

MAKE-OR-BUY ANALYSIS

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Plan Procurement Management

Plan procurement management is the process of documenting project procurement decisions, specifying the approach, and identifying potential sellers (PMI, 2013). The purpose of this process is really to determine if there exists a need for outsourcing and if so then determine the what is needed, how to acquire the help and how much, and when it will be needed. The procurement process will enable the project manager to identify the specific products, services or results that must be acquired outside of the project team's capabilities as well as those that can be accomplished by the project team. This process also involves the selection of the potential vendors through an evaluation process. Each make-or-buy analysis conducted during this process will arm the project manager with the information they will need to make informed, low risk decisions concerning procurement.

In a global setting careful thought must be given during the evaluation of potential vendors to outsource too. There could be international laws, rules, or regulations that could prohibit a vendor commonly used in other projects. You might want to consider vendors commonly used in the country where the project is taking place in order to avoid potential issues of this nature. It would also be wise when determining to make-or-buy on knowing the available resources to you in the international project you are managing. It's possible you might have resources available you might not have consider on your usual projects.

When taking over a failing project you will have to re-evaluate this process and the decisions that were made. It is possible that the project could be failing due to either taking on too much work internally and not outsourcing enough or vice versa. When re-accomplishing this process the focus should be on the make-or-buy analysis first. Once you have determined if there are any issues from the original procurement process then you will need to take a look at the vendors

being used for outsourcing. You need to determine if there was a good evaluation process in place to correctly choose the vendors. Once complete you should be able to restructure the procurement plan for project success.

One of the primary tools our group would use is the make-or-buy analysis. A make-or-buy analysis is a general management technique used to determine whether particular work can be accomplished by the project team or should be purchased from outside sources (PMI, 2013). This technique will enable the project manager to make informed decisions on what needs to be outsourced. The other technique we would use is market research combined with a vendor evaluation process. Procurement teams may leverage information gained at conferences, online reviews and a variety of sources to identify market capabilities (PMI, 2013). This information will be vital in selecting the right vendors for the job.

References

Larson, E. & Gray, C. (2014). *Project Management: The Managerial Process* (6th ed.). New York, NY. McGraw Hill Education.

Project Management Institute (PMI). (2004). *A guide to the project management body of knowledge (PMBOK guide)*. Newtown Square, Pa: Project Management Institute.