Alvin

Outsourcing Management Workshop 3
FUTURETECH
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1. General

When Future Tech won this contract, they had to do several things

- They had reduced the price of their work, which has narrowed the profit margin. Consequently the MD of FutureTech has instructed the Project Manager (Ralph Cheng) to ensure costs are minimized on this project and any changes in the contract or in the activities to be performed should be appropriately costed and charged for.
- When the Outsourcing contract began a lot of groundwork had to be done to manage the transition. Both PACIFIC Petroleum and FutureTech found that this job took considerably longer than anticipated, and PACIFIC Petroleum was late in providing critical inputs to FutureTech. Consequently when the project slipped, the PACIFIC Petroleum CIO accepted the slippage in the implementation plan and (verbally) approved it, although he later criticized Ralph on the telephone for allowing it to happen.

2. Personnel Matters:

As part of the agreement with PACIFIC Petroleum, Future Tech made employment offers to the three team leaders from the data centre. Unfortunately one of the Team leaders declined the employment offer and subsequently left PACIFIC Petroleum to work elsewhere. The two remaining Team leaders (Doris Tan and David Chew) have joined the FOPG and are now working directly underneath Ralph Cheng. (Their CV's are attached in Appendix A) They are both very valuable employees and have worked very hard on making the transition work. Because of their specialized knowledge of the beverage and manufacturing industry they have both been in demand and have actually been employed elsewhere by FutureTech, on

- Writing proposals, in particular writing a proposal to design an inventory system for the *ASEAN Oil Corporation Company*
- General trouble-shooting and support of other IT projects in manufacturing

In particular this has been very strenuous for Doris who has spent nearly 50% of her time on these other matters over the past two months. The proportion of time she spends on other contracts is likely to increase over the next six months as well. As she is now based in FutureTech, it is unlikely that her absence has been noticed by PACIFIC Petroleum, but you never can tell.....
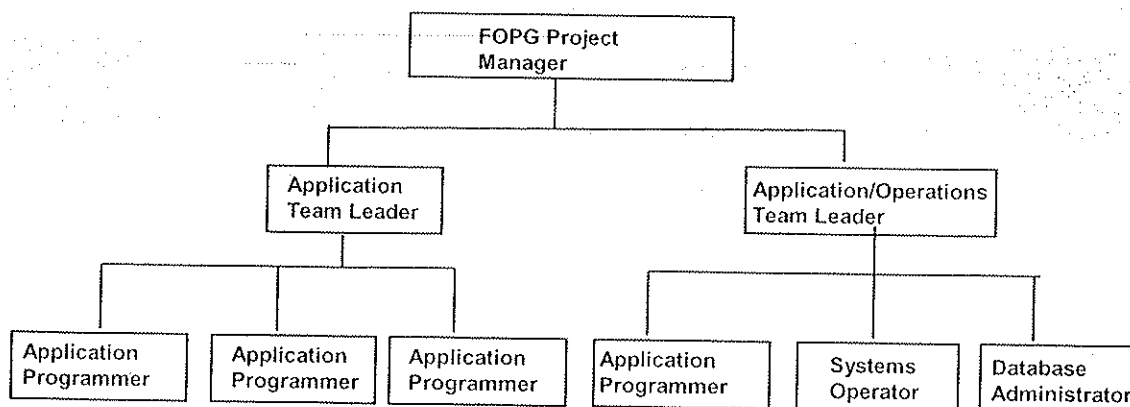
FutureTech is also generally short-staffed, and so when it won the contract for the outsourcing, it also made job offers to two of the programmers in the data centre, Lim Wei Guo, and James Lam. Although there were misgivings as to the quality and capability of these programmers, FutureTech desperately needed staff to help run the contract. Consequently it felt it had no choice. Taking on these programmers has had mixed effects; they are both fairly technically competent, but are both lacking in personal skills. In particular James has a reputation for being very curt and direct with users, to the point of

being rude. It was hoped that making him an employee with a service organization would change this, but this has not happened so far! Also, James and Wei Guo seem reluctant to change their working practices to meet the requirements of FutureTech, in particular:

- They do not document their work in accordance with FutureTech's QMS practices
- More importantly they work on a 9-5 principle, and seem very unwilling to put in extra hours to solve problems that occur
- Finally Wei Guo (who still spends a lot of time at PACIFIC Petroleum site liaising with users) seems to unable to properly account for how he spends much of his work time.

The rest of the employees are long-term FutureTech employees or contract staff. At first it was difficult for them to understand the application domain, but Ralph believes that they are now "up to speed" and will provide a more consistent service. An additional piece of good news is that a newcomer is going to start with the FOPG team in one months time: Santosh Mohan, who has experience in team leading in his previous company (his CV is attached in appendix A). It is Ralph's intention that he ultimately replaces Doris, who will be assigned to lead the *ASEAN Oil Corporation Company* Inventory project when the contract is agreed. <u>This must be discussed and agreed with PACIFIC Petroleum first.</u>
Finally, it seems that the work previously performed by the data centre (which consisted of sixteen staff), can be achieved by nine staff. So savings in effort and cost can be made. The current FOPG structure looks like:

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                         │   FOPG Project      │
                         │   Manager           │
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     ┌────────┴────────┐                         ┌─────────┴──────────────┐
     │  Application    │                         │ Application/Operations │
     │  Team Leader    │                         │ Team Leader            │
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2. Technical Matters:

Several issues have emerged with respect to the software & hardware

- Much of the software that the FOPG inherited from the data centre came with little or no documentation. Also much of the software was constructed in a non-structured way and was poorly designed. Consequently a lot of additional effort was expended in understanding what the current software does and preparing some basic documentation. To date much of this has been done by staff working unpaid overtime, but ultimately Future Tech has expended the equivalent of $S35,000 in labour in

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upgrading the software. This has been necessary to simply maintain and operate the existing software. However

- One of the major pieces of work to be engaged in is the major enhancement of the Project Planning and Monitoring Database application In order to this, Ralph Cheng believes that the existing application program will have to be reverse engineered, i.e. virtually re-built from scratch. Ralph estimates that this will cost FutureTech an extra $S35,000 on top of the contract value. <u>On hearing this the MD of FutureTech instructed Ralph that this money must be got from PACIFIC Petroleum as they were responsible for the original poor state of the software.</u>
- Other major Software developments (the Supply Chain Management ERP Package, and the Jurong Island Warehousing Management system) were intended to be developed from new anyway, so no major changes in the cost of these are currently anticipated

- One minor concern is the hardware. Currently the software runs on early IBM z series, which are nearing the end of their operational life. Also the gap between current IT technology and this mainframe technology is getting wider. However, this does not worry FutureTech too much as they are only been paid to develop and maintain software on the main-frame
- The operation and maintenance of existing software appears to be going relatively smoothly, but in March the Project Planning and Monitoring Database application suffered a series of failures and was down for 12 hours over a period of 4 days. As this was due to defects in the original code taken from PACIFIC Petroleum, Ralph does not feel it is FutureTech's fault, but he will consult the contract, and discuss the issue with PACIFIC Petroleum in the forthcoming meeting.

3. Relations with the Client:

Relationships with the client have been generally smooth, with one or two concerns

- It has been difficult to hold progress meetings or liaise with PACIFIC Petroleum. The last formal progress meeting was held at the inauguration of the project. Since then liaison has been informal, usually through the PACIFIC Petroleum CIO, or with a delegated subordinate. There appears to be some confusion as to the identity of the contract manager for PACIFIC Petroleum (originally it was to be Edward Lee, who is now CIO of PACIFIC Petroleum, then it was a Mr. Peter Ong, now it is unknown!). Ralph would like to discuss this issue with PACIFIC Petroleum at the meeting, together with the subject of regular progress meetings.
- Payments have been somewhat irregular. PACIFIC Petroleum has yet to pay Future Tech for the work that has been performed in the first quarter of 2010, even though the invoices have been sent when required. Further the one-off payment of $500,000 from FutureTech to PACIFIC Petroleum for the purchase of hardware & software was

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promptly paid as stated in the contract. Telephone enquiries to the PACIFIC Petroleum accounts department by Ralph Cheng have not yet resulted in any movement. The MD of FutureTech would like this resolved ASAP

- Another concern is the behavior of the users of the FOPG software. These concerns are based in two areas:
  - Before outsourcing began the services offered by the in-house data centre was given in an informal, ad-hoc "first come - first served" manner. This was a major source of complaints and FutureTech promised to address it by having a formal change control & program run request-handling procedure. It is now very frustrating for FutureTech that the users sometimes refuse to use this procedure and would prefer to use the old "telephone-call-& do-it" method. This makes planning & scheduling of work within FOPG very difficult. Ralph would like to get PACIFIC Petroleum to enforce these procedures within their organization
  - Also as part of their formal proposal FutureTech said it would carry out
    - Formal reviews of systems/user documentation and acceptance test specifications that would involve both FOPG members and users and user managers 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 users

    Although there have been some meetings to date (in particular, the reviews of the URS and the User Guide for the Project Planning and Monitoring Database), it has been very difficult to obtain user participation. In particular the Managers of the user departments never attend these meetings and frequently delegate junior staff to go in their place. These staff are never empowered to make or agree with decisions made at the meeting, or do not have the "wider picture" that their managers have. Frequently decisions made at meetings have to be passed up to higher PACIFIC Petroleum management to have them endorsed (or contradicted!). This makes the documentation and review process complicated and Ralph would like to have this matter resolved, as the formal use of these procedures was part of the contract

5. Exploitation

Future Tech would like to make fuller use of the data centre computers & software. In particular they would like to use some of the software utilities developed by the in-house data centre in the *ASEAN Oil Corporation Company* project. Software ownership could be a problem here, so FutureTech must check what the contract states, and also discuss this with PACIFIC Petroleum at the meeting.

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6. A Catastrophe!

On 17th April David Chew resigned! Ralph Cheng has spent most of the morning trying to persuade him to stay on, but unfortunately to no effect (He has been offered a job of running the MIS section at Bintan luxury resort). He is leaving on one months notice, and Ralph must now determine how to re-organize his FOPG group and how to break the news to PACIFIC Petroleum.

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Appendix A: Selected CV's

Doris Tan (FutureTech)

Age: 26
Nationality: Singapore Citizen
Education;   BSc Mechanical Engineering NTU
Skills: Programming in "C", COBOL, RPGII and DB-2

Employment History

Year	Employer	Position	Work
2002-2005	"Fair Deal" Supermarket chain	Programmer	Wrote COBOL programs for Warehouse control and stocktaking, and also financial control.
2005-2009	PACIFIC Petroleum	Programmer/ Team leader	Responsible for designing and implementing software systems for inventory control, accounting and personnel data
2010 - Current	FutureTech	Senior systems analyst/Team Leader	Maintaining and developing software for the FOPG

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David Chew (FutureTech)

Age: 30
Nationality: Singaporean PR (Malaysian nationality)
Education;   BSc Computing, Queensland State University
Skills: Programming in Assembler "C","RPGII" COBOL, and ACCESS

Employment History

Year	Employer	Position	Work
1999-2000	Koala Airways (Brisbane)	Programmer	Wrote Assembler Programs for ticket and baggage checking & validation
2000-2006	OSBS Bank	Programmer/ Systems analyst	Responsible for designing and implementing software systems for credit rating, and financial transaction processing
2006-2009	PACIFIC Petroleum	Programmer/ Team leader	Responsible for designing and implementing software systems for inventory control, materials reference and accounting procedures
2010 - Current	FutureTech	Team Leader	Maintaining and developing software for the FOPG