

MANAGING PROJECTS

Building the project plan – procurement considerations

by George Suffidy

A Project Plan is developed during the detailed planning of the project's Work Packages. All work performed in a project is accomplished at the work package level of the Work Breakdown Structure (WBS).

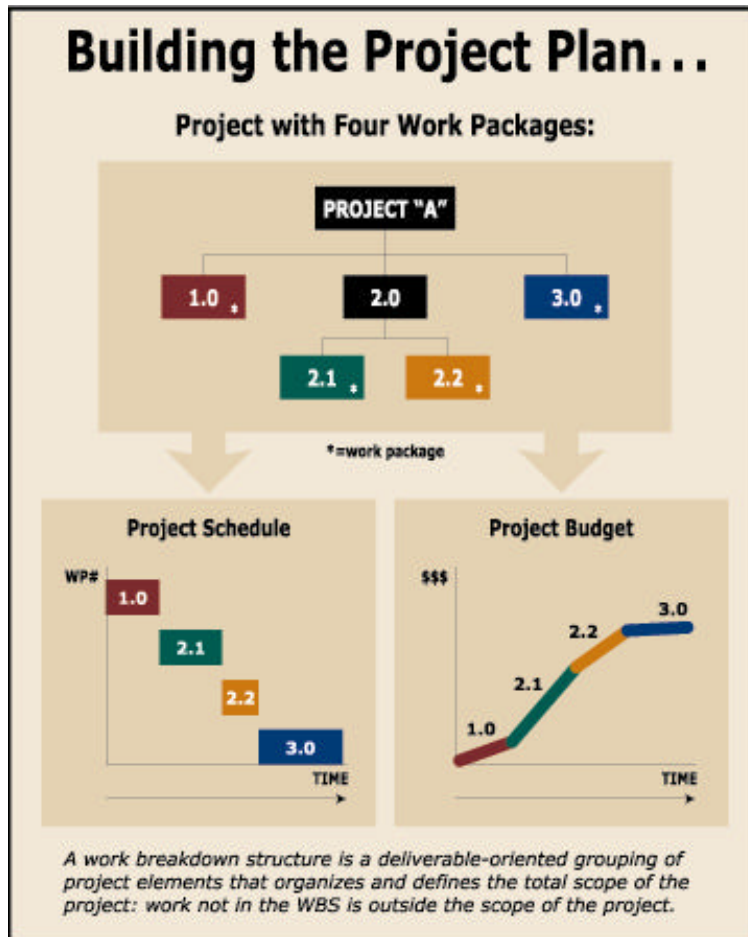
The seeds of eventual difficulty in project control are often rooted in incomplete and unrealistic planning – including project procurement planning. The adjoining diagram, *Building the Project Plan*, contains four work packages that include all work to be accomplished during the project. It illustrates the relationship between the project WBS, project schedule and project budget, as well as the factors needing to be dealt with. Anything overlooked or deliberately missing will result in a change to project scope, and will need to be added – usually to the detriment of cost and schedule.

The four work packages must be completed in sequential order. If work is added that can be performed concurrently without delaying work in process, then the original schedule can be maintained. Otherwise, the schedule will be derailed and the project will be delivered late.

A cost is associated with each work package, the sum of which creates the project's performance budget. If the project scope changes, the cost of performance will be increased by the extra work performed and the project will come in over budget – possibly a significant amount if a considerable cost premium was paid to maintain the schedule.

The procurement plan, prepared to govern project procurement activities, must be strongly linked to the project plan and must propose contracting strategies that are consistent with the assumptions, objectives and constraints upon which the project plan is based. Further, the treatment of risk and contingent liabilities, as they are reflected in contract terms and conditions, must be recognized to influence the three key project parameters of product, cost and schedule.

Procurement professionals must play a key role in the planning of projects, particularly when the majority of the project work will be performed under contract. They help to determine the pricing basis of contracts, as well as the allocation of contract responsibilities and contingent liabilities between the purchaser and the contractor.



The contractor prepares its project plan to deliver the project products specified under the schedule and terms required by the contract, and the price proposal is set accordingly. If a contractor must assume total responsibility for the delivery and implementation of a system on a firm price basis, the price will be commensurately steep, as it must reasonably encompass all performance risks. However, a cost reimbursable contract without a ceiling price leaves significant risk with the purchaser – things to consider when planning projects and their contingency budgets, as well as to capture in procurement planning.

There are actually three budgets of concern, which can significantly influence procurement planning – the commitment, performance and cash budgets. While often similar in shape, each can be managed, through contract terms and conditions, to be quite unlike the others.

My next column in this series deals with project change management.

[George Suffidy](#) has over 20 years experience in public sector purchasing and procurement with Supply and Services Canada, now Public Works and Government Services Canada. His responsibilities in the federal government included the conduct of line purchasing work, the procurement of complex, engineered systems as part of a Major Crown Project team and the direction of a regional supply and services organization. He is now a procurement consultant to Bates Project Management, Inc.