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Strategic Management – Managing The Potential Complexity-Risks In Outsourcing

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Abstract

Problem Statement, The strategic decision to outsource is due to the numerous well known failed projects, very difficult. The associated risk can not be estimated for each company. **Purpose of Study,** The aim of the paper is to carry out an assessment of potential complexity-related risks which exist in a specific project and how they can be made manageable. **Methods,** Develop an evaluation model to assess potential complexity-related risks in the context of the strategic project outsourcing. Based on the current status of scientific, outsourcing experts are interviewed by means of interviews, such as problem descriptions and recommendations of the theory consistent with practical experience. **Findings and Results,** The result of the study is a evaluation model to assess potential risks and transfer to the presented business situation. The discussion will show which methods and tools for managing outsourcing projects can be used. **Conclusions and Recommendations,** The model as confirmed by the research results can be applied and recommended as a way to deal with the risks resulting from complexity and can be used in specific business situations to take the appropriate strategic decisions.

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Keywords: strategic management; outsourcing; risk management; complexity management; evaluation model.

1. Introduction

Outsourcing will also be a crucial business model in the future. Various studies and trend analyzes confirm this. This is confirmed by the "Q2 2014 EMEA ISG Outsourcing Index" of the ISG outsourcing activities in EMEA. The market analysis company defines the first half of 2014 as a record high (Schuster, 2014). Martin Woher is (also)

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determined in 2014 that the outsourcing industry again shows an upward trend. Similarly, the necessity and benefits associated with the project will be "Industry 4.0" found in the outsourcing may serve as a possible component of the implementation (Wocher, 2014).

2. Scientific background

To fully establish and demonstrate the theoretical basis for this research question, the following chapter is broken down into 3 areas.

2.1. Outsourcing

The term "IT outsourcing" means all services which (based on IT infrastructure services) are provided by a service supplier to an economically and legally independent customers (Burr, 2014). There are various forms of outsourcing (e.g. IT outsourcing, business process outsourcing, out-tasking, infrastructure outsourcing etc.); the boundaries of the various forms are floating and change certain extent in the course of a customer relationship. In certain contractual arrangements, outsourcing is a personnel transfer from the client companies to the service provider connected (Burr, 2014).

The evaluations of past outsourcing projects and the role of complexity is very different in science and in practice. Jeremy Smith, head of the company MATURITY GmbH published 2014, the results of the study "" Future of Outsourcing ". In this study, 250 IT and business managers were involved in medium to large companies. About 70% of respondents were either "satisfied" with your outsourcing projects or "generally satisfied". Complexity related aspects were not part of the consideration and have not been identified as a necessary field of action (Smith, 2014). Schott in turn, reported very extensively on the importance of the mastery of complexity in outsourcing projects in his lecture at the "2nd Aschaffenburg management days", with the title "Complexity as a key factor for success and cost of outsourcing." Schott and other researchers and experts defined the term: complexity trap (Schott, 2007).

2.2. Complexity management

Niermann leads, that goal position are often contradictory and inconclusive. For this reason, a control of goal achievement is hardly possible. The role of management is to deal with this uncertainty and shortcomings. (Niermann, 2014).

Bauernhansl published under the "MAV Innovation Forum 2014" (collaboration between the University of Stuttgart and the Fraunhofer Institute) the results of a study on "managing complexity - the introduction of production systems in the industry 4.0". The "managing complexity" is here described as "new core competence". Study participants were directors and executives of leading German industrial companies. 82% of respondents said that the relevance of complexity will increase in the future. 56% of respondents stated that they have no method or IT system to manage the complexity (Bauernhansl, 2014).

Wildemann has developed three relevant basic strategies for dealing with complexities:

- Avoidance of complexity

Through preventive measure is to avoid the formation of complexity. This can be done by, among other methods, such as modularization and standardization of products, organizational structures and processes.

- Mastering Complexity

Unavoidable complexity must be controlled by appropriate methods. A maximum degree of control is to strive for it. This control can be done for example by organizational regulations, or flexible processes and IT systems. ,

- Reducing the complexity

Focused measures to reduce existing complexities. This can be done for example by reducing the variety of products (Schoneberg 2014; Wildemann, 2013).

Serdarasan analyzed the complexity drivers, especially for supply chain management. The complexity drivers are classified in a temporal perspective (current and potential) and from the point that the complexity is necessary or

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