

The Process of Project Procurement Management

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Introduction

Hello and welcome back to our project management guide. Today's topic is project procurement management, which is the process of obtaining goods or services from outside resources. The success of your procurement process will play a vital role in the success of your IT project. The project procurement process has 3 main parts which are plan, conduct, and control. The plan phase is your detailed foundational setup for procurement. The conduct phase involves obtaining these goods or services. The control phase is for managing the outputs of this process. In this blog post, we will take a deeper look into the procurement process as well as teach you techniques for handling project procurement management.

Plan

The formal definition of project procurement management is “the processes required to acquire goods and services for a project from outside the performing organization” (Schwalbe). The planning phase of procurement management involves creating a basis or a standard for all procurement activities and procedures. You and your project team will be deciding on different decisions like outsourcing options, types of contracts, strategies, or specific project goals. Here are a few techniques and strategies to keep in mind for your planning stage:

Types of Contracts: Understanding contracts and the different types is an important thing to learn when managing procurement. The three categories of contracts are fixed price/lump sum, cost reimbursable, and time/materials contracts. As a project manager, you and your team are responsible for deciding your approach so learning how to take advantage of contracts is important as well.

Make-or-Buy Analysis: One of the most common decisions you and your team will make is about outsourcing, or obtaining products or services from outside the organization. This analysis

tool will help you determine if a product or service should be performed inside the organization, or obtained from the outside. For example, “Should a company develop an application itself or purchase software from an outside source and customize it to the company’s needs” (Schwalbe)?

Procurement Management Plan: With every project management topic, having a type of management plan to lay out the basis of your project is an important technique. In your procurement plan, this will lay out how procurement is managed throughout your project lifecycle. Other materials to include in this plan would be guidelines for contracts, standard documentation procedures, team roles and responsibilities, lead times for purchases, etc. (Schwalbe). Remember that your procurement plan is the first foundational step in your IT project. Include as much detail as you can for clarity.

Statement of Work (SOW): this statement will provide a detailed description of products or services required for procurement. Another type of SOW would be a contract statement of work, which would be a description of what is needed in the contract. In your SOW, you will include the scope of work, location of work, period of performance, deliverables schedule, applicable standards, acceptance criteria, and special requirements (Schwalbe). This document will be a reference for potential suppliers to grasp the needs and goals of the IT project.

Conduct

The second phase is conduct, which is executing your planning stage. When conducting procurement, this includes who is doing the work, documentation for sellers, handing proposals, selecting suppliers, etc. Let's look at some key concepts when conducting procurement:

Buyer Advertisement: Looking for the correct seller can be hard. By advertising your product or service, you cast an open net to all potential bidders.

Supplier Conference: This conference is held for potential sellers before the bidding process. Everyone will be given a detailed explanation of the prospected products or services, as well as answering any questions from the sellers. This conference is important to have to rule out any sellers that may not be interested.

Supplier Selection and Award: This is the process of choosing the best seller. The buyers will evaluate bids and proposals from sellers and choose the best fit, which is also called source selection. Afterward, a seller will be awarded a contract. This contract will be negotiated on common terms with the specific supplier to discuss timeline, pricing, and other obligations. Stakeholders in your project should be involved throughout this process. If you have a problem with choosing a seller, you should split up the contracts and assign teams to evaluate each part of the process. It is best to pick 5 main sellers and make a decision after their contract evaluation.

BAFO: As stated before, it would be best to have a short list of potential sellers, and then evaluate their contracts. BAFO stands for best and final offer, which would be given to the organization by potential suppliers.

The output of your conduct phase should be a developed contract with expectations on deliverables from the seller. Since contracts are a big factor in this phase, developing a contract management plan may be a good starting point for your team and how to manage contracts and negotiations.

Control

The last step in the procurement management process is control. This phase has a main focus on monitoring and managing implemented procurement activities, updating documents, reviewing deliverables, etc. Here are some key factors to remember during the control procurement phase:

Constructive Change Orders: As a project manager, it is important to recognize change orders for the project. The formal definition of this is “oral or written acts by someone with actual authority that can be constructed to have the same effect as a written change order”. An example of this is if one of your team members met with one of the new suppliers to guide them on your project goals, they would be considered to have “actual authority”. If a change is needed after a task has already been completed or you the project manager have accepted it, this request would be a constructive change order. A change order can also be activated if the contractor does more work than the required requests(Schwalbe).

Contract Control: The procurement process deals a lot with contracts. Because of this, during your control phase, it is important to do maintenance for your contracts. This includes managing changes, deliverable reviews, disputes and claims, etc. It is important to also do an update check with contract administration, to evaluate supplier relationships.

Risk Management: Managing and evaluating risks is an important part of every single IT project. As a project manager, it is important to always assess and keep track of any risks that could harm your project. Having alternative suppliers, contingency plans, and identifying vulnerabilities throughout your project. Implementing a risk management plan within your procurement plan is also a way to keep track of all project risks.

Conclusion

For project procurement to be effective, as a project manager you have to follow the plan, conduct, and control process of the project. In the planning phase, it is important to create your procurement plan, as well as establish your foundation for the project. You should also have an understanding of the different types of contracts available as well as analysis tools. In the conduct phase, implement the activities in the planning phase. You must be able to evaluate supplier's offers and contracts. In the conduct phase, this is for controlling, managing, and updating everything that has been implemented so far. By following these 3 phases in the procurement process, you will guarantee the success of your IT project.

References:

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