

SIEMENS

Industrial Solutions and Services

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Expectation Management versus Claim Management

A Contradiction?

No!

***Expectation Management and Claim Management
are complementary key factors for a successful
project***

Expectation Management is the process of gathering, incorporating, and measuring stakeholder expectations during the complete life-cycle of a project

- **Expectations** should be **set at the beginning** of the project and should be **agreed upon by all members**
- **Expectation Management** is a **component of the Quality Management** as well as **Project Communication Management** and needs a similar process framework [3]
- **Successful Business/IT solutions** require a defined **business proposition**, an understanding of the **technology's capability**, and understanding of **shareholders' expectations**
- **Expectation Management** may **close the gap between** different understandings of the **business responsible** and the **solution provider**

IT professionals shall be plugged into business as well as business professionals must understand how IT can improve business results.

*Being plugged in and connected is all about **knowledge, trust, working together and knowing what to expect***

Claims are requirements, designing rights or objections rooted in a contract relevant case, which are or will be contract relevant in a timely, financial or technical respect. [1]

- Characteristic for a claim is a deviation from the existing contract respective to obligations and/or actions (scope management [3])
- There is an active and a defensive Claim Management
- The resolution of a claim on an operative level in the project will mostly result in negotiations of a change order managed by the Change control process [3]
- In a conflict driven project environment claims are sometimes taken as a “war declaration”
- The escalation procedure in the contract shall define the concept of a dispute resolution possible as a mediation, arbitration or litigation.
- Prof. Huck [1] is talking about 3 contractual models: “Classical contract law”, “neo-classical contract law” and “relational contract law”

Influence of the contractual model to the variation of Claim Management 

- The contract is formulated in a comprehensive and complete manner
- Start and end are exactly defined
- Services and deliverables are clear defined.
- Customer’s and supplier’s obligations are fixed
- The intensity of relationship is low and based on the actual interchange of performance

Possible results or problems:

- The **rigid contractual frame hinder technological evolution** in a long running performance
- The **claim management** mentality is often driven by a **formalistic approach** resulting in a **fighting customer / supplier relationship**
- Difficult “give and take”- compromises / low orientation on possible pragmatic results
- The **project result** may **meet the specification** but may **not meet the expectations**

- This model shall be taken as an enhanced version of the “classic contract law”
- Instead of a short-term and onetime performance a long-term relationship will be added. This lasting momentum of the long-term relationship may cause insecurity
- Changes in the frame conditions creating surprises up to the fact that the project result becomes obsolete

Possible results or problems:

- The **potential result is similar** to the observations of the “**classic contract law**”
- The more **intensive relationship** may build a **higher degree of trust** between the contractual partners
- The **change order management becomes a project driving issue**. The project attribute of a “**defined start and end**” get lost.
- The **expectations** may be met only via **change orders** in a late project stage

- This contracting model has its origin in contractual relationships inside of complex long-term contracts, like in the industrial plant construction business (also applicable in the provision of complex IT-systems)
- The contract has a frame character. Obligations resulting not only out of the contract as well as in commitments rooting in social relationships between the partners
- Personal relationship, intensive communication and trust are fundamentals of this contractual relationship
- Conflicts will be resolved out of the motivation of a tight social commitment in order to continue the existing relationship based on trust
- Claim management becomes via “friendly negotiations” a flexible instrument to adapt the deviations and changes out of the contract and to find a consensus-based compromise – a new commitment towards the common project target

Possible results or problems:

- The **project result meets the specifications and expectations**
- **Claim management is no more a stick** to “defend” the own interests; It is **steering instrument** to achieve the **optimum project result**
- This working model needs a **strong and balanced commitment to a faire relationship** from both: **Customer and Supplier**

***Expectation Management do not mean a submissive relationship
(Customer is ordering – Supplier is executing)***

***Claim Management is not an instrument of suppression neither a war
declaration to the other party***

A **open-minded** and **trustful partnership** between the customer and the supplier supported by the respective contract model **allows**, that:

- **The expectation management** becomes an **instrument to define and to communicate clearly** the needs / requirements of the project
- **The claim management** becomes the **steering instrument to execute and to remunerate** those needs / requirements within the project in a transparent way

So both are complementary key factors for the project success!

- [1] Prof. Dr. iur. Winfried Huck; Institute for International Business & Law;
“Prozess- und Ergebnisoptimierung durch Claim-Management – eine conditio sine qua non im Anlagengeschäft?”;
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- [2] Jens C. Egerland; accenture;
“Expectation Management – Key to Project Success”;
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- [3] Project Management Institute, Inc.;
“A guide to the project management body of knowledge: PMBOK guide.” –
3rd edition; © 2004

Recommendation

- Oliver Grasl, Jürgen Rohr, Tobias Grasl; datavisual Management Consultants GmbH;
“Prozessorientiertes Projektmanagement”;
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