12.1.1.5 ENTERPRISE ENVIRONMENTAL FACTORS

The enterprise environmental factors that can influence the Plan Procurement Management process include but are not limited to:

- Marketplace conditions;
- Products, services, and results that are available in the marketplace;
- Sellers, including their past performance or reputation;
- Typical terms and conditions for products, services, and results or for the specific industry;
- Unique local requirements, such as regulatory requirements for local labor or sellers;
- Legal advice regarding procurements;
- Contract management systems, including procedures for contract change control;
- Established multi-tier supplier system of prequalified sellers based on prior experience; and
- Financial accounting and contract payments system.

12.1.1.6 ORGANIZATIONAL PROCESS ASSETS

The various types of contractual agreements used by the organization also influence decisions for the Plan Procurement Management process. The organizational process assets that can influence the Plan Procurement Management process include but are not limited to:

- **Preapproved seller lists.** Lists of sellers that have been properly vetted can streamline the steps needed to advertise the opportunity and shorten the timeline for the seller selection process.
- **Formal procurement policies, procedures, and guidelines.** Most organizations have formal procurement policies and buying organizations. When such procurement support is not available, the project team should supply both the resources and the expertise to perform such procurement activities.
- **Contract types.** All legal contractual relationships generally fall into one of two broad families: either fixed-price or cost-reimbursable. Also, there is a third hybrid type commonly used called the time and materials contract. The more popular contract types in use are discussed below as discrete types, but, in practice, it is not unusual to combine one or more types into a single procurement.

  - *Fixed-price contracts*. This category of contracts involves setting a fixed total price for a defined product, service, or result to be provided. These contracts should be used when the requirements are well defined and no significant changes to the scope are expected. Types of fixed-price contract include:

    - *Firm fixed price (FFP)*. The most commonly used contract type is the FFP. It is favored by most buying organizations because the price for goods is set at the outset and not subject to change unless the scope of work changes.
    - *Fixed price incentive fee (FPIF)*. This fixed-price arrangement gives the buyer and seller some flexibility in that it allows for deviation from performance, with financial incentives tied to achieving agreed-upon metrics. Typically, such financial incentives are related to cost, schedule, or technical performance of the seller. Under FPIF contracts, a price

ceiling is set, and all costs above the price ceiling are the responsibility of the seller.

  - *Fixed price with economic price adjustments (FPEPA)*. This type is used whenever the seller's performance period spans a considerable period of years, or if the payments are made in a different currency. It is a fixed-price contract, but with a special provision allowing for predefined final adjustments to the contract price due to changed conditions, such as inflation changes or cost increases (or decreases) for specific commodities.

- **Cost-reimbursable contracts.** This category of contract involves payments (cost reimbursements) to the seller for all legitimate actual costs incurred for completed work, plus a fee representing seller profit. This type should be used if the scope of work is expected to change significantly during the execution of the contract. Variations can include:

  - *Cost plus fixed fee (CPFF)*. The seller is reimbursed for all allowable costs for performing the contract work and receives a fixed-fee payment calculated as a percentage of the initial estimated project costs. Fee amounts do not change unless the project scope changes.
  - *Cost plus incentive fee (CPIF)*. The seller is reimbursed for all allowable costs for performing the contract work and receives a predetermined incentive fee based on achieving certain performance objectives as set forth in the contract. In CPIF contracts, if the final costs are less or greater than the original estimated costs, then both the buyer and seller share costs from the departures based upon a prenegotiated cost-sharing formula, for example, an 80/20 split over/under target costs based on the actual performance of the seller.
  - *Cost plus award fee (CPAF)*. The seller is reimbursed for all legitimate costs, but the majority of the fee is earned based on the satisfaction of certain broad subjective performance criteria that are defined and incorporated into the contract. The determination of fee is based solely on the subjective determination of seller performance by the buyer and is generally not subject to appeals.

- **Time and material contracts (T&M).** Time and material contracts (also called time and means) are a hybrid type of contractual arrangement with aspects of both cost-reimbursable and fixed-price contracts. They are often used for staff augmentation, acquisition of experts, and any outside support when a precise statement of work cannot be quickly prescribed.

12.1.2 PLAN PROCUREMENT MANAGEMENT: TOOLS AND TECHNIQUES

12.1.2.1 EXPERT JUDGMENT

Described in Section 4.1.2.1. Expertise should be considered from individuals or groups with specialized knowledge or training in the following topics:

- Procurement and purchasing,
- Contract types and contract documents, and
- Regulations and compliance topics.

12.1.2.2 DATA GATHERING

A data-gathering technique that can be used for this process includes but is not limited to market research. Market research includes examination of industry and specific seller capabilities. Procurement