

INSIDE OUT

BY MARCIA JEDD

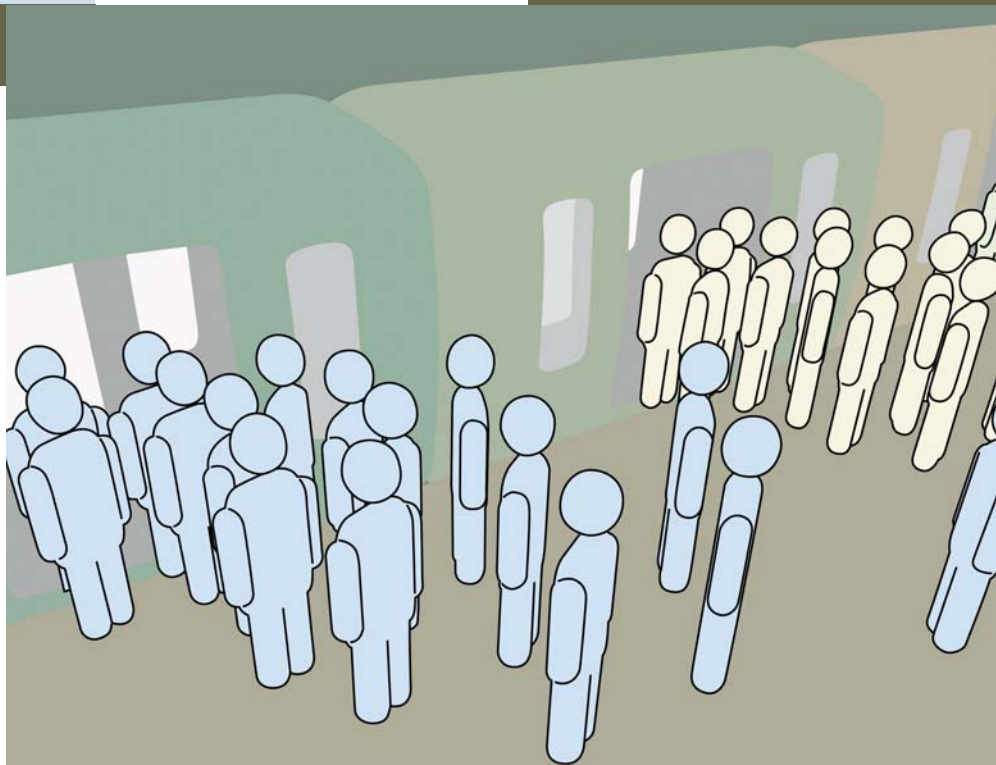
SELECTED
OUTSOURCING
OF PROJECT
MANAGEMENT
SERVICES—AND
HIRING THE RIGHT
CONSULTANT
FOR THE JOB—
REQUIRES
INTROSPECTION.



FROM SMALL-SCALE TO SUPER-SIZED PROJECTS,

executives blend a healthy mix of in-house and external analysis—and considerable nail-biting—when making a critical outsourcing decision.

→ Huge purchases—like a fleet of new aircraft or a comprehensive information systems overhaul—don't happen every day, and in these cases, outsourcing a consultant can facilitate the best outcome. Nevertheless, major and measurable decisions require careful analysis.



Especially when outsourcing project management services, a company must employ a consultant focused on the bottom line. "ROI is very important," says Andrea Behrends, Ph.D., vice president of business development and licensing with AB&P of Basel, Switzerland, and president of PMI's Switzerland Chapter. "We field a lot of questions about cost management and project management but sometimes it's not easy to calculate ROI or to do it precisely. Companies want to know ROI even if it's calculated under a rough-case scenario."

Conversely, less analysis may go into decisions involving predictable and repetitive tasks, which are likely to be kept in-house, such as sourcing decisions on packaging or travel. However, when helping a company focus on improving its own project management competency, consultancies such as Boston, Mass., USA-based Mercer Management Consulting help companies design and analyze the technical processes. They also examine other "softer skills" involved in implementing and managing a project. "When both are needed, it gets complicated," says David Bovet, managing director with Mercer. "Even if the project is done in-house, a company may need particular content knowledge in one area. In many cases, it doesn't make sense for a company to fully staff that area."

Mr. Bovet says it is especially important for enterprises to develop in-house expertise for predictable and repetitive tasks. "Even in that case, going outside for project management can be helpful in guiding the project initially." Mr. Bovet frequently sees companies evolve with the outsourcing process. "A company feels it has something new, important or different it has to do," he says. "At some point, it builds up its internal capability [and] then the question becomes, 'Do we need to maintain this highly skilled capability forever?'"

Making the Choice

→ When considering outsourcing a project, a leader must first determine if the particular effort lies within the realm of the firm's own core competency, says Bob Tarne, PMP, chair of PMI's Information Technology & Telecommunications Specific Interest Group and senior consultant with [PM Solutions](#), Havertown, Pa., USA. "If a project is within the realm of a firm's core competency, a company may not have the people skills or time-to-market may be critical, which would necessitate outsourcing the project," he says.

After a company has crunched the numbers and appropriately assessed the project at hand, the decision

EXECUTIVE SUMMARY

- The enterprise can ultimately enhance its in-house project management competency with proficient outsourcing.
- If the project lies within core competencies, outsource only the more technical aspects to project management such as planning and controlling.
- Consider receiving training, coaching and mentoring from the provider to boost efficacy of the outsourced provider. Over time, this builds in-house expertise.
- Use documentation and benchmarking to help leverage outsourcing efforts.

to make or buy project management services is a classic dilemma, says Denis Couture, PMP, president of the pci group of Troy, Mich., USA. "Outsourcing the project management function is becoming more widespread and used by organizations that don't have a proficiency in managing projects," he says.

Mr. Couture characterizes the upfront stages of building the infrastructure to handle a project in-house as one of the most difficult in a project. "Companies are recognizing that they don't have as many project managers as they need and they don't

want to spend the money and incur the overhead to do that," he says.

Managing a project within your company's four walls can court problems. In fact, 17 percent of 74 global project management practitioners polled in 2003 said they managed too many projects or not the right ones, according to a state of the industry survey on project management conducted by the [Center for Business Practices \(CBP\)](#), Havertown, Pa., USA. Nearly one-fourth of respondents cited inconsistent approaches to managing projects and about one-fifth said they had difficulties in allocating resources.

When the move is made to outsource project management, Mr. Bovet cautions in-house project managers to ensure that the appropriate internal links are established early with the external consultant leading the effort. "There's huge leveraging that's possible," he says. "The consultant can put in 10 times the man hours more than the company, but the client has to put in the commensurate time to really get results."

A bridge or link between the outside provider and enterprise guides the company in its own project management competency and enhances other competencies.

Missing in Action

→ Training establishes those all-important internal links. Dr. Behrends notes companies often have the best people running their critical projects, but often these employees may lack good project management skills. "We build an internal system of training and development so that, in the future, the company will be able to handle its projects on a higher level of proficiency," she says. Dr. Behrends notes comprehensive training isn't limited to face-to-face classroom courses, but incorporates elements such as coaching, hotlines and other tools. For instance, if in-house project managers face a roadblock, they can call the outsourced consultant not only to help solve the current problem, but also to receive coaching. The bottom line: The employee is

in a far better position to manage a similar issue in the future.

Training and coaching requires a collaborative client-consulting approach. This means having staff working alongside the consultant periodically and sharing information and insights frequently to foster a level of transparency to the outsourced activities.

Mr. Tarne and Dr. Behrends agree. "You need to incorporate knowledge transfer in the relationships with outsourced vendors," Mr. Tarne says. "Mentoring is one way to do that." He notes the knowledge transfer from consultant to client covers everything from project management best practices to methodology templates.

→ Documentation is integral to the knowledge transfer, Mr. Tarne says. "Good documentation means understanding important documents. Have a structure defined for a document repository to facilitate communications and capture the knowledge you'll need further down the road." Dr. Behrends adds that network diagrams are one form of documentation to aid the project planning process so the enterprise isn't left in the dark when another project arises.

Documentation is just one component of appropriate follow-up to facilitate knowledge transfer. Follow-up also includes benchmarking. "When we do training courses, we write case studies around the firm's own problems, customized to their own tools and forms," Dr. Behrends says. An outside project manager then can go deeper, she says, to transfer the skills to the enterprise so it's prepared when a similar project comes along. To this end, a training course directed to an entire project may be in order.

Bob Wourms, director of the outsourcing practice at [PM Solutions](#), says that, overall, enterprise executives and consultants need to harness the appropriate processes for planning and controlling the project, an area sorely overlooked when projects are managed in-house. He stresses that separating the disciplines within an organization is the best way to handle in-house project management.

FIVE PROS

- 1 Outsourced project managers look at planning, controlling, scheduling and tracking with fresh eyes.
- 2 Consultants help ensure best practices are followed. If you work closely with the provider, the overall outcome and ROI often is better than if the project was kept in-house.
- 3 Companies can hit the ground running with productivity gains: Project management professionals will do sector-specific research and will be conversant in the latest thinking.
- 4 Clients can focus on core competencies.
- 5 You can become better prepared for dealing with similar projects in the future.

FIVE CONS

- 1 You must commit to internal resources even when external resources are used. Senior management must have buy-in.
- 2 If you don't work the relationship properly, you may never develop the project management skills you need in-house.
- 3 You don't own the resources. For instance, without an investment in resources from the human resource perspective, people can walk away.
- 4 Money is burned quickly when there are misunderstandings or poor management at the start of the project.
- 5 The risk of compromising sensitive company information can be high, depending on the nature of project.



"We're finding the good communicators, leaders and motivators don't want to do the science side," he says. "Let one individual handle the 'art' by leading and another the 'science' by planning and controlling."

Perhaps the biggest benefit of further developing a project management competency—whether in-house or with a consultant's help—is that in using project management methodologies, companies gain consistency and improve results. "If they can measure, they can improve," Mr. Wourms says. "Companies often don't know why their projects failed." **PM**

Marcia Jedd is a supply chain and business writer. She contributes to various publications globally including *Cargo News Asia*, *Journal of Commerce*, *Supply Chain Management Review* and *World Trade* magazine.

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