



A GUIDE ON DUE DILIGENCE FOR OUTSOURCING

© RIE SOLUTIONS 2019

Once you have established that outsourcing is for you (we suggest using 'Is outsourcing for us?' to help with this), it is important to undertake stringent due diligence. This is no different, to having to follow a robust recruitment process, in order to identify great candidates for internal hires.

As such, your due diligence must ensure that the strategic alliance you are looking to form will be the right fit for your business. In order to ensure that this is the case, we created a list of questions to ask and a scorecard to help you make the right choice.

While it may seem that the questions are overly comprehensive, if you are looking to form a strategic alliance with a sole trader or a freelancer, it is important to have a good understanding of your strategic partner. For example, considering their financial position is relevant in understanding if financial pressures might force them out of business, or if the lack of robust processes and procedures in their firm might leave your business exposed.

When sharing client data with third parties one cannot be overly cautious. It is best to understand potential risks and gaps from the outset. Importance should also be placed on ensuring that your values and philosophies are aligned.

A Guide On Due Diligence For Outsourcing

Here are some suggestions for questions to ask:

- Please tell me a little bit about your business?
 - When was your company established?
 - What is your mission, vision and philosophy?
 - What are your company values and why? Can you give an example of how you put these into practice?
- What is your 10-year vision for the business?
- What is your exit strategy?
- Is your business profitable? (Last year's accounts & forecast for next year)
- What are your service standards, including turnaround times?
- What service levels/propositions do you offer and what is included?
- What is the pricing of your service offering(s)?
- What is the ownership structure of your business?
- How big is your team and what is your organisational structure?
- What professional qualifications does your team hold?
- How do you ensure that your team's industry and product knowledge is current?
- How many clients are you currently looking after?
- What is your capacity for taking on new work/clients?
- Please can you put me in touch with three of your existing clients?
- What was the best feedback you have had from your existing clients?
- What was the worst feedback you have had from your existing clients and what have you done about it?
- What is your Information Security Policy?
- What is your Privacy Policy?
- What systems do you use as part of the delivery of your service offering?
- Have you got a Disaster Recovery Plan in place?
- Have you got Cyber Essentials Certification in place?
- What insurances do you hold and what is your level of cover?
- Will I have a single point of contact for your company?
- Why should we choose you over other providers of the same service?
- What is your firm great at?
- What are your weak points?
- What would you expect from us as your clients?

A Guide On Due Diligence For Outsourcing

To help with your decision making, we recommend scoring the prospective strategic partners on a scale ranging from 1-5 (5 being the top score) on specific areas/questions asked, and highlighting topics of concern with an exclamation mark (!).

COMPANY NAME:

AREA

COMPANY BACKGROUND

NOTES

SCORE (1-5)

AREA OF CONCERN (!)

Mission & values

Company philosophy

Ownership

Exit plans

TEAM

NOTES

SCORE (1-5)

AREA OF CONCERN (!)

Directors

Number of employees

Future plans

A Guide On Due Diligence For Outsourcing

	NOTES	SCORE (1-5)	AREA OF CONCERN (!)
Team's qualifications			
T&C plan			
Current capacity for new work			

FINANCIALS

	NOTES	SCORE (1-5)	AREA OF CONCERN (!)
Last year's profit & loss			
Financial forecast for the coming year			

INFORMATION SECURITY & IT

	NOTES	SCORE (1-5)	AREA OF CONCERN (!)
Technology used			
Information Security Policy			
Privacy Policy			

A Guide On Due Diligence For Outsourcing

	NOTES	SCORE (1-5)	AREA OF CONCERN (!)
Disaster Recovery Plan			
Cyber essentials certification			

OTHER	NOTES	SCORE (1-5)	AREA OF CONCERN (!)
Conflicts of interest			
Insurances			
Number of clients			
Capacity			
Internal Service Standards			
Operational Processes & Procedures			
Service Propositions			
Pricing			

A Guide On Due Diligence For Outsourcing

CLIENT FEEDBACK	NOTES	SCORE (1-5)	AREA OF CONCERN (!)
Client 1			
Client 2			
Client 3			
TOTAL			

Spending time on conducting thorough due diligence will save you time, energy, and money in the long term. This is an investment worth making!