

Procurement Do's and Don'ts for a Robust Program

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With historic lead times, labor shortages, and increasing demand for faster project timelines, suppliers, consultants, and contractors are key components of program success. Your approach to procurement can impact the program's schedule, and ultimately your bottom line.

DON'T: OVERVALUE YOUR CASH (RESERVES) WHEN SCHEDULE IS OF UTMOST IMPORTANCE.

Just-in-time delivery is a transformational accounting concept to get the most value out of your cash by holding off on spending money until the last minute. It's a legitimate and valuable strategy for some projects. However, when a project requires critical equipment with a contractual project deadline, we urge our clients to be cognizant of the risks and potential impacts of just-in-time delivery.

If you have an aggressive, contractual project deadline, it might be worth spending money early to receive critical equipment early and establish schedule security. While there are costs incurred from early equipment delivery (such as holding equipment in warehouses and loss of interest earnings), the cost of late delivery is often greater. Late delivery can mean paying a contractor standby time, hefty contractual penalties for late completion, or lost revenue. Just-in-time delivery in the current supply chain market can lead to late projects, resulting in loss of trust, reputation, and revenue.

DO: CONSIDER YOUR SELECTION CRITERIA CAREFULLY BEFORE RELEASING A BID.



Will you award contracts based primarily on cost or on overall value? With a cost-based selection, it's critical to specify requirements and include ample project detail in the request for proposal, also known as RFP, to set the groundwork for comparable bids. Greater detail up front reduces the potential for change orders in the future. When details are lacking for a quality, low-bid event, we prefer a value-based selection over cost-based.

However, when a project is on an expedited schedule, or lead times are so far out that design may only be 30% or 60% complete when you need to get suppliers under contract, upfront detail isn't always feasible. Developing equipment supplier contracts early enables the team to reserve production slots for major equipment while the design team is developing

more detailed requirements after contracts are signed. For organizations accustomed to bidding out equipment at 60% or more complete, this will take some workflow redesign and culture shift upfront.

If an organization is required to accept the lowest cost bid and the timeline is compressed, we recommend making the schedule a critical technical requirement such that bidders who do not meet the schedule or do not provide sufficient schedule detail are disqualified.

DON'T: WAIT TO GET YOUR DESIGNER ON BOARD.

Lead times and market fluctuations are a moving target. Bring a designer on board early to start specifying equipment and working with equipment manufacturers to avoid delays or increased costs down the road. The designer can help write design standards, perform an alternative analysis, and strategically develop optional pricing to allow for early procurement while mitigating risks.

DO: CONSIDER BUNDLING EQUIPMENT CONTRACTS FOR MULTIPLE PROJECTS WHEN POSSIBLE.


Suppliers are in high demand in our current economy so it can be a challenge to entice multiple vendors to participate in a bid event. Bundling projects to increase the size of the contracts is one way for your RFP to be more marketable. Not only may you get more competitive pricing, but it saves you time and money in bid administration and contract negotiation as well.

DON'T: ASSUME INDUSTRY LANGUAGE IS CLEAR AND UNDERSTOOD BY ALL BIDDERS IN YOUR RFP.

Take the time to define common terms you are using in your bidding documents when describing the scope or specifications. It's easy to assume we're all speaking the same colloquial language, but it's worth the time to define terminology upfront to avoid misunderstandings after you're already under contract.

DO: RE-EVALUATE YOUR CRITICAL PATH OFTEN.

When a project can accelerate one critical path, a new critical path is created. In the case of early equipment delivery, it's important to ensure the project site is ready to receive and install the equipment. This can include associated equipment

footings and personnel for installation. If equipment is delivered early, it's important to consider new schedule challenges resulting from the change. 



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