

Customer Projects: What is the Future of the Business?

A micro-survey on current trends in Make-or-buy decisions

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Running Projects as Businesses

Many project managers have the task to directly provide income for their employer. They are running “Customer projects” or “Projects under contract”, projects that are performed with the foremost intention to bring money home. A customer project has a very simple business case: It must make a profit for the performing organization, and survival and success of this organization depend not only on the technical skills of the project manager and the team, but also on their business acumen, customer orientation, and approach to profitability.

Internal projects are cost centers, customer projects are (mostly) profit centers.

Overall, textbooks and other literature remain silent on the particularities of customer projects. Standards mention them only “en passant” (for example in PMI, 2013, p. 10) or ignore them entirely (BSI, 2000, DIN, 2009), and they are rarely a topic in magazines and at congresses. Training companies have no offerings for project managers to get trained in the business dynamics of customer projects, and academic studies and research also ignore the subject in large part. Given the value of contractor work in projects, it is furthermore astonishing that not much market research is done on the topic and that reliable data for both the as-is situation and future projections are hard to find.

The Rationale of the Research

In a survey from October/November of 2015, the author of this article asked project managers what kinds of projects they were currently managing. He received 246 responses, and the results were distributed as shown in Figure 1.

What Type of Project are You Currently Managing?

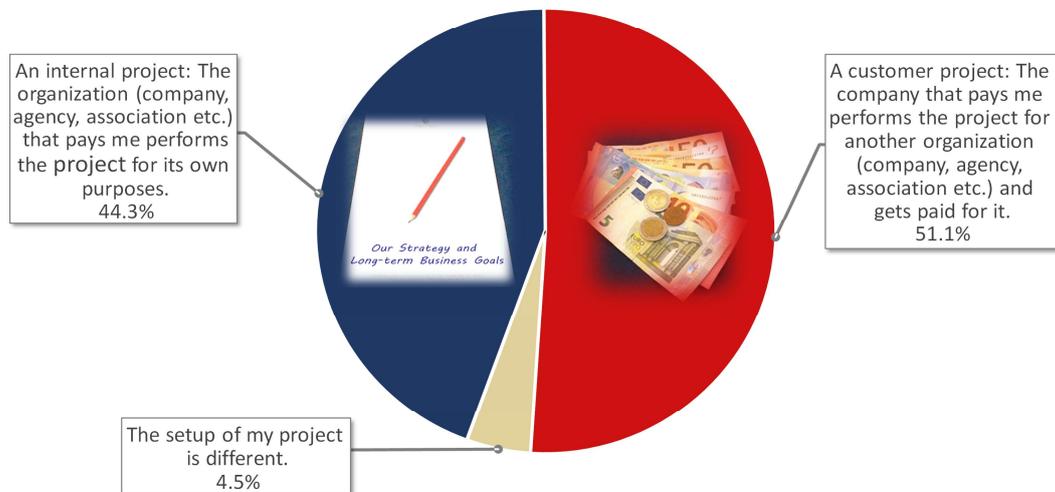


Figure 1: Internal projects vs. customer projects (see also Lehmann, 2016b, p.9)

Both types of projects had roughly the same relevance with a slightly stronger emphasis on customer projects. When literature on project management generally focuses on internal projects, as mentioned above, this means that the particular situation of about 50% of the project managers is not addressed by books, articles, presentations, etc. When one looks at offerings from consultancies, one finds also that no expert help is given for a better understanding of what it takes for these project managers to not only meet the specific requirements on a technological level, on professionalism and on the selection of tools and techniques but to bring money home with projects.

In his book *“Situational Project Management: The Dynamics of Success and Failure”* (Lehmann, 2016a), the author proposes an open typology of projects with the intention to help project managers better adjust their practices to the particular demands of specific projects. The typology was also presented in the December 2016 issue of this magazine in a condensed epitome (Lehmann, 2016b). The distinction between internal projects and customer projects is one of the most obvious. Internal projects are commonly done to implement organizational strategies, meet business goals or to respond to mandatory demands from law or other binding regulations. If they are expected to create financial benefits like cost savings or income, these benefits will generally follow the project lifecycle.

Customer projects are expected to produce this income while they are performed, and the timeliness and sufficiency of the income are the most crucial metric for project success. Their benefit realization is commonly ended when the project is finished, possibly even earlier, notwithstanding subsequent income from services that are then operational and no more project revenues. Figure 2 shows how the lifecycles of projects and benefit generation commonly relate. An essential element of the benefit realization lifecycle is obviously the payment scheme that the contractor has agreed with the customer. The essential benefit from a customer project is the money that the project must make.

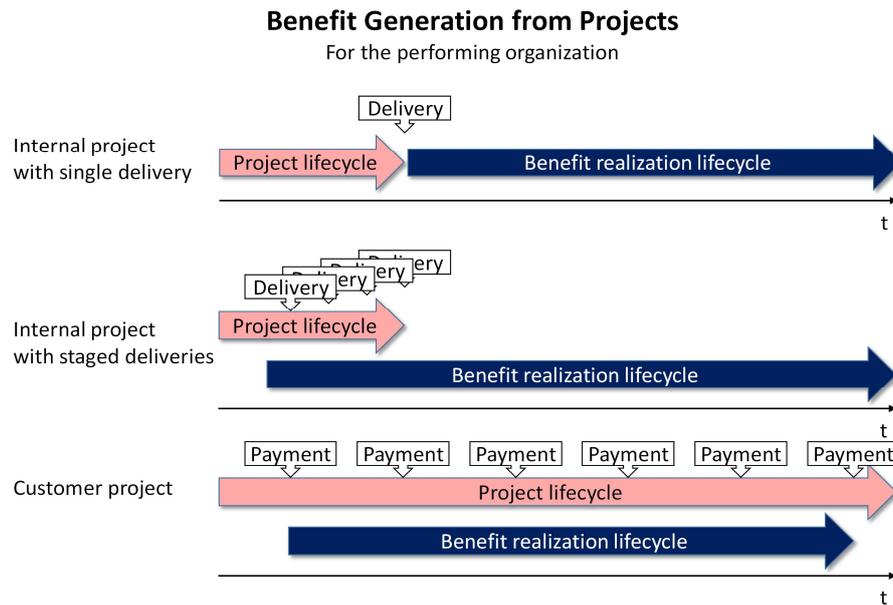


Figure 2: The different lifecycles around the project and the benefit realization for the performing organization.

The author is currently in the process of writing his next book *“Situational Project Management 2: Bringing Money Home with Projects”* and made the research presented here in preparation for this publication. He found an astonishing shortage on data on customer projects, while they have become a major element of the economies of many countries, and he desires to fill some of these gaps. He invites scholars to do the same and support the future of customer project management with better data and a better understanding of their mechanics and dynamics.

A major factor that defines the future market for customer projects are Make-or-buy decisions. Selecting the *Make* option leads to an internal project. When a customer decides for the *Buy* option, a “Want” or a “Need” is sent on a path that will finally turn it into a customer project on the side of a seller, who will later become the contractor. If the general trend goes for an increase in the *Buy* option selected, there will be more customer projects in the future, a trend towards *Make* would reduce their rate of occurrence. The research described here asked, where the trend of the recent past and the future lies.

The Design of the Research

The research was designed around a micro-survey that allowed for a participant to finish in less than a minute. Brevity was indeed a major objective of its design, as one can observe a noteworthy survey-weariness which has evolved among project managers over some years. It can make it difficult to get a sufficient number of responses for a survey to consider its results meaningful. In the recent decades, project management has become a subject of academic discussion and research, and project managers are therefore often asked to respond to surveys, requests that they tend to ignore due to the time pressure under which they have to work in their projects. In addition to these requests, project managers are asked to respond to surveys

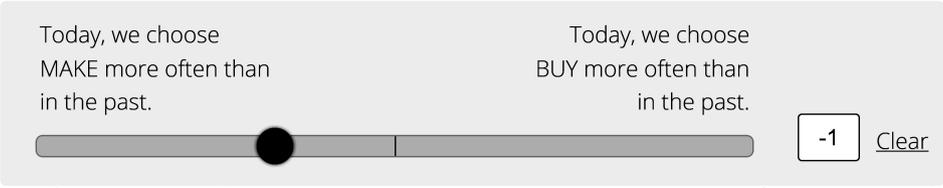
by companies, associations and other organizations, and many project managers therefore reject dealing with surveys at all.¹

Still considerably well-working are micro-surveys consisting of a few questions only, and where it is communicated right from the start that they are easy and quick to answer. The survey therefore consisted of only four questions, plus a free-text field for comments and an opportunity to add an e-mail address for respondents who would be interested in the results.

The research presented here is based on such a micro-survey, open for responses over 17 days between 21 December 2016 and 8 January 2017. It received 590 responses during this time.

The first two questions asked for trends in Make-or-buy decisions, using 7-step sliders with scales between -3 and +3, referring to recent experience and future expectations. Figure 3 shows how respondents could use these sliders to select their degree of agreement to one of the two contradicting statements.

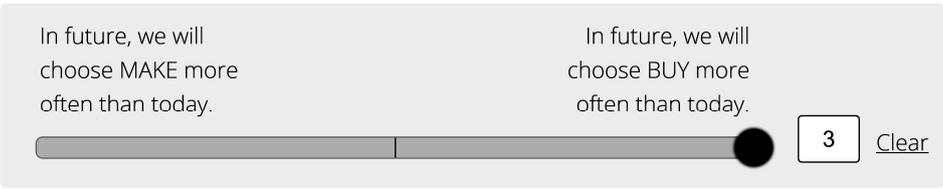
1. On the slider below, which position represents best your *recent experience* for Make-or-Buy decisions?



Today, we choose MAKE more often than in the past. Today, we choose BUY more often than in the past.

A horizontal slider with a black dot positioned at -1. A small box containing '-1' and a 'Clear' link are on the right.

2. On the slider below, which position represents best your *future expectations* for Make-or-Buy decisions?



In future, we will choose MAKE more often than today. In future, we will choose BUY more often than today.

A horizontal slider with a black dot positioned at 3. A small box containing '3' and a 'Clear' link are on the right.

Figure 3: The sliders used to answer questions on recent experience and future expectations on Make-or-buy decisions

Responses to two more questions allow for stratification of the results:

1. By vendor involvement in projects:

“How much of the workload in the projects you are involved with is generally done by vendors?”

¹ US comedian Bill Maher has made a nice joke from that: “You know, I was actually pretty happy with your customer service, up to the point where you asked me to take a survey about your customer service.” (Ryan, 2012)

The answer options were:

- a. Our own people do all the work.
- b. Vendors do less than 50%.
- c. Vendors do about 50%.
- d. Vendors do more than 50%.
- e. Vendors do all the work.
- f. I do not know.

2. By project size:

“What is the most typical total number of people actively involved in your projects from start to finish?”

The answer options were:

- a. 1 - 10
- b. 11 - 100
- c. 101 - 1,000
- d. 1,000 – 10,000
- e. More than 10,000
- f. I do not know.

These two questions allowed only for one answer to help identify differences among projects of different sizes and with different degrees of outsourcing.

The Survey Respondents

The respondents were addressed in professional groups in social networks (mostly LinkedIn and Xing) and by directly inviting contacts per e-Mail. The 590 participants came from 85 countries, with the following as the “Top Ten” by participating individuals:

1	United States	113
2	Germany	92
3	India	63
4	Canada	24
5	United Kingdom	22
6	Saudi Arabia	19
7	United Arab Emirates	18
8	Australia	11
8	Italy	11
10	Pakistan	10

The approach was global and cross-industry. The author would generally encourage repeating this survey with a focus on countries, industries, application areas and other more specific areas of interest. The question in this survey related to the market of customer project management in its entirety: Can businesses expect it to grow, or is it rather static or even shrinking?

The survey also yielded a major number of interesting comments. Some of them will be quoted and discussed in a future article.

The Results

The Overall Result

This research was undertaken to answer the question whether the market for customer projects should be considered a growing, a static, or a shrinking market. As shown above, the respondents could select on two sliders what their recent experience in their project environments has been, and what their expectations for the future are. Figure 4 shows how the responses were distributed.

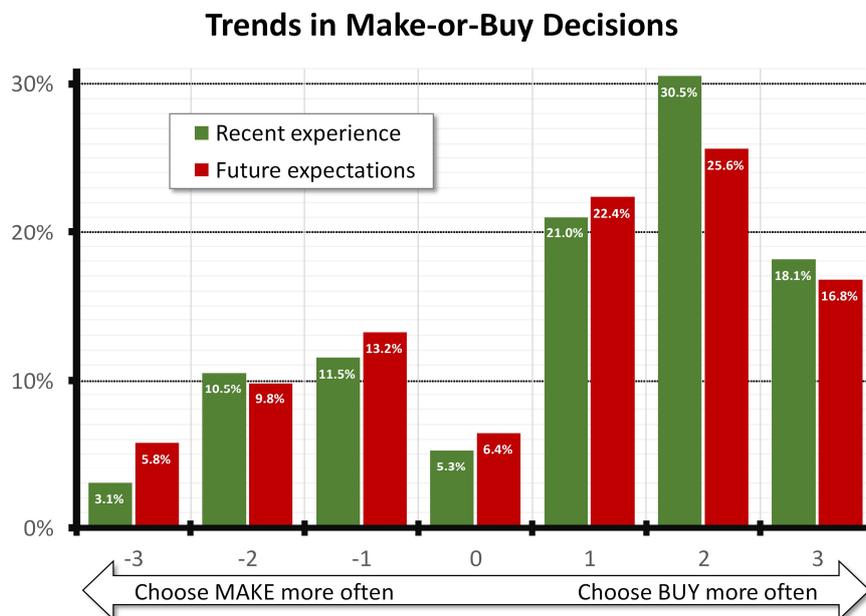


Figure 4: The distribution of the responses on recent experience and future expectations regarding Make-or-buy decisions using the 7-step sliders shown in Figure 3.

The average values among the chosen responses were:

- Recent experience: 0.95
- Future expectations: 0.74

Both the distribution of the responses chosen and the average values show a trend towards more frequent *Buy* than *Make* decisions during the recent past and for the future, with an expectation of a slowdown of the increase of the *Buy* side for the future.

The Influence of the Workload Assignment

The author was further interested to what degree the results were dependent on the workload that was already outsourced. Could it be that projects with lesser parts of the workload already outsourced are different in trends to those where more work is given to contractors? Participants were therefore asked to state how significant vendors were in doing the workload in their projects. The participants could choose from six options. The answering options and the distribution of the responses among them is shown in Table 1.

Answering option	Answers	%
Our own people do all the work.	55	9.3%
Vendors do less than 50%	204	34.6%
Vendors do about 50%.	105	17.8%
Vendors do more than 50%.	192	32.5%
Vendors do all the work.	26	4.4%
I do not know.	8	1.4%
Total:	590	100.0%

Table 1: Answering options for workload assignments in projects, and distribution of responses to them

Figure 5 shows that project environments with more outsourcing were experienced to have a stronger growth in *Buying*, and the expectation for growth in the future was also higher. The market for outsourcing is obviously the most dynamic when already a lot of outsourcing is done.

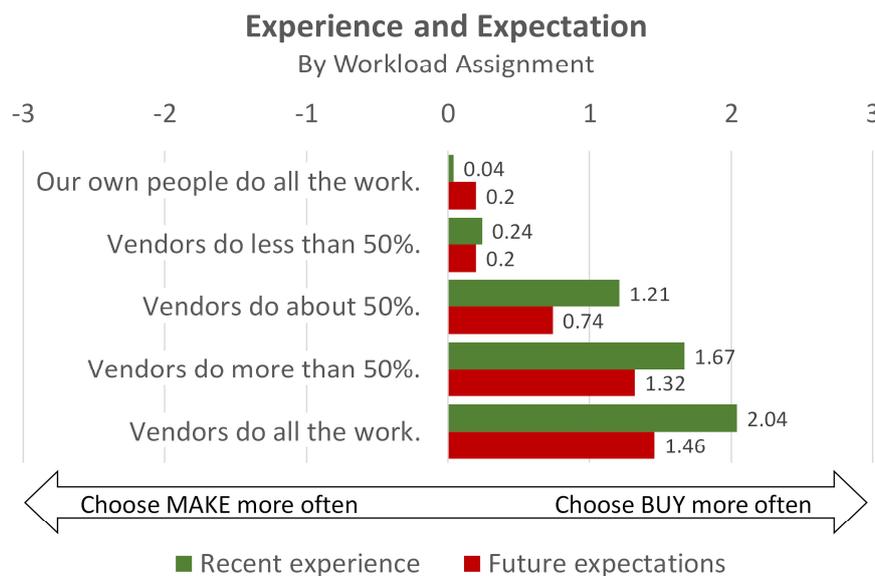


Figure 5: The past and future average trends for Make-or-buy decisions grows with the workload assignment already outsourced.

The Influence of the Project Size

To what degree are trends on outsourcing dependent on the size of the projects? The author asked the participants to state how large their projects were, measured in number of people involved over the project lifecycle. The participants could choose from six options. The answering options and the distribution of the responses among them is shown in Table 2.

Answering option	Answers	%
1 – 10	187	31.7%
11 – 100	313	53.1%
101 – 1,000	72	12.2%
1,001 – 10,000	10	1.7%
>10,000	4	0.7%
I do not know.	4	0.7%
Total:	590	100.0%

Table 2: Answering options for project sizes, and distribution of responses to them

Figure 6 shows that project managers from environments with larger projects experienced a stronger growth in *Buying*, and their expectation for the future was also that of a stronger trend. The market for outsourcing is obviously more dynamic for larger projects.

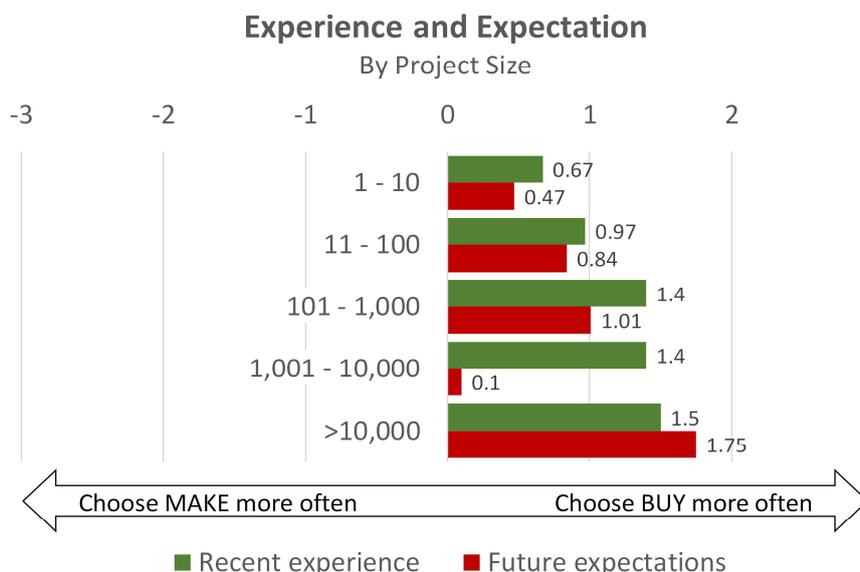


Figure 6: The past and future average trends for Make-or-buy decisions grows with the size of the project.²

² The outlier in the 4th stratum (1,001-10,000) for the future expectation may be explainable with the small number of only 10 respondents.

The Influence of the Project Location

Another question related to location: Are world regions different in their observations of past and expectancy of future trends?

Based on the IP addresses of the responses, the respondents were located into 6 world regions, as shown in Table 3. The table also shows how the responses were distributed over these regions.

Region	Answers	%
Africa	27	4.6%
Asia	110	18.6%
Australia	10	1.7%
Central & South America	21	3.6%
Europe	218	36.9%
Middle East	62	10.5%
North America	141	23.9%
Total:	590	100.0%

Table 3: World regions defined and distribution of the responses across these regions

Figure 7 shows the distribution of the responses over the 6 regions. The average results are positive in all regions, which shows that the expectation for growth in outsourcing business is unbroken in all of them, only expectation on the speed of future growth is different.

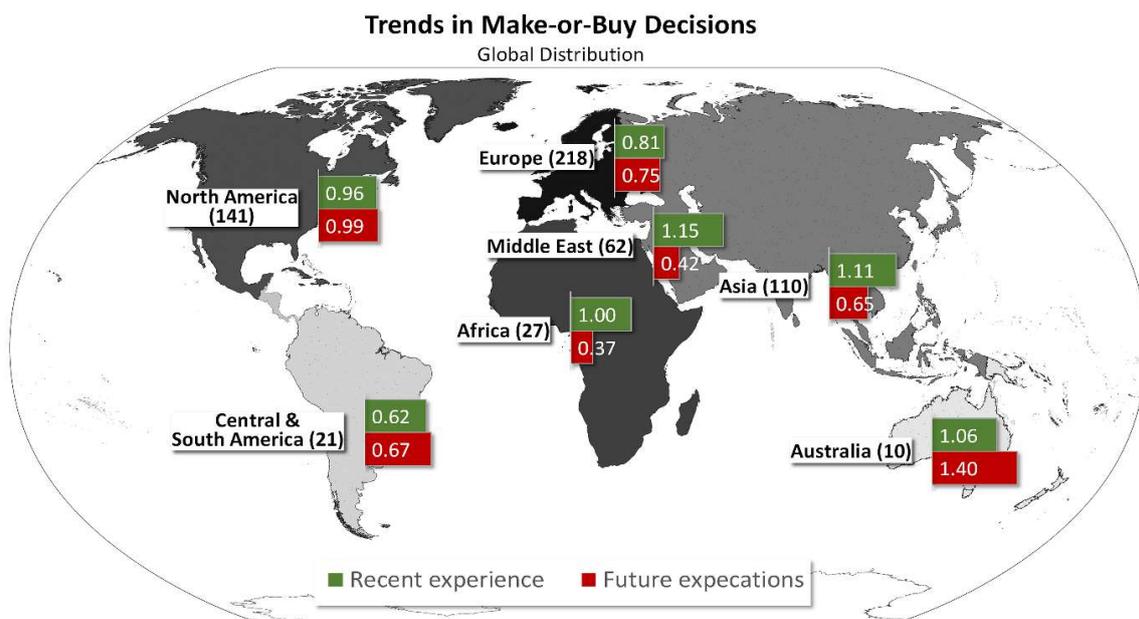


Figure 7: The average trends for the recent experience and future expectations on Make-or-buy decisions are different over the world regions, but the trend is towards further growth in all of them.

Conclusions

The responses to the micro-survey show: The business of bringing money home by performing projects for paying customers is a very robust business, which shows no signs of decrease. The global trend for this type of business is a growing demand, driven by an increasing number of Make-or-buy decisions in which the *Buy* option is preferred over the *Make* option. Differences could be found in the speed of this growth for the past and the future, but the growth as such is not broken. When the author split down the results into strata for workload assignment, project size, and location, not a single stratum resulted in a negative number, which allows the assumption that the trend for growth in customer business is very healthy .

It may also be interesting to repeat the research in the future, to better understand why the growth expectations for the *Buy* option (averaging at 0.74) were smaller than the experiences in the past (average: 0.95). This may indicate an upcoming saturation in the market place. It may also signal management strategies to insource, and it would later be interesting to see if managers were able to implement these strategies or whether changing market conditions dictated to increase the intensity of outsourcing beyond what they had intended.

Another observation from the author's seminar business is interesting in this context: Project managers are commonly not sufficiently prepared to take over the responsibility for customer projects, that should be considered temporary profit centers in complex and highly dynamic environments. Particularly, when the survival of the organization depends on the financial success of its project, and when the satisfied customer is necessary to provide a reference for winning future business, the requirements on the business acumen of the project managers are beyond the education and training contents delivered to them so far.

The same is true for project managers who sit at the opposite side of the negotiation table: Many modern projects are developed as complex supply networks, often across country borders, cultures, legal systems, time zones, business interests and many more environmental factors that lead to fragmentation and siloing of the project team. Understanding and managing such a complexity is a key challenge for these project managers, which is generally not included in the preparation of professionals for project management.

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Oliver F. Lehmann, MSc, PMP, is a project management trainer, author and speaker. He has trained thousands of project managers in Europe, USA and Asia in methodological project management with a focus on certification preparation. In addition, he is a visiting lecturer at the Technical University of Munich and a volunteer and insider at the Project Management Institute (PMI).

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