Outsourcing Risk Advisory Services
A matter of end-to-end control and mutual trust
Outsourcing Risk Advisory Services

The increasing trend to outsourcing activities entails a number of important decisions. It equally requires the management of a large variety of issues. Active risk management can substantially reduce internal, external, and market performance risk exposure while allowing the organization to obtain the main benefits of any outsourcing initiative. Deloitte is uniquely positioned to assist your organization in managing and mitigating these risks throughout the complete outsourcing life cycle. Our Outsourcing Risk Advisory Services offers a phased methodology in which separate workstreams provide a structured approach for ensuring end-to-end outsourcing control.

Phase I – Outsourcing Strategy

Two developments drive outsourcing strategy to be closely aligned with business strategy: the increased need for regulatory compliance and the growing demand for effective risk management.

While defining an outsourcing strategy, it is important to identify all related risks and regulatory requirements. Deloitte's unique approach to defining an aligned outsourcing strategy is based on a structured methodology to clearly identify what, why, how and where an enterprise desires to source. In other words, defining an outsourcing strategy has the objective to define in an indisputable way the scope, (regulatory) limitations, and roles & responsibilities between all involved parties and stakeholders.

The aim of active risk management is to provide an objective basis to monitor and communicate risks and the possibility or probability of each risk occurring. Our proven Risk Intelligence Framework helps an enterprise create and preserve value by assessing and managing risk. During an outsourcing risk assessment, Deloitte’s Enterprise Risk Management professionals focus on risks that can occur throughout the complete outsourcing life cycle. More specifically, we can assess amongst others the Strategic, Reputational, License Compliance, Regulatory, Operational, Exit Strategy, Counterparty, Country, Contractual, Access and Concentration risk domains of an organization’s outsourcing objectives.

Phase II – Outsourcing Diagnose

The success of many projects often is dependent on two ‘early’ critical success factors. On the one hand the initial requirements should be well documented and communicated to all stakeholders. On the other hand these requirements should be well understood by the receiving parties so they can translate them in an effective proposal. The success of a common outsourcing trajectory is very similar. It is the basis for future trust.

Deloitte is uniquely positioned to independently define an outsourcing programme with adequate roles and responsibilities for smooth outsourcing governance. To accelerate the data gathering process and the service provider or vendor data provisioning process, one should use practical templates and guidance documents. Evaluating all the proposals and vendor information can become complex without supporting tools. With our proven audit skills, we can assess if the used Vendor Evaluation Model is aligned with the RFP and if it includes best practice models complemented with client specific evaluation criteria. Additionally Deloitte can provide support through the vendor evaluation process using Deloitte’s Vendor Evaluation Model to ensure a structured, fair and objective evaluation of the different proposals. Each of the evaluation criteria should be scored, summarized and presented in an easy-to-use manner to the client evaluation team to facilitate the decision making process.

Phase III – Outsourcing Contract

An outsourcing contract should not only unambiguously reflect all involved parties’ intent; it should equally be used as an important working document during the subsequent phases. The contract should hence be developed in such a way that all associated outsourcing risks and modalities are well translated into contractual terms and conditions based on objective criteria. Hence, a well structured outsourcing contract should reinforce trust.

Based on the outsourcing strategy chosen by the organization, the outcome of the due diligence reports and the Best And Final Offer, Deloitte’s legal professionals can support the design of the contract model to ensure that both the vendor and organization achieve their goals and objectives. Deloitte can equally recommend best-in-breed contract solutions based on our own sourcing contract templates and knowledge of issues such as software licensing. Once internal commitment has been obtained, Deloitte can also bring into play its multidisciplinary experience during the negotiation phase through to closing the contract.

Phase IV – Outsourcing Transition

Transferring organizational assets from one organization to another is not "your everyday activity". All involved organizations should, first of all, be ready to transfer the contractually agreed services or activities and secondly, should plan well in advance the transition life cycle and process.

Deloitte professionals can help in assessing, creating or embedding the internal to-be processes and target operating model in light of necessary organizational changes. Typically, we start with a maturity assessment to indicate "processes at risk". Deloitte can also help in developing a transition plan or assessing the completeness and feasibility of such a transition plan.

During the outsourcing transition, Deloitte can support the client in quality assurance activities and also in specialist areas such as helping ensure initial licensing compliance. Because Deloitte acts as an independent party we are not biased by financial, commercial or project-related interests and therefore provide an objective independent insight into project performance and risk. We can e.g. monitor legal and licensing compliance during transitioning, or assess the effectiveness of personnel training, the conversion program, or SLA and KPI measurement baselines.

Phase V – Outsourcing Execution

A crucial phase in any project is the executing or running phase of the project. This not only implies that all involved parties must be ready to execute the project, but also implies that continuous change and improvement well indeed happen throughout the project. When it comes to outsourcing projects, being fully ready to execute is key to a successful trust relationship.

Deloitte is uniquely positioned to help you achieve successful outsourcing execution by ensuring a value-for-money assessment through independently verifying and validating the vendor’s performance, reviewing contractual compliance as well as effectiveness and efficiency. Deloitte professionals can also evaluate the governance structure for outsourcing agreements to ensure vendor and contract management activities are well defined, staffed and managed. With our proven toolkit, Deloitte can also assist by reviewing continuous improvement processes, and probing customer satisfaction by surveys, interviews, or general feedback. Such a review focuses on business outcomes and reveals the transformational and innovative aspects of the outsourcing agreement. We often assess the "contract change management" processes at all levels in the organization to ensure that changes are adequately identified, defined within the contractual boundaries and effectively implemented in the new organizational structure.

Phase VI – Outsourcing Exit

All contracts come to an end, whether on a planned or unplanned date. Having a clear contractually agreed exit strategy guarantees flexibility with the vendor. It indicates your mutual level of trust.

During an exit readiness assessment, Deloitte is uniquely positioned to provide an independent report indicating the exit constraints and an estimation of the resources required in order to achieve the required exit readiness status. Based on requirements we can either give an independent opinion on the existing exit plan or deliver an exit plan that will fit operational needs in order to execute a smooth "transition-in" or "re-transition". Following a formal procedure for terminating a service, Deloitte can help provide assurance that all deliverables are consolidated and are handed back to your (or another) organization, and that adequate time and resources are planned for knowledge transfer. An independent assessment of exit license compliance is also possible.

Outsourcing life cycle

1. Assessing candidates
2. Assessing risk & regulations
3. Developing the strategy
4. Evaluating proposals
5. Assessing transition readiness
6. Developing the transition plan
7. Managing the transition
8. Executing the transition
9. Assessing the strategy
10. Executing the contract
11. Optimizing the contract
12. Developing the exit plan
13. Managing the exit readiness
14. Executing exit
15. Developing the exit contract
16. Assessing exit readiness
17. Transitioning the market
18. Developing the exit strategy
19. Assessing risk & regulations
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