

 Join Chat

Outsourcing threatened by poor risk management

SATURDAY, 04 SEPTEMBER 2010 11:11 STAFF REPORTER



From consumer electronics made in China to software written in India to call centers based in the Philippines, the global outsourcing market is worth thousands of billions of dollars annually, with around 95 per cent of organizations either buying, providing or both buying and providing outsourced services and functions.

But as a new global study has found, the management of outsourcing projects still leaves much to be desired. In fact according to a new global study, fewer than half of organizations are managing the risk of outsourced projects as effectively as they might be.

The global survey of more than 600 contractor managers, subcontractor buyers, project managers and senior executives carried out by consultants ESI International found that seven out of 10 respondents felt that managing the quality of the product or service they have outsourced is the biggest risk they face - hardly surprising given that almost two-thirds of the organizations taking part in the survey spend up to half of their budgets on outsourcing.

Yet despite this, the survey revealed that the effectiveness of risk assessment and [risk management](#) often leave much to be desired, with just half of respondents agreeing that outsourcing team members have appropriate [project management](#) experience and skills.

One in five respondents admitted that their organization is not very effective at risk assessment or risk management of outsourced projects and only around four out of 10 ranked their organization's risk assessment and risk management as effective or extremely effective.

Shortfalls also emerged in the way organizations define their requirements, with three-quarters not always clearly defining the requirements of their outsourced projects and only a third always articulating their outsourcing partners their financial goals.

Unsurprisingly, more than half of organizations acknowledged that they need to improve their outsourcing capabilities, identifying risk management, risk assessment, managing quality of service and requirements management as key areas where additional training would prove valuable.

Source: management-issues.com

0

Like

 Join Chat

LAST UPDATED ON SATURDAY, 04 SEPTEMBER 2010 16:40

About the author



Author: Staff Reporter ([View Profile](#))

Author Bio: MBAforALL.com brings to you the latest articles. For any queries please contact admin @mbaforall.com

Show Other Articles Of This Author

- Obama's campaign against outsourcing (11 September 2010)
- Govt proposes loosening foreign investment rules (11 September 2010)
- CA Technologies to hire 900 people over next 3-... (11 September 2010)
- Employees want faster growth more than compensa... (11 September 2010)
- Mahindra Satyam removes freeze on hiring, to re... (11 September 2010)

More articles :

- » Obama's campaign against outsourcing
- » Employees want faster growth more than compensation
- » Perception of B-Schools need to be changed: Havard dean
- » Elite B-Schools Keep on Building
- » Dell's Diversification Strategy: 'A Day Late and a Dollar Short?'