

**AN INVESTIGATION INTO THE RISKS OF
OUTSOURCING OF KNOWLEDGE RICH, SUPPLY
CRITICAL ELEMENTS WITHIN SUPPLY
NETWORKS: A SRI LANKAN CONTEXT**

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Thesis submitted in partial fulfillment of the requirements for the degree Master
of Science

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January 2013

Declaration

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Abstract

Outsourcing of supply network elements have been increased by companies as a potential solution to aid increasing competitive advantage. Companies are more dependent on their service providers, if the majority of their product or service elements are outsourced. This typically increases supply risk profiles. Outsourcing of knowledge rich, supply critical elements in supply networks creates substantial impact on a companies' network. Companies with high risk profiles can typically exhibit a knock on effect in revenue. It is essential for manufacturing companies to analyze the risks linked with outsourcing of knowledge rich, supply critical elements. This research study examines the probability of risk event occurrences associated with outsourcing of knowledge rich, supply critical elements on the long term sustainability of the network. A list of knowledge rich, supply critical elements in supply networks were determined to align to the industry study carried out. The methodology consists of the development of evaluating value at risk probabilities for listed supply network elements, through the formation of Bayesian networks and with use of basic probability concepts. Transferring of knowledge is determined as an uncertain process in outsourcing. Outsourcing of knowledge rich, supply critical elements was found to be limited within the Sri Lankan manufacturing sector. Probabilities of impact on monetary values relative to outsourcing in a company were investigated and it was determined that the impact on the long term sustainability of the network was substantial. The methodology directs manufacturers to make decisions on outsourcing of knowledge rich, supply critical elements and implement risk mitigation plans to maintain competitive advantage within their supply network.



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Acknowledgement

I would like to express my deep gratitude to Dr. Lee Styger, Sydney Business School, University of Wollongong, Australia, who was my research supervisor, for his patient guidance, enthusiastic encouragement and useful critique of this research work.

My sincere appreciation goes to Professor Amal S. Kumarage, Senior Professor, Department of Transport and Logistics Management, University of Moratuwa, who was the co-supervisor of this research study, for his valuable ideas, precious suggestions and guidelines for improvements right through the research study.

I would also like to thank Dr. T. Sivakumar, Head of the department, Department of Transport and Logistics Management, University of Moratuwa, for his valuable advices and assistance in keeping my progress on schedule. Furthermore, my next grateful thank goes to the academic and non academic staff of the Department of Transport and Logistics Management, University of Moratuwa.

My appreciative thanks is also extended to all the participants, for spending time on the industry survey and for the great assistance provided. The panel of Industry experts who helped with designing of the questionnaire is also greatly appreciated.

Finally, my heart-felt gratitude goes to my family and friends for the help and encouragement provided to achieve this end.

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List of Abbreviations

3PL	Third Party Logistics Provider
IT	Information Technology
KPI	Key Performance Indicator
KRSC elements	Knowledge rich, supply critical elements
Q1	Question one
Q2	Question two
Q3	Question three
Q4	Question four
Q5	Question five
SC	Supply Chain
SCM	Supply Chain Management
SCOR model	Supply Chain Operation Reference Model



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