How To Avoid Issues Over Deliverables  
by Steve Olson, President of Contract Management Solutions Group, Inc.

Abstract
This article points out the challenges Project Managers and their teams have when deliverables are not crisply defined and acceptance criteria is ambiguous or not available at all. It provides actionable steps to remedy the problems that deliverables cause when they aren’t documented, defined, and agreed by both parties (buyer and seller).

The intended audience is:
• Project and Program Managers
• PMO and Account Teams
• Deliverable Owners

Readers will find out the issues that undefined deliverable requirements and acceptance criteria can cause when not defined in the contract, or by not having a common and agreed list of deliverables (between buyer and seller). They will find actionable steps they can take to mitigate or eliminate the risk of non-compliant and rejected deliverables.

A Project Manager’s Challenges
Project and Program Managers are the “promise keepers” that deliver their company’s contracted products and services (the promises”) to the client/buyer. I think of the Contract Managers who write and sign the contracts as the “promise makers.” Contracts are full of “provider will” or “provider shall” statements. The “wills or shalls” (the “promises) can range in size, complexity and cost from simple tasks and obligations to critical deliverables and milestones with money (penalties or incentives) associated with them.

The Contract Manager is responsible for extracting and providing all of the contract’s “provider wills or shalls” and reviewing them with the Project Manager and team. Contracts, unfortunately, rarely include definitions of, or distinction between tasks, obligations, or deliverables. The project [delivery] team may know all of their “wills and shalls” but not necessarily which requires approval, or notification it’s complete, or no notice at all.

This is just one of the challenges Project Managers face when given their list of “wills or shalls.” The second challenge is that each “will or shall” doesn’t always have a clear definition of what’s required, or there’s no acceptance criteria specified. This is a problem area for many projects! This is an important matter because “failed delivery / acceptance” of deliverables is the second leading cause of contract claims or disputes!

An ounce of prevention is worth more than a pound of cure!
Hopefully the Project Manager and all subject matter experts are brought in before the contract signed to provide input on all their “wills and shalls.” They can provide input based on their experience and lessons learned that the engagement and contract team needs to accurately estimate the cost and schedule for each obligation, deliverable or milestone that will go into the contract.
Deliverable acceptance can get contentious

In every case, research showed that the buyers and sellers had failed to discuss and agree on one or more of the following:

- Key definitions of terms including deliverables, obligations and tasks;
- A common list of all [buyer and seller’s] contractual deliverables, tasks and obligations;
- Acceptance criteria and due date (if not specified) for each deliverable; and
- A process for managing the identification, submission and approval of deliverables

So this is the challenge Project Managers face - to perform the services and provide the products (obligations and deliverables) with the quality the customer expects, often not knowing exactly what is required or acceptable.

The best way to avoid these claims and disputes is to make sure both buyer and seller have a common understanding of the terminology with crisp definitions of tasks, obligations, deliverables, milestones, and where appropriate, acceptance criteria. They must be black and white with no room for ambiguity or disagreement, and agreed by both parties.

Example of an issue with a deliverable

On a global IT outsourcing contract and project, an issue arose that quickly turned into a claim. The contract defined the deliverable as “the first draft of the Policy and Procedures Manual.” The service provider delivered it on time – but it was rejected by the buyer.

Here’s what the buyer expected -

- A draft of each of the 30 policies and procedures in the manual

Here’s how the provider interpreted it -

- That only a table of contents listing all of the policies and procedures was needed, not all of the content for each one.

To make matters worse, there was a $100,000 penalty for missing the deliverable due date.

How you can avoid issues over deliverables

Many contracts and their programs or projects I’ve started up didn’t have a definition of a deliverable or obligation in the contract, and a deliverable’s acceptance criteria was rarely specified. Because there are no commonly accepted definitions among industries or professions, you and your client will need to find common ground and agree on what each term means and acceptance criteria when appropriate.

On the following page is a table showing some suggestions and examples of terms and their definitions to aid in your discussion and agreement on them and a common list.
<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
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<tbody>
<tr>
<td>Deliverable</td>
<td>A product, result or capability produced by one party for the other during the execution of a contract or project.</td>
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<tr>
<td></td>
<td>A physical, tangible item that must be provided or produced by one party for the other.</td>
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<td></td>
<td>Example: Policy and Procedures Manual, Intangible items that must be provided from one party to the other.</td>
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<td></td>
<td>Example: a new capability or result</td>
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<tr>
<td>Acceptance Criteria</td>
<td>Set of conditions that must be met before deliverables can be accepted</td>
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<tr>
<td>Accepted Deliverables</td>
<td>Products, results or capabilities produced as above that have been validated or accepted as meeting the customer or sponsor’s acceptance criteria</td>
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<tr>
<td>Deliverables List</td>
<td>Complete list of “agreed” deliverables</td>
</tr>
<tr>
<td>Deliverable Owner</td>
<td>Person responsible for producing or providing the deliverable, (including any obligations or tasks required to achieve it), and reporting on its status until completed and approved</td>
</tr>
<tr>
<td>Deliverable Approver</td>
<td>Person authorized to approve satisfactory completion and delivery of the deliverable or achievement of a milestone. (This person can be someone other than the Deliverable Recipient, see below).</td>
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<tr>
<td>Deliverable Recipient</td>
<td>Person responsible for receiving notification and attachment of the completed deliverable.</td>
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<td></td>
<td>If not also the Deliverable Approver (as defined above), this role is responsible for coordinating reviews and responses.</td>
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<tr>
<td>Obligation</td>
<td>Obligations fall below the level of Deliverables, and above the level of Tasks.</td>
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<td></td>
<td>Something that must be performed, completed or provided from one party to the other. It does not require an approval like a Deliverable does, only notification of its completion and delivery.</td>
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<td>Example: “Supplier will provide the client with a copy of their insurance certificates.”</td>
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<td>Milestone</td>
<td>A significant point or event in the execution of a contract, project, program, or portfolio. Often, there is a payment or penalty associated with a milestone.</td>
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<tr>
<td>Task</td>
<td>Tasks fall below the level of obligations and deliverables.</td>
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<td></td>
<td>A clearly defined activity or item that has to be completed in order for the party to meet all of their contractual commitments.</td>
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<td></td>
<td>Usually internal, short-term activities that don’t require any notification of completion to the other party. Tracked internally.</td>
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<td></td>
<td>Example: “Supplier will maintain appropriate records and archives of daily tape backups.”</td>
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</tbody>
</table>

Source: IACCM’s study titled, *2013-2014 Top Terms in Negotiation*¹ See further commentary and analysis below:
- Are you in an adversarial industry? Insights for contract negotiators and managers: Tim Cummins April 23 2014)
- Top Terms in Negotiation - Study Findings & Analysis - EU Forum [June] 2014

The illustration below shows how deliverables, obligations and tasks relate to each other, and may be delivered within an organization – descriptions and examples are as locally defined.

Responsibility and trouble can start “Day 1”
Once the contract signs and the project begins there are always tasks, obligations and deliverables that need to be completed and submitted to the client. If you can agree on the definitions of tasks, obligations and deliverables early, you’ve already done a lot to mitigate the risk of misunderstandings and disagreements that lead to issues and sometimes claims and disputes and penalties.

Actions to take to avoid issues over deliverables
Here is a best practice from years of lessons learned. Complete these steps and you should not have any issues caused by misunderstandings of deliverable requirements, client expectations or acceptance criteria.

1. Extract all tasks, obligations and deliverables from the contract and agree on definitions for each category.

2. Review and agree on the list of deliverables and assign owners, recipients, and approvers for each of them. It's vital to start with agreed definitions before you can agree on the list.

3. Ensure owners, recipients, and approvers agree on their deliverable's definition, requirements and acceptance criteria. Develop and implement a process for managing tasks, obligations and deliverables. It’s important to have an agreed process or procedure for submitting and approving deliverables. The best practice is to have each deliverable owner submit their completed deliverable to their PMO for final review, internal approval, and submittal to the deliverable recipient.
4. **Document the agreed deliverable requirements and acceptance criteria for each deliverable.** This should be included within the deliverables list and any repository or systems where status is recorded.

5. **Communicate the deliverables list and process to all stakeholders.** Ensure that everyone understands their role and responsibilities.

6. **Use a contract repository, or project control book-type database for storing all information relevant to the contract.** This should include documents, administration processes, contract-related communications, submissions, approvals, and artifacts.

7. **Meet regularly to review deliverables status and 30-60 day outlook.** This will detect any potential problems on meeting the due date, and allow time for corrective actions before it's too late.

**Summary**

Contracts (contract language) can influence the chances for a project’s success, either positively or negatively. If scope, requirements, and acceptance criteria are well defined, project members know exactly what is required and thus able to provide what the client is expecting. When these definitions aren’t included in the contract it opens the door to misunderstandings, disagreements, and potentially costly issues and claims. All of which takes a toll on schedule, cost, customer satisfaction, the relationship, and also the chances for a successful contract outcome.

While these activities require a little time, effort and expense on your part, it greatly reduces the causes of disagreements, issues, and potentially expensive claims and disputes later.

**End Notes**

1 IACCM's study titled, *2013-2014 Top Terms in Negotiation*
2 CMS Group, Inc. Diagram and definitions of tasks, obligations and deliverables
About the Author

Steve Olson is the founder and president of Contract Management Solutions Group, Inc. He has extensive experience with global contracts and projects, initiating over 100 of IBM's BPO and IT outsourcing contract projects with many of the Fortune 500 companies and U.S. federal and state government agencies.

Steve willingly shares his knowledge and experience with the project and contract management associations via articles, seminars and webinars. His articles have also been published in NCMA’s Contract Management, IACCM’s Contracting Excellence, and PMI’s ProjectManagement.com.

He’s worked alongside both the buyers and seller’s contract managers and project managers. He also works with an organization’s executives, managers and practitioners to understand their specific challenges, capabilities, and effectiveness, in order to see the “big picture.”

He advocates a unified approach to contract and project management that provides project and contract managers a holistic view of the relationship and interdependencies between their projects and contracts, and how their mutual success achieves business goals, objectives, and business value.

He’s presented workshops at NCMA’s World Congress 2015 and at IACCM’s Americas Forum 2015 and 2016. His topics cover integrating the best practices and key success factors of contract management and project management for mutual success.

His objectives are to provide insightful, actionable, information that provokes thinking and generating ideas for how these best practices and key success factors can be applied by each profession. Olson is a 16 year certified Project Management Professional PMP® and active member of PMI, IPMA, NCMA, IACCM, and IAOP.

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