



# CONTRACT REVIEW



# TOPICS

- Case Study
- The contract review process and its stages
- Contract review objectives
- Implementation of a contract review
- Contract review subjects
- Contract reviews for internal projects

## CASE STUDY

- Company ABC was develop MIS system for Macro Superstore.
- Project schedule was 6 months.
- ✗ 6 months later project was delay and over budget.
- ✗ ABC was spend other 3 months to finish project.

## CASE STUDY

- Why project was delay and over budget?
  - Misunderstand in “Media of deliverable”.
  - Misunderstand in “Project deployment”.
    - 16 branches need to use MIS system around Thailand.
- × ABC staffs travel around Thailand for installation and training.

\*\*\*NO CONTRACT REVIEW\*\*\*

# THE CONTRACT REVIEW PROCESS AND ITS STAGES

- 1) Participation in a tender.(Auction)
- 2) Submission of a proposal according to the customer's RFP.(requirement for proposal).
- 3) Receipt of an order from a company's customer.
- 4) Receipt of an internal request or order from another department in the organization.

# THE CONTRACT REVIEW PROCESS AND ITS STAGES

- **Stage One** – Review of the proposal draft prior to submission to the potential customer.
- **Stage Two** – Review of contract draft prior to signing.

# CONTRACT REVIEW OBJECTIVES

- **Stage One -Proposal draft review objectives**
  1. Customer requirements have been clarified and documented.
  2. Alternative approaches for carrying out the project have been examined.
  3. Formal aspects of the relationship between the customer and the software firm have been specified.

# CONTRACT REVIEW OBJECTIVES

- **Stage One -Proposal draft review objectives**
  - 4. Identification of development risks.
  - 5. Adequate estimation of project resources and timetable.
  - 6. Examination of the company's capacity with respect to the project.



# CONTRACT REVIEW OBJECTIVES

- **Stage One -Proposal draft review objectives**
  - 7. Examination of the customer's capacity to meet his commitments.
  - 8. Definition of partner and subcontractor participation.
  - 9. Definition and protection of proprietary rights.(copyrights)

# CONTRACT REVIEW OBJECTIVES

- **Stage Two** -Contract draft review objectives
  1. No un-clarified issues remain in the contract draft.
  2. All the understandings reached between the customer and the firm are to be fully and correctly documented in the contract and its appendices.
  3. No changes, additions, or omissions that have not been discussed and agreed upon should be introduced into the contract draft.

# IMPLEMENTATION OF A CONTRACT REVIEW

- Factors affecting the extent of a contract review
  1. Project magnitude.
  2. Project technical complexity.
  3. Degree of staff acquaintance with and experience in the project area.
  4. Project organizational complexity.

## WHO PERFORMS A CONTRACT REVIEW

- The leader or another member of the proposal team.
- The members of the proposal team.
- An outside professional or a company staff member who is not a member of the proposal team.
- A team of outside experts.

## CONTRACT REVIEW SUBJECTS

- **Appendix 5A:** Proposal draft review – subjects checklist.
- **Appendix 5B:** Contract draft review – subjects checklist.

## CONTRACT REVIEW FOR INTERNAL PROJECTS

- “**in-house**” projects – carried out by one unit of an organization for another unit of the same organization.
- Frequently, internal software development projects are **not** based on what would be considered a complete customer–supplier relationship.

**Table 5.1: Typical internal projects and their in-house customers**

Type of internal project	The in-house customers	Project examples
(1) Administrative or operative software to be applied internally	Administration and operating units	<ul style="list-style-type: none"><li>■ Sales and inventory systems</li><li>■ Financial resource management systems</li><li>■ Human resource management systems</li></ul>
(2) Software packages originally intended to be sold to the public as “off-the-shelf” packages	Software marketing department	<ul style="list-style-type: none"><li>■ Computer games</li><li>■ Educational software</li><li>■ Word processors</li><li>■ Sales and inventory management software packages</li></ul>
(3) Firmware to be embedded in the company’s products	Electronic and mechanical product development departments	<ul style="list-style-type: none"><li>■ Electronic instrumentation and control products</li><li>■ Household amusement equipment and machinery</li><li>■ Advanced toys</li></ul>



**Table 5.2: Disadvantages of “loose relationships” internal projects**

Subject	Disadvantages to the internal customer	Disadvantages to the internal developer
(1) Inadequate definition of project requirements	<ul style="list-style-type: none"><li>■ Implementation deviates from needed applications</li><li>■ Low satisfaction</li></ul>	<ul style="list-style-type: none"><li>■ Higher than average change requirements</li><li>■ Wasted resources due to introducing avoidable changes</li></ul>
(2) Poor estimate of required resources	<ul style="list-style-type: none"><li>■ Unrealistic expectations about project feasibility</li></ul>	<ul style="list-style-type: none"><li>■ Substantial deviations from development budget</li><li>■ Friction between units induced by requirements for budget additions</li></ul>
(3) Poor timetable	<ul style="list-style-type: none"><li>■ Missing scheduled dates for beginning distribution of new products</li></ul>	<ul style="list-style-type: none"><li>■ Development activities are under time pressures and tend to suffer from low quality</li><li>■ Late project completion causes delays in freeing staff for their next project</li></ul>
(4) Inadequate awareness of development risks	<ul style="list-style-type: none"><li>■ Customer unprepared for project risks and their consequences</li></ul>	<ul style="list-style-type: none"><li>■ Tardy initiation of efforts to overcome difficulties</li></ul>