Information Technology Procurement

The Successful Acquisition of Products and Services

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The Gadwall Group™

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Tame Your Technology

Introduction

This report discusses issues and concerns that should be addressed when making technical product and service purchases. Note that few of these are "killer" problems. You may find, in fact, that some of the points raised as possible problems are irrelevant to your situation or preferences. But this whitepaper should be used as a checklist to make sure you've considered as many of the potential issues as possible.

Technology purchases are highly risky. The products may or may not work as advertised, the service providers may not have the expertise you need, or they may not provide the level and quality of work that you desire. The vendors may not be financially stable enough to stay with you for the life of the technology. We try to address all of these problems, and more, in this report.

You are looking for a technical solution to a business problem. You are not looking for MORE problems. You want to go home at 6pm instead of at 8pm. If the technology can cut your hours in the office, it's great. But if it makes your life miserable, something is wrong. This report can help you make better purchases of technology and services and hopefully, go home at 5pm every evening.

This report covers three major sections:

- General Concerns
  These are problems that involve the purchase of both products or services. They are general in nature and apply to either category.

- Products
  Issues related solely to the purchase of Information Technology products.

- Services
  How to get the best contractor or consultant and manage them effectively.

When you sit down with a representative from the vendor, take control of the meeting. This is not what they want. They would prefer to be asking the questions so that they understand the points of leverage that can be used to get the deal. Instead, YOU should be asking questions. Explain the process that you'll be going through to ensure that you have a successful installation that will be of benefit to them as well. Discuss the expectation for references and what you'll ask. Describe your plans for a demo or pilot. If they're not qualified to do business with you, you'll know by the deer-in-the-headlights look in their eyes.

Don't scare off all of your vendors. But a good initial meeting can qualify the vendor for you, weed out the pretenders, and help the remaining possibilities figure out how best to meet your expectations.

Technology has costs - it doesn't do everything the salesman says and the hassle costs are higher. This report will help you get what you pay for.

General Concerns

Regardless of whether you are buying products or services, there are some basic rules that always apply. We will go into issues specific to products and services in the balance of this paper, but for now, let's take a look at some common issues to both categories.

Initial Research

Do not purchase from a company based only on the salesperson, industry buzz or on literature. There is a lot of information that you need to collect. Your initial research should include:

- Is there more than one individual in the organization? How many employees do they have? What are employee counts by major departments or divisions?
- How long has the company been in business?
- Get a D & B report. While you're not going to be their vendor, you do want to see if they're solvent and will be able to support you.
- What is their product line? Is it too narrow, or is to too broad? What is their total revenue from the various lines of their business?
- Get printed literature.
- The Web can make any company look credible. Beware of making your decision based on a well-done web page.

References

Ask for references. The theory is that you should ask for negative references as well, but you're never going to get them, so why bother? Get references that are similar to your application, your business and your size. Get at least five or more companies to contact. These companies shoudl be similar to you in size, industry and their use of the product. Here's the kind of questions you should ask:

- How did the vendor perform? Did they meet your expectations?
- What problems did you have?
- How was technical support? How fast did they respond to problems and was the response satisfactory? Ask about a specific problem they can remember and get details?
- What kind of post-sales follow up was provided by the sales rep. Did they sell you and forget you?
- Would you buy the product or service again?
- For contractors, how were changes in scope handled (and charged for)

If your investment is sizable, I strongly recommend that you actually visit a couple of the references - even if you have to go out of town. You might be able to see the product in action and you'll likely get more detailed responses.

Note that some companies may not have enough references. It may be a new product, new company, etc. That's OK. But it requires you to exercise even more care. And you should be able to negotiate for better pricing or other concessions.

RFP's

For some organizations, particularly government units, you must do RFP's (Requests for Proposal). They can be a very useful tool for providing the necessary structure for the acquisition of your project. However, there are some

things to beware of:

- RFP's will obviously slow down the procurement process. That is generally a good thing, but beware of moving too slowly.

- Many of the best companies don't respond to RFP's, particularly if it requires too much work and information. When I got RFP's, I always made the decision about whether to respond by finding out how many bidders there were, and then withdrawing if it looked like it was going to be too messy. One type of vendor that you WILL get - the desperate ones.

- As an alternative, you may want to got through an initial RFQ (Request for Qualification). This stage does not require pricing or configuration information but collects information about the vendor, products and services. This should be sufficient for you to weed out people who really shouldn't be bidding anyway. You can whittle your bid list down to a manageable size that will encourage the good vendors to stay in the fight.

- Don't do RFP's unless you're going to follow through with the project. You'll quickly lose credibility with vendors if you keep doing RFP's without awarding a contract. Besides, it is abusive.

- Don't put requirements into an RFP just because you can. If you demand confidential information or references (that many qualified vendors would prefer not to provide at such an early stage); then you should be analyzing those financials and calling those references. If you're not, you are wasting other people's time. And you won't get the best people responding.

- A good rule of thumb is to never buy from the lowest bidder, nor from the highest bidder.

- If you receive bids that are extremely low, you should investigate to see if the bidder missed something that would cause them to bid too low. On the other hand, if you get some absurdly high bids, you should see if that bidder knows something that the other bidders don't. You might be tempted to take advantage of their ignorance. But it would be wrong, and you'll pay for it somehow when the facts become known.

Information Sources

Part of the challenge of getting the best vendors for the products and services you need is to actually find them.   Here are some possible sources of information (on the Web as well as in print):

- Advertising - This is why trade magazines exist. However, beware of the content of the advertising. It never works as well as the advertising would have you believe.

- Editorial content in trade publications - The same concerns about credibility exist here. Journalists, even industry writers, are rarely actual users (except for the PC's that they write their articles on). They rely on information from consultants, user interviews, trade shows, and vendor reps.

- Yellow Pages - Yes, the Yellow Pages. Most vendors are listed and some have advertising. This is certainly a good place to start, particularly if you're looking for addresses to send an RFQ to.

- Internet discussion groups - For a really specialized need, such as Y2K, you may find this to be an effective means of finding people. Spend some time with the group and note participants that seem to know what they're doing. Visit their web sites and correspond with them. However, for more general IT needs, such as installing a network or building a web page, you will probably not find this to be very useful.

- Vendors - Call up the local office and ask for the manager. They usually have a couple of dealers that they prefer, because they know they'll do a good job. They WANT your implementation to succeed. Avoid talking to specific reps...they generally only know the dealers that have been assigned to them. They probably don't know all of the options available to you. When they give you recommendations, ask them why.

  Keep in mind that, unless your purchase is pretty large, you'll have trouble getting recommendations from the larger vendors. They have too large of a pool of dealers to chose from, and your project may not be important enough for them to really think about it.

- User groups - As with Internet groups, this can be an iffy approach. Depending on the group, technology and other issues, vendors may or may not participate. But these groups can also be a way of learning about the industry and making contacts. This may require more time than you are prepared to spend.

- Referrals - Frequently, this can be the best way to begin your search. However, treat such referrals as only the start of your process. Sometimes the vendor may not be able to address your specific needs, or the associate that gave you their name may not have understood your needs.

- IT design consultant - There are a few of these firms available who will search for you. They generally have been in the industry for a while, know lots of contacts, understand the technology and can find vendors for you to choose from.

- Trade shows - If the timing is right, a trade show can be an excellent way to see lots of vendors in a short amount of time. However, the timing is rarely right, unless you're prepared to travel to wherever a useful show is being held.

Vetting the vendor

In addition to needing sources of information to find a partner, you also need some sources for making sure you have the right one. We've covered references - your most important source. Also, the sources listed above can give you much of this type of data. However, there are some other sources that you can use to get some "inside" information.

- Internal staff - Listen carefully to the rep, particularly when you have them outside of the office, at lunch or on the golf course. You may pick up some interesting tidbits of information. Also, if you're interviewing

staff of a consulting firm, prior to engaging the firm, confirm statements about the company that the rep has made, as you are determining the technical qualifications of the consultant.

- Internet searches - Do some searches on your favorite engines to find out if anyone has complaint pages set up. Check out new sites to see if there have been any interesting articles published about the firm.

- Competition - They'll be reluctant to give you the real dirt, but you might get some useful information after you've built a relationship. The same applies to vendors and others in the industry.

- Visit the vendor - You'll learn so much from a personal visit. Try for a surprise drop-in. That way you'll see how the day-to-day operations really run.

Pilot

A key way of making sure that you have the right product or service provider is to test them. Arrange for a thorough demonstration of the product, or a pilot project that would involve a limited implementation of the product in your environment. If you are looking at services, set up a short pilot engagement of the consultant.

Documentation

Sales reps over-promise on functionality. That's their job. Project managers over-promise on delivery dates. That's their job, too. You'll probably over-promise on the speed of the invoice being billed. But since you're paying the bills, we won't worry about that.

Have as much contact documented on paper as possible. Document and exchange memos after any meetings where promises were made or expectations defined. ANY agreements should be confirmed in writing. This eliminates potential confusion and keeps the expectations and commitments clear. If the sales rep or project manager promised something that isn't in the written agreement or scope, or documented via letter, you have no reason to expect to get it without a fight. Since you don't have time to fight, get it right the first time.

Success Stories

If a vendor shows you success stories that they have either put together on themselves, or managed to get published in a magazine, be skeptical. I've been involved in several of these over the years, and they frequently are less positive than you'd think. Either the customer owes the salesman a favor, or they quit using the product 6 months after the article was written. Ask for contact information and talk to them yourself...get the current, REAL situation. Treat them as references (see above).

Guarantees

There are few guarantees in this business, which is one of the reasons that this report exists. You have to be very careful about your purchase to make sure you've done everything possible to get it right. Because you probably won't be able to get a refund. Unfortunately, your satisfaction is not routinely guaranteed.

When dealing with the vendor, ask what the guarantees are Get any commitments about functionality in writing. We provide further details in the next two sections.

Prior to the implementation, propose arranging your payment schedule so that your staff is successfully using the system, in production, before the final bill is paid. This is an unusual request and, while standard in the construction industry, is rarely done in the IT business. It will be a point of negotiation for you, but it also is an incentive for the vendors to make sure their product works in your environment.

If it Fails

The system will fail. If nothing else is guaranteed, this most surely is. Either the hardware, software or the services will, at some point, not act in the manner that you expected and were promised. Rather than dealing with a failure in panic mode, have your support structure in place and in writing prior to the purchase.

This structure will include:

- guarantee documentation
- support contracts
- response times and methods
- escalation processes
- technical support contacts and phone numbers

Create worst case scenarios and walk through them with the vendor. Find out how they will handle them and try to find weaknesses.

Network

As you deal with the company, collect the names, positions, phone numbers and email addresses of as many people as possible, particularly executives, managers and engineers. Build relationships with them. That way, when you have problems, you'll have a network of people to rely on, not just the formal support structure.

Dealing with Sales Reps

In this report, I am giving you some very useful guidelines for information that you need before you make a purchase. It will involve a fair amount of legwork on the part of the dealer and the dealer's representative. Before you hungrily rub your hands together, fantasizing about how you're going to put the rep through the ringer the next time she calls, it's probably worthwhile to know how much she's going to make on your sale. With that information, you'll know just how much you can demand before they start ignoring you. In fact, most good salespeople will be qualifying YOU from the moment they walk into your office; trying to figure out if you're going to be worth the hassle.

These numbers are generally appropriate for representatives working for dealers, systems integrators, etc. For actual employees of hardware and software manufacturers, the numbers are even more complicated, particularly if the company is in start-up mode. But the examples below should give you some guidance.

Hardware and Software

The most that any dealer rep will make on the hardware and software is 20% of the gross margin of the sale. Gross margin is the selling price, less the cost of the goods. In most competitive situations the gross margin rarely gets above 10 to 20%. So, if you're buying a $5,000 software package, the margin would be no greater than $1000, of which she gets $200. And that's IF she gets deal! If she is competing with 2 other dealers, than the odds are, simply put, 3 to 1 that she won't get the sale. Which means you're worth (statistically), less than $70 to them. So don't expect her to make 4 sales calls and take you out for a fine dinner.

Services

For services, the most commission that you can expect someone to get is about 5 to 10% of the gross sales. As the sales get higher, that commission rate goes down. So if you buy $1,000,000 of services from a rep, she's not likely to make $100,000. Let's go back to our previous example.

Say that there is about a day of services that will go with the purchase you're considering. Let's figure that's about $1,200. Your rep will make no more than $120 on the services sale, and $320 on the entire deal. And again, that's IF you buy.

So this deal, which to you might be a big expenditure, is not going to make the rep's mortgage payment. In order for her to make a respectable amount of money, she has to sell a lot of small deals, or a few big deals. Before putting your rep through the grinder, ask yourself if she'll bother. If you can get them to dance for a small sale, you might have to ask yourself why you're working with someone who is this desperate.

My point in this section is not to dissuade you from making demands on your integrator, or to contribute to the Old Computer Dealer Representative's Retirement Fund. I want to help you understand that, while you must be demanding in your search for information and assurance that you're making the right decision, you must also understand that there are limits to what you can reasonably expect, and that is a function of the size of your deal and the compensation of the people who will be assisting you.

Pricing

Pricing is clearly one of the most obvious issues in your dealings with a vendor. However, don't loose sight of an even bigger consideration - total cost of ownership (TCO). Some vendors focus on this and won't let you forget it; particularly when their price is higher than their competition or their product is actually positioned to reduce your TCO.

The whole point of this report is to help you understand all of the issues that are relevant to the most important thing - a functional technology solution for your business. Not the one with the lowest price, but the one that does the best job at the lowest total cost.

When looking at long term pricing agreements, particularly in larger companies, make sure your contract protects you from price increases, and allows you to take advantage of price decreases. Make a point, even if you have a multi-year contract, of tracking the market price for the products. If the price is going down, it's unlikely that the vendor will let you know. Build this flexibility into the agreement.

Standards

As we have said elsewhere, rule your users with an iron fist. Set standards in your organization for all of the information technology products and services you purchase. If you have a purchasing department, they'll probably be glad to have your support. If you don't, then commit to supporting only what you have established as standards. Freelancing end users will be no end of support problems for you.

If you're the CEO or CIO, then establish these standards and stick to them. Support variations only when there is a clear business reason to do so. If you're not the CEO or CIO, then you'll need to get her buy-in before you can realistically expect any standards to be enforceable.

Before you set these iron clad standards, make sure you know what your organization's needs are. Go through the rest of this process for each component of technology you'll need. Work with users to see what they really need. If you set a standard, then find out that you missed one really important business unit that has non-standard requirements, you're going to lose credibility (to put it gently).

Products

In this section, we talk about issues related to hardware and software acquisitions.

Future Products

When you buy hardware and particularly software, you want to know what the vendor is doing to develop new products. You want to know what you'll be able to upgrade to. You want to know if you should hold off on your purchase and wait for the new one. The rep doesn't want to tell you this, because it will screw up your buying the current product right now. But you want to know. Ask for shipment dates on new versions and models. If something is on the horizon, and it would make sense to hold off until it is available, and the sales rep wants you to move now, ask for a guaranteed free upgrade. And if labor will be required to install that new version, ask for that as well. You have to weigh the benefits of the new version vs. the benefits of the product you're giving up.

You also want to know that the company is healthy and developing new products. If they have only one product, and it's a winner for you, what are they doing about enhancements, bug fixes, etc? Companies with one product tend to get acquired and when they do, their product sometimes disappears. The bigger company wanted the product, not necessarily the technology. The more diversified a company is, the more products it has going, the more likely that you'll be able to get upgrades and support on the product for a while.

Training
What training is required for technical staff and users? You must factor this effort and cost into your decision. If the vendor promises that "they'll pick it up in no time," challenge them to guarantee it.

Don't forget that training also includes post-installation coaching, training manuals, and support. Find out what's included in the offer.

Will it Work?
Now that's a silly question. Of course it will work. Otherwise they wouldn't sell it, right? But the big question is how it will work in YOUR environment, on your network, in your business. Ask for examples of installations similar to yours. Contact the references (see above).

User Groups
Most hardware and software manufacturers have user groups. They might be online, on Usenet, within the vendor's Web page, or even in a real, local meeting room with actual people. Visit them and see what people are really fussing about. Vendor representatives are often not actively involved, so you can usually get the real, unbiased dirt on your potential vendor.

If you're planning on buying even one component, go to the Internet support site for that product. You might find out some interesting problems with the product that you wouldn't have run into until you actually tried to install it.

Guarantees
When reviewing the warranties on products, discuss both the initial period of free support and service (if any) and the costs after the warranty expires. Make sure you understand the response times and service levels that are covered by the warranty and what are extra.

Services

This is my favorite part of the discussion. This is the hairiest, ugliest part of your IT project. There are no guarantees (without a bloody fight); the product is that most unreliable of commodities - people; and it is frighteningly expensive. Pitfalls abound for the unwise traveler. Let us guide you.

Ensuring a Proper Match
You want to make sure that the company, its skills and its people are the right match for your project.

Make sure that the size of your company matches the size of the contractor. If you're too small, you're not going to get the kind of attention you want. If you're too big, they may not have the resources to meet your needs.

Here's how to find out if you're too small for them. After you have established a relationship with the rep and qualified yourself as a serious prospect, ask to meet CEO or local general manager, in your office. If this person doesn't have time to meet with you, you're too small for the vendor and you should go elsewhere.

You want to do this as early in the process as possible so that, if it turns out that the CEO blows you off, you can abandon them, without having invested too much time. Don't wait until the last moment. If, after the sales rep has put hundreds of hours into cultivating you, and he is inches away from a deal with you, and you suddenly say, "I want to meet the big dog," of course he's going to get the boss for you. Most managers will help a rep close a sale if all it takes is an appearance. What you want to know is whether she'll come when the pressure is off.

What markets does this firm serve? Don't accept an answer about what they WANT to serve, but what have they served recently. Ask for staff members assigned to those markets and the estimated billings in those markets.

Determine if they are currently, or have recently worked with any of your competitors. While this may sound like a positive, in that they have experience in your industry, it may also be a risk in terms of confidentiality. Discuss this risk with the contractor and resolve it.

Do they really have the skills you're looking for? Ask for references and check them out (see above).

Discuss the vendor's recruiting programs. Do they already have the professionals to immediately begin work on your project or will they have to hire? How long will this take? Can they fill holes in their staff quickly? Determine what is the typical time-frame from vacancy to trained replacement.

View a copy of the final report that they have provided to another customer. They may not be willing to "give" you a copy, but they should be willing to show you one. Encourage them to delete all references to that customer's name to protect their confidentiality. If they still refuse, they don't have anything to show you.

Ask to see examples of books or articles published. Review their Web site for useful reports and articles that reflect their continuing growth. Review their newsletter to see if it's puff, or if there is really useful stuff in it. Beware if there are lots of jokes and employee profiles and not enough technical information.

Family and friends

Just about everyone has someone in the family that knows about computers, is a genius at Web design, or can program. Hiring friends and family is not necessarily a bad decision (they're usually cheaper), but there are some pitfalls.

Do they truly have the skills you're looking for, or do you just think they do because that's all they talk about at Thanksgiving dinner?

If they are actually in the business, and they give you a significant discount on their rates, who will win when they get busy - you at 50% or their going rate, or someone who they can bill 100% of their rate?

If they're only in the business for the summer, or they're doing this work part time and in the evening, what happens when they become unavailable? Their job might take them to Fairbanks or they might have to work 80 hours a week. Then what happens when your custom database crashes?

And if you do decide to use someone close, you should still go through this process to make sure that the relationship is a business relationship. Develop a scope, check references, etc.

Scope

Clearly define the project scope as part of your contract. The scope of any project should include the following elements in detail:

- Define the overall objectives of the project. This will help to resolve any inconsistencies or disagreements that may arise. Try to keep your objectives to only a few (preferably one).

- What will be the specific deliverables from the contractor? What are the measurements of satisfactory completion for each deliverable? Be as precise as possible. If the deliverables don't match the acceptance criteria, you should be able to cancel the contract, reduce your payments, expect the contractor to make good, etc.

- If the deliverable is a report, specify how this report will look and what the contents will be. If possible, include a sample report in the scope.

- What will the contractor do and what are her responsibilities?

- What will YOU do and what are your responsibilities?

- What are the time frames and milestones for the project? In order to make sure the project is on schedule, you must establish milestone goals. If the project falls behind schedule - milestones are not being met - what are your options?

- Establish probationary milestones - initial objectives that must be met or you can cancel the contract immediately, without penalty. They should be early enough to give you the opportunity of a timely "out." And they should be diagnostic of the abilities and character of the vendor.

- When are the start and completion dates? Are there any penalties for not hitting either date?

- Identify the contractor's staff by name. This may not be possible. At the very least, identify the project manager and senior staff by name. For everyone else, define the minimum qualifications and experience for each position.

- What resources will be required from you, such as people, information, office space, supplies, equipment, etc?

- Discuss corporate customs and policies, such as dress code, parking, hours, holidays, etc.

- How are payments scheduled and are they tied to completion of specific milestones?

Fixed Price vs. Time and Materials

In any pricing arrangement involving true fixed price contracts, there is a winner and a loser. If the price was too high, then the vendor wins and you lose. If the price was too low, then you both lose. He loses money, you lose quality. The customer may get some sort of job done at the price of the contract, but the vendor will cut corners as much as possible to get the job done as cheaply as possible. While a fixed price contract may give you a firm price that you can put in your budget, it probably does not reflect the final cost of the project.

Another approach to consider is a time and materials contract with carefully set milestones that allow review and adjustment as the project proceeds. Unfortunately, this method does not give you any firm number to use in budgeting for the project.

In general, expect fixed price contracts where the work is very clearly defined and the contractor can reasonably predict his costs. Expect time and material contracts where the work is very open ended or where there may be hidden obstacles resulting in higher costs.

If you negotiate a fixed price contract, clearly define what the fixed amount is covering and what the process is for determining out of scope work as well as the hourly charge for that work. Occasionally, contractors will narrowly define the scope, lowball the project and make their money back on the change orders.

If your plan is to use your personnel to do some parts of your project, the contractor may be reluctant to engage in a fixed price deal. Depending on the situation, they may not have sufficient control over the project, and will therefore want to do only a time and materials contract.

Rates and Costs

Request a copy of the contractor's rate schedule. If they he doesn't have one, then he's charging you whatever he thinks you'll pay.

If your project will last for a while, and the contractor has varying rates for different classes of his staff, expect that the rates of the individuals may go up over time. Trying to lock in rates may be attractive, but that may mean you get more turnover. As the staff assigned to your contract become more expert, they're going to attract higher billing rates elsewhere and will be reassigned. You will then lose experienced workers who know your operations and you'll find yourself having to deal with new people all over again. And guess what - they too will get reassigned as they become more experienced.

If you're getting new recruits assigned to your project, negotiate a price concession for the inevitable on-the-job training. If no pricing modifications are available, closely monitor the time spent by these particular staffers to make sure you're not paying for any more than what is relevant to your project.

When engaging consultants who will be from out of town, negotiate the agreement so that they are encouraged to keep costs down. Put a maximum on meal costs and demand low cost car and hotel rentals. Another possibility is to put a cap on travel costs as a percentage of the total billings.

Assuring quality of staff

When negotiating the contract, leave yourself a clear "out" if the people don't meet your expectations. Make those requirements crystal-clear to the contractor as part of your scope. Get their acknowledgment that their workers are subject

to immediate removal if you are not happy. Demand a guarantee of satisfaction.

Beware of statements along the lines of "You are hiring our company, not the individuals." Face it - the work is going be done by individuals, not the company. The contractor will manage them and may even replace them if you squawk loud enough, you WILL have to make noise. To get the best results, you have to have the best people, not the best consulting company.

Immediately address any consultant's performance if you don't feel they have the expertise, skill or attitude that you are paying for. If the contractor shows more resistance than you are comfortable with, toss them out early before you get in over your head.

Get a commitment that the people you meet in the pre-sales meetings will be people on the project. This should be part of your scope (see above). Consultants frequently put their best foot forward when trying to close the business, only to assign someone else when the heavy lifting ensues. Beware of unwritten assurances and comments that "she'll join the project as soon as she finishes her current engagement."

Make sure workers are thoroughly vetted. Maintain the right to interview and refuse any persons working on your project. Be very careful with people who will have access to your confidential information and consider individual agreements regarding non-disclosure. Treat contractor employees with the same types of investigations as you would your own employees.

What is the research and development activity? How do they train and do knowledge transfer? Do they have a formal program? How many days a year are employees trained? One the responses you may get is that whenever an employee is on the bench, he's in training. The only problem is that the most popular people are rarely on the bench. So they're not getting any new training. When you interview the people, ask about what kind of training they receive and double check on other statements made by the rep.

Avoiding turnover problems

Find out what the turnover rate is for the contractor. If they have a problem in this area, you will be dealing with inexperienced staff who have just come on board. And you will lose the seasoned people when they accept a better opportunity from another company. There are several ways to calculate turnover, so the best approach is to ask for these statistics and then calculate your own rate:

- How many professionals were hired in the last year?
- How many did they have at the beginning of that year?
- How many are on staff right now?

I have seen companies that had, for example, 50 people on their staff at the beginning of the year, hired 30 during the year, and had 50 people on their staff at the end of the year. This is not the kind of company you want to work with.

Discuss the contractor's benefits program. While this may seem irrelevant, you want to make sure that their staff is happy and stable. In addition, some benefits, like training, extra vacation time, special holidays, etc. may impact your efforts.

Assuring a speedy and smooth completion

If you hire people for a long term project, expect that they'll need to be off for some period of time for training. If this is not brought up, and you get a blank stare when you ask about it, they don't have a formal training program.

Have a planned absence clause in the contract requiring 4 weeks notice if a consultant is going to be gone for more than a day or so, for personal reasons, training or to assist at another client.

Have weekly status meetings so that you can identify problems (and people problems) immediately.

Have the consultants maintain work journals of their activities, problems and solutions. These journals should be recognized as your property and should always be left on-site.

Beware of having the lead consultant or manager know more about the project than your staff does. If she leaves, what will happen to the timetable of the project? Having weekly meetings and work journals will mitigate any damage.

Build relationships with the consultants. Get to know them, their concerns and frustrations, and their company. If they're unhappy with their employer, and thinking of moving on, you need to know this right away.

Once you are in serious talks with a consultant, start discussing the contract. Try to get as much of the basic stuff done early, so that you're not fussing about contractual details close to the wire. I have seen many engagements get held up because the lawyers were fighting over basic issues that should have been covered early in the game. In some cases, I've seen consulting engagements conclude before the actual contract got signed.

The best course is to maintain control of the project with your own staff. Use contractors for finite and closely managed activities. If you are very short-handed, you can out-source that management to a different consulting firm - not the same one that is actually doing the project.

Avoiding internal conflict

Try to avoid the "hired gun" conflict between your staff and the contractor.

If you've engaged the contractor to do work where you lack the expertise, team up your own staff with the consultant's staff whenever possible to assure knowledge transfer.

Don't let consultants run the project or direct your people unless they've been specifically engaged for that purpose.

Don't let the consultant have your people jumping through hoops to get his job done, particularly on a fixed price contract. Everyone's responsibilities should have been clearly defined in the scope.

Purchasing technology products and services is a challenge, as you've seen here. There are few guarantees and lots of things that can go wrong. For all the information that is available, installing a simple computer system is still a very inexact science. We believe that this report will help prepare you for the problems and lay the groundwork to avoid them. If we can be of assistance, please let us know.

Jim Frazier
President
The Gadwall Group, Ltd.

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