



TenStep Project Management Process
TenStep Extension – Project Procurement

Version 9.0

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TenStep Project Management Process
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TenStep Project Management Process

Procurement Extension

This extension describes the processes and techniques used to manage project procurement. Procurement is not considered to the TenStep Project management process for a number of reasons.

- Although it is a vital aspect of project management for many project managers, the experience of the authors is that it is not a core aspect for most. Therefore although it is certainly an interesting topic for project managers, and it is an area where all project managers should have some familiarity, it is not a responsibility for most project managers.
- Even if there is an aspect of your project that deals with vendor management, in most organizations it is the ultimate responsibility of a Procurement or Contracts Department. Project managers normally do not have authority to sign contracts on behalf of the company. Again, you may be a project manager that has such authority, but you would not be in the majority.
- Although it may be true that project managers do have many responsibilities managing the vendor relationship once a contract is signed, they normally do not have formal authority to if there are issues, problems, changes, etc. In each of those instances where the contract needs to be enforced or changed, the centralized Procurement Group would again step in for primary responsibility.

The points above are not meant to diminish the importance of procurement management on many projects. The point is just to show why this aspect of project management is described in an extension to the TenStep Project Management Process, rather than being a core “step” in the project management model.

Extensions are a way to provide more content of interest to some project managers, without adding to size of the core process.

Instructions for using this Extension

If you have a project where procurement will be a major aspect of your project management work, you can use this extension to supplement the content in the basic TenStep process. When you read the TenStep process you will find placeholders in various sections where procurement content would be applicable. These sections have a comment for the reader to find the content in the Procurement Extension instead. You can refer to the content in this extension. If this is a subject that your organization uses on an ongoing basis, you may choose to integrate this procurement content into your base TenStep process.

Step 1

Define the Work

Procurement Extension

1.0 Define the Work

1.1.3.1 Plan Procurements

Overview (1.1.3.1.P1)

Procurement refers to the aspects of project management related to obtaining goods and services from outside companies. This specifically refers to vendors and suppliers. It does not refer to other internal organizations within your own company. (For the purposes of this discussion, purchasing and procurement are equivalent terms.) This is an area that project managers definitely need to understand at some level, and it is an area into which the project manager will give input. However, in many, and perhaps most companies, procurement is an area that the project manager does not own. The project manager normally does not have the authority to enter into contracts on behalf of the company, and he normally is not asked to administer the contracts once they are in place.

If you are purchasing goods or services on your project, you should determine your project procurement strategy and plans. In some cases, you will simply follow the procurement contracts and plans that are already established by your company or your organization. For instance, you may purchase hardware from companies using a standard company contract. You may acquire contractors using your company's preferred vendor list under prior master contractor agreements. In some cases, you will need to work with your Procurement Department to establish your own project-level vendor management plans.

Most project teams consider the vendor identification and vendor selection processes to be part of the actual execution of the project. In other words, they are done in the initial Analysis Phase after the project execution has started. However, there may be times when you need to perform these activities as a part of your up-front project definition process. If you need to perform this work now, see 1.1.3.1.P6 Vendor Selection Process for an overview of the vendor identification and selection process.

Create Procurement Management Plan (1.1.3.1.P2)

The Procurement Management Plan describes how items will be procured during the project and the approach you will use to managing vendors on the project. Specific areas to describe include:

- **Procurement process.** This section provides a brief overview of the process requirements necessary to manage procurement of the identified needs. This process should include:
 - Initiating a request
 - Development of requirements (technical, timing, quality, constraints)
 - Request approval
 - Purchasing authority
 - Bid / proposal review
 - Contract management responsibility

- Contract closure requirements
- Procurement process flowchart
- **Roles and responsibilities.** This section describes the various roles on the project that have some connection to procurement. This section should describe who can request outside resources, who can approve the requests, any secondary approvers, etc.
- **Identified procurement needs.** This section details the material, products or services identified for outside procurement. Each listed item should include a justification statement explaining why this should be an outside purchase if there is the possibility of inside sourcing (make vs. buy decision). There could be many factors that go into a decision to make or buy a product or service.
- **Timing.** This section will describe the timeframe that resources are needed. This will provide a better sense for when the procurement process needs to be started for each item.
- **Costs.** Make-or-buy analysis should consider both the direct as well as the indirect costs of a prospective procurement. In this context, the indirect costs of buying an item from the outside can also include the cost of managing and monitoring the purchasing process.
- **Vendor processes.** Describe the processes that the vendors should use for timesheet approval, invoice processing, contract renegotiation, status reporting, scope change requests, etc.

Evaluate Make vs. Buy Options (1.1.3.1.P3)

The decision to make or buy a product can be one of the key early decisions that will drive the overall business case of the project, plus the underlying approach to executing the project. In some instances it is more cost effective to buy while in others it makes more sense to create an in-house solution.



There are a couple points in a project where make vs. buy decisions are normally made.

- **Up-front in the planning processes.** On many (perhaps most) projects you can decide up-front what items you will make and which items you will buy. The make-or-buy analysis should be made in the initial scope definition to determine if the entire project should be completed in-house or procured. As the project evolves, additional make-or-buy decisions are needed.
- **After the business requirements are finalized.** In many cases you are not sure of the details of what you need to build until after the business requirements are completed. At that time you can estimate the cost of building the solution and you can send out a Request for Proposal (RFP) for vendors to estimate what it will take them to build it. You can then make a decision on what should be built and what should be purchased.

There are other factors that come into play other than the cost of building and the cost of buying. The long-range strategy of the client organization is also a component in the

make-or-buy analysis. The focus on a make-or-buy analysis can also include the following.

Reasons to Make	Reasons to Buy
Less costly	Less costly
Use in-house skills	In-house skills not available or don't exist
Control of work	Small volume of work
Control of intellectual property	More efficient
Learn new skills	Transfer risks
Available staff	Available vendor
Focus on core project work	Allows project team to focus on other work items

The make-or-buy decision does not have to be all-or-nothing. There are many options for building doing some things in-house and purchasing other things.

- Procure all or virtually all of the goods and services from a single supplier or from multiple suppliers
- Procure a significant portion of the goods and services from a single supplier or from multiple suppliers
- Procure a relatively minor portion of the goods and services from outside sources (single/multiple suppliers)
- Make everything in house; procure nothing from the outside

Buy or Rent Decisions (1.1.3.1.P4)

In some instances you may also have to decide whether to buy or rent a product. This is probably not a decision to be made on final products or services, but it may come into play for equipment, facilities, supplies and other products and services that your project needs. For example, you may need customized equipment for your project. You may be able to purchase the equipment or you may be able to rent the equipment. You can decide how best to procure the equipment. Renting usually costs less but of course you do not own the product when you are done. In some cases that may be a good thing and in other cases that may be a disadvantage.

You would make this decision in a similar way that you would for build-or-buy. Partly the answer comes down to the cost of buying and the cost of renting over the course of the project. There will be other factors including whether you will be able to leverage the product long-term, whether the support for the product will be a distraction, the tax and depreciation implications, etc.

(1.1.3.1.P5)

There are times when all organizations look for vendors to fill certain needs. The process is usually simple. However, depending on the vendor, this might be a lengthy process to complete. The following techniques can be used in most any selection process – package selection, vendor selection, hardware selection, etc. This process is described at

a high level and will require some drill-down on the details to make sure that it is performed with appropriate diligence for your project.

Plan Contracting (1.1.3.1.P6)

	Role	Vendor Selection Process
1	Project Manager	<p>Gather and Rank Business Needs</p> <p>It's hard to select a vendor if you are not sure what your requirements are, so the first part of the project is to gather business requirements. This is similar to the gathering of business requirements on a typical project. Ask questions such as:</p> <ul style="list-style-type: none"> • What will we use the vendor for? • What problem will the vendor solve? • What capabilities must they possess? <p>Many times, you will not be able to determine all the requirements just by asking the clients. The clients may not know enough to get the requirements 100% complete and correct. On a normal project, you would add the rest using scope change management. However, with a vendor selection project, you need to get as many vendor requirements as possible correct the first time. It may be too late to discover missing requirements after a vendor has been selected.</p> <p>Each requirement should be weighted on a numerical scale, or high/medium/low, to reflect the relative importance of some requirements over others (other weighting scales can be utilized as well). Your sponsor and major customers and stakeholders need to review and approve this total list of vendor requirements and weighting.</p> <p>In addition to the business requirements, you may also be interested in other characteristics of the vendor.</p> <ul style="list-style-type: none"> • Overall or life-cycle cost • Technical capability • Management and project management approach • Technical approach • Financial capacity • Production capacity and interest • Business size and type • References • Intellectual property rights • Proprietary rights • More

Request Seller Responses (1.1.3.1.P7)

2	Project Manager	Create Vendor Long List After the requirements are gathered, look for any and all vendors that might meet your needs. This can be done by searching the web, looking at trade magazines, talking to other companies, etc. The purpose of this step is to gather a comprehensive (but not exhaustive) list of vendors that you want to consider further. This step helps ensure that there is not an obvious candidate of whom you were not aware.
3	Project Manager	Create Vendor Short List Perform an initial, high-level evaluation of the long list, looking for obvious reasons to eliminate some of the alternatives. For example, certain vendors may be too new. Some may be obviously too expensive. The purpose of this step is to create a short list of potential vendors that look like they will have a reasonable chance of meeting your needs. You should send your Request for Proposal (RFP) to the short list. (If the long list is not too large, you could send the RFP to all of the vendors. But, you must narrow down the vendors to a small enough number that you can compare and contrast them for your final selection process.)

Select Sellers (1.1.3.1.P8)

4	Project Manager	Evaluate Vendor Short List This can be the hardest part of vendor selection. You must map the vendor capabilities against your requirements and weighting factors to determine which vendor most closely meets your needs. You can also interview the vendors, make vendor site visits, etc. Usually some type of numerical calculation is made based on how well the vendor meets each requirement, multiplied by a weighting factor. The vendor with the highest score across all requirements should be the one that best meets your needs. When you have completed this step, you should have a prioritized list for the vendors that best meet your needs.
5	Project Manager	Make Final Selection and Negotiate Contract In many organizations, the project team makes the final recommendation and then turns the process over to a formal Purchasing or Procurement organization. However, at this point you should have all the required information to make the choice. If you are only selecting the top vendor, you should have the numbers available to make your recommendation. If you are selecting a number of potential vendors, you can pick as many of the top ranked vendors as necessary to meet your needs. When the final selection is made, you may still have to negotiate a contract or license. If that process does not proceed in a satisfactory manner, you should be prepared to move down to your second choice,

		<p>and your third, as long as those vendors still meet your minimum requirements.</p> <p>Final output of contract negotiation is a Contract. You can see more information on contract types at Choose the Correct Contract Types for your Project (1.2.P10).</p>
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1.2.6 Techniques / Basics of Contracts

Choose the Correct Contract Types for your Project (1.2.6.P1)

There are a number of standard contract types to guide the relationship between buyers and sellers. There are also many variations on these basic contract types. These contract types are categorized based on the amount of risk each party agrees to accept. The buyer's objective is to place maximum performance risk on the seller, while maintaining incentive for economical and efficient performance. The seller's objective is to minimize risk while maximizing profit potential. The three broad categories of contracts are Cost Reimbursable, Fixed Price and Time and Material (T&M).

Cost-Reimbursable (CR) (1.2.6.P2)

These contract types pay the seller for the product. In the payment to the seller there is a profit margin, which is the difference between the actual costs of the product and the sales amount. The actual costs of the product fall into two categories:

- **Direct costs** – Those costs incurred by the project in order for the project to exist. Examples include equipment needed to complete the project work, salaries of the project team, and other expenses tied directly to the project's existence.
- **Indirect costs** – Those costs attributed to the cost of doing business. Examples include utilities, office space, and other overhead costs.

The following example shows the general model for cost reimbursable contracts.

Cost Plus Incentive Fee (CPIF) example

Actual Cost + Target Fee + ((Target Cost - Actual Cost) * Share Ratio)

Target Cost \$100,000

Target Fee \$10,000

Share Ratio 80/20

Actual Cost \$80,000

The Seller receives **\$94,000**, which is calculated as

$\$80,000 + \$10,000 + ((100,000 - 80,000) * 20\%)$

There are a number of common variations of this contract type including

- **Cost Plus Fixed Fee (CPFF)**. A CPFF contract provides for reimbursement of allowable costs, plus a fixed fee paid proportionately as the contract progresses. Although there is a ceiling on the seller's profit, there is no motivation to control costs, so that most risk remains with the buyer. This contract type is used predominantly for research and development projects where the effort required remains uncertain until the project is well under way.
- **Cost Plus Percentage of Cost (CPPC)**. A CPPC contract provides for reimbursement of allowable cost of services performed, plus an agreed-upon percentage of the costs as profit. The seller is obligated only to make its best effort to fulfill the contract within the estimated amount; the buyer funds all overruns. This

contract type is prohibited in U.S. federal contracting and is only rarely used in the commercial sector.

- **Cost Plus Incentive Fee (CPIF)**. A CPIF contract provides for reimbursement of allowable cost plus a predetermined fee as a bonus for superior performance. If actual cost is less than expected cost, the buyer and seller share in the savings, based on a predetermined formula. This type is used predominantly for contracts with long performance periods and substantial hardware development and test requirements.

Fixed Price (FP) Contracts (1.2.6.P3)

This is the most common form of contract and is appropriate when the buyer can describe the scope of work. These can also include incentives for meeting or exceeding project objectives. When incentives are present, there is a ceiling price included. This type of a contract has the least cost risk for the buyer.

- **Firm Fixed Price (FFP)** An FFP contract is a lump-sum contract under which the seller furnishes goods or services at a fixed price. The seller bears all risk, but is compensated with the greatest profit potential. This is the most common contract type, and is best suited for situations with reasonably definite specifications and relatively certain costs.
- **Fixed Price Incentive Fee (FPIF)**. A FPIF contract provides the seller with a fixed price plus a predetermined fee as a bonus for superior performance. Both buyer and seller share risk. This type of contract is used primarily for high-value projects involving long performance periods, such as for shipbuilding and major systems development projects.

The following example shows the general model for cost reimbursable contracts.

Actual Cost + Target Fee + ((Target Cost - Actual Cost) * Share Ratio))

Target Cost \$125,000

Target Price \$150,000

Target Fee \$25,000

Ceiling Price \$175,000

Share Ratio 80/20

Actual Cost \$100,000

The Seller receives **\$130,000** which is calculated as follows.

$\$100,000 + \$25,000 + ((125,000 - 100,000) * 20\%)$

Now, we'll take the same example where the **actual cost** is \$175,000:

$\$175,000 + 25,000 + ((125,000 - \$175,000) * 20\%)$

$\$200,000 + (-\$50,000 * 20\%) = \$190,000?$

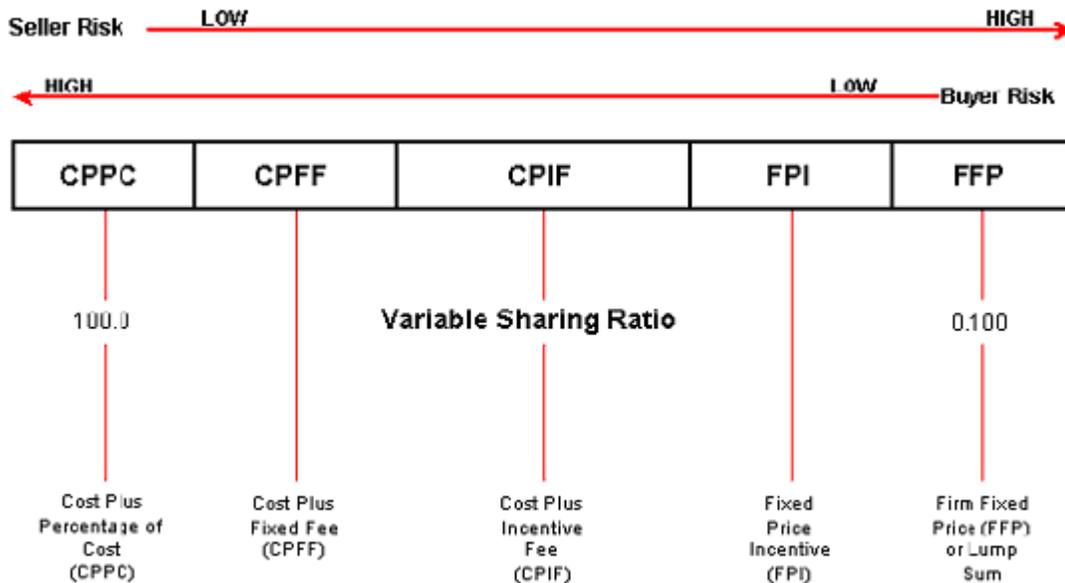
The ceiling price is now a factor because of the cost overruns in the actual cost. The buyer is only obligated to pay the agreed upon ceiling price of \$175,000.

Time and Material (T&M) (1.2.6.P4)

This is a combination of the Cost Reimbursable and the Fixed Prices. It usually addresses project work that has no definite end (variable) but the cost is a unit price (hour or unit). The total cost is unknown and it varies with time and/or materials.

Contract Risks (1.2.6.P5)

The following chart describes the level of risks for buyers and seller for each contract type.



Contract Statement of Work (1.2.6.P6)

In many cases you do not know the specific nature of the work until you are closer to the execution of the work. In these cases it is common to establish a master contract between the client and the vendor, and then create a Statement of Work (SOW) to fully describe the actual work and the deliverables to be completed. It should also describe how the project product or service is to be supported. The SOW becomes part of the contract between the buyer and the seller.

Point of Total Assumption (1.2.6.P7)

The price determined by a Fixed Price Incentive Fee (FPIF) contract which the seller bears all the loss of a cost overrun. Once the costs reach the Point of Total Assumption, the agreed to ceiling price is the maximum amount the buyer will pay. This is the price point in the contract above which the seller assumes responsibility for all additional costs.

Contract Incentives (1.2.6.P8)

Incentives in a contract provide a "carrot" for the contractor in an attempt to bring the objectives and interests of the contractor in line with those of the buyer. Experience has shown that contract incentives are indeed usually cost effective. Incentives can be structured in a variety of ways and are flexible in that they can be used in conjunction with any of the types of contracts.

Elements of a Legally Enforceable Contract (1.2.6.P9)

Mutual assent, consideration must be provided to both parties (sufficient cause to contract), signing parties must have legal right to contract, the contract must have a legal purpose, and the contract must not violate public policy.

In order for a contract to be valid, it must:

- Contain an offer
- Have been accepted
- Provide for a consideration (payment)
- Be for a legal purpose
- Be executed by someone with capacity and authority

Typical Terms in a Contract (1.2.6.P10)

The terms and conditions of the contract should define aspects of the engagement such as:

- Delivery schedule
- Payment schedule
- Method for determining the price
- Handling of changes
- Warranties
- Insurance
- Inspections
- Delays
- Termination
- Subcontracts
- Performance bonds
- Results of Contract Administration
- Payment Requests and schedules
- Correspondence
- Requested changes
- Performance evaluations
- Standard clauses. The use of standard clauses is encouraged where possible because they are legally sufficient for most contractual situations and because they cost less (customized contract language takes time and can sometimes be expensive to develop).
 - Changes to the contract
 - Control of change

- Who initiates a change request
- How change is funded
- Final approval authority
- Configuration control
- Warranties
 - Establish a level of quality
 - Express warranty- Contract explicitly states what the level of quality is
 - Implied warranty - Contract describes “merchantability” or “fitness of use”
- Doctrine of waiver. The relinquishing of one party’s contract rights because of lack of enforcement of those rights
- Delays. Describe what will happen based on
 - Who caused it
 - Nature of the interruption
 - Impact
- Bonds
 - Performance bond - secures for the buyer the performance and fulfillment of the contract
 - Payment bond - Guaranteed payment to subcontractors and laborers by the prime or the guarantor
- Breach
 - Failure to perform a contractual obligation
 - Measure for damage is the amount of loss sustained by an injured party
 - Material breach - more serious than a contract breach. Non-faulted party discharged from any further obligations—for example, when a contract stipulates that time is of the essence, failure to perform within the allotted time constitutes material breach and the project manager will not be required to accept late performance

Sole Source Contracts (1.2.6.P11)

It is generally considered a good practice to ensure competition among a group of prospective contractors if possible. There is considerable literature documenting the benefits of competition. However, there are conditions under which it makes sense to allow noncompetitive contractor selection, which include the following:

- When a contractor truly has a unique qualification that cannot be found or matched elsewhere
- When other mechanisms exist to ensure that the price you are paying is reasonable. For example, you might have the in-house expertise to properly evaluate the contractor’s bid for reasonableness and accuracy

- When your project is under extreme schedule pressure, competitive source selection almost always takes longer, because you must allow time to prepare a solicitation document, time for sending and receiving the solicitation, time for the prospective contractors to prepare and submit a proposal, and time for you to evaluate them all and make a selection

The contract negotiation process is an activity to create a fair price for the work the seller is to complete. The performing organization creates an offer and sends it to the seller. The seller then considers the offer. The performing organization and the seller must be in agreement on the expectations, requirements, authorities, terms, technical and business management approaches, price and any other pertinent factors covered within and by the contract prior to signing the contract. The final contract can be a revised offer by the seller or a counter offer by the buyer.

Privity of Contract (1.2.6.P12)

Privity of contract is a legal term that recognizes that the contractual relationship exists between a buyer and its prime contractor. No contract exists between the buyer and the subcontractors, and it is legally improper for a buyer to bypass a contractor and deal directly with a subcontractor(s).

Beyond the legal issue, there are other reasons for a buyer to be cautious about dealing with subcontractors. In doing so, the buyer may inadvertently relieve the prime contractor of certain responsibilities. For example, if a buyer informs a subcontractor that things might work better if the subcontractor would "try the following approach..." and the subcontractor runs into trouble, the prime contractor may rightfully claim that the buyer's interference caused the problems.

Step 2

Build the Schedule and Budget

Procurement Extension

2.0 Build the Schedule and Budget

At this time there is no specific information on procurement management as it relates to this aspect of project management.

Step 3

Manage the Schedule and Budget

Procurement Extension

3.0 Manage the Schedule and Budget

3.1.3 Large Projects

Administer Procurements (3.1.3.P7)

15	Project Manager, Vendors	<p>Check the status of your vendor contracts</p> <p>Contract administration is the process of ensuring that the seller lives up to the agreements in the contract. The project manager and the contract administrator must work together to make certain the seller meets its obligations. If the seller does not fulfill its contractual requirements, then legal remedies may ultimately be pursued.</p> <p>You should validate that everything is on-track with your purchase of third-party services or goods (hardware, software, equipment, supplies). This may just be a matter of making sure that your vendors can still deliver the goods and services you need on their agreed-to schedule. The project manager may work on a day-to-day basis with the account manager from the vendor, but they should both always work within the contractual relationship. If anything needs to change in the contractual relationship, the Purchasing and Legal Departments are probably the ones responsible for making the contract changes. If you have outsourced a component of your project to a vendor, you will still need to manage the vendor work at a high level to ensure that there are no surprises. See 3.1.6 Managing Outsourced Projects for more details.</p>
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3.1.6 Managing Outsourced Projects

Overview (3.1.6.P1)

Outsourcing of project work is more common today than ever. However, even though you outsource the work, you cannot completely outsource your obligation to make sure the project is progressing smoothly. If all goes well with the outsourcer, you do not have much work to do. Unfortunately, in many instances, the outsourcing vendor does not perform against expectations. If that happens, you want to know about it as soon as possible. For the purposes of this discussion, let us assume that your company has outsourced a project, or a portion of a project. Your company has also asked you to manage the relationship to ensure the vendor performs as expected.

Many people are not sure what they should be doing when they are asked to manage an outsourcing relationship. Part of the uncertainty is because some of the project roles are reversed when you outsource work to a third-party. On a normal internal project, the project manager assigns the work and manages issues, scope, risk, quality, etc. The project manager makes sure work is done on time and the project is progressing as it should. He is held accountable for the success of the project. Other people perform a quality assurance role to make sure that the project progresses as it should. A formal quality assurance group may do this, but it is more likely that the sponsor and the manager of the project manager perform this function. They are not interested in knowing all the details of what is going on, but they need to ask the right questions to feel comfortable knowing that things are progressing as they should.

On an outsourced project, the roles are still in place, but different people perform them. If the work is truly outsourced, the project manager for the vendor should be the one who is worried about the details. The vendor project manager is planning and assigning the work, and managing issues, scope, risk, etc. In this situation, even though you may be asked to “manage” the outsourced project, you really take on the quality assurance role. You need to ask the right questions to make sure that the vendor project manager is doing his job correctly. You do not necessarily need to know all the details of how he is managing and executing the project, but you have to feel comfortable that the project is progressing as expected.

What to Look For at the Beginning (3.1.6.P2)

First, look for the up-front deliverables that you expect all projects to have. For example, you need to make sure that the project is defined correctly and to your satisfaction. This could be reflected in a Project Charter document or a Statement of Work (SOW)? You should approve this document. The vendor must also have a project schedule. As the project moves forward, you must be aware of the key milestone dates, and there should be a formal checkpoint to ensure that the deliverables produced up to that point are complete, correct, and on time. You and your sponsor should formally approve deliverables completed by the important milestones. If there is a partial payment being made at a milestone, you need to ensure that the criteria for payment are all defined and that they are in fact completed. Depending on the nature of the project, you may require regular status meetings and formal status reports. The questions you would ask at the beginning of the project include:

- Is there a contractual agreement that spells out the expectations of both parties in terms of deliverables to be produced, deadlines, payment schedule, completeness and correctness criteria, etc?
- Has a Project Charter (or similar document) been approved by the appropriate stakeholders and managers at your company?
- Has a comprehensive project schedule been created?
- What Project Management Plan will the vendor use to control the project?
- Has the vendor been clear on what resources will be needed from your company and when they will be needed?
- Have a number of agreed-upon milestones been established to review progress so far and validate that the project is on-track for completion?

Ongoing Questions (3.1.6.P3)

As the project is progressing, you must continue to ask questions to determine the current state of the work. You may have status meetings weekly, but there should be a formal quality assurance check at the end of every agreed-upon milestone. The types of questions you would ask at every milestone include:

- Have the deliverables specified in the Project Charter been completed up to this point?
- Have the appropriate deliverables been agreed to and approved by the company?
- If the vendor has met expectations up to this point, have any interim payments been released?
- Can the vendor clearly explain where the project is vs. where it should be at this time?
- Will all the future deliverables specified in the Project Charter be completed?
- Are issues, scope, and risks being managed as stated in the Project Management Plan?
- Should the contract or Project Charter be updated to reflect any major changes to the project?

Once you understand your role on the project, it is easier to ask the right questions to make sure that everything is progressing as it should. For a more comprehensive list of questions, see the Quality Assurance Checklist for Outsourced Projects in the Template Library.

3.2.4 Techniques to Get a Project Back on Budget

Re-bid or Renegotiate External Contracts (3.2.4.P9)

In prior techniques you looked at opportunities to replace human resources and eliminate or swap non-labor items. However, third-party resources may not need to be swapped or replaced. It may just be possible to renegotiate the process and terms. If you have contract labor, perhaps you can negotiate a reduced fee. Perhaps your software vendor will take less money for their product. All of your external costs should be evaluated to see where savings can be achieved. In many cases, the vendor will be willing to work with you on lower prices – especially if the other option is to drop their products or services entirely. However, in some cases, the vendor may be willing to trade off one benefit for another. For instance, perhaps a contract resource will reduce his rate in exchange for additional work hours. Perhaps a vendor will take less money in exchange for getting paid earlier. The larger the value of your external contracts, the more flexibility you have to negotiate different terms. If you are over budget, especially on a large project, all of the vendors should be reviewed for potential cost savings.

Step 4

Manage Issues

Procurement Extension

4.0 Manage Issues

At this time there is no specific information on procurement management as it relates to this aspect of project management.

Step 5

Manage Change

Procurement Extension

5.0 Manage Change

At this time there is no specific information on procurement management as it relates to this aspect of project management.

Step 6

Manage Communication

Procurement Extension

6.0 Manage Communication

At this time there is no specific information on procurement management as it relates to this aspect of project management.

Step 7

Manage Risk

Procurement Extension

7.0 Manage Risk

At this time there is no specific information on procurement management as it relates to this aspect of project management.

Step 8

Manage Human Resources

Procurement Extension

8.0 Manage Human Resources

At this time there is no specific information on procurement management as it relates to this aspect of project management.

Step 9

Manage Quality

Procurement Extension

9.0 Manage Quality

At this time there is no specific information on procurement management as it relates to this aspect of project management.

Step 10

Manage Metrics

Procurement Extension

10.0 Manage Metrics

At this time there is no specific information on procurement management as it relates to this aspect of project management.

90.0

Close Project

Procurement Extension

90.0 Close Project

Close Contracts (90.0.P2)

Your project may have required the assistance of vendors for people, hardware, software, supplies, etc. Generally speaking, these project-specific contracts should be closed as a part of terminating the project. Of course, some contracts are broader than your project, and these will remain open. You may have an open contract with a consulting firm, for instance, and you may have opened a Statement of Work for the specific services provided on your project. In that case, the general contract would remain open, but the specific Statement of Work would be closed. It is also very likely that all invoices have not been paid (or even submitted) when the project officially ends. However, the project manager or the appropriate contracts administrator should be responsible for closing these project-specific contracts after all outstanding bills have been paid.

Contract closure involves both product verification, that is verifying that the work was done, and administrative closeout, the updating of all contract records. Contract records are very important and include the contract itself and other relevant documentation such as progress reports, financial records, invoices, and payment records. These are often kept in a contract file, which should be part of the complete project file. Contract documentation is also important should a procurement audit be initiated. Such an audit is a structured review of the procurement process from procurement planning through contract administration. The purpose of the audit is to identify success and failures that warrant transfer to other procurement items on the current project or future projects.