



departments

processes

downloads

tools & training

white papers

shop

articles & videos

community

discussions & blogs

reference

about us

my account

Save money: manage outsourcing risk

RSS

Login/Register

Home > gantthead blogs >

coming events

- On Demand: PMXPO 2010
- August 9-13, 2010: Agile2010
- August 19 - 20, 2010: Continuous Process Improvement Symposium
- Oct. 9-12, 2010: PMI Global Congress 2010

newsletters

- Jul 14: Follow the Leader
- Jul 7: The Future of the CIO
- Jun 30: PPM Hype

The Money Files

by - Elizabeth Harrin

A blog that looks at all aspects of project and program finances from budgets and accounting to getting a pay rise and managing contracts.

| accounting | benefits | books | budget | competition | consultancy | corporate finance | cost | credit crunch | debate | digite | earned value | events | FAQ | financial management | forecasting | general | green | interviews | it | news | outsourcing | personal finance | qualifications | recruitment | research | ROI | social media | software | timesheets | tips | transparency | video | virtual teams

about this blog

RSS

recent posts

- Read and win!
- Save money: manage outsourcing risk (Wardrobe) Professionalism matters
- Change management saves money
- Earned Value Qualification Launched

| Email Notifications: OFF |

search gantthead

content people GIGs

advanced search index

invite your colleagues to join gantthead

sponsors

- @task
- CA
- Headstrong
- MKS
- PMI Career Headquarters
- PMXPO 2010 On Demand
- SAP
- SAP Crystal Reports Server
- Tenrox

More White Papers



TALENT MANAGEMENT



ACQUIRE

vendor offers

- Ravenflow - Collaborative Requirements in the Cloud Webinar
- ProjectsATWork.com - Business Analysis Monthly for July 2010
- Citrix - Virtual Collaboration in Project Management
- See all Vendor Offers

vendor events

- July 29, 2010 - OVERCOME BUDGET AND TIME CONSTRAINTS! Optimizing the Project Schedule with Microsoft® Project 2010

Save money: manage outsourcing risk

Results of a [global study](#) reveal the concerns, effectiveness and best practices in risk management by organisations that outsource projects. Of the 95 percent of organisations that buy, provide or both buy and provide outsourced services and functions, fewer than half are able to effectively manage risk of outsourced projects. That's a pretty poor show, and risk mitigation activities – while they have an associate cost – generally mean less expenditure when things go wrong. Because you stop things from going wrong in the first place. Are you following? I hope so.



Outsourcing in itself is on the rise, as another opportunity to cut costs. More and more project managers are getting involved with projects that deliver outsourced services, like moving payroll or the invoice processing function to companies that do those activities as their core business.

It's not surprising that outsourcing projects are managed poorly and don't reap the expected financial benefits: this study shows that only one-third of organisations always clearly articulate and define financial goals to outsourcing partners. How are your business partners supposed to know what their tolerance boundaries are if you don't tell them?

Project managers could put a greater focus on ensuring vendor performance and contract outcomes are clear and defined as part of the project initiation phase. While you are at it, add risk management to the list – that seems to be a key differentiator among outsourcing partners.

"The ubiquity of project outsourcing creates opportunities for, and demands on, organisations to better develop and refine their outsourcing competencies," said J. LeRoy Ward, PMP, PgMP, Executive Vice President, Product Strategy and Management, [ESI International](#). "The results of ESI's global survey indicate areas for greater performance, productivity and competitive advantages through better risk management."

Here are some other figures from the survey:

- 63% of respondents said that vendor delays were the biggest risk to outsourcing projects.
- 61% said contract scope was the biggest risk.
- 76% of companies go to the effort to evaluate the vendor's technical ability and past performance – which means that 24% don't bother (what are they evaluating these companies on then?).
- 65% of companies issue comprehensive, clearly articulated requests for proposals/requests for quotes/tenders that enable standardised responses for comparable analysis – which means 35% don't, and have to muddle through answers that are difficult to compare.
- Only 50% of respondents thought that their outsourcing team members have appropriate project management experience and skills.
- 75% of organisations do not always clearly define requirements of outsourced projects, which serve as the foundation of successful project management. No wonder these projects are unsuccessful – the outsourcing people have no idea what is expected of them!

Outsourcing can save money, but you have to do it right – and it seems from these figures that large numbers of companies are most definitely not doing it right. If you don't set clear requirements, choose the right partners and monitor the ongoing performance of the relationship then you won't get out of it what you wanted. Come to think of it, do you actually know what you want? Get that bit clear before you even start thinking about going out to tender.

| Posted: July 19, 2010 02:24 PM | Permalink | Email Notifications: OFF |

Comments

Please [Login/Register](#) to leave a comment.

sponsored announcements and special offers

Get a business advantage. With a Services Dashboard, you're in the driver's seat. Solid benchmarks allow you to prioritize initiatives, monitor improvements and understand the business impact of best practices on your services organization. [Read now.](#)

Improve your company's efficiency and effectiveness, no matter its size. Download the SAP whitepaper [Business Intelligence: The Definitive Guide for Mid-Size Organizations.](#)

Online Lean Six Sigma Certificates

Earn certificates 100% Online from Purdue University, and gain knowledge in lean and six sigma. Lead improvements in your organization with skills learned. Courses start soon and space is limited. [Click here for more info.](#)

Online Project Mgmt Certificates

Earn project mgmt certificates 100% Online, and gain knowledge in foundations to PMP Prep. Skills apply directly to any industry. Save \$1000 and get a FREE PMP Prep course w/ your certificate through 7/31/10. [Click Here](#)

August 17 - 18, 2010 - [Certified ScrumMaster Training](#)

August 19, 2010 - [MANAGE MULTIPLE PROJECTS SUCCESSFULLY! Best Practices on Master Projects Using Microsoft® Project 2010](#)
[See all Vendor Events](#)

I have made good judgements in the past. I have made good judgements in the future.

- Dan Quayle

Copyright © 2010 gantthead.com All rights reserved.

[About Us](#) | [Send Feedback](#) | [Privacy Policy](#) | [User Agreement](#) | [Contact Us](#) | [Shop](#) | [Hat](#)
[Advertise on gantthead](#) | [Publish on gantthead](#) | [Submit a Template](#) | [Membership](#)
[Departments](#) | [Processes](#) | [Downloads](#) | [Tools](#) | [Training](#) | [Reference](#) | [Discussions](#) | [Articles](#)