

Outsourcing Management Workshop 3

General Information

© 2012 NUS. The contents contained in this document may not be reproduced in any form or by any means, without the written permission of ISS, NUS, other than for the purpose for which it has been supplied

Workshop Instructions

A major Singapore manufacturing company; PACIFIC Petroleum has recently signed an outsourcing contract with FutureTech Software a local software house. This contract has allowed FutureTech to take over the development of maintenance of the Data Centre. This is currently the only IT function to be outsourced and consequently is the "Guinea pig" for outsourcing. The initial contract was agreed and placed on 31st December 2009, and work has begun.

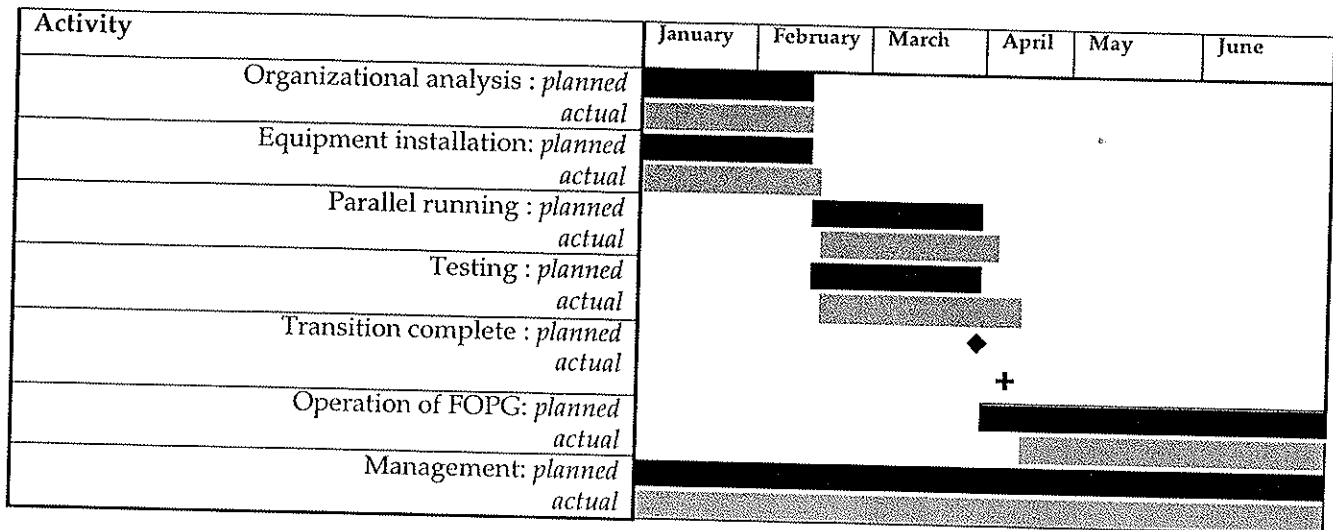
It is now 18th April 2010 and the first somewhat-delayed progress meeting is about to be held. The work has been going on now for three and a half months and a number of issues have arisen with respect to the outsourcing contract. The objective of this workshop is to determine how to resolve the outstanding issues and come to a mutually amicable agreement between PACIFIC Petroleum & FutureTech at the meeting. The meeting is to be held between the teams representing PACIFIC Petroleum, and FutureTech, who together agreed the original contract. The results of this meeting will be a set of minutes agreed by both sides.

The recommended steps for the rest of the workshop are as follow:

1. Examine the enclosed information together with the separately distributed client and service provider confidential information, regarding the current status of the outsourcing project:
 - a. Determine the issues to raise and the negotiating positions you will take at the meeting.
2. Begin meeting with opposite team & agree agenda.
3. Conduct meeting with opposite team and attempt to resolve issues.
4. Prepare minutes giving actions from meetings.
5. Assess the current relationship between the client and the service provider and suggest 3 practical ways on how you would improve the relationship.

1. General

Since signing the contract work has generally progressed according slower than the agreed schedule. This shown in the below figure



In particular;

- The equipment installation of the new mainframes and application software at the FutureTech site took one week longer than anticipated
- The testing of the newly installed systems took an extra week
- Consequently formal handover has been delayed by 2 weeks; in fact the formal handover is supposed to occur today, (18th April)

2. Other Problems

Other matters that have also impacted on the outsourcing project are as follows:

PACIFIC Petroleum have noted:

- There has been a general perception amongst users that the FOPG are slow to implement changes or modifications to software, or to generally respond to requests. The words “inflexible” have been used
- Users also find the FOPG to be quite bureaucratic, always asking the users to fill in forms even for the most simplest requests
- The staff they have seen working in the FOPG were not the ones they expected to see!
- On the plus side, systems availability has improved (apart from one incident in March) and the support and help has been a lot more useful

FutureTech have noted:

- The installation and setting up of the Data Centre Equipment in the FutureTech Office took a lot longer than expected. This was partly FutureTech’s fault in not perceiving the size of the task, but installation of PACIFIC Petroleum Software was difficult due to the lack of documentation or configuration management
- FOPG find dealing with some of the users quite difficult as
 - The users want the help and assistance to be provided by FOPG in the same informal ad-hoc way it was provided in the past by the internal IT department i.e. without providing any formal documented requests and expecting immediate responses to Telephone calls
 - On the other hand, as part of their formal proposal FutureTech said it would carry out
 - Formal reviews of systems documentation test specification that would involve both FOPG members and users from PACIFIC Petroleum. The results of the reviews would be formally documented and followed up
 - Acceptance tests of software enhancements or new developments jointly with usersAlthough there have been few of these to-date, it has been very difficult to obtain user participation; users are always “too busy” or “already booked when contacted by the FOPG. In particular, this behavior was encountered when trying to review the User Guide and URS for the Customer accounts record program
- Another problem is the staff shortage. FutureTech are working on many projects and are under-resourced. Consequently key staff assigned to the FOPG are sometimes temporarily assigned to other assignments

These difficulties have been informally communicated between each organisation and each is broadly aware of the others worry. There are further details and other problems, which have not yet been communicated, this are specified to each team separately.