

Planning Process Group Artifacts

12.1 Plan Procurement Management

12.1.3 Procurement Management Plan (Output)

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Deliverable: Procurement Management Plan

by

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April 20, 2017

12.1.3 Procurement Management Plan (Output): The procurement management plan is a component of the project management plan that describes how a project team will acquire goods and services from outside the performing organization. This is an output for the Plan Procurement Management Plan process.

PART 1

12.1.3 Plan Procurement Management

12.1.3.1 Procurement Management Plan

Planning procurement management, is the process of documenting project procurement decisions, specifying the approach, and identifying potential sellers. This will help project teams in determining whether to acquire outside help. If they do, they need to specify what, how, and for how long. Procurement management plan is a component of the project management plan that describes how a project team will acquire goods and services from outside the organization. This plan will show how it will be managed (PMI, 2013). This plan can provide guidance for:

- Risk Issues: zero balance of product and or delays in shipping from seller; this ultimately could delay the delivery of Group 2's finished product.
- Constraints and assumptions: constraint is time; Group 2 is assuming Amazon will deliver training wheels within 24 hrs.
- Sellers: Amazon will be the seller for this procurement
- Type of contract with seller: *firm fixed price contract*; the price of service for the delivery of goods is set at the outset and not subject to change.

12.1.3.2 Procurement Statement of Work

This is developed from the project scope baseline and defines ONLY that portion of the project scope that is to be included within the related contract. This statement needs to precisely address their work, deliverables, time frames and associated costs.

- Identify the sellers: Amazon
- What work will be performed: produce and deliver of training wheels (1 set) so that Group 2 project team can assemble for finished product.
- How this work is going to be done, and for how long?
 - Delivery of training wheels to Group 2 facility from time of order: under 24 hrs
 - Assemble training wheels on bicycle: .5 hrs

12.1.3.3 Procurement Documents

Approach: Group 2 will provide a Request for Quotation (RFQ) when procuring equipment from outside our normal procurement resources, mainly Amazon.com. This document would be a template for our sellers to use to adequately provide their response's to our teams specific demands and work to be done. Group 2 will continue to utilize online resources for procurement of specific parts needed to complete a project. Currently, Group 2 Bicycles has an Amazon Prime account allowing for free shipping and return as well as a proven delivery on time reputation. When at all feasible, project managers will utilize the Amazon procurement resource.

12.1.3.4 Source Selection Criteria

Specific criteria to be used when selecting a subcontractor. Project Management Institute, (2013) lists many selection criteria; we can use need, risk, technical approach, and overall costs.

Next our team needs to document on whether to go with a seller, or maintain within our organization.

Group 2 selection criteria for this procurement, requires a seller that is reliable, on time and inexpensive. This project team has determined, through lessons learned, that Amazon fits their needs for implementing this addition.

12.1.3.5 Make-or Buy Decisions

This analysis results in a decision whether the work can be accomplished by the project team or through outside help. In this case, we ordered materials through Amazon and the labor will be conducted by the project team in their manufacturing facility.

12.1.3.6 Change Requests

This output will deliver Group 2's change request where we are adding training wheels to the bicycle. Change requests involve the procurement of goods, services, or resources which require a change request to be submitted and signed off by our project manager. This change request will add the training wheels, but also update the WBS, schedule, and budget. For more information on the change request and its contents see Part 2.

12.1.3.7 Project Documents Updates

There will be a few project documents that will result from this procurement. An update to the requirements documentation is needed, which has a step-by-step process of the requirements of the bicycle. An update to the risk register will also be needed. There will be additional risk that Group 2 needs to determine based off the addition of the training wheels. Such risk would be a slip of schedule, increased budget, and the hiring of more workers.

PART 2**Project Change Request**

| | |
|--|--|
| Name of Project: Group 2 Bicycle | Project Manager: Matthew Holtan |
| Change Request #: CR02 | Change Request Date: April 23, 2017 |
| Change Request by Name: Customer | Current Project Phase: Procurement |
| Description of Change: Sponsor has requested that training wheels be added to the bicycle. We will be purchasing one set of black, adjustable training wheels (item number #TW12345) and install to current bicycle. | |
| Scope Impact: Our client has requested a change in their order to include installation of adjustable training wheels. Item #12345 meets all the customer's requirements and will meet all Group 2 bicycle requirements for quality and fit. | |
| Schedule Impact: There will not be an additional change to the schedule. Per last change request, customer requested that the bicycle be completed as soon as possible. The training wheels that will be ordered have a required delivery date of April 28th 2017 to allow for the completion of the bicycle no later than the previous delivery date. | |
| Quality Impact: The training wheels will meet all Group 2 bicycle requirements for quality. The quality of the finished product will not be impacted by the addition of the training wheels to the bicycle. | |
| Possible Risks: <ul style="list-style-type: none"> • Training wheels not being delivered by the required delivery date of April 28, 2017. • Less direct control over subcontract processes. • The quality of finished product may suffer if subcontractors do not complete the task properly. | |
| Reviewed by: Project Team | Position: Approval by Group 2 Project Manager |
| Recommended Action: Approve or Reject | Approve |

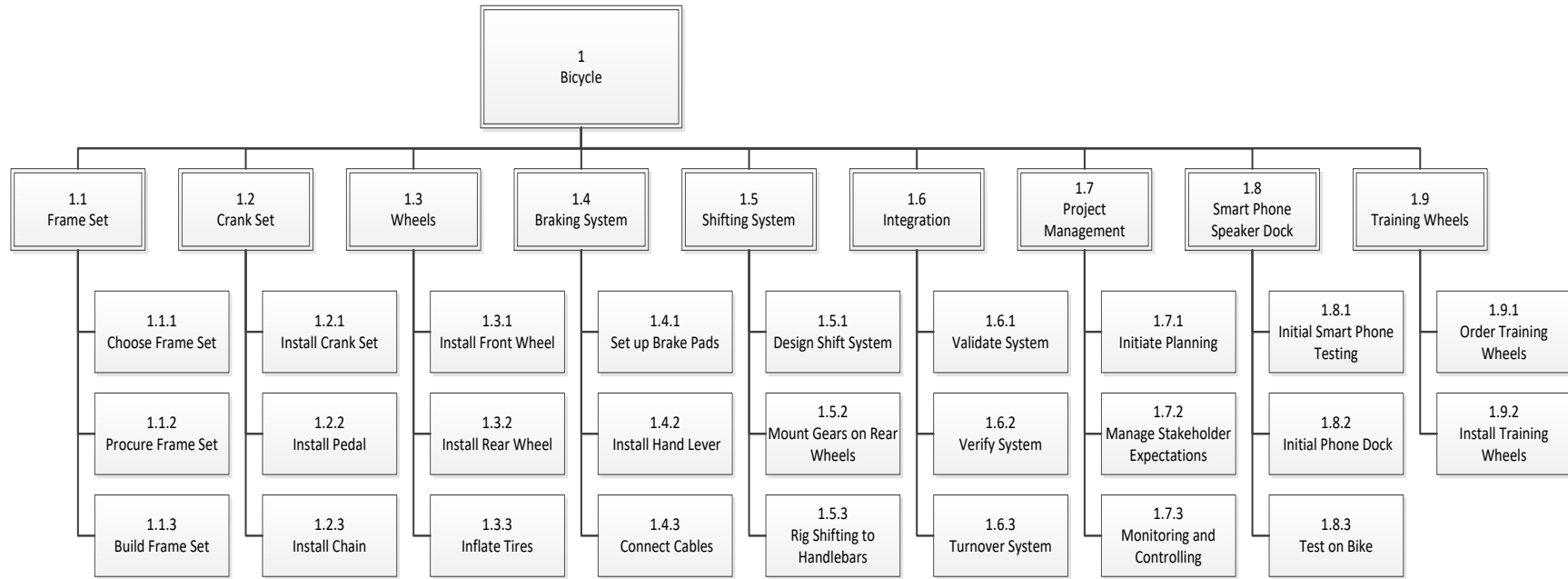


Figure 1. Updated WBS with Training Wheels

Table 1. Updated Schedule

| Task Name | Duration | Start | Finish | Successors | Predecessors |
|---------------------------------------|------------------|--------------------|--------------------|------------|--------------|
| 1.0 Bicycle Project | 3.4 hrs | Mon 4/10/17 | Mon 4/10/17 | | |
| 1.1 Frame Set | 0.11 days | Sun 4/9/17 | Mon 4/10/17 | | |
| 1.1.1 Choose Frame Set | 0.1 hrs | Sun 4/9/17 | Sun 4/9/17 | 4,19 | |
| 1.1.2 Procure frame set | 0.1 hrs | Mon 4/10/17 | Mon 4/10/17 | 5,11,12,7 | 3 |
| 1.1.3 Build frame set | 0.75 hrs | Mon 4/10/17 | Mon 4/10/17 | 16 | 4 |
| 1.2 Crank Set | 0.07 days | Mon 4/10/17 | Mon 4/10/17 | | |
| 1.2.1 Install Crank Set | 0.25 hrs | Mon 4/10/17 | Mon 4/10/17 | 8 | 4 |
| 1.2.2 Install Pedal | 0.1 hrs | Mon 4/10/17 | Mon 4/10/17 | 9 | 7 |
| 1.2.3 Install Chain | 0.2 hrs | Mon 4/10/17 | Mon 4/10/17 | 21 | 8,12 |
| 1.3 Wheels | 0.03 days | Mon 4/10/17 | Mon 4/10/17 | | |
| 1.3.1 Install Front Wheel | 0.1 hrs | Mon 4/10/17 | Mon 4/10/17 | 13 | 4 |
| 1.3.2 Install Rear Wheel | 0.1 hrs | Mon 4/10/17 | Mon 4/10/17 | 9,13 | 4 |
| 1.3.3 Inflate Tires | 0.1 hrs | Mon 4/10/17 | Mon 4/10/17 | 15,20 | 11,12 |
| 1.4 Braking System | 0.08 days | Mon 4/10/17 | Mon 4/10/17 | | |
| 1.4.1 Set up brake pads | 0.2 hrs | Mon 4/10/17 | Mon 4/10/17 | 17 | 13 |
| 1.4.2 Install hand lever | 0.1 hrs | Mon 4/10/17 | Mon 4/10/17 | 17 | 5 |
| 1.4.3 Connect cables | 0.25 hrs | Mon 4/10/17 | Mon 4/10/17 | 21 | 15,16 |
| 1.5 Shifting System | 0.2 days | Mon 4/10/17 | Mon 4/10/17 | | |
| 1.5.1 Design shift system | 0.5 hrs | Mon 4/10/17 | Mon 4/10/17 | 20 | 3 |
| 1.5.2 Mount gears on rear wheels | 0.25 hrs | Mon 4/10/17 | Mon 4/10/17 | 21 | 13,19 |
| 1.5.3 Rig shifting to handlebar | 0.1 hrs | Mon 4/10/17 | Mon 4/10/17 | 23,31,33 | 20,9,17 |
| 1.6 Integration | 0.25 days | Mon 4/10/17 | Mon 4/10/17 | | |
| 1.6.1 Validate System | 0.5 hrs | Mon 4/10/17 | Mon 4/10/17 | 24 | 21 |
| 1.6.2 Verify system | 0.5 hrs | Mon 4/10/17 | Mon 4/10/17 | 25 | 23 |
| 1.6.3 Turnover System | 1 hr | Mon 4/10/17 | Mon 4/10/17 | 35 | 33,29,24,32 |
| 1.7 Project Management | 0.22 days | Sun 4/9/17 | Mon 4/10/17 | | |
| 1.7.1 Initiate Planning | 0.5 hrs | Sun 4/9/17 | Sun 4/9/17 | 28 | |
| 1.7.2 Manage Stakeholder Expectations | 0.5 hrs | Mon 4/10/17 | Mon 4/10/17 | 29 | 27 |
| 1.7.3 Monitoring and Controlling | 0.75 hrs | Mon 4/10/17 | Mon 4/10/17 | 25 | 28 |
| 1.8 Smart Phone Speaker Dock | 0.09 days | Mon 4/10/17 | Mon 4/10/17 | | |
| 1.8.1 Initial Smart Phone Testing | 0.5 hrs | Mon 4/10/17 | Mon 4/10/17 | 32 | 21 |
| 1.8.2 Install Phone Dock | 0.2 hrs | Mon 4/10/17 | Mon 4/10/17 | 25 | 31 |
| 1.8.3 Test on bike | 0.5 hrs | Mon 4/10/17 | Mon 4/10/17 | 25 | 21 |

| | | | | | |
|-------------------------------|--------------|--------------------|--------------------|----|----|
| 1.9 Training Wheels | 1 day | Mon 4/10/17 | Mon 4/10/17 | | |
| 1.9.1 Order Training Wheels | 0.1 hrs | Mon 4/10/17 | Mon 4/10/17 | 36 | 25 |
| 1.9.2 Install Training Wheels | 0.5 hrs | Mon 4/10/17 | Mon 4/10/17 | | 35 |

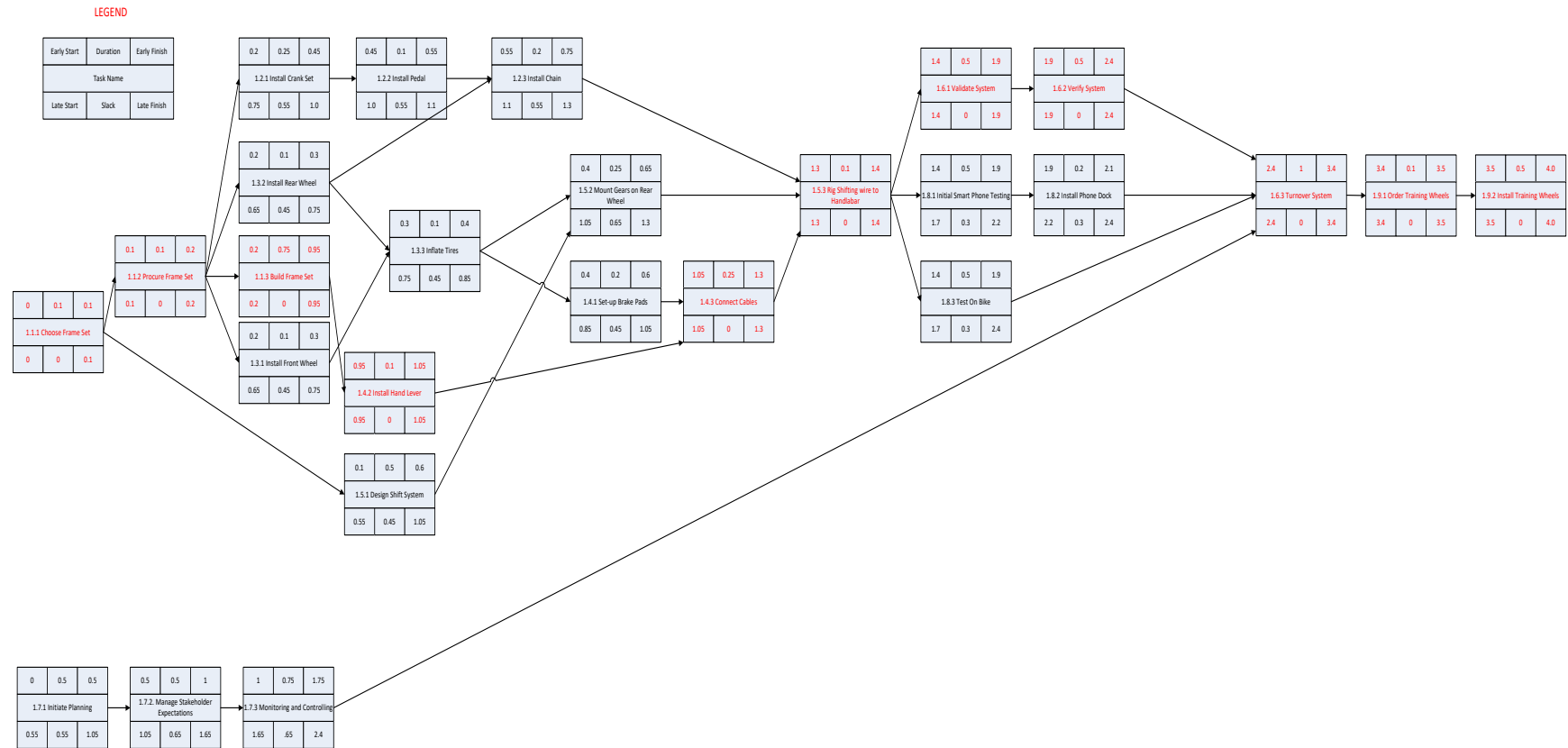


Figure 2. Updated AON with Training Wheels

Table 2. Updated Budget

| <u>WBS Element</u> | <u>Cost Variable</u> | <u>Estimate Summaries</u> |
|-------------------------------|------------------------------|---------------------------|
| 1.1 Frame Set | Labor | \$379.00 |
| | Travel / Shipping | \$0.00 |
| | Material | \$314.71 |
| | Subcontracts | \$0.00 |
| | ODC | \$0.00 |
| | Estimated Total Cost: | \$693.71 |
| 1.2 Crank Set | Labor | \$93.75 |
| | Travel / Shipping | \$4.97 |
| | Material | \$124.18 |
| | Subcontracts | \$0.00 |
| | ODC | \$0.00 |
| | Estimated Total Cost: | \$222.90 |
| 1.3 Wheels | Labor | \$50.00 |
| | Travel / Shipping | \$14.95 |
| | Material | \$99.95 |
| | Subcontracts | \$0.00 |
| | ODC | \$0.00 |
| | Estimated Total Cost: | \$164.90 |
| 1.4 Braking System | Labor | \$50.00 |
| | Travel / Shipping | \$0.00 |
| | Material | \$15.99 |
| | Subcontracts | \$0.00 |
| | ODC | \$0.00 |
| | Estimated Total Cost: | \$65.99 |
| 1.5 Shifting System | Labor | \$100.00 |
| | Travel | \$0.00 |
| | Material | \$70.00 |
| | Subcontracts | \$0.00 |
| | ODC | \$0.00 |
| | Estimated Total Cost: | \$170.00 |
| 1.6 Integration | Labor | \$62.50 |
| | Travel | \$0.00 |
| | Material | \$0.00 |
| | Subcontracts | \$0.00 |
| | ODC | \$0.00 |
| | Estimated Total Cost: | \$62.50 |
| 1.7 Project Management | Labor | \$0.00 |
| | Travel | \$0.00 |
| | Material | \$0.00 |

| | | |
|-------------------------------------|------------------------------|----------|
| | Subcontracts | \$0.00 |
| | ODC | \$100.00 |
| | Estimated Total Cost: | \$100.00 |
| 1.8 Smart Phone Speaker Dock | Labor | \$117.50 |
| | Travel | \$0.00 |
| | Material | \$69.99 |
| | Subcontracts | \$0.00 |
| | ODC | \$0.00 |
| | Estimated Total Cost: | \$187.49 |
| 1.9 Training Wheels | Labor | \$50.00 |
| | Travel | \$0.00 |
| | Material | \$29.99 |
| | Subcontracts | \$0.00 |
| | ODC | \$0.00 |
| | Estimated Total Cost: | \$79.99 |

| | | |
|--------------------------------|------------------------------|------------|
| Total Costs per Bicycle | Labor | \$902.75 |
| | Travel/ Shipping | 19.92 |
| | Material | \$724.81 |
| | Subcontracts | \$0 |
| | ODC | \$100 |
| | Estimated Total Cost: | \$1,747.48 |

Procurement Letter of Correspondence

ACME Bicycle Suppliers
April, 2017 Akron, Ohio

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Procurement Officer,

Group 2 Bicycles will be purchasing item number #TW12345, Training wheels, set, 1 ea. black. The above requested item(s) are required to be delivered to the above address no later than 28 April, 2017 to installed on our project bicycle.

- Scope: Our client has requested a change in their order to include installation of adjustable training wheels. Item #12345 meets all the customer's requirements and will meet all Group 2 Bicycle requirements for quality and fit.
- Schedule: Item #12345 has a required delivery date of 28 April, 2017 to allow for the completion of the bicycle no later than the previous delivery date.
- Budget: Your website has a price of \$29.99 with free shipping. If the amount is different, immediate notification to Group 2 Bicycles is required.

To continue the long and mutually beneficial relationship between our two businesses, please notify Group Two Bicycle immediately if the delivery date and costs estimate is not possible. Thank you for your continued great service.

Project Manager Order #123456

Group 2 Bicycle

References

Project Management Institute. (2013). A guide to the project management body of knowledge (PMBOK Guide). Project Management Institute.