

PROCUREMENT MANAGEMENT PLAN

<PROJECT NAME>

COMPANY NAME

STREET ADDRESS

CITY, POSTAL CODE

DATE

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INTRODUCTION

The purpose of the Procurement Management Plan is to define the procurement requirements for the project and how it will be managed from developing procurement documentation through contract closure. The Procurement Management Plan defines the following:

- Items to be procured with justification statements and timelines
- Type of contract to be used
- Risks associated with procurement management
- How procurement risks will be mitigated through contract performance metrics, insurance, or other means
- Determining costs and if/how they're used as evaluation criteria
- Any standardized procurement templates or documents to be used
- How multiple suppliers will be managed if applicable
- Contract approval process
- Decision criteria
- Establishing contract deliverables and deadlines
- How procurement and contracts are coordinated with project scope, budget, and schedule
- Any constraints pertaining to procurement
- Direction to sellers on baseline requirements such as contract schedules and work breakdown structures (WBSs)
- Vendor Management
- Identification of any prequalified sellers if applicable
- Performance metrics for procurement activities

This Procurement Management Plan sets the procurement framework for this project. It will serve as a guide for managing procurement throughout the life of the project and will be updated as acquisition needs change. This plan identifies and defines the items to be procured, the types of contracts to be used in support of this project, the contract approval process, and decision criteria. The importance of coordinating procurement activities, establishing firm contract

deliverables, and metrics in measuring procurement activities is included. Other items included in the procurement management plan include: procurement risks and procurement risk management considerations; how costs will be determined; how standard procurement documentation will be used; and procurement constraints.

PROCUREMENT MANAGEMENT APPROACH

The Procurement Management Plan should be defined enough to clearly identify the necessary steps and responsibilities for procurement from the beginning to the end of a project. The project manager must ensure that the plan facilitates the successful completion of the project and does not become an overwhelming task in itself to manage. The project manager will work with the project team, contracts/purchasing department, and other key players to manage the procurement activities.

The Project Manager will provide oversight and management for all procurement activities under this project. The Project Manager will work with the project team to identify all items to be procured for the successful completion of the project. The Project Management Office (PMO) will then review the procurement list prior to submitting it to the contracts and purchasing department. The contracts and purchasing department will review the procurement items, determine whether it is advantageous to make or buy the items, and begin the vendor selection, purchasing and the contracting process.

PROCUREMENT DEFINITION

The purpose of procurement definition is to describe, in specific terms, what items will be procured and under what conditions. Sometimes items which must be procured for a project can be made internally by an organization. Additionally, procurement deadlines are usually affected by the project schedule and are needed by certain times to ensure timely project completion. This section is where these items must be listed, justified, and the conditions must be set. Any important technical information should also be included. Individuals may also be listed with authority to approve purchases in addition to or in the absence of the project manager.

The following procurement items and/or services have been determined to be essential for project completion and success. The following list of items/services, justification, and timeline are pending PMO review for submission to the contracts and purchasing department:

Item/Service	Justification	Needed By
Item A; 3" x ¾" tool	Needed for manufacturing widget type 1; we do not make this item	31 July 20xx
Item B; 4" x ½" tool	Needed for building tool type 2; we make this item but do not know the cost comparison vs. purchasing it	15 August 20xx
Item C	Needed for transferring data to new operating system; we do not make this item	1 September 20xx

In addition to the above list of procurement items, the following individuals are authorized to approve purchases for the project team:

<u>Name</u>	<u>Role</u>
John Smith	Project Manager
Jane Doe	Lead Engineer
Bob Jones	Design Technician

TYPE OF CONTRACT TO BE USED

The purpose of this section is to describe the type of contract to be used so the contracts and purchasing department can proceed accordingly. There are many different types of contracts like firm-fixed price, time and materials (T&M), cost-reimbursable, and others. Different procurement items may also require different contract types. A well defined product may be a

firm-fixed price while a product which will require a research and development effort may be a T&M contract.

All items and services to be procured for this project will be solicited under firm-fixed price contracts. The project team will work with the contracts and purchasing department to define the item types, quantities, services and required delivery dates. The contracts and purchasing department will then solicit bids from various vendors in order to procure the items within the required time frame and at a reasonable cost under the firm fixed price contract once the vendor is selected. This contract will be awarded with one base year and three option years.

PROCUREMENT RISKS

The purpose of this section is to identify any potential risks associated with procurement for the project. Depending on the contract type, items or services being purchased, vendor history, or uncertainties in the project's scope, schedule, or budget, potential risks may require more detailed planning and mitigation strategies. For instance, if an organization has a close relationship to a particular vendor but there is a chance that vendor will no longer be able to provide goods or services needed, this represents a significant risk to the project's procurement activities that must be managed.

All procurement activities carry some potential for risk which must be managed to ensure project success. While all risks will be managed in accordance with the project's risk management plan, there are specific risks which pertain specifically to procurement which must be considered:

- Unrealistic schedule and cost expectations for vendors
- Manufacturing capacity capabilities of vendors
- Conflicts with current contracts and vendor relationships
- Configuration management for upgrades and improvements of purchased technology
- Potential delays in shipping and impacts on cost and schedule
- Questionable past performance for vendors

- Potential that final product does not meet required specifications

These risks are not all-inclusive and the standard risk management process of identifying, documenting, analyzing, mitigating, and managing risks will be used.

PROCUREMENT RISK MANAGEMENT

The purpose of this section is to describe how risks related specifically to procurement activities will be managed. All projects should have an independent and thorough risk management plan. However, much like there are risks which pertain only to procurement, there are risk management considerations which may also be unique and apply only to procurement. This may include involvement of specific personnel in managing procurement risks or obtaining approval on mitigation steps from a particular management level within the organization.

As previously stated, project risks will be managed in accordance with the project's risk management plan. However, for risks related specifically to procurement, there must be additional consideration and involvement. Project procurement efforts involve external organizations and potentially affect current and future business relationships as well as internal supply chain and vendor management operations. Because of the sensitivity of these relationships and operations the project team will include the project sponsor and a designated representative from the contracting department in all project meetings and status reviews.

Additionally, any decisions regarding procurement actions must be approved by the project sponsor or, in his absence, the Vice President of Contracts before implementation. Any issues concerning procurement actions or any newly identified risks will immediately be communicated to the project's contracting department point of contact as well as the project sponsor.

COST DETERMINATION

The purpose of this section is to describe how costs will be determined and if/how they will be used as part of the selection criteria. For procurements seeking goods and/or services from an

outside vendor, costs are usually provided in response to a Request for Quote (RFQ), Request for Proposal (RFP), or a Request for Bid (RFB). Vendors submit quotes, proposals, or bids which describe the costs of the good or service in detail to aid the customer in their decision making. Costs are almost always used as part of the procurement decision criteria but may be prioritized differently depending on the organization.

For this project we will issue a Request for Proposal (RFP) in order to solicit proposals from various vendors which describe how they will meet our requirements and the cost of doing so. All proposals will include vendor support for items A, B, and C (from procurement definition paragraph) as well as the base and out-year costs. The vendors will outline how the work will be accomplished, who will perform the work, vendors' experience in providing these goods, customer testimonials, backgrounds and resumes of employees performing the work, and a line-item breakdown of all costs involved. Additionally, the vendors will be required to submit work breakdown structures (WBSs) and work schedules to show their understanding of the work to be performed and their ability to meet the project schedule.

All information must be included in each proposal as the proposals will be used as the foundation of our selection criteria. Proposals which omit solicited information or contain incomplete information will be discarded from consideration.

STANDARDIZED PROCUREMENT DOCUMENTATION

The purpose of this section is to describe what standard procurement documentation will be used as part of the procurement. For large complex projects, standardization makes work across all project process areas easier to manage. When organizations utilize standard forms, templates, and formats, there is commonality across different projects as well as different groups within the organization.

The procurement management process consists of many steps as well as ongoing management of all procurement activities and contracts. In this dynamic and sensitive environment, our goal

must be to simplify procurement management by all necessary means in order to facilitate successful completion of our contracts and project. To aid in simplifying these tasks, we will use standard documentation for all steps of the procurement management process. These standard documents have been developed and revised over a period of many years in an effort to continually improve procurement efforts. They provide adequate levels of detail which allows for easier comparison of proposals, more accurate pricing, more detailed responses, and more effective management of contracts and vendors.

The PMO maintains a repository on the company's shared drive which contains standard project management and procurement documentation that will be used for this project. The following standard documents will be used for project procurement activities:

- Standard Request for Proposal Template to include
 - Background
 - Proposal process and timelines
 - Proposal guidelines
 - Proposal formats and media
 - Source selection criteria
 - Pricing forms
 - Statement of work
 - Terms and Conditions
- Internal source selection evaluation forms
- Non-disclosure agreement
- Letter of intent
- Firm fixed price contract
- Procurement audit form
- Procurement performance evaluation form
- Lessons learned form

PROCUREMENT CONSTRAINTS

The purpose of this section is to describe any constraints which must be considered as part of the project's procurement management process. These constraints may be related to schedule, cost, scope, resources, technology, or buyer/seller relationships. As constraints are identified, they must be considered every step of the way as procurement activities are planned and conducted. Every effort must be made to identify all constraints prior to any project or procurement planning as constraints identified later in the project lifecycle can significantly impact the project's likelihood of success.

There are several constraints that must be considered as part of the project's procurement management plan. These constraints will be included in the RFP and communicated to all vendors in order to determine their ability to operate within these constraints. These constraints apply to several areas which include schedule, cost, scope, resources, and technology:

Schedule:

- Project schedule is not flexible and the procurement activities, contract administration, and contract fulfillment must be completed within the established project schedule.

Cost:

- Project budget has contingency and management reserves built in; however, these reserves may not be applied to procurement activities. Reserves are only to be used in the event of an approved change in project scope or at management's discretion.

Scope:

- All procurement activities and contract awards must support the approved project scope statement. Any procurement activities or contract awards which specify work which is not in direct support of the project's scope statement will be considered out of scope and disapproved.

Resources:

- All procurement activities must be performed and managed with current personnel. No additional personnel will be hired or re-allocated to support the procurement activities on this project.

Technology:

- Parts specifications have already been determined and will be included in the statement of work as part of the RFP. While proposals may include suggested alternative material or manufacturing processes, parts specifications must match those provided in the statement of work exactly.

CONTRACT APPROVAL PROCESS

The purpose of this section is to define the process through which contracts must be approved. This process may vary greatly from company to company but it is important to define the process within your organization and who is involved in the decision-making. Typically large purchases follow an established bidding process and follow a formal selection and approval process. Smaller purchases can be less formal and can be approved by the Project or Program Manager. This section should clearly identify the rules for all procurements within your organization.

The first step in the contract approval process is to determine what items or services will require procurement from outside vendors. This will be determined by conducting a cost analysis on products or services which can be provided internally and compared with purchase prices from vendors. Once cost analyses are complete and the list of items and services to be procured externally is finalized, the purchasing and contracts department will send out solicitations to outside vendors. Once solicitations are complete and proposals have been received by all vendors the approval process begins. The first step of this process is to conduct a review of all vendor proposals to determine which meet the criteria established by the project team and the purchasing and contracts department. Purchases less than \$x,xxx only require the approval of the Project Manager; whereas, purchases greater than \$x,xxx must be approved by the Contract

Review Board. For these larger purchases the contract review board will meet to determine which contract will be accepted. The Contract Review Board consists of representatives from the project team, purchasing and contracts department, finance, and the PMO.

DECISION CRITERIA

The purpose of this section is to define the criteria used by the contract review board to decide on what contract(s) to award. Again, these criteria may vary between organizations but must be defined as part of the Procurement Management Plan.

The criteria for the selection and award of procurement contracts under this project will be based on the following decision criteria:

- Ability of the vendor to provide all items by the required delivery date
- Quality
- Cost
- Expected delivery date
- Comparison of outsourced cost versus in-sourcing
- Past performance

These criteria will be measured by the contracts review board and/or the Project Manager. The ultimate decision will be made based on these criteria as well as available resources.

VENDOR MANAGEMENT

The purpose of this section is to describe the roles and actions the project team and purchasing and contracts department will take to ensure that the selected vendors provide all of the products/services agreed upon and that the appropriate levels of quality are maintained.

The Project Manager is ultimately responsible for managing vendors. In order to ensure the timely delivery and high quality of products from vendors the Project Manager, or his/her designee will meet weekly with the contract and purchasing department and each vendor to discuss the progress for each procured item. The meetings can be in person or by teleconference.

The purpose of these meetings will be to review all documented specifications for each product as well as to review the quality test findings. This forum will provide an opportunity to review each item's development or the service provided in order to ensure it complies with the requirements established in the project specifications. It also serves as an opportunity to ask questions or modify contracts or requirements ahead of time in order to prevent delays in delivery and schedule. The Project Manager will be responsible for scheduling this meeting on a weekly basis until all items are delivered and are determined to be acceptable.

PERFORMANCE METRICS FOR PROCUREMENT ACTIVITIES

This section describes the metrics to be used for procurement activities associated with the project. These metrics may be used to ensure the project stays on schedule regarding procurement activities. They may also be used to compile data on the performance of various vendors in order to assist with future procurement activities' vendor selection criteria.

While the purchasing and contracts department has their own internal metrics for procurement, the following metrics are established for vendor performance for this project's procurement activities. Each metric is rated on a 1-3 scale as indicated below:

Vendor	Product Quality	On Time Delivery	Documentation Quality	Development Costs	Development Time	Cost per Unit	Transactional Efficiency
Vendor #1							
Vendor #2							

1 – Unsatisfactory

2 – Acceptable

3 - Exceptional

In addition to rating each vendor, actual values will be noted in order to build a past-performance data base for selecting vendors for future procurement activities.

SPONSOR ACCEPTANCE

Approved by the Project Sponsor:

Date: _____

<Project Sponsor>

<Project Sponsor Title>

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