

Pros & Cons of Outsourcing Project Management of Power Utility Capital Projects

The Question That Sets A Power Utility Project's Trajectory

The complexity of managing a capital project is hard to overstate. There are so many facets to stay on top of: logistics, supply chain, scheduling, risk, politics, public perception...the list goes on. How a power utility company chooses to answer one critical question will set the trajectory for how effectively these project components will be managed.

That question is: should project management be outsourced or tackled in-house?

As this post addressing the pros and cons of outsourcing will make clear, there's no cut and dry answer and no one-size-fits-all solution for every project. However, we believe that more often than not, the pros of outsourcing are compelling enough to seriously consider, while the cons are usually overcome with proper protocols and management procedures.

Pros Of Outsourcing Power Utility Project Management

Overall, the pros of outsourcing power utility project management (PM) are centered on better value and performance. Allow us to explain.

1. SERVICE

The outsourced PM is accountable and responsive to the power utility's management team. This client-service provider relationship allows the utility's management team to more easily direct improvements in performance and changes in assigned personnel.

Familiarity can create blind spots, but an outsourced PM may notice issues that internal staff members may overlook due to the status quo.. For example, the outsourced PM could identify efficiency gaps and bring new PM methodologies or tools to the table. Or they may observe that certain team members might be better utilized in adjusted roles. Finally, in most cases, outsourced PMs can make decisions free of the power utility's internal office politics. This is undoubtedly an advantage that enhances objectivity.

2. SPECIALIZED EXPERTISE

Project management, particularly for power utility projects, is a highly specialized process. It requires deep knowledge, unique skillsets, a capacity for significant attention to detail, and an ability to see the beyond the explicit project scope of work. In the end, harnessing this specialized talent leaves more breathing room for other utility managers to focus on what they were hired to perform.

Furthermore, most assets within a power utility system—solar, wind, and hydroelectric generating assets, transformers, breakers and other distribution and transmission assets as well as water passages and civil infrastructure etc.—are incredibly specialized technologies. PMs should understand their construction, safety considerations, environmental impacts, and overall risks. Outsourcing means handpicking PMs who have specific experience with the technologies relevant to each project.

There is also an inherent flexibility and versatility in accessing a wider pool of PM talent through outsourcing. You can draw on PM resources from outside your catchment area if they are office-based or, these days there is an even wider geographic pool to select from with options of working remotely.

Utilizing less experienced, generalist in-house PMs can hinder project quality and increase costs down the line. In an industry where service reliability is one of the top priorities—and is oftentimes paramount to public safety—ensuring you have the right person for the job is critical.

3. COST SAVINGS

There is a perception that outsourcing is more costly. In fact, that is not the case. This is because:

- With outsourcing, power utilities can secure competitive prices for contracted services
- Overhead costs associated with internal resources are dramatically reduced since the company no longer has to internally pay for in-house PM talent.
- You hire a specialized PM only as you need them and most often, for set terms reducing HR efforts to manage internal personnel when capital programs inevitably go through slow periods.

Cons Of Outsourcing Power Utility Project Management

Despite all of the pros associated with outsourcing power utility project management, it's fair to say there are certain drawbacks. We'll discuss them here.

1. PROCURING AND MANAGING THE SERVICE PROVIDER

The task of finding and vetting the right specialized PM does represent an investment of time and energy. Plus, the task of managing this PM still remains.

2. CORPORATE CULTURE AND COMMUNICATION DIFFERENCES

It goes without saying that every organization has a different communication and collaboration style. This can cause friction when different organizations work together.

Coordinating professionals from different organizations can be challenging, especially if the project requires close collaboration and mutual adjustment. Breakdowns can be more painful to address when people are working in different buildings, or different cities, or sometimes different countries. The outsourced PM and their company may not share your power utility's values, priorities, and culture. Trust, which is essential to project success, can be difficult to forge when interactions are limited and people come from different organizations. The potential for loss of control does exist. That's why the initial vetting process is critically important. Diligence at that stage is essential. And, ensuring clear communication strategies at a project's outset is paramount. When regular meetings and updates are planned in advance, this risk can be mitigated. Making sure the PM shares the same values as your organization is key to project success

3. SECURITY AND INSTITUTIONAL KNOWLEDGE RISKS

Although this represents an unlikely risk, you are technically exposed to data security breaches when you outsource. Once again, careful vetting allows you to learn how long an assigned PM has been with the company and how trustworthy they are. It is also important to clearly and completely define policies and processes, and rapidly implement measures to address security issues whenever they arise.

There is also some level of risk that the PM service provider could share your secret or proprietary knowledge and protocols with competitors to enhance the

efficiency of their projects. Ensure you have all relevant NDAs completed and signed.

Outsourcing: Worth Consideration Despite Risks

Occasionally, a power utility will have an experienced in-house PM who is exactly right for the job. If this is the case, outsourcing need not enter the equation. But in most if not all other scenarios, outsourcing power utility project management should be a serious consideration. That's because outsourcing opens up avenues of cost savings, enhanced performance, and better project outcomes.

There are certainly risks and drawbacks associated with outsourcing. However, we have seen that many if not all of them can be mitigated through a careful vetting process, clear communication strategies, and relevant NDAs. We welcome all feedback; If you have any questions or comments, feel free to [contact us](#).