PROJECT MANAGEMENT AND CONTRACT MANAGEMENT – A JOINT (AD)VENTURE

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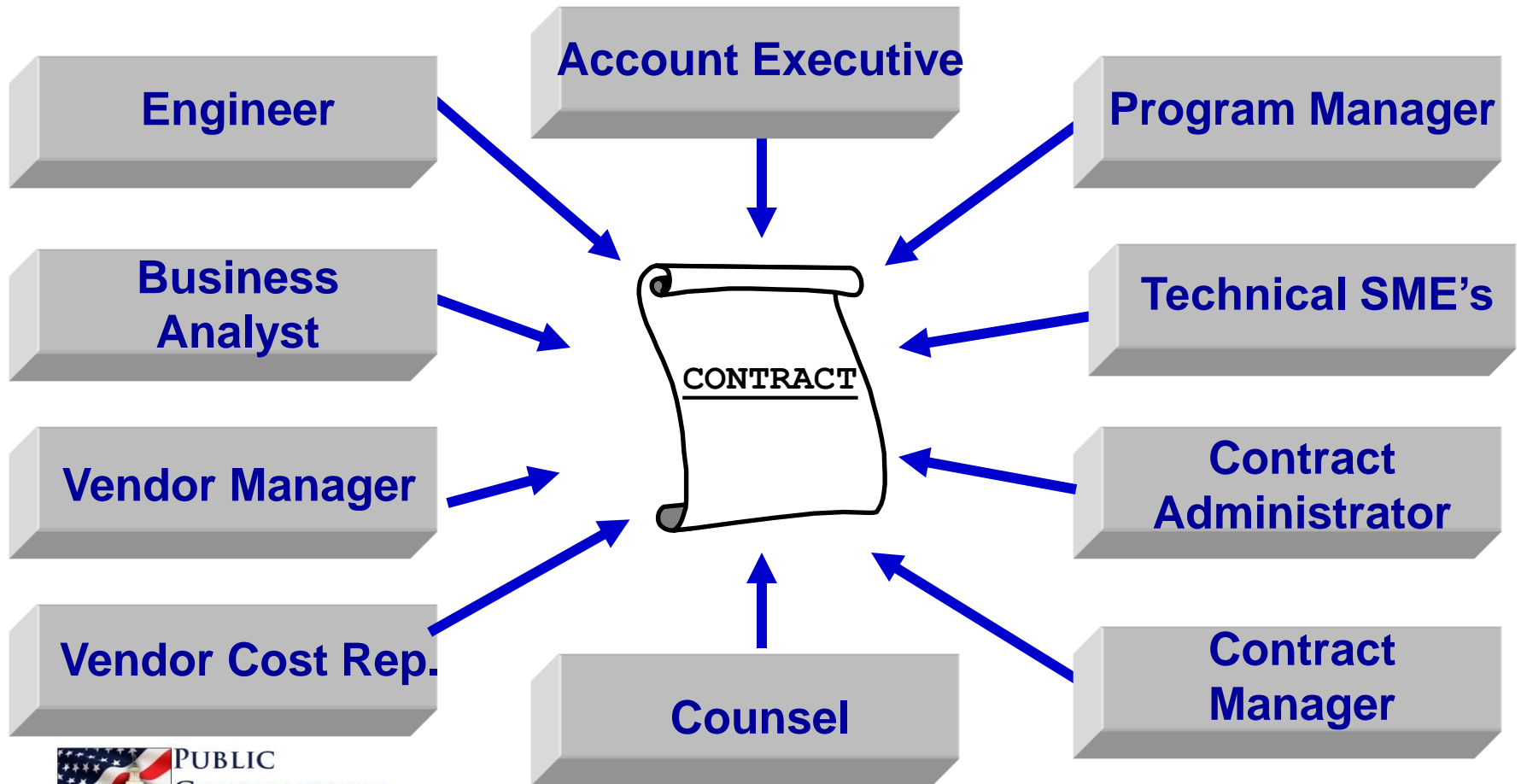
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WHY IS CONTRACTING AND PROGRAM MANAGEMENT ENGAGED IN A "JOINT VENTURE" AS WELL AS PURSUING A "JOINT ADVENTURE"?

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….Because Program Management (a.k.a. Project Management) and Contracting (a.k.a. Procurement) must work together toward the same goal (Joint Venture)—successfully delivering a product or service—and the "journey" (Joint Adventure) from inception to final delivery is a collaborative effort.

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ROLES AND RESPONSIBILITIES OF THE TEAM MEMBERS

A CROSS-FUNCTIONAL TEAM APPROACH

Engineer

Account Executive

Program Manager

Business Analyst

Technical SME's

Vendor Manager

CONTRACT

Contract Administrator

Vendor Cost Rep.

Counsel

Contract Manager

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The project manager (or program manager, if multiple projects) oversees the performance, schedule, and costs associated with a program.
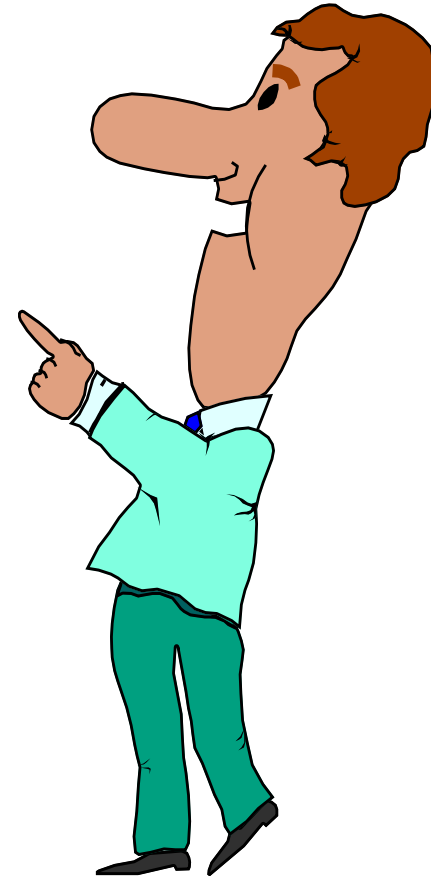
TECHNICAL EXPERTS (SME'S)

An individual with technical, functional, or operational expertise

- ❑ Develops the technical specifications
- ❑ Principle author of the Statement of Work (SOW)
- ❑ May be an engineer

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LEGAL

- ❑ Reviews and approves terms and conditions
- ❑ Clarifies contract language ambiguities
- ❑ Advises management concerning governing laws and tariffs
- ❑ Represents your company in disputes with vendors/ customers and in court

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THE CONTRACT MANAGER

- ❑ Develops the contract language (terms and conditions)
- ❑ Reviews the SOW's
- ❑ Negotiates contracts, prepares the negotiation summary, and oversees the execution of the contract
- ❑ Reviews the solicitation document for applicable terms and conditions and legal form

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CONTRACT MANAGEMENT AND PROJECT MANAGEMENT THROUGH A
PERFORMANCE-BASED APPROACH

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BENEFITS OF BLENDING CONTRACT MANAGEMENT AND PROJECT MANAGEMENT

- Organizations to better plan, control, perform and administer projects and contracts

- Increase responsiveness

- Performance effectiveness

- Optimization of organizations needs and strategic business objectives.

TRADITIONAL "UPFRONT PLANNING"

NINE QUESTIONS FOR PROJECT MANAGERS AND CONTRACT MANAGERS

1. How does your organization communicate its goals and objectives to stakeholders?

2. How do you determine and analyze project risks?

3. How do you use risk assessment to mitigate risks?

4. How does your organization consider and incorporate lessons learned?

5. How does your organization plan for the future contract?

CONTRACT MANAGERS AND PROJECT MANAGERS (CONTINUED)

6. Does your organization define and review the goals, standards, performance criteria at the beginning of each project?

7. How does your organization define, collect, and analyze project metrics?

8. How does your organization analyze internal and external dependencies?

9. How does your organization integrate internal and external dependencies into contract and project management processes?

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BLENDING PROJECT MILESTONES WITH CONTRACTUAL DEADLINES CAN BE CHALLENGING

REASONS CONTRACTS AND PROJECTS DON'T SUCCEED

- Lack of Definition – No management standards of practice, behavior, or accountability.

- Scope Creep – Allowance of Work Not Specified in the Project Scope Nor Written Into the Contract.

- Undefined Performance Standards and Metrics – No way to measure project success

- Unqualified or Under-Qualified Personnel Assigned To Project Teams

- Ineffective Surveillance and Weak Control Structure – Minimal, if any, monitoring of the project and no documentation (project and contracts) to track, verify, and control project activities

DISCUSSION OF THE SEVEN BROAD CATEGORIES OF CONTRACT MANAGEMENT FUNCTIONS

SEVEN BROAD CATEGORIES OF CONTRACT MANAGEMENT FUNCTIONS

- Procurement (Preaward)

- Monitoring and Surveillance Functions

- Periodic Reports to the Project Team, Company Leadership, and Contractor

- Formal Decisions and Actions Affecting Stakeholders (Internal and External)

- Contract Negotiations

- Contract Administration.

- Contract Closeout.

FIVE KEY MUST-HAVES FOR A "LEGAL" CONTRACT

- ✓ Offer

- ✓ Acceptance

- ✓ For a legal purpose

- ✓ Between two or more competent parties

- ✓ For consideration (money, barter, trade, etc.)

Also, documented in writing and signed by the company-designated representative

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CONTRACT TYPES

Cost-Type

The Buyer pays the Seller's reasonable incurred costs plus a fee.
- Cost Plus Fixed Fee
- Cost Plus Award Fee
- Cost Plus Incentive Fee

Fixed Price

A set negotiated price between Buyer and Seller.

Time and Materials

The cost of labor and materials are separately stated and must each be approved in time phases.

CONTRACT TERMS AND CONDITIONS (TS & CS)

- ❑ Deliverables
- ❑ Quality specifications
- ❑ Inspection & acceptance
- ❑ Compensation & payment
- ❑ Product or service specifications

- ❑ Warranty
- ❑ Quantity, price, & delivery terms
- ❑ Schedule
- ❑ Performance criteria
- ❑ Reimbursables

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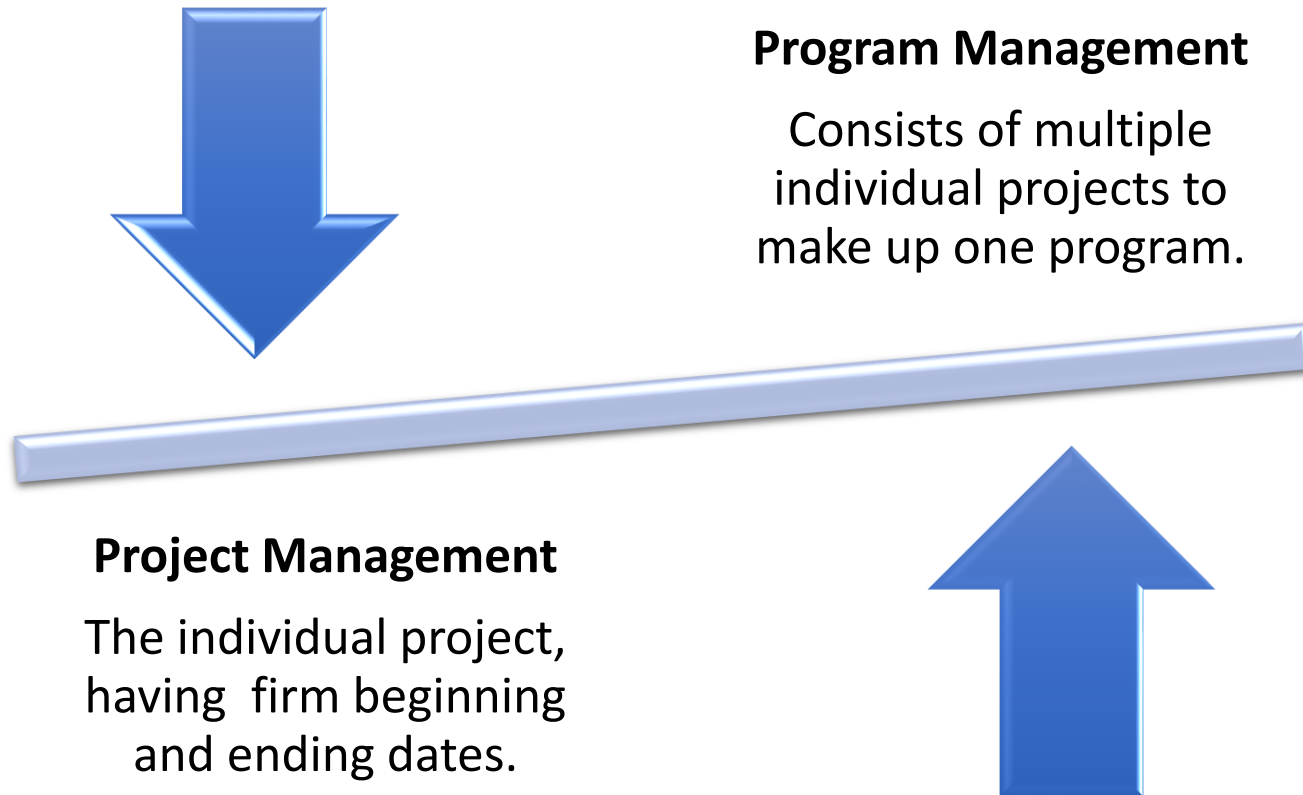# DON'T FORGET THE LEGAL STUFF!

- Practice ethical conduct when interfacing with customers and suppliers

- All contract t's and c's must be written and signed by a designated company rep who is authorized to bind the company

- Protect the company's intellectual property (copyrights, trademarks, trade secrets, patents)

- Ask for a legal review of all contracts and related documents that have nonstandard t's and c's and/or suspected ambiguities
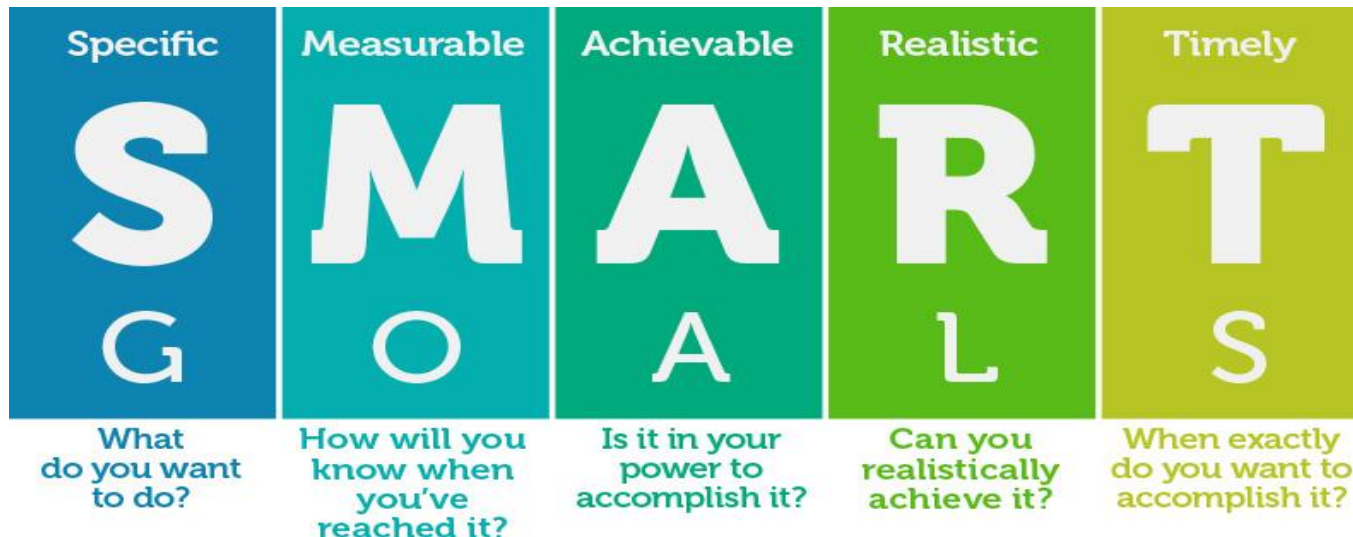
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PROJECT-PROGRAM MANAGEMENT

DIFFERENCE IN PROJECT MANAGEMENT AND PROGRAM MANAGEMENT

Program Management

Consists of multiple individual projects to make up one program.

Project Management

The individual project, having firm beginning and ending dates.

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*Note: These terms are often used interchangeably.

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WHAT IS PERFORMANCE-BASED PROJECT MANAGEMENT?

- A complete strategic approach to ensure that the business of the organization –delivered through a contract—is managed based on performance.

- Performance metrics are **SMART**
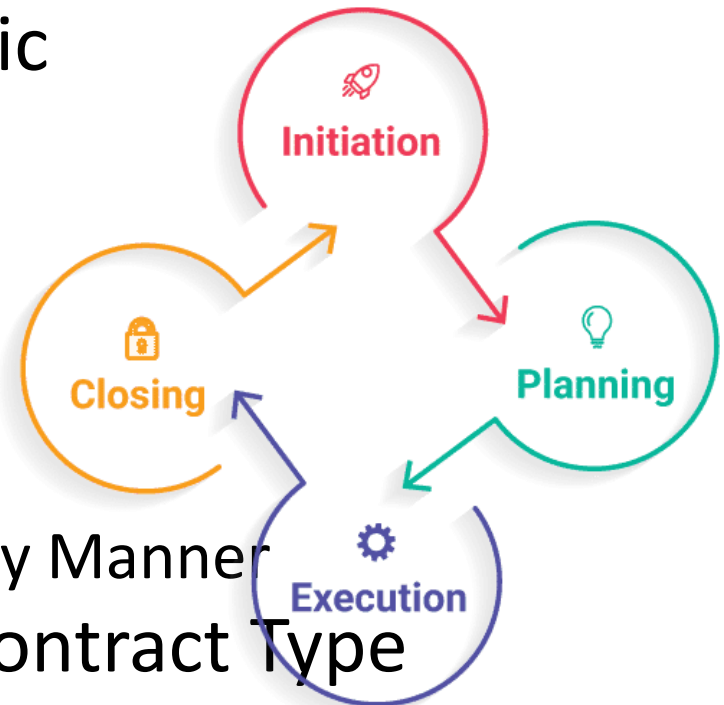
Project Management

PROJECT DOCUMENTS

- Project Plan
- Project Team Charter
- Scope Statement
- Statement of Work
- Risk Management Plan
- Budget (Cost Documents)
- Requirements

- Schedule Data
- Activities List
- Performance Criteria
- Communications Plan
- Work Breakdown Structure
- Quality Plan
- Test & Evaluation Plan

KEY FUNCTIONS OF THE PROJECT MANAGEMENT LIFECYCLE THAT PARALELL THE CONTRACT MANAGEMENT LIFECYCLE

- Defined Scope

- Upfront Tactical and Strategic Planning

- Procurement Functions

  - Developing Requirements

  - Make or Buy Decisions

  - Selecting Vendors

  - Responding to RFPs in a Timely Manner

- Choosing the Appropriate Contract Type

  - What constitutes a legally binding contract?

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MORE FUNCTIONS OF THE PROJECT MANAGEMENT LIFECYCLE THAT PARALELL THE CONTRACTING LIFECYCLE

- Monitoring Success – Actively managing the contract and project through its lifecycle.

- Develop a risk management plan

- Closeout – After contract completion (project performance), close out all outstanding action items

- Document lessons learned.

- Manage (or transfer to another department) those provisions that "survive" the contract and project end dates, such as warranties, insurance, maintenance clauses, regulatory requirements.

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OTHER FUNCTIONS SHARED BY PROJECT MANAGEMENT AND CONTRACTS PROFESSIONALS

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CYBER SECURITY

- Applicable to ALL functional departments in Government and industry.

- Should include cybersecurity clauses and statements in RFPs, requirements, contracts, SOWs, proposals, etc.

- Flow-down cybersecurity compliance requirements to subcontractors and consultants.

- Include cybersecurity compliance as a key element in performance metrics.

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CYBERSECURITY (CONT.)

Myths:

- Hackers only target large businesses.
- We are not a financial institution, energy, or retail business.
- We have never had a data breach and/or ransom demand.

Facts:

- Hackers target small-to-medium sized businesses who are most vulnerable.
- Hackers target all types of businesses, anywhere that personal data is stored and accessible.
- Data breaches can occur and remain undetected while proprietary data is being stolen.

Remember the Wanna-Cry Breach in 2017? Hackers' ransom demands often exceeded $1M in cryptocurrency and forced some companies out of business.

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RISK PLANNING
AND
RISK MANAGEMENT
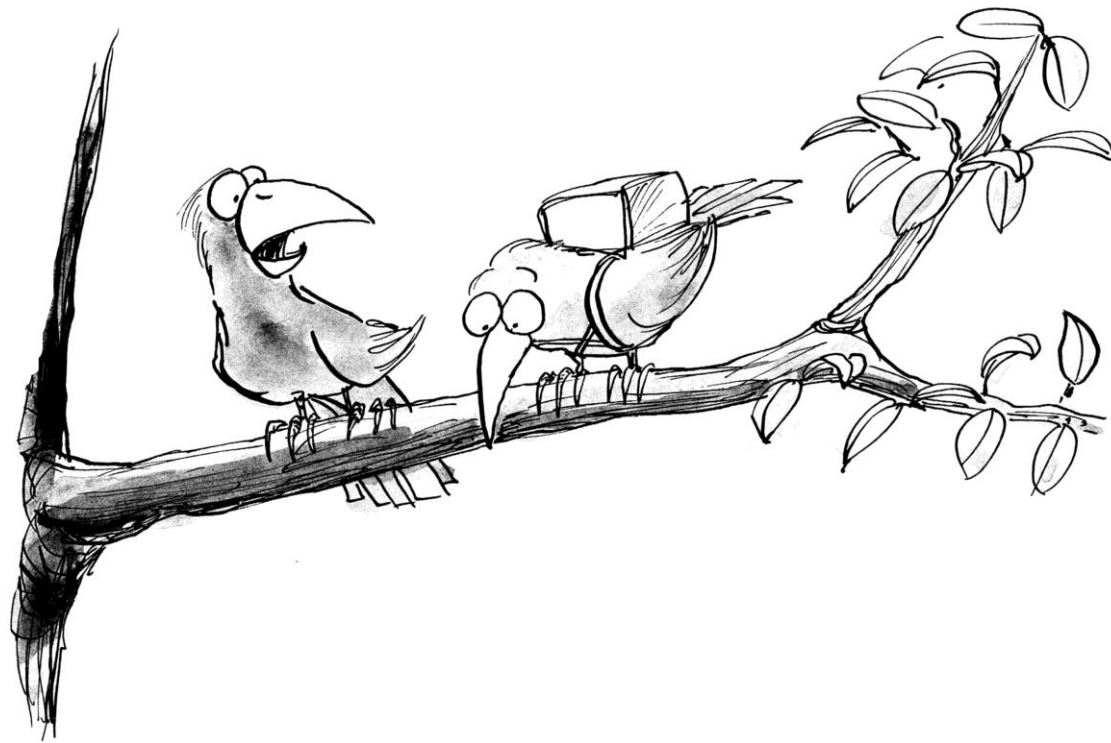
"Let's try it without the parachute."

RISK MANAGEMENT

- Is a joint effort for both the PM and CM.

- Starts in the planning stage and continues throughout the contract and project lifecycle.

- Identifies the potential risks and documents them in a risk register.

- Qualifies and quantifies the risks.

- Determines how each risk will be managed: accept, avoid, transfer, or mitigate the risk.

RISK MANAGEMENT TOOLS & TECHNIQUES

Risk Register

Document risks that may positively or negatively impact the project.

Root Cause Analysis

SWOT

Identify Strengths, Weaknesses, Opportunities, and Threats.

Probability and Impact Matrix

(Risk = P x I)

Risk Breakdown Structure

Brainstorming

Risk Matrix

Fishbone Diagram

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DECISIONS ABOUT POTENTIAL RISKS

- Risks are inherent to all projects.

- Potential risks should be identified in the project planning and procurement stage.

- Those identified risks should be documented, prioritized, analyzed, tracked, and updated in a risk register.

- Potential risks should be communicated among the project team and key stakeholders.

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REQUIREMENTS DEVELOPMENT
AND
DOCUMENTATION

REQUIREMENTS

Consists of more than merely a statement of the Buyer's "wants".

Requirements are a statement that identifies a product or process which is:

- Unambiguous
- Testable or Measurable
- Clear, Concise, and Not "Wordy"
- Necessary for a product or process acceptance by consumers, buyers, sellers [external] or quality assurance guidelines [internal].

Requirements Should Be Documented at a High-Level in the Business Case and In Detail in the SOW

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TYPICAL FOUR TYPES OF REQUIREMENTS

- **Functional**: operational capabilities, look-and-feel, number of users. Provided by contract management, project manager, and stakeholders.

- **Technical**: system architecture, database, delivery model, integrations with other systems. Provided by technical staff

- **Business**: goals, objectives, regulations, budget. Provided by contract management, finance, and project team.

- **Process**: policies, procedures, practices. Provided by contract management, project team, and corporate leadership.
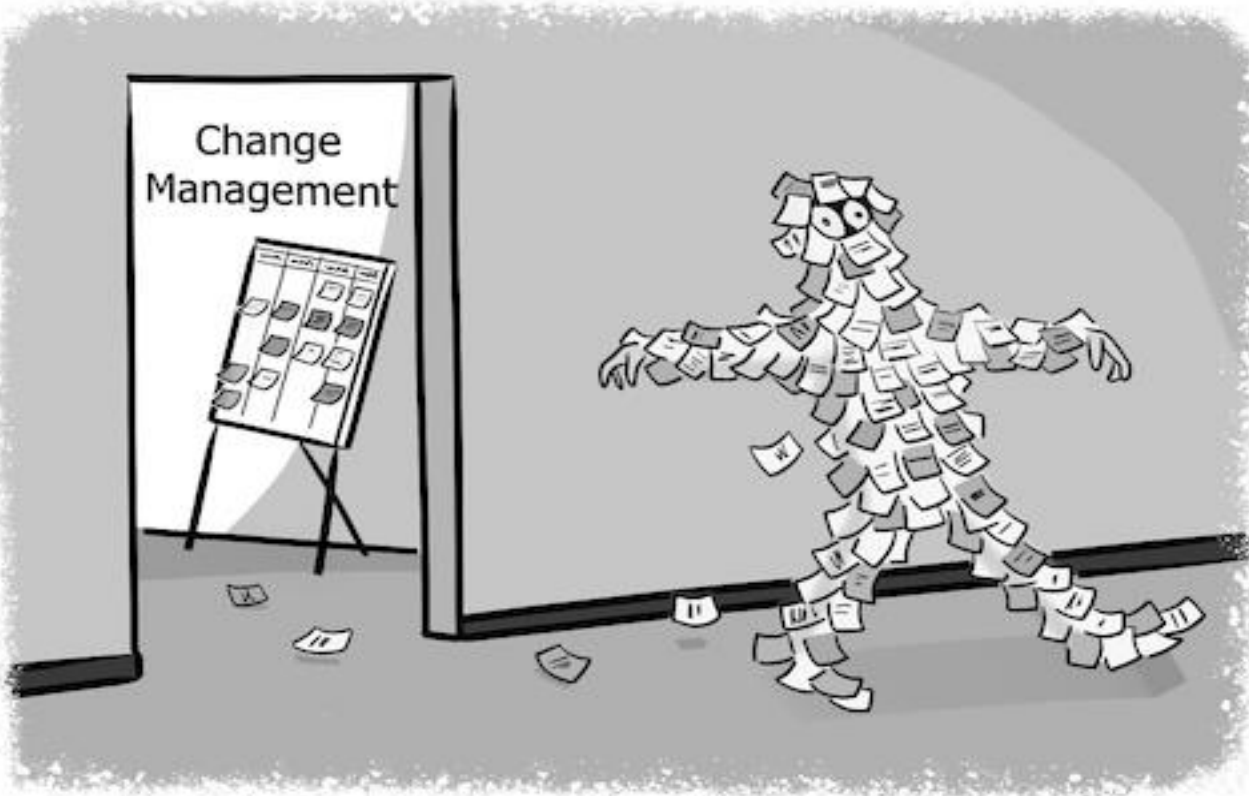
Developing Good Requirements is A Team Effort….
And Should Include Input From the Customer (or Supplier)!

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CHANGE MANAGEMENT

CHANGE MANAGEMENT - PROJECT

- Includes those considerations for Contract Management.

- Ensure change is necessary.

- Avoid changes to the scope once it is baselined ("scope creep"). Note: This applies mostly to the waterfall method.

- Engage the customer and key stakeholders.

- Determine project risks, cost overruns, and potential delays that can derail the project.

- Assess the technical impacts that a change may cause.

- Document all project changes.

CHANGE MANAGEMENT - CONTRACTS

- Ensure all changes to contract are documented by modification and signed off by both parties before work is begun.

- Obtain management approval for changes.

- Determine impact changes will have on cost, schedule delays, risk, production capabilities, available resources, etc.

- Consider legal and/or regulatory impact if change is implemented.

- Determine how change will impact subcontractors, suppliers, etc.

APPROACHES TO CHANGE

- Under the traditional "waterfall" methodology of contracting and project management, change is discouraged.

- Under the "agile" method, change is embraced and occurs frequently.

- Changes to the project and contract should always be documented in writing and signed off by both organizations.

AGILE

vs.

WATERFALL METHOD

Waterfall

WHAT'S THE DIFFERENCE?

- Agile is a relatively "new" project management and contracting methodology that is gaining popularity.

- Developed in 2001 by a team of software development professionals.

- Adaptable to frequently changing customers' and suppliers' needs.

- Can be used with most any product or service. (Can be combined with the waterfall method, too.)

- Agile differs from the waterfall method primarily due to deliverables being released every 2 to 4 weeks.

- Waterfall method is the "traditional" project approach where deliverables are released at the end of project/contract. Change is discouraged.

Method Used Depends on the Product or Service and Company Preference
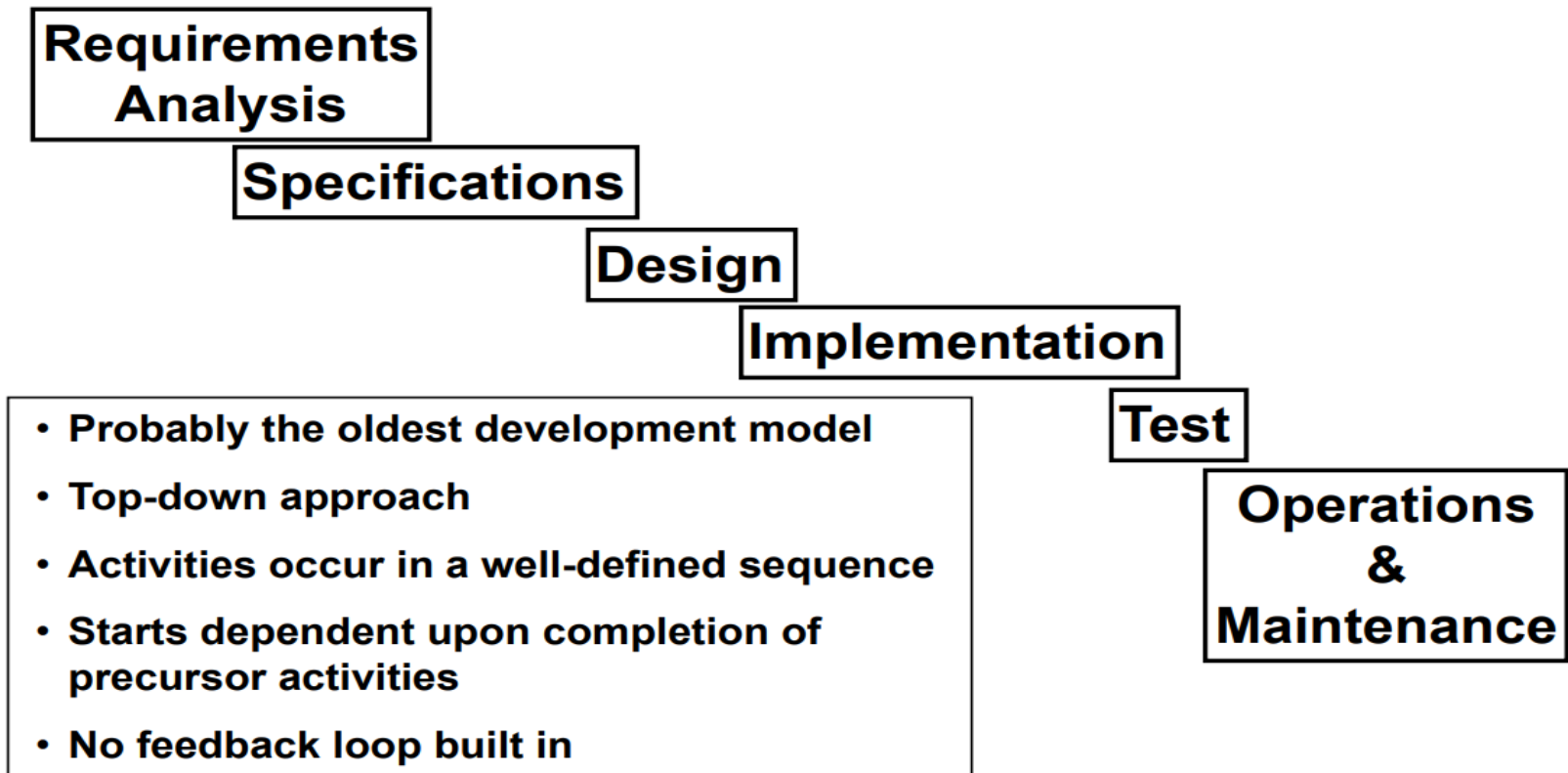
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AGILE APPROACH

AGILE METHOD

- Agile (defined). A flexible approach to project management that is characterized by the division of tasks into short phases of work (iterations) and frequent reassessment and adaptation of plans.

- Agile is mostly used in software development projects but is adaptable to most any product/service.

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"TRADITIONAL" WATERFALL MODEL

Requirements Analysis

Specifications

Design

Implementation

Test

Operations & Maintenance

- Probably the oldest development model
- Top-down approach
- Activities occur in a well-defined sequence
- Starts dependent upon completion of precursor activities
- No feedback loop built in

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COMMUNICATION AND LEADERSHIP

COMMUNICATION

- A project can be more successful when communication is practiced before, during, and after the project.

- Communication must occur at all levels.

- Establish high-performance teams.

- Define the project organization's communications objectives and share those with the key stakeholders.

- Identify the internal and external audiences and styles.

- Develop the communication plan once the above have been established.

- The plan should identify the timely and appropriate generation, collection, dissemination, and storage of project and contract information.

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CULTURE, ETHICS, AND DIVERSITY

- Executive Leadership – Establish an environment of empowerment and diversity.

- Trust – Establish good working relationships.

- Clarity – Establish a clear picture of what people are expected to do and expected to achieve.

- Accountability – As appropriate, establish individual and group responsibilities.

- Consistency – Establish consistent policies, procedures, and resource assignments-based respect for all faiths, genders, ethnicity, disabilities, etc.

- Preparation - Adopt upfront planning.

- Reinforcement - Keep sending the transformation message.

- Ethics and Integrity – Emphasize "Do the right thing".

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WHAT IS SERVANT LEADERSHIP?

Servant Leadership is a "non-traditional" management style.

It is incorporated into the Project Management Institute (PMI) Body of Knowledge as the "preferred" leadership style.

Program managers and contracting professionals should demonstrate servant leadership. They:

- Focus management and personnel interaction away from "controlling" activities and toward a "synergistic" relationship.

- Emphasize innovation and empowerment.

- Develop leadership qualities in others.

- Demonstrate empathy, listening, stewardship, and commitment.

WHEN SERVANT LEADERSHIP MIGHT *NOT* BE APPROPRIATE

- Servant leadership is most applicable in professional business settings to establish strong interpersonal relationships among team members and stakeholders.

- Servant leadership **is not** applicable to military battlefield settings, where authoritative orders must be given and obeyed in life-or-death circumstances.

- Servant leadership might not be effective in certain employee disciplinary scenarios where clear lines of authority and expectations need to be emphasized.

Questions

ADDENDUM

COMMON TERMS

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COMMON TERMS

- Customer, Vendor, Supplier, Buyer, Seller, and Contractor might be used interchangeably.

- Program Management – A group of multiple similar projects under an overarching program.

- Project Management – One project with definite beginning and ending dates. (Sometimes this term is used interchangeably with program management.)

- Contract Manager, Contract Administrator, Procurement Analyst might be used interchangeably.

- Procurement – Procuring products and services and pre-contract activity that occurs prior to the award of a contract.

- Contract Administration and Contract Management – Contract activity occurring after contract award.

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COMMON TERMS (CONT.)

- Stakeholders – All Persons and entities that have a genuine interest in the project, program, and/or contract.

- Servant Leadership – A leadership style that embraces leadership by example, empathy, listening skills, etc.

- Agile – A popular project method characterized by work in time blocks of 2 to 4 weeks in duration. A deliverable is usually available to the customer. Change occurs frequently. Applies also to contracting.

- Waterfall – A traditional project method where project changes are discouraged, and deliverables are released to the customer at the end of the project. Applies also to contracting.

- Lessons Learned – Project and contracting activities that are gathered and documented throughout the project, summarized and archived for future reference.

- Risk – An identified potential occurrence that can have either a positive or negative impact on the project.

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