

# Managing Outsourced Projects: The Good, the Bad And The Savvy

## Session ISS09

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# Who I Am



- **Who I am**
  - Engineer, PMP
  - 14+ years IT experience
  - Management of external contractors
  - Point of view of “The Client”
- **Where I come from**
  - Anas SpA: Italy’s National Roads Authority
  - 30.500 km of roads and highways
  - 6.500 employees

# Agenda

- Introduction
- What Outsourced Projects Are
- Nine Savvy Outsourcing Tips
- Conclusions

# Introduction



# Introduction

- Managing **outsourced** projects...
- What's the **problem**?



# Introduction

- **Sounds familiar?**
  - A generic “**Project Management**” GANTT bar...  
... but no one knows what deliverables it produces!
  - A deliverable gets rapidly **90% complete**...  
... but it remains 90% complete till the end!
  - The contractor’s goal is to “**deliver**” a system...  
...but your goal is to make users “use” it!

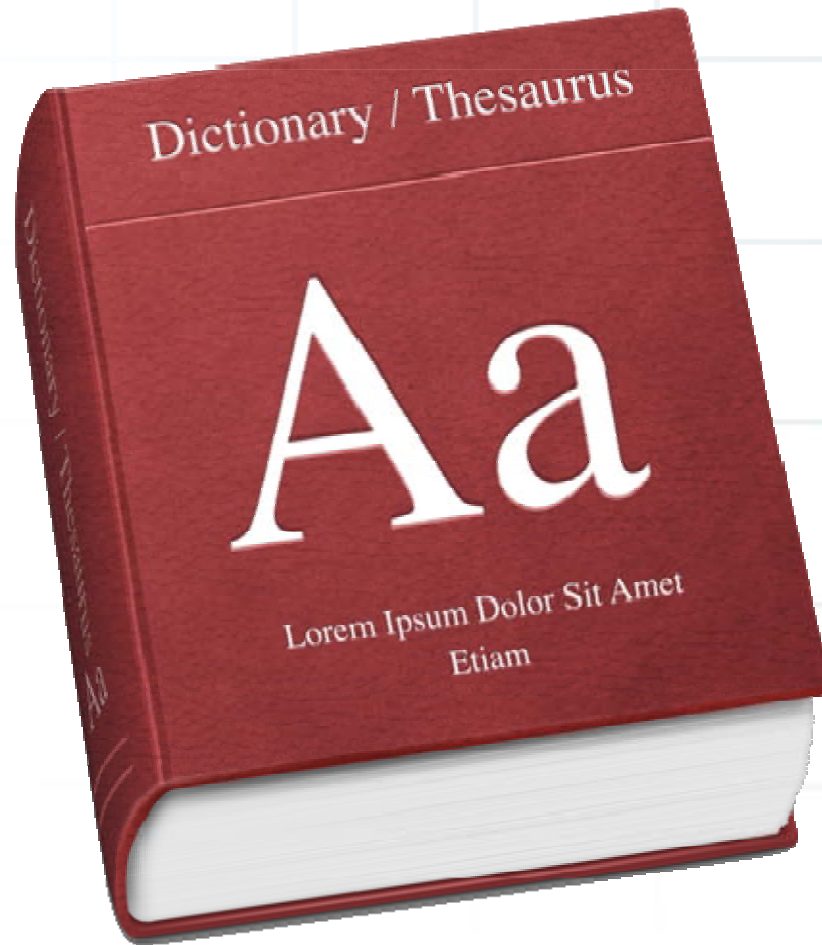


# Introduction

- **Session objectives:**
  - Identify **characteristics** of outsourced projects
  - Present some typical **issues**
  - Suggest **techniques** to manage these issues



# What Outsourced Projects Are (and What They Are Not)





# What Outsourced Projects Are (and What They Are Not)

- “A goal-oriented undertaking of **multiple tasks**...
- ...involving **customer**, principal **supplier** and supply-chain partners...
- ...to develop or provide **products, services or solutions** within a given period of time.”

(Garret, 2005)



# What Outsourced Projects Are (and What They Are Not)

- **Three ingredients:**



1. **Client** (customer, buyer, etc.)
2. **Contractor** (supplier, seller, etc.)
3. **Contract** (agreement, arrangement, etc.)

# What Outsourced Projects Are (and What They Are Not)

- Examples of **not-outsourced projects**:
  - A client buying “**Time & Material**” consultants  
*...because he's buying consultants, not products*
  - A client buying **serialized** products  
*...because this is not a project at all*



# What Outsourced Projects Are (and What They Are Not)

- **Why** organizations outsource projects?
  - The organization hasn't the necessary **skills and competencies** to build the product
  - Buying the product is **less costly** than building it
  - Need to **focus** on core business



# What Outsourced Projects Are (and What They Are Not)

- Different stakeholders, different **expectations**
  - Then real interest of the client is not the product itself, but the underlying **business need**
  - The client wants the **best possible quality** for the product
  - The client expects the contractor to dedicate his **best resources**  
(and so on...)



EXPECTATIONS  
vs.  
REALITY

# Nine Savvy Outsourcing Tips



# Nine Savvy Outsourcing Tips

- 9 outsourcing tips for 9 **PMBOK Knowledge Areas**
- From the **real-life experience** of the speaker...
- ...in organizations that **full-outsource** their IT projects
- Point of view of “**the client**”



# Nine Savvy Outsourcing Tips

- Each tip will be presented in **three points**:



- The Good
- The Bad
- The Savvy



- Using a **cinematographic metaphor** from...

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# Nine Savvy Outsourcing Tips



**THE GOOD**

- **The Good** is what the client expects to happen
  - The “**ideal world**”

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# Nine Savvy Outsourcing Tips



**THE BAD**

- **The Bad** is what often actually happens
  - The “**hard reality**”

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# Nine Savvy Outsourcing Tips

- **The Savvy** is the **suggested approach**
  - What you **should do** to prevent the issue



**THE SAVVY**

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# Nine Savvy Outsourcing Tips

- **Disclaimer:**
  - This paper is intentionally focused on the **“client’s point of view”**...
  - ...but by no means this paper intends to **assume** that the client is “the good” and the contractor is “the bad”

**DISCLAIMER**

# Nine Savvy Outsourcing Tips



**Tip #1 (Scope):** Keep the “Empty Boxes” out of Your WBS



**Tip #2 (Quality):** No Quality Without Metrics



**Tip #3 (Time):** Plan to Rework to Avoid to Rework the Plan



**Tip #4 (Cost):** The “90% Complete” Syndrome



**Tip #5 (Procurement):** The Carrot and The Stick

# Nine Savvy Outsourcing Tips



**Tip #6 (Communication):** No Sponsor,  
No Party



**Tip #7 (Human Resources):** Put the  
Contractor in Your Shoes



**Tip #8 (Risk):** Risk Management  
Should Have a Cost



**Tip #9 (Integration):** No Checklist, No  
Lessons Learned!



## Tip #1 - Scope

# Keep the “Empty Boxes” out of Your WBS

- *The contractor will present a **comprehensive WBS***
- *His WBS will contain tasks for all the **nine PMBOK Knowledge Areas...***



**THE GOOD**

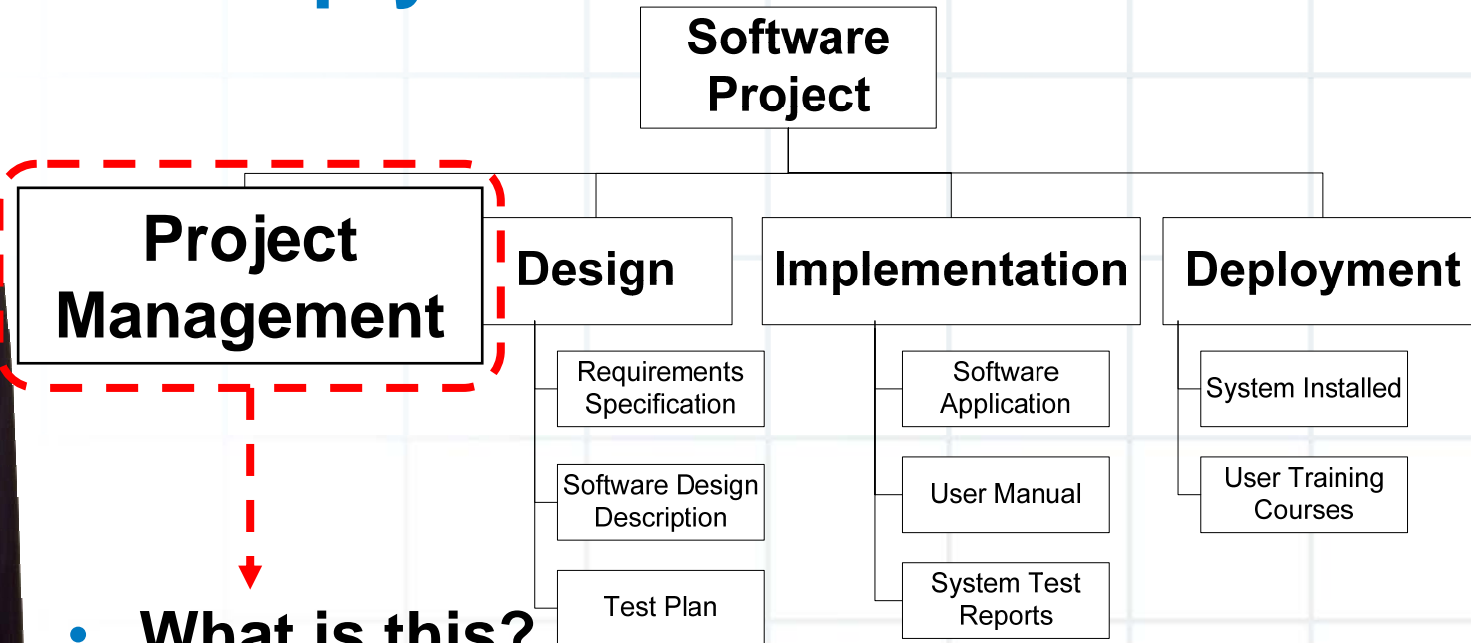


## Tip #1 - Scope

# Keep the “Empty Boxes” out of Your WBS



THE BAD



- What is this?
- What are the **deliverables** to be produced?
- How **progress** will be measured?
- Generic Work Packages are.. “**empty boxes**”!





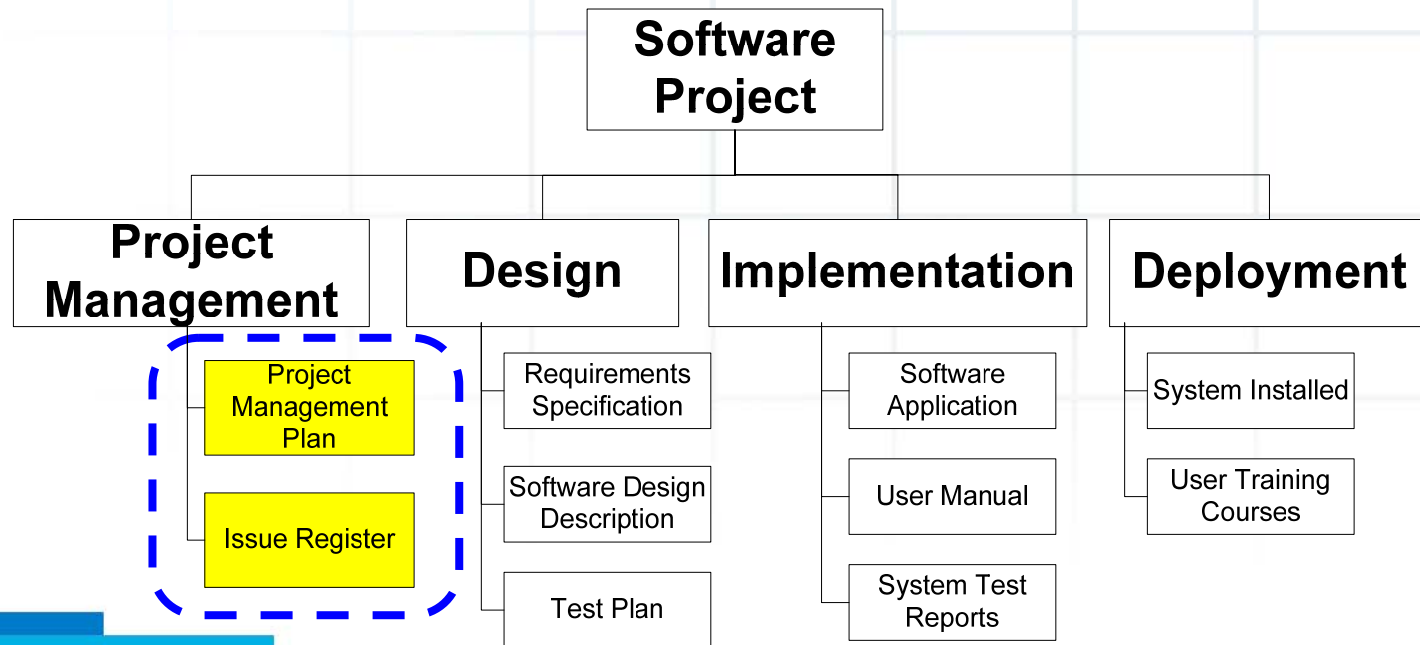
## Tip #1 - Scope

# Keep the “Empty Boxes” out of Your WBS

- Get rid of “empty boxes” and request a **“deliverable oriented”** WBS
- Decompose each Work Package in the **deliverables** you expect



THE SAVVY





## Tip #2 - Quality

# No Quality Without Metrics

- *The contractor will produce “**high quality**” deliverables*
- *His bid was full of **references** that demonstrate the “quality” he will deliver...*



# THE GOOD



THE BAD

## Tip #2 - Quality

### No Quality Without Metrics

- During the contract, no one agrees to the **meaning** of the word “quality”
- The client wants the **maximum** out of the product...
- ...while the contractor considers as a “**change request**” every deviation from the actual built product



## Tip #2 - Quality

# No Quality Without Metrics



- **Define** what is the expected quality of every deliverable
  - **Before** awarding the contract
  - Using one or more **metrics**
    - ✓ e.g. response time, number bugs, number of testing iterations, etc.

## THE SAVVY



## Tip #3 - Time

### Plan to Rework to Avoid to Rework the Plan

- *The contractor will submit every deliverable in **advance**...*
- *...so I will have adequate time to **review and approve** it*



**THE GOOD**



## Tip #3 - Time

# Plan to Rework to Avoid to Rework the Plan

### Requirements

Use Case Specification

Functional Spec.

- Only **one bar** for each deliverable...
- The deliverables are submitted near the **last planned day**
- Little or **no time** remains for the client to review and approve them



**THE BAD**



## Tip #3 - Time

### Plan to Rework to Avoid to Rework the Plan

- Plan time for the **rework cycle** of each deliverable
- Use for each deliverable the following tasks:
  - **Production**
  - **Client review**
  - **Correction**
  - **Client approval**



**THE SAVVY**

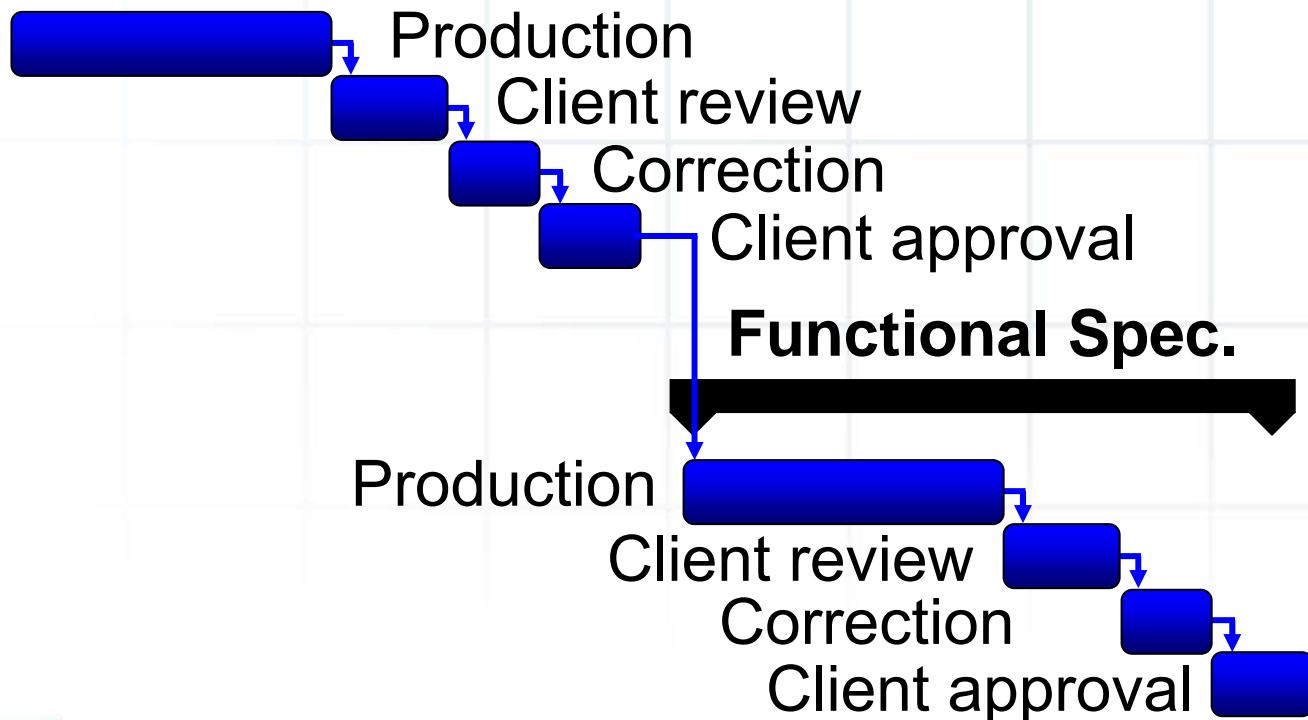


## Tip #3 - Time

# Plan to Rework to Avoid to Rework the Plan

### Requirements

#### Use Case Specification



**THE SAVVY**





## Tip #4 - Cost

# The “90% Complete” Syndrome

- *I will judge **objectively** the progress of the project*
- *The contractor will easily **agree** on the completeness percentage of the deliverables*



THE GOOD



## Tip #4 - Cost

### The “90% Complete” Syndrome

- Rapidly the contractor claims that the project is “**almost 90% complete**”...
- ...but then it remains “almost 90% complete” **till the end**
- Client and contractor have a **different perception** of completeness:
  - Client: **0-100%**
  - Contractor: **proportional** to man hours spent



**THE BAD**



## Tip #4 - Cost

### The “90% Complete” Syndrome

- Assign to **each** deliverable a cost proportional to the estimated man hours
- Use an objective **completeness criterion** to measure the completeness of each deliverable
- For example:
  - **20%** at the start of production
  - **60%** at the end of the client review
  - **100%** when the deliverable is approved



THE SAVVY



## Tip #5 – Procurement The Carrot and The Stick

- *The contractor will strive to **deliver on-time***
- *The principal interest of the contractor will be to **make me happy...***
- *...**despite of the cost necessary to achieve this satisfaction***



**THE GOOD**



## Tip #5 – Procurement The Carrot and The Stick

- In fixed-price contracts, if the contractor starts spending more than planned, he will begin to **leave the client**
  - At the beginning the more valuable resources will **show up less often**
  - At the end the contractor will leave only **novice resources**



**THE BAD**



## Tip #5 – Procurement The Carrot and The Stick

- Incorporate in a fixed-price contract a balanced set of **bonuses and penalties** (“carrots and sticks”)
  - Bonuses encourage the contractor to deliver **in advance**
  - Penalties discourage the contractor to endlessly **delay** the delivery



**THE SAVVY**



## Tip #6 – Communication **No Sponsor, No Party!**

- *Once the new product is delivered **users will love it...***
- *...just because it works “**as we designed it**”*



**THE GOOD**



## Tip #6 – Communication **No Sponsor, No Party!**



**THE BAD**

- The new product goes live, but the final users **don't want** to use it
- Causes of **rejection**: natural resistance to change, cultural issues, communication deficiency...
- The goal of the contractor is to satisfy the **client**...
- ...he has no immediate interest to satisfy the **final users** of the product





## Tip #6 – Communication **No Sponsor, No Party!**

- Strive for upper management **sponsorship**...
- ...or no one will **follow** you
- If the boss doesn't **believe** in the proposed change, why should the final user do?



**THE SAVVY**



## Tip #7 – Human Resources Put the Contractor in Your Shoes

- *The contractor will share my business goal*



**THE GOOD**



## Tip #7 – Human Resources

# Put the Contractor in Your Shoes



**THE BAD**

- Contractor's goal: deliver **the product** (e.g. a new information system, a new process, etc.)...
- Client's goal: reach a “**business objective**” (e.g. increase revenues, cut costs, comply with regulations, etc.)
- If the contractor ignores the business objective, the product built **won't help** to reach it



## Tip #7 – Human Resources

# Put the Contractor in Your Shoes

- Try to “put the contractor **in your shoes**”
  - **Explain** clearly your business objective in the contract
  - Link **penalties and bonuses** to the achievement of your business objective



## THE SAVVY



## Tip #8 – Risk Risk Management Should Have a Cost



THE GOOD

- ***Identify** risks* **DONE!**
- *Perform **qualitative** risk analysis* **DONE!**
- *Perform **quantitative** risk analysis* **DONE!**
- *Plan risk **responses*** **DONE!**
- *...so I will **be secure** from any  
“known unknowns”*



## Tip #8 – Risk

# Risk Management Should Have a Cost



**THE BAD**

- No actual **time and money** are set aside to implement response plans
- No risk mitigation **tasks** are incorporated in the project plan
- Often the project plan is approved **before** completing risk response plan



## Tip #8 – Risk

# Risk Management Should Have a Cost



THE SAVVY

- Risk response plans should be **incorporated** in the project plan
  - Adding risk response **tasks**
  - Adding **budget** for risk response
- The total length and cost of the project is likely to **increase**...
- ...but the savvy project manager will sleep more **quiet**



## Tip #9 – Integration

# No Checklist, No Lessons Learned!



THE GOOD

- *At the end of the project a “project **retrospective**” has been done...*
- *A long list of “**lessons learned**” has been saved in the “lessons learned database”...*
- *...so in the **next project** I will repeat successful practices and I will avoid mistakes*





## Tip #9 – Integration

# No Checklist, No Lessons Learned!



THE BAD

- When the next project begins no one looks into the **huge** lessons learned database...
- ...and the **same mistakes** are done again and again
- It is **time consuming** to find the right lesson learned...
- ... for the **specific** work you have to do



## Tip #9 – Integration

# No Checklist, No Lessons Learned!



- Relate every lesson to a specific **deliverable** (e.g. lessons for plans, lessons for budget, etc.)
- Create a **checklist** for each deliverable (e.g. “Plan Checklist”, “Budget Checklist”, etc.)
- Incorporate lessons learned in the relative “**deliverable checklists**”

## THE SAVVY

# Conclusions



# Summary

- **What we have learned**
  - **Characteristics** of outsourced projects
  - Some typical **issues** in managing outsourced projects
  - **Techniques** to manage these issues



# Final words...

- Managing **outsourced** projects is quite different from managing “in house” ones
- It requires adequate skills and knowledge to pursue **mutual success...**
- ...rather then ending up with **wasteful conflicts** between client and contractor



# That's all folks!



# Questions?



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