**Project Procurement Management, PMBOK 6th Edition**

Michael D. Harper, Ph.D.

*“Project procurement management is concerned with the identification and acquisition of goods and services from outside sources.”*

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|  | **Project Procurement Management** | **Process Groups** | | | | |
|  | **Major Processes** | Initiating | Planning | Executing | Monitoring &  Controlling | Closing |
| **🡪** | Plan Procurement Management |  | 1 |  |  |  |
| **🡪** | Conduct Procurements |  |  | 2 |  |  |
|  | Control Procurements |  |  |  | 3 |  |

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| **Procurement** | [Outsourcing, Subcontracting, Purchasing, Buying, 3rd Party Sourcing] |

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| **Plan Procurement Management** | Procurement Management Plan   * Make/Buy, Contracts * Statement of Work (SOW) * Request for Proposal (RFP) |

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| **Conduct Procurements** | * Distribute and collect seller documentation * Negotiate terms, select sellers, and prepare contracts. |

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|  | **Procurement** | |  |
|  | [Outsourcing, Subcontracting, Purchasing, Buying, 3rd Party Sourcing] | |  |
|  |  | |  |
|  | ***Procurement of Material*** | ***Outsourcing of Functions*** |  |
|  |  | |  |
|  | **Needs Assessment** | |  |
|  | **Why? Time, Cost, Resources, Capability, Requirements** | |  |
|  | **What? Goods (RFQ), Services (RFP), Both** | |  |
|  |  | |  |

**Plan Procurement Management**

Procurement Management Plan

Make/Buy, Contracts, Statement of Work (SOW), Request for Proposal (RFP)

**Project Procurement Management Plan**.

The procurement management plan could include, but not limited to, the items:

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| **Introduction.**  -Organizational governance, oversight, processes, audits.  -Project background, objectives, justification, approach. |
| **Definitions.**  -Items to be procured.  -Services to be outsourced. |
| **Contracts.**  -Types of Contracts. Align types of contracts to procurement sellers or vendors.  -Decision Criteria. Identify and justify decision criteria.  -Cost. Procedure to estimate cost.  -Quality. Identify standards and metrics to establish quality. |
| **Vendor Management**.  -Identify governance structure, validation procedures, schedule for creating and reporting and deliverables such as SOW and RFP.  -Risks. Identify events that could occur and document responses.  -Constraints. Identify existing constraints and approaches to respond.  -Contract Approval Process. Identify procedures and stakeholder responsibilities. |
| **Documentation requirement.** |
| **Communication plans.** |
| **Acceptance Section.** |

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| Make or Buy Analysis.  Example: In-house make: fixed cost=$15,000, variable cost=$2/item  Outsource buy: variable cost=$7/item  $15,000+$2X=$7X 🡪 X=3,000 items  If demand is <3,000, outsource. |

Types of Contracts. Project=Buyer. Supplier=Seller.

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| Consider Estimated Cost, Actual Cost, Performance   |  |  |  |  | | --- | --- | --- | --- | |  |  | \*Fixed Price | Least Buyer Risk | |  | 1. | -FFP: Firm Fixed Price | Price includes estimated costs and fee all predetermined | |  | 2. | -FPIF: Fixed Price with Incentive Fee | Incentives can be based on time, quality, service. Can be fixed, tiered, or percentage based. | |  |  |  |  | |  |  | \*Cost-Reimbursement | Direct and Indirect Costs. Least Seller Risk | |  | 3. | -CPIF: Cost Plus  Incentive Fee | Buyer pays actual cost + Fixed Fee + Incentive Share based on performance | |  | 4. | -CPFF: Cost Plus  Fixed Fee | Buyer pays actual cost + Fixed Fee | |  | 5. | -CPAF: Cost Plus  Award Fee | Buyer pays actual cost + Fee based on performance. | |  |  | \*T&M: Time and Material |  | |  |  | \*Unit Price |  |   Consider the following to determine the price of contract work  EC=Estimated cost of contract work  AC=Actual cost of contract work  FF=Fixed fee for contract work  IP=Incentive on the performance of the contract work  PF=Variable fee for contract work based on performance   |  |  |  |  |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | |  |  | Risk | Types of Contracts |  |  |  |  |  |  | |  |  |  | **Fixed Fee** |  | EC | AC | FF | IP | PF | | Project | Buyer | Lower | 1. FFP |  | \* |  | \* |  |  | |  |  | Higher | 2. FPIF |  | \* |  | \* | \* |  | | 🡨🡪 | 🡨🡪 |  | **Cost-reimbursable** |  |  |  |  |  |  | | Supplier | Seller | Lower | 3. CPIF |  |  | \* | \* | \* |  | |  |  |  | 4. CPFF |  |  | \* | \* |  |  | |  |  | Higher | 5. CPAF |  |  | \* |  |  | \* |   . |

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| The SOW and RFP could include, but not limited to, the sections: | |
| Statement of Work (SOW)  -Introduction. Identify the project, justification of the work, expectations of the work.  -Scope of Work.  A description of the work to be done similar to the scope statement for the project.  -Period of Performance.  State the firm start and deliverable dates.  -Place of Performance.  Identify the location of the work or portions of the work to be done.  -Work Requirements.  Detailed work similar to the WBS for the project.  -Schedule/Milestones.  Identify schedule and milestones for communications and deliverables.  -Acceptance Criteria.  Identify the criteria used to determine the successful completion of the deliverables.  -Acceptance.  Verify and authorizes the SOW for distribution. | Request for Proposal (RFP).  [ Request for Quote (RFQ) ]  [ Request for Information (RFI) ]  -Introduction. State the purpose of the RFP, background of the organization submitting the RFP, the context of the project requesting the RFP.  -Project Scope.  -Proposal Guidelines.  Requirements  Restrictions  Procedures  -Proposal Request.  Format  Budget  Timeline  Deadlines  Communications  -Evaluation Criteria.  Descriptions  Weights  Procedure  -Vendor Qualifications |

**Conduct Procurements**

Distribute and collect seller documentation

Deadline, Format, Criteria, Conference vs. Mail, Open vs. Blind

Negotiate terms, select sellers, and prepare contracts.

Select sellers: Criteria, Measures, Scales, Procedure

**Scores**

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| --- | --- | --- | --- | --- |
|  |  | Proposal #1 | Proposal #2 | Proposal #3 |
| Criteria | Weight | Scores | Scores | Scores |
| Technical approach | 30 | 72 | 74 | 73 |
| Management approach | 30 | 33 | 29 | 31 |
| Past performance | 20 | 52 | 58 | 60 |
| Price | 20 | 63000 | 47000 | 55000 |
| Weighted Score |  | **1264190** | 944250 | 1104320 |

**Ranks**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  | Proposal #1 | Proposal #2 | Proposal #3 |
| Criteria | Weight | Ranks | Ranks | Ranks |
| Technical approach | 30 | 3 | 1 | 2 |
| Management approach | 30 | 1 | 3 | 2 |
| Past performance | 20 | 3 | 2 | 1 |
| Price | 20 | 3 | 1 | 2 |
| Weighted Score |  | 240 | **180** | **180** |

**Points**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Possible | Proposal #1 | Proposal #2 | Proposal #3 |
| Criteria | Points | Points | Points | Points |
| Technical approach | 30 | 23 | 25 | 24 |
| Management approach | 30 | 22 | 19 | 21 |
| Past performance | 20 | 12 | 13 | 14 |
| Price | 20 | 11 | 15 | 13 |
| Weighted Score |  | 1810 | 1880 | **1890** |

**Unbiased Scores, Ranking, and Points**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  |  | Proposal #1 | Proposal #2 | Proposal #3 | Sum of | Normalized |
| Criteria | Weight | Scores | Scores | Scores | Scores | Weights |
| Technical approach | 30 | 72 | 74 | 73 | 219 | 30/219 |
| Management approach | 30 | 33 | 29 | 31 | 93 | 30/93 |
| Past performance | 20 | 52 | 58 | 60 | 170 | 20/170 |
| Price (Reciprocal) | 20 | 1/63000 | 1/47000 | 1/55000 | K | 20/K |
| Price | 20 | 63000 | 47000 | 55000 |  |  |
|  |  |  |  |  |  |  |
| **Unbiased Weighted Score** |  | 32.36 | **34.01** | 33.63 |  |  |