

Identifying the Need for Procuring Services

Procurement

Outsourcing Work

Self-performed Work

LEARNING OBJECTIVES

1. Identify what factors are considered when deciding to outsource or perform the work within the organization.

The decision to procure work from outside companies (**outsourcing**) or whether to have the project team members perform the work (**self-performed**) is decided by the project team. Luu, Ng, and Chen¹ studied project procurement selection priorities and identified budget and schedule as the most important considerations in the decision to outsource activities. Other factors that must be considered are risk, quality, and flexibility. Self-performing and outsourcing the work have both benefits and risks. The project procurement strategy begins with these self-perform or outsourcing evaluations.

Outsourcing Decision

A design company has a contract to build a large training curriculum for a company in downtown New York. Most, if not all, of the editing and graphic-art work will be contracted with companies that specialize in these areas. Existing companies that have expertise can provide these project needs faster and at a much lower cost than if the project manager's organization attempted to build the capacity itself. Some outsourcing decisions—sometimes called make or buy decisions—are difficult. In the same training project example above, new learning devices and methods are required that will make the instruction more efficient. The project manager can decide to outsource this portion of the project to companies that have technological expertise or develop this expertise on the project and self-perform the work. The costs of developing this expertise within the project will be more expensive and may take more time than outsourcing this work.



Image by comedy_nose

Self-performing this work also has benefits. The project team would develop this expertise and the additional expertise would add value to their parent company and save money on future projects. The project management team would have greater control over the work because the work would be performed by members of the project team instead of outsiders.

Outsourcing Versus Self-Performing

On the New York project, the project manager decided to outsource the portion of the work that required new methods and materials. The project team designers evaluated the work during the project and assessed the appropriate methods and costs for the parent company to develop this capacity within the company. The additional costs of developing the capacity and the additional risks of implementing a new method with existing resources outweighed the benefits of developing the capacity within the organization. The basic instructional design activities are the core expertise of the parent company and the project team had access to the qualified resources to perform the work. The decision to self-perform this portion of the work was easy because the company had a cost and schedule advantage by using the existing resources.

KEY TAKEAWAYS

- The factors that influence procurement are primarily cost and schedule but also include risk, quality, and flexibility.
- To determine whether to outsource or do the work within the organization, consider which option is less costly and which option can deliver the work on time.

[1] Duc Thanh Luu, S. Thomas Ng, and Swee Eng Chen, "Parameters Governing the Selection of Procurement System," *Journal of Engineering, Construction, and Architectural Management* 10, no. 3.



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