



Murdoch
UNIVERSITY

IT Project Management

Topic 10

**Procurement
Management**



COMMONWEALTH OF AUSTRALIA

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READING

Schwalbe Chapter 12



LEARNING OBJECTIVES

At the end of this topic you should be able to:

- ✓ **Understand** the **importance of project procurement management** and the *use of outsourcing for ICT projects*
- ✓ **Describe** the **procurement management process**
- ✓ **Discuss** what is involved in **planning contracting**, including a discussion about the **various types of contracts**
- ✓ **Understand** how to produce a **Statement of Work (SoW)**
- ✓ **Understand** some techniques for **evaluating a supplier's tender responses**

TODAY'S SESSION IS IN 3 PARTS

INTRODUCTION

(What is Procurement &
Why is it important?)

APPROACHES TO PROCUREMENT

THE PROCUREMENT PROCESS



INTRODUCTION

WHAT IS PROCUREMENT & WHY IS IT IMPORTANT ?

INTRODUCTION

(What is Procurement & Why is it important?)

APPROACHES TO
PROCUREMENT

THE
PROCUREMENT
PROCESS



WHAT IS PROCUREMENT?

What is
Procurement
Management?

Procurement is defined as:

- ✓ the process required to purchase, acquire or source products, services, systems or support from outside the organisation/project team

Procurement includes:

- ✓ purchasing/utilising for a fee (e.g. equipment, systems)
- ✓ engaging services & support (e.g. people inside the project team or external to the project team)

The differences are blurring as ICT becomes a commodity (e.g. SaaS, PCaaS, CaaS, DCaaS, NaaS, etc.)

WHAT IS PROCUREMENT MANAGEMENT?

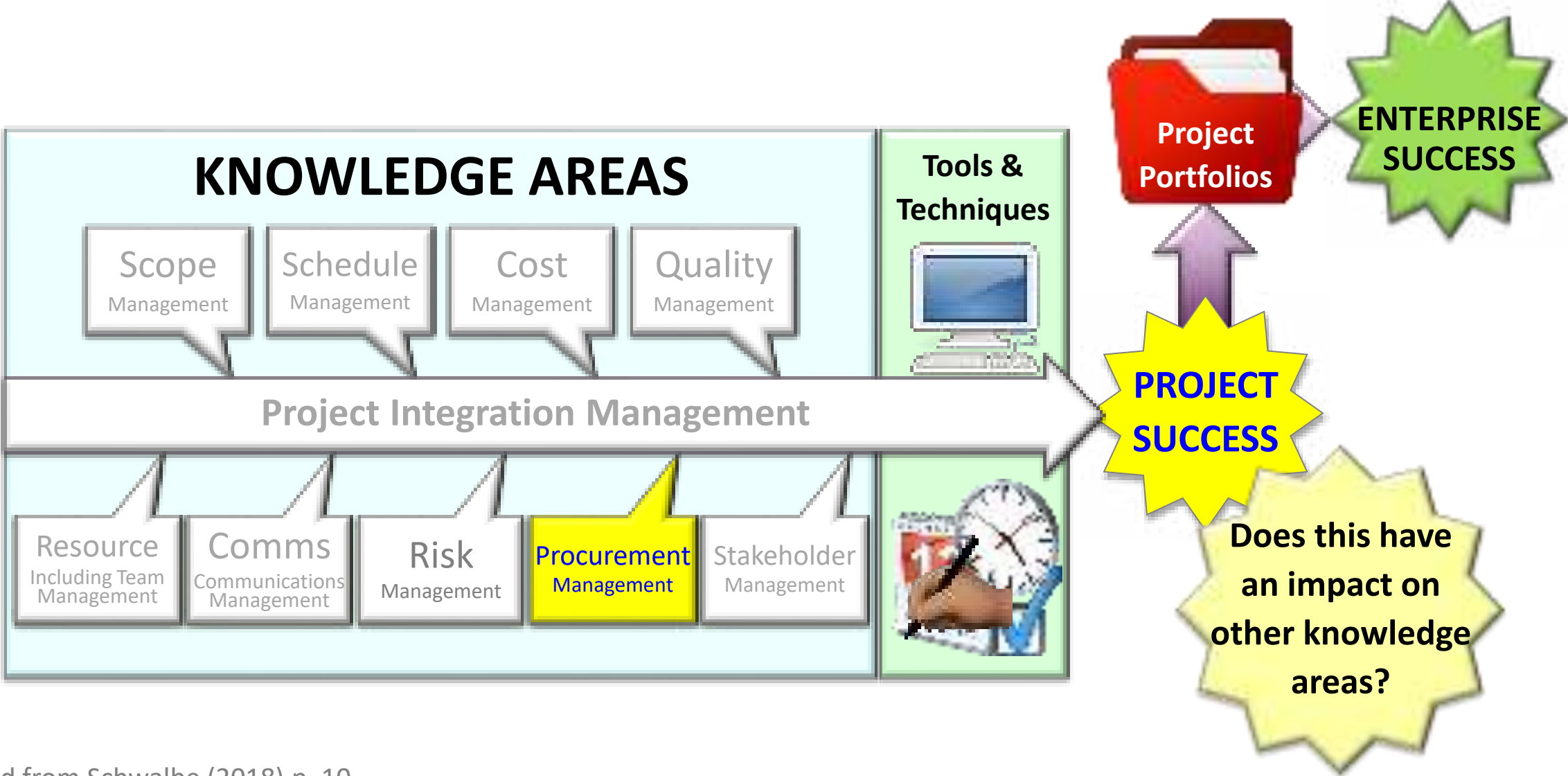
How does this fit into PMBoK?

Procurement management is ...

- ✓ an **integral process** needed to source requirements for a project
- ✓ it is essential to ensuring that the **right support systems and services are available when and where they are needed** to meet the project objectives

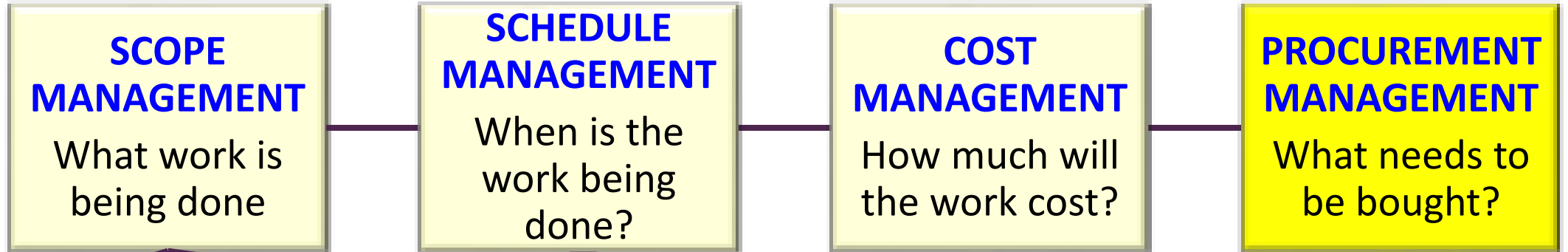
OVERVIEW - PMBOK APPROACH

Stakeholders' needs & expectations



Source: Adapted from Schwalbe (2018) p. 10

THE KNOWLEDGE AREAS



WHY IS PROCUREMENT IMPORTANT?

Without good procurement management

– **your project will not be able to:**

- ✓ Ensure that equipment and systems are **available when needed** (development, testing, deployment, etc.)
- ✓ **Access the skills** required to complete tasks (outsourcing/insourcing/incorporating contractors)
- ✓ **Engage service providers** (external contractors/suppliers) to deliver requirements that your team cannot provide



WHAT IS THE PM'S ROLE ?

Project Managers must:

- ✓ Ensure that procurement **aligns with the Scope of Work** (Scope Management linkage)
- ✓ **Develop effective contracts/agreements** to help ensure that the right services, systems, support and equipment are provided (Risk Management)
- ✓ **Negotiate contracts** as necessary (Stakeholder Management)
- ✓ **Procure the requirements** when they are needed (Schedule Management)
- ✓ Confirm that the procured materials and services **meet the required standards** (Quality Management)



What approaches are applied?

APPROACHES TO PROCUREMENT

INTRODUCTION
(What is Procurement & Why is
it important?)

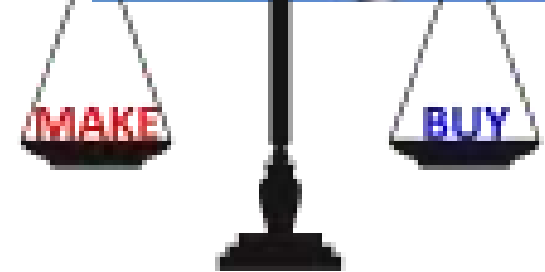
**APPROACHES TO
PROCUREMENT**

**THE
PROCUREMENT
PROCESS**



WHAT WE WILL COVER

- ✓ Procurement Engagement Frameworks (Contractual, non-Contractual, Semi-contractual)
- ✓ Types of Procurement Engagement (insource/ outsource - integrative/separate)
- ✓ The Make/Buy decision (develop it for yourself or procure it)
- ✓ Paying for the procurement (purchase, lease, rent)



PROCUREMENT ENGAGEMENT FRAMEWORKS



PROCUREMENT FRAMEWORKS

1. Contractual (a formal contract)

- A **written or expressed agreement** between parties to provide a product or service (**typically limited to two parties, but sometimes more**)
- Common forms of contract include:
 1. Unilateral (**One party has obligations to the other**)
 2. Bilateral/Multilateral (**all involved parties have obligations**)
 3. Implied:
 - Semi-formal obligations, such as a Letter of Intent (LoI)
 - Quasi-contract (**e.g. Heads of Agreement – May be binding or not**)
 4. Express Contract (**written/developed jointly & then accepted**)
 5. Aleatory Contract (**enacted when a specific event happens**)

PROCUREMENT FRAMEWORKS

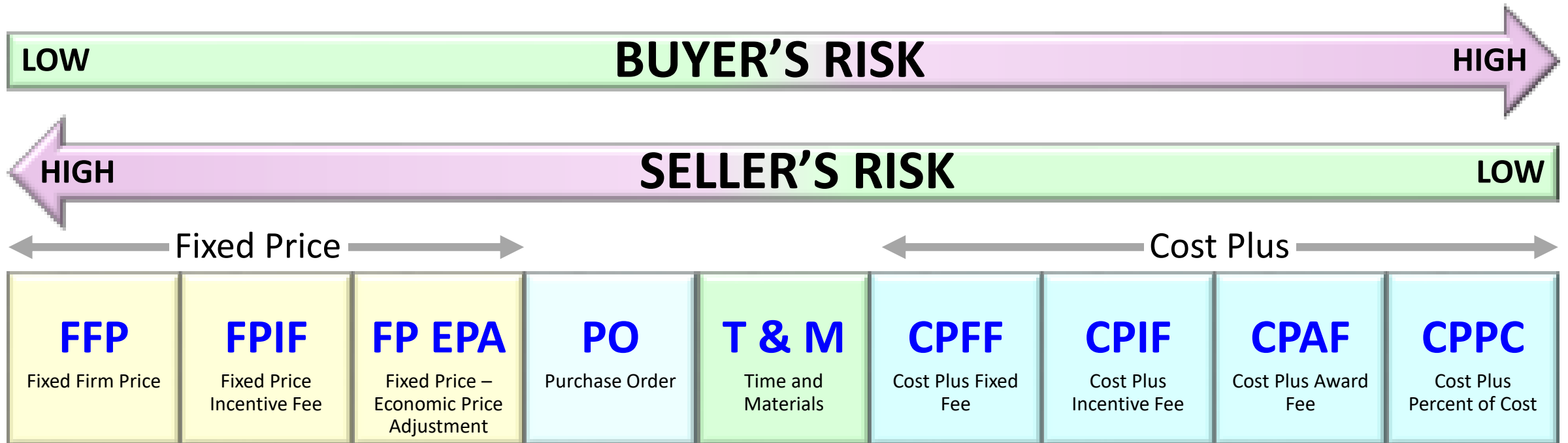
1. Contractual (a formal contract)

- ✓ There are a range of frameworks for contract pricing, which include:
 1. Fixed Price (phased payments or lump sum)
 2. Purchase Order (official offer - based on agreed price, type & quantity)
 3. Time & Materials (T&M) (payments based on what is spent – often done ‘Open Book’)
 4. Cost plus (actual cost & agreed markup – typically done ‘Open Book’)



There are different types within these groups

PROCUREMENT FRAMEWORKS



FFP: Set price no matter what
FPIF: Set price with incentive
FP EPA: Set price with inflation (or other economic variant)

PO: Typically for commodity items
T&M: Often for smaller initiatives

CPFF: Variable costs are cost plus
CPIF: Includes incentive for early delivery
CPAF: Incentive for client satisfaction
CPPC: Actual Costs + flat percentage

PROCUREMENT FRAMEWORKS

1. Contractual (a formal contract)

- ✓ Each type must contain six key elements (to be enforceable):
 1. An offer that provides **specific details about what will be provided**
 2. Legally enforceable **Terms and Conditions** (Ts&Cs) (object of the contract)
 3. **Consideration** – money or some other thing that will be exchanged as a result of providing the product or service
 4. The **intent of the parties to meet their agreed obligations**
 5. **Capacity of the parties** to meet the requirements & enter into the agreement
 6. **Acceptance of the parties to comply** with the agreement

PROCUREMENT FRAMEWORKS

2. Non-contractual

- ✓ Some procurements are not bound or secured by a contract (these are relatively rare)
- ✓ In this case the procurer holds all of the risk (e.g. no warranty, etc.)
- ✓ These are only used if there is **VERY GOOD REASON** or there is no other choice



PROCUREMENT FRAMEWORKS

3. Semi-contractual (a loose term)

- ✓ Relate to procurement where there is **no exclusive agreement between the parties**, beyond...
 - Standard warranties
 - Standard legal requirements (e.g. consumer law, employment law, etc.)
 - Trading standards (e.g. implicit contracts due to relationships between parties or applied standards)



PROCUREMENT FRAMEWORKS

In the ICT industry the **most commonly used frameworks** are:

✓ **Contractual (a formal contract)**

- For procurement processes
- For engagement of ICT services/support
- For engagement of contractors (e.g. team engagement)



✓ **Semi-contractual**

- For COTS products
- For standards services



TYPES OF PROCUREMENT ENGAGEMENT



PROCUREMENT ENGAGEMENTS

1. Insourcing: Using resources/systems/equipment inside the organisation **(but not necessarily in the project team)**

✓ **Insourcing is used:**

- When the skills/systems are available within the organisation
- When it makes sense in terms of costs/risks/flexibility/etc.
- When the project is **focused on a core product/service** for the organisation



PROCUREMENT ENGAGEMENTS

2. Outsourcing: Using resources/systems/equipment from outside the organisation **(to support project objectives)**

✓ **Outsourcing is used:**

- When the **skills/systems** are **not** available within the organisation
- When it makes sense in terms of costs/risks/flexibility/etc.
- Carefully if it is a **core product/service** for the organisation



PROCUREMENT ENGAGEMENTS

2. **Outsourcing:** Using resources/systems/equipment from outside the organisation (to support project objectives)

✓ **Outsourcing can be:**

- Integrative (bring them into the team – internal team contractor/Joint Venture, etc.)
- Separated (leaving them as an external entity providing services/systems/equipment)

Selection of the outsourcing approach is dependent on numerous factors (e.g. legal, cost, business, location)



PROCUREMENT ENGAGEMENTS

- ✓ It is also dependent on the Make/Buy Decision

Local or Global Decision

GLOBAL

LOCAL

Offshore Manufacturing	Offshore Outsourcing
Local Production/ Insourcing	Onshore Outsourcing

MAKE

BUY

Make or Buy Decision

We'll talk about the other factors in more detail for Topic 12

But let's now look at the Make/Buy Decision

THE MAKE/BUY DECISION



THE MAKE/BUY DECISION

This is based on answering the question – is it better to:

- ✓ **Make.** Produce/develop the system/equipment/ service/capability
- ✓ **Buy.** Procure (& tailor as necessary/appropriate) the system/equipment/service/capability

The decision will be driven by a range of factors, which include...



THE MAKE/BUY DECISION

- ✓ Are there strategic imperatives?
- ✓ Is it core to the project?
- ✓ How well does it align to our competencies?
- ✓ What level of control is required (**can we do it**)?
- ✓ What are the risks of make vs buy?
- ✓ Timeframe (lead time)
- ✓ Will this affect quality?
- ✓ Are the suppliers reliable?
- ✓ Are there fallback sources & resources?
- ✓ Political, Economic, Social, Technical (PEST) issues?
- ✓ **What are the differences in cost** (scale, etc.)?

THE ACCOUNTING DECISION

MAKE

\$ Direct Development Costs +
\$ Direct Materials Costs +
\$ Direct Variable Costs +
\$ Losses/Gains on Plant/
Equipment (including Depreciation) +
\$ Indirect Costs (storage, supply, utilities, staff) +
\$ Ongoing Costs (all aspects of TCO)
\$ Contingency =

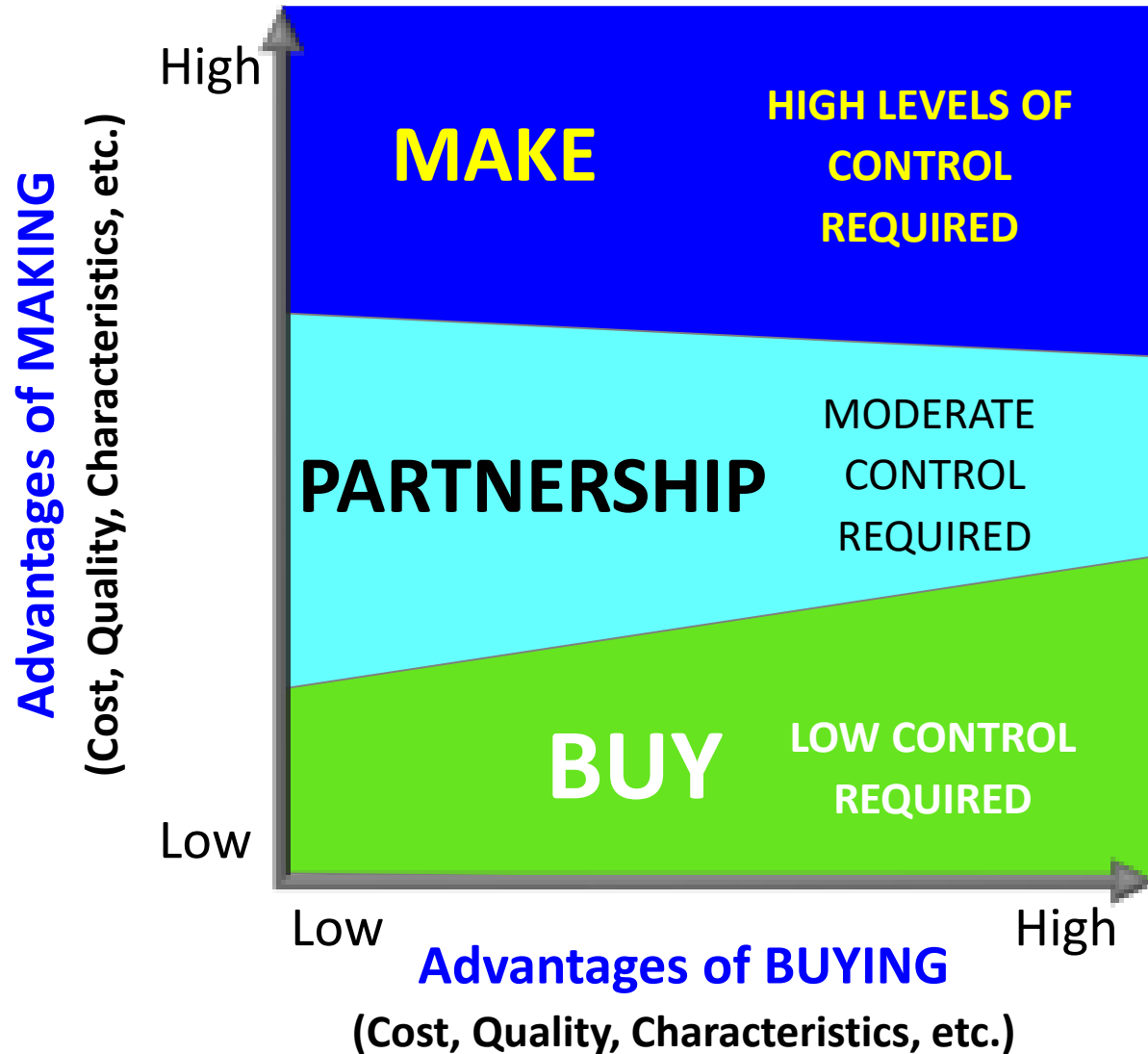
\$ **Total Cost for Make**

BUY

\$ Direct Cost (Product/Service) +
\$ Tailoring/Development Costs +
\$ Indirect Costs (storage, supply,
utilities, staff, support) +
\$ Ongoing costs (cover all aspects
of TCO) +
\$ Contingency (including supplier
replacement contingency) =

\$ **Total Cost for Buy**

AND THERE IS ANOTHER OPTION



- ✓ Based on the previous factors with emphasis on **control**
- ✓ So **think carefully** about all these factors

And also the payment system you want to use for procurement

PAYING FOR THE PROCUREMENT



THE PAYMENT OPTIONS

There are **three key options** for procurement of systems/equipment/services

- ✓ **Buy:** **Direct purchase** (Fixed Price, PO, Cost Plus, T & M, etc.)
- ✓ **Rent:** Generally a shorter term contract that grants the right to utilise equipment/systems, etc.
- ✓ **Lease:** Typically a fixed period contract that grants the right to utilise equipment/systems, etc.

THE PAYMENT OPTIONS

✓ **Buy:** **Direct purchase** (PO, Fixed Price, Cost Plus, T & M, etc.)

- Typically used for procuring services (e.g. paying people/organisations)
- Used for purchasing equipment/systems (particularly if leasing is not considered appropriate)
- Can be applied for contracts, semi-contractual & non-contractual situations



THE PAYMENT OPTIONS

✓ **Buy:** **Direct purchase** (PO, Fixed Price, Cost Plus, T & M)

- Procurements can be paid for:
 - At the **start** (payment up front)
 - By milestones/key dates/instalments
 - Prorated (in line with deliverables)
 - At the end (e.g. completion of the work or Cash on Delivery, etc.)
- These have a direct influence on project cashflow (particularly lump sum payments)



THE PAYMENT OPTIONS

- ✓ **Rent:** Payment for the use of systems/facilities/equipment
 - **For software** (License fees)
 - Freeware (no license fee)
 - User license (for an individual)
 - Seat license (per instance being used)
 - Site license (for authorised users at that site)
 - Enterprise license (for all authorised users in the organisation)
 - Specialised use (e.g. educational/academic)



THE PAYMENT OPTIONS

- ✓ **Rent:** Payment for the use of systems/facilities/equipment
 - **For hardware** (Rental fees)
 - Rent hardware for a period (generally higher price than leasing)
 - May limit configuration/utilisation (read the fine print)
 - Typically won't own the hardware on completion (be aware of the security implications)



THE PAYMENT OPTIONS

- ✓ **Rent:** Payment for the use of systems/facilities/equipment
 - **For Facilities** (Rental fees)
 - Rent facilities for a period (often higher price than leasing)
 - May limit configuration/utilisation (make sure that you tailor your rental contract)
 - Rental may not give long term protection (Your rental contract can be terminated at short notice)



THE PAYMENT OPTIONS

✓ **Lease:** Instalment payment – (contract purchase?)

➤ **Operating Lease** (essentially a rental agreement – lessee typically holds the risks)

- Standard Lease (lessee does the maintenance)
- Maintenance Lease (maintenance is covered in the cost – SaaS, PCaaS, DaaS, etc.)



THE PAYMENT OPTIONS

✓ **Lease:** Instalment payment – (contract purchase)

- **Finance Lease** (it is more like a loan to pay for the equipment – typically requires full purchase)
 - Leveraged Lease (Loan/Lease mix – tax benefits)
 - Cross Border Lease (take advantage of tax/depreciation)
 - Sale & Lease Back Agreement (Alternative financing)



CHOOSING THE APPROACH

✓ The following table provides a simplified guide

WHAT OUTCOME IS REQUIRED?	THIS OPTION IS APPLICABLE		
	BUY	RENT	LEASE
Ownership is necessary	✓		✓
Surety of asset control is required	✓		✓
Need to be able to tailor/modify	✓		✓
Avoid up-front costs adversely influencing cashflow/debt		✓	✓
Turn over the equipment/upgrade regularly		✓	✓
Maintenance costs are smoothed over cashflow periods			✓
Change tax position to improve profits	?	?	✓

TO WORK OUT THE VALUE

- ✓ Use the calculator provided in the LMS

Only enter data on cells that are coloured yellow.

Make sure you bring your calculator to class every day and make sure you have the formulae entered in the calculator every day by making the formulae.

Minimum Investment After Tax of Lease Payments for a Minimum 7 years

L1	Minimum lease term (years) (Do not leave blank)	
L2	Plant (in years) (Do not leave blank)	7
L3	Payment on beginning of Period (Net Cash Flow)	Y
L4	Value of Lease (Net Cash Flow) (Do not leave blank)	1,200,000
L5	Value of Lease (Net Cash Flow) (Do not leave blank) (Tax Before)	
L6	Factor for Factorial (Do not leave blank) (Just a short cut to avoid)	
L7	Will the plant be sold at the end of lease? (Y, N, or, M)	N
L8	Other Features in this year (eg. 2, 1, 2, etc)	0
L9	Cost of Capital (in % (Do not leave blank))	8
L10	Percentage of Depreciation per period	33.33%
L11	Days each year in the Period (Number of Periods in year)	1
L12	Taxation Rate (Company Tax)	40.00%
L13	Maximum will be paying interest (Do not leave blank)	0
L14	Depreciated Cost of Debt (per annum)	14.27%
L15	Number of Lease Payments per annum	1
L16	Total Number of Lease Payments (Do not leave blank)	7
L17	After Tax Lease Amount (Do not leave blank)	0.00%
L18	After Tax Lease Amount (Do not leave blank) (Do not leave blank) (Do not leave blank)	0.00%
L19	Agreed Depreciated Value (in percentage)	30.00%
L20	Residual of the plant (Do not leave blank) (Do not leave blank)	
L21	Agreed Depreciated Value (in Dollar) (Do not leave blank)	\$ 240,000.00
L22	Residual of the plant (in Dollar) (Do not leave blank)	0
L23	Depreciation per annum (Do not leave blank)	\$ 400,000
L24	Tax Saving (Do not leave blank)	\$ 100,000
L25	Total Annual Cash Flow (Do not leave blank) (Do not leave blank)	\$ 410,000
L26	Residual of the plant (Do not leave blank) (Do not leave blank)	0
L27	Lease's residual value (Do not leave blank)	\$ 240,000
L28	Lease's residual value (Do not leave blank)	\$ 00,000
L29	After Tax Interest (Do not leave blank) (Do not leave blank)	\$ 110,000
L30	Present Value of LP (Do not leave blank) (Do not leave blank)	\$ 114,712
L31	Total Cash Flow (Do not leave blank) (Do not leave blank)	\$ 420,000
L32	Residual of the plant (Do not leave blank) (Do not leave blank)	\$ 00,000
L33	Minimum value of lease (Do not leave blank) (Do not leave blank)	\$ 240,000
L34	Minimum value of lease (Do not leave blank) (Do not leave blank)	\$ 400,000

You will be shown how to use this during the Topic 10 Workshop

THE PROCUREMENT PROCESS

INTRODUCTION
(What is Procurement & Why is
it important?)

**APPROACHES TO
PROCUREMENT**

**THE
PROCUREMENT
PROCESS**

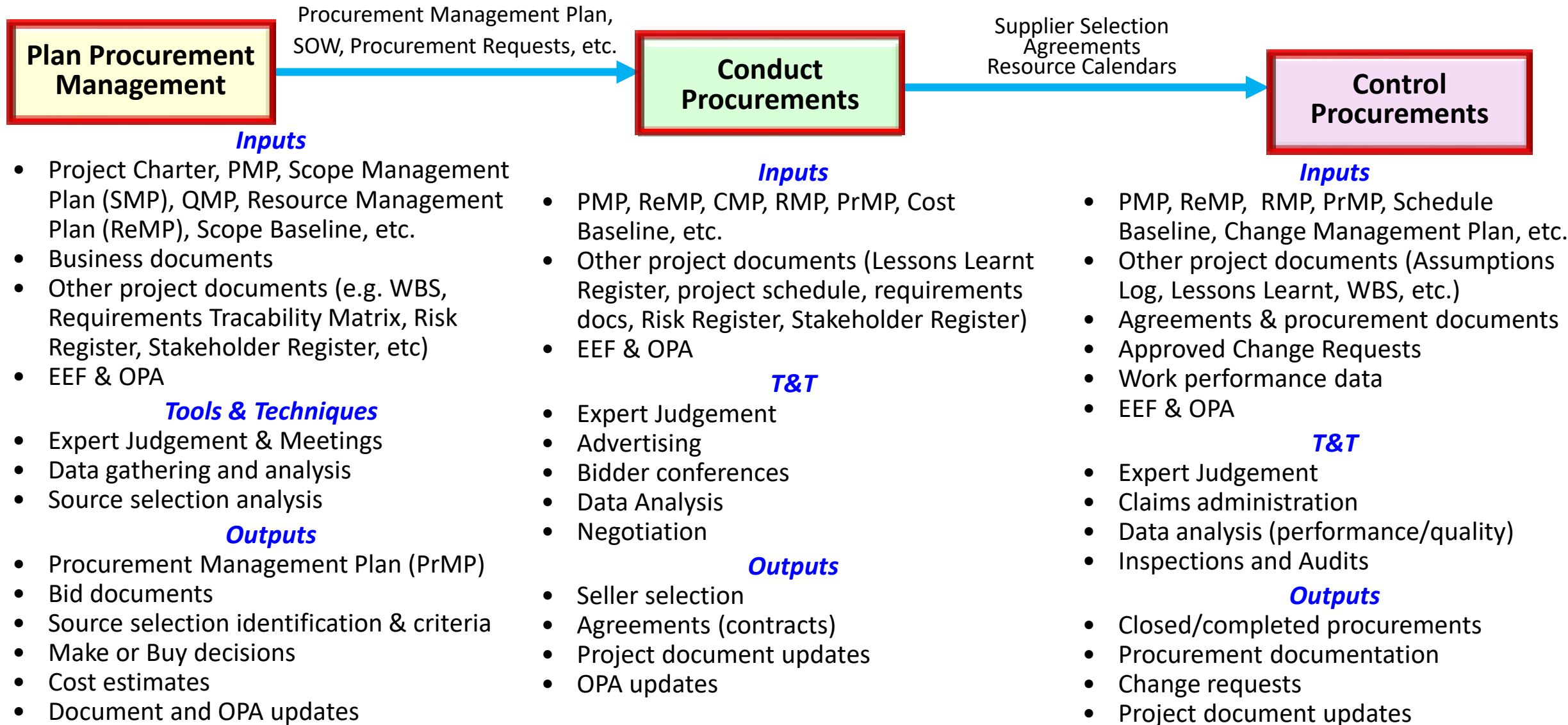


THE PROCUREMENT PROCESS

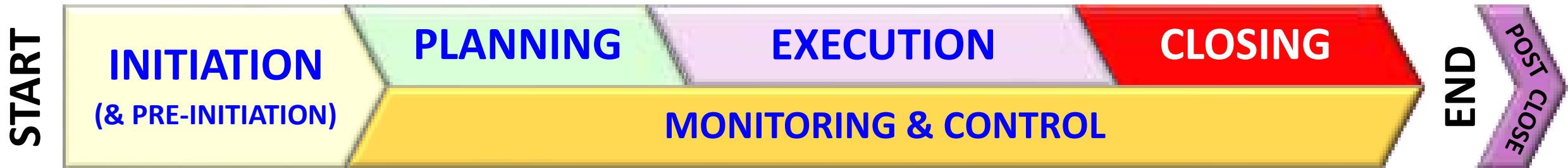
1. **Plan Procurement Management.** Identify, define & document procurement activities and their coordination for the project
2. **Conduct Procurements.** Procuring support, systems, equipment & services using contractual, semi-contractual & non-contractual processes
3. **Control Procurements.** Monitor & Control the procurement activities and deliverables



RELATIONSHIP BETWEEN THE STEPS?



WHEN DO THESE STEPS GET DONE?



Plan Procurement Management

MOSTLY CYCLICAL

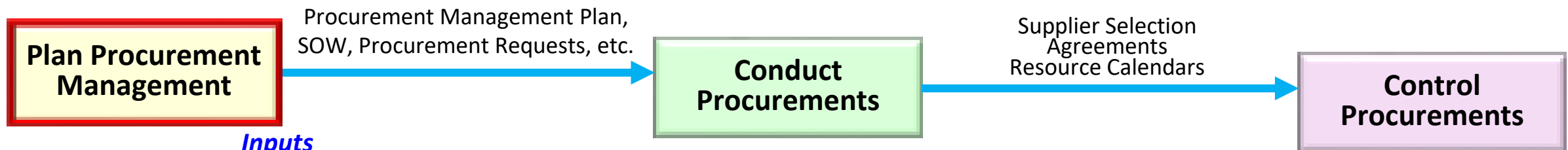
Conduct Procurement

TYPICALLY CYCLICAL

Control Procurements

Let's look at the steps in more detail

PLAN PROCUREMENT MANAGEMENT



Plan Procurement Management

Inputs

- Project Charter, PMP, Scope Management Plan (SMP), QMP, Resource Management Plan (ReMP), Scope Baseline, etc.
- Business documents
- Other project documents (e.g. WBS, Requirements Tracability Matrix, Risk Register, Stakeholder Register, etc)
- EEF & OPA

Tools & Techniques

- Expert Judgement & Meetings
- Data gathering and analysis
- Source selection analysis

Conduct Procurements

Outputs

- Procurement Management Plan (PrMP)
- Bid documents
- Source selection identification & criteria
- Make or Buy decisions
- Cost estimates
- Document and OPA updates

Control Procurements

PLAN PROCUREMENT MANAGEMENT

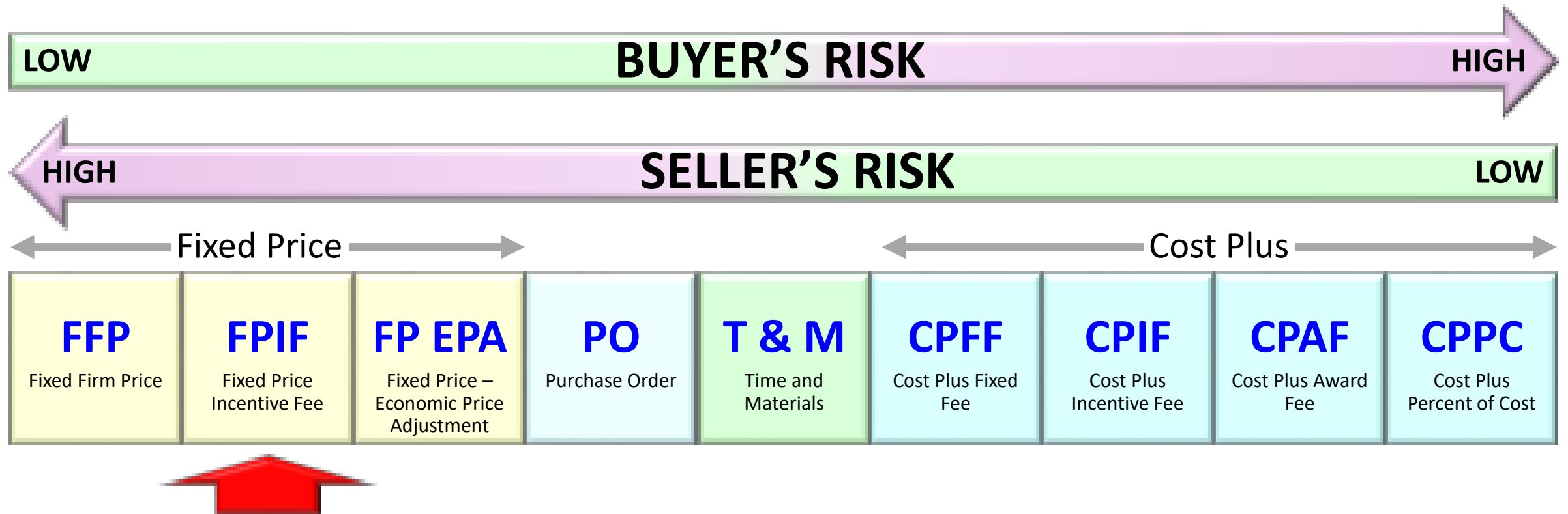
- ✓ Use this phase to identify and define:
 - what needs to be procured (**systems, equipment, services, support, etc.**)
 - the make or buy decision (**make/develop, or buy**)
 - the sources and types of engagement (**insource/ outsource, integrative/separated, local/offshore**)
 - the procurement framework to be used (**contractual, semi-contractual, non-contractual**)
 - The best solution to pay for the procurement (**buy, lease, rent**)

Use expert judgement for each of these aspects



**For FPIF contracts,
think about the
transfer of risk –
The Point of Total
Assumption**

THE POINT OF TOTAL ASSUMPTION



The **Point of Total Assumption (PTA)** – This is the contractual point in FPIF contracts where the overrun risk transfers between the buyer and seller (e.g. where the supplier can no longer make a profit in the event of problem)

THE POINT OF TOTAL ASSUMPTION

It is worked out with
this formula:



$$PTA = ((\text{Ceiling Price} - \text{Target Price}) / \text{Client's Share Ratio}) + \text{Target Cost}$$

This will be explained in more detail during the workshop

PLAN PROCUREMENT MANAGEMENT

✓ The **key deliverables** from this phase are:

1. The Procurement Management Plan

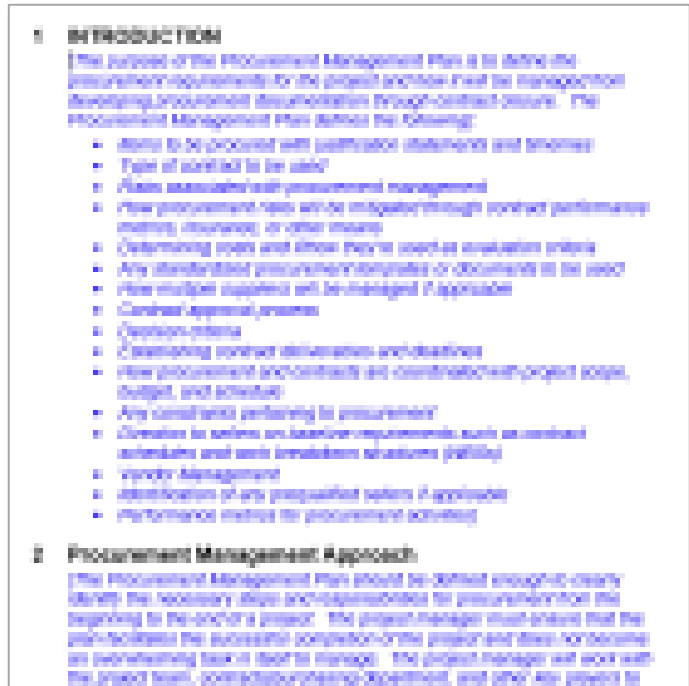
2. Statement of Work (SOW)

3. Procurement documents (RFI, EOI/ROI, RFP/RFO, RFT, RFQ)



PROCUREMENT MANAGEMENT PLAN

- ✓ Different organisations use different templates
- ✓ They typically contain:
 - Guidelines for contractual engagements (types & guidance)
 - Standard procurement documents/templates for use
 - Cost determination & information on getting quotations/estimates
 - Suggestions for managing providers
 - Lead time/schedule guidance
 - Constraints and assumptions
 - Risk mitigation strategies associated with procurement
 - Guidelines for identifying pre-qualified suppliers/preferred suppliers
 - Procurement metrics that will be used



Use your organisation's template (there are also plenty on the internet)

STATEMENT OF WORK (SoW)

- ✓ A SoW is a **description of the deliverables needed** in the procurement **(what is really required)**
- ✓ It is **developed with the WBS/Technical design** **(it is a focused Scope Statement)**
- ✓ **Aim** - to allow suppliers to get a good understanding of the various requirements **(defined for internal or external suppliers)**
- ✓ Subsets are included in the procurement documents



STATEMENT OF WORK (SoW)

- ✓ SoWs typically include this type of information:
- **Scope of Work** – Description of the work/systems/services/equipment required
 - **Deliverables Schedule** – Detailed descriptions of specific deliverables
 - **Location of Supply** – Providing site specific insights
 - **Period of Performance** – Dates and Milestones (as per the WBS)
 - **Applicable Standards** – In line with those identified through the QMP
 - **Acceptance Criteria** – Testable standards that meet specific requirements
 - **Special Requirements** – Things that are specific/unusual about the request



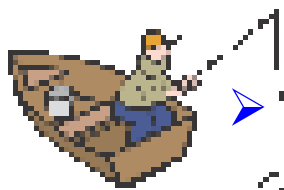
This feeds into different types of procurement documents

PROCUREMENT DOCUMENTS



✓ There are different types of procurement documents:

- **RFI (Request for Information):** Purchaser **wants more information**, but is **not committed to buying** – this often forms a first step (**can be useful to respond**)
- **EOI (Expression of Interest)/ROI (Registration of Interest):** **Sources information** and they are often **used to define short-lists**. Purchaser is **not committed to buying** – this is often done before the following types of document (**can be useful to respond**)
- **RFP (Request for Proposal)/RFO (Request for Offer):** **Seeking solutions-based submissions**. May not include clear specifications – often used for sourcing services (**may or may not buy**).
- **RFT (Request for Tender):** **Provides clear specifications**. Judged on price & qualitative factors. Purchaser is **typically committed to procurement**.
- **RFQ (Request for Quotation):** **Provides clear specification**. **Judged primarily on price**. Purchaser is **typically committed to procurement**.



PROCUREMENT DOCUMENTS



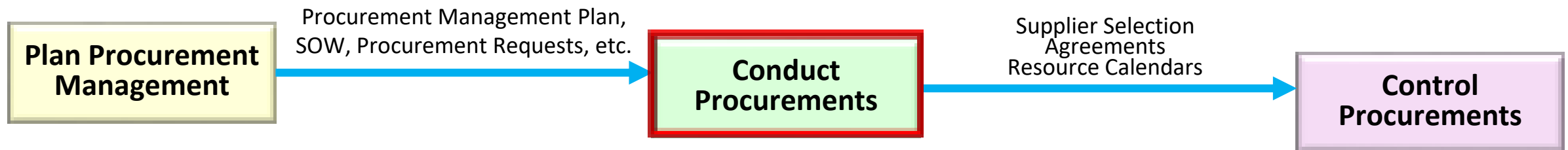
- ✓ There are different templates used for:
 - Each type of procurement document (RFI, EOI/ROI, RFP/RFO, RFT, RFQ)
 - Each organisation
 - Each type of project
 - Various types of procurement situation



Use the one appropriate for your situation

(Use your organisation's ones or there are templates on the internet)

CONDUCT PROCUREMENTS



Inputs

- PMP, ReMP, CMP, RMP, PrMP, Cost Baseline, etc.
- Other project documents (Lessons Learnt Register, project schedule, requirements docs, Risk Register, Stakeholder Register)
- EEF & OPA

T&T

- Expert Judgement
- Advertising
- Bidder conferences
- Data Analysis
- Negotiation

Outputs

- Seller selection
- Agreements (contracts)
- Project document updates
- OPA updates

CONDUCT PROCUREMENTS

Define the procurement options through:

- ✓ Product option research (**internet, industry search, discussions – identify capabilities & costs**)
- ✓ Bidder Conferences (**find out what they can offer and how much it is likely to cost – sometimes called contractor or vendor conferences**)



Analyse and assess the options



CONDUCT PROCUREMENTS

The approach used for procurement will be dependent on:

- ✓ the sources and types of engagement
(insource/outsource, integrated/separated, local/offshore)
- ✓ the procurement framework being used
(contractual, semi-contractual, non-contractual)
- ✓ the procurement payment methods being used
(buy, lease, rent)



The key is to ensure that the requirements are met effectively

CONDUCT PROCUREMENTS

When setting up for contractual engagement:

- ✓ Carefully determine your requirements **(these form the source selection criteria)**
- ✓ Ensure that your weightings are sound **(reflect real world issues)**
- ✓ Clearly explain the requirements to avoid ambiguity
- ✓ Give suppliers enough time & information to respond
- ✓ Analyse the responses **(using a weighted analysis approach where appropriate)**



CONDUCT PROCUREMENTS

When setting up for contractual engagement:

- ✓ Create a short list for detailed analysis (**this is a common approach**)
- ✓ Identify how well they would meet the requirements (**First part of the weighted analysis**)
- ✓ Weigh this up against cost (**= Value for Money**)
- ✓ Nominate the preferred supplier
- ✓ Enter into detailed negotiations
- ✓ Engage the supplier (**as appropriate**)



**But this is not the
only way of doing
this**

CONDUCT PROCUREMENTS

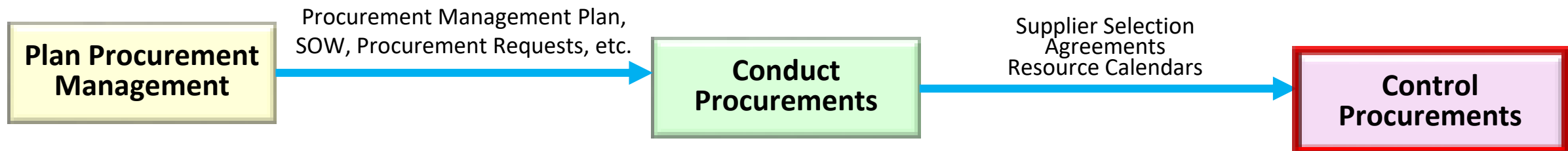
And the processes can include:

- ✓ Going to a local store to buy equipment
- ✓ Engaging support in the short term - using semi, or non-contractual engagement
- ✓ Getting additional support from engaged suppliers (e.g. contract variation, or extension)



The bottom line is: Get the best possible supply for the best possible price, so it is available when & where it is needed

CONTROL PROCUREMENTS



- Inputs**
- PMP, ReMP, RMP, PrMP, Schedule Baseline, Change Management Plan, etc.
 - Other project documents (Assumptions Log, Lessons Learnt, WBS, etc.)
 - Agreements & procurement documents
 - Approved Change Requests
 - Work performance data
 - EEF & OPA

- T&T**
- Expert Judgement
 - Claims administration
 - Data analysis (performance/quality)
 - Inspections and Audits

- Outputs**
- Closed/completed procurements
 - Procurement documentation
 - Change requests
 - Project document updates

CONTROL PROCUREMENTS

The objective is to ensure that the **suppliers meet the requirements** for which they were engaged – **therefore**:

- ✓ Conduct **inspections and tests**
- ✓ **Regularly review** deliverables
- ✓ Implement **audits** where appropriate
- ✓ Ensure that positive/negative **reporting systems** are in place & used
- ✓ Apply clear **Change Control** processes (**including contract changes**)



CONTROL PROCUREMENTS

Change Control should take into account:

- ✓ Changes to the **actual deliverables**
- ✓ Variations to **procurement costs** (affected by time, scope, location, etc.)
- ✓ The **supplier's ability** to meet the change (have contingency & fallback)
- ✓ The implications for any contractual requirements (**contract variations are required – this is a formal process**)



PROCUREMENT



And a final key piece of advice!

THE KEYS TO CONTROL

Try to make the engagements **collaborative**

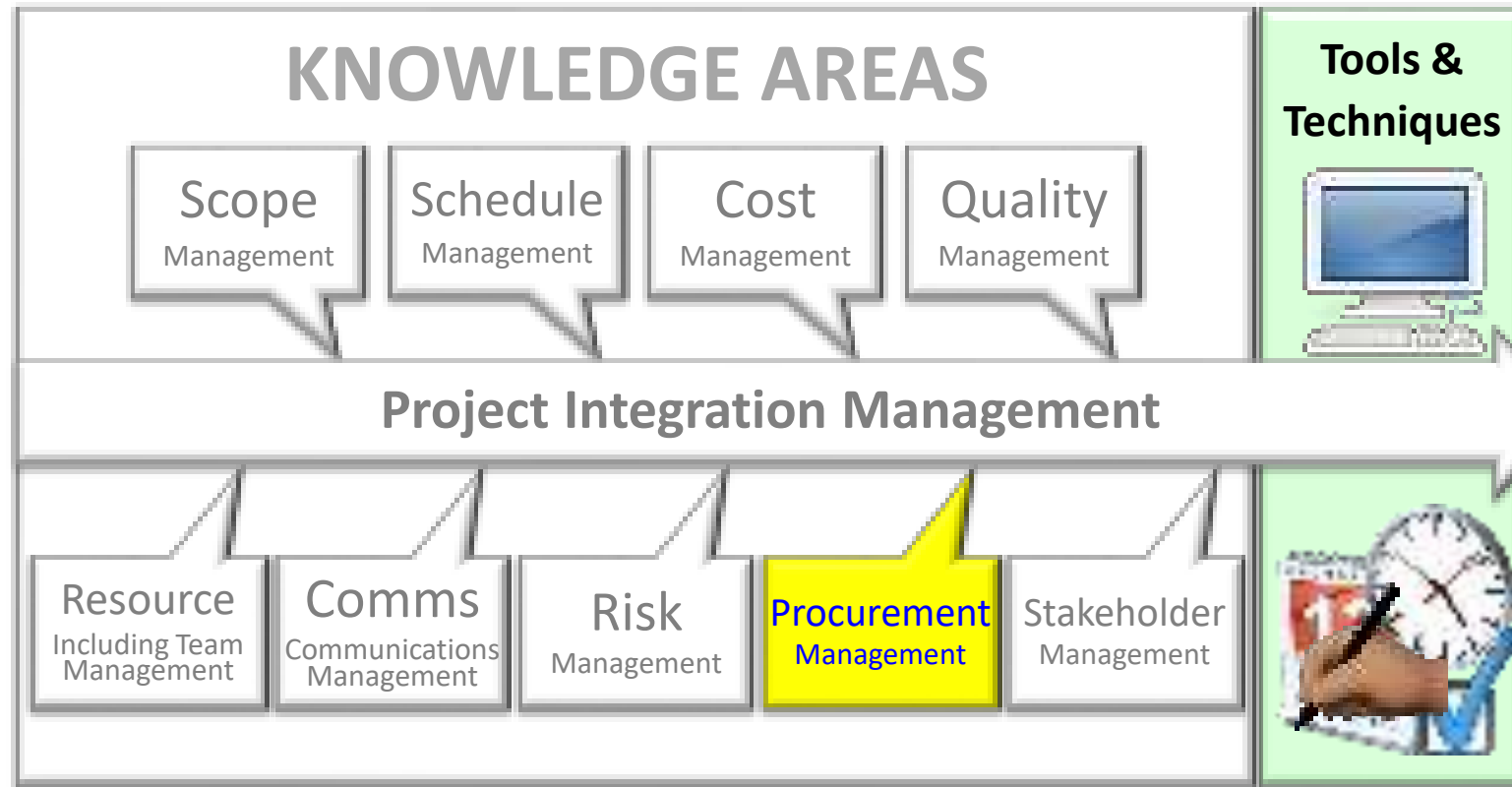
- ✓ Make sure that they **understand the imperatives** (so they can be goal focused)
- ✓ Treat them as a **partner in the project** (even if they are just a supplier)
- ✓ Facilitate **win-win** wherever possible (make it worth their while)
- ✓ Use **active governance** and **open communication**
- ✓ Help everyone to keep their **focus on the objective** (This is dependent on the level of engagement)



CLOSING PROCUREMENT

- ✓ Involves completing and settling contracts/resolving open items
- ✓ To do this the project team must:
 - Determine if all deliverables/work was provided appropriately
 - Conduct final audits/inspections as required
 - Update records accurately to reflect final results
 - Archive information for future use (including things like warranties)
 - Determine lessons learnt (e.g. preferred suppliers, etc.)
- ✓ Where requirements are not met – initiate appropriate action:
 - Initiate problem resolution
 - Conduct negotiations as necessary
 - Implement formal actions as necessary to achieve resolution

SOFTWARE



Stakeholders' needs & expectations



PROCUREMENT MANAGEMENT SOFTWARE

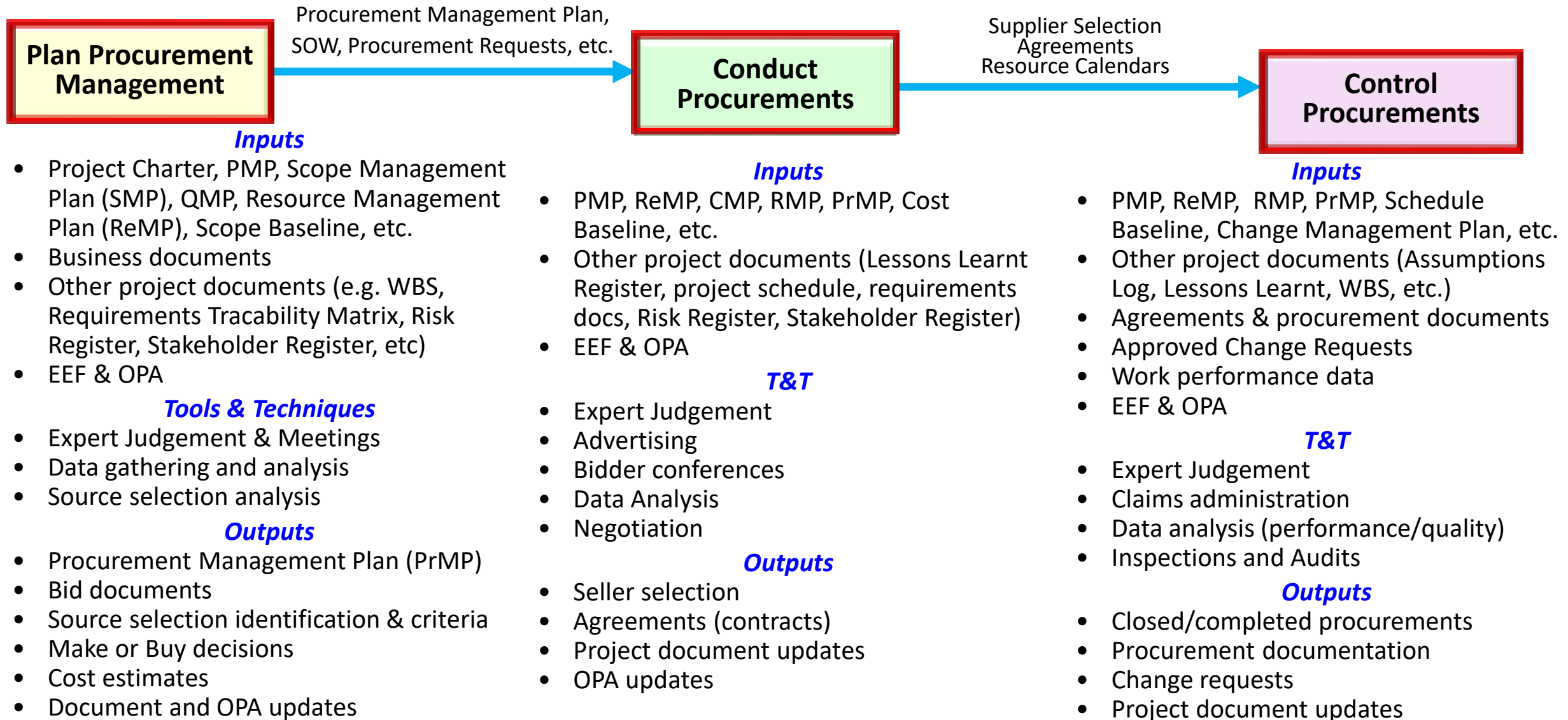
- ✓ Commonly used **Procurement Management software** includes:
 - **MS Word/Word Processors** – For documents/plans/orders/etc.
 - **MS Excel/Spreadsheets** – For procurement accounting
 - **MS Access/Databases** – For procurement management (useful when linked to supplier systems)
 - **Microsoft Project** – Useful for many aspects of procurement and cost management
 - Numerous other **e-Procurement packages** (some provided by organisations, some open market products)

TOPIC SUMMARY

TOPIC SUMMARY

- ✓ Project Procurement Management **is critical** in ensuring that the **right systems, support, services and equipment** are available – **when and where they are needed**
- ✓ It is used to:
 - Assess the right development/procurement strategy **(e.g. make/buy)**
 - Identify what procurement is required **(the right products/services)**
 - Choose the right procurement framework **(e.g. contractual, etc.)**
 - Determine the appropriate engagement **(insource, outsource, etc.)**
 - Select the suitable payment options **(Buy, Rent, Lease)**

IT IS MANAGED THROUGH...



ANY

QUESTIONS

