

Contract and Procurement Management

Chapter # 2

Plan Procurement

by

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Chapter Description

- **Aims**
 - This chapter has discussed the plan procurement process along-with its tools and outputs.
- **Expected Outcomes**
 - Understanding with the plan procurement process inputs
 - Tools and techniques of plan procurement process
 - Outputs of plan procurement process
- **Other related Information**
 - Study Guide: Project Management Body of Knowledge (PMBOK)
- **References**
 - Ashworth, Allan. Contractual procedures in the construction industry. Pearson Education, 2006.
 - Broome, Jon. Procurement routes for partnering: a practical guide. Thomas Telfor, 2002.
 - Bockrath, Joseph T. Contracts and the legal environment for engineers and architects. McGraw-Hill Science, 2000.



Content #1

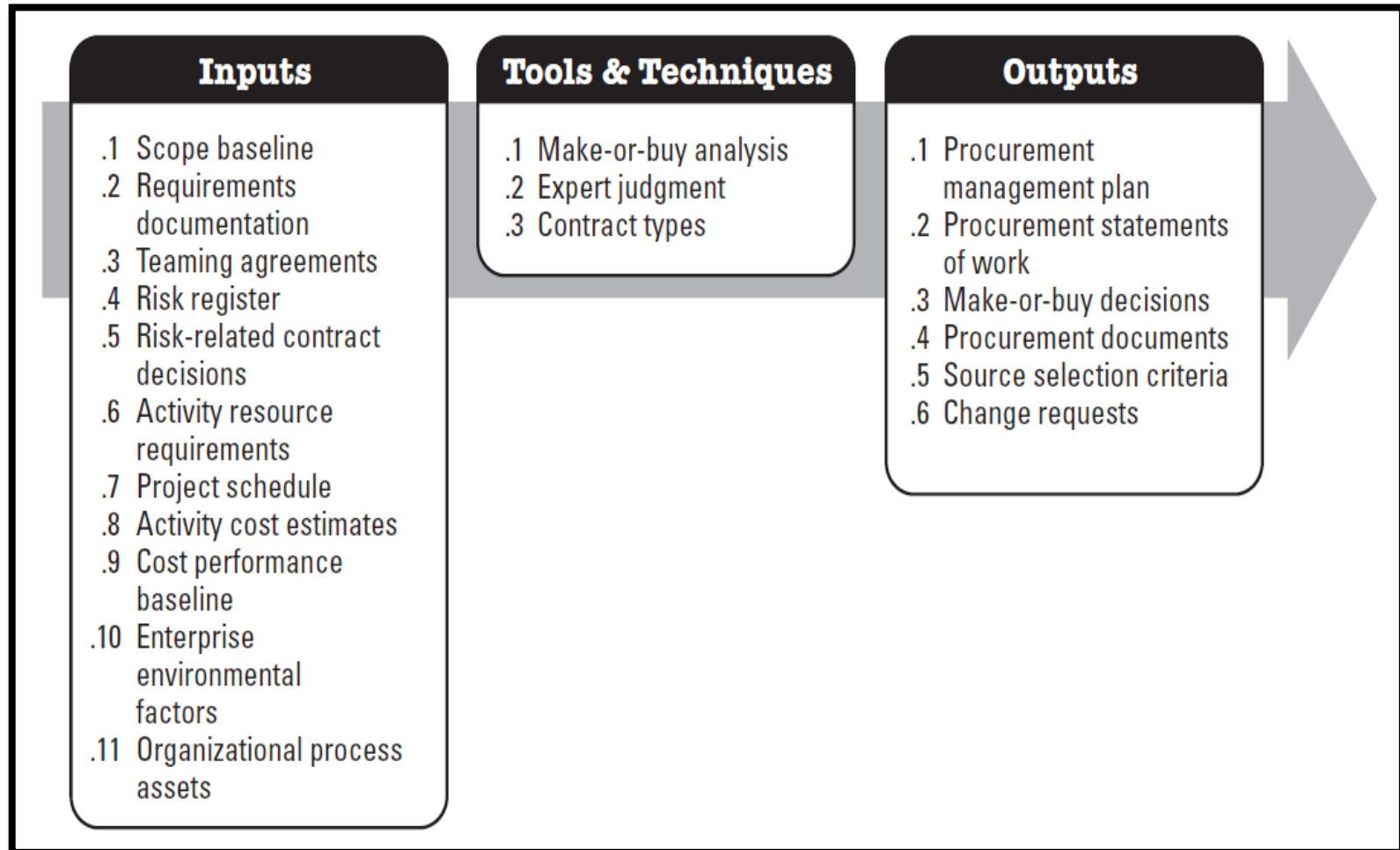
- Plan Procurement Inputs
- Plan Procurement Tools & Techniques
- Plan Procurement Outputs



PLAN PROCUREMENT

Procurement planning is the initial process and ascertains the need of procuring organization by answering that whether or not the acquisition is required, identify the proportion of goods and services either from internal and external sources to meet the requirements of project.

PLAN PROCUREMENT



Ref: PMI PMBOK

PLAN PROCUREMENT - INPUTS

Inputs

- .1 Scope baseline
- .2 Requirements documentation
- .3 Teaming agreements
- .4 Risk register
- .5 Risk-related contract decisions
- .6 Activity resource requirements
- .7 Project schedule
- .8 Activity cost estimates
- .9 Cost performance baseline
- .10 Enterprise environmental factors
- .11 Organizational process assets

PLAN PROCUREMENT – TOOLS AND TECHNIQUES

Tools & Techniques

- .1 Make-or-buy analysis
- .2 Expert judgment
- .3 Contract types

PLAN PROCUREMENT - TOOLS & TECHNIQUES

MAKE-OR-BUY ANALYSIS

Make-or-buy analysis is a decision making approach used to identify the capability of procuring organization in terms of technical expertise and strength to perform the intended work by utilizing internal resources or outsource the same task to an external supplier on buying, rental or leasing basis. It is a very strategic decision and should be carefully examined by taking into consideration all the available resources and their schedule deployments in the already assigned work orders within the organization.

PLAN PROCUREMENT - TOOLS & TECHNIQUES

CONTRACT TYPES

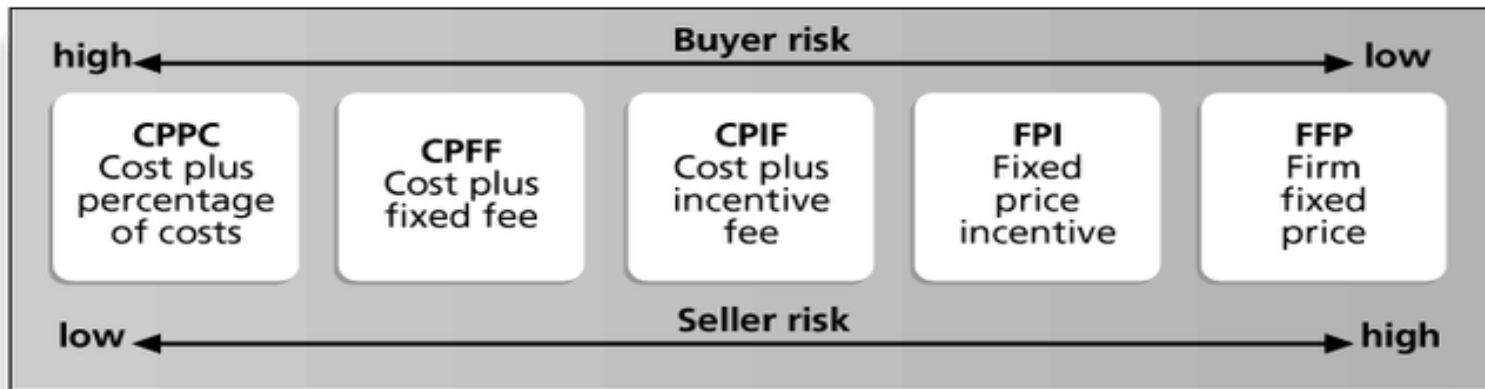
- Fixed-Price (FP) Contract or Lump-sum Agreement
 - Contract adjustments:
 - Redetermination provisions
 - Performance incentives

PLAN PROCUREMENT - TOOLS & TECHNIQUES

CONTRACT TYPES

- Cost-Plus Contracts
 - Controls on contractors:
 - Performance and schedule incentives
 - Costs-sharing clauses

CONTRACT TYPES VERSUS RISK



PLAN PROCUREMENT OUTPUTS

Outputs

- .1 Procurement management plan
- .2 Procurement statements of work
- .3 Make-or-buy decisions
- .4 Procurement documents
- .5 Source selection criteria
- .6 Change requests

PLAN PROCUREMENT- OUTPUTS

PROCUREMENT MANAGEMENT PLAN

The Procurement Management Plan will provide oversight and management for all procurement activities under the project. As a project is capital intensive, the project budget is mainly approved by the Project Sponsor. Any procurement actions exceeding this amount must be approved by the Project Sponsor.

PLAN PROCUREMENT OUTPUTS

SAMPLE PROPOSAL EVALUATION SHEET

		Proposal 1		Proposal 2		Proposal 3	
Criteria	Weight	Rating	Score	Rating	Score	Rating	Score
Technical Approach	30%						
Management Approach	30%						
Past Performance	20%						
Price	20%						
Total Score	100%						

PLAN PROCUREMENT- OUTPUTS

Short listed suppliers/bidders are further evaluated on multi-criteria evaluation basis.

Criteria	Possible Points	Vendor 1 Points	Vendor 2 Points	Vendor 3 Points
Project manager's educational background and experience	10	8	6	9
Project manager is PMP certified	5	5	0	5
Presentation on management approach	5	4	3	5
Organization's project management methodology	10	7	4	9
Total Score	30	24	13	28

Conclusion of The Chapter

- **Conclusion #1**
 - Contracts as a risk management tool.
- **Conclusion #2**
 - Contracts enforced through the courts.



Author Information

Other relevant information (if any)

#author may apply your own creativity and innovation where it is appropriate