Case study: demand intercity professionals

Business

Demand Intercity Professionals Presented by: Sesame Weaker I Major Facts: DIP is a major telecommunications company, providing services across several major cities.

DIP has received large number of customer complaints regarding improper charges on phone bills. DIP COO has authorized a project to review existing billing system and develop a new system with better efficiency. DIP COO wants to bring In an external management consultant to work on this project. DIP Project Manager prepares SOW for RFC used to solicit bids for this project.

RFC issued to 3 bidders. DIP PM and Procurement manager chose BAD based on individual interviews with key personnel from all bidders.

Contract agreed on is a CUFF with reimbursable costs tied to hourly billing rates (rates based on classification of personnel). Post 6 weeks, most of work is being performed by less experienced personnel who charge lower rate. Personnel Initially interviewed (higher costs/hour) have spent less time on project. DIP PM believes project Is behind schedule due to the use of less experienced personnel.

DIP PM and Procurement Manager meet to determine mitigation plans to bring project back on schedule. II Major Problems: Performance requirements seem to have been defined primarily in terms of cost.

Schedule requirements have not been clearly specified in contract. Due to this project might be ahead on costs, but behind schedule. Quality Is In question, since lower qualified personnel are working on project.

Reimbursable costs have been tied to billable hours. This motivates the contractor to try and reduce expenses (while making a profit on the incentives) by using lesser experienced employees.

This is affecting schedule and possibly quality.

Reimbursable costs should have been tied to leverages rather than billable hours. The contract performance period has not been broken down into smaller units to effectively track actual progress (earned value) against a planned progress (planned value). This would allow DIP to hold BAD accountable for any deviations In schedule/costs from the original plans. No contract stipulations requiring that BAD only use the personnel initially interviewed for the project.

DIP has awarded the project based on interviewing these personnel, and hence, it should have mandated BAD use these personnel only for the life of the reject Case Study #5: Demand Intercity Professionals Ill Possible Solutions: Solution#l : Employ an FEM. system for the remaining contract performance period.

Define planned values which ensure project finishes on cost/schedule. Track future progress against the planned values. Advantages: Using an FEM. system will help track the remainder of the project and let upper management know of any potential overruns.

DIP Is aware of progress through the entire project performance pergola, Ana can develop amalgamation plans as soon as slings of overruns are visible. Disadvantages: This is an extra tracking process, which will require additional time and costs from both vendor and buyer in terms of man power to report and document progress and billable hours spent in this effort.

Solution #2: If contract does not have a schedule clause, modify contract and include schedule as an attribute that could affect the incentive. E. G. : any delay in schedule of delivery would result in the fixed fee percentage being reduced.

This will encourage the vendor to deliver on time. If such a clause exists, activate the clause and inform the vendor regarding the same.

Advantages: Will help motivate the vendor to pull-in the schedule and bring it back on track, for fear of losing out a portion of his incentive. Disadvantages: In case the above requires a modification in the contract, this would mean additional time/effort spent. Strained relations between the buyer and seller. Solution#3: Work with BAD to ensure that only the initially interview personnel are used on this project. Any change in assignment of personnel has to be approved by DIP.

If required this could be implemented through a change in the contract. Advantages: Quality of work will not suffer, also project will be on schedule due to better experience and capability of these personnel. Disadvantages: Since these personnel have higher billable hours and might need to work extra hours to bring schedule back on track, DIP might have to incur extra costs. However, this costs might be acceptable, if schedule of project is of utmost importance for DIP. Case Study #5: – Demand Intercity Professionals In case, the above requires a modification in the contract, this would mean additional time/effort spent.

Might result in strained relations with the vendor. Solution#4: Fire current vendor and choose one of the remaining two original bidders. Advantages: No visible advantage for DIP. This would in-fact worsen the schedule requirements since they would have to go back to the drawing board. Disadvantages: Would mean going back to the drawing board with the new vendor, and redoing all of the work. This would mean significant delays to DIP which is not desirable.

IV Choice and Rationale Use a combination of #1, 2 and 3.

Using an FEM. system will help track the remainder of the project and let Upper management know of any potential overruns. Using a schedule clause to control the fixed fee incentive, will motivate the BAD to deliver the project on time. If he is able to do so at lower costs, it is a positive for ODL and BAD. Also using the initially Interviewed personnel will ensure Tanat project remains on track (scan is delivered with high quality.

Alee/cost) Ana Using Solution #4 would mean going back to the drawing board with the new vendor, and redoing all of the work. This would mean significant delays to DIP which is not desirable.