

Project Manager's Role in Procurement Planning

Project Procurement Management

Project Procurement Management includes processes necessary to purchase or acquire products, services, or results needed from outside the Project Team. This includes management and control processes to develop and administer agreements such as contracts, purchase orders, Memorandums of Agreement (MOA), or Service Level Agreements.

The project manager oversees the creation of a Procurement Management Plan. This plan drives all procurement activities required to support the project. The project manager also manages and controls the end-to-end procurement process and ensures all seller deliverables meet the needs of the buyer organization. The Project Manager is not required to be an expert in procurement management but must identify experts who are.

Procurement Management Plan Contents

The Procurement Management Plan should include the following:

- How the team will integrate procurement into the project scope, schedule, and cost baselines
- Procurement schedules
- Procurement metrics or key performance indicators goals
- Procurement roles and responsibilities
- Any assumptions or constraints that may impact procurement
- Legal considerations that affect the procurement
- Determination of independent estimates to validate seller proposal feasibility is needed
- Source selection criteria that the team will use to select sellers
- Risk factors that affect procurement
- Prequalified Sellers—those sellers authorized to submit proposals

Types of Contracts

The project manager must determine the type of contract that will support the procurement. There are three common contract types to consider:

- A Fixed Price contract enables the seller to provide a bid to provide services. The costs are known up-front, which reduces risk to the buyer.
- With a Cost Reimbursement contract, the seller describes what they need. The costs are unknown up-front; the team receives invoices throughout the project. This contract type places risk on the buyer.
- The manager usually uses a Time and Material contract for quick and easy procurements. The benefit of this type of contract is a fast procurement cycle with minimal negotiations needed.

The Procurement Management Plan becomes part of the finalized Project Management Plan approved by a Sponsor and accepted by stakeholders.

Conclusion

Project Procurement Management involves acquiring projects, services, or results from external sources through contracts and purchase orders. The Project Manager creates a Procurement Management Plan, which guides procurement activities and identifies experts. The manager uses different contract types, such as Fixed Price, Cost Reimbursement, and Time and Material.