

What to do When Project Estimates are Ignored

By Vicky Haney, MBA, PMP®, CBAP®

Many people work in competitive bidding environments, where time to deliver is of the essence. If you had your way, 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) then that estimate would be presented to the client who would accept it as accurate.

However, you may find that your best estimates are being ignored by your management or not being followed by the Sales organization. If you proceed with the organization's estimates you may be on the hook to deliver the same Scope and Quality, but with a significantly reduced Budget and Timeline.

The problem is more common than you think! I can give excellent advice about managing the scope, but clients must also respect the rules around scope change. I've also been in situations where the clients wanted their changes NOW and delivered for the same cost and schedule as before. In this situation, you are asked to provide an estimate to management or sales, but then the estimate is ignored they seem to make up their own. The new estimate is your cross to bear for the rest of the project. Frustrating, isn't it?

First, let's look at this from the other side. Often sales feels they must reduce estimates in order to win new business. This could be a problem with the underlying sales processes or simply a fact of life to which some clients adhere. The bottom line is, if you're working, they must be winning business, so something must be right with the process. What ever the reason, read through the options listed here then help your sales or management team improve on their own estimating processes.

Talk to them about Estimating Expectations

I've often said that sometimes the biggest job for the project manager is to educate other stakeholders in the processes of project management. Now, I'm not suggesting that the entire organization should be certified PMP®'s but it is the project manager's (or the PMO's) responsibility to teach the basics, usually by example. It's a good idea for everyone involved in the project delivery (sales as well as developers) to get a basic understanding about creating and managing to estimates. Ask the sales or management team for their suggestions in improving the estimates and the estimating process. See if they can help you solve the problem so that they understand the process for future projects.

Is Functionality Negotiable?

If at all possible 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 in order to accomplish the project successfully. This approach may not always be possible, but if it's worth asking about rather than just being frustrated.

Can Our Processes be Improved?

We're talking about ways to reduce the cost of your internal processes. Is there a way to reduce the cost to develop? Can testing be imbedded so that it doesn't take as long at the end? Can we use new technology that will allow a faster delivery? Can the process be improved to catch bugs earlier in the project life cycle? You may be able to find ways to deliver the project for less effort and cost.

Get Excited About the Challenge

Remember, it is people that make or break a project... not the technology. As the project manager try to stay focused on the people. Get them fired-up for the challenge of delivering for less. This may be possible for very short term needs, but it won't last for long! You don't want to burn out your team. In today's fast-paced business world, burn-out is a reality and you don't want to contribute to it.

Play the Scope Change Game Well

In many proposals, I've seen vendors that bid low then cover everything as a scope change to regain their costs. Then in each scope change they get more money or time for the project. On some fixed price contracts, the scope changes can far exceed the original contract. Be ware of this with your vendors but take a lesson and adopt some part of it for yourself. We're not telling you to underbid your own work, but to be very diligent about change management and ensure that changes don't "just happen" on the project. Be very clear in the requirements and assumptions made to generate the original estimates. Loosely defined requirements and undocumented assumptions can lead right to uncontrolled scope changes.

Bid the Scoping Process Separately

A process that I've found works quite well is to bid a Scope Development session. The Scope Development session should be a very structured collaborative session (I use The Compression Planning technique.) It will probably take a few hours to design, about ½ day to conduct and a day or two to recap and have the scope approved. Many clients are pleased with this approach and it will give you better information with which to develop a better estimate for the bigger project.

Pad the estimate (but be careful)

One option I mention but DO NOT endorse is to pad the estimate. You all know what I'm talking about. The caution is if Sales, Management or the Client realize the estimates are padded, they'll start trimming every estimate and you're right back where you started.

Instead of padding, do a more thorough risk management assessment including responses and estimates for those responses. Increase your estimates accordingly. That way you'll have concrete analysis to support your estimates, not "padding" that could be slashed.

Refer to Lesson Learned

The lessons that you've learned from your other projects are priceless. As part of your coaching and mentoring, dust-off old projects and see how well their estimates compared to the actual time and cost. This may give you a very good idea of where to target your energies for improving estimates for future projects.

Summary

When project estimates are repeatedly ignored or your organization is constantly starting projects with less money than they need, it can cause all kinds of problems for the team, quality and morale. Do what you can to ensure estimates are accurate and honest, educate often (maybe a little at a time or in the form of coaching) and communicate!

This article was inspired by an article from Tom Mochal at TenStep, Inc published in the Tenstep Tip of the Week in December 2009 edition. Vicky Haney is President of VBH Project Consulting, a consulting company specializing in project management and business analysis training, consulting and facilitation.