

DEVELOPMENT OF PROJECT PROCUREMENT STRATEGY

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The client had traditionally used detailed hands-on control in procurements. The trimmed organization in combination with the short time frame, the client believed that their traditional way of doing procurements were no longer applicable. The management therefore decided to attempt a system-based procurement approach where the contactor would have to provide both engineering and project management services. Factors that such as how projects traditionally have been managed must be considered, changing traditions and organizational cultures may prove to be an overwhelming task [2]. This procurement strategy base on several arguments that clearly advocated a divided procurement in front of a turn-key:

1. Greater flexibility for the client. It would be possible to adjust the choice of technology and system design while the project was under way;
2. Technological development accomplished during the project life could be used when the system design in many cases could be changed;
3. The client organization considered them self to have a strong apprehension on what components they wanted to include in the system, mainly based upon their experience and knowledge;
4. A divided procurement is less expensive compared to a turn-key. [1];
5. The client organization had enough competence to manage the project with a divided procurement. Consultants were used for assisting the in-house engineering staff;

The system was divided into blocks and therefore a number of different procurements needed to be carried out. The divided procurement increased the risk exposure for the client in the project due to the in-house responsibility for integration and co-ordination. If a turn-key procurement is using, the responsibility for those actions had instead been bought from a contractor, something that partly justifies the price difference between a divided and a turn-key procurement.

References:

1. **Thompson, P. A. (1981), “Organization and economics of construction”, McGraw-Hill, London (<http://www.business2business.ru>).**