# PMPP 201 Unit 10: Procurement Knowledge Area

## Overview

Welcome to Unit 10 of PMPP 201. In this Unit, we will consider the tools that allow a project manager to purchase goods or services within a project.

This unit will consider the Knowledge Area of **Procurement**.

Having the right purchasing person on your team is critical. There is a big difference between a Buyer and a Procurement Professional. A buyer has limited skill and be great at buying from a catalog or the internet. Whereas, a procurement professional would be solid at negotiation and contract law, and develop Purchase Orders to benefit the project/organization.

The core tool of procurement is the Purchase Order (PO). A PO is a very powerful tool and the project manager must have a firm grasp of PO basics to ensure project success (and reduce litigation risks). And, there are several types of PO’s that are at a project manager’s disposal… selecting the right one can prove to be critical.

There are other major tools in this unit, including the Make or Buy decision process and the Statement of Work.

All of these components are communicated to suppliers and stakeholders as noted in your project Procurement Management Plan.

We target our assignments to prepare you for use in real-world project management. You will commonly perform work based on a given scenario or use samples/templates from the web. Plus, each week, you’ll be submitting a Weekly Recap Status Report that discusses lessons learned.

## Topics

This unit is divided into the following topics:

1. Purchase Contract Types
   * Knowing there are several types of Purchase Orders (PO) will help your team select the bet one to fit your project needs.
   * Within the types, there are standard/common Terms and Conditions (T & C) that can reduce the risk of the purchase.
     + These need to be appropriate for the supply chain.
2. Make or Buy Decisions
   * Many projects are started based on a Make or Buy decision. There is a common formula that can be used.
     + Additionally, the formula needs to reflect the proper timing, usually in terms of *life* *cycle* (e.g. matching the depreciation of the item).
3. The Procurement Management Plan
   * There are several components of the Procurement Management Plan. Simplified, it is a path to show how the procurement process will function within the context of the project.
     + The plan should also fit the enterprise factors/culture of the organization, at the very least matching the purchasing processes.
4. Statement of Work
   * A Statement of Work (SOW) is an important document that, once agreed upon with the buyer and seller, becomes part of the PO.
     + If an engineering drawing exists, it becomes the SOW.
   * As you can imagine, the accuracy and clarity of the SOW is critical to project success.

## Learning Outcomes

When you have completed this unit, you should be able to:

* Select the appropriate purchase order type and terms to fit the needs of the project/organization
* Perform a Make or Buy calculation to help an organization to make sound project/financial decisions
* Assemble the necessary components that make up a project Procurement Management Plan
* Build a Statement of Work, specifying the project needs that eventually becomes an integral part of the purchase contract.

## Activity Checklist

Below is a checklist of learning activities you will benefit from in completing this unit. You may find it useful for planning your work.

It is important to complete ALL Personal Activity PRIOR to FAR Centre sessions.

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| 🗹 | **Activities** | **Expected Time Commitment** |
|  | **Personal Activity 10.0.1:** Watch Instructor Video (PowerPoint file included for reference). | 30 minutes |
|  | **Personal Activity 10.0.2:** Read All In One (AIO), chapter 12. | 60 minutes |
|  | **Personal Activity 10.0.3:** Watch AIO Video “Contracts” by Phillips. | 5 minutes |
|  | **Personal Activity 10.0.4:** Watch AIO Video “Make or Buy” by Phillips. | 10 minutes |
|  | **Personal Activity 10.0.5:** Watch Web Video “Purchase Order Definition – What is Purchase Order?” by Accounting Instruction. | 5 minutes |
|  | **Personal Activity 10.0.6:** Watch Web Video “How to write a Purchase Order” by headfirstprinting. | 8 minutes |
|  | **Personal Activity 10.0.7:** Watch Web Video “Purchases and Purchase Discounts” by Dee Amaradasa. | 9 minutes |
|  | **FAR Centre Activity 10.1.1:** Form groups of 3 to 5. Open the file, “Scenarios for PO Types” and determine the best PO type for each scenario | 20 minutes |
|  | **FAR Centre Activity 10.1.2**: Share your results with the class, about 2 minutes per group | 10 minutes |
|  | **FAR Centre Activity 10.2.1**: Return to your groups. Open the file, “Make or Buy Decisions”. For each scenario, calculate the Make or Buy. | 15 minutes |
|  | **FAR Centre Activity 10.2.2**: Share our results with the class. | 15 minutes |
|  | **FAR Centre Activity 10.3.1:** Return to your groups. Consider the scenario from week 5, “Scenario: You are a concert promoter in your area and you want to host a large concert for 5k people,” then using AIO page 482 write a Procurement Management Plan. It is best to do a web search for “Sample Procurement Management Plan” for ideas and templates. | 60 minutes |
|  | **FAR Centre Activity 10.3.2:** Share your results with the class and justify your content. About 3 to 5 minutes per group. | 20 minutes |
|  | **FAR Centre Activity 10.4.1:** Watch web video, “How to Write a Scope of Work Document – Project Management Training” (Scope of Work = Statement of Work) | 5 minutes |
|  | **FAR Centre Activity 10.4.2:** Return to your groups. Consider the week 5 scenario again. Using the 6 points mentioned in the video as headers, (SKIPPING the Glossary for the sake of this assignment), draft 5 paragraphs that make up the rest of the Statement of Work. | 40 minutes |
|  | **FAR Centre Activity 10.4.3:** Share your results with the class, seek input and revise as necessary. | 20 minutes |
|  | **Assessment 10.1:** Written Assignment: Consider the scenario from Week 5, “Scenario: You are a concert promoter in your area and you want to host a large concert for 5k people”…   * You need to write 5 purchase orders. One each for the venue, the band, the sound team, the video team, and the caterer * (Choose an Excel ‘Purchase Order Template’ that fits ALL) * Be sure to fill in all of the necessary blanks and provide excellent detail. * Upload this in Moodle | Tbd |
|  | **Assessment 10.2: Far Centre Participation:** Yourdiscussion and presentation participation will be considered by Facilitator and an evaluation will be submitted weekly to the Instructor. Plus, you will submit your Weekly Recap Status Report (using the template provided). | Tbd |

## Resources

Purchased Resources (textbooks, DVD):

* All In One (AIO), (Phillips), Chapter 12
  + AIO Video, “Contracts” (from CD that comes with the textbook)
  + AIO Video, “Make or Buy” (from CD that comes with the textbook)

Provided Resources (files/weblinks):

* File: Week 10 Instructor Video Recording [Link]
* File: Week 10 PowerPoint [Link]
* Web Video: [“Purchase Order Definition – What is Purchase Order?”](https://www.youtube.com/watch?v=a7CImYlOgnM) by Accounting Instruction
* Web Video: [“How to Write a Purchase Order”](https://www.youtube.com/watch?v=Wsy969OnexE) by headfirstprinting
* Web Video: [“Purchases and Purchase Discounts”](https://www.youtube.com/watch?v=qDE1xe72LFc) by Dee Amaradasa
* File: “Scenarios for PO Types”
* File: “Make or Buy Decisions”
* Web Video: “[How to Write a Scope of Work Document – Project Management Training](https://www.youtube.com/watch?v=oacSSamqP6s)” by projectmanager.com

The most recent PMPP Textbook List, including ISBN’s, for all PMPP courses can be found in Moodle.

## Notes on ALL Learning Activities

Note that the learning activities in this course are ungraded, unless specified. All learning activities are designed to help you succeed in their assessments in this course, so you are strongly encouraged to complete them.

## Personal Activity:

The following activities are to be completed **before** your FAR Centre weekly session. Be sure to complete them to be fully prepared. Your familiarity with the topics and concepts will greatly help you participate with confidence during FAR Centre Activities.

#### Personal Activity10.0.1: Watch Instructor Recorded Video

The weekly video is a preview of the topics to be studied for this unit. They are usually 15 to 30 minutes and have a supplemental PowerPoint file. You may find this gives you an edge in retaining the content you are ‘about to read’.

* Watch the video here: [link to file added when available]
* Find the supplemental PowerPoint file here: [link to file added when available]

#### Personal Activity 10.0.2: Read All In One (AIO), Chapter 12

This chapter of the AIO discusses, in detail, the components that make up the project Procurement Management Plan. Like the other ‘plans’, stakeholder agreement needs to be secured.

There is plenty of discussion on the tools of the procurement efforts, including Purchase Order (PO) components, Make or Buy calculations, and the Statement of Work.

#### Personal Activity 10.0.3: Watch AIO Video: “Contracts”

This video discusses the main types of purchase orders. Each is to be fit to match the needs of your project (and the organization).

#### Personal Activity 10.04: Watch AIO Video: “Make or Buy”

Sometimes an organization needs to decide if they want to build something internally or to purchase something from an external source. This video shows the ‘math’ in that decision process.

Beyond the textbook and this video, a key consideration is to determine the life span of the product or service being considered. For example, keep in mind the depreciation period… NEVER allow the breakeven point to be outside of the depreciation window.

## Topic 1: Purchase Order Contract Types

Because a Purchase Order (PO) is a legally binding contract that could lead to litigation, it is critical to select the correct type of PO that fits the needs of the project/organization. It is never ‘just about price’. So much more goes into a PO. Knowing what types exist will help a project manager to guide the team into the appropriate type.

#### FAR Centre Activity 10.1.1: Selecting PO Types

After forming teams of 3 to 5, your team will open the file, “Scenarios for PO types” and select the best PO type, fitting the respective case listed.

#### FAR Centre Activity 10.1.2: Share your Results

Your team will share your results with the class. All should be in agreement at the end of this activity.

## Topic 2: Make or Buy Decisions

It is common for an organization to be tempted to just ‘do it themselves’. But if ‘it’ is outside of their core competency, then this could prove to be dangerous. The Make or Buy formula is a powerful tool to bring into the discussion early.

The formula only works as well as the depth of your analysis. Be sure to include all foreseeable expenses.

#### FAR Centre Activity 10.2.1: Practicing Make or Buy Decisions

Returning to your groups, open the file, “Make or Buy Decisions”. Then calculate for each question and determine if Make or Buy.

#### FAR Centre Activity 10.2.2: Share your Results

Your team will share your results with the class. All should be in agreement at the end of this activity.

## Topic 3: Project Procurement Management Plan

There are several components to the written Procurement Management Plan. Writing a PO is just a small portion of the process. The plan focuses on establishing procurement guidelines that can be agreed upon by the appropriate stakeholders.

#### FAR Centre Activity 10.3.1: Craft a Procurement Management Plan

Returning to your groups, and again considering the scenario from week 5, “Scenario: You are a concert promoter in your area and you want to host a large concert for 5k people,” then using AIO page 482 write a Procurement Management Plan. Please also consider web-based templates and content lists. A web search for “Sample Procurement Management Plans” can be very valuable in this activity.

Your team will have to fabricate details to complete this task.

#### FAR Centre Activity 10.3.2: Share your Results

Your team will share your results with the class, and justify your content.

## Topic 4: Statements (or Scope) of Work

For the most part, a Statement of Work (SOW) is the listing of the specific deliverable to include in the PO. In fact, SOW’s are commonly an appendix to the PO, being part of the legally binding contract.

#### FAR Centre Activity 10.4.1: Wed Video: “How to Write a Scope of Work Document…”

(Scope of Work = Statement of Work.) This video provides a clear and concise listing of the content to find in a typical SOW. The reminder of this activity will ignore the Glossary portion, but in a real-world setting a glossary would be included in your SOW.

#### FAR Centre Activity 10.4.2: Drafting your Statement of Work

Return to your groups. Consider the week 5 scenario again. Using the 6 points mentioned in the video as headers, (SKIPPING the Glossary for the sake of this assignment), draft 5 paragraphs that make up the rest of the Statement of Work

#### FAR Centre Activity 10.4.3: Share your Results

Your team will share your results with the class, and justify your content.

## Unit 10 Summary

In this unit, you have had the opportunity to learn about…

1. The value of a skilled procurement professional being a strong member of your team.
2. The weight of the power of the Purchase Order (PO).
   1. There are different types of PO that can fit your project’s specific needs.
   2. The content of the PO is critical, too, as contract failure could lead to litigation.
3. Included is this arena is the choice to Make or Buy the product or service.
   1. There is simple math to calculate this, including time considerations.
4. The summation of the above is included, amongst several other topics, in a written Procurement Management Plan.

## Assessments

### *Assessment 10.1: Written Assignment*

Consider the scenario from Week 5, “Scenario: You are a concert promoter in your area and you want to host a large concert for 5k people”…

* You need to write 5 purchase orders. One each for the:
  + Venue
  + Band
  + Sound team
  + Video team
  + Caterer
* (Choose an Excel ‘Purchase Order Template’ that fits ALL)
* Be sure to fill in all of the necessary blanks and provide excellent detail.
* Upload this in Moodle

You will upload this into Moodle for grading.

### *Written Assignment Grading Criteria:*

The grading of the Written Assignment will be based on the PMPP Standard Rubric:

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| **Syntax and Spelling:** | |  |  |
|  | Emerging (0 to 6 points) | Developing (7 to 8 points) | Mastering (9 to 10 Points) |
|  | Student appears to not have checked for spelling and grammatical errors. Sentence structure is difficult to follow. Basic composition rules may not be followed. APA formatting has errors. | There are limited minor errors in spelling or grammar. The content may not flow smoothly and may be disjointed in thought and application. APA formatting is adequate. | There is either no errors or just a minor error in spelling or grammar. The content flows well and are a solid example of proper composition elements of style. APA formatting is exemplary. |
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| **Thorough Answers to Assignment:** | |  |  |
|  | Emerging (0 to 21 points) | Developing (22 to 30 points) | Mastering (31 to 35 Points) |
|  | Student may have simply just answered the assignment demonstrating limited knowledge of the content, lacked depth, and offered limited (or no) sources. Major points of the assignment are not developed. | Student answered the minimum of the assignment and offered undeveloped use of sources. They may need to cultivate some portion(s) of the assignment more in order to head toward mastery. | Student has clearly mastered the assignment content and properly used sources to thoroughly prove their thesis Content is clear and concise, without being too wordy; finishing with a great conclusion. |

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| **Personalization/Examples:** | |  |  |
|  | Emerging (0 to 21 points) | Developing (22 to 25 points) | Mastering (26 to 30 Points) |
|  | Student offers shallow or no personal examples to support their thesis. | Student shows personalization, but may be offering 'someone else's story' or one that doesn’t fit the assignment. Application of the content may not be thoroughly explained (to fit their thesis). | Student offers are least one strong example from personal experience, and fits well with their thesis and conclusion. Impact on faith may be included in the answer. |
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| **Professional Presentation:** | |  |  |
|  | Emerging (0 to 9 points) | Developing (10 to 12 points) | Mastering (13 to 15 Points) |
|  | Paper is offered in an acceptable presentation but lacks consistent formatting. Paragraphs are too large. Word choice may not be appropriate for the ‘business style’ required for this course. Overall appearance detracts from the content. | Paper is better than an ‘acceptable’ presentation. Paragraph size is appropriate (limited to 4 sentences each) and word choice is fitting. Overall appearance is on the brink of greatness. | Paper is very professional looking. Paragraphs are well formulated. Excellent word choice and appearance add to the overall content. Total appearance is exceptional. |

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| **Sources:** | |  |  |
|  | Emerging (0 to 5 points) | Developing (6 to 8 points) | Mastering (9 to 10 Points) |
|  | Student use of citation(s) does not comply with the assignment minimums; and sources are (just) from textbooks. | Student uses minimum quantity of required citations, but a majority are from the textbook(s). | Sources are rarely from textbooks and often from creative sources. |

### *Assessment 10.2: FAR Centre* *Participation*

You are expected to complete your reading assignments prior to class. Then during class, opening (with honesty and respect) join in on class discussions, small group discussions, and presentations.

Plus, you will submit a Weekly Recap Status Report (uploaded onto Moodle), using the template provided. You can score up to 100 points for this.

### *FAR Centre Participation Grading Criteria:*

Using the TWU general guide to grading found in the syllabus, the Facilitator will provide a score (and any applicable feedback) to the Instructor, namely, an evaluation of each student’s participation in the weekly sessions. Since these cannot be made up, attendance is mandatory.

For the Facilitator feedback, scoring is based on the below rubric.

* Attendance: 0 points for an absence, 10 for being late, and 25 for full attendance
* Attentiveness, up to 25 points
* Quality of class & small group discussions, up to 25 points
* Quality of presentations, up to 25 points
  + In the event of group presentations, the group will share the same score

Plus, you will submit a Weekly Recap Status Report (uploaded onto Moodle). You can score up to 100 points for this.

## Checking your Learning

Before you move on to the next unit, you may want to check to make sure that you are able to:

* Have confidence in selecting the correct PO type for your project and have a working knowledge of the important content.
* Calculate a Make or Buy decision that fits the organizational needs, including ‘time’ considerations
* Develop a Procurement Management Plan that contains, at least, the basic elements that fit your project/organizational needs
* Recognize the components of a Statement of Work, negotiating it with stakeholders and the supply chain, working to include the SOW into the respective PO.