

YOU CAN'T DO IT ALL YOURSELF

When And How To Use A Third-Party

In the new economy, there is an exploding trend to purchase services from third-parties. As organizations downsize and focus on their core businesses, they find it necessary to contract out a range of activities, including office maintenance, security, information technology, training, marketing, and even customer service. Using external resources can benefit an organization, but engagements must be planned and executed properly.

When to use a third-party

Generally, an organization will use a third-party when it lacks the required capability and/or capacity in-house. The following are typical situations:

- ◆ elimination of departments
- ◆ reduced workforce
- ◆ rapid growth environment
- ◆ frozen *headcount*
- ◆ special initiatives

Third-parties also may be used when specialized expertise is required, when a fresh or impartial perspective is sought, or when the scope or urgency of a project demands additional resources.

Types of third-party arrangements

Third-party engagements may range from *commodity-type* contracts (office cleaning, security) to longer-term *partnership* arrangements (call centres, information technology management). Because *commodity-type* contracts tend to be more price sensitive, it becomes harder for the supplier to capture the customer's loyalty.

In *partnership* arrangements, on the other hand, the third-party supplier and the customer have more of a shared interest and investment, and, therefore, develop a longer-term relationship. Short-term third-party engagements, such as many consulting arrangements, may reflect either or both of these types of relationships.

Planning an engagement

The most critical factor in contracting with a third-party is planning for the engagement. You must spend sufficient time detailing what it is you want, understanding how that service will be delivered into your organization, identifying the critical interfaces, anticipating problem areas, and determining how the services will be evaluated.



You run a significant risk if your point of departure is: *“I know I need something, but I am not certain exactly what it is.”* The more precise and detailed your planning is, the greater the likelihood that the engagement will be successful.

Developing the specifications

When you engage a real estate agent to help you purchase a home, for example, you will be led through a specific process to define the location, the price, the type of house, the critical features, the optional features, and the neighbourhood amenities you desire.

Use the same type of rational process in determining the specifications for your third-party engagement. Consult within your organization, in order to ensure that a comprehensive range of important factors and views are considered. Depending upon the size, scope and ramifications of the undertaking, you also may need to refer the specifications or tender to your legal counsel and accountant.

Selecting the third-party

As with any purchase, you need to go shopping. From colleagues, industry contacts, family, and friends, source out several potential suppliers. Provide them with identical specifications (either in written or interview form) and ask them to submit a proposal.

The proposal should demonstrate clearly their understanding of your situation, needs, required services, proposed resources, costs, and anything else which were identified as critical factors. If the engagement is other than a *commodity-type* contract, the third-party supplier also needs to understand your culture, constraints and opportunities.

Interviews and reference verifications are critical. Even more importantly, you must *feel* comfortable and confident in your selection. Don't allow the process to become rushed or confused. Better to pause and reflect now, than to be sorry later.

A note to managers and owners

If you are a business owner or the manager of a department, you have particular needs. It's important to recognize that ***“You can't do it all yourself!”*** There is no shame or lessening of your position by considering the assistance of a third-party consultant to assist you with a critical situation.

In fact, when presented properly, your employees will welcome the enhanced resources. You ultimately will free up time to focus on your primary responsibilities. Selection of a consultant should follow the procedure identified above.



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