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THE FOUR METHODS OF CONTRACTING IN PROJECT MANAGEMENT:

Turnkey, Multicontract, DIY and Hybrid Approaches

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Introduction

When businesses need to implement planned change through a short-term, controlled project, project management is used. Projects are defined by Simon and Murray-Webster as actions "done to meet specific objectives for change" (Simon and Murray-Webster, 2018, p. 21). This indicates that because projects need specific goals, roles, resources, and control, they differ from regular operations.

Four contracting approaches in project management are described in this essay: turnkey, multicontract, do-it-yourself (DIY), and multicontract + DIY. These approaches, which concentrate on how project work is arranged and who is in charge of delivery, should not be confused with pricing strategies. A medium-sized company using a digital platform for customer care is used as an example in the discussion. Internal business knowledge, external technological skills, training, data migration, and customer experience requirements could all be involved in this kind of project. Additionally, Kotler, Kartajaya, and Setiawan's statement that "Customer engagement is indeed becoming important" (Kotler, Kartajaya, and Setiawan, 2017, p. 88) makes it pertinent.

The essay makes the case that there isn't a single ideal contractual strategy. Rather, the best approach is determined by the project's magnitude, risk, complexity, internal capacity, and level of control needed. "The primary responsibility of the project manager is to ensure that all work is completed on time, within budget and scope, and at the correct performance level," according to Heagney and Lewis (Heagney and Lewis, 2022, p. 30).

Background: Contracts in Project Management

In project management, contracts are utilised when an organisation determines that some project work should be performed by an external party rather than completed entirely by its own team. Because it impacts resources, accountability, supplier relationships, and project control, this choice should be carefully considered. "Plan Procurement Management is the process of documenting project procurement decisions, specifying the approach, and identifying potential sellers," according to the PMBOK Guide (Project Management Institute, 2013, p. 196). This demonstrates that contracting is a component of project planning as well as an administrative task.

The PMBOK Guide defines make-or-buy analysis as "a general management technique used to determine whether particular work can best be accomplished by the project team or should be purchased from outside sources" (Project Management Institute, 2013, p. 200). This is directly relevant to turnkey, multicontract, DIY, and hybrid methods because each one creates a different balance between internal and external delivery.

To obtain specialised expertise, boost capacity, lessen internal workload, or concentrate on core tasks, organisations may contract out. According to Baily et al., "the need for focused competitiveness is the main driver of outsourcing" (Baily et al., 2008, p. 118). For instance, even though the company may have a thorough understanding of its service procedures in a customer care digital platform project, it can still require outside assistance with software, data migration, or cybersecurity.

Contracting out, however, shouldn't be interpreted as absolving the customer of obligation. It modifies the essence of accountability. The project manager must oversee supplier performance, communication, quality, and risk rather than overseeing every work directly. This is crucial since a poorly selected contracting approach may result in delays, ambiguous accountability, or issues with quality. As a result, the contracting strategy used should be in line with the project's delivery requirements and business goals.

Turnkey Contracting

One main contractor is in charge of delivering the finished project or product to the client under turnkey contracting. While the contractor oversees the majority of the design, coordination, delivery, and handover, the customer specifies the desired result. One IT provider may provide the entire system, including software configuration, testing, data migration, and training, as part of a turnkey strategy for a customer service digital platform project.

Giving the client a single point of contact is the primary benefit of turnkey contracting. This can help clients with minimal technical competence and lessen the load of internal coordination. Additionally, since the client primarily works with one contractor rather than multiple vendors, it may facilitate communication. When the project's output is standardised, clear, and technically understood by the supplier, for example, when a standard system upgrade or the implementation of a known software package, this approach might be helpful.

This is only effective, though, when the project's scope and quality standards are well-defined. "Quality planning is about defining the products required, with their respective quality criteria and quality methods, and the quality responsibilities of those involved," according to Hedeman and Seegers (Hedeman and Seegers, 2009, p. 40). This is crucial since a turnkey contractor needs precise specifications in order to provide the desired outcome.

Reduced client control is the primary drawback. The client may experience delays, extra expenses, or a finished product that falls short of business goals if the criteria are ambiguous or alter throughout delivery. Dependency on a single supplier may also result from turnkey contracting, particularly if that provider has control over the technical know-how and system design. As a result, it works best for projects that are stable and have clear deliverables; it is less appropriate for new initiatives where requirements are likely to change.

Multicontracting

A technique known as multicontracting involves the client hiring multiple providers independently, each of whom is in charge of a distinct work package. One provider may supply the software for a customer service digital platform project, while another may oversee cybersecurity, facilitate data movement, and train employees.

Access to specialised knowledge is the primary benefit of multicontracting. According to Lock (2013), subcontractors are frequently employed when a project calls for facilities or specialised knowledge that the principal contractor cannot provide. Because of this, multicontracting is appropriate for complicated projects where a single provider might not be the best option for all aspects of the job. Because each work package may be matched with the best provider, it can also give the client greater freedom and control over supplier selection.

Additionally, this approach can lessen reliance on a single provider. The entire project may not be under the supplier's control if one contractor performs poorly. The drawback, though, is that coordination gets harder. "Project work cuts across traditional boundaries and requires people to come together temporarily to focus on achieving the specific project," according to Simon and Murray-Webster (Simon and Murray-Webster, 2018, p. 21). This is particularly important in multicontracting because different suppliers may have varied timelines, goals, and working styles.

In reality, one contract's delays could have an impact on another. For instance, personnel training and system launch may be postponed if data migration is delayed. Multicontracting is therefore appropriate in situations where the customer has good project management skills, distinct roles, and efficient communication. When an organisation lacks the time, expertise, or power to handle several supplier relationships simultaneously, it is less appropriate.

Do-It-Yourself Contracting

When an organisation uses do-it-yourself contracting, it uses its own internal personnel and resources to complete most or all of the project. Internal IT, operations, and customer service teams may be responsible for the system's design, configuration, testing, and implementation in a customer service digital platform project.

Control is the primary benefit of do-it-yourself projects. The organisation maintains direct control over choices, priorities, expertise, and quality. When the project is connected to private information, internal procedures, or evolving customer service requirements, this can be helpful. Because employees learn by completing the project themselves, DIY can also assist the organization develop internal capabilities.

Make-or-buy analysis is used to determine "whether particular work can best be accomplished by the project team or should be purchased from outside sources," according to the PMBOK Guide (Project Management Institute, 2013, p. 200). Therefore, DIY is appropriate when internal capacity is high, and the company want to maintain control over important tasks.

DIY projects, however, may put a strain on internal resources. Delivery may be slowed by staff members' existing operating duties. If the project calls for specialised technical knowledge, there can also be a skills shortage. Lock (2013) adds that when teams reject outside solutions without a compelling argument, a practice frequently referred to as "not invented here" thinking, internal delivery may be dangerous. Therefore, just because DIY provides you more control doesn't mean it's always safer. It works best on initiatives if internal capacity, timing, and skill are realistic rather than presumptive.

Multicontract + DIY

A hybrid approach known as "multicontract + do-it-yourself" involves contracting out certain project work to outside vendors while doing other work internally. While outside vendors provide software development, cybersecurity testing, and data migration, the company may retain requirements gathering, customer journey mapping, and internal training design in-house for a customer service digital platform project.

Balance is this method's primary benefit. It enables the company to maintain control over essential business knowledge while utilising outside expertise as necessary. "Agility is the ability to balance flexibility and stability," according to Highsmith (Highsmith, 2009, p. 24). This is in favour of the hybrid approach since external vendors offer structure and specialised delivery, while internal decision-making can offer flexibility.

When the organisation is just partially capable, this approach is especially helpful. For instance, an external supplier might not have the technical know-how to develop the system, but the internal team might have a superior understanding of customer service requirements. By minimising undue pressure on internal teams, the hybrid approach enables the organisation to safeguard strategic information.

The drawback is that if suppliers and internal teams are unaware of their responsibilities, it may become confusing. According to Baily et al., "clear lines of responsibility, authority, and accountability being established for the outsourced relationship is strongly correlated with the (good) performance of outsourced service providers" (Baily et al., 2008, p. 121). As a result, this approach works well for projects that require both knowledge and control, but only when roles are well-defined and actively controlled. The hybrid approach may lead to confusion between supplier accountability and internal ownership in the absence of robust coordination.

Practical Project Management Tools

The project manager can select and manage the best contracting approach with the use of useful project management tools. The project can be divided into work packages using a work breakdown structure, which also indicates whether tasks should be completed internally or externally. Because separate job packages may call for diverse suppliers, resources, and skill sets, this is particularly helpful for multicontract and hybrid approaches.

Because it displays the timing of tasks, supplier dependencies, and significant milestones, a Gantt chart or project timeline is also crucial. "Creating the project schedule is a key part of planning," according to Kidston and Haward (Kidston and Haward, 2015, p. 64). Because suppliers require precise deadlines and sequencing, this aids in contract administration. For instance, data migration typically needs to take place prior to final testing, and training cannot be successfully finished if the program is not ready.

Risks associated with each technique, such as supplier failure, ambiguous roles, internal capacity problems, or inadequate communication, can be found in a risk register. Additionally, a stakeholder matrix can assist in determining the participants, their degree of influence, and the best way to handle them. When internal teams and external suppliers must collaborate to complete a project, these technologies are especially crucial.

Additionally, control is required throughout delivery. Heagney and Lewis define control as "the act of comparing progress to the plan so that corrective action can be taken when a deviation from planned performance occurs" (Heagney and Lewis, 2022, p. 103). This implies that choices on contracts should not be made just at the start of the project. To guarantee that suppliers, internal teams, and project outcomes stay in sync, they must be kept an eye on during delivery.

Conclusion

In conclusion, depending on the type of project, each of the four contracting approaches has unique benefits and drawbacks. When the client wants a single supplier to handle delivery and the scope is clear that turnkey contracting is appropriate. Although it raises the need for coordination, multicontracting is helpful for complicated projects that call for multiple specialised vendors. Although DIY contracting increases internal ownership and control inside the company, it may also result in resource constraints and skill shortages. Although it necessitates clear duties and effective communication, Multicontract + DIY offers a balanced approach by integrating internal knowledge with external expertise.

In general, thorough procurement planning, make-or-buy analysis, and project control should be used to choose the best contracting approach. Clarity of the scope, internal capabilities, risk, complexity, quality standards, and the necessary degree of control should all be taken into consideration while making the decision. Contracting is, therefore, a project management decision that directly impacts successful delivery in addition to being a procurement decision.

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