



جامعة الجميع الذكية
EVERYONE'S SMART UNIVERSITY

Everyone's Smart University

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Master of Project Management	Project Risk Management	PMG510	Spring 21
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Assignment Info:

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Risk assessment in the outsourcing project

- **Introduction**

Risks and uncertainties are some of the factors that highly threaten the existence of business in the market. The concept of risk assessment is vital in the mitigation of significant risks within organizational settings (Seyed & Hatefi 141). Most corporate managers focus on evaluating the considerable risks within a business before the decision-making phase. Presently the concept of risk assessment is highly emphasized since it influences success in the management of change and new projects in the market (Hillson & Peter 21). Project managers focus on identifying the potential risks within a project and the most viable mitigation procedures. In this project am conducting a risk assessment on outsourcing, which most companies commonly utilize in the modern business world. Outsourcing is a strategy that companies employ in reducing operational costs. Most organizations prefer hiring a third party to perform some of the business operations.

- **Methodology**

The significant risks associated with outsourcing include:

1. Loss of control

Companies outsourcing third-party agents to manage their business functions risk losing control over their business. In most cases, outsourcing firms are granted autonomy to pursue their new tasks in the organizations. Losing control over the business functions influences extreme uncertainties in most companies. Losing control over quality evaluation is likely to inspire insufficient production by the third party.

2. Communication barriers

Outsourcing third-party stakeholders to manage organizational function poses a significant danger to most corporates since they risk miscommunication. Outsourced agencies are likely to deviate from the usual communication guidelines leading to miscommunication within the parent organizations. Issues of communication barriers

influence great fears during the outsourcing procedure. Most companies fear delegating operations to agencies due to the risks of encountering misinformation.

3. Privacy and security concerns

Companies authorize the outsourced firm to utilize corporate data and resources for a specified duration during the outsourcing procedure. Authorization of data accesses and use highly threatens the privacy and confidentiality of business entities (Varajão 1049). Such systems may lead to the misuse of company information/data for personal gain. Delegation of functions to a third party has extreme risks on the business secrets and information.

4. Challenges of acquiring the best

In most outsourcing procedures, corporates are exposed to the risks of failing to get the perfect agent in the market. Unskilled agents are likely to influence negative performance in organization hence causing a decline in company revenue and performance. The higher the risks of getting unqualified agents, the more severe the consequences are.

5. Hidden cost

Outsourcing operations has extreme risks since it influences the development of hidden costs. According to Varajão (1049), outsourced firms are likely to generate an extra charge of an operation during their performance leading to growth in the price of operations. Corrupt behavior among the outsourced agents exposes most organizations to the risk of incurring hidden costs during their operations.

6. Delays by outsourced firms

The risks of encountering delays during outsourcing procedures are incredibly high in organizational settings. Most agents find it hard to familiarize themselves with the culture of different organizations hence leading to slow performance. Slow performance by the outsourced forms significantly affects revenue and production functions within a company.

Now that the potential risks have been listed, we shall assess the probability and impact of each risk in the project management. The matrix below documents the probability/impact of the listed risks.

List of risks	Probability	Impact
Loss of control	3.2	4.1
Communication barrier	0.5	0.9
Privacy and security concerns	4.1	4.2
Challenge of acquiring the best	1.3	0.5
Hidden cost	3.6	3.9
Delays by an outsourced firm	1.2	1.4

Table 1. Probability/impact assessment table

After evaluating the probability and impact of the risks, our assessment procedure shall determine the severity and mitigation plan. The severity clause shall help assess the extent to which certain risks are dangerous compared to others. Mitigation column shall aid in evaluating the most viable mechanisms for dealing with the potential dangers highlighted. Severity shall be classified as either low, medium, or high.

List of risk	Probability	Impact	Severity	Mitigation plan
Loss of control	3.2	4.1	High	To minimize the risks of loss of control, corporates need to develop effective power-sharing

				mechanisms. Functions and duties by the agent should be effectively articulated in the agreement document.
Communication barrier	0.5	0.9	Low	Create effective communication guideline to resolve the issue
Privacy and security concerns	4.1	4.2	High	Private and confidential information should not be handled by third party organizations in absence of company oversight.
Challenge of acquiring best	1.3	1.5	Medium	Referrals should be utilized to enhance hiring of competent agents.

Hidden cost	3.6	3.9	High	Financial records and transactions by third parties should be well documented via digital channels.
Delays by an outsourced firm	1.2	1.4	Medium	Develop effective update programs to help in avoiding last-minute rush and delays.

Table 3: Severity and mitigation plan matrix

- **Results and discussions**

Results in table 3 indicate three significant risks that require urgent attention from the project manager. The project manager should address the loss of control, privacy/confidentiality, and hidden costs since they are more severe than the other risks listed on the matrix. Risks with medium severity have lower severity on business operations; hence they have minimal consequences on company operations.

- Works cited

Hillson, David, and Peter Simon. Practical project risk management: The ATOM methodology. Berrett-Koehler Publishers, 2020.

SEYED, HOSSEINI SM, and MOHAMMAD ALI HATEFI. "Two-pillar risk management (TPRM): a generic project risk management process." (2009): 138-148.

Varajão, João, Maria Manuela Cruz-Cunha, and Maria da Glória Fraga. "IT/IS Outsourcing in Large Companies—Motivations and Risks." *Procedia Computer Science* 121 (2017): 1047-1061.