



Managing Software Contractors

Introduction

Software contractors play an essential role in our industry, helping to smooth-out resource peaks, and supplying critical skills on an as-needed basis. They are a rich addition to the project manager's toolbox. However, as with many things, the benefits do not come without problems. Here are some of them.

- Contract firms are known for their bait-and-switch tactics, and the highly experienced specialist that you interviewed prior to contract award is suddenly no longer available when the work needs to be done.
- Your project has quietly become the training ground that the contract firm uses to prepare its staff for their next assignment.
- Contract invoices are significantly higher than you expected because of hidden time charges that you didn't know about.

These and other contractor horror stories abound. The purpose of this guide is to make sure that your project does not become one of them.

Before You Start

95% of the problems that occur with software contractors or consultants could have been prevented if some thought had been given at the beginning of the assignment as to how the contractors were to be managed. Here are some things to do.

- Establish ethical standards for the treatment and management of the contractors. Remember that these are people that you are managing - not machines. Believe it or not, 99% of contracting consultants start out wanting to do a good job for you. You will be doing everybody a favor by deciding beforehand who will measure their performance, what performance metrics will be used, and how you will go about correcting any problems that occur.
- You will need to define the role of the contractor in your organization. How will you treat the contractors compared to your permanent staff? Will you blend them in as an integral part of on-going operations, or will you keep them separate for project work only?
- Are you clear in your own mind what you are asking the consultants to do? It is not necessary that you know all the details of the assignment or the project. After all, that is what you are hiring the contractor for. But it is essential that you know what success looks like!



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- Be clear in your own mind about the roles and responsibilities in your own organization. Nothing confuses a contracting assignment as much as changing the management team or the management processes in mid-stream.
- Define your responsibilities up front and make sure that you don't shirk them.

First Contacts

You should insist on interviewing each and every contractor that will work for you. (If you do not have the time to do this yourself, delegate it to someone else in your organization). On no account allow the contract firm to select your staff for you. As you interview each candidate be sure to secure a commitment that the person being interviewed will be available to do the work.

During your early interactions with the contracting firm you should define the chain of command within your own organization and make it clear who is the appropriate contact for each type of issue. Do not allow the contracting firm to short-circuit your management authority by talking directly to your senior managers.

The Contract

The contract should be the formal embodiment of all the things that you have agreed to with the contracting firm. In many companies, specialist departments handle the "contractual stuff." However, it is important that you do not delegate contractual issues without assuring yourself that the contract is working in your best interests. Here are some of the things to consider.

- Who owns the copyright for the work performed by the contractor? Only in exceptional circumstances will you want your contractors to end up owning the software and documentation that you have paid for them to develop!
- Make sure that the contract clearly states that you must approve, in advance, all people that you will be billed for. That way, you will know beforehand if there are home office personnel that the contracting firm is expecting you to pay for.
- Expenses should be spelled out in detail. What travel costs do you expect to pay? Will you pay for the contractor's time while he or she is travelling? Who pays for the contractor's mobile phone? etc.



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- Look very closely at how you pay the contracting firm. Pay by results and not by the effort expended. If you pay by the hour, then the contractor is motivated to increase the number of hours. If you pay for each completed software module, then the contractor is motivated to deliver more modules. Which would you prefer to pay for, contractor hours or completed software modules?
- Be specific on deliverables. If the work that you want to do is not very well defined, then be prepared to execute a scope definition phase prior to negotiating a fixed price for the remainder of the work.
- Avoid open-ended commitments and long-term deals. Where possible break the work into small, discrete packages. Keep the contracting firm motivated with the prospect of more work in the future if they perform the existing work well.
- Never pay fixed price for something with variable quality!

Starting Work

Start as you mean to continue. Be clear what you are asking your software contractors to do and monitor their progress so that you can make corrections before things go bad. Consider writing a project plan that spells out what you are expecting the contractor to do and when. Use the plan to develop checkpoints that will allow you to measure progress towards the project goals. If possible, set up an "earned-value" scheme that will give you a graduated measure of the progress being made. Avoid the situation where you are flying blind with no indication of progress.

Steady as She Goes

Few things are certain about using software contractors. But of one thing you can be certain. Soon after work has started you will get the bill! Take the time to review invoices thoroughly before you approve them. This is your last easy opportunity to question the value of the services that you are receiving. The invoices should clearly reflect what was agreed upon in the contract. If there is any uncertainty, contact the contracting firm to get your questions answered before you pay the invoice.

As the work progresses be sure that you and your company are keeping the commitments you have made to the contractor. There are few things more frustrating than bringing a contractor firm to task for late delivery and finding out that it was caused by someone in your company who didn't approve documents on time!

Lastly, wherever possible try to provide a stable management environment for the contracting firm. Keep the same management contact within your organization. Do not give them the opportunity to create confusion by playing one arm of your organization against another.



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Checklist

If you are new to managing contractors, here is a checklist of things to think about. (Even if you're an expert, you might want to review the list to make sure you haven't forgotten anything!)

	Yes	No
Is it clear who in your organization will measure the contractor's performance?		
Is it clear to everyone what performance metrics will be used to measure the contractor's performance?		
Do you know how you will correct any performance problems?		
Is there a single point of responsibility in your organization for managing the contractor?		
Is there an organization chart that shows lines of responsibility and how contractors fit in?		
Is the contractor's scope of work clearly defined?		
Is there a single point of contact at the contracting firm?		
Are roles and responsibilities clearly defined?		
Did you review the contract?		
Do you know who is responsible for reviewing timesheets, invoices, and expenses?		