Project Procurement Management

No man or woman can take care of a project alone. The vast majority of projects require some kind of outside resources – whether that's help from another person or group of people, materials, or services.

In most cases, those additional resources need to be purchased or contracted.

Many project management discussions focus on knowledge groups and processes, which are of course important.

But to suggest the idea that a project manager and their team can do everything for every project is not true.

For any project to be successful, it's critical to know when you need help, where to get it, and then to get the help you need.

Project procurement management involves both the process to fill the blanks in your resources, as well as the way you manage the process with the right methods and project management tools.

Project Procurement Management

Procurement as it relates to project management, refers to when you purchase, contract, or rent external resources to meet your project goals.

The relationships need management throughout all the processes in your project.

Project procurement management can be broken down into four processes: plan procurement management, conduct procurements, control procurements, and close procurements.

> *Project procurement management requires cooperation and open communication between the project manager and team and the procurement department. While the project manager will handle most tasks, there are some best left to purchasing.*

Plan Procurement Management

During the project's planning phase, you'll identify the procurements you need. For each external contractor, you must have a statement of work to outline the work you're contracting.

At this point, the purchasing department works closely with the project manager to determine what they need to source, so they can develop a plan to ensure it gets sourced in the best possible way (affordable price, ideal timeline) based on the needs of the project.

As part of the procurement planning process, you'll determine the criteria for choosing the vendors ahead of time, to make the selection process easier.

Some things to consider are price, lead time, shipping costs, and company liability. Just because someone offers the cheapest price, doesn't mean they are the best choice.

If they don't have the capacity to address your needs or have a reputation of falling short with their customers, it pays to go with a more expensive, more reliable company.

Before the contract, you'll send a request for proposal (RFP) where multiple contractors will bid on the job, and the project manager determines who will get the contract with that information.

The RFP should be a well-thought-out document, as they work to guide the contractors through the project.

Creating them to be as specific as possible is best because it helps to build more accurate project plans and avoids the potential for confusion after the project begins.

This process is handled in the procurement management plan, which includes requirement documents, the project schedule, the risk register, cost estimates, resource requirements, milestone list, and more.

It’s important to consider project scope, delivery dates, and so on.

To help guide these decisions, you can use various techniques and tools to ensure you’re making the best possible choice for the project needs and available budget.

You can use a make-or-buy analysis, which is useful in determining if a project activity can be done in house or is better suited to an external supplier.

Turning to market research, experts, and stakeholders can also help in making the right choice.

Conduct Procurements

Once the paperwork from the first phase is complete, you move to the conduct procurement phase. At this point, you’ll study the bids you received from contractors and determine the one you want to accept.

Before you make the decision, though, there should be criterion in place to determine which best for the project.

After choosing the bid to accept, the agreements are signed, and the project management plan is updated accordingly.

Choose the winner by conferencing with the bidders, having techniques in place for evaluating the proposals, and soliciting independent estimates to ensure the bids are within the normal range.

It’s a good idea to reach out to industry experts in areas where you’re contracting products or services to get their input.

You can also use a variety of analytic techniques to assist you in this phase.

You can invest in advertising to cast a wide net, allowing you to make your decision based on all potential bidders.

At that point, you'll rely on procurement negotiations to adjust the final contracts, so you have a mutually beneficial arrangement for your needs as well as the contractors.

It's at this point you'll outline the deliverables that will be procured by the proposed contracts.

You'll also document the resource management strategies you'll use to negotiate and manage the agreements.

If needed, note the need for the staged delivery and desirability of testing the procured items before introducing them to your implementation process.

You'll also document the chosen procurement method – request for price/quote, request for tender, expressions of interest, payments, etc.

Beyond this, you'll address the key stages of the process for choosing the suppliers and vendors to work with, along with the model of procurement funding, a sample contract or agreement, and references to quality approvals and quality assurance.

Control Procurements

After the contracts are signed, you must add managing the contractors into the overall project management responsibilities.

Because contractors can negatively affect schedules and budgets, the project can easily go off track, or be derailed completely and shut down.

That's why it's important to get regular status updates on progress and to review contractor agreements and include performance reviews along the way.

This way, you're ensuring contractors are meeting the requirements outlined in their contract.

Even though you're hiring the contractors because they are experts in the services they provide, you still need to monitor their work and track process to make sure it's moving forward as planned.

Close Procurements

In this phase, you're finalizing the procurement. The initial agreement should detail what constitutes the work as completed, so there's no confusion about when the work is done – for either party.

Bonding and insurance will typically require a formal liability release.

This ensures there are no outstanding charges related to contract value and completion date.

Procurement audits assist with this process, along with having highly structured procurement negotiations.

You'll also need some kind of records management system in place to manage all the paperwork and documentation involved with this part of the procurement process.

At this point, the products or services you've procured for the product have served their purpose and are complete according to the terms of the original agreement.

The Project Manager's Role in Procurement

The project manager is involved with procurement the same way they are involved in all the other aspects they control in the project management process. In many cases, the procurement process isn't one they have the same authority that they do with other parts of the project.

The project manager does have the authority to make agreements with contractors on behalf of the company.

But they are often not the person who administers the contract after it is put in place.

Whether they administer the contract or not, the project manager still needs to be kept apprised of the situation until the project is complete.

This means the project manager needs to know the processes with the project procurement management knowledge areas as outlined in the Project Management Body of Knowledge (PMBOK) by the Project Management Institute (PMI).

The first, of course, is planning the purchases and acquisitions, or determining the external resources the project needs.

The project manager is the one who has control over this since they are the most knowledgeable about the overall project requirements.

Plan contracting is creating requirements for the products and services that are needed, including what companies offer the products or services.

From there, it involves requesting seller responses by narrowing down the companies to a select few, then choosing the sellers. The purchasing department handles choosing the vendors.

The contract administration phase is vendor contract management. The project manager works with the vendor's account manager every day.

Once the contract is fulfilled, the purchasing department handles contract closure.

How Software Helps Keep the Processes Running Smoothly

Having the right tools can make your project management procurement more efficient and effective.

Using project management software gives you the ability to upload a task list or spreadsheet that converts to points on a timeline – like milestones to keep you on track.

You can add the duration of each task and link any tasks that are dependent on one another.

Your procurement software is also critical to the success of your project, as it gives you a centralized location to store all the vendor details, including products and services offered and contracts.

With the right approval process workflow, the project manager can request the products or services they need, while allowing a procurement professional to approve it, convert it to a purchase order, and enter the receipt of goods into the system so an invoice can be generated and paid.

With the right project management software, you can keep the details of procurement with each contractor, so that if there's any question about it, it can be verified in the procurement system – and documents from that system can be attached in project management so everyone has access to the information they need when they need it.

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