



Version 6.1 Updated for the 2021  
Project Management Professional (PMP)<sup>®</sup> Exam



## Crosswind Success Series: PMP<sup>®</sup> Exam Bootcamp Manual

[www.crosswindpm.com](http://www.crosswindpm.com)

**Tony Johnson**, MBA, CAPM, PMP, PgMP, PfMP

Version 6.1 aligned with the Project Management Institute, *A Guide to the Project Management Body of Knowledge, (PMBOK<sup>®</sup> Guide)* - Sixth Edition, Project Management Institute Inc., 2017

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Document Type	Typical Purpose	Description	Example
<b>Request for Proposal (RFP)</b> sometimes called <b>Request for Tender (RFT)</b>	An RFP is typically used to solicit proposals for larger, higher priced customized services or products. <i>In response, the seller describes the detailed solution approach it proposes to take and includes a list of related experiences.</i>	An RFP is a document that requests an approach, price, and significant detail about how the seller proposes to do the requested work. <i>The general assumption is that negotiations occur based on the scope, schedule, and cost of the buyer's request and in consideration of the seller's suggestions.</i>	An example of as RFP is request to prospective sellers to propose the design, implementation, and training for a data warehouse to consolidate five different enterprise databases at a fortune 500 company named Widgets, Inc.
<b>Invitation for Bid (IFB)</b> sometimes called <b>Request for Bid (RFB)</b>	An IFB is used for government sealed bidding processes with characteristics similar to those for an RFP (request for proposal).	An IFB is a document that requests an approach, price, and significant detail about how the seller proposes to do the requested work <i>The general assumption is that negotiations occur based on the scope, schedule, and cost of the buyer's request and in consideration of the seller's suggestions.</i>	An example of an IFB is a request from a branch of the U.S. government to sellers regarding the design, implementation, and training of an enterprise reporting system; the selection process is sealed bid and the contract is awarded on March 25 <sup>th</sup> .

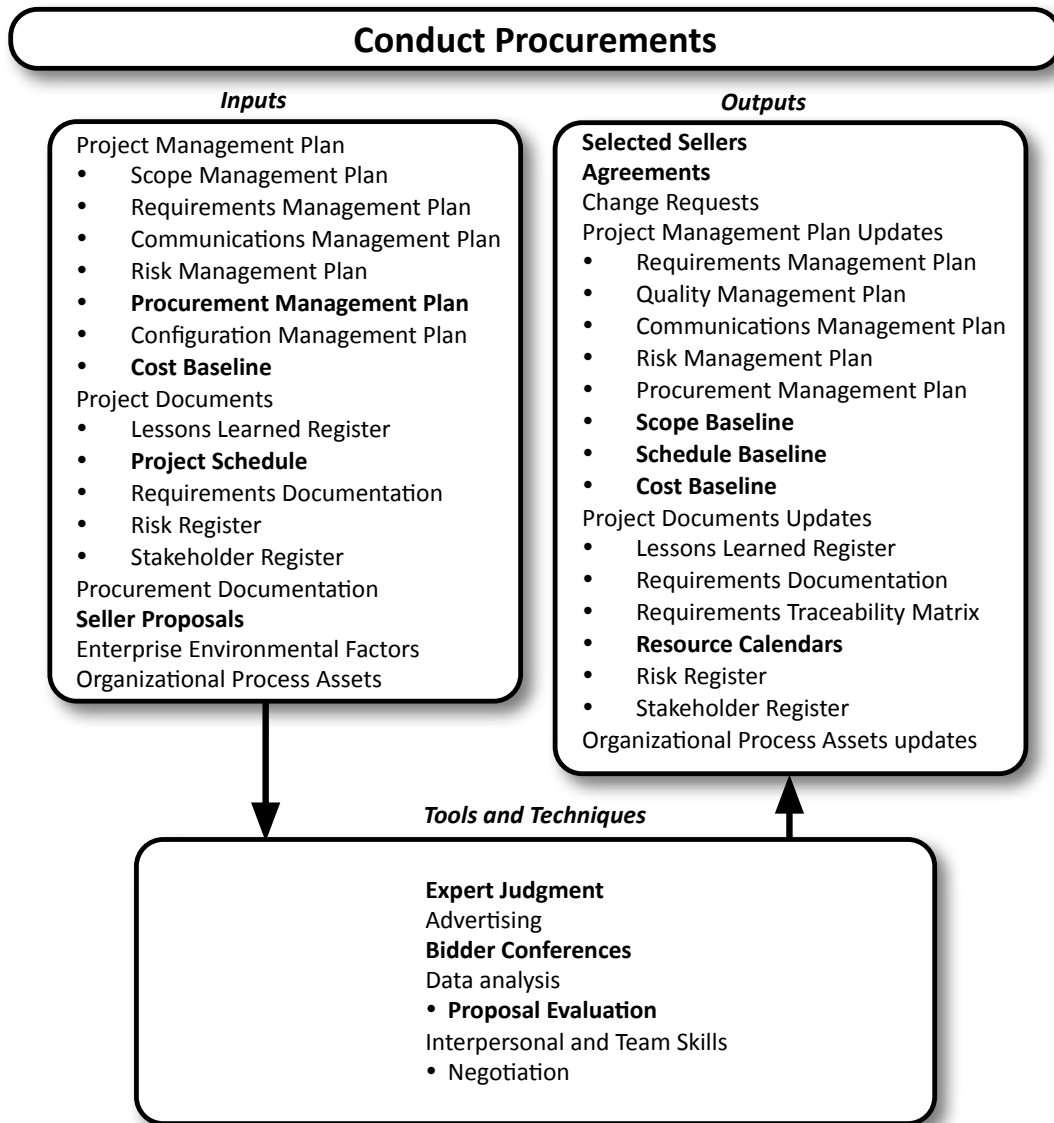
The source for the above text is the Project Management Institute, *A Guide to the Project Management Body of Knowledge, (PMBOK® Guide)* – Sixth Edition, Project Management Institute Inc., 2017, Pages 466-481

## 15.2. Conduct Procurements (Executing Process Group)

Conduct Procurements incorporates soliciting responses from the sellers, selecting a seller, and awarding the contract. The team will request bids or proposals from potential sellers, apply the defined selection criteria to the bids or proposals received to determine the selected seller, and award the contract to the selected seller.

Major procurements may require iterations of this process and include negotiation.





**Figure 15-4: Conduct Procurements Data Flow Diagram**

The source for the above figure is the Project Management Institute, *A Guide to the Project Management Body of Knowledge, (PMBOK® Guide) – Sixth Edition*, Project Management Institute Inc., 2017, Figure 12-4, Page 482

<b>Conduct Procurements (Executing)</b>		
<b>Key Inputs</b>	Procurement Management Plan	The procurement management plan is a component of the project management plan that addresses procurement activities. It details the need for international competitive bidding, national competitive bidding, and/or local bidding and delineates the manner in which external financing is aligned with the plan and the project schedule. It often contains guidelines for coordinating procurement with other project processes (project schedule development and control processes), contract management metrics, activity timetables, constraints and assumptions related to procurement, risk issues related to procurement, and stakeholder roles and responsibilities.
	Cost Baseline	The cost baseline is the authorized version of the time-phased budget for the project, excluding management reserves, and subject to change control. It is evolved from a summation of approved budgets for specific schedule activities and includes the budget for procurement and costs related to managing the procurement. Cost estimates are aggregated by work packages, then into higher components of the work breakdown structure (WBS), and then for the entire project. Because the cost estimates included in the cost baseline are linked to schedule activities, a time-phased view of the cost baseline is enabled. It is usually depicted as an S-curve. If the project uses earned value management (EVM), the cost baseline is known as the performance measurement baseline. The budget consists of the cost baseline plus the management reserves.
	Project Schedule	The project schedule is the product of a schedule model containing linked activities, including those related to procurement. The schedule also contains planned dates, durations, milestones, and resources for each activity. It is usually formatted as a bar chart, milestone chart, or project schedule network diagram, although tabular formatting may occur. Until resources have been allocated and start and finish dates substantiated, the project schedule is preliminary. A master schedule or milestone schedule is a summary form of the project schedule.

<b>Conduct Procurements (Continued)</b>		
<b>Key Inputs (Cont.)</b>	Seller Proposals	Seller proposals are submitted in response to a procurement document package and contain the information that will be assessed against the source selection criteria to determine the bid(s) that satisfy the criteria. Typically, a seller proposal is separate from a price proposal.
<b>Key Tools &amp; Techniques</b>	Expert Judgment	Expert judgment is judgment based on expertise acquired in a specific area. It is important to consider expertise related to proposal evolution, knowledge about the procurement item and applicable functionality (finance, engineering, design, etc.), negotiation, and pertinent industry regulations and compliance requisites.
	Bidder Conferences	Bidder conferences are meetings between the buyer and aspiring sellers that are conducted prior to proposal submission for the purpose of providing all aspiring sellers with an explicit and common interpretation of the procurement. The meetings must be conducted in a manner that eliminates preferential treatment of any bidder.
	Proposal Evaluation	Proposal evaluation is a data analysis technique utilized to assess proposals in terms of completeness and alignment with procurement documents, the statement of work (SOW), source selection criteria, and any additional documents contained in the bid package.
<b>Key Outputs</b>	Selected Sellers	Selected sellers are aspiring sellers who have been deemed competitive based on the results of the proposal/bid assessment. For more sophisticated, high-value, and/or high-risk procurements, approval by senior management is typically required prior to awarding the contract.

<b>Conduct Procurements (Continued)</b>		
<b>Key Outputs (Cont.)</b>	Agreements	For work to be performed by an external source, a contract between buyer and seller is the type of agreement that is typically utilized. The contract is a mutually binding agreement that commits the seller to provide specified products, services, or results and commits the buyer to pay the seller. It represents a legal relationship subject to remedy through the court system. It contains information such as a schedule with milestone dates, performance reporting criteria, pricing/payment terms, inspection/quality/acceptance criteria, warranties, future support requirements, awards and penalties, insurance/performance bonds, subcontractor approval terms, general terms and conditions, change request procedures, termination clause, and processes for alternative dispute resolution.
	Scope Baseline	The scope baseline is the authorized version of the scope statement, WBS (to the level of work package with individual identification codes), and WBS dictionary. The scope baseline is subject to change control and is compared to actual results to ascertain if any changes, corrective actions, or precautionary actions are required. The WBS, deliverables, assumptions, and constraints contained in the scope baseline must be considered during the performance of procurement activities.
	Schedule Baseline	The schedule baseline is the authorized version of the schedule model. It contains baseline start and baseline finish dates, is subject to change control, and is used as the basis of comparison to actual results. Procurement delivery changes that impact the overall schedule require approval and an update of the schedule baseline.
	Cost Baseline	The cost baseline is the authorized version of the time-phased budget for the project, excluding management reserves, and is subject to change control. It is evolved from a summation of approved budgets for specific schedule activities. Procurement cost changes (labor and/or material) must be incorporated into the cost baseline.

### Conduct Procurements (Continued)

<b>Key Outputs (Cont.)</b>	Resource Calendars	Resource calendars delineate project resource accessibility and are referenced to ensure a reliable schedule. Both the availability of each resource and schedule constraints, such as holidays, time zones, vacations, and work hours, must be considered. Resource calendars must be updated to reflect the availability of sellers.
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### Situational Question and Real World Application

Failure to effectively perform the Conduct Procurements process can result in selected sellers that are not awarded a contract, selected sellers that are inferior to other bidders, and agreements that are unenforceable or heavily favor the buyer or the seller.

#### 15.2.1. Qualified Sellers List

The qualified sellers list is a **list that a buyer can use as a screening mechanism in the procurement process**. It allows a buyer to consider only sellers of services that have met predefined conditions.

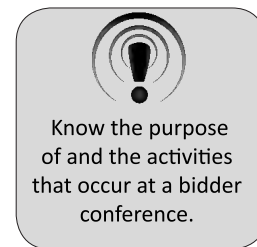
This list can save time by eliminating the preliminary screening process and allowing buyers to make their selection from vendors that have already met the predefined qualifications.



#### 15.2.2. Bidder Conferences

Bidder conferences are meetings that provide potential sellers a forum to ask a buyer questions and obtain clarification about potential issues before creating a proposal. Such conferences can also include a formal presentation by the buyer.

The conferences should let potential sellers ask questions and should make the questions and answers available to anyone considering bidding on the project. Buyer representatives need to be sure that all questions and answers are available to all potential sellers and they must take all reasonable steps to ensure that potential sellers do not collude to inflate pricing.



#### 15.2.3. Noncompetitive Form of Procurement

Typically, noncompetitive procurement is done when there is **only one source for the products** or when the **buyer has an established relationship with the seller** and there are mechanisms in place to ensure that the buyer of the products or services attains a fair price.



If a vendor is selected without competition, there is a chance for inappropriate selection and unreasonable pricing. There should be a mechanism in place to assure that appropriate actions are taken in this area. The two noncompetitive forms of Procurement are defined in the following table.

Sole Source	Single Source
Sole source involves using a company that has no competition. Typically the sole source owns a patent or some other type of intellectual right.	Single source involves choosing a preferred vendor rather than accepting bids from competing vendors. The purchasing organization typically uses a single source if it has a preferred vendor or does not have time to go through the full selection process.

#### 15.2.4. Incentive Fees

An incentive fee is a fee that the **buyer can use to impose a specified standard of productivity on the seller.**

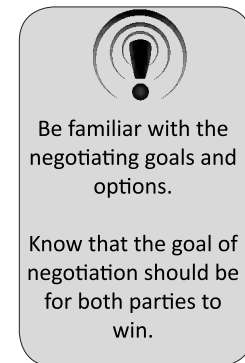
The fee is typically an amount paid to the seller in addition to the base price of the contract.



#### 15.2.5. Negotiations

Negotiations may occur between the buyer and the seller when the buyer is outsourcing work to another company. **Negotiations should result in a win/win situation for both parties.** Although some people believe that one party must win and the other must lose in order to have successful negotiations, the better position is to accept a reasonable price for reasonable work.

There are a number of negotiation strategies that are used in everyday business, some unethically. It is important to recognize these strategies for the exam's situational questions.



Common Negotiation Strategies	
Competition	Using one seller against another to attain the best price or other terms the buyer desires
Deadline	Using a deadline to attempt to get a party to sign the contract
The Boss is Missing	Explaining that a person who is key to the approval is not available



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### 15.2.6. Agreements (Previously called contract awards)

Each selected seller is awarded a procurement contract or agreement.

The contract is a legally binding agreement obligating the seller to provide one or more specified products, services, or results and obligating the buyer to compensate the seller.

The agreement is subject to remedy in the courts. The agreement (contract) may be simple or complex and components vary. Components may include a statement of work or deliverables, performance reporting, period of performance, schedule baseline, roles and responsibilities, seller's place of performance, place of delivery, pricing, payment terms, inspection criteria, acceptance criteria, warranty, product support, liability limits, fees and retainage, penalties, incentives, insurance/performance bonding, approval terms for subordinate subcontractors, handling of change requests, and termination and alternative dispute resolution (ADR) mechanisms.



### 15.2.7. Standard Terms and Conditions

Standard terms and conditions are typically common (non-negotiable) contract items.

They can be subject to negotiation, but generally the company's legal department imposes a tight range of parameters. The range can cover payment options, intellectual property rights, and the ability to subcontract among other parameters.



### 15.2.8. Special Provisions

Special provisions are items typically **added to a contract to account for any standard terms and conditions that will not meet the needs of the work involved**. The buyer and seller negotiate these provisions, which complement any workable standard terms and conditions that have already been defined in the contract as acceptable.

### 15.2.9. Contract Interpretation

Contract interpretation is important in that it can keep the organization out of court or put it in court.

Generally, the contract administrator (reference the Control Procurements process in the subsequent section) should understand what is defined in the contract and interpret that in alignment with general legal opinion.

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The following are sensitive areas in contract interpretation:

- The contract replaces anything that was agreed to before it was signed; if it is not in the contract, it is not a requirement
- All the items of the contract should be completed, including reports, quality control, inspections, etc.
- It's better to spell out numbers than use only the numerical symbols
- Any agreement to modify the contract should be created and signed as an attachment to the contract
- If any changes are made to the contract before it has been signed, the changes should be handwritten and initialed by all parties
- Specific details associated with qualification criteria for the work should be defined at an appropriate level of detail; using verbiage such as "system will work" falls short of "system will perform requirements A through Z listed in the scope of work requirements"

The source for the above text is the Project Management Institute, *A Guide to the Project Management Body of Knowledge, (PMBOK® Guide) – Sixth Edition*, Project Management Institute Inc., 2017, Pages 482-491

### 15.3. Control Procurements (Monitoring and Controlling Process Group)

Control Procurements is the process of administering procurement affiliations, tracking buyer and seller performance, making any necessary adjustments to the contract, and closing the contract, if applicable.

The designated contract administrator verifies the product, service, or result that will be provided by the seller as they fulfill the terms and conditions of the agreement. If there are multiple sellers, the contract administrator is also responsible for **managing interface points** between the providers.

There are a number of project processes that can influence, or be influenced by, this process. They include Direct and Manage Project Work (Project Integration Management), Monitor Communications (Project Communications Management), Control Quality (Project Quality Management), Perform Integrated Change Control (Project Integration Management), and Monitor Risks (Project Risk Management).

The cost aspect of this process involves managing payments due to the seller with a focus on paying only for completed work.

The performance aspect of this process involves a review of each seller's performance against the corresponding agreement. If there are any deficiencies, corrective actions must be established.

