Project Management for Managers
Lec – 60
Procurement Management- Part 2 and Project Termination

Dr. M.K. Barua
Department of Management
Indian Institute of Technology Roorkee

Purchasing policies include

Sourcing policies: help in to select suppliers **indigenous vs. Foreign**, **local vs distinct supplier**, purchase from **sister concern**.

Internal policies: petty cash purchase, cash discount, **payment for the samples**, **disposal** of defective goods, system of rejection allowance for subcontracting items.

Suppliers' relationship policies: help in **fair trading and professionalism** on part of the purchase staff e.g. Gifts

Policies and general principles:

Speculative buying: Buying objective to buy at **least cost** to prevent production hold-up, in forward buying– the intention is to **resale for profit**.

Purchase of **goods from own employees:**

Employee's purchase: Cooperative society of the company

Sale of goods to employees: surplus and obsolete items, cartons, wooden box, gunny bags, etc.

Ethics in buying:

Word ethics meaning **character or conduct** is that branch of philosophy which deals with **rightness or wrongness**, **goodness or badness** of human conduct. Needed in **all functions** of the organisation.

Ethics: may be defined as little finest complications of **do's and don't resulting** from conflict of mind as to what a **person is tempted to do and what he ought to do** .

Typical unethical acts

Misrepresentation of facts:

- Vendor may give **wrong estimate** of requirement to buyer, he may quote **low prices to get order.**

- **Buyer** may give vendor a rosy picture of future prospects and press him to **go for small volumes/price**.

- Buyer rejects material on **flimsy** grounds, false competitive information to the sellers.

Typical unethical acts

Misrepresentation of facts:

• Vendor may give **wrong estimate** of requirement to buyer, he may quote **low prices to get order.**

• **Buyer** may give vendor a rosy picture of future prospects and press him to **go for small volumes/price**.

• Buyer rejects material on **flimsy** grounds, false competitive information to the sellers.

Improprieties of bids: Buyer should not allow vendor to **submit more than one bid,** no **rebidding**, submission of bid after **due dates**, all bidders must be **appraised**.

Price disclosure: Competitive price information should be treated confidential.

Unearned discounts: Buyers make payment through cheques even after the due dates .

Cancellation of orders : without valid reasons

Thrusting decisions on suppliers: thrust prices on smaller vendors , forcing vendors to mfg products in a way not interested buy seller.

Personal Requirements: ex-get materials for home/vehicle.

Samples and estimates: buyer asks to prepare drawings, samples, but does not pay for it.

Development work at the cost of vendor: Gives orders to others on the basis of learning of first vendor.

Discourteous behaviour:

There are code of conduct by **Indian Association of Material Management (AIMM).**

What does a supplier want form buyer:??????

Timely payment

Non-cancellation of orders:

Minimisation of unscheduled deliveries and rush orders:

Avoidance of force price reductions:

Avoidance of unnecessary rejections:

Avoidance of harassment:

Right quantity: EOQ, Replenishment system and buying methods.

Right quality: design, material, chemical composition, properties like mechanical electrical , etc.
Quality of design, conformance, performance.

Right price: right price does not mean lowest price but the price which **minimises** the **overall cost**. The techniques are negotiation tendering , and learning curve.

Right Time:

Right source: only right source can give other 4 Rs
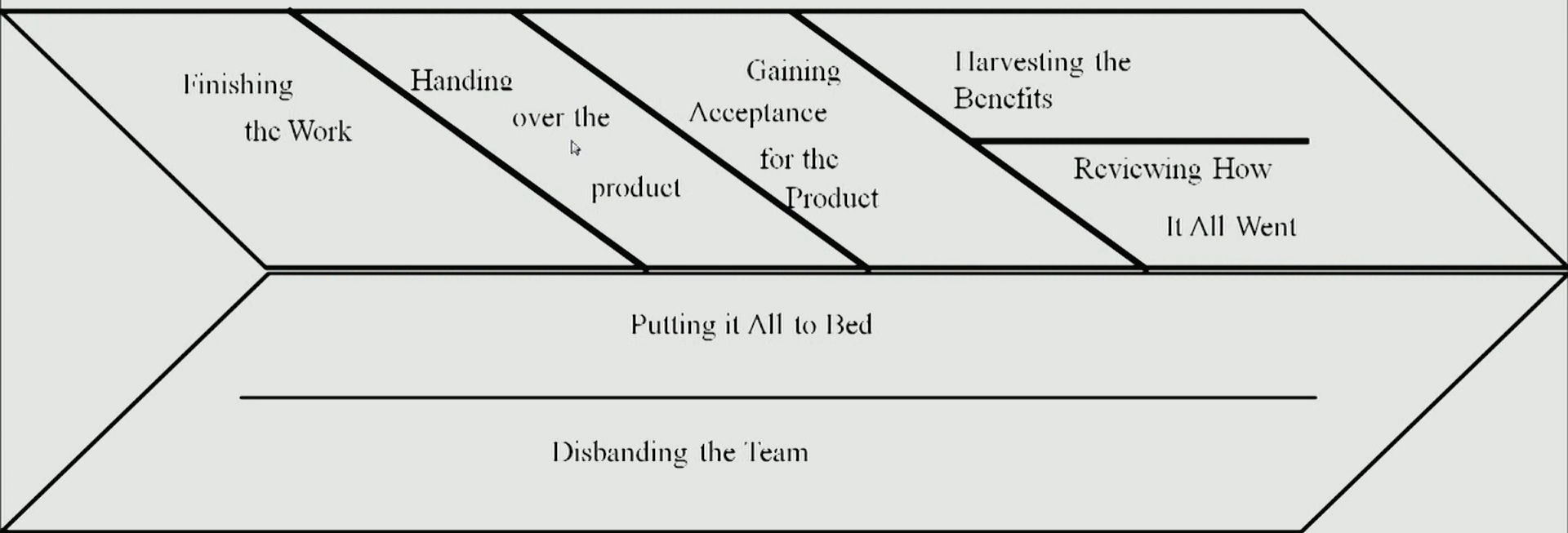
Project Termination

All **activities consistent with closing out the project**. Acceptance of project by sponsor, completion of records, final revision and issue of documentation to reflect its final condition.

Types of project termination

❖ **Extinction** : Project is **stopped** due to either its **successful or unsuccessful conclusion**. Auditing, team on new assignment, assets transferred as per policy.

❖ **Addition** : Success of the project is added to organization structure.

❖ **Integration**: Resources and team members are **reintegrated** within the organization's existing structure. Team members leave parent originations.

❖ **Starvation:** Due to budget or any other reasons.

Elements of Project Closeout Management

Finishing the Work

Handing over the product

Gaining Acceptance for the Product

Harvesting the Benefits

Reviewing How It All Went

Putting it All to Bed

Disbanding the Team

Finishing the work: Final "polish". Members loose focus, think of new assignment, challenge is to keep the team "zeroed in".

Handing over the project: Transferring project to client with **technical details and drawings, training**, etc.

Gaining acceptance: Over a period of **time** projects get acceptance from clients.

Harvesting Benefits: Project are initiated to **find or solve problems/ find opportunities**. Increased productivity, higher market share or profit, etc.