RISK MANAGEMENT AND OUTSOURCING
DENNIS GOODWIN, BROADLEAF CAPITAL INTERNATIONAL PTY LTD
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RISK MANAGEMENT AND OUTSOURCING -- AN INTEGRATED APPROACH
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RISK MANAGEMENT & OUTSOURCING
– THE INTEGRATED APPROACH
"GUIDELINES FOR MANAGING RISK IN OUTSOURCING

TOPICS
• What is meant by outsourcing
• Opportunities created through outsourcing
• Adverse risks associated with outsourcing
• The outsourcing process
• Overview of the risk management process
• The integrated approach
• Issues that need to be addressed
• Activity performance improvement options
• Marketing outsourcing initiatives
• With outsourcing comes change
• Major impact of outsourcing
• Risks if you don’t get it right
• Consequences of not getting it right

WHAT IS MEANT BY OUTSOURCING?

OPPORTUNITIES CREATED THROUGH OUTSOURCING
• REMOVAL OF MANAGEMENT CONSTRAINTS
• ACCESS TO SPECIALISED EXPERTISE
• ECONOMIES OF SCALE OF SPECIALIST PROVIDER
• RE-DIRECTION OF RESOURCE SKILLS

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ADVERSE RISKS ASSOCIATED WITH OUTSOURCING

- Possible adverse changes to nature & competence of an organisation
- Full costs of outsourcing may not be considered
- Additional skills may need to be acquired to manage the contract(s)
- Possible loss of technical expertise within organisation

THE OUTSOURCING PROCESS

OVERVIEW OF THE RISK MANAGEMENT PROCESS

THE INTEGRATED APPROACH

ISSUES THAT NEED TO BE ADDRESSED

- Any initial consideration of a proposed outsourcing initiative should be considered at the strategic level
- Outsourcing does not transfer the governance, accountability or all risks
- One size does not fit all
- Not all costs are visible

ACTIVITY PERFORMANCE IMPROVEMENT OPTIONS

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MARKETING OUTSOURCING INITIATIVES

OUTSOURCING INITIATIVES NEED TO BE EFFECTIVELY MARKETED

NEED TO UNDERSTAND STAKEHOLDERS:
- ENABLERS
- BLOCKERS

WITH OUTSOURCING COMES CHANGE

"ROLLER COASTER OF CHANGE"

MAJOR IMPACT OF OUTSOURCING

- CHANGE IN RELATIONSHIPS WITH CONTRACTED CO-WORKERS
- DIFFERENT SKILLS REQUIRED
- MORE ATTENTION REQUIRED TO STRATEGIC PLANNING
- ARRANGEMENTS SET UP BY A PREVIOUS GOVERNMENT, WILL NEED TO BE ADHERED TO
- THE NUMBER OF NON-MANAGED RISKS IS LIKELY TO BE CONSIDERABLE

RISKS IF YOU DON’T GET IT RIGHT

- CONFLICT IN VALUE CHAIN
- DIFFERING GOALS AND OBJECTIVES
- RISK OF STRATEGIC DRIFT
- LACK OF COMMITMENT BY LINE MANAGERS
- NON-ACCEPTANCE BY STAKEHOLDERS
- LOSS OF CONTROL OF ORGANISATION’S FUNCTIONS

CONSEQUENCES OF NOT GETTING IT RIGHT

- LOSS OF IN-HOUSE EXPERTISE
- COSTS OF RE-ESTABLISHMENT

FOOD FOR THOUGHT

- “SUCCESSFUL RISK MANAGEMENT REQUIRES FIRSTLY, A PERCEPTION OF RISKS WHERE IT EXISTS.
- SECONDLY, IT DEMANDS A WILLINGNESS TO DEAL POSITIVELY WITH ISSUES WHICH ARE NOT SIMPLY BLACK AND WHITE.
- IN THE BUSINESS OF PROVIDING SUPPORT TO DECISION MAKERS UNDER RISK, THE SECOND STEP, AFTER IDENTIFYING A GENUINE HIGH-RISK SITUATION, IS TO FIND AN INDIVIDUAL IN AUTHORITY WHO WILL RESPOND POSITIVELY TO THE CHALLENGE”

KRANZIE, 1996, P.3
BROADLEAF’S RISK MANAGEMENT SERVICES

- Strategic & policy risk management
- Project & procurement risk management
- Risk assessment workshop facilitation
- Risk management plans & implementation
- Quantitative risk & financial modelling
- Risk assessment for private financing options
- Risk management training
- Risk management procedures & review

REFERENCES

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