

When The Going Gets Tough...

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In a climate of economic uncertainty, project management fundamentals are still a good investment, while outsourcing is a mixed bag. In general, organizations are favoring shorter-term projects that provide flexibility, transparency and, of course, cost savings. Projects@Work surveyed several practitioners about the state of the “project economy.”

When stocks slump, once-revered financial institutions implode and oil hits \$120 a barrel, it's hard to stay focused on project management fundamentals. But whether you believe a recession is looming, already here, or that this is just a cyclical downturn already showing signs of easing, industry veterans say those who concentrate on optimizing scarce resources and selling cost-savings have the best shot at keeping their projects on the front burner.

And the same goes for those who can smartly manage the uncertain future of IT outsourcing, which under the harsh glare of current economic conditions has some questioning whether it is more golden egg or cooked goose.

“We think this sort of economic condition works in our favor,” says Doug Mow, senior vice president at the global IT services provider Exigen Services. He sees more clients analyzing backlogs and a general willingness to look at new ways to reduce costs. “We see our clients tapping on the brakes instead of slamming on the brakes.”

Jim Stroh, CEO of the Clearwater, Fla.-based project management consulting firm Proggex, is one who is also bullish on the future, particularly post-election. He's expecting a new face in the Oval Office to herald a new economic climate, much like the storied boom years that followed Ronald Reagan taking office in 1981. Even the National Bureau of Economic Research, the nonpartisan group that is often looked to as the official arbiter of whether the U.S. is in a recession, can't tell for sure until the economy is four or five months into it, Stroh said. “So you can only go on your gut,” Stroh says.

From a consulting perspective it is a challenging time, particularly in the government sector, says Mike Beard, managing partner at Value Based Project Management in California, a state now facing an eye-popping \$20 billion deficit. "Everyone is worried about budget cuts. The question on many decision-makers minds is, will they be able to afford these extra services? They don't want to make a career-limiting move either. I don't blame 'em. I'm doing the same thing. Should I pay this first or something else?"

As head of IT for a large consulting company in New York's Hudson Valley, Bill Leo knows that bad economic news means belts must tighten somewhere, even if a good job on his part means the company saves money in the long run. Some projects just aren't going to make the cut, he says. Leo has about 36 projects underway in IT infrastructure and application development and "some of those projects have been curtailed."

But others will remain right on track, thanks to global diversification. What might be down in the U.S. is just as likely to be up in Europe these days.

"It's really become a balancing act," says Leo, a member of the Hudson Valley chapter of the Project Management Institute since 1997. He credits his cautiously optimistic outlook to an evolving conversation about priorities throughout his organization. "Transparency of what's in the project pipeline with the business is very, very important in this economic condition," Leo says. "Projects that are client facing, offer a competitive edge, deliver efficiencies — those are going to go forward."

So are projects that feature creative methodologies, says Mow. Gone are the days of a "monolithic system that might take 18- 24 months to complete," he says. So much can change in an 18-month window these days — gas averaged just about \$2.80 a gallon 18 months ago, Mow notes — that any project horizon of that length "is sort of self-fulfilling doom." Instead, project managers are breaking down projects into much smaller pieces to allow for maximum flexibility and adaptability. That means yesterday's 18-month project is today's "18 one-month projects," Mow says.

And what of one of the biggest trends in project management in the 21st Century — outsourcing? That depends on who you ask.

Research house Gartner Inc. says in a recent report the current U.S. economic slowdown will lead buyers of IT services to increasingly consider offshore, lower-cost options such as India, still the dominant destination for offshore services (see "[Presage to India](#)"), as well as China (see "[Migration Patterns](#)") and other emerging markets.

"In the best case scenario, buyers will aggressively seek cost-savings measure by accelerating offshore delivery, or for first-time users, moving IT services to offshore locations," says Alli Young, analyst and Gartner vice president.

Others are more circumspect. Stroh cites a trend among the many organizations he's working with to bring more of the functions they have been outsourcing over the past six or seven years — such as business process management and customer-contact companies — back home, largely because it hasn't materialized as quite the long-term solution they had hoped.

There's a golden rule that many companies forgot to heed, Stroh says, "Never outsource anything you do really well yourself." He sees globalization maturing and with that, much more of a hybrid model where a company tries to find the best of both worlds. "Kind of a happy medium," he says. Beard agrees. "People are thinking twice about it," he says of offshore solutions. "You have to take a look and ask, 'Gee, if I do go over there and outsource it offshore and I don't get my bang for my buck...' Well, you've just lost your knowledge base with the people you've laid off."

Gary Reineke, a project manager and principal consultant at Chicago-based Alam & Company, lived through a particularly rocky time in the mutual fund industry, which never fully recovered from the last big downturn in 2000. "We had to slice projects every time we went through a new cycle and even more frequently," he says. "The key is to keep yourself out in front, but fully trained and fully tooled."

He emphasizes building and maintaining relationships with senior management, who ultimately are going to make the decision on which projects stay or go. The worst trap to fall in, he says, is not being fully honest about your project or program when costs creep or problems occur.

"You have to be willing to tell the truth," Reineke says. "Every time it will catch up."