Project Management

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Chapter 11: Project Procurement Management

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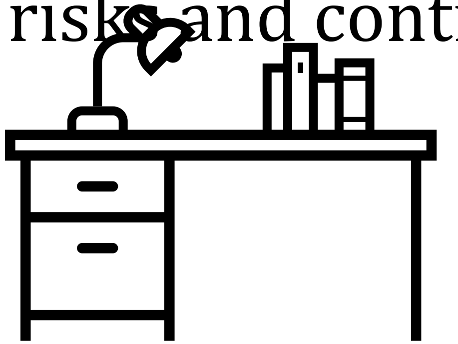
Learning Objectives

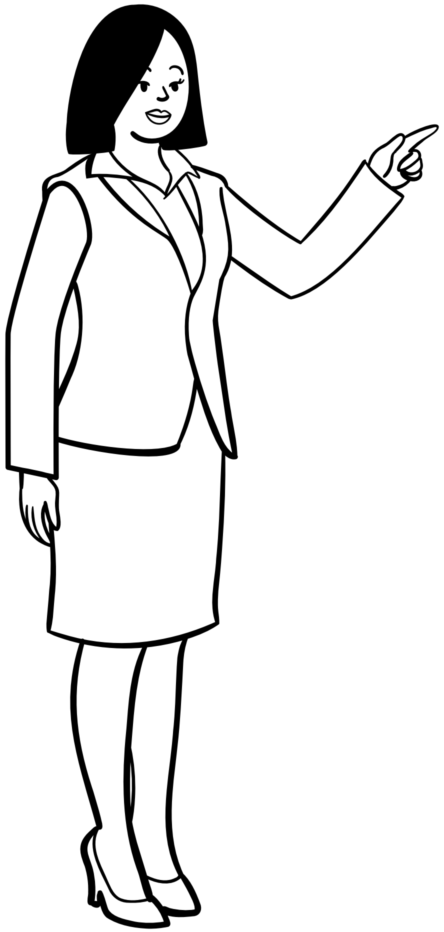
- Understand project procurement management
- Identify procurement processes
- Learn types of contracts and their characteristics
- Understand make-or-buy decisions
- Explain procurement risks and control



Introduction to Project Procurement Management

- Focuses on acquiring goods and services from outside
- Covers planning, contracting, monitoring, and closing
- Ensures external resources support project objectives

Why Procurement is Important



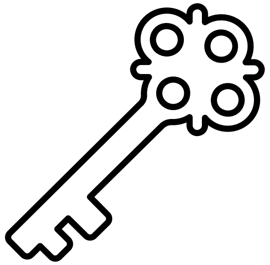
- Not all skills and resources exist internally
- Helps control cost, quality, and schedule
- Provides access to specialized expertise
- Reduces workload of internal team

Procurement Processes

- Plan procurement
- Conduct procurement
- Control procurement
- Close procurement

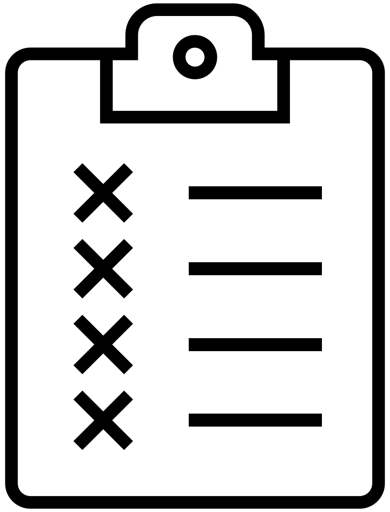
Plan Procurement

- Determine what to procure
- Define requirements
- Decide make-or-buy
- Identify potential suppliers



Make-or-Buy Decision

- Decide whether to make internally or buy externally
- Make (In-house Development)
  - Use internal team and resources
  - Greater control over quality and design
- Buy (Outsourcing)
  - Use external vendors or suppliers
  - Faster access to expertise

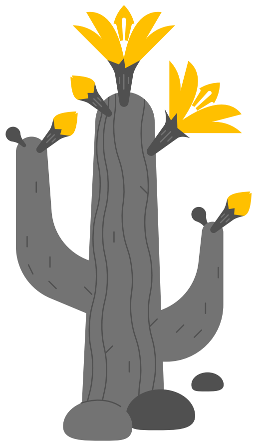


Conduct Procurement

- Prepare procurement documents.
- Evaluate vendors.
- Select suppliers.

Vendor Selection Criteria

- Cost
- Quality
- Experience
- Delivery time



Types of Contracts

- Fixed-price.
- Cost-reimbursable.
- Time and material.

Fixed-Price Contracts

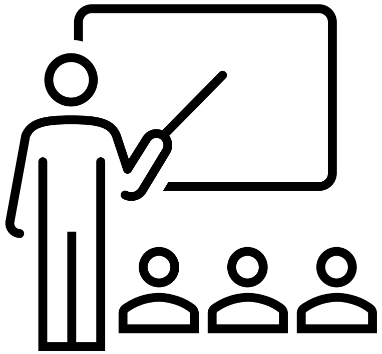
- Price agreed in advance.
- Low risk for buyer.
- High risk for seller.

Cost-Reimbursable Contracts

- Seller reimbursed for costs.
- Higher risk for buyer.

Time and Material Contracts

- Based on time spent and materials used.
- Flexible but needs monitoring.



Procurement Risks

- Supplier delays.
- Poor quality.
- Contract disputes.

Controlling Procurement

- Monitor vendor performance.
- Ensure contract compliance.

Procurement Documentation

- Contracts
- Purchase orders
- Change request
- Vendor reports

Closing Procurement

- Verify deliverables.
- Finalize payments.
- Close contracts.

Best Practices in Procurement

- Clear requirements.
- Fair vendor evaluation.
- Regular communication.

Summary

- Procurement management acquires external resources.
- Effective procurement supports project success.

Review Exercise

1. What is project procurement management?
2. Why is procurement needed?
3. Name two contract types.
4. What is make-or-buy decision?
5. Why is procurement control important?