map promises to accountability while understanding capabilities and third party dependencies.
- Ensure contracts are fit for purpose.
- Take a wide view of the chain of dependencies in your supply chain.
- Embed a governance framework that promotes the right behaviours and understanding, internally and externally.
- Protect your reputation by better strategic management of your 'pivotal promises'.

Our approach

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.

We start by focusing on three key concerns:

- Know your 'pivotal promises'. Some promises have priority over others. 'Pivotal promises' are those that, regardless of profit or scale, will seriously damage your business if they are broken.
- Know who matters. Some relations that are critical to your reputation require more than a contract to ensure the maintenance of trust. You need to develop a way of working that reduces the risk of a promise being broken.
- Know your contracts. Without context, these are less valuable. You need to develop an approach that removes ambiguity and defines the promise beyond the terms and conditions.



When is the time to act

There will be trigger moments in your business that should prompt action.

Talk to us if you find yourself experiencing:

- Unexpected losses on customer contracts such as write-offs or problems when billing for changes in the scope of a project.
- A high profile third party issue within your peer group.
- Strategically important business change involving third parties such as outsourcing, transformation, mergers and acquisitions.
- Third party supplier underperformance leading to a loss of trust with your customers.
- Technology failures resulting in customer disruption.

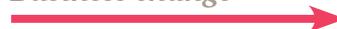
Unexpected losses



Third party issue



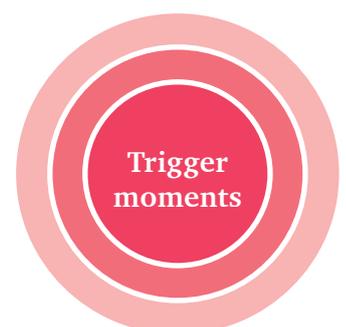
Business change

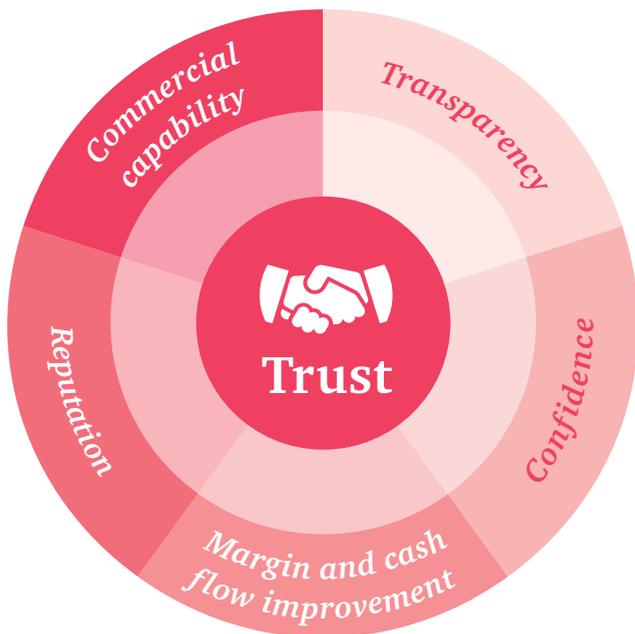


Supplier performance



Technology failures





How do you benefit

Trust, not contractual obligation, is the cornerstone on which all good business relationships are built. In a complex environment, there is an intricate network of dependencies that can be disrupted when promises are not kept.

Our work has been designed to promote:

- **Transparency.** Knowing and understanding the risks attached to your most significant promises.
- **Confidence.** Ensuring that key risks and dependencies are carefully managed to engender trust.
- **Reputation.** Building trust 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 that you can keep your promises more cost effectively.

Assess your reputation profile

There are some critical questions we ask our clients to answer:

Have you identified the third parties on whose integrity you depend?

Have you analysed the pivotal promises that are most critical to your client relationships?

Have you developed an action plan should any of these promises be broken?

Have you ensured that promises are directly linked to accountability?

Have you studied the context of all promises and removed ambiguity?

Have you developed an inducement strategy to ensure that promises are kept?

Have you ensured that contracts are fit for purpose?

Do you understand your 'promise hierarchy'?

Are you taking the widest view of the chain of dependencies?

How can we help

Building trust is a complex process and there's rarely one simple solution. But, through us, you can draw on a breadth of expertise, multiple skills and competencies to build resilience into your promises.

Experience has helped us develop an approach and a field-tested tool kit:

We work with senior management to identify those relationships where trust plays the most significant role.

We focus your operating principals on the need to understand and honour promises.

We engage cross-sector to bring relevant insights.

We develop strategies for influencing third parties to keep their promises.

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

Further reading

At takecontrol.pwc.com.au, you can read case studies of how we've helped our clients refine their frameworks for managing risks more effectively and efficiently.

This process has not only instilled confidence by establishing a new approach to managing social and ethical risk within supply chains.

It has inspired lasting and mutually beneficial change through working closely with suppliers and communities.

The confidence equation



Promise



Responsibility



Trust

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