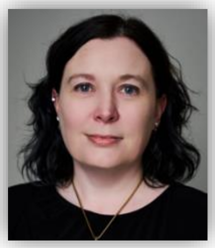
ODD Partnerships: The Power of Co-Sourcing

ORC

Exploring the Benefits of Co-Sourcing in Operational Due Diligence Partnerships

Operational Due Diligence ("ODD") is increasingly important for institutional allocators. As regulatory and other demands evolve and ODD teams take on broader responsibilities, the process becomes more time intensive. In the past, allocators often fully outsourced their ODD efforts. Today, however, many internal teams are prioritizing direct relationships with managers and building their own expertise. Shifting from outsourcing ODD to a co-sourced model offers a strategic way forward, empowering internal teams, streamlining workloads, and preserving key relationships while maintaining greater control.



Maria Long
Partner

" Co-sourcing transforms ODD from a transactional process into a true partnership. It gives our clients the flexibility to scale, the expertise they need, and the control they value "

Outsourced Vs Co-Sourced – What is the Difference?

When allocators outsource ODD, they are essentially purchasing an ODD product from their provider. In this model, the consultant handles the entire ODD process, often delivering a standardized report with limited flexibility in style, methodology or format. While some providers, like ORC, offer tailored reports to match client preferences, this approach can limit control and hinder the development of meaningful relationships with external managers. Outsourced ODD is a valuable option, particularly for allocators early in their journey, but outsourcing alone may not meet the needs of more established teams looking for deeper involvement.

Co-Sourced ODD offers a more collaborative alternative. Internal teams retain key responsibilities while relying on consultants for specific tasks or expertise in areas like asset classes or geographies. Unlike a product, this model is a solution designed to adapt to the client's unique needs. Consultants can scale their involvement up or down based on internal capacity, acting as true partners rather than service providers. This flexibility gives allocators greater control while strengthening both internal capabilities and external relationships.

Why Choose Co-Sourced?

Choosing a co-sourced approach over a fully outsourced model offers significant advantages for allocators with internal ODD teams:

Strengthening Internal Teams

ODD demands deep expertise, and hiring seasoned professionals can be expensive, often leaving internal teams lean by necessity. Co-sourcing helps ease workloads by delegating labour-intensive

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tasks, such as document reviews, meeting preparation and benchmarking, to a trusted partner. This allows internal teams to focus on high-value activities like building manager relationships and making nuanced decisions based on validated risk data.

Access to Expertise

Even experienced internal teams may lack specialized knowledge across every asset class, strategy or jurisdiction. A co-sourced partner brings this expertise to the table, offering access to a wider network of insights and benchmarks, ensuring no gap in knowledge hinders the due diligence process.

Cost-Effectiveness

With co-sourcing, allocators pay for expertise as needed, avoiding the costs of building in-house capabilities for infrequent or niche investments, making the model both effective and efficient.

Customization and Control

Unlike a fully outsourced model, co-sourcing provides greater flexibility to tailor the ODD process. Allocators can direct the focus of their efforts, using the co-sourced partner to handle time-consuming or technical tasks while retaining control over areas that add real strategic value. This balance ensures the process aligns perfectly with the allocator's

How to Work with a Co-Sourced Partner

One of the key advantages of a co-sourced model is its flexibility, allowing allocators to engage partners in various ways depending on their specific challenges or needs. There are a number of ways that allocators can engage co-sourced partners, and the right model will often incorporate all elements at different times.

Preparation and Pre-Diligence

Co-sourced partners can assist in gathering and reviewing information ahead of ODD meetings. They help identify key focus areas and flag potential risks, ensuring meetings are targeted and efficient. This is particularly beneficial for teams facing tight deadlines or those requiring extra bandwidth to prepare thoroughly.

Exploring New Asset Classes

When allocators pivot strategies or venture into unfamiliar asset classes, a co-sourced partner provides critical expertise that may not exist internally. This not only strengthens the ODD process but also accelerates the internal team's understanding of the associated risks in these new areas, helping them navigate uncharted territory with confidence.

Jurisdictional Expertise

Different regions come with unique regulatory and operational complexities. A co-sourced partner brings the necessary local knowledge to ensure

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thorough risk assessments, addressing jurisdiction-specific challenges that may be outside the internal team's expertise.

Ongoing Manager Monitoring

Risk management doesn't end with the initial ODD. Regular monitoring is essential to track changes and maintain oversight. For allocators with small teams or large portfolios, keeping up with monitoring can be a challenge. A co-sourced partner can take on this responsibility, conducting regular reviews and highlighting managers or risks that require closer attention, ensuring proactive risk management.

By leveraging co-sourced partners in these ways, allocators can adapt their approach to meet both immediate and long-term needs while maintaining efficiency and control.

When Does a Co-Sourced Model Make Sense?

The short answer: always—but for different reasons at different stages of an allocator's journey. Co-sourcing adapts to meet evolving needs, making it a valuable model regardless of where an organization is in its growth or investment cycle.

For New Allocators

Allocators building their internal teams may initially rely on an outsourced model. Over time, transitioning to co-sourcing allows them to gradually take on more responsibility while still leveraging external expertise. Selecting an outsourced provider that can evolve into a co-sourcing partner is key to a seamless progression.

For Growing Teams

Even as teams grow, they often remain lean by design. Co-sourcing fills critical gaps—whether in bandwidth or expertise—without requiring a costly overhaul of investment and due diligence frameworks. It allows growing teams to focus on strategic priorities while scaling effectively.

For Expanding Portfolios

As portfolios expand into niche asset classes or complex jurisdictions, the need for specialized knowledge increases. A co-sourced partner brings the expertise required to navigate these areas, ensuring thorough due diligence without overburdening the internal team.

For Large Allocators

Even mature allocators with larger internal teams face moments when bandwidth is stretched—whether due to a surge in activity or ongoing responsibilities like manager monitoring. Co-sourcing provides flexible, on-demand support, allowing internal teams to maintain focus on high-priority tasks while ensuring nothing falls through the cracks.

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Conclusion

Co-sourcing represents a powerful, flexible approach to ODD that adapts to the needs of allocators at every stage of their journey. Unlike fully outsourced models, co-sourcing empowers internal teams by providing bandwidth for strategic tasks, maintaining control over key relationships and offering access to specialized expertise across asset classes, geographies and regulatory environments.

Whether preparing for an ODD meeting, exploring new opportunities or managing ongoing monitoring, a co-sourced partner delivers tailored support to meet specific challenges.

This model is particularly valuable for lean teams that need to scale their efforts without overhauling internal frameworks. It also ensures allocators remain agile as portfolios grow and evolve. By shifting from outsourcing to partnering, allocators gain more than just a service—they gain a strategic ally.

About ORC:
Our firm, as a leading due diligence provider, excels in navigating the complexities of emerging markets and nascent asset classes. We specialize in investment, operational and ESG due diligence. We offer deep insights into evolving risk trends and support asset owners in managing these risks effectively. By raising institutional investment standards, we aim to drive positive change in local investment ecosystems.

Reach out to find out more.

About the author:
Maria Long is a Partner and Head of ODD at ORC and a leading expert in investment operations. With over 20 years of experience, she provides strategic advisory services to institutional investors, helping them manage operational risks and implement best practice standards.

"Co-sourcing doesn't just fill gaps—it strengthens internal ODD teams while letting them stay focused on what really matters: building strong manager relationships."

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