

PROJECT'S OUTSOURCING. AN ALTERNATIVE OF HR MANAGEMENT

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Abstract

This paper is a theoretical synthesis that seeks to emphasize the importance of using outsourcing in project management. Why is it preferable to use such a solution? To help focus on the real issues concerning the project in question and because hiring personnel who can provide quality in such activity is often more costly than choosing outsourcing. Subject of this paper it is "Project's outsourcing. An alternative of HR Management". Choosing the theme of this article is not random, it continuing series of articles published for strengthen of scientific research in the Doctorate studies that I followed since 2005.

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1. INTRODUCTION

Modern management of projects is defined as planning, organizing, monitoring and controlling all aspects of a project and motivate all those involved to achieve security objectives, within time, cost and performance criteria established (Albers, H. ,1990). Attribute of "modern" concept emphasizes the expansion to a variety of issues (area, cost, time and quality) as opposed to its traditional definition, focused only on cost and time.

Fundamental purpose of initiating a project is meeting certain objectives.

The reason of organizing the tasks in the form of projects is the responsibility and authority that derives from attaching these goals relatively small group of people.

Actual experience shows that using of modern project management leads a better control of resources and better relations with customers. A significant proportion of users reporting less time for development, lower costs, higher quality and profit margins higher. Other advantages are observed narrowest orientation towards results, better interdepartmental coordination and a high morale of employees.

On the negative list are evident: an increase in the complexity of the organization, a trend of violation of company policies, given the degree of increased autonomy a limited number of firms reporting an increase in costs, difficulty in organizing and non-staff.

Globalization of business combined with inherent change imposed by new technologies continues to raise the ability to conduct appropriate activities or contemporary projects.

New efforts used to control various aspects of systems integration are not real, in diversity and complexity of contemporary informational environment. The need for more competent technical management of projects is urgent in the survival of those organizations that truly need the benefits of contemporary technologies.

Project management is a formidable effort, and in comparison with other duties effectively, it is often enveloped by perceptions of a visible set of management principles. It is surprising to see how many professionals often ignore the basic concepts in an attempt to formalize a single access path that can manage various facets associated with technical projects.

Successful delivery of most applications requires a solid understanding of the principles that are related to project management processes.

Professionals with experience have already learned how to apply basic concepts on projects. At the same time is extremely important to know the differences in achievement of project goals without being blinded by the rules. The cost of ignoring principles of management is usually disastrous. Many professionals who have failed in managing the projects are victims of rigid discipline or reckless experiments.

A crucial component of project management is the ability to use human resources. In the natural, skills acquisition requires the leadership capacity of those who have lower skills in the details control. This may explain why professionals, who have direct relations with the human component, are no longer accepting just as technocrats. Clearly the majority of managers of successful projects, skillfully handling the art of working with various organizations including customers, vendors, contractors and consultants. These important qualities are not won easily and requires years of experience to be grown.

Lack of professional skills, as well as the need to focus on core competence, urged many, if not all organizations, to require outsourcing beyond traditional limits.

Understanding risk and the won by using outsourcing is now mandatory in project management strategy. Outsourcing it refers to delegate tasks or goals of the organizational segments of the external entity that provides a best report between quality and price or expertise specialized areas. Outsourcing can include a wide spectrum of activities from operational processes (i.e. delivery of products) and to functions of the firm.

Many of the major advantages of contemporary organizations are that they can gain through outsourcing, ability to purchase intellectual capital, to focus on true problems of projects. So can better anticipate future costs and may take various actions to minimize them.

2. GENERAL METHODOLOGY IN OUTSOURCING

Dilemma for a general contractor when he must decide whether to subcontract of works, and the extension of this procedure is generated by the contradictory effects:

- by subcontracting decreased, by sharing, the general contractor risks for the project;
- reduce the direct control of the general contractor regards the quality, time and cost performance of work;
- reduce the contractor profit.

Why it's still called the subcontractors? Subcontracting of works have the following main advantages:

- existence of prerequisites for higher quality work and simplify the management because the subcontractors are specialize on some work, categories of works or construction objects and have labor and specialized equipment and articles for site organization;
- contracting of larger works for general contractor who does not have sufficient capacity for that;
- easier access to the winning of auctions in the territory by the big entrepreneurs, through involvement of small local companies who know the local market better, and can generate cost reductions by eliminating the transport equipment and general contractor personnel;
- substitution of lack of experience of the general entrepreneur in some areas of project implementation which was involved.

These advantages, between the minimization of risks associated with project execution, may be reduced or canceled if not done an adequate cost control and productivity of subcontractors, unless it's not coordinate the production programs, for accomplished the deadline of the project.

A negative attitude that is adopted by general entrepreneurs is that is based on the premise that once ended a contract with a subcontractor all full responsibility for the work it's return to him. Moreover, there is fear among entrepreneurs that if there is a certain exercise of control over subcontractors, would require additional resources which would increase the cost of the project. Also exercise control could lead to tensions between parties involved in the project.

Therefore, it is lost the ultimate responsibility for success of the project belong to general contractor, and many subcontractors are unable to pursue in a competitive business issues, such as the cost level, productivity, degree of use of production capacity, production schedule etc.

Trying to make savings on reduction in staff who's dealing with control and coordination of subcontractors, general contractors is exposed at risk of actually losses more important related with overload of budget and deadlines for implementation of the project. You must remember that no manager, and the less manager of a complex project, can not adopt and apply effective decisions where relevant information is missing.

A project in which people affected coordination and supervise subcontractors are properly sized and structured to present the following characteristics:

- in the first phase activities of program of works and cost calculation are performed by project manager and his team;
- as the project moves forward and incorporate more resources, it begin to show problems of coordination;
- engineers and architects continue to submit drawings and plans (as amended on client request) which will create tasks and concerns for the project manager and his team, to make necessary changes, while recording in various documents;
- efforts to review works programming and cost will decrease as a result of lack of time, fatigue, overload of the project team;
- it begin to show a need for information with the existence of many documents;
- employees are become confused and misunderstanding which are priorities;
- chances of the project to stay within the provided deadlines shall be reduced considerably, and problems with subcontractors occurs.

Therefore, it's requiring the use of methods of management of subcontractors to prevent such problems. The basic principle in the coordination and supervision of subcontractors should be: "You should drive the subcontractors as yourself!" This does not mean that we should care about the details, but that should be considered the most relevant indicators and aspects, such as: working time, quantities of work done, the financial resources spent, productivity etc.

Collection of data on development costs at subcontractors, can provide a number of major benefits of which include:

- providing an important part of the fund of information necessary for the adoption of rapid and effective decisions;
- sustaining certain viewpoints in the renegotiation with the beneficiary, during the change of parts of the project;
- keeping continuously an overview on the development project;
- ensuring awareness and protection of cash flow and liquidity of the firm;
- achieving a better protection in terms of potential litigation;
- facilitating and improving communication with all parties involved in the project.

Simply collecting information on subcontractors does not mean solving all problems. Only existence of instrument does not mean by default achieving of appropriate goals. Costs control to subcontractors is not the only component that contributing to the success of the relationship with the general contractor. Particular attention should be given to the execution of the work. This will include issues relating to supply of materials and equipment, staggered in time of activities, responsibilities of the beneficiary for certain stages of the project.

Also a critical factor for success of the project is establishing a project team. From this should be part, in addition, the general contractor representatives and, of course, subcontractors representatives. It is important that they feel part of the project.

To succeed and to coordinate the subcontractors in a effective manner should treat them as partners in the project, giving them access to a range of information on cost control and scheduling works. This information will be communicated through the weekly coordination meeting which will discuss subcontractor's problems and the possible solutions for the following week.

Experience shows that, although it is in the interest of all parties involved to provide necessary information, there are a number of obstacles due to subcontractors, for example fear that the information provided will be sent to competitors. Therefore the general contractor should not hesitate to commit contractually to keep confidential the information it receives. Since the collection and transmission of information lead supplementary efforts for subcontractors, they can not be persuaded to carry out, than if they were provided in the contract, precisely the types of reports to be prepared, periodicity for achieve and penalties, as a percentage of amount of work (between 2-5%), which will be incurred if the general contractor receives the requested information.

Since the phase of organizing of the auction for subcontracting the works it can be request the following documents to the potentially subcontractors:

1. Extracts of planned resources and costs;
2. The program of works;
3. The statement of measures to be taken in case of unforeseen events;
4. Presentation of management personnel that will be involved in the project.

The contract may mandatory provide supplying of the following documents:

1. Progress Chart of works execution;
2. Quantities lists of completed works;
3. Activity programs for the following 2 - 6 weeks;
4. Daily reports of the works completed on the day before, costs, work hours and related human resources;
5. Statement on the potential impact of their work on deadlines for completion of the project.

3. OUTSOURCING PRINCIPLES

Specialists from the Outsourcing Institute from New York contend that outsourcing of some processes can only increase a company's performance and that failure is because the outsourcing was not done correctly, scientifically. They developed six principles to follow in order to obtain a correct outsourcing process and profitably.

1. Control, monitoring and evaluation possibilities. Primarily at base of outsourcing is the process of evaluating alternatives.
2. Trace the call-for-proposal. Before developing this document must follow a few steps:

- Assembly of data on potential partners;
 - The establishment of criteria of assessment tools;
 - Developing a financial model to evaluate the price and costs;
 - Develop a system for assessing performance and standards;
3. The evaluation of proposals. Normally, you need to consider for this assessment a number between three and eight offers, from are selected the next one or most two candidates. The next step is to establish a relationship with the preferred company or with the two candidates. After the selection was correct, that relationship management can decide whether the project will be successful or will fail. Many companies employ consultants for this stage of the outsourcing, because their experience and impartiality.
 4. Negotiation of contract. Once a company was established, it remains under the care of subcontractor to evaluate final offer and negotiate the final points that does not agree. Probably the most important part of the contract - definitely the most detailed - is the "service level agreement" (SLA). Both parties must pursue the process in small details, specifying how the tasks are distributed. The SLA should not be drawn according to media, must be analyzed strengths and weaknesses and adapted to the specific company. The contract should be very specific, but flexible enough for both sides to respect it, even in case of unforeseen situations.
 5. Develop a plan for custody of the business. It is particularly important for companies to have a plan for custody the business activity. The transitional period is usually between 6 and 18 months. In some cases it is better that in this time, the work to be carried out in parallel, with additional costs, but will prevent further costs.
 6. Continuous monitoring process. When custody of business is completed, monitoring process outsourcing is entering in "the game". This means, usually drawing a monitoring program must consider the performance of assets and personnel transferred from the activity, analyzing service quality and compare with cost parameters.

While the prospects of outsourcing have been well identified, there are many omissions which call project management experience. Often, the technical outsourcing sequences do not guarantee the successful completion of the project and don't ensuring that the project interests will be perfect. Unfortunately some of the professionals waive their responsibilities when using external resources. This has led to reassessment of many companies.

4. ADVICES ON USING OUTSOURCING

Entrepreneurs and small businessman are always looking for creative ways to accomplish more of their business goals for spend less of money. One strategy that can help you save time, money and frustration as you start and build your business is to outsource as much work as possible to skilled, but cost-effective, external service providers.

1. Clearly define the scope and schedule for your project. This might seem obvious, but any successful outsourced project always starts with a clear statement of what you are hoping to accomplish. Define your project requirements up front. Service providers need

accurate, complete information to present you with realistic proposals and to quote you a reasonable price. Be specific about the deliverables you expect the vendor provide. Give vendors as much information as you can about what you need delivered and the way in which you need the work done. Also, be clear and realistic about your schedule requirements - project schedules can have a huge impact on project costs.

2. Evaluate a service provider like you'd hire a full-time employee. When you're evaluating proposals from service providers, don't be afraid to ask questions. Just like hiring a full-time employee, selecting a vendor is a very subjective experience. Check their references and ask for feedback from other clients who have used their services. Engage in a dialog – if you have any concerns about a vendor's specific capabilities, voice your concerns. Don't just stew about it and hope for the best.
3. Look for specific experience fit. Ideally, the service provider you select will have specific experience with the type of project that you're undertaking. You don't want to be somebody's "guinea pig." This is especially crucial when outsourcing complex technical projects such as software development. For example, if you're looking for someone to develop an application for the Palm PDA, make sure they've actually completed commercial projects on that platform for other satisfied customers. This advice holds true for other types of projects as well. If you need a business plan for opening a retail store, you'll get best results if the consultant you hire has verifiable experience in the retail sector.
4. Don't choose a vendor based solely on price. Though it might be tempting, never select a vendor based solely on price. Experienced buyers who have outsourced many projects and evaluated hundreds of proposals almost always recommend discarding the highest-priced and lowest-priced bid. Buyers report that their most successful projects are the ones where they felt the vendor offered a balance of good value and quality results.
5. Review portfolios and samples. Examine the vendor's previous work (their "portfolio") and make sure that their previous work meets your expectations for quality and style. If you've evaluated a vendor's portfolio, references and previous experience and are still unsure of their capabilities, consider asking them to do a quick mock-up or provide a basic outline of a work plan. A service provider who really wants to win your business might be able to give you a rough concept so you can better understand their approach to solving your problem. But never cross the line between asking for a mock-up and insisting that a vendor provide you with finished work "on spec." No qualified professional expects to work for free.
6. Start small. When engaging with a service provider for the first time, start with a project that is relatively small and simple in scope. This will give you a better idea of the provider's style and capabilities before you entrust a "mission critical" project to them.
7. Tie payment to clearly defined project milestones. Just as you should be clear about project scope, make sure that you define a work plan for your outsourced project with clearly defined milestones. Having scheduled checkpoints where you review the status of the project as it works toward completion—is an easy way to ensure that you meet your final deadline and that the final product meets your standards. Tie the vendor's payment to these milestones. A good guideline for IT and software development projects is to pay

no more than 20% to 30% of the total project price up front, with the rest of the payments awarded based on the completion of 3 or 4 milestones.

8. Negotiate ownership of work up front. For any type of outsourced project, make sure that you are clear about who owns the resulting work product and any important components of that product. Make sure the service provider understands how you intend to use the deliverables that they are agreeing to provide. For example, the development of a custom software application for your personal use would be substantially different from the development an application that you intend to package and re-sell.
9. Don't forget about support after the project is complete. For technology projects, it's a good idea to specify a warranty or support clause so that you are assured of some amount of continuing support from the vendor after the project is complete. It's much easier to negotiate a support clause before the service provider begins work, rather than after the completion of the project. Even creative or business services can benefit from a support clause. Suppose you need some changes to a business plan based on feedback that you get from potential investors. Or maybe you find that you need that snazzy new logo delivered in a new type of file format. Specifying some amount of free support or negotiating discounted prices for future modifications can save you time, money and headaches later on.
10. Get it in writing. During the course of a service engagement, the scope of the project, deliverables or even the agreed upon price may change. Make sure that you clearly communicate any schedule, scope or payment changes to your service provider and get confirmation from them - in writing - that they understand and agree to the changes. Similarly, keep a record of any agreement changes requested by the service provider and whether you accept or reject those modifications. Save copies of any email exchanges that you have.

You can access top-notch expertise any time you need it without the overhead of hiring full-time staff. By staying focused on your core competencies and hiring expert freelancers for your other needs, you can compete with the delivery capabilities of larger organizations while maintaining your independence.

5. ROMANIN OUTSOURCING IN INTERNATIONAL CRISIS CONTEXT

International financial crisis will cause a decrease in the short term revenue registered by players on the local market for outsourcing, according to analysis firm estimates AT Kearney, but then there will be a comeback.

The effects of the crisis will be felt until the second half of 2009, after the outsourcing market will grow back on.

"According to estimates made at the global level, at least 10% of the revenues of large firms BPO (Business Process Outsourcing) it's in risk. It is difficult to determine the exposure of companies active in Romania at international financial institutions, but short term impact are negative estimate", said Bogdan Belciu, manager in the AT Kearney Romania.

The main problem that has raised by the crisis is to increase operational efficiency, added the representative of AT Kearney. "All companies strive to become more efficient to compensate for lower growth and lower margins of profit. Dropping costs in it imply a greater chance of outsourcing".

Last year, Romania has descended on the place 33 into a top outsourcing market attractiveness for foreign investors, according to a study by AT Kearney. Our country is put on place 24 in 2005, but down in the rating after increasing costs, especially those with staff, and because reducing the availability of labor.

According to company analysis, the observed trends in Romania are similar to those in the Czech Republic (place 16) and Hungary (place 24), where improvements in the economic environment have not been sufficient to offset rising costs.

Rating Global Services Location Index (GSLI) was developed by AT Kearney based on four criteria - financial attractiveness, which has a share of 40% in the final outcome, the training and the availability of labor, with a share of 30%, and the business environment, with 30%.

6. CONCLUSIONS

Considered a second Internet bubble, outsourcing is an industry of approximately U.S. \$ 49 billion per year. It can be seen a small increase in prices in Romania, justified by a decrease in supply of IT specialists in Romania. However, in these conditions, the average price per hour puts us in advantage over other countries in Eastern Europe and justifies the status of favorite destination for outsourcing in the area coming in particular from European firms.

So, in conclusion, we can affirm that general entrepreneurs must consider the priorities and the working conditions of subcontractors in the construction industry becomes more complex and customer requirements, increasingly sophisticated. The coordination and supervision of subcontractors may have to be both effective and efficient. Entrepreneurs should understand that an investment in the instruments of coordination and control of projects is similar to investment in technology or equipment, and this can greatly benefit the relatively small cost.

However, outsourcing will remain a strong source of additional resources required to develop projects.

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