

# Procurement Management

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# Procurement Management for PMP Success

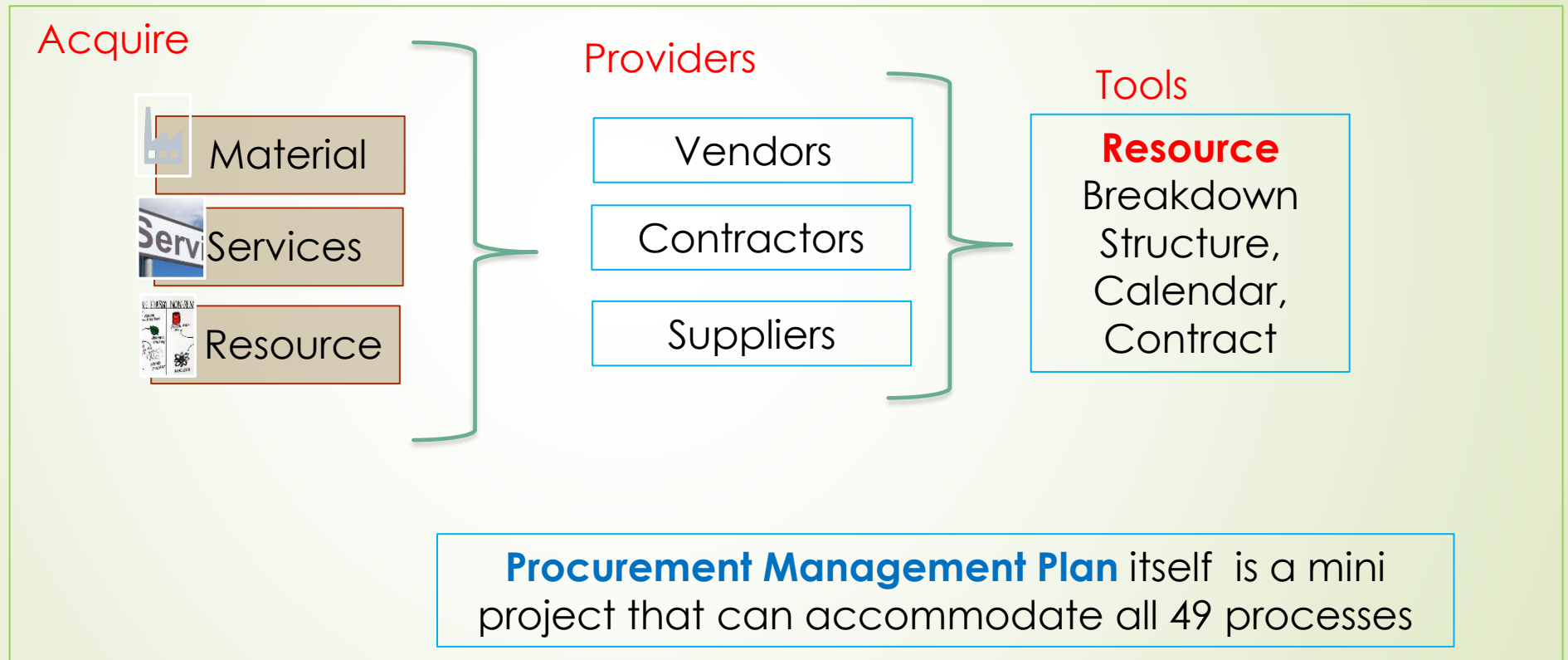
- ✓ 3 PROCESS FLOWS
- ✓ UNDERSTANDING AND APPLICATION OF 5 CONTRACT TYPES
- ✓ AGILE APPROACH
- ✓ CLOSING PROCUREMENT AND CONTRACT TERMINATION



# Why Procurement Matters in PMP Success?

- ✓ 8-10 QUESTIONS DIRECTLY FROM PROCUREMENT MANAGEMENT
- ✓ HIGH INTEGRATION WITH RISK & COST MANAGEMENT
- ✓ CURRENT TREND: SITUATIONAL QUESTIONS “WHAT SHOULD THE PM DO NEXT?”
- ✓ AVOID MISINTERPRETATION OF CONTEXT OF THE QUESTION BEING ASKED

# What do we do in Procurement?





# Question?

A project manager is working on a complex project. The project includes many stakeholders with conflicting priorities. Which two actions should the project manager take to be prepared for negotiations and gain support from all the stakeholders? (Choose two)

- A. Allow enough contingency to cope with scope changes.
- B. Develop a good relationship with the project team.
- C. Understand the politics and personal interests of the stakeholders.
- D. Develop a good communications management plan.
- E. Develop a good risk management plan.

**Solution:** B and C. Develop a good relationship with the project team and Understand the politics and personal interests of the stakeholders

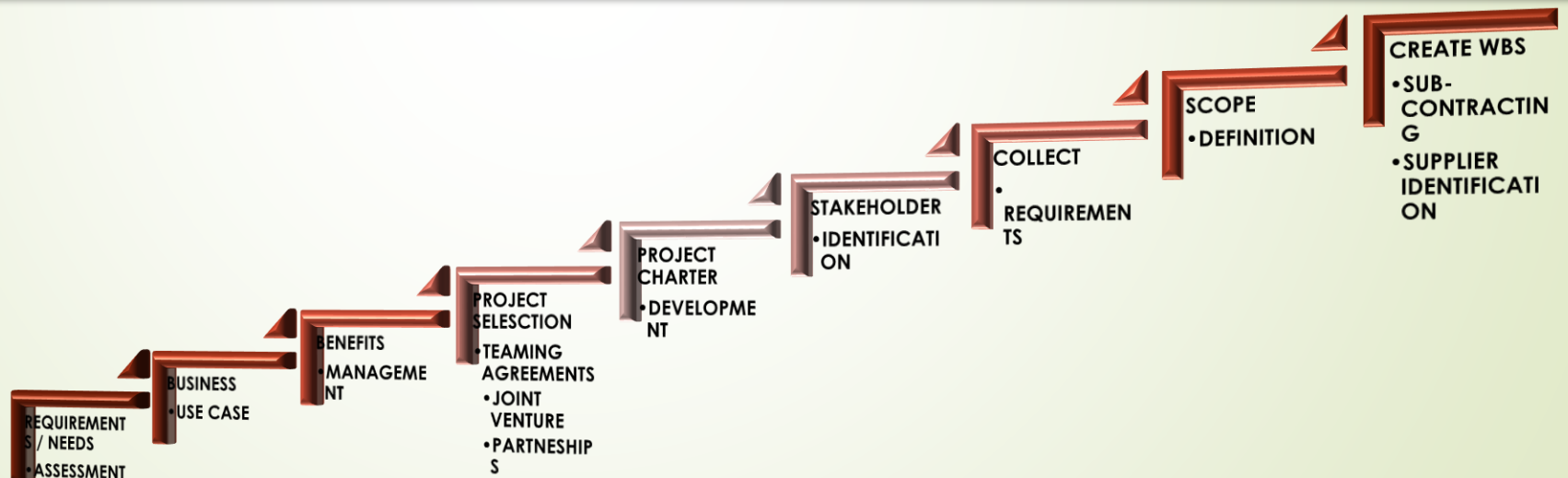
Negotiations, including agreements, require people skills rather than good planning. Although having good Communication and Risk plans as well a clear project schedule may help those are outcomes of the negotiation. Agile is not a silver bullet and it is not always the best option for project delivery

This question and rationale were developed in reference to:

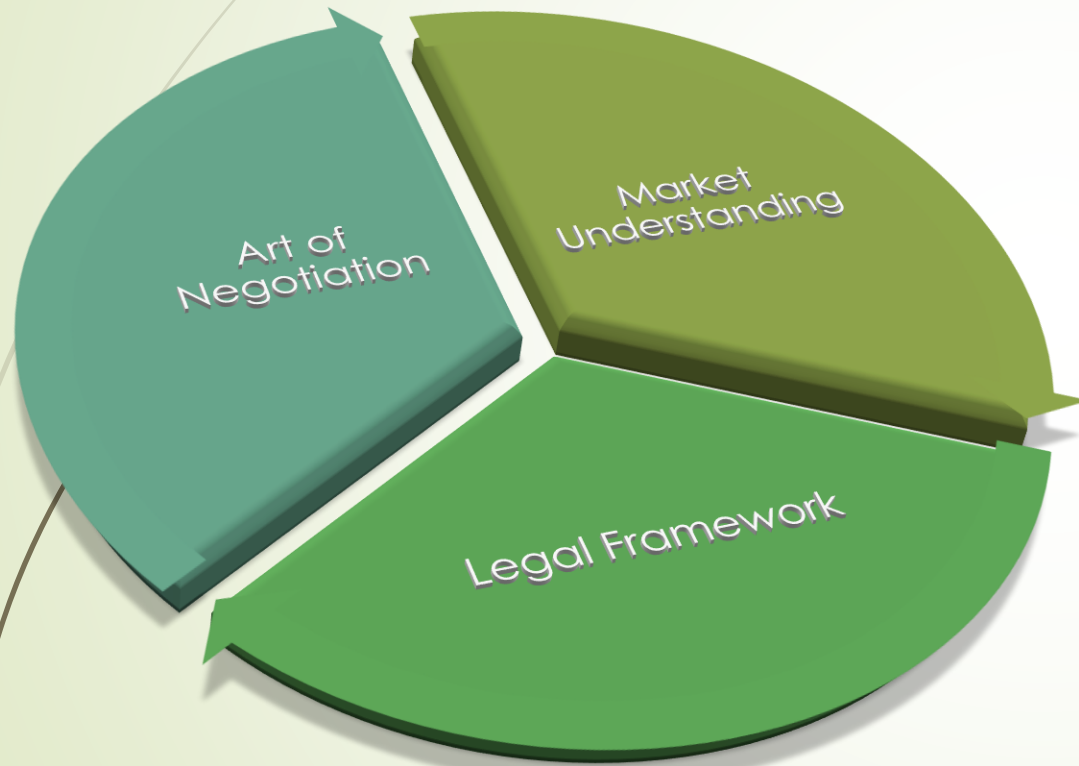
PMI.org (2010) //Negotiating for success/Englund, R. L./ [Item

<https://www.pmi.org/learning/library/negotiating-project-outcomes-develop-skills-6781>]

# Project Process Flow- Planned / Waterfall



# Skills & Knowledge Requirement



## **PROJECT MANAGER ROLE:**

### Do's:

1. Provide Requirements, Schedule & Risk Assessment
2. Evaluate Vendor/Supplier/ Contractor Performance throughout the project timeline
3. Consistently update lesson learned throughout the lifecycle

### Don'ts:

1. Contracts management by to Procurement Team/ Department
2. All legally binding documentation PM is not a signatory
3. PM can only close the project until all vendors/suppliers/contractor invoices are settled

# Procurement Process



PLAN

PROCUREMENT MANAGEMENT PLAN,  
PSOW, SOURCE SELECTION CRITERIA



IDENTIFY

MAKE OR BUY ANALYSIS  
DEALER/VENDOR/CONTRACTOR



CONDUCT

PROCUREMENT, DERIVE APPROPRIATE  
CONTRACTS FOR VENDORS



CONTROL

MANAGE RELATIONSHIPS, PERFORMANCE  
MONITORING, MANAGE CHANGES



CLOSE PROCUREMENT

OPA UPDATES, CLOSE CONTRACT,  
PERFORMANCE REVIEWS



## Question?

A project manager is working on a complex project with many stakeholders and conflicting priorities. Senior management asked the project manager to avoid "noise" specifically for political projects. Although it is difficult to find resources for the project, what should the project manager do to ensure smooth progress of the project?

- A. Apply "If you do something nice for me, I'll do something nice for you".
- B. Be consistent with words and actions to avoid conflicts with the stakeholders
- C. Utilize compliments to obtain resources and cooperate toward mutual goals
- D. Allocate the scarce resources efficiently to meet the needs of the project

**Solution:** D. Allocate the scarce resources efficiently to meet the needs of the project.

In projects, constraints are time, money, and resources. Resources are considered to be the top criteria for conflict management. Allocating the scarce resources to meet the project needs should be the top priority for the Project Manager. Hence this option is the correct answer.

Negotiation with stakeholders are always performed in the interest of the project and not on personal goals or ambitions. Hence all the remaining options are incorrect.

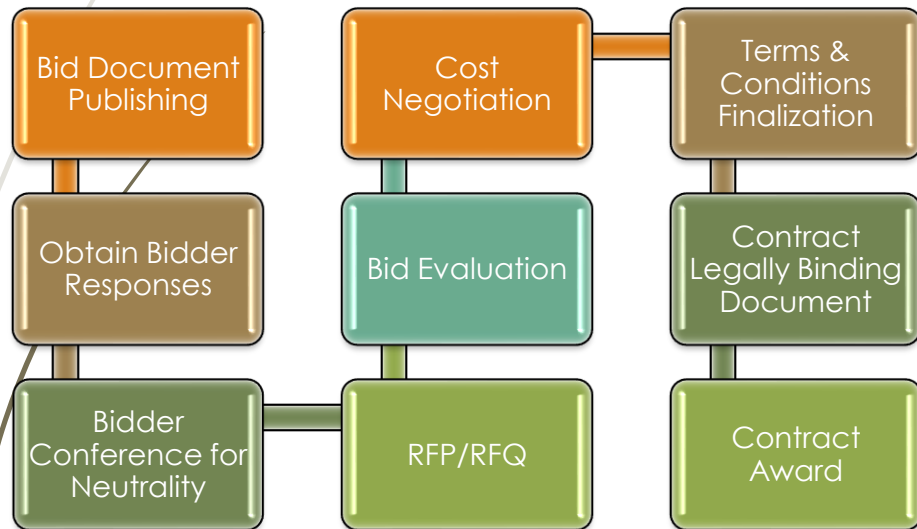
This question and rationale were developed in reference to:

Pmi.org (2010) //How to use the six laws of persuasion/Brown, S. T/

[Item <https://www.pmi.org/learning/library/laws-concept-persuasion-negotiation-strategies-6516>]

# Conduct Procurement Process

## BID ADMINISTRATION PROCESS



### Inviting and Receiving Bids

The procurement process begins by preparing bid documents and inviting bids from potential suppliers or vendors.

### Evaluating Proposals

Submitted bids are reviewed and evaluated to determine which proposals best meet the project requirements and standards.

### Awarding Contracts

Contracts are awarded to the most suitable vendor, ensuring fairness and transparency in the selection process.

# Contract Types & Application

## Traditional

### Fixed Price C

- Lumpsum
- FP + Incentives
- FP with Economic Price Adjustment

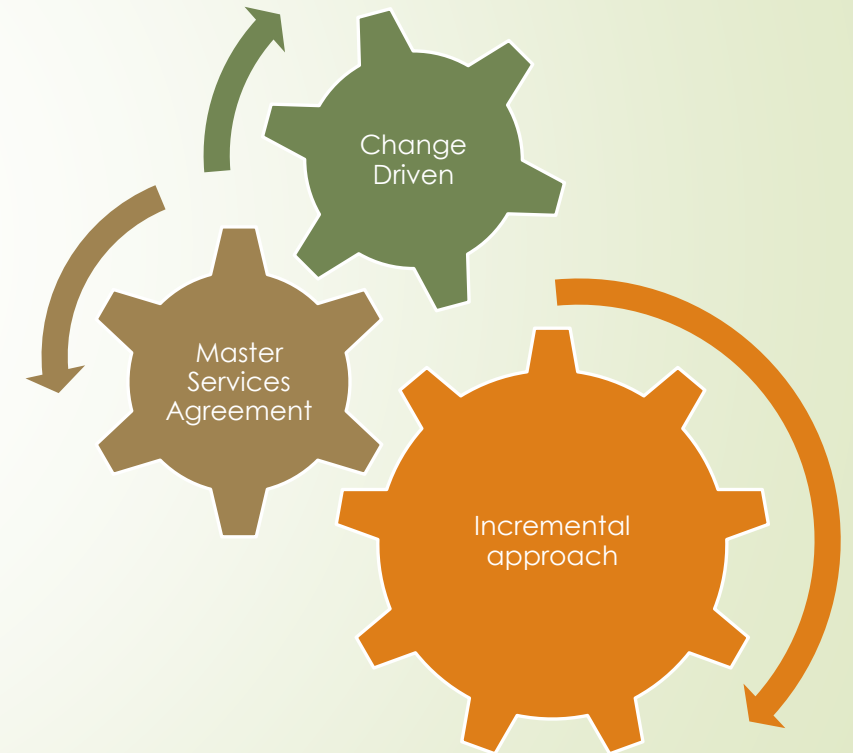
### Cost Reimbursable

- Cost + Fixed Fee
- Cost + Incentive fee
- Cost + Award Fee

### Time & Material

- Scope is well defined
- Internal shortage of skills
- Applicable based on hourly rate
- Lesser risk than long term hires

## Agile & Hybrid

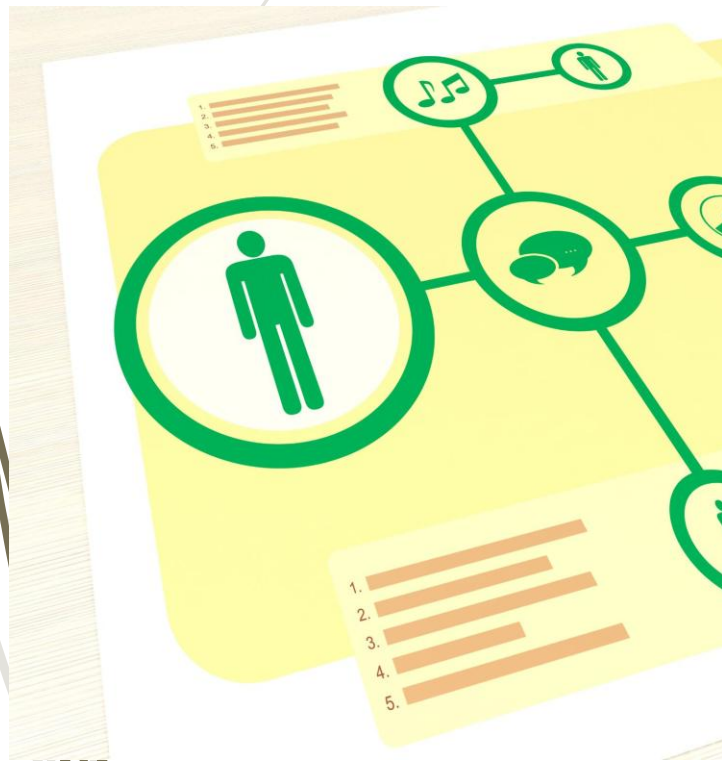
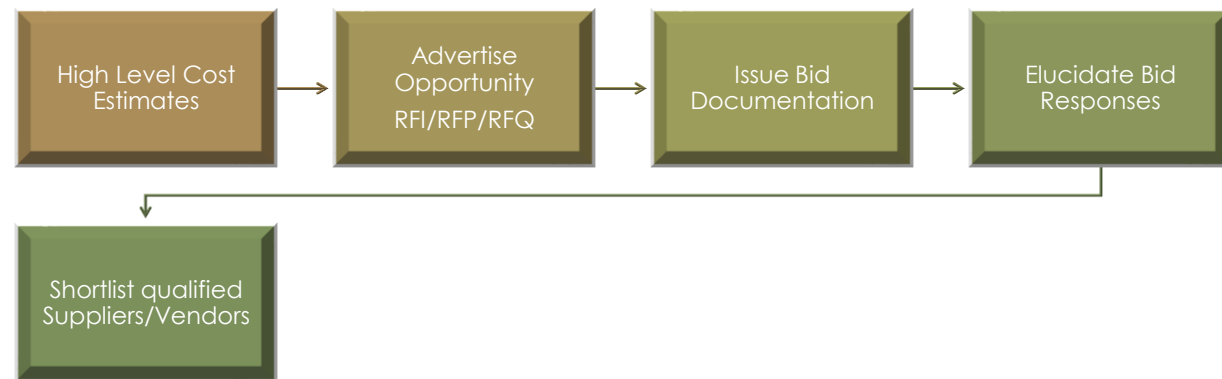


# Effective Procurement Planning

## 1. INPUTS:

2. OPA(Requirements Template) + Contracts Documentation +
3. Source Selection Criteria + Make or Buy Analysis +
4. IEF (Centralized or Decentralized Proc Dept.)+
5. Scope & Cost Baselines

## 6. OUTPUT:





# Question?

Halfway through a year-long project, a hardware supplier sends a project manager notice of an intent to increase prices due to fluctuating rates of exchange. The project manager is unsure of their negotiating authority.

Which document should the project manager reference?

A. Risk register

B. Procurement management plan

C. Project charter

D. Communication strategy

## **B. Procurement management plan**

The procurement management plan is a component of the project or program management plan that describes how a project team will acquire goods and services from outside of the performing organization. In most organizations, project managers do not have contracting authority. Rather, they work with contracting officers or other people with expertise in contracts, laws, and regulations. Organizations usually have rigorous policies and procedures associated with procurements. The policies identify who has the authority to enter a contract, the limits of authority, and the processes and procedures that should be followed. Prior to conducting a procurement, the project manager and technically qualified project team members work with contracting professionals to develop the request for proposals (RFP), statement of work (SOW), terms and conditions, and other necessary documents. The other options are incorrect because they will not typically provide specific guidance on negotiating authority.

### Overarching Terms for Collaboration

The MSA defines broad terms that guide partnership and cooperation throughout agile project delivery. It underpins consistent and trusted engagement.

### Flexibility for Agile Principles

MSA supports iterative contracts and rapid change management, aligning with agile values of adaptability and responsiveness.

### Streamlined Procurement and Risk Mitigation

MSA simplifies procurement, clarifies roles, and encourages continuous improvement and risk reduction across the project lifecycle.



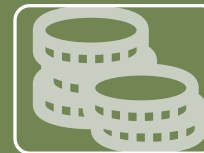
Project Expectations,  
Responsibilities, Roles, Services



Simple Light weight contract  
to accommodate changes



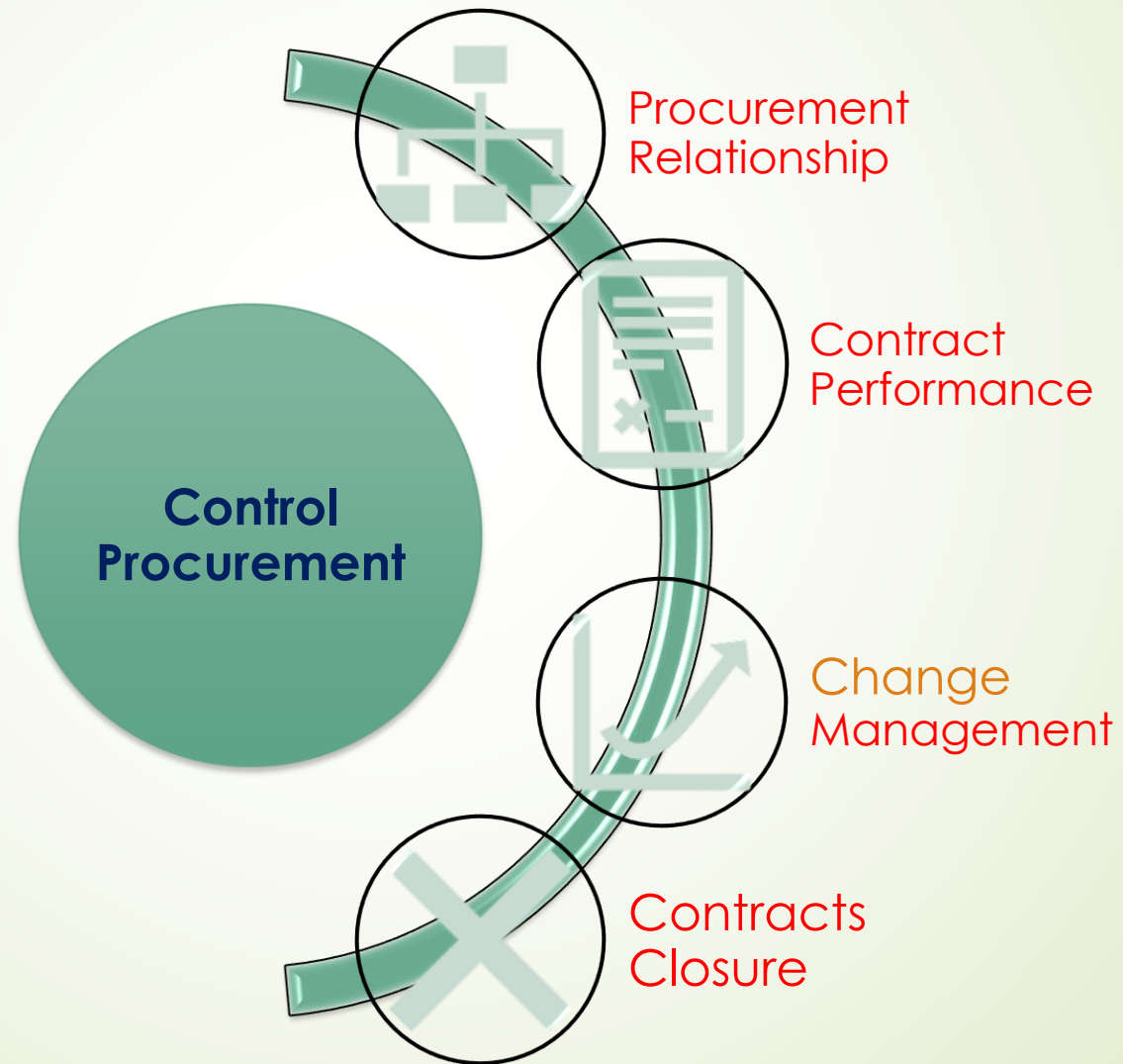
Time period is fixed



Cost Estimates are finite

**MSA in Agile Projects**

# Control Procurement





# Question?

A project manager is working on a complex, political project with many stakeholders having conflicting priorities. Senior management asked the project manager to ensure that there was no "noise" regarding the project. During a stakeholder meeting, the project manager asked a series of questions to confirm acceptance for each deliverable before asking for acceptance of the whole project. What did the project manager do to satisfy stakeholders?

- A. Responded to positive actions of the stakeholders to reward actions
- B. Acted in a manner that was consistent in the use of words and actions
- C. Engaged stakeholders by cooperating toward mutual goals
- D. Acted based on the power authorized by senior management

**B. Acted in a manner that was consistent in the use of words and actions**

Law of Commitment and Consistency can be called "Get the other person saying 'yes, yes' immediately." This occurs when one party asks the other side to make a number of "small" decisions that lead to only one obvious conclusion: to accept the general concession. The approved project charter formally initiates the project. A project charter may still be used to establish internal agreements within an organization to ensure proper delivery under the contract. The Project Manager has to negotiate project agreements. Project Manager has to persuade the Stakeholders and achieve acceptance.

This question and rationale were developed in reference to:

PMBok, Sixth edition (2021) PMI/PMI/4/ [Item Persuasion and Project Charter]

| PMI.com (2010) //How to use the six laws of persuasion/Brown, S. T/  
[Item <https://www.pmi.org/learning/library/laws-concept-persuasion-negotiation-strategies-6516>



# Question?

A project manager is assigned to a very complex and technical project. The project manager is currently working on the resources plan and intends to recommend to the project sponsor that external resources should be used instead. What risks can be mitigated using one or more vendors to deliver components of the project? (Choose 3).

- A. Financial
- B. Schedule
- C. Technical
- D. Political
- E. Scope

**A, B and D. Financial, Schedule and Political**

Using vendors the financial and schedule related risks can be minimized by using fixed price and milestones payments engagements.

By not using internal resources political risks are also easy to mitigate.

Although external resources may have better technical skills that's not always the case. Especially in case of in-house developed components and systems technical engaging a vendor will bring additional challenges. Scope changes are risks that are independent of internal or external resources.

PMI.org (2003) //Practicalities of supplier management on global projects/Goodman, E./

[Item <https://www.pmi.org/learning/library/supplier-management-global-projects-pitfalls-7775>

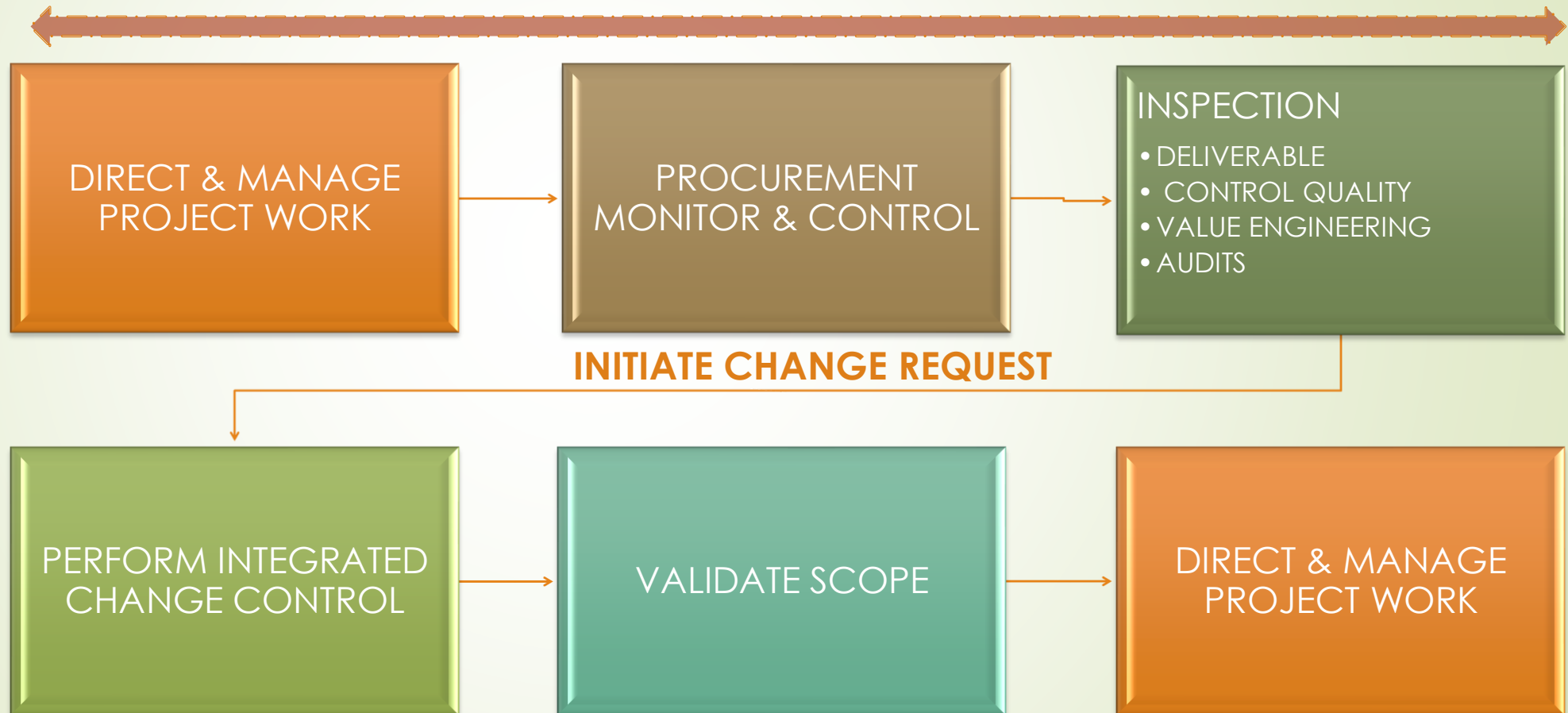
# Claims Administration

- Project closure is not possible without the closure and settlement of all the vendors, suppliers, dealers.8



# Managing Change & Ensuring Quality In Procurement

BUYERS & SUPPLIERS



## FORMAL CLOSURE PROCESS

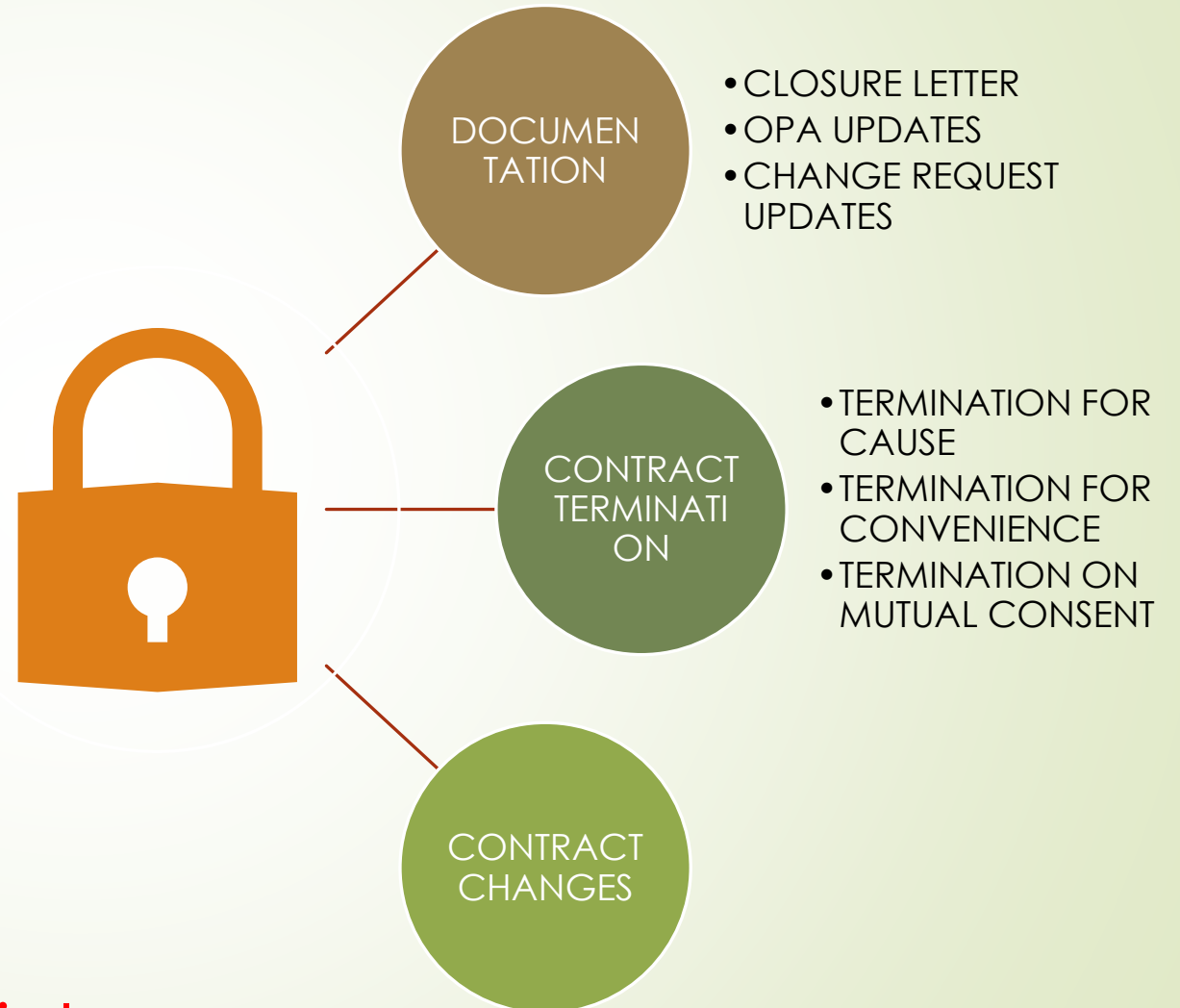
PROCUREMENT CLOSURE REQUIRES A FORMAL PROCEDURE TO VERIFY DELIVERABLES AND CONFIRM CONTRACT COMPLETION, ENSURING COMPLIANCE AND CLARITY.

## CONTRACT TERMINATION CLAUSES

FOLLOWING CONTRACT TERMINATION CLAUSES GUARANTEES A LEGALLY SOUND AND TRANSPARENT END TO PROJECT PROCUREMENT ACTIVITIES.

## UPDATING PROCESS ASSETS

UPDATING ORGANIZATIONAL PROCESS ASSETS AND SUBMITTING CHANGE REQUESTS HELP CAPTURE LESSONS LEARNED AND IMPROVE FUTURE PROCUREMENT.





Thank You