

INTRODUCTION OF 9 KNOWLEDGE AREAS

Project Procurement
Management

CONTENT

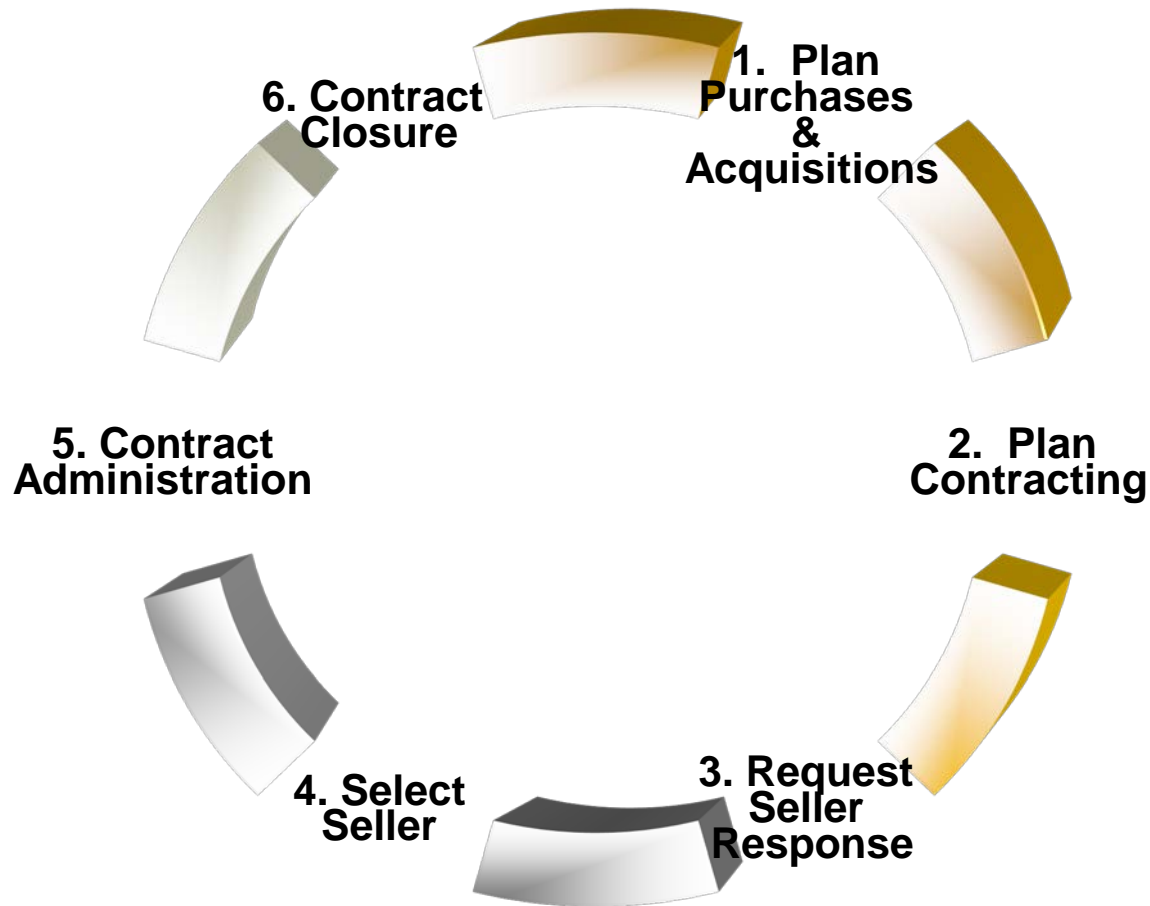
- ✿ **What Is Project Procurement Management?**
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What Is Project Procurement Management?

- **Describes the processes required to acquire goods and services from outside the performing organization.**
- **Discussed from the perspective of the buyer in the buyer-seller relationship.**



Project Procurement Management Processes



Project Procurement Management Processes

1. Plan Purchases & Acquisitions

- Determining what to procure and when to procure.

2. Plan Contracting

- Documenting product requirements and identifying potential sources.

3. Request Seller



(Supplier/Contractor/Consultant) Responses

- Obtaining quotations, bids, offers, or proposals.

Project Procurement Management Processes

4. Select Seller

(Supplier/Contractor/Consultant)

- Choosing from among potential buyers.



5. Contract Administration

- Managing the relationship with the seller.

6. Contract Closeout

- Completion and settlement of the contract, including resolution of any open issues.

Plan Purchases & Acquisitions

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MONITORING & CONTROL
CLOSING

- ❑ Is the process of identifying which buyer needs can be best met by procuring products or services from outside the organisation.
- ❑ Involves the buyer's consideration of:
 - Whether to procure (make or buy decision);
 - How to procure (contracting method);
 - What to procure (products and services needed);
 - How much to procure (quantity desired);
 - When to procure (delivery schedule).



Plan Purchases & Acquisitions

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- Is contracting expertise available within the organisation?
- Are the resources available internally?
- Are off the shelf products available?
- Are special handling, storage or disposal required?
- Restrictions e.g. license agreements?

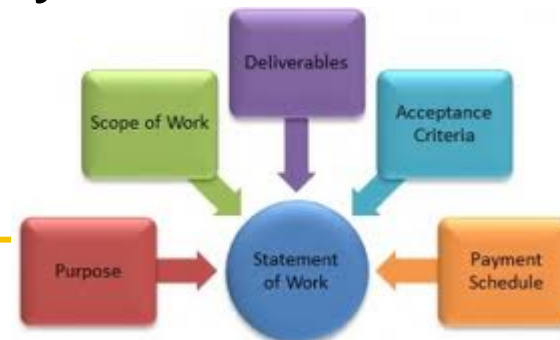


Plan Purchases & Acquisitions

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3 approaches of writing a statement of work:

- ➡ **Functional**: Addresses what must be accomplished or what the product must do.
- ➡ **Performance**: Addresses how much or how well the product must perform.
- ➡ **Design**: Addresses exactly how the work will be preformed.



Plan Purchases & Acquisitions

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Types of Procurement

✓ **Service**

- Maintenance, consultancy, etc.

✓ **Work**

- Construction (railway, road etc.)

✓ **Material**

- Railway coaches, stationaries, etc.



Request Seller Response

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- ❖ Deciding whom to ask to do the work, sending appropriate documentation to potential sellers, and obtaining proposals or bids.
- ❖ Organizations can advertise to procure goods and services in several ways:
 - Approaching the preferred vendor.
 - Approaching several potential vendors.
 - Advertising to anyone interested.

Selecting Seller

Also called source selection.

Involves:

- Evaluating proposals or bids from sellers.
- Choosing the best one.
- Negotiating the contract.
- Awarding the contract.



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Selecting Seller

Organizations often do an initial evaluation of all proposals and bids and then develop a short list of potential sellers for further evaluation.

Sellers on the short list often prepare a Best And Final Offer (BAFO).

Final output is a contract signed by the buyer and the selected seller.



Contract Administration

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- Contract administration 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.
- Many project managers ignore contractual issues, which can result in serious problems.



Contract Administration

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Contract Definition:

- # Contract: Legal relationship subject to remedy in the courts.
- # Other names
 - Agreement
 - Subcontract
 - Purchase order
 - Memorandum of understanding
- # Delegation of Procurement Authority
 - Only selected persons are authorized to sign contracts.

Contract Administration

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Why are contracts important?

More work being outsourced – therefore more supplier contracts have to be managed.

The work of the Project Manager is to manage all the requirement of the project, i.e. business and technical.

To help manage risks on the project the Project Manager must be able to:

- tailor the contract to the needs of the organisation;
- contribute to the creation of the contract terms and conditions.

The success of the contract may depend on the seller delivering.

Contract Administration

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Input:

- Contract

Tool/Technique:

- Performance Reporting
- Providing information on seller's effectiveness
- Payment systems
 - Payment to seller as defined in contract.
 - Needs review and approval of project manager.

Output:

- Payment Requests



Contract Closure

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.

Summary

- **Project procurement management involves acquiring goods and services for a project from outside the performing organisation.**
- **Software can be used to assist in project procurement management.**

**Thank
You**

Mahalo

Kiitos

Tack

Toda

Grazie

Obrigado

Thanks

Takk

Gracias

Merci