



9 Effective Ways to Strengthen **Procurement Process** in **Construction Projects**

E B O O K



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01 Introduction

A robust procurement process is essential to the financial success of every construction business. It helps in paying the right price for goods and services, undervalues delivery times, and allows you to prefer the most suitable partners to work with your construction business.

The way a procurement process looks depends entirely on the size and type of a construction project. There's no one-stop solution for construction companies. Rather, it needs to be wholly customized for a company to ensure maximum efficiency.

According to researchers, 64% of construction companies acknowledge that supply chain disruption has been the most significant challenge over the last year.

Moreover, without best practices, your procurement procedures could become a victim of this disruption.

Not only does this cause inefficiencies and uncertainties in your procurement workflow, it also affects customer satisfaction and threatens relationships with vital suppliers.

To control this, you must simplify your procurement process for end-to-end efficiency.

Procurement planning is essential for construction companies to minimize purchase costs while maintaining quality and quantity standards.

A procurement plan is a method in which a company determines what they need, who will provide the products, and when orders will be fulfilled. Several departments within a construction organization are involved in the procurement team to help in decision-making procedures and maintain efficiency.

As a construction business owner, you must assign a team member to each stage, such as the vendor research, request for proposal, and approval process, to define what procurement approach best satisfies the business needs. An acceptable procurement management plan will determine and represent realistic product anticipations, such as fulfillment costs, time, and quality of products. In turn, this allows contractors to recruit vital staff to optimize the efficiency of the procurement process.

Moreover, in accomplishing multiple tasks, a contractor can strive to reduce stock ordering and labor costs without compromising the quality of goods and services.

The choice of the procurement process is crucial to a construction project's success. It is also a significant deciding factor in the company's overall success.

Procurement in construction is never effortless. Therefore, it always needs a sequence of upgrades. And working with an intricate supply chain, you must source high-quality products and items within a detailed budget and concurrently comply with regulatory procedures.

Procurement as a process is a crucial part for any construction business. A business ought to purchase several goods and services from additional suppliers. For a construction company to be more profitable, it must keep costs low – including the procurement costs.

A construction company's practical and strategic goals are achieved with the help of a good procurement process. And for the procedure to be accurate, improvements must be made from time to time after assessing the effectiveness of current operations.

The ideal procurement process is a myth; improving procurement efficiency and effectiveness is constant. Therefore, optimizing your supply chain and handling supplier connections will keep you discovering areas that can be improved.

What is the Procurement Process?

In construction, procurement is the investment of materials, equipment, and services that are needed to successfully manage and operate a construction business and achieve a specific project. This guides the services and goods needed to complete construction from beginning to finish successfully.

Procurement needs to be acknowledged and approached strategically for you to maximize the efficiency of every project. Your construction company has to have a carefully designed strategy for procurement by only purchasing the required supplies most cost-effectively.

You also must be mindful that the construction domain has experienced a widespread change in this period. Despite growing methods and materials and revamping legal requirements, age-old issues prevail within the procurement system.

Common Supply Chain Bottlenecks

While procurement procedures differ from project to project, they also tend to follow similar practices. Here are some of the most critical challenges in construction procurement that you may face.

• Improper communication

When your client fails to convey their expectations things fall apart. On the other hand, you execute a decentralized practice when managing the supply chain.

As a result, it leads to underperforming service, wrong-ordered materials, or project delays. To avoid confusion, you must ensure your construction company has a comprehensive and centralized procurement solution

• Purchasing dilemmas

Knowing your industry, you and your team may require a one-time purchase from the nearest supplier. Without a solid supply chain for inventory management in the construction and purchasing process, your people can be overspending and double-buying, creating more and more expenses via replacement fees and lost time.

• Inflexibility

Your construction firm needs a standard of adaptability to have patience for intricacy. Client requirements grew. Weather possibilities may create expensive project delays, labor walkouts, and shortages that cripple even your best-laid strategies.

• Poor visibility

Are you thinking of a theme here? Are you thinking of a theme here? Poor integration is all about planning silos, but it also creates bad visibility, which is another most significant cause of blockages.

• Zero Technology Integration

Poor technology integration is the biggest roadblock in and of itself—however it's a crucial factor in designing silos.

Suppose you have three suppliers for a critical raw material that goes into your production programs, so ensuring better connectivity with them is important. This seems to be impossible without the right technology in place.

This is where a robust construction accounting management software can help you overcome supply chain challenges. ProjectPro is one such easy-to-use platform powered by Microsoft Dynamics Business Central. It has some amazing features that enable it to stand apart from other solutions in the market.



04

9 Effective Tips to Consolidate the Procurement Process

There are multiple routes your construction company can take when it comes to strategic construction procurement. When choosing a path, long-term goals should be taken into account. Key factors fueling your construction process include costs, speed, risks and opportunities, quality, budget and financing, and project restraint.

But the nine aspects mentioned below are an effective way toward strategic procurement that can ultimately enhance your overall procurement process.

1. Identify your Supply Chain Vulnerability Efficiently

There is a significant poor connection between the supply chain and the business itself. And if the same thing happens within your construction business, you must acknowledge and solve the issue immediately.

Another problem is becoming relevant today – the subcontractor structure used in construction projects usually results in restricted supply chain visibility.

If this is the issue, more clarity, an in-depth review, and a balance of risks are needed to implement. Hence, always correctly map your supply chain to understand the vulnerability area completely.

There must also be a transition to a self-delivery method where you can deliver services without third parties so that there's adequate visibility and a relationship with your subcontractors.



2. Make Use of Demand Planning

Without a clear picture from across the industry, numerous suppliers can be uncertain about how much demand they want to see while driving forward. You and your team must learn to cooperate with other third parties in a non-competitive way to understand the market thoroughly.

There should also be proper planning and a detailed construction inventory list to ensure the supply stays stable while supply allocation is minimized.

3. Review Analytics & Ace Negotiation Skills

As a construction business owner, you may have to juggle planning and implementing construction projects, negotiating with multiple suppliers, and bargaining the best transactions and deals; it is suggested that you have exceptional analytical abilities.

- Quantitative data is crucial – Contractors must understand that quantitative data helps make the company's best financial decisions. The procurement process ought to walk on a sturdy and fine line as far as negotiation is involved. A good procurement process combined with project management software can improve your organization's bottom line and boost profitability and efficiency.
- Acquisition abilities that are effective – It will add considerable value to your company as a whole. While making modifications can seem challenging at first, in the long run, they prove beneficial in numerous ways.

4. Promote Standardization for Cost Reduction & Flexibility

Improper communication with suppliers causes inefficiencies throughout the supply chain and introduces extensive layers of threats.

That is why it is highly recommended to concentrate more on flexibility when sourcing from your suppliers. It brings total costs down and even operates to achieve quality standards.

Therefore, standardization must be balanced with exciting innovation, especially seeking more sustainable solutions.

5. Develop an effective proposal

Sadly, too many decisions in the procurement processes are made with too little information. In most circumstances, it is a company's lack of knowledge about the market, especially the consultant's and suppliers' technical ability.

The operations are a two-way lane. Take note of that while holding a solid sense of the issues simultaneously.

Requests for data, licenses, and clarification of commercial and technical modifications to the procurement process can be made and assessed if both sides understand each other's strengths, weaknesses, and challenges.

6. Evolve your Processes in a Timely Manner

Troubles in the industry often reveal weaknesses in the system. However, on the other side, it provides an excellent opportunity to examine what areas need to improve. In this facet, you must highlight the precise function that needs to be set and learn more about it.

Doing so will have all your construction projects resume on time and within the agreed budget.

7. Find the Best Supplier for your Construction Project

The quality of your suppliers is crucial. Nevertheless, the pool of suppliers you work with can be huge due to various project requirements, which indicates that it can be questioned in terms of quality control.

But with a suitable software solution, like robust construction management software, you can put everything in one place. Instead of wasting time on managing both your team and suppliers, you can ensure that all of them can access vital data through the software tool.

8. Resolve Difficult Procurement Issues Smartly

Thriving procurements, especially those using new technologies, often face undervalued or unforeseen problems. This type of issue must be addressed quickly and with minimal guessing by the administration on both sides.

Accordingly, the contractors on both sides, whether you or your team, should be designated to resolve the arising problems. In numerous cases, the project manager was accountable for doing everything. They must have the power to act on their company's behalf instantly and acquire immediate access to relevant data.

9. Strategic Sourcing

As a contractor, you and your team must have the knowledge and understanding to source the most suitable and high-quality materials, products, etc. Due to the amount of material and labor entangled in your projects, improving your construction procurement is critical.

With a sourcing strategy, you can effortlessly trim down evaluation time and lower cycle time by up to 85%, enabling you to align your strategic sourcing actions with your project schedule. This is all because of the excellent transparency.

Conclusion

Now that you have established a reliable procurement process, you can easily cut business costs. This is one of the crucial aspects that contractors can benefit from. One of the best ways to cut costs is to invest in suitable equipment and devices for the job.

However, numerous software companies available on the market can help you with construction projects. Finding the suitable one for your business takes a lot of effort. Well, don't worry if you're not confident. We've put together a free, convenient comparison to help you understand which one would serve you best.

As compared previously, procurement is today spinning out to be a significant, long-term, and practical function of a construction business.

Undoubtedly, every construction company has different procurement requirements, demanding various procurement processes. However, the above steps can go a long way in driving greater efficiency in your procurement process.

To keep your procurement strategy driving smoothly, you need well-defined procedures that ensure relationships between all the stakeholders involved.

With increased transparency and optimized operations, construction companies can achieve their business goals

About ProjectPro

ProjectPro is a division of Netsmartz LLC global group of companies. ProjectPro is specifically designed for construction firms and powered by Microsoft Dynamics 365 Business Central to make sure you get the most out of your business software.

Stand out of the league by streamlining your business processes, controlling costs, and offering timely and accurate information. ProjectPro holds the potential to integrate your crucial job quoting, project accounting, resource management for labor and equipment, and much more all in a single database.

With integrated data, intelligent transaction processing, and robust analytical and reporting capabilities, you can reduce the time and effort it takes to access meaningful information necessary to make good business decisions.

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