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

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*“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** |  |
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**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 itemsIf demand is <3,000, outsource. |

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

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| Consider Estimated Cost, Actual Cost, Performance

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|  |  | \*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 workEC=Estimated cost of contract workAC=Actual cost of contract workFF=Fixed fee for contract workIP=Incentive on the performance of the contract workPF=Variable fee for contract work based on performance

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|  |  | 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.RequirementsRestrictionsProcedures-Proposal Request.FormatBudgetTimelineDeadlinesCommunications-Evaluation Criteria.DescriptionsWeightsProcedure-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**

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| --- | --- | --- | --- | --- |
|   |  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 |  |  |