

Project Procurement Management

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Project Management (for Information Technology)

- Procurement management is
 - the strategic approach to managing and optimizing organizational spend. It involves acquiring quality goods and services from preferred vendors within a stipulated budget, on or before the deadline
 - Acquiring goods and services for a project from outside the performing organization
- **Procurement** means acquiring goods and/or services from an outside source
- Other terms include purchasing and outsourcing

Why Outsource?

- To access skills and technologies
- To reduce both fixed and recurrent costs
- To allow the client organization to focus on its core business
- To provide flexibility

Project Procurement Management Processes

- 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, including resolving of any open items

Planning procurement management

- Identifying which project needs can best be met by using products or services outside the organization
- If there is no need to buy any products or services from outside the organization, then there is no need to perform any of the other procurement management processes

Tools and Techniques for Planning Purchases and Acquisitions

- Expert judgment
- Market research
- **Make-or-buy analysis:** General management technique used to determine whether an organization should make or perform a particular product or service inside the organization or buy from someone else

Make-or-Buy Example

- Assume you can lease an item you need for a project for IDR 800.000/day. To purchase the item, the cost is IDR 12.000.000 plus a daily operational cost of IDR 400.000/day
- How many days the operational cost will help project manager to decidefor buying or renting an item ?

Make-or Buy Solution

- Set up an equation so both options, purchase and lease, are equal
- In this example, use the following equation. Let d be the number of days to use the item:

$$12.000.000 + 400.000 d = 800.000d$$

$$12.000 + 400 d = 800 d$$

$$12.000 = 800 d - 400 d$$

$$12.000 = 400d$$

$$d = 12.000 / 400$$

$$d = 30$$

- If you need the item for more than 30 days, it is more economical to purchase it

Conducting 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 can clarify responsibilities and sharpen focus on key deliverables of a project
- Because contracts are legally binding, there is more accountability for delivering the work as stated in the contract

Types of Contracts (utk pembayaran

- 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
 - **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

Contract Statement of Work (SOW) berdasarkan pekerjaan

- A **statement of work** is a description of the work required for the procurement
- 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**
- A SOW is a type of scope statement
- A good SOW gives bidders a better understanding of the buyer's expectations

Statement of Work (SOW) Template

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.

Controlling Procurements

- Ensures that the seller's performance meets contractual requirements
- Contracts are legal relationships, so it is important that legal and contracting professionals be involved in writing and administering contracts
- It is critical that project managers and team members watch for **constructive change orders**, which are oral or written acts or omissions by someone with actual or apparent authority that can be construed to have the same effect as a written change order

Closing Procurements

- Involves completing and settling contracts and resolving any open items
- The project team should:
 - ▶ Determine if all work was completed correctly and satisfactorily
 - ▶ Update records to reflect final results
 - ▶ Archive information for future use
- The contract itself should include requirements for formal acceptance and closure

Tools to Assist in Contract Closure

- **Procurement audits** identify lessons learned in the procurement process
- **A records management system** provides the ability to easily organize, find, and archive procurement-related documents

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