

The innate risks in outsourcing your projects

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Sharing the risk and realising the rewards by outsourcing clinical studies

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Contents

- Outsourced projects
- Temporary multi-organisations (TMOs)
- Principal-Agent relationships
- The innate risks associated with the “agency problem”
- The projects
- Causes of failure – lens of agency theory
- Mechanisms/Approaches to solving agency problems
- Conclusions
- Acknowledgements
- Questions/Comments?

Outsourced projects

- Create temporary multi-organisation structures (TMOs)
- Involve Principal-Agent Relationships
- Susceptible to the agency problem



TMOs

- Members differ not only in their roles and responsibilities but also in their affiliation to different firms
- Can be:
 - a short-term focus
 - adversarial relationships
 - emphasis on low price rather than added value
 - little interest in sharing risks



Principal- Agent Relationships

- Where there is a contract by which a person(s) [the Principal] engages another person [the Agent] to perform a service on their behalf
- Involves the delegating of decision-making authority by the Principal to the Agent



The innate risks associated with the agency problem

- High degree of conflict over goals
- High degree of opportunistic behaviour
- High degree of asymmetry of information
- Costs



The projects

CASE D Clinical Trial project 2 – Investigational product for the treatment of haemophilia	CASE A Construction project 1 – Airport terminal
CASE B Construction project 2 – New water reservoir	CASE C Clinical Trial project 1 – Investigational product for the treatment of lung cancer

LOW

HIGH

Level of success

Causes of failure - lens of agency theory

Project	Level of Success	Contract Suitability	Degree of Goal Conflict	Degree of Opportunistic Behaviour	Degree of Information Asymmetry	Level of Trust	Level of information to verify Contractor performance	Level of concealment of negative outcomes
Airport terminal refurb.	High	High	Low	Neutral	Low	Neutral	High	Neutral
New water reservoir	Low	Low	Low	High	Neutral	Low	Low	High
Treatment of lung cancer	High	High	Low	Low	Low	High	Neutral	Low
Treatment of haemophilia	Low	Low	High	High	High	Low	High	High

Mechanisms/Approaches to solving agency problems

- Ensuring continuing contractual completeness
- Undertaking inter and intra organisation communication
- Maintaining adequacy and constancy of resources
- Undertaking inter-organisational education

Conclusions

- Outsourced projects, like many clinical trials, present specific project management challenges
- One such challenge is dealing with the innate risks associated with the agency problem
- An holistic approach is needed to manage these risks



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Thank you



Any Questions/comments for
Dave?

