

INFO6007

Project Management in IT

Lecture 10

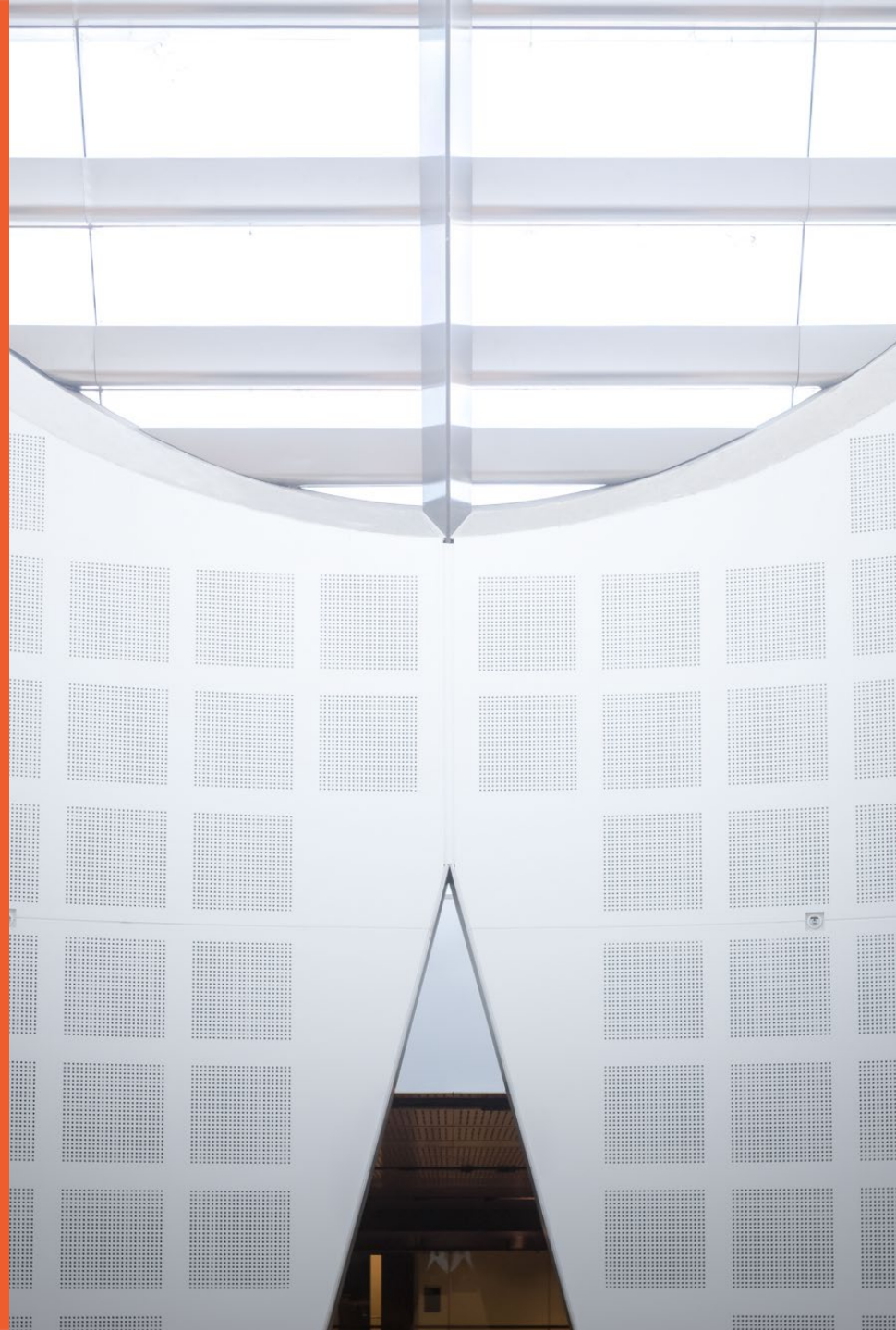
Managing Project Procurement

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Recapture From Lecture 9



We discussed **Managing Project Risk**:

- Processes of project risk management
- Risk register
- Risk Response Strategies

Update on The Final Exam

- The number of questions are significantly reduced by almost a half
- Expected writing time is **ONLY 5 to 8 hours within the given 48 hours**
- Open-book, take-home
- Further details on the final exam will be provided in week 12

Assessment

Details		Criteria		
Type	Description	Weight	Due	Length
Final exam (Take-home extended release)  	Final exam Take-home open-book exam, needs to be submitted online through Canvas.	50%	Formal exam period	48 hours
	Outcomes assessed: LO2 LO3 LO4			

Where Are We Now ? -- Course map

Week	Topics/Activities
Week 1	Introduction to IT Project Management
	Other: Form Assignment Groups
Week 2	Managing Project Scope
Week 3	Managing Project Time
Week 4	Managing Project Cost
Week 5	Managing Project Quality
Week 6	Managing Project Resources
Week 7	Knowledge Test
Week 8	Project Leadership and Communication Management
Week 9	Managing Project Risk Assessment Due: Group Project
Week 10	Managing Project Procurement
Week 11	Presentation
Week 12	Course Review
Exam Period	Assessment Due: Final Exam

What Will We Do Today ?

- Lecture
 - Project Procurement Management
- Class activities
 - Critical Thinking / Problem Solving
- Assessment:
- Announcement (if any): **Presentation will be held next week (week 11).**
 - ONLY ONE member from a team, preferably the team leader, should upload presentation slides on Canvas, put your group number as your file name.

Learning Objectives

- Discuss the processes of project procurement management
- Explain the concept and types of contracts
- Discuss Procurement Proposal Evaluation

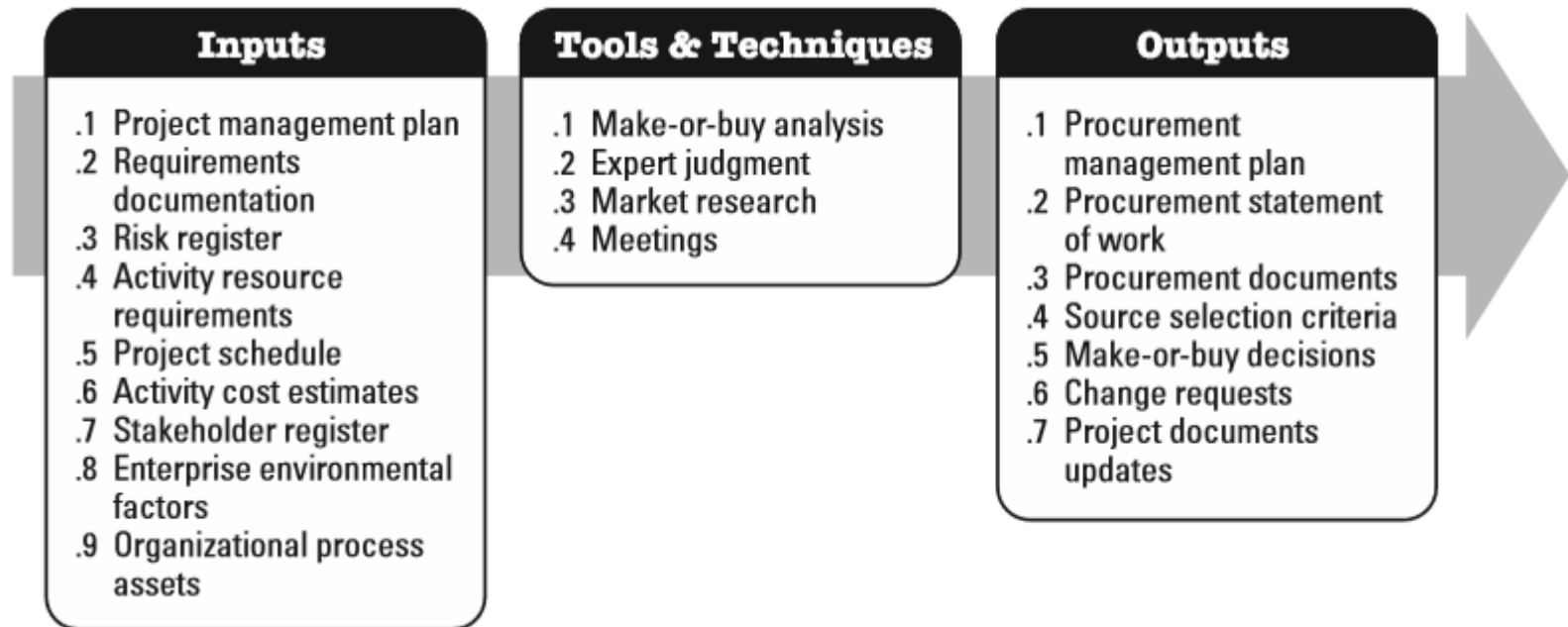
Project Procurement

- **Procurement** means acquiring goods and/or services from an outside source (e.g. purchasing, outsourcing)
- **Project procurement** : Acquiring goods and /or services for a project from outside the performing organization

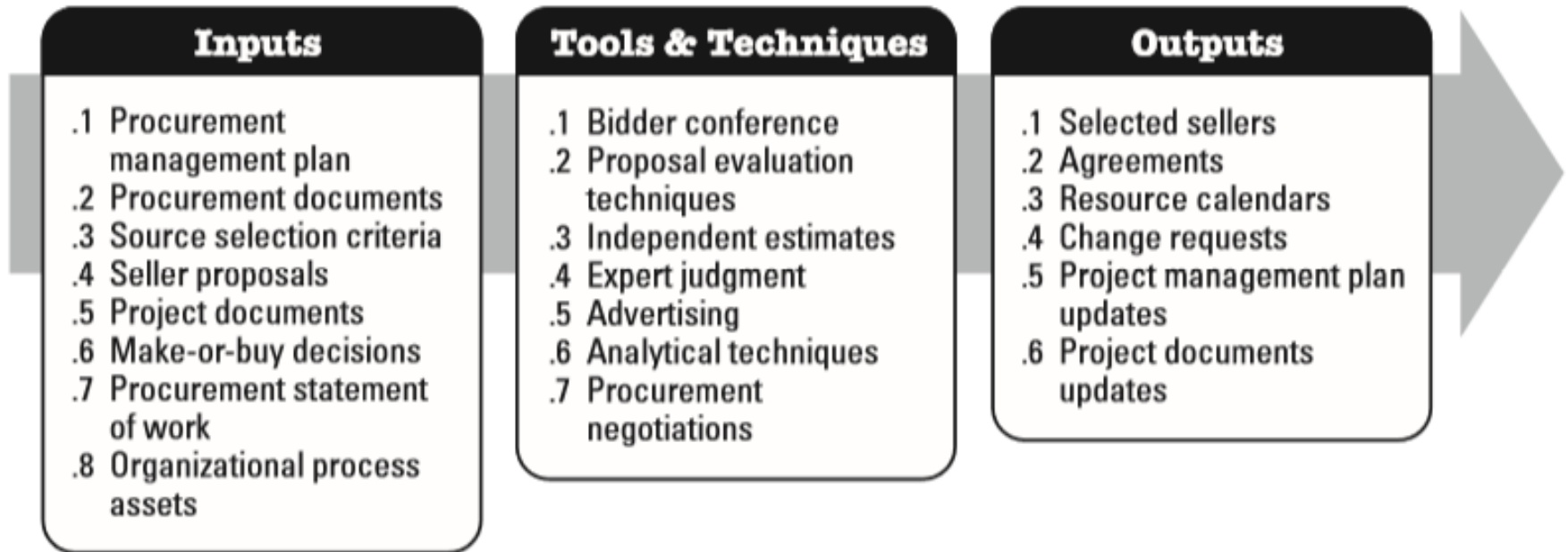
Project Procurement Management Processes

- Project Procurement Management Processes include:
 - **Planning procurement management:** Determining what to procure and when and how to do it
 - **Conducting procurements:** Obtaining seller responses, selecting sellers, and awarding contracts
 - **Controlling procurements:** Managing relationships with sellers, monitoring contract performance, and making changes as needed
 - **Closing procurements:** Completing and settling each contract or agreement

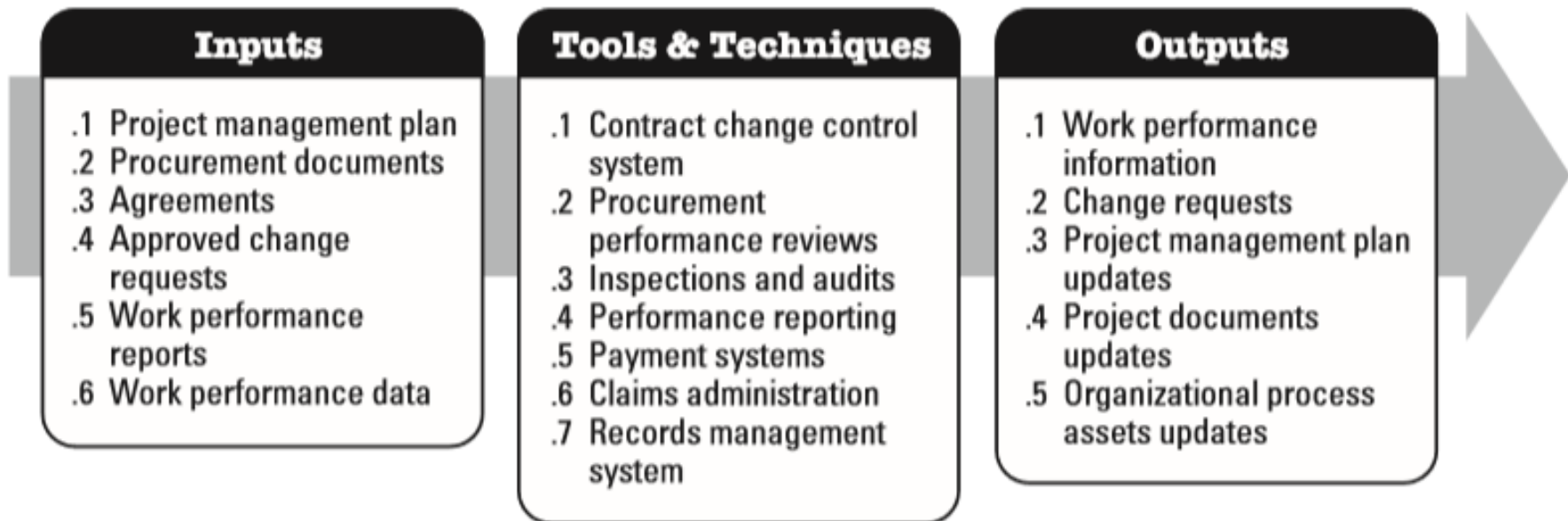
Planning Procurement Management



Conducting Procurements



Controlling Procurements:



Closing Procurements



Contracts

- A **contract** is a mutually binding agreement that obligates the seller to provide the specified products or services and obligates the buyer to pay for them
- Contracts are legally binding, there is more accountability for delivering the work as stated in the contract

Types of Contracts

- Different types of contracts can be used in different situations:
 - **Fixed price or lump sum** contracts: Involve a fixed total price for a well-defined product or service
 - **Cost reimbursable** contracts: Involve payment to the seller for direct and indirect costs

Types of Contracts

- **Time and material** contracts: Hybrid of both fixed price and cost reimbursable contracts, often used by consultants
- **Unit price** contracts: Require the buyer to pay the seller a predetermined amount per unit of service
- A single contract can actually include all four of these categories, if it makes sense for that particular procurement

Cost Reimbursable Contracts

- **Cost plus incentive fee (CPIF):** The buyer pays the supplier for allowable performance costs plus a predetermined fee and an incentive bonus
- **Cost plus fixed fee (CPFF):** The buyer pays the supplier for allowable performance costs plus a fixed fee payment usually based on a percentage of estimated costs
- **Cost plus percentage of costs (CPPC):** The buyer pays the supplier for allowable performance costs plus a predetermined percentage based on total costs

Contract Statement of Work

- A **statement of work (SOW)** is a description of work
- If a SOW is used as part of a contract to describe only the work required for that particular contract, it is called a **contract statement of work**

Statement of Work (SOW) – Example

Statement of Work (SOW)

- I. **Scope of Work:** Describe the work to be done in detail. Specify the hardware and software involved and the exact nature of the work.
- II. **Location of Work:** Describe where the work must be performed. Specify the location of hardware and software and where the people must perform the work.
- III. **Period of Performance:** Specify when the work is expected to start and end, working hours, number of hours that can be billed per week, where the work must be performed, and related schedule information.
- IV. **Deliverables Schedule:** List specific deliverables, describe them in detail, and specify when they are due.
- V. **Applicable Standards:** Specify any company or industry-specific standards that are relevant to performing the work.
- VI. **Acceptance Criteria:** Describe how the buyer organization will determine if the work is acceptable.
- VII. **Special Requirements:** Specify any special requirements such as hardware or software certifications, minimum degree or experience level of personnel, travel requirements, and so on.

Procurement Documents

- **Request for Proposals:** Used to solicit proposals from prospective sellers
 - A **proposal** is a document prepared by a seller when there are different approaches for meeting buyer needs
- **Requests for Quotes:** Used to solicit quotes or bids from prospective suppliers
 - A **bid**, also called a tender or quote (short for quotation), is a document prepared by sellers providing pricing for standard items that have been clearly defined by the buyer

Request for Proposal (RFP) – Example

Request for Proposal Template

- I. Purpose of RFP
- II. Organization's Background
- III. Basic Requirements
- IV. Hardware and Software Environment
- V. Description of RFP Process
- VI. Statement of Work and Schedule Information
- VII. Possible Appendices
 - A. Current System Overview
 - B. System Requirements
 - C. Volume and Size Data
 - D. Required Contents of Vendor's Response to RFP
 - E. Sample Contract

Source Selection Criteria

- It's important to prepare some form of evaluation criteria, preferably before issuing a formal RFP or RFQ. Some possible source selection criteria are:
 - ✓ Understanding of need
 - ✓ Overall or life-cycle cost
 - ✓ Technical capability
 - ✓ Risk
 - ✓ Management approach
 - ✓ Technical approach
 - ✓ Warranty
 - ✓ Financial capacity
 - ✓ Production capacity and interest
 - ✓ Business size and type
 - ✓ Past performance of sellers
 - ✓ References

Procurement Proposal Evaluation

		Proposal 1		Proposal 2		Proposal 3, etc.	
Criteria	Weight	Rating	Score	Rating	Score	Rating	Score
Technical approach	30%						
Management approach	30%						
Past performance	20%						
Price	20%						
Total score	100%						

Rating Scale	
Point Value	Explanation
0	None. Not addressed or response of no value
.4	Fair. Limited applicability
.6	Good. Some applicability
.8	Very Good. Substantial applicability
1	Excellent. Total applicability

Seller Selection

- Organizations often do an initial evaluation of all proposals and bids and then develop a short list of potential sellers for further evaluation
- Sellers on the short list often prepare the best and final offer (BAFO)
- Finally contract signed by the buyer and the selected seller

Class Exercise – Procurement

- Based on your group project identify purchasing requirements, supplier selection criteria, method of control

Purchasing requirements	Supplier selection criteria	Method/s of controlling supplier
		Make order cancellable or final payment subject to deductions if late delivery
	Reference checking	

Class Exercise – Case of NSW Health

- Explore the case study provided under week 10 module and answer the question in the link below:

<https://docs.google.com/document/d/1gQsASwRXX4xJdB-2H0evlXYxAliHZHusElKH0ivj8c4/edit?usp=sharing>

Presentation

- Submission of presentation deadline is 11:59 pm, Tuesday, 10 November.
- You should be able to upload PPT slides on Canvas in presentation section.
- Only ONE member from your team, preferably the team leader, should submit the presentation
- Put your group number as your file name
- If you are providing video/audio recordings for presentation, put the access link on the **1st page of the PPT slides**. Alternatively, discuss this with your tutor.
- Time allocation = **6-8 minutes**
- Week 12 Course review and exam preparation

Presentation Evaluation

The following are the main criteria we will use to evaluate the presentation:

- 1) Contents of presentation [2 marks]
 - 2) Confidence and ability to convince [2 marks]
 - 3) Team communication during the presentation [1 mark]
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- Your team will decide what items/contents to include in the presentation. We understand that it is not easy to cover all sections in 6-8 minutes.
 - Every member of the team is expected to participate in presentation preparation and/or presentation delivery.

Lecture Summary

- Project procurement management involves acquiring goods and services for a project from outside the performing organization
- Processes include:
 - Plan procurement management
 - Conduct procurements
 - Control procurements
 - Close procurements

Announcement (if any)

Q &A?

Thanks everyone !