

Procuring Resources

by Sophia



WHAT'S COVERED

In this lesson, we'll cover the methods used to procure resources, by discussing:

1. Procuring Resources

While developing the project plan, the project manager might find resources that aren't available within the organization. In that case, the project manager will need to obtain those resources, and this is known as **procurement**.

When a project manager discovers that the project needs resources that are unavailable, the first decision that must be made is whether the project should build or buy those resources. Building and buying both come with their own advantages and disadvantages, as well as other factors that must be considered in the decision. Let's look at each option in more detail.



TERM TO KNOW

Procurement

The process of acquiring goods and services needed for a project.

1a. Building Resources

Building the resource means that the project must commit the time and effort necessary to complete the resource.

- *Advantage:* Deliverable can usually be customized to the project's needs
- *Disadvantage:* Will almost certainly increase the length of the schedule

Before deciding to build the resource, the project manager must determine if the organization even has the expertise needed to complete the resource successfully. If the expertise is available, the project manager must then investigate if the personnel are available in the right timeframe to complete the work. In many ways, managing the development of the resource is often a small project in and of itself.

1b. Buying Resources

Buying the resource can seem simpler. When the project finally decides to buy a resource, the procurement process should be used.

- *Advantage:* Usually be available immediately, so the schedule is not impacted in the short term

- *Disadvantage:* Might mean it will be difficult to modify the product based on the project's requirements. If time and expense to modify the resource become extensive, buying a resource can sometimes be more costly.

If the resource is a person, then the only decision might be to obtain the necessary expertise from outside the organization, such as through contractors or vendors.

2. Resource Contracts

While there are many types of contracts, there are two that are often used during procurement:

- *Fixed bid contracts:* Occur when the vendor provides a single dollar quote for the cost of the resource. The advantage of this method is that the costs are known immediately so they can be worked into the project budget.
- *Time and materials contracts:* Occur when the vendor bills the project for the cost of the materials, and their actual time spent creating the resource, plus an additional markup (usually a percentage of the total cost). This type of contract is sometimes the only choice if the resource requires greater customization.

Depending on the resource needed, the contract might be for time only, when only people resources are needed, or for materials only. The risk with a time and materials contract is that the cost is variable—the exact cost will not be known to the project at the time the budget is being prepared.



TRY IT

Imagine you are a project manager. Part of your job is to closely monitor the work to avoid potential negative impacts to the budget.

What considerations would you make before you begin the process of procuring a resource?



SUMMARY

In this lesson, you learned what is involved in **project procurement**, and the advantages and disadvantages of **building resources** vs. **buying resources**. When procuring unavailable resources, a project manager considers how the decision will impact the schedule and budget. Also, **resource contracts** such as fixed bid and time/materials were discussed.

Source: This work is adapted from Sophia author Jeff Carroll.



TERMS TO KNOW

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