DATE / /

Project procurement management, Outsourcing.

Procurement: Activities related to purchased, bought or subcontracted items.

- Is the process of finding and agreeing to terms and acquiring goods, services or works from an external source, often via a tendering or competitive bidding process.

* Procurement Management Process.

1. Plan Procurement
2. Conduct Procurement
3. Administer Procurement
4. Close Procurement

1. Plan Procurement.

- Determining which project needs can be fullfilled internally by project team & which can be best met externally. Also how, when, how many & where these products & services will be acquired.
- The decision to go outside depends on several factors - What products are available in the market as well as its cost, quantity, terms & conditions - it depends on projects deliverable or scope.
- The decision whether to purchase or outsource specific project needs is simillar to a "make" or "buy" which compares the total direct & indirect cost of making or buying particular product.

- The decision can be viewed risk management perspective.
- For eg. one reason for going to an outsider could be transfer of risk to the seller.
- This is good idea if the seller has a particular expertise or more experience than the project team.
- Depending on the project need, Project manager & team may develop formal or informal project procurement plan.
- This plan may be separate or it may become an integral part of the project's plan, scope & work breakdown str.
- The plan procurement also focusses on developing some type of procurement document. such as a req. for proposal (RPF)

② Conduct Procurement.
- The general idea of conduct procurement is for the buyer to obtain a reasonable number of high-quality, competitive proposals.
- To achieve this buyer organization may hold a conferences with bidders, contractors, vendors & so on.
- These meetings allows seller to better understanding of what product or services ~~are~~ needed & how to go about submitting the procurement document.
- The proposal developed by the seller may

PAGE No.
DATE / /

includes the price of the requested product or service as well description of the seller's ability & willingness.
- Depending on the nature or the product or service requested this could entail something as simple as a phone call or a lengthy, complex & formal written document & a formal presentation to the buyer.

Contracts betn sellers & Buyers.
- Once the bids, proposals, or quotations are received, the buying organization begins the process of analyzing, evaluating, & selecting a seller.
- The criteria developed in the plan purchases & acquisition process are used as a basis
- Price or cost may be an important considern
- A number of qualitative & quantitative approaches can be used to select particular seller.
- Once the seller is selected the buyer may enter into contract negotiations so that a mutual agreement can be reached.
- A contract is a document signed by a buyer & seller that defines the term & conditions of the buyer - seller relationship.

* Types of procurement contracts.
1. Fixed - price or lump - sum contract.
A total fixed price is negotiated or set as

DATE / /

the final price for a specific product or service
- This process could be simple; straightforward.
- This contract may include incentives for meeting certain objects or penalties if those objectives are not met.

(2) Cost-reimbursable contracts.
- In These types of contract a payment or reimbursement is made to the seller to cover the seller's actual cost.
- Those costs include direct cost (labor cost, materials) & ~~additional fee added to~~ indirect cost (administrative salaries, rent, utilities; insurance).
- An additional fee is added to the total direct & indirect costs as a profit to the seller.
- Also includes incentives for meetings specific objectives or penalties if specific objectives are not met.
- 3 types of cost-reimbursable contract.

i) Cost-plus-fee (CPF) or Cost-plus-percentage of cost (CPPC).
- The ~~seller~~ seller is paid for the costs incurred in performing the work as well as a fee based on an agreed-upon percentage of costs.

ii) Cost-plus-fixed fee (CPFF).
- The seller is reimbursed for the total direct

PAGE No.
DATE / /

& indirect costs of performing the work, but receives a fixed amount.
- The fixed amount does not change unless the scope changes.

iii) Cost-plus-incentive fee (CPIF).
- The seller is reimbursed for the costs incurred in doing the work & receives a predetermined fee plus an incentive bonus for meeting certain objective.

③ Time & materials (T&M) contracts.
- It is hybrid of cost-reimbursable & fixed-price contracts.
- Under this the buyer pays the seller for both the time & materials required to ~~best~~ complete the work.

③ Administer Procurements.
- Once the contract is signed, both the buyer & seller enter into a relationship in which each must fullfill their contractual obligations.
- Administer procurement make sure that both parties are performing in accordance to the terms of the contract.
- This includes
- Authorizing & coordinating the contracted work at the appropriate time.
- Monitoring the contractor's performance with

Scanned by CamScanner

DATE / /

respect to scope, budget, schedule & quality.
- managing scope in terms of its definition & change control.
- Risk identification, assesment & control.
- Monitering that all payments, as stipulated in the contract are made.
- Reviewing & evaluating seller's performance in fullfilling obligations & also seller's response when problems arise & require corrective actions.
- Determining whether the contract need to be amended.
- Deciding if the contract should be terminated early for just cause, convenience or when the seller is in default.

(4) Close Procurements.
- This process verifies that all of the work outlined in the contract is finished.
- Also includes updating records to reflect the final results, archiving information for future use. also other administrative activities
- closure of the contract can result when the buyer and seller mutually agree that the obligations of the contract have been fullfilled
- Seller may give the buyer a formal notice that all deliverables specified in the contract have been provided.
- Buyer may provide the seller with a notice that the deliverables have been received

and are acceptable.

- Early termination of the project may occure when party is unable to fullfill their rights & responsibilities.
- Based on the terms & conditions outlined in the contract, the other party may have rights to ~~a~~ terminate the contract or seek punitive damages.