PROJECT MANAGEMENT FOR PROJECT MANAGERS

Lesson 9: Project PROCUREMENT Management

JKR

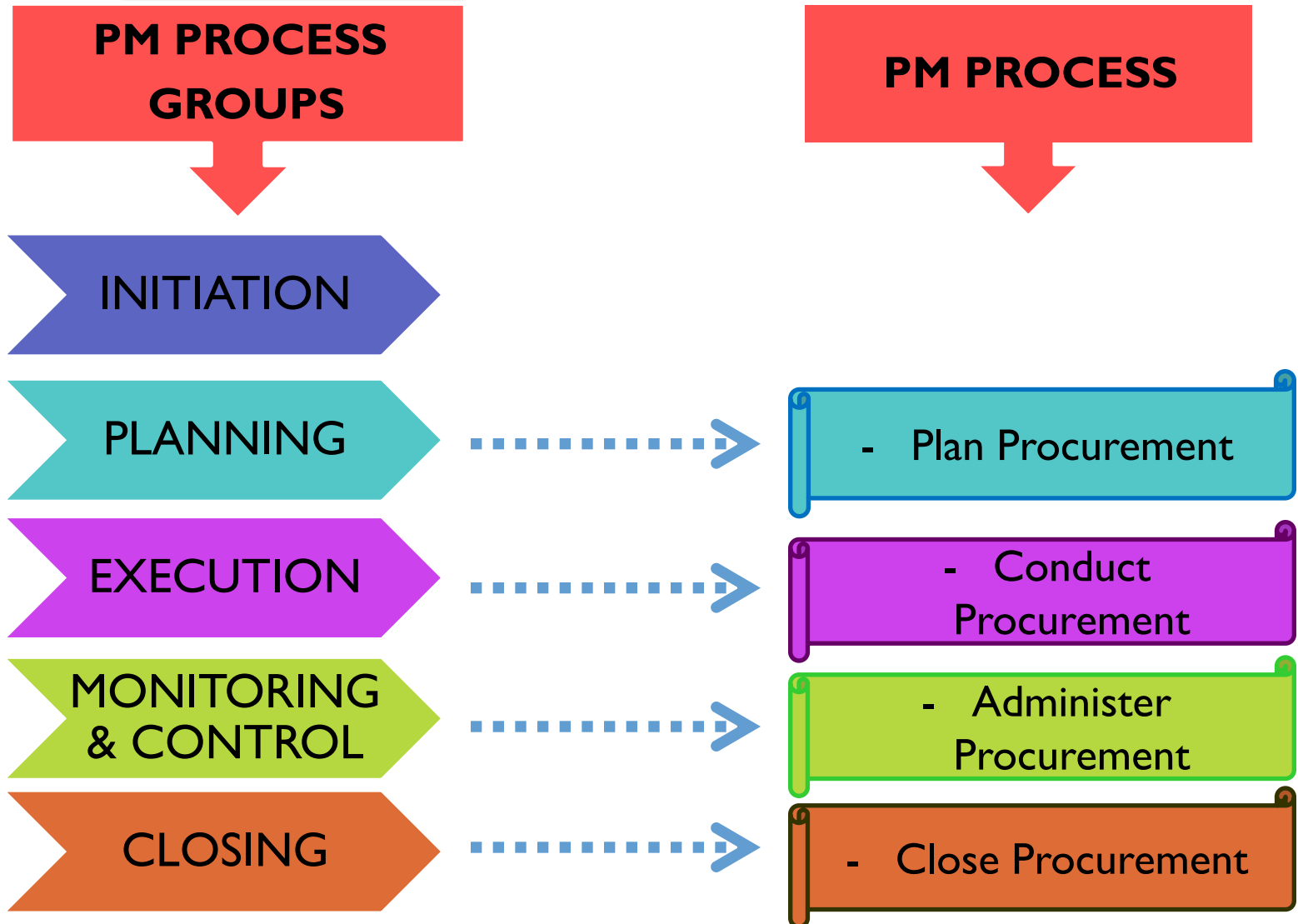# Contents

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9.1: Introduction

What Is Project Procurement Management?

→ Describes the processes required to acquire works, goods and services for the project throughout its life cycle.

→ Project procurement management processes involve CONTRACTS that are LEGAL DOCUMENT between a BUYER and a SELLER.

9.2: Project Procurement Management Processes

PM PROCESS GROUPS	PM PROCESS
INITIATION	
PLANNING	- Plan Procurement
EXECUTION	- Conduct Procurement
MONITORING & CONTROL	- Administer Procurement
CLOSING	- Close Procurement

……Project Procurement Management Process (Cont.)
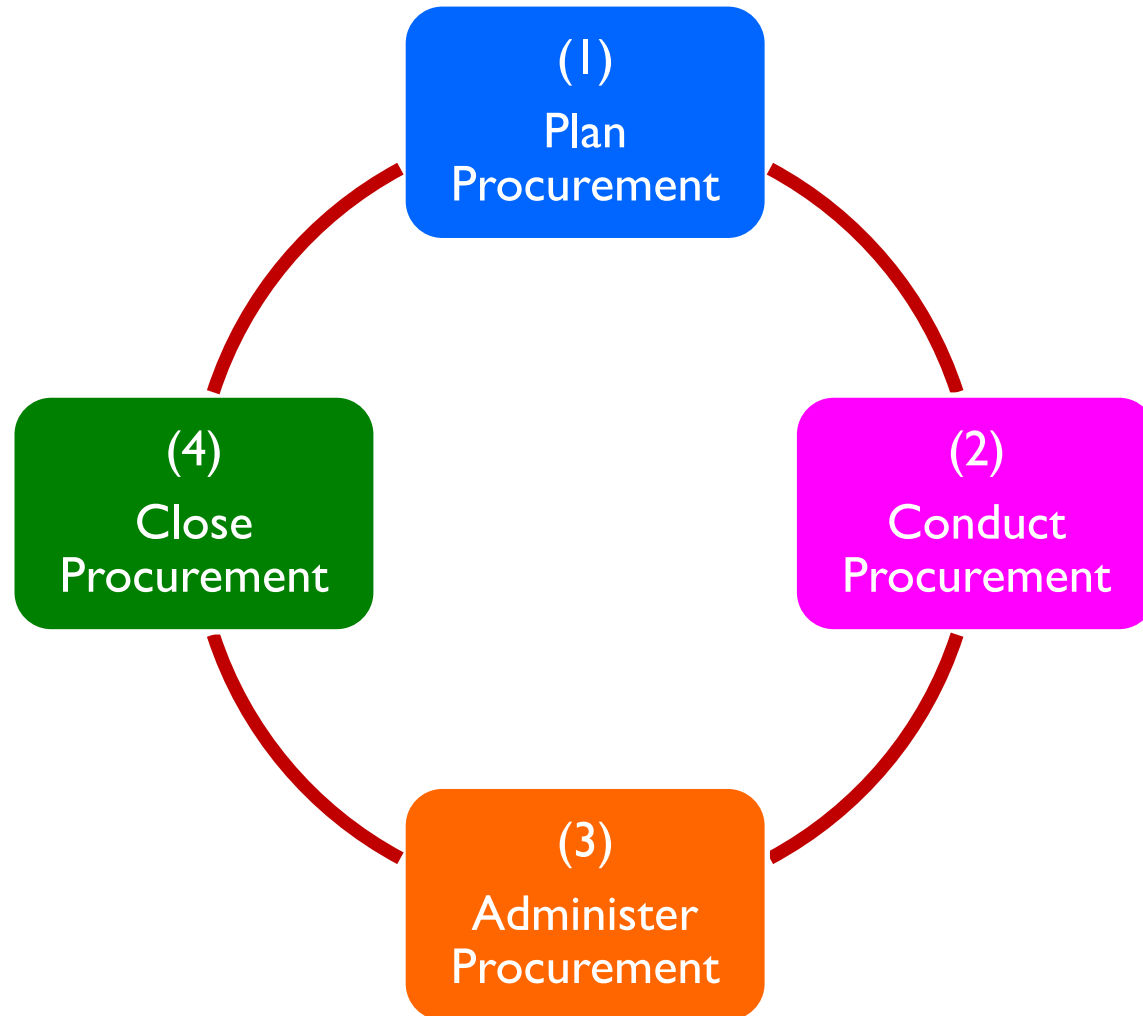
9.3: Project Procurement Management - Overview

Project Procurement Management Process

Plan Procurement

- ✓ **Inputs**
  - ✓ Scope Baseline
  - ✓ Requirements Documentation
  - ✓ Teaming Agreements
  - ✓ Risk Register
  - ✓ Risk-related Contract Decision
  - ✓ Activity Resource Requirement
  - ✓ Project schedule
  - ✓ Activity Cost Estimates
  - ✓ Cost Performance Baseline
  - ✓ Enterprises Environmental Factors
  - ✓ Organizational Process Assets
- ✓ **Tools and Techniques**
  - ✓ Make-or-Buy Analysis (In-house or Outsource)
  - ✓ Expert Judgment
  - ✓ Contract Types
- ✓ **Outputs**
  - ✓ Procurement Management Plan
  - ✓ Procurement Statement of Work
  - ✓ Make-or-Buy Decision
  - ✓ Procurement Documents
  - ✓ Source Selection criteria
  - ✓ Change Request

Conduct Procurement

- ✓ **Inputs**
  - ✓ Project Management Plan
  - ✓ Procurement Documents
  - ✓ Source selection Criteria
  - ✓ Qualified Seller List
  - ✓ Seller Proposals
  - ✓ Project Documents
  - ✓ Make-or-Buy Decisions
  - ✓ Teaming Agreements
  - ✓ Organizational Process Assets
- ✓ **Tools and Techniques**
  - ✓ Bidder Conference
  - ✓ Proposal Evaluation Techniques
  - ✓ Independent Estimates
  - ✓ Expert Judgment
  - ✓ Advertising
  - ✓ Internet Search
  - ✓ Procurement Negotiation
- ✓ **Outputs**
  - ✓ Selected Seller
  - ✓ Procurement Contract Award
  - ✓ Resource Calendars
  - ✓ Change Request
  - ✓ Project Management Plan Updates
  - ✓ Project Document Updates

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......Project Procurement Management – Overview (Cont.)

Project Procurement Management Process

Administer Procurements

- ✓ **Inputs**
  - ✓ Procurement Documents
  - ✓ Project Management Plan
  - ✓ Contract
  - ✓ Performance Reports
  - ✓ Approved Change Request
  - ✓ Work Performance Information
- ✓ **Tools and Techniques**
  - ✓ Contract Change Control System
  - ✓ Procurement Performance Review
  - ✓ Inspection and Audits
  - ✓ Performance Reporting
  - ✓ Payment Systems
  - ✓ Claims Administration
  - ✓ Record Management System
- ✓ **Outputs**
  - ✓ Procurement Documents
  - ✓ Organizational Process Assets Updates
  - ✓ Change Request
  - ✓ Project Management Plan Updates

Close Procurements

- ✓ **Inputs**
  - ✓ Project Management Plan
  - ✓ Procurement Documentation
- ✓ **Tools and Techniques**
  - ✓ Procurement Audits
  - ✓ Negotiated Settlements
  - ✓ Records Management Systems
- ✓ **Outputs**
  - ✓ Close Procurements
  - ✓ Organizational Process Assets Updates

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9.4: Plan Procurements

Plan Procurements is the process of:
- Documenting project purchasing decision
- Specifying the approach
- Identifying potential seller

9.4.1: Contract Types

- Conventional (Design-tender/Bid-build)
- Design & Build
- Public-private Partnership (E.g. BOT, PFI)
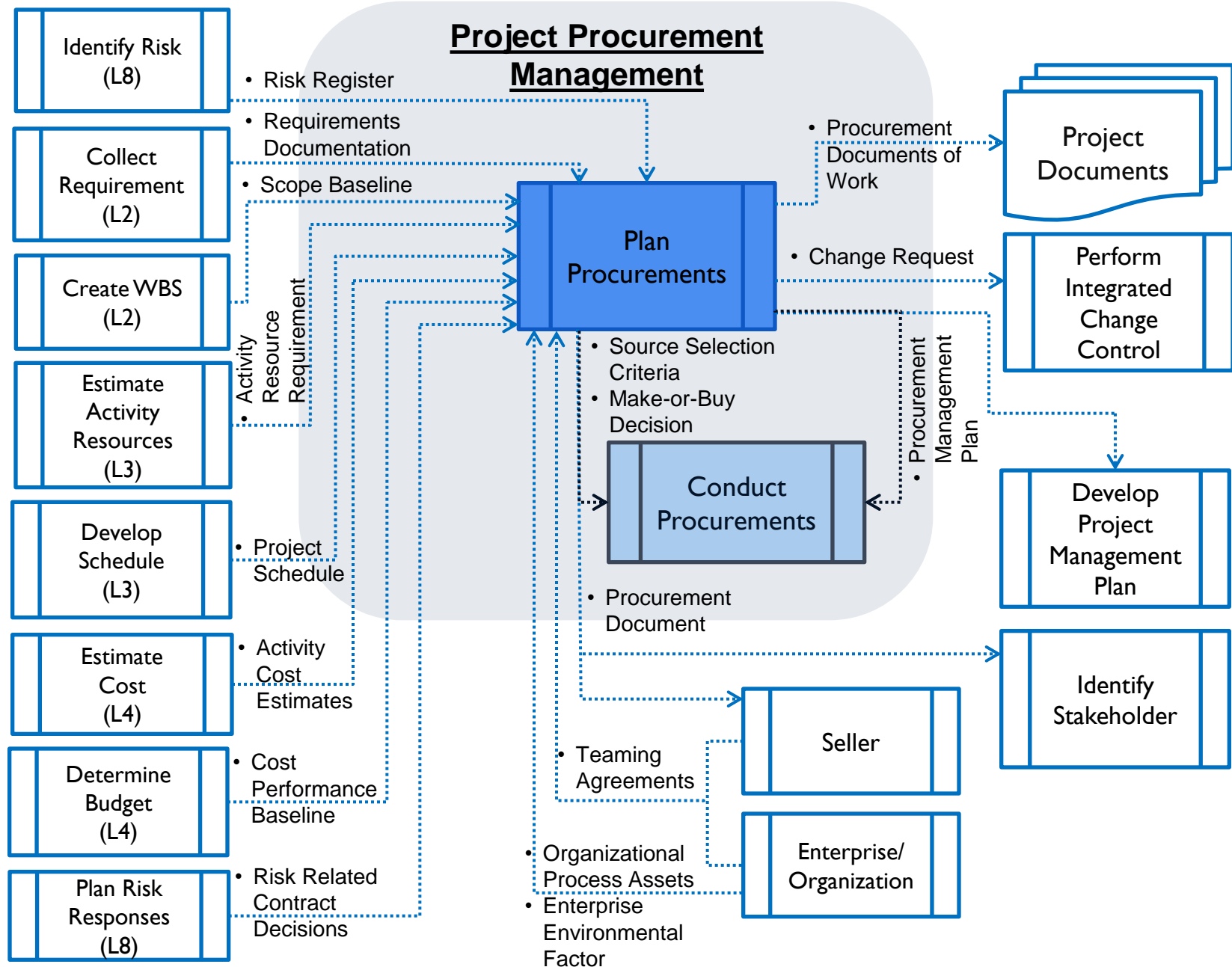- Construction Management Contract
  (E.g. PMC)

Project Procurement Management

- Risk Register
- Requirements Documentation
- Scope Baseline
- Procurement Documents of Work
- Change Request
- Source Selection Criteria
- Make-or-Buy Decision
- Procurement Document
- Activity Resource Requirement
- Project Schedule
- Activity Cost Estimates
- Cost Performance Baseline
- Risk Related Contract Decisions
- Teaming Agreements
- Organizational Process Assets
- Enterprise Environmental Factor
- Procurement Management Plan

Identify Risk (L8)

Collect Requirement (L2)

Create WBS (L2)

Estimate Activity Resources (L3)

Develop Schedule (L3)

Estimate Cost (L4)

Determine Budget (L4)

Plan Risk Responses (L8)

Plan Procurements

Conduct Procurements

Project Documents

Perform Integrated Change Control

Develop Project Management Plan

Identify Stakeholder

Seller

Enterprise/ Organization

Figure 9.1: Plan Procurement Data Flow Diagram

9.5: Conduct Procurements

The process of:

- Obtaining seller response

  - ➤ Calling tender

- Selecting a seller

  - ➤ Tender evaluation

- Awarding a contract
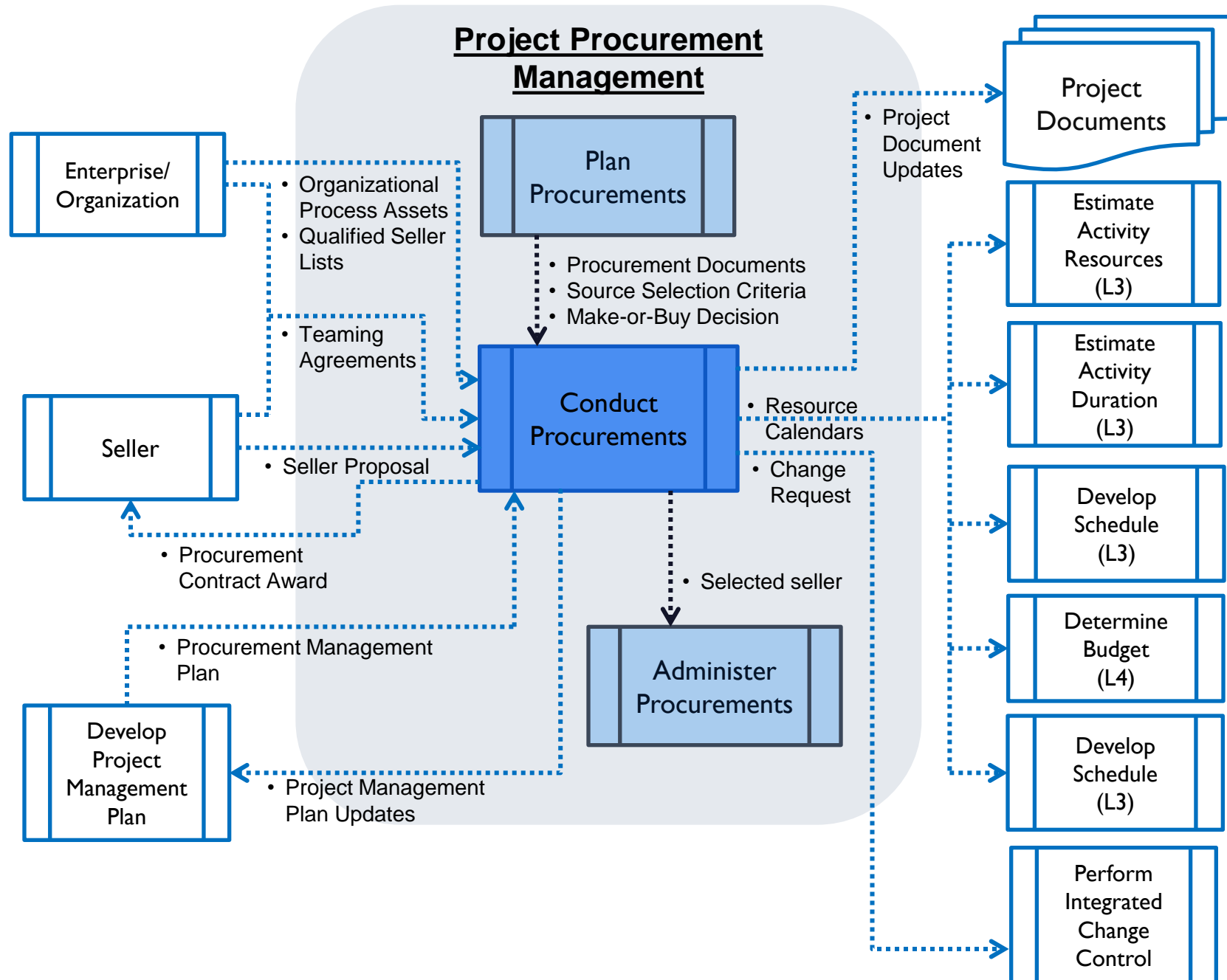
  - ➤ Issuing the Letter of Acceptance

Figure 9.2: Conduct Procurement Data Flow Diagram

9.6: Administer Procurements

The process of:

- Managing procurement relationships

  - Delegation of power by S.O

  - Roles & Responsibilities of HODT/HOPT/Contractor

- Monitoring contract performance

  - Making progress payment

  - Progress reports

- Making changes and correction as needed
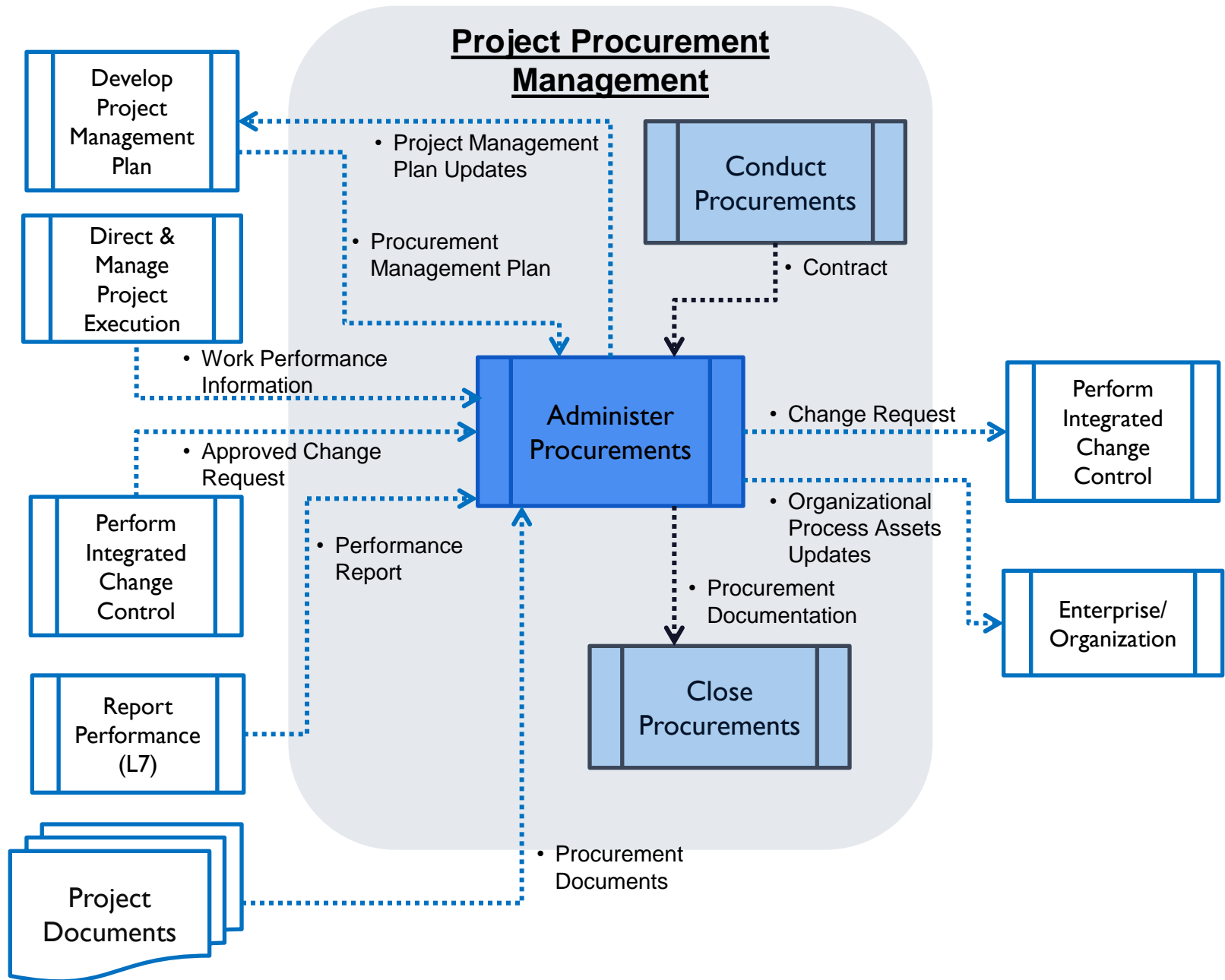
  - Variation Order

Project Procurement Management

- Project Management Plan Updates
- Procurement Management Plan
- Work Performance Information
- Approved Change Request
- Performance Report
- Contract
- Change Request
- Organizational Process Assets Updates
- Procurement Documentation
- Procurement Documents

Develop Project Management Plan

Direct & Manage Project Execution

Perform Integrated Change Control

Report Performance (L7)

Project Documents

Conduct Procurements

Administer Procurements

Close Procurements

Perform Integrated Change Control

Enterprise/ Organization

Figure 9.3: Administer Procurement Data Flow Diagram

9.7: Close Procurements

The process of **COMPLETING** each project procurement

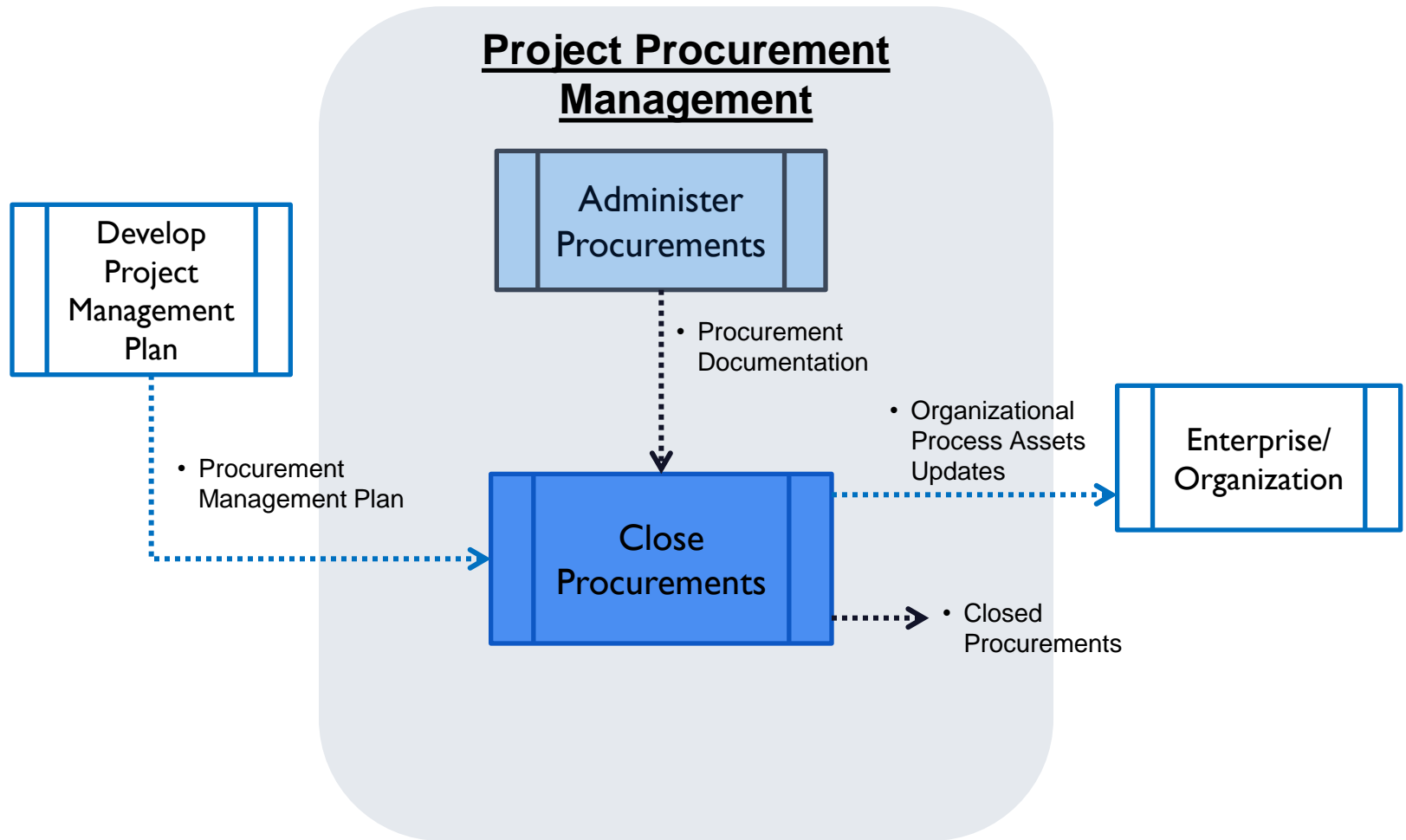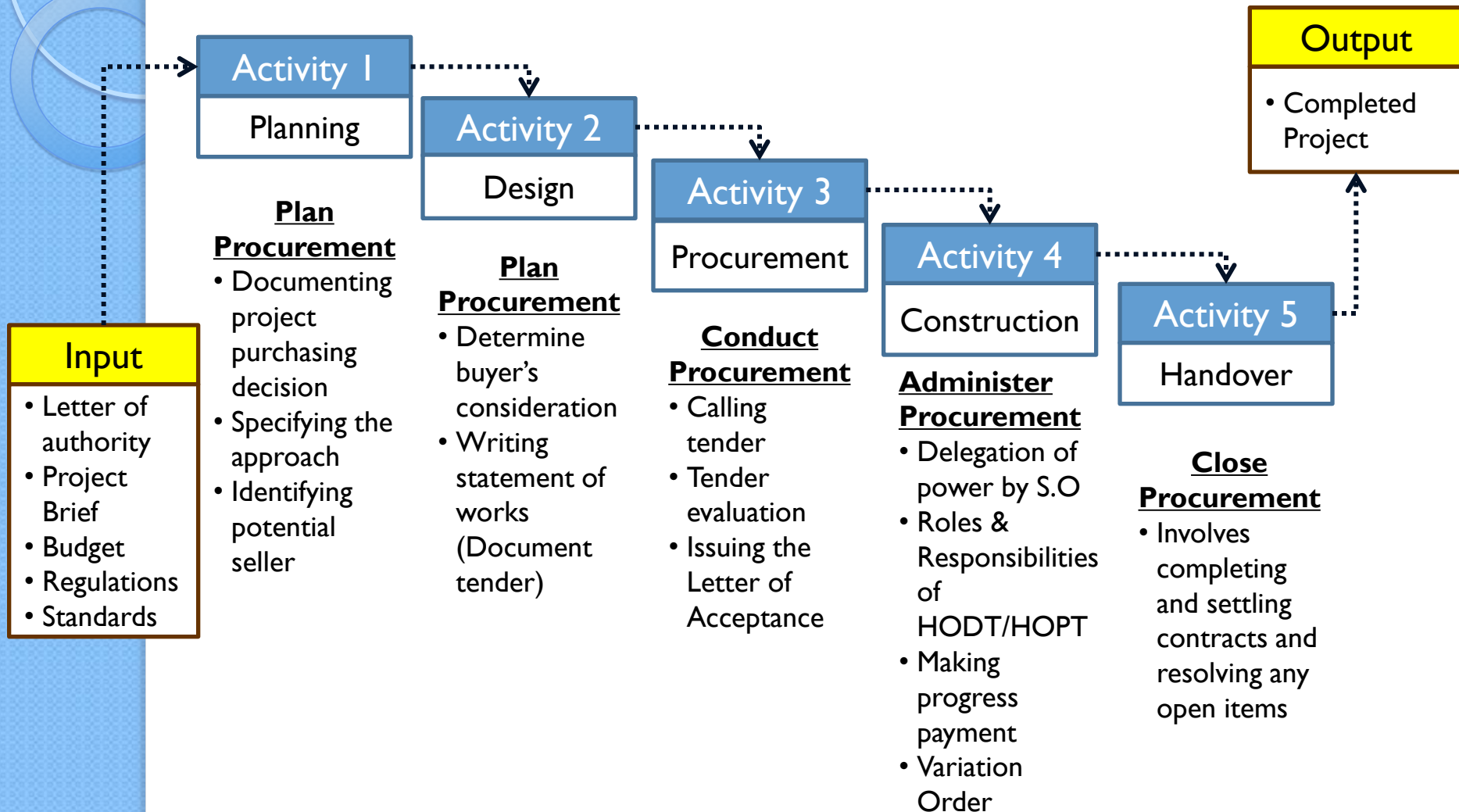- Involves completing and settling contracts and resolving any open items

Project Procurement Management

Administer Procurements

• Procurement Documentation

Develop Project Management Plan

• Procurement Management Plan

Close Procurements

• Organizational Process Assets Updates

Enterprise/ Organization

• Closed Procurements

Figure 9.4: Close Procurement Data Flow Diagram

9.8: Project Procurement Management in JKR Project Life Cycle

Input
- Letter of authority
- Project Brief
- Budget
- Regulations
- Standards

Activity 1

Planning

Plan Procurement
- Documenting project purchasing decision
- Specifying the approach
- Identifying potential seller

Activity 2

Design

Plan Procurement
- Determine buyer's consideration
- Writing statement of works (Document tender)

Activity 3

Procurement

Conduct Procurement
- Calling tender
- Tender evaluation
- Issuing the Letter of Acceptance

Activity 4

Construction

Administer Procurement
- Delegation of power by S.O
- Roles & Responsibilities of HODT/HOPT
- Making progress payment
- Variation Order

Activity 5

Handover

Close Procurement
- Involves completing and settling contracts and resolving any open items

Output
- Completed Project

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9.9: Exercise

Exercise 1

Using the procurement management plan template, propose procurement requirement for a project (minimum 6 items).

(30 minutes)

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PROJECT PROCUREMENT MANAGEMENT TABLE: PROCUREMENT MANAGEMENT PLAN

	Pengurusan Projek Pengurusan Perolehan	Rujukan : JKR.PMMM.11 No Mukasurat : 1 No Keluaran : 1 No Semakan : 1 Tarikh : 17.07.2013

PROJEK:

PENGURUS PROJEK: **TARIKH PENYEDIAAN:**

No ID	Butiran perolehan	Sumber atau Kaedah	Tarikh Pemasangan / Penghantaran	Pemasangan / Penghantaran Sebenar	Pengawasan & Kawalan	Tanggungjawab
1						
2						
3						
4						
5						
6						

DISEDIAKAN OLEH: **TANDATANGAN:**

DISEMAK OLEH: **TANDATANGAN:**

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PROJECT MANAGEMENT EXCELLENCE

JKR.PMMM.11

PROJECT PROCUREMENT MANAGEMENT EXAMPLE

	JKR	**PROJECT MANAGEMENT** Procurement Plan	Reference : JKR.PMMM.11 Page No : 1 Issue No : 1 Revision No : 0 Date : 06.05.2008

PROJECT:

PROJECT MANAGER: **DATE OF PREPARATION: 13 JULAI 2010**

ID NO	WBS NO.	PROCUREMENT ITEM	SOURCE OR METHOD	INSTALLATION / DELIVERY DATE	ACTUAL INSTALL /DELIVERY	MONITORING & CONTROL	RESPONSIBILITY
		Procurement by main contractor					
1	1.1.2.3	Kerja Ukur Tanah	Direct appointment	14/04/2008	17/04/2008	CPM, PQP	Main Contractor
2	1.1.3.3	Kerja Siasatan Tanah	Direct appointment			CPM, PQP	Main Contractor
3		Procurement of Electrical (LV, ELV)	Direct appointment			CPM, PQP	Main Contractor
4		Procurement of Services – Electrical (Telekom-contribution)	Direct payment			CPM, PQP	Main Contractor
5		Procurement of Services – Electrical (Power supply from TNB-contribution)	Direct payment			CPM, PQP	Main Contractor

9.10: Summary

- Project procurement management involves acquiring works and services for a project from outside the performing organization.

- To manage the procurement effectively, project managers need to understand the project and contractual requirements.

References

- A Guide to the Project Management Body of Knowledge (PMBOK® Guide) – 4th Edition

- https://www.jkr.gov.my/prokom