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Outsourcing threatened by poor risk management  
27 Jul 2010 | Filed under: Globalisation & Offshoring.



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



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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 organisations 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 organisations 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 organisation is not very effective at risk assessment or risk management of outsourced projects and only around four out of 10 ranked their organisation's risk assessment and risk management as effective or extremely effective.

Shortfalls also emerged in the way organisations 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 organisations 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.


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