



TenStep Supplemental Paper

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How to Respond When Project Estimates are Ignored

Many people work in competitive bidding environments, where your company generates revenue by winning contracts to complete projects and deliver products to other companies. If you had your preference, you would estimate the work as best you could and with an acceptable level of risk, i.e. not too lean or not too fat.

However, you may find that your best estimates are being ignored by your management or not being followed by the Sales organization. The problem is that if you win the business, you are probably on the hook to deliver the same level of functionality and quality, but with a significantly impaired budget.

This type of scenario puts the project team in a difficult situation. The general problem is that you want to work by a set of rules, but others in your organization don't want to play by those rules. I recognize this problem and have faced it in the past as well. For instance, I can give great advice about managing scope. But I have personally been on projects where the clients would not recognize or respect the rules around scope change. They wanted their changes and they wanted them delivered for the same cost and schedule as before. It can be very frustrating.

In this case, you are asked to estimate a piece of work. You deliver the estimate as requested, but then your management or the sales people ignore the estimate and make up their own, which you then have to live with. This is frustrating because it makes it hard to know what the rules are and what the expectations are.

If we could boil everything down to a process, life would be so much easier. But the hard part of project management is usually dealing with the people issues. To be fair, let us consider the other side as well. The salespeople must feel that they need to reduce the estimates to have a chance at the business. This could be to cover weaknesses in their sales processes, or this may be a fact of life if you are to get any projects at all. Of course, if you have no sales, you have no job. It would be worthwhile to better understand their motivations.

The following are areas that may help get the estimating process easier to live with in the future.

Open a Dialog Regarding Estimating Expectations

Talk to your managers and the Sales organization about your team's frustration. Explain your observations from your perspective. In other words, they asked you for an estimate. You provided a realistic estimate. They cut your estimate. This puts you in a position where you cannot deliver what the customer wants for the budget on which they agreed. Ask them for their suggestions in helping to constructively work the situation out. You may find, for example, that they do not trust your numbers, in which case you can work with them on the level of detail required to gain their confidence. But, see if they can help you solve this problem so that both groups are more comfortable in the future.



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Negotiate on Functionality

Normally, you could try to reduce some functionality to deliver within a lower budget. This may not be an option when you are dealing with a customer on a fixed bid. However, talk to Sales and your managers about any areas of scope that can be reduced or removed from the proposal before it is presented to the customer. If this is a possibility, then there may be a way to commit to less while also being able to deliver the reduced scope at the price needed to win the business.

Look for Process Improvements

There may be things you can do to reduce the cost of development. Can you hire less expensive resources? Can you use new techniques that will allow faster delivery? Are there some testing techniques that would result in less rework? Can errors be caught earlier in the life cycle? You may be able to find ways to deliver the project for less effort and cost through process improvement.

Strive in the Challenge

Get yourself and your team fired up to the challenge of delivering within the reduced budget. Still prepare a reasonable estimate, but then try to raise the level of team productivity to deliver for less effort and cost. This may be something that can be a challenge in the short to medium term, but it will not work for every project over the long term.

Play the Scope Change Game Well

In many instances, a vendor bids low on the initial contract, and then tries to recover costs through scope change management. In other words, they try to force as much through scope change management as possible and in each case get more budget money. If the contract and requirements are written loosely, you may find that you can generate significant additional revenue through scope change management, while in fact delivering nothing more than what the customer had in their mind to begin with. On many fixed price contracts, the revenue associated with change requests exceeds the price of the original estimate. Some project managers could bid a project at zero dollars, and then make the entire project look like scope change requests.

Pad the estimate (but be careful)

One option I mention but do not endorse is to pad the estimate. For instance, you increase your estimates by 10% so that if your budget is cut 10% you can still deliver. The major disadvantages are that the additional dollars in the estimate might make the difference between winning and losing the business. It also introduces deception into the process, which is not good.

Leave

If this is the nature of the environment you work in, and if you don't like the business model you work under, you may have to break the stalemate and go somewhere else where you can be more successful.



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Summary

Starting a project with less money than you think you need is certainly uncomfortable. On many projects, it would be a recipe for failure. If you are in that situation often, and if it is done on purpose, I can understand how morale would be bad and it would be difficult to excel. In most situations you usually have three options – fight for change, adapt, or flee. The options above cover all three of these alternatives.