

PROCUREMENT DOCUMENTS

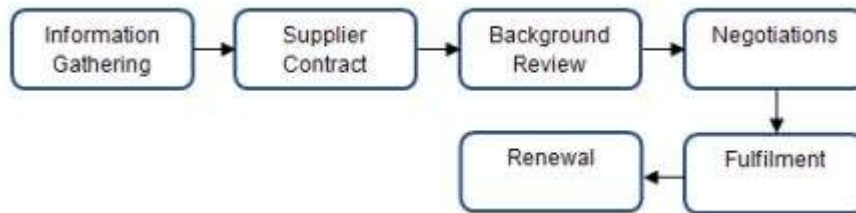
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Introduction

In order to understand procurement documents, it is important to understand the term *Procurement Management*.

Procurement is the purchase of goods and services at the best possible price to meet a purchaser's demand in terms of quantity, quality, dimensions and site.

The procurement cycle in businesses work, which follows the below steps:



- **Information Gathering** - A potential customer first researches suppliers, who satisfy requirements for the product needed.
- **Supplier Contact** - When a prospective supplier has been identified, the customer requests for quotations, proposals, information and tender. This may be done through advertisements or through direct contact with the supplier.
- **Background Review** - The customer now examines references for the goods/services concerned and may also consider samples of the goods/services or undertake trials.
- **Negotiation** - Next the negotiations regarding price, availability and customization options are undertaken. The contract regarding the purchase of the goods or services is completed.
- **Fulfilment** - Based on the contract signed, the purchased goods or services are shipped and delivered. Payment is also completed at this stage. Additional training or installation of the product may also be provided.
- **Renewal** - Once the goods or services are consumed or disposed of and the contract has expired, the product or service needs to be re-ordered. The customer now decides whether to continue with the same supplier or look for a new one.

Documents involved in the procurement cycle are called procurement documents. Procurement documents are an integral part of the early stages of project initiation.

The purpose of procurement documents serves an important aspect of the organizational element in the project process. It refers to the input and output mechanisms and tools that are put in place during the process of bidding and submitting project proposals and the facets of work that make up a project.

In a nutshell, procurement documents are the contractual relationship between the customer and the supplier of goods or services.

Examples of Procurement Documents

Some examples of what constitutes procurement documents include the buyer's commencement to bid and the summons by the financially responsible party for concessions.

In addition, requests for information between two parties and requests for quotations, and proposals and seller's response are also parts of procurement documents.

Basically procurement documents comprise of all documents that serve as invitations to tender, solicit tender offers and establish the terms and conditions of a contract.

Types of Procurement Documents

A few types of procurement documents are:

- **RFP** - A request for proposal is an early stage in a procurement process issuing an invitation for suppliers, often through a bidding process, to submit a proposal on a specific commodity or service.
- **RFI** - A request for information *RFI* is a proposal requested from a potential seller or a service provider to determine what products and services are potentially available in the marketplace to meet a buyer's needs and to know the capability of a seller in terms of offerings and strengths of the seller.
- **RFQ** - A request for quotation *RFQ* is used when discussions with bidders are not required *mainly when the specifications of a product or service are already known* and when price is the main or only factor in selecting the successful bidder.
- **Solicitations:** These are invitations of bids, requests for quotations and proposals. These may serve as a binding contract.
- **Offers** - This type of procurement documents are bids, proposals and quotes made by potential suppliers to prospective clients.
- **Contracts** - Contracts refer to the final signed agreements between clients and suppliers.
- **Amendments/Modifications** - This refers to any changes in solicitations, offers and contracts. Amendments/Modifications have to be in the form of a written document.

Structure of a Procurement Document

Most procurement documents adopt a set structure. This is because it simplifies the documentation process and also allows it to be computerized.

Computerization allows for efficiency and effectiveness in the procurement process. In general, procurement documents have the following attributes:

- Requires potential bidders to submit all particulars for the employer to evaluate the bidder.
- All submissions to be set out in a clear and honest manner to ensure that the short-list criterion is unambiguous.
- Clear definition of the responsibilities, rights and commitments of both parties in the contract.
- Clear definition of the nature and quality of the goods or services to be provided.
- Provisions without any prejudice to the interests of either party.
- Clear and easy to understand language.

Commonly Encountered Procurement Documents

- **Engineering and Construction Work**
 - **Minor/Low Risk Contracts:** In this type of contract, services are required by an organization for a short period and the work is usually repetitive. Hence, this type of contract does not require high-end management techniques.
 - **Major/High Risk Contracts:** Here, the type of work required is of a more difficult nature and here the implication of sophisticated management techniques is required.
- **Services**
 - **Professional** - This requires more knowledge-based expertise and this requires managers, who are willing to put more time and effort into seeking research in order to satisfy the customer's criteria.

- Facilities - More often than not, in this type of service the work outsourced is the maintenance or operation of an existing structure or system.

- **Supplies**

- Local/Simple Purchases - Goods are more readily available and hence does not require management of the buying and delivery process.
- International/Complex Purchases: In this case, goods need to be bought from other countries. A manager's task is more cumbersome and a management process is required to purchase and delivery. In addition, the manager needs to look into cross-border formalities.

Conclusion

In most organizations, the procurement department is one of the busiest. Managers need to purchase goods or services required for the smooth running of their organization.

For example, in a hospital, a procurement manager needs to purchase medicines and surgical instruments among others. These goods and services need to be purchased at the lowest possible cost without any deficit in quality.

The documentation that passes between the procurement manager of an organization and a supplier are the procurement documents.

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