2010-05-13

Services Supply Chain in the Department of Defense: Comparison of Acquisition Management Practices in Army, Navy, and Air Force
Overview

- Introduction
- The Empirical Study
- Analysis and Comparison of Data
- Conclusions
- Recommendations
DoD's Contracts for Goods and Services (2000-2009)

Source: Federal Procurement Data System (FPDS-NG)
# Services Supply Chain the DoD
## Ongoing Research Program

<table>
<thead>
<tr>
<th>FY 2006</th>
<th>Exploratory Research: Opportunities and Challenges</th>
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</thead>
<tbody>
<tr>
<td>FY 2007</td>
<td>Implications for a Program Management Approach</td>
</tr>
<tr>
<td>FY 2010</td>
<td>Comparison of Acquisition Management Practices in Army, Navy, and Air Force</td>
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</tbody>
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Literature Survey: Theory and Practice

• Practice
  – 16 GAO Reports issued between 2001 to 2009
  – 142 DoD IG reports issued between 2002 to 2008

• Theory
  – Agency Theory and Principal-Agent Problem
  – Transaction Cost Economics
  – Service Operations Management
  – Contractual Theory: How contracts are planned, structured, awarded and administered
The Empirical Studies

- Web-based survey instrument developed using “SurveyMonkey” Software
- The surveys were deployed in 2008-2009
  - Army: Eight (8) contracting centers, 81 Contracting offices (response rate: 75%)
  - Navy: Six (6) regions covering 66 out of 76 installations (response rate: 87%)
  - Air Force: 50 contracting squadrons (response rate: 68%)
- Services studied include
  - Professional, Administrative, and Management Support,
  - Maintenance and Repair of Equipment,
  - Data Processing and Telecommunications,
  - Utilities and Housekeeping,
  - Transportation and Travel
Survey Core Questions

• Contract Characteristics
  – Degree of Competition, Contract Type, Contract Incentives

• Acquisition Management Methods
  – Organization Level, Project Team Approach, Acquisition Leadership, Requirements Ownership

• Other Program Management Issues
  – Scope and Ability of Personnel, Life Cycle Approach, Acquisition Billets
Contract Characteristics

Degree of Competition

Contract Type

Contract Incentive
Acquisition Management Methods

Organization Level at which Services are Acquired

<table>
<thead>
<tr>
<th>Army</th>
<th>Navy</th>
<th>Air Force</th>
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</thead>
<tbody>
<tr>
<td>Regional</td>
<td>Installation</td>
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Acquisition Research Program: Creating Synergy for Informed Change

Naval Postgraduate School
Monterey, CA
Acquisition Management Methods

Use of Project Team Approach

- Army
- Navy
- Air Force
Acquisition Leadership

When Project Team Approach is Used

When Project Team Approach is Not Used
Requirements Ownership

When Project Team Approach is Used

When Project Team Approach is Not Used
How long did the COR/QAE spend in the position?
Life Cycle Approach as the Dominant Strategy

Routine Services

Non-Routine Services
Acquisition Billets

Number of Billets is Adequate

<table>
<thead>
<tr>
<th>Army</th>
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<th>Air Force</th>
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</thead>
</table>

- Disagree
- Neutral
- Agree
Acquisition Billets

Billets are Adequately Filled

<table>
<thead>
<tr>
<th></th>
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<tbody>
<tr>
<td>Disagree</td>
<td>Green</td>
<td>Red</td>
<td>Green</td>
</tr>
<tr>
<td>Neutral</td>
<td>Blue</td>
<td>Blue</td>
<td>Blue</td>
</tr>
<tr>
<td>Agree</td>
<td>Red</td>
<td>Green</td>
<td>Red</td>
</tr>
</tbody>
</table>
Acquisition Billets

Staff is Adequately Trained

- Army
- Navy
- Air Force
Acquisition Billets

Proper Level of Oversight is Afforded to Monitor Contractor Performance

[Pie charts showing distribution of responses for Army, Navy, and Air Force with categories: Disagree, Neutral, Agree]
Conclusions

• Army and Air Force predominantly use a project team approach in managing services acquisition.
• The PCO predominantly leads the project team (Army and Air Force) or the services acquisition effort (Navy).
• The PCO owns the service requirement (less frequently, but significantly), for the Army and Navy.
• The PCO provides contractor surveillance approximately half of the time for the Navy.
• Project life cycles are not consistently used in services acquisition.
Recommendations

• Maintain the positive trend of increasing the number of competitively-bid, fixed-price contracts.
  – These types of contracts promote competition, which ensures the Government gets the right services at the best value.
  – Fixed-price contracts shift the risk of cost overruns away from the Government and onto the contractor.
  – This also serves to incentivize the contractor to complete tasks within budget.
Recommendations

• Management of services acquisition at the regional versus installation level has advantages and disadvantages.
  – Regional approach (centralized procurement) can benefit from economies of scale, consistency of procedures and best practices.
  – Installation level (decentralized procurement) acquisition allows for easier implementation of project management and program management approaches including accurate requirements definition and proper surveillance.

• Whichever approach is used, it is important that the proper supporting management processes are in place.
Recommendations

• Ensure proper roles and responsibilities in managing services acquisition
  – Requirements management
  – Project management
  – Surveillance management
• Adopt a project team approach with designated project manager
• Implement the use of project life cycles
  – Incorporate current peer-review requirements
  – Emphasis on post-award acquisition assessment
Questions?