

# Procurement Management Plan



Procurement's not for the timid. When you're running a purchasing department, achieving optimal performance, efficiency, and return on procurement activities can feel like herding white cats in a blizzard. Smart sourcing, proactive vendor management, and a focus on constant process improvement are a few of the essential components of well-managed procurement. And to ensure your vendors are measuring up to the performance metrics while you're optimizing your processes, you need a procurement management plan.

Combining project management with the procurement process is a natural fit, especially when you're balancing multiple projects, a large number of suppliers, or both. Fortunately, an effective procurement management process is easy to create if you're willing to follow some simple instructions and take advantage of the latest procurement tech tools.

# Why Having a Procurement Management Plan Matters

Whether you're sailing toward new horizons or scaling Everest, ensuring you have a complete and detailed map ready before you hit the trail can mean the difference between a successful journey and winding up off the edge, with a first-hand understanding of *hic sunt dracones*. But you don't need to be cartographer to understand the need for the same kind of preparation when you're launching a new project.

A procurement management plan establishes the acquisition needs for project procurement, and how all stages of the procurement process, from drafting the documentation to the closure of the contract, will operate across the life of the project. It's essentially the framework within which your project (or, if applied to general procurement, your company) will perform procurement activities and ensure all deliverables are achieved with optimal efficiency for maximum value and cost efficiency.

It's important to build a plan that's both robust and flexible, as procurement requirements can evolve along with the project scope, as well as contract management, risk management, and budgetary adjustments. Thoroughness not only helps ensure the successful completion of the project, but contributes to your overall process efficiency and value creation for the company as a whole.

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# Building a Procurement Management Plan

Before you can build your plan, you need to understand the necessary components. A basic outline of a project management plan focused on effective procurement will include:

- Goods to be procured, along with relevant usage and project schedule details.
- Contract type, deliverables, and deadlines.
- Risk analysis and risk management plan
- Cost analysis and relevance to evaluation criteria for suppliers
- Standard document templates to be used and processes for document management
- Project constraints and limitations
- Decision-making criteria
- Contract approval process
- Vendor management plan, including:
  - Detailed selection criteria for suppliers based on risk and cost analysis
  - Number of suppliers and contingencies for single/multiple supplier options
  - Detailed statement of work (SOW) for suppliers, including timelines, deadlines, and compliance criteria
  - Review of available data to prioritize prequalified vendors as appropriate
  - Procurement performance metrics for every stage of the project, and for the overall project

# Setting Up Your Own Procurement Management Plan

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You can craft your own procurement management plan by following a simple series of steps.

1. **Define the Items to Be Procured.** Establish the specific type, quality, and quantity of goods required to complete this project. Include the benefits provided by each item, and the role it will play in successful completion of the project. Don't forget to include all relevant technical specifications as related to procurement.
2. **Define Timelines.** In addition to item specifics, include a timeline for each item. Specify the date by which it must be ordered, its delivery date, and when it will be implemented in the project lifecycle.
3. **Organize Approval Workflows.** Establish the list of individuals authorized to purchase each item, the people who are required to sign off on purchases meeting certain price or quantity criteria, and any management or c-level staff required to approve changes in project scope or budget. This will help ensure workflows continue to function in the event one or more signers are unavailable and keep the project moving.

4. **Select an Agreement Type.** Decide on a contract type (e.g., fixed price, cost reimbursement/cost-plus, time and materials, etc.) for each supplier. Contract types vary in structure, but will generally outline cost specifics as well as billing rates, material costs, and any additional fees.
5. **Perform Contract Management.** Once you've selected the specific type of contract you'll be using, outline full and specific contract management details as well. These will include software selection and requirements, electronic document management (eSignatures, digital approvals, etc.) and finalized document management after contract closure (e.g., archiving of and access to digital and physical copies).

These specifications should also include other procurement documentation beyond contracts, including purchase orders, RFPs, etc.
6. **Identify Potential Project Risks.** No matter what your industry or vertical, every project carries at least some risk. Risks for procurement projects can include, but aren't limited to:
  - Shipping delays
  - Unrealistic cost models and timeframes
  - Vendor capacity and performance problems
  - Relationship conflicts between or with suppliers
7. **Perform Risk Mitigation.** Once you know the risk exposure of your project, you can plan to address each potential risk with contingencies and alternative sourcing. Risk mitigation examples include:
  - Backup suppliers for all project-critical items
  - Alternative timeframes and shipping options to combat delays and project scope creep

- A full list of project team members authorized to address both specified and unspecified risks.
8. **Establish Cost Specifics.** To outline the specific details of all costs related to a given project, a detailed and comprehensive request for proposal (RFP) is issued to vendors. The RFP (also called a *request for quote*, or RFQ) describes the project in detail and the vendors reply with contract deliverables, e.g. the goods and services they propose to provide, as well as their methods of operation, timeframes (including delivery dates), and an itemized list of costs.
  9. **Specify Document Particulars.** This stage of the procurement management plan is used to list, in detail, the specific templates and document formats that will be used for the life of the project. Standardized documents ensure compliance, encourage consistency of documentation, and facilitate effective communication between parties. In addition, using a contract management platform (as part of a larger procurement solution) brings centralized, cloud-based document management into the flow. This integration allows for the creation of (for example) contracts from templates with boilerplate already pre-approved by your legal department. These digital documents can also be easily received, reviewed, and signed electronically by vendors, and stored on the central document server for easy retrieval and modification as needed while still following compliance management protocols.
  10. **Identify Procurement Constraints.** Like vaccinations before a holiday abroad, anticipating potential snags in your project's successful completion can help you avoid disaster. Identifying these problems isn't pessimism for its own sake; knowing the

hard-and-fast limits for your project will ensure you aren't surprised by a preventable catastrophe when you're in the home stretch. If factors such as timeframe, cost, scope, production resources, or material, quality, and technical information are deal breakers, highlight that from the jump. This will set the tone for both expectations and prioritization as the project moves forward, ensuring everyone is operating within the limits you've set.

11. **Outline Decision Criteria.** With everything spelled out in full detail, it's time to determine which criteria will determine a winning bid and, by extension, the award of a contract. The limits you set in step 10 will inform these criteria, and ensure the suppliers chosen are on the same page as your team. Some examples include a vendor's reliability, consistent performance history, and compliance track record.
12. **Manage Relationships and Performance with a Vendor Management Plan.** Draw up a second calendar to complement the schedule for the life of the project. On this calendar, schedule regular meetings with vendors, including the purpose and goals of each meeting and benchmarks for daily, weekly, monthly, and quarterly performance. Be sure to list all personnel essential to building and maintaining solid relationships with the selected vendors, and ensure the lines of communication are open and shared data resources plentiful. Set key performance metrics (also called Key Performance Indicators, or KPIs) for each supplier on the project, and rate them accordingly. The data collected will give you real-time feedback as the project progresses, and allow you to make adjustments as required. As with contract management, decision-making in vendor management is greatly simplified and aided by centralized, cloud-based procurement



software, as it can allow you to compare current performance to past performance as well as identify opportunities to streamline or expand your vendor list for general procurement based on sub-par or exceptional performance on a given project.

## Plan Today for Successful Procurement Tomorrow

When you're sailing the seas of procurement, it's not just what you're doing, but how you do it—in waters smooth *and* rough. Proactive procurement planning gives you the insight and foresight you need to organize and execute profitable, efficient, and cost-effective projects and roll with the punches when the going gets tough. Take the time to plan ahead, and you can be sure you're charting a course to success.

Optimize Your Procurement  
Efficiency While Saving Money With  
PLANERGY

**Find Out How**





