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# Most Organizations That Outsource Do Not Manage Associated Risks

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Published 7/14/2010

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**NU Online News Service, July 14, 3:43 p.m. EDT**

Fewer than half of organizations buying or providing outsourced services are able to effectively manage the associated risks, according to an industry survey.

ESI International, which conducted the survey, "[Risky Business: Organizational Effectiveness at Managing Risk of Outsourced Projects](#)," said organizations lack foundational skills and processes with respect to outsourcing.

With nearly two-thirds of organizations spending up to half of their budgets on outsourcing, there is a need to refine risk management capabilities in order to positively impact bottom line performance, ESI International said.

Survey respondents included 615 contractor managers, subcontractor buyers, project managers, senior executives, and key outsourcing decision makers from a wide range of industries and government. Respondents were from North and South America, UK/Europe, Asia/Pacific, the Middle East and India.

According to the survey, 55percent of respondents said their organization is not very effective or only somewhat effective at assessing the risks of outsourced projects, while 35 percent said their organization is effective and only 6 percent said they are extremely effective at risk assessment.

Fifty-four percent said their organization is not very or only somewhat effective at risk management, and only 39 percent said their organization has a strong risk management culture, according to the survey.

Only one-third of organizations said they always are clearly articulate and define financial goals to outsourcing partners, and 32 percent of respondents disagreed that their organization continually evaluates outsourced projects in relation to their original goals and objectives.

Additionally, the survey noted that 75 percent of organizations do not always clearly define requirements of outsourced projects—which J. LeRoy Ward, executive vice president, Product Strategy and Management, ESI International told *NU Online News Service* was one of three findings that stood out to him.

The other two:

- Fifty percent of those responding believe their outsourcing team members don't have the project management skills to do the job.
- Only 11 percent of those surveyed "believed they were better than their competitors," Mr. Ward said.

Mr. Ward noted that, according to the survey, only about half of the organizations have a structured approach to risk management in place.

"They will do a risk assessment, but then don't put a plan in place," he said.

Why does this happen? "People are busy," he said. "There's a need for speed."


As a result, someone assigned to do a risk assessment may come up with a response, "but it's not followed through," he explained.

Mr. Ward added that risk management needs to be a "mind set" within an organization, where it's "culturally OK to talk about risks." Otherwise someone trying to identify risks can come across as negative.

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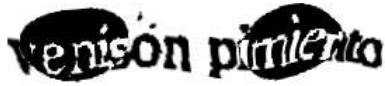
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