

PROCUREMENT MANAGEMENT PLAN

NICKELODEON PROJECT

XYZ

EXECUTIVE SUMMARY

This assignment is based upon the solution for Nickelodeon Project case study; the purpose of this assignment is to provide professional procurement plan to Nickelodeon team. This project is focusing upon describing upon management of project procurement process. Type of project recommended for Nickelodeon project is Contract and Design project, this would be helpful for project to not only get contract for the project, but it is also helpful to get designing for the project. This designing would be essential for Nickelodeon to get idea in assigning tasks to specific person. Plans have been presented to manage the cost and operations regarding labor force of 1600 based upon Fly-in and Fly-Out (FIFO). Tendering CRA would be helpful for organization to not to only reduce organizational and operational cost but it is also helpful to get support from government. Type of contract assigned for the project is Requirement Contract, the reason to choose this type of contract is to avoid warehouse charges. At the end a process has been assigned for Nickelodeon Project so that they may manage all the risks related to project in effective manner.

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1- INTRODUCTION

1.1- IDENTIFICATION

The report focuses on providing the solution to Nickelodeon Project based on issue identified in case study; the purpose of this assignment is to provide professional procurement plan to Nickelodeon team. This project is focusing upon describing upon management of project procurement process. This report will be focusing upon project background, goals, and objective of this case, types of projects and its scope. This report will also focus upon analysis of contract and risk management plan. At the end some recommendations will also be drawn for the Nickelodeon project. A client company has to conduct a work upon different options in order to generate a preferred concept for nickel mine opportunity. There is no investigation made upon geotechnical and geohydrology. Client wants to have an engagement with contracting company in order to approve the project. Target schedule for feasibility statement is approximately 12 months. It is needed to be work with one of leading contractors. After approval, project will be entering in project execution phase; target schedule of project execution is estimated as 48 months approximately.

1.2- PROJECT BACKGROUND

Nickel Mine company is located in Kumahatata that is located in the African Continent. Infrastructure of Nickel Mine includes offices, accommodations as well as aerodrome. Electrical power supply is 250km away from the mine site; transportation is also available for incoming operating supplies. Transportation will be made through trucks that are 300 km away from Bulaka. 100km distance is for gravel roads, 200 km for existing highways toward Bulaka. Upgrading is related to importing facilities at Adnanac Port to Tejas, a western country. Railroad Transportation is having no issue related to cross country border. Lake Mariachi is 50km in Tejan Land.

Mine site is located in river watershed; which is having almost 1500m.a.s.l altitude; maximum and minimum temperature on average is considered 26C and 16C. Precipitation ranges from 900-1400mm/year. Rain fall is mainly on March-May and October-December. Current mineral Resources are 48M tons of Nickel Sulphide. Mine is merchandizing with the help of electric jumbos, drills and bolting units. Final Tailing is deposited in two disposal facilities, each is having two cells. Power supplied is done with 250km from site. Fresh water comes approximately 15km away from site. Water will be sued as to meet required specifications.

1.3- GOALS

The goal for this assignment is to make proper full fledge procurement plan for Nickelodeon Project in order to get manage the delivery of entire project. The purpose is to provide well developed infrastructure for procurement management.

1.4- OBJECTIVES

The basic purpose of this procurement plan is to determine how procurement management plan will be done. Here are following objectives for this assignment:

- To select a type of project for Nickelodeon Project
- To determine the scope of project
- To analyze the benefits for stakeholders and sponsors
- To make a risk management plan for the organization
- To determine to whom the tender should be assigned



1.5- STATUS AND SCHEDULE

There is no planned periodic update of these documents unless the scope of Nickelodeon project changes or any significant changes in supply chain management processes are made.

2- TYPES OF PROJECTS

2.1- DIFFERENT TYPES OF PROJECTS:

⇒ **Construct Only:** this strategy is used mainly in case of traditional or lump sum contracting. This type of strategy is used only to construct a contract. Contractor then put a lump sum price for construction process of whole work. No design is provided to owner and owner may face different types of difficulties to assign responsibilities (Murray, 2009).

⇒ **Design and Construct:** under this strategy, owners not only develop construct analysis but designs are also provided; tender also provides the design completion that which person will do what. The contract price for designing and building is often considered higher than separate design and construction work as well. In this way, owner may lose his control over the quality of design as well as specifications for the projects. Subset in this type of strategy includes designing, construction, commission, financing, engineering and managing trade consultants (Percy, 2008).

⇒ **Construction Management:** in this type of procurement management project, the owner has a contract with specialist trade contractors; these projects are managed and overseen by manager. In this type of project management, whole project is monitored through

designing phase to accrual construction of work is done by manager. Employer has also the opportunity to monitor budget closely by making cost savings (Murray, 2009).

⇒ **Management Contracting:** this strategy is helpful for owners to enter into agreement with management contractor. Owner pays construction cost as well as management cost for the management services. It is helpful to accommodate flexibility in design changings. This type of strategy is helpful to make continual improvement, building good public relations, innovations time and quality outcomes. The main thing required for this type of management is commitment, trust and discipline (Mossel, 2007).

2.2- SELECTED PROJECT TYPE FOR NICKELODEON

The selected type of project for Nickelodeon Project is **Design and Construct**; the reason to select this type of procurement strategy is to design contract for the organization as well as to design the allocation of duties to different responsible persons. This type of procurement type is helpful for mostly large scale heavy engineering organization as well as in manufacturing plants. As Nickelodeon is related to extraction of mines, then this strategy will be helpful for Nickelodeon on order to get successful results from Procurement Plan.

2.3- SCOPE:

The basic scope of this plan is to describe processes, procedures, roles and tactical steps needed to be used in Nickelodeon Project; purchase orders as well as material logistics scope for mining program. The scope of this procurement plan is valid only for nickel mine projects, particularly for Kumahatata.

2.4- ASSUMPTIONS

There are following assumptions that have been in this aspect:

- Government policies are not changing for next five years.
- There would be not any fire threat.
- Company is operating in highly innovative environment.
- There is no legal pressure upon the Nickelodeon Project.
- Suppliers will continue to supply Nickel Mines in the market.
- Economy will not have any influence upon Nickelodeon Project.
- There is no partnership risk to the Nickelodeon.
- Business objectives are constant.

3- STAKEHOLDERS/SPONSORS

3.1- STAKEHOLDERS

There are following stakeholders for Nickelodeon project:

- Competitors
- Employees
- Customers
- Suppliers
- Labor Unions
- Local communities
- Investors
- Government Perspectives
- Regulatory Agencies
- Environmentalists
- National Communities

3.2- SPONSORS

Triple N Nickel Co. is considering the sponsor for Nickelodeon project. He solely will manage all the elements of project and solely accountable for all the planning in Nickelodeon Project. It is needed to project sponsor to get familiar with Nickelodeon project.

3.2.1- Sponsors Roles and Responsibilities:

Triple N Nickel Co is having following responsibilities described by Puschmann (2005):

- To work for client's interest.
- Risks should be clear mentioned and managed.
- It must be capable to manage all the risks.
- Clients' needs and demands must be identified.
- Coordinate with the input.
- Project brief must be prepared
- Consultants and contractors must be appointed.
- Coordinate with the teamwork.
- Consultant and contractor must be applied by Triple N Nickel Co
- Procurement strategy must be developed.
- A focal point for all clients must be provided.
- For project progress a formal report must be maintained.
- Feedback from project must be ensured.
- It must observe whether the project is meeting department's interest and objectives.
- It must also arrange that what good and bad lessons have been learnt from this project management.

3.2.2- Ability and Training

It is essential for Nickelodeon project to provide proper training to its sponsors. It must also identify the difficulties related to project sponsorship role. It is also considered essential to provide proper training to sponsor. These training must be provided either at workplace or some other outdoor places. Training is needed to provide to fill skills gaps if Triple N Nickel Co possesses any of them (Simth at el, 2004). Skills are needed to be providing within 3 month periods before the job or project starts. Training may be provided by senior management or through written case studies. Sometime project sponsors are often lost after completion of a certain project, and projects' scarce and valuable resources may be waste. To overcome this fear or risk, Nickelodeon may extend the services of Triple N Nickel Co in other departments. By this way, Nickelodeon may possess its scarce resources as well as another benefit may be achieved

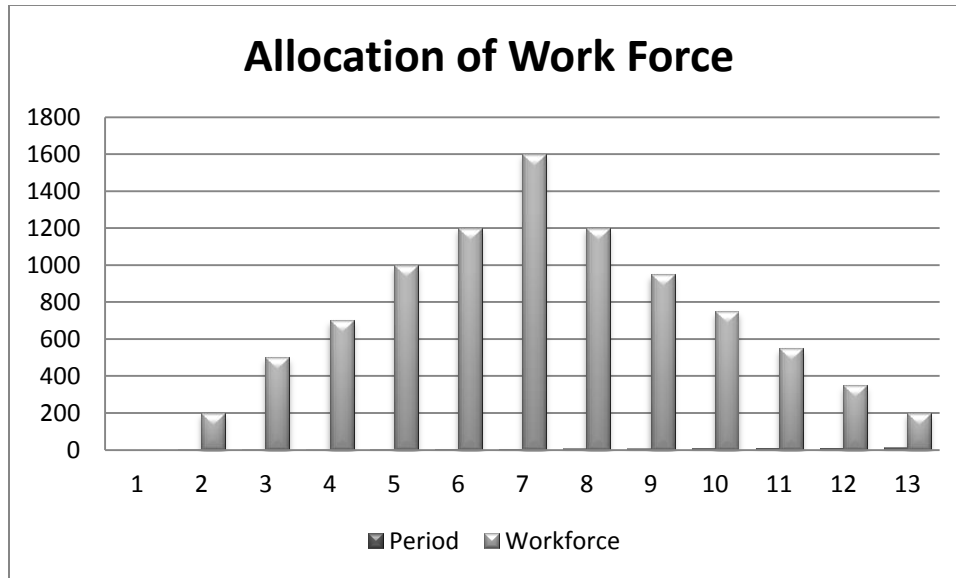
that next time, project manager has not to assign another sponsor for further projects. In this way, training cost may also be reduced (Ertem, 2010).

4- FLY IN-FLY OUT (FIFO)

The project has accommodated the workforce in workplace; there is large work force, and it is required to accommodate this large number of people. Anticipated workforce for Nickelodeon Project is 1600 people; this has been divided into three groups; Group A is consisted of 750 people based upon the task of mining extraction; Group B is consisted of 550 people, that is related to coal handling for the project, Group C is consisted of 400 people; the basic duty of this group is to refine the mine extracted by other workers.

The workforce expected for this project is based upon age group 20-35; and all labor force would be male. From this age profile, it can be concluded that most of these workers will be single with no family dependents or they would have only young families. The extraction workforce will be accommodated in construction accommodation village. A person is required to be in accommodation village during work to manage site; there would be two shifts. Rail workforce is needed to be accommodating five villages that are along the rail line; additional accommodation would be provided to anticipate number of transport personnel. One shift would be of 12 hours approximately. Below figure represents the construction number of workforce for 12 to 18 months.

Fig-



A large number of personnel will expect to be transferred as per FIFO arrangement. To reduce traffic problems bus services will be provided instead of rail services in certain areas.

In an effort to reduce the amount of project related traffic using roads around the area, bus services will be provided from a number of regional centers to transfer workers to site. When the work will be started at project site, then a restriction will be imposed upon labors to leave the mining area. Bus service will be provided to personnel when their shift will be completed. Workers that want to drive to site will require specific approval from management side. The work will have to be done on 21 days on and remaining days off in a month. Average annual cost toward labor has been summarized as below:

Labor Average Annual Cost

Category	Amount Each (\$)	No at Full Production	Coverage
Level 1	360000	2	Senior site executive, operations manager
Level 2	250000	7	Managers
Level 3	185000	14	Senior professionals
Level 4	155000	43	Surveyor
Level 5	150000	12	Junior professional
Level 6	145000	3	Shift supervisor
Level 7	140000	30	Supervisors
Level 8	110000	11	Senior technician
Level 9	85000	62	Administration Staff
Level 10	65000	2	Trainee

Total		186	
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Award based Annual Cost

Category	Amount Each (\$)	Description	Application
Shift Operator	154344	continuous roster	Blast Crew
	161620	continuous roster	Equipment Operator
Maintenance	154344	continuous roster	Fleet Maintenance

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5- TENDERING CRA

4.1- TENDERING CRA:

CRA is helpful to rate the project as well as to monitor the project during tenure of project. Here are following objectives of Nickelodeon Project:

- **Overall Project Objective:** the basic purpose is to introduce Procurement Reform as well as supporting infrastructure that may provide best value to Nickelodeon project that may meet all key project objectives (Cheng, 2012).
- **Financial Management:** it's another purpose is to ensure the financial management by employing modern and innovative technology in all business decisions (Cheng, 2012).
- **Innovation:** to ensure that innovation has been achieved through the help of business transformation initiatives (Du, 2009).
- **Stakeholder Satisfaction:** high level of satisfaction may be increased through enhanced stakeholder relationships. Consultation with CRA is required in order to develop CRA procurement Reform Initiatives (Dumond, 1996).
- **People Management:** this is required to support employees in changing environment. It is helpful to understand the need of change within organization (Cheng, 2012).

4.2- CRA Contribution to Procurement Reforms:

CRA may provide following benefits to Nickelodeon Project:

4.2.1- Measurable and Significant Benefits:

CRA is having unique authorities that are combined with skilled and knowledgeable contracting that may result in cost saving to the project and this project continues. There may be arrangement of different contracts on competitive basis that are helpful to promote long term relationships to

goods and services that are providing good value basis. The benefits to Nickelodeon projects are as follows presented by Allal-Chérif (2011):

- Cost saving because of volume discounts
- Timely acquisitions of office supplies as well as mining equipment within 24 to 48 hours.
- Reduction in maintenance cost of different equipment required for mining process.
- Through standardized products, there would be user compliance to Nickelodeon.
- Vendor compliance to pricing, terms and conditions of contracts.
- Good partnership with suppliers.
- Internal business processes may be standardized.

These are the price reductions that may be achieved with the help of CRA Strategic Sourcing:

CRA STRATEGIC SOURCING	%age REDUCTION
Office Supplies	5% to 48%
Paper	33%
IT	23%
Short Run Expenses	14%
Mining Equipment	25%

4.2.2- Innovation:

Strategic sourcing is helpful to win the admiration from internal clients to quick and efficient price reduction in different aspects. This would be helpful for Nickelodeon to win award in future. CRA procurement plan is helpful to won medal to work for government operations. CRA is helpful to improve procurement solutions for internal and external clients of organizations (Buxmann, 2008).

4.2.3- Transferability:

CRA is helpful for Nickelodeon project to maintain strategies, best practices, lessons from government department and agencies. The business process design made under this form of project may easily be transferred to any other project (Buxmann, 2008).

4.2.4- Advancing Professionalism:

CRA is helpful to design and classify a skilled and knowledgeable administration in order to facilitate the new accountabilities and authorities. This is helpful to bring right mixture of knowledge and experience in order to manage complex nature of Nickelodeon Project. This leading edge environment is a key to success to beat competitors as well as to retain high skill individuals (Humphreys, 2001)

By tendering CRA, it would be very advantageous for Nickelodeon to get close to the policy of government and to make strategies accordingly. Moreover, it is also helpful to get grants from government in term of cost reduction as well as cost reduction. In this way, it can be said that CRA is helpful to maintain competitiveness and to beat competitors through best polices of CRA. Economies of scale will also be achieved from CRA and this would be helpful to enhance project profit, too. There are number of projects depending upon CRA to get innovation in their products and to get concession in order to become the market leader by attracting most internal and external stakeholders. Stakeholders may also be retained through implementation and tendering CRA (Toakley, 2003).

6- ANALYSIS OF CONTRACT/ORGANIZATION

5.1- Types of Contract:

There are following types of contracts that have been analyzed for Nickelodeon Project:

5.1.1- Fixed Price Contract

This is a type of project when delivery of products would be made at the price which is fixed according to terms and conditions subject to specific adjustments. For this purpose, Global Precious Ltd. is providing its supplies (Yeh, 2008).

5.1.2- Requirement Contract

This is a type of contract related with specific supplies and services during a specific period of time. This is type of supplies made according to use and requirement for the project. Estimation regarding required supplies may be made from previous records. Infinity Agency is popular in this aspect (Yeh, 2008).

5.1.3- Multi Term Contract

This type of goods and services is used when the term of contracts are to be made and available at first time period. This will be subject to availability of funds. Avalonbraais is popular to make multi term contract (Toakley, 2003).

5.1.4- Leases

Lease is a type of contract under which title will not pass to the project. This may provide all conditions of renewal and costs related to lease and lease is normally not used for normal procurement procedures. Accrue Inc. is providing this service in this aspect (Toakley, 2003).

5.1.5- Lease/ Purchase Contract

This is a type of contract where title will pass to the project; when project want to execute the option of purchase. This will specify the initial term of contract in order to avail option of renewal, extension as well as purchase. This service or contract may be done with Accrue Inc (Buxmann, 2008).

5.1.6- Installment Purchase Contract

This type of contract is helpful to purchase equipment for a certain time period. These terms are renewed annually when there is an agreed term period of contract. At the end, specific terms pay pass to the project. Infinity Agency is providing this contract in this term (Buxmann, 2008).

5.2- Selected type of Contract:

Selected type of contract for Nickelodeon project to get high quality Nickel with easy terms and conditions is requirement contract from Infinity Agency. This will be helpful for organization in order to get desired level of Nickel. The reason to have this type of contract is that from past records company may get required amount of nickel; so that, there may not be wastage of extra nickel that have been purchased. This is a preferable strategy to reduce cost and to overcome expenses. Company may make contract with desired organization to get desired level of Nickel and to get required elements. This would be helpful for Nickelodeon Project to enhance its profit.

7- RISK MANAGEMENT

6.1- IDENTIFICATION OF RISK:

There are following types of risks that may be faced by Nickelodeon Project:

(This has been presented in Appendix 1)

Fig- Legend and Data Input:

Consequence	Very Low	Low	Moderate	High	Very High
Likelihood					
Very Low	Very Low	Very Low	Low	Low	Moderate
Low	Very Low	Low	Low	Moderate	High
Moderate	Low	Low	Moderate	High	High
High	Low	Moderate	High	High	Very High
Very High	Moderate	High	High	Very High	Very High

Legend and Data Input			
Qualitative Evaluation		Probability or Likelihood	Impact or Consequence
	Very High	Very High	Very High
	High	High	High
	Moderate	Moderate	Moderate
	Low	Low	Low
	Very Low	Very Low	Very Low

8- CONCLUSION

From this discussion, it can be concluded that Nickelodeon Project is a type of project located in Kumahatata in African Continent. The purpose of this strategy is to provide suggestion to the project in order to have well developed procurement contract. The type of project recommended to the organization is to construct and design. This will be helpful not to make contracts for the project, but also some authentication of rules and regulations and assignment of tasks and duties to different individuals. It is also suggested to Nickel to provide training to its sponsors so that they may get better idea of the organization. Requirement contract is proposed to organization. Risk management techniques are also presented so that organization may get avoidance from unfair circumstances. There are different partnership issues, corporate management issues, internal financial issues, key regulatory issues and commercial issues to the organization. It is important for organization to overcome these issues in order to get huge success in the project and to get competitive advantage. Some of the recommendations are shown in next section:

9- RECOMMENDATIONS

Here are some of the recommendations for Nickelodeon project for future success:

- 1- Records of performance must be maintained periodically to understand where the project is going and what measures should be taken to improve the performance of project.
- 2- Clients must be appointed in written to avoid any future discrepancy.
- 3- Experience clients must be hired to improve the efficiency of organizations.
- 4- Project supervisors must be appointed to see the direction of project.
- 5- Project sponsors must be aware about their jobs and responsibilities and they must be provided proper training.

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APPENDIX

Risk Identification and Management

Risk No	Name	Description of Risk	Description of Impact	Likelihood or Probability	Consequence or Impact	Qualitative Evaluation	Risk Treatment
1	Political Risk	government policies may get change	Organizational policies and procedures	Very High	Very High	Very High	Make your procedures legal and copyright
2	Fire Exploration Risk	fire in work place may occur because of inefficiency	loss to assets (financial and human)	Very High	Very High	Very High	Continuous checking; set fire alarm
3	Inefficient work force risk	workers may lack of experience	Training cost may be increased	Very High	High	Very High	provide proper training in one session
4	Economic Risk	Economic downfalls may continue	Construction project may get expensive	High	Very High	Very High	Have much money to meet emergency circumstances
5	Environment Risk	emission of chemical into the environment may be protested	Protested by environmentalists	High	Very High	Very High	Apply quality management tool