



PROFIT

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Partner health check

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1. Introduction

You may simply be entering into a contractual arrangement as a customer or as a supplier or you may be considering something more collaborative. In every case, you will want to check out the businesses with which you will be working unless your arrangement with them is such that they pay for everything from you before you deliver. If you are willing to offer credit to customers – and often that is essential when the customer is in another country – then you will want to reassure yourself that they can pay. You may think that if they are simply a supplier, then there is less need to check them out, but if you are going to be reliant on what they supply, you will want to reassure yourself that they will not suddenly go out of business. And if you plan to collaborate more deeply, perhaps by investing in them or by setting up a joint venture or by licensing their technology, then you will want to undertake your ‘due diligence’ checks even more carefully.

This fact sheet lists several items that you ought to check according to whether the business partner will be a collaborative partner, a supplier or a customer, though you should treat it as a starting point. Depending on the circumstances, there may be other questions that you need to ask in addition to those suggested here.

2. Due diligence checklist

	Partner	Supplier	Customer
Reputation & management			
Do they have a good customer service record and a good reputation in the marketplace?	✓	✓	✓
That they have a good management team and performance record in relation to marketing, employment and production?	✓	✓	✓
Check their website. Look for them elsewhere on the internet as well. Check them out on social media, especially Twitter and Facebook. Do people complain about them?	✓	✓	✓

Check their certificate of incorporation and any required business licences	✓	✓	
Have they ever been taken to court?	✓		
Do they have, and do they abide by, a code of ethics which guides their behaviour?	✓	✓	
Do they take unnecessary risks?	✓	✓	
Do they meet required environmental standards, human rights standards, health & safety standards (considering that many western country businesses are now obliged to review compliance along their supply chain)?	✓	✓	
Intellectual property			
If you will be relying on their intellectual property in some way, have you checked whether they own the rights to that IP?	✓	✓	
Finance			
Have you checked their accounts? Are they solvent? Can they pay their debts as they fall due? Do they pay their suppliers promptly?	✓	✓	✓
Have you asked for credit references?	✓	✓	✓
Partnership			
What resources will they contribute?	✓		
What their expectations are with regard to the potential profitability of the venture and what will happen if this is not achieved.	✓		
If they are, or have been, involved in other partnerships, how well have they worked?	✓		
Other			

If they claim to abide by standards, such as ISO9000, ask for evidence	✓	✓	
If you will be sharing access to IT systems, do they have appropriate processes in place to manage cyber risk? Depending on the nature of the collaboration, you may need to assess their cybersecurity.	✓	✓	✓
Ask for references, ideally from both customers and suppliers	✓	✓	✓

Do not just accept at face value all the answers that you are given. Either ask for, or seek elsewhere, evidence to support the answers. And remember that if a key customer or supplier loses their reputation, that can have implications for your reputation as well.

3. Seeking third party help

There are a number of organisations, both international and local, that will help you undertake due diligence checks. In most cases, however, you should be able to undertake these checks yourself.

4. Further information

BitSight have a 31 step list (available at <https://www.bitsight.com/blog/vendor-due-diligence-checklist-31-steps-to-selecting-a-third-party>)

There are many other resources available via a quick internet search.

DISCLAIMER While all reasonable efforts have been made to ensure the accuracy of the information in this factsheet, the publisher makes no warranties that it is accurate or up-to-date and will be neither responsible for any errors or omissions nor any consequences of any errors or omissions. Professional advice should be sought where appropriate.

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