

Successfully Managing External IT Project Factors

By Susan Weese, Rhyming Planet, Inc.

There are multiple facets to planning and managing the vendor and supplier relationships in an outsourced Information Technology (IT) project.

Successful project managers must enhance their fundamental project and people management skills to address the inherent complexity of managing external suppliers and vendors of technology, applications and services on their strategic projects. Every external factor that adds to an IT project adds risks to the overall process.

Ten factors for project managers to consider when working on outsourced IT projects include:

1. Understand the Reason for Outsourcing the Work.

Understand the context surrounding the decision to outsource all or part of the project. What are the organization's goals relative to outsourcing all or part of an Information Technology (IT) project? Managing the vendor relationship within the project structure begins with a firm understanding of these principles. Without this understanding, there may be a tendency to miss the full value of the outsourcing relationship.

2. Define and Document the Project Managers Sphere of Control

Take aggressive steps to evaluate the organization's current outsourcing arrangements and project structure. Pay close attention to your level of responsibility, authority and accountability relative to the project itself and the external vendor and supplier relationships within that structure. Look closely at your role relative to procurement, contracting, financial, human resources, project planning, and relationship management. Define the authority and

accountability structures for outsourced management of your entire project team.

3. Be Involved in the Requirements Development and Vendor Selection Processes

Defining project scope and its measures of success is difficult if you enter the vendor selection process too late. Being involved in problem definition, the decision to outsource the resulting work and defining the work itself sets the basis for successful project efforts downstream. When managing in an outsourced IT project environment, it is essential to understand your business requirements and needs relative to your vendors as well as the existing mechanisms for source selection and contracting.

4. Build and Maintain a Project Management Office (PMO)

There is a recognized need for a project office approach to managing relationships and expectations on outsourced IT projects. Vendor management is often housed in a centralized program or project office versus operating as a separate box on the organization chart. Building and executing an effective and consistent project management framework for outsourced IT projects sets the processes that govern the work efforts early on. Successful projects begin with creation and implementation of clear, agreed-upon communication plans, decision-making architectures and change management processes.

5. Bone Up on Contract Management Fundamentals

Vendor and supplier contracts offer the mechanism for defining the work and the expected results of that work. Make sure that you have a basic understanding of the contract management processes within your organization, including requisition planning, proposal development, contract

negotiation, vendor selection and contract administration. This knowledge allows you to leverage the contract management process and the contracts themselves to the benefit of your outsourced project team. Remember, contracts are the legal controls for managing the risks inherent in outsourced IT projects, across supplier and vendor goods, services and performance.

6. Define, Validate and Verify Vendor Work Packages and Cost Estimates

Define and apply effective techniques for cost estimation, project planning, scheduling, work breakdown and definition and resource allocation to maximize project success. The more accurate the identification and definition of project phases, deliverables and milestones, the easier it will be to manage to and achieve them. Develop and implement accurate cost estimation and validation methods for your vendors. Understand the fundamentals of financial accounting for your project, including cash flow, direct and indirect costs, time value of money, pricing basics and profitability.

7. Exercise Control Over all Facets of the Project

Project control requires use of basic and advanced project tracking techniques, such as variance and earned value, to quantify performance measures and monitor project performance across multiple vendors. It is one thing to get a good contract on paper and quite another to translate the paper into an effective working relationship between two or more parties. Define a solid project baseline in order to measure progress and control performance for your project. Apply well-defined tracking and oversight techniques to develop and implement responses to change.

8. Target the Desired Project Quality from the Beginning

Target outsourced IT project quality and managed to the target throughout the project lifecycle. Build quality into your planning and procurement efforts by using configuration management and tracking metrics. Understand the environmental constraints of the project up front and factor them into the desired results downstream. Use inspections and walkthroughs to enhance project and product quality while reducing cost and time to delivery. Be explicit in your validation of project outcomes, including acceptance criteria and test results.

9. Plan With Both the Means and the End in Mind

Use the vendor contracts, the project plan and the project framework defined within the PMO or project charter to manage vendor and supplier invoice and payment processes. Recognize that even with effective contract administration you will need to address disputes and issues within the project team. Implement solid sets of records, files and documentation to minimize their impact. And remember the importance of lessons learned for your next project!

10. Address the Inherent Teamwork Challenges in Outsourced Projects

Your management of the people on the project team, both internal and external, ultimately determines the success or failure of your project. It is essential that the project manager understands and applies team-building strategies on their outsourced IT projects. It is a challenge to work effectively with contractors/subcontractors and to develop disparate groups into an effective project team.

© *Rhyiming Planet Inc. 2002*