

Meeting Minutes

Agenda:	Roundtable on Fixed Price Projects – Session 2
Date:	September 23, 2006
Start Time:	5:15 pm
End Time:	6:30 pm
Venue:	BASIS office
Participants: (Name and Organization)	Kabir Ahmed, Metatude Asia Ltd. Tahmidul Islam, Relisource Tech Ltd. Mosharraf Hossain, eGeneration Syed Shabbir Husain, Uniqa BDC Ltd. Sajjadul Hakim, Uniqa BDC Ltd. A. S. M. M. Monsur Ul Hakim, Millennium Info Sol. Ltd. Munim Rashid, Independent University Bangladesh M. Kamrul Qureshi, BIPL Shameem Ahsan, eGeneration M. Manzurur Rahman, Expert Systems
Moderator:	Sajjadul Hakim
Scribe:	Sajjadul Hakim

This was the second session of the roundtable on Fixed Price Projects. Please review the meeting minutes of the previous session to stay updated.

Some of the points from the previous roundtable were revisited to discuss in more detail. Here is a brief outline of the discussion:

1. From the management's point of view getting new projects is essential for revenue. However the responsibility to overcome the risks of such a decision usually rests on the project managers. Sometimes a balance can be reached by educating management with concrete suggestions and examples from past project experiences, i.e. successes and failures.
2. Some vendors have a business model of working with wide variety of technologies. Hence they try to utilize engineers who have worked with similar technology. There is a learning curve to this, since the engineers are not specialized in that technology. This can be tackled with training or self study by the engineers.
3. Some vendors hire engineers as consultants for a certain duration from another vendor, who have prior skills with the particular technology. Others hire engineers with a project specific contract for certain duration. The risk lies in the fact that after these engineers leave, there is a void for fixing unexpected issues that pops up after deployment, usually during the maintenance period. This risk may be mitigated if existing engineers are trained by the consultants or contractual engineers during the lifetime of the project, so that the engineers can resolve the issues during their absence.
4. Some vendors have customers who work very closely with the vendors and trust the vendors in updating the estimations in the interest of a successful project. The features may be fixed, however the project will not be deadline oriented and the vendor is aggressive about releasing the project early.

- Sometimes however the deadline is fixed, but the features are not, leaving the same flexibility due to the trust factor. The risk of this kind of project is that if the project extends for a long time the customer is usually not satisfied since they feel their investment has not been utilized effectively. Also, the vendor has difficulty allocating resources effectively with a seemingly never ending project. Not to mention the difficulty in calculating revenue and profit.
5. Sometimes even with the best of intentions from the vendors to do thorough analysis before submitting the technical proposal, there is little cooperation from customers. A situation like this will probably spell disaster later in the project, since it could be the nature of the customer to be uncooperative, and hence it may be wise not to pursue the project. However in cases where the vendor is desperate, this suggestion may be ignored.
 6. Most of the time the customers do not know what they need. In such scenarios creating prototypes help the customer agree on concrete requirements. However, the time and resource factor for creating prototypes need to be considered during estimation.
 7. A good solution will be to have a dedicated Business Analysis Team, consisting of domain experts and technologists. This team should conduct the business analysis and identify redundancies in the existing system. They should propose to reengineer business processes to reduce redundancies in the existing system. Then create a roadmap for the automated solution with a cost benefit analysis. The roadmap should outline a step by step incremental approach to the eventual solution. The same domain expert and technologist should participate throughout this process. The customer can even be charged for this complete process since they will be given a concrete output from the study. However, this will sometimes scare away the customer. Educating the customers on the impact of not undertaking this process should reduce the scare factor. Even if the project is not awarded, this is a way to ensure the commitment from the customer, and hence the vendors can only work with a selected few who fulfill the criteria.
 8. Collaboration between vendors can be considered, i.e. exchanging skilled engineers and sharing know-how. Another option could be subcontracting by working jointly. This requires certain level of transparency instead of protecting edge or fear of losing customer to the other vendor. Certain risks may be avoided with collaboration contracts where IP protection, NDA, know-how and resource sharing policies are outlined. This is a good solution when you are working with large projects requiring varying skill sets and experience. However, this increases communication overhead and coordination risks. Due to these risks, collaboration is not a good solution when the vendor only wants to complete the project faster.
 9. Sometimes, customer is adamant about a certain scope within certain duration. Negotiate with the customer on the quality, price, scope (feature) and schedule (duration) of the project. Customer should not dictate all four artifacts. Vendors usually have to give a minimum quality. So the customer ends up with choosing any two artifacts, leaving one artifact negotiable by the vendor. Sometimes this negotiation may fail. Then again, this may be seen as another customer selection criterion by the vendor. The success of this negotiation depends on how effectively the customer is educated and the skills of the negotiators from the vendor.

Conclusion

The purpose of this discussion was not to identify an all encompassing solution for any scenario. We do not believe that such a silver bullet exists. Our objective was to discuss case studies of successful and failed projects to identify the risks of different scenarios and how to mitigate those risks.