

MANAGING PROJECTS THE STEP-BY-STEP APPROACH

Controlling project procurements

by George Suffidy

This fifth in a [series of columns](#) dealing with project procurement management addresses the control of project procurements. Procurement professionals need to control their project procurements in an effective and timely manner. This is where the care and attention given to the concepts and processes outlined in the previous four columns of this series can begin to pay off.

A well-defined project, supported by a responsive procurement plan and implemented through one or more carefully conceived and negotiated contracts, provides an excellent basis for the effective control of project procurements.

However, it is important not to confuse effective procurement project control with project success. Project procurements can be well managed and still fail to deliver the expected project products (contract deliverables) on time and for the prices established, consistent with the project plan. Such unsatisfactory results are usually rooted in problems associated with the feasibility of the project itself, as well as the nature and magnitude of its risks. This is intuitively obvious – a project at the cutting edge of a technology is expected to be less predictable in its results and inherently more risky because of its unknowns.

The feasibility and risks of a project can be managed through the design of its life cycle. Milestones and decision points can be established for assessing the progress and continued feasibility of a project within or between the phases of its life cycle. Specific product development and proving processes can be employed with a view to containing costs, establishing product compliance with specifications and constraining project risk. This is a team effort and the procurement professional must be actively involved in the development of these matters.

It is increasingly appreciated that projects should be pursued in “chewable chunks,” with consideration being given to project termination if control is lost or acceptable results are not forthcoming. Different industries develop their products using different life-cycle models, and these models change with the evolution of industry practices.

The control of project procurement starts with how well project contracts are structured to reflect and implement the project’s life cycle. The product specifications and the contract’s Statement of

Work must be clear and sufficiently comprehensive. The rights and obligations of the parties under the contract must be appropriately stated. Contingent risks must be identified. The sharing of contingent risk is usually addressed through industry-specific standard contract terms and conditions designed to facilitate and manage the project life-cycle model being used. The key issue is how risk is shared. Usually, the more that contingent risk is allocated to the contractor, the higher its price can be expected to be.

Once the larger issues of project feasibility and risk are dealt with, successful procurement project control resides in the quality of the contract administrative actions undertaken, particularly as these relate to project issues, assumptions and change management.

The procurement professional uses the same tools employed by other members of the project team to monitor the contractor's performance and control of its work. This is usually accomplished through data items prepared by the contractor and delivered to the project team on a scheduled basis. For project control purposes, among the most useful data a contractor can provide is information drawn from its cost and schedule control system. This information is typically presented in a manner expressing "earned value," a calculated value that can warn that a project is departing from its anticipated path in terms of the interactions between product, cost and schedule.

It is not uncommon for problems to arise which require some deviation from the plan to overcome and recover from them. The creation and implementation of "Work Around Plans" rounds out the main procurement control activities of the procurement professional.

[George Suffidy](#) has over 20 years experience in public sector purchasing and procurement. 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. Read other [Managing Projects columns](#).