Project Management: Planning, Execution, Evaluation and Control

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Welcome to the course Project Management Planning, Execution, Evaluation and Control. In this lecture, we will be discussing the best practices in outsourcing project work. The concepts that will be covered in this lecture are the best practices in outsourcing project work and its different dimensions, different elements we will be discussing. Then in the subsequent lecture, we will be discussing the other important aspects of this module. So, to start with best practices in outsourcing project work.

So, what are the different elements to it? The different elements before going there, I must tell you the everything depends on the trust of both the parties and the, it is not a that any project when you are outsourcing and all, it is not a master and slave relations. It is a relations between both parties who are working to a common objective that is completions of the project.

So, the best practices those are that you must, there must be a well-defined requirements and procedures. So, what does it mean? The means that your specify your technical requirements, specify your scope of work, specify your limits, exclusions very clearly, your deliverables, the work you wanted to outsource that has to be very, that should, there should be tangible, measurable and specifications will be very clear. If there is ambiguity in it, then it is going to be, going to be a open-ended sort of thing, like it will generally go to arbitration and legalities and all. So, you do not keep any ambiguity.

So, your technical specifications you must be very clear and specify it properly. And the deliverables also in precise terms you do it. So, no scope of the ambiguity. So, these are the well-defined requirements and the procedure. Suppose there may be a change control systems and all, if changes are required it will have a very well-defined procedure, that is the change control system should be integrated and well-defined.

Say this is one part of it. Another part is that, that it is often found, the both the companies, you know, the, your outsourcing, there should be a fit between the project

management systems of the both companies. One is the, the, the outsourcing company as well as for the, for the owner company, the client sides and the contractor sides. Both have a project management system should be integrated or integrative. It is often found that in softwares and all, you know, US companies they offshore it to Indian companies, there are.

And these Indian companies find it, their project management systems of those American companies are very indisciplined, is not very, very, very well oriented. So, there is a gap. So, if there should be a fit between the project management systems of the both the outsourcer and the, and the contractors and all. Then security issues, you must weigh in the security issues involved in outsourcing that work, the trade secret or the data, is a, data\'s and all, you must keep privacy of data, must look at it. And especially nowadays IT, IT security issues, there may be privacy data, there may be the threat of, you know, threat of hacking, threat of that you have to be put a safeguard or the firewall or the virus protections and all.

These are nowadays the additional cost for the security cost, especially the information technology, security issues and all comes in. So, you must have a look into these issues when you are outsourcing the, your project work. Then extensive training and team building activities, you know that the outsourcing when especially if it is going for the another foreign countries and all your outsourcing, the people may work in a different, different nationalities, different foreign nationalities may work for the project. The project may come the Chinese worker, it may come from Romania, it may come from Latin America, Far East, Japan and all.

So, you and these people are coming from different background, different cultural issues, different value system. So, to give them the project\'s culture, the one unified cohesive project team, the training is required and team building activities are required. For this usually the managers, project managers are very obsessed with the technicalities, technical jobs of the project. And if they get a project management software, they will be glued to it and they think, most of the project manager thinks the HR issues, you know, the HR issues will be get sorted out automatically.

But there should be a balanced view both for technical and also for the human resource side because it is worth paying or paying for training and team building activities. That is why nowadays you will find the experts, those who are engaged in team building activities in different organizations. So, you can avail their services to have a common team building activities among the project personnel, team members and all, especially coming from different profession.

They may come from different profession also, like a project may require legal, require finance, HR, marketing, operations, engineering, logistics. So, different professions also

and different ethnic group, different countries. So, this should be a professional approach, you engage some international professionals for team building activities. When you do this, your project work, project team will be cohesive and project will be completed faster and there will be less trouble for the project.

So, for this now what you will find for team building and all, what they do that these professionals and all, at the end of the this training or the team building, what happen? This, the training, they come to develop a project partnering chartner. This is an illustrative project partnering chartner. What does it say? The members of the team, the project teams, they spell out what are the, their goals for the project and what are the procedures they will follow to complete the project.

They spell out in, in detail and everyone in the team, they sign, sign this. So, this enhances the clarity and their commitment. So, this is a, this is a good practice to follow a, this extensive training and providing the team building activities.

So, coming to the next point for best practices is you must have a well established conflict management process. Like conflict is bound to happen, if any work, you know, especially the project work, it is inevitable, you cannot, you cannot bypass it, it bound to happen, but what you should do? You should have a established conflict management process. Like in many organizations you must be having your grievance handling system, you know, some arbitrators are there, it is a set in process. Similarly, you established a conflict management processes and certain degree of disagreements are always good in the organization.

It gives you a positive energy, it gives you the stimulus for innovation, for continuous improvement, but dysfunctional conflict catches fire, that should not be, should not be encouraged or that should be cut, nip in the bud. So, this, how do you, that is one of the ways for having a established conflict management process is escalation. Like a conflict generally you will find at the lower level, operational level, there may be technical conflict, operational conflicts and all, those are easy to resolve. Similarly you resolve it at your level, at the, that level itself, but if it is not resolved in that, you cannot sit on those problem, that activity. So, what you do? You escalate to the next higher level.

Suppose in the operational level, the, it cannot be dissolved, then you raise it to the manager\'s level. The manager and his counterpart of the other, other party, so both managers when they meet, they generally it gets resolved and if not, that is not resolved, they cannot sit idle with that, with that problem. They must raise it to the next higher level and in a time bound manner and that say within 24 hours and sitting idle and taking no decisions is not acceptable, it is not a, not an option. So, you cannot and you sit idle and you force the other parties to, to do the jobs and all, it is not allowed. So, you must escalate to the, the managers must escalate to the higher level, next higher level,

generally it gets dissolved and that does not mean, you know, everything you just escalate, you know, that, that way it is not a good practice.

In that case, a manager should also tell that the, the, the, the subordinates and all, this could have been done at your level, there was no necessity to escalate it. So, you have to have a balance on this. This is the well established conflict management process. So, next frequent reviews and status update. If in a project work you should always have a periodic or frequent reviews of the project progress and the status update you give it, what happens if these review are done periodically, the both parties, different stakeholders can come together, it gives an impression, it gives the message is the urgency of the project and also it gives the project members and all, team members and all, the, the, the necessity, that the necessary impetus for completions of the project.

And moreover, if you meet frequently the different levels, a managerial level, then the higher senior management level and all, you develop a working relationship between the two parties and these working relationships is invaluable, it can solve many problems. So, more you meet with your counterpart for the different parties and all, the more that working relationship becomes very firm. So, it gives an opportunity for the solving many problems and also if you achieve a significant milestone you try to celebrate the occasion and these celebrating occasions you incorporate, you invite everyone, not only the project team or the people who are involved that, milestone, you entire project teams and the entire organizations, entire, then the client sites and all, you, they should come together and celebrate the occasion, it gives a momentum, momentum, positive momentum for completions of the project, the people will be more and more motivated and these also give you the, the, the opportunity to come closer, have a and project identity, it will give a identity for the project and people will be more, more identify with themselves with the project and put best efforts to complete it faster. So, whenever an occasion for celebrate come, you celebrate it with taking with the, all the people in, involved directly or indirectly for the project.

Then another thing is co-location, when needed, this is a very important aspect, like I have seen or the, seen the projects which say is a high value project, say around two decades back, more than two decades back, it was a 10000 crores values and all project, deep drilling in the offshore, ultra deep drilling in the offshore thing, there you know, the, you require multidisciplinary group, this multidisciplinary group, they were housed, the offices are different parts of the city, they meet every day morning, say 10 o\'clock coming from different parts of them and meet for two hours, then again disperse, the cohesion was not there, but when they, the team was brought under the one roof, then the cohesiveness that they, they, then the urgency of require, completions of the project, everything has, had improved, otherwise previously there is to blame each group, different group is to blame other group for non-completions and all.

So co-locations, whenever is needed, you should have it, it is worth expending money, bring all the people for the project under one roof, that will be a cohesive team for the completions of the project. For this you can find US, the disaster management, that team, that office, the houses, the, even the important contractors, those are, they live in the same colony and their offices are in the same office. So at the time of any eventualities, response is first and they feel, they work as a one unit. So this is worth spending the money. So whenever is needed, you should go for co-locations of all the different groups or teams there.

But nowadays you will find there are another type of project, those are virtual projects that can be done independently and it does not require co-locations like say marketing research or testing of your products and all. These people do it by virtually at their own premises or they do it independently. There you do not require the co-locations.

Then fair and incentive laden contract, performance based contract, say the contract should be such that it is fair to all parties. If one party feels, they were not treated fairly, if they feel aggrieved then your project work will suffer because they will do, the smaller party will do a shoddy work or a suboptimal quality work and who will be, will be sufferer? As a client you will be sufferer.

So always your, your contract should be fair, win-win position for all the parties. It is not at the cost of the other party and your contract should have incentives, that incentives for say completions of the work faster. So ahead of if the contractor, if your time is essence then you put a, that clause for the incentives or the bonuses will be given if it is completed ahead of the targeted schedule. Similarly, if your scopes, quality or the, or standard is, is your focus then you put the incentive clause like that if it meets the standards or expectations, expectations of the, that has been specified you will get the bonuses.

So it should be that way. Similarly, if the contractor is, is late in completing there should be a penalty clause, they have, that is why you will find LD clauses are there, then there may be the, those performance bond and all, all those things are for the security against those. So the, the performance based contract should be there. And again the companies, good companies and all they understand and they recognize, you know, the contract like the single contract or the one time contract and all. It discourages the contractors to have continuous improvement or innovation because innovations require a stable environment and if your contract is long term then only they will, the contractor will go for innovative or the new way to do the work which may, may, may reduce the cost or material, material wastages. But otherwise a single contract or the, they, what they will do, the contractors will not take any risk and they will try out and do the, do the time tested and proven methodology.

So this is all about fair and incentive contract, performance based contract. Then lastly you should have a best practices is to have a long term relationships with the outsourcer or the supplier. This long term relationship you will find Toyota, Suzuki and all, they have, it is not a single contract, they have a long term contract and also the, the, these companies will have supplied it the outsourcing to the multiple projects, not a single project. So these are beneficial, so to have a long term relationship. What are these long term relationships? What are the advantages? We will be talking about this more in the next lecture.

But the advantages of long term partnerships with the outsourcer, advantages are your administrative cost reduces, like you do not have to tendering or the selection of contractor every year that takes a huge executive time and takes a, it is a costly affair too. Those you are doing away with, if you have a long term partnership, your administrative cost comes down substantially. Then it also gives you an opportunity to have efficient utilizations of resources. What does it mean? When you are having a long term partnership, the supplier or the outsourcer, they know your requirement, they have a plan forecasting and the plan for a, for a sufficiently long time. So they can utilize, so the, the clients may be free from all those, those supervising and all and the client side can, can focus more on their core competence areas, core areas and that gives you the utilizations of resources in a better and efficient manner for both the sides.

Because of long term relationship, both the parties know each other better. So the communication becomes more open and communication become easy. It is not a guarded communication, it is an open and free communication and so the, so it will be an advantages for that. Then also in a long term when you are having it, then you have the opportunity, long term contract opportunity to innovate both the parties say, outsourcers or the supplier, they will also try to innovating, innovation because they know that the risk will be shared by both, benefits will be shared by the both the parties. So it will, and the stable environment encourages innovations and continuous improvement that will lend to and as a result of all these, the performance are generally improved in the partnerships, long term partnerships approach.

These are the advantages of long term partnership. We will talk more about it in the next lecture. So now, to summarize what we have discussed today is that in this session we have shown you the best practices in outsourcing project work that include well defined requirements and procedures, extensive training and team building activities, well established conflict management process, frequent review and status update, co-location when needed, fair and incentive laden and or performance based contract and long term relationship and its advantages.

This all we have done discussed today in this lecture that these are some of the reference books you must go through and enhance your knowledge further on outsourcing the best practices to be followed. Thank you very much for attending this lecture.