#### The definition of risk of outsourcing

The risk is a kind of possibility that the environmental and conditional uncertainty of outsourcing and the impact that stakeholders can not accurately predict or control lead to a discrepancy between the final results and the expectations of the stakeholders.

#### The risks associated with outsourcing

Many people have studied the risk associated with outsourcing at home and abroad.

James Brain Quinn, Frederick G. and Hilmer stated the three main risks of outsourcing include: The risk of losing critical capacity or development ability; The risk of losing the interactive ability in stages of research and development, production, marketing, etc.; The risk of losing the control of the docking contractors. Robert Klepper and Wendello. Jones summarized the risks of IT outsourcing: （1）The primary risk faced by companies is out of control. When something is outsourced, companies can not control things directly so that companies may not get feedback quickly and can not make improvements in time. （2）Uncertainty is the inherent risk faced by companies. （3）Companies will face many potential pitfalls. such as, the misunderstanding of information technology leads to the core role of information technology resources or business being outsourced.

Liu Jingjiang, Liu Guihua (2004) thought the risks of IT outsourcing mainly include: The subcontractor becomes a new competitor; the subcontractor fails to carry out the contract; the subcontractor extracts the profit from the supply chain. Yang Juan, Liu Qiang and Yang Jing (2004) believed that the risks of outsourcing are the risk of losing control, the risk of uncertain distribution of income, the negative impact of outsourcing on employees. Wang Min (2001) thought that the lack of effective communication is one of the biggest risks of outsourcing.

From my perspective, the risk of outsourcing divided into two parts. One of them is from the perspective of outsourcing result. In this part, the risks of outsourcing mainly are the contractors can not meet the require of the enterprise for information technology, communication problems between companies and contractors, the cost of outsourcing may exceed the value gained by outsourcing, etc. All this factors may lead to the failure of outsourcing. Another is from the perspective of company itself. In this part, the risks of outsourcing mainly are outsourcing may weaken the ability of R & D and innovation to lose competitiveness, the contractor may be a potential competitor, less communication with customers, easy to lose customers, etc. All these factors can influence the company development.

#### Management can be used to alleviate the risks

The basic idea is to have controls in place that minimize the negative consequences of a “bad” outsourcing agreement, known as risk management.

Risk management consists of three closely related actions: (1) Risk identification (2) Risk analysis (3) Risk control.

##### Risk identification

Different outsourcing project has different risks, so we should identify the types of this outsourcing project, list the possible risks as much as possible, then arrange the risk list, remove the items that are not possible.

##### Risk analysis

After identifying the risks, the next action is to collect information, then analyze if it possible to reduce the risk.

##### Risk control

There are two categories of controls: preventive and corrective. Preventive controls mitigate a threat from exploiting the vulnerabilities of a project. Corrective controls require addressing the impact of a threat and then establishing controls to preclude any future impacts.

#### References

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