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Monterey, California. Naval Postgraduate School

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Acquisition Research Program:
Creating Synergy for Informed Change

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

Aruna Apte, Uday Apte and Rene Rendon

Naval Postgraduate School

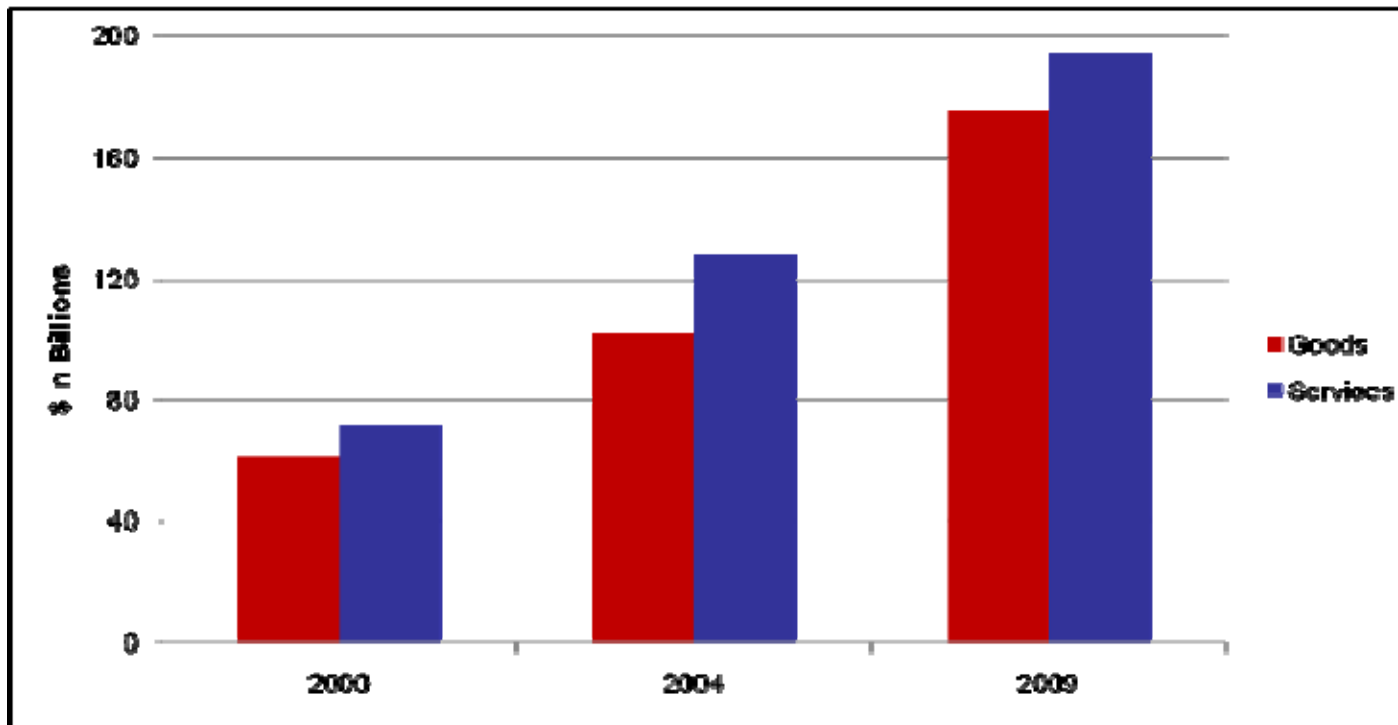
May 2010

Overview

- Introduction
- The Empirical Study
- Analysis and Comparison of Data
- Conclusions
- Recommendations



Introduction



DoD's Contracts for Goods and Services (2000-2009)

Source: Federal Procurement Data System (FPDS-NG)



Services Supply Chain the DoD Ongoing Research Program

| | |
|----------------|---|
| FY 2006 | Exploratory Research: Opportunities and Challenges |
| FY 2007 | Implications for a Program Management Approach |
| FY 2008 | Empirical Study of Current Management Practices in the Air Force and Navy |
| FY 2009 | Empirical Study of Current Management Practices in the Army |
| FY 2010 | Comparison of Acquisition Management Practices in Army, Navy, and Air Force |



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



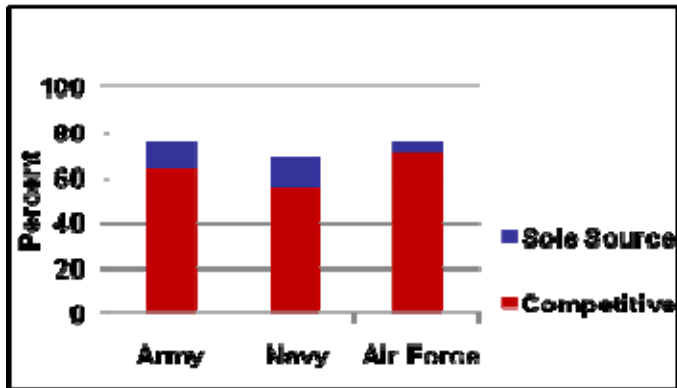
Survey Core Questions

- 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

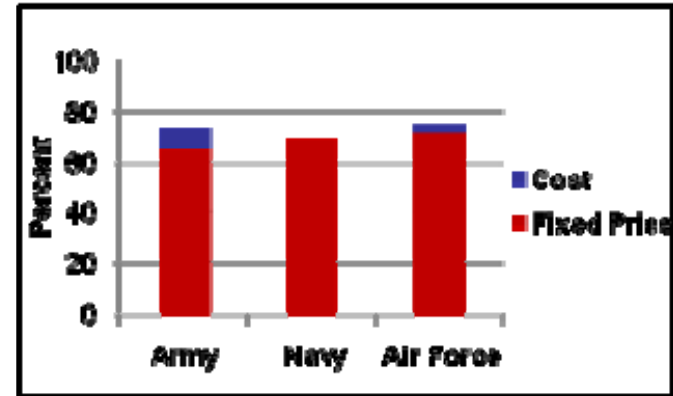


Contract Characteristics

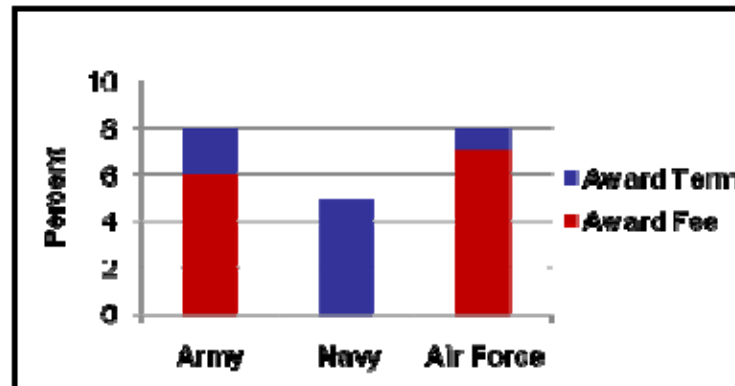
Degree of Competition



Contract Type

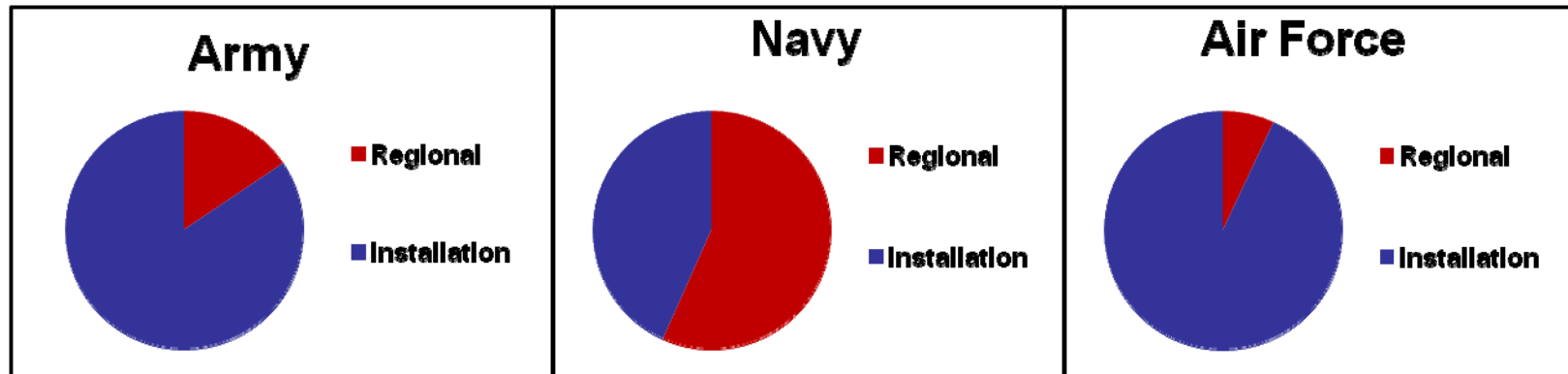


Contract Incentive



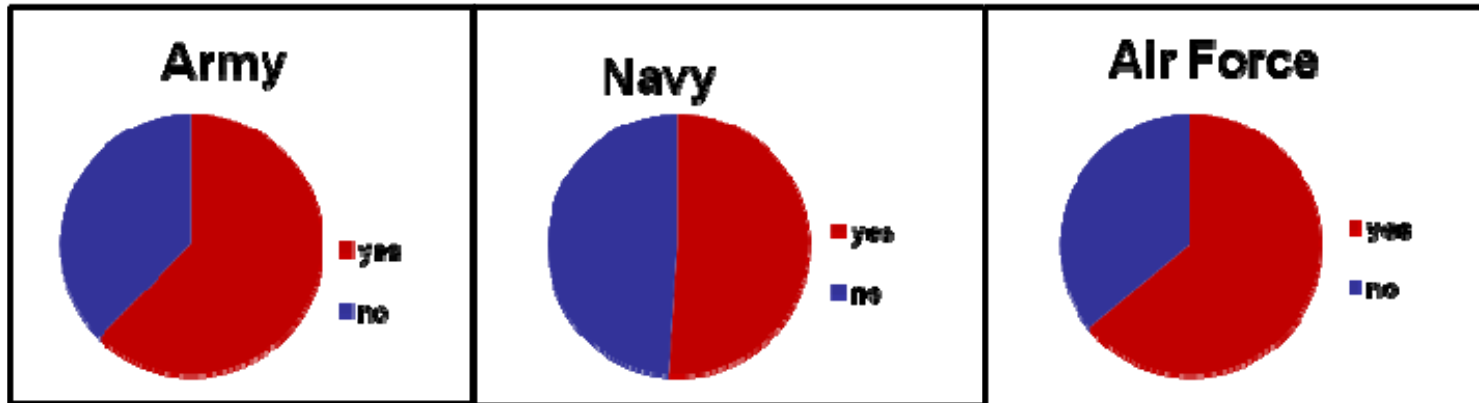
Acquisition Management Methods

Organization Level at which Services are Acquired



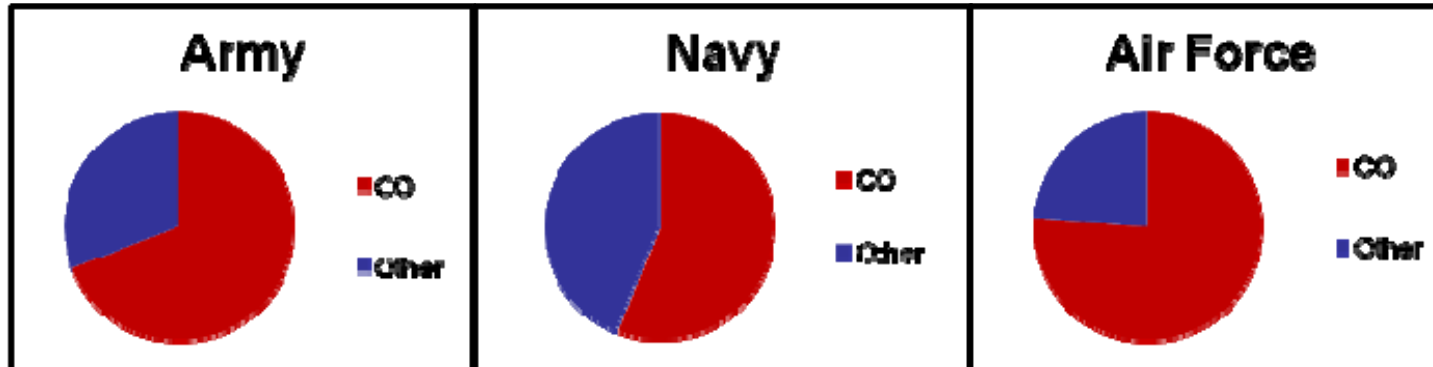
Acquisition Management Methods

Use of Project Team Approach

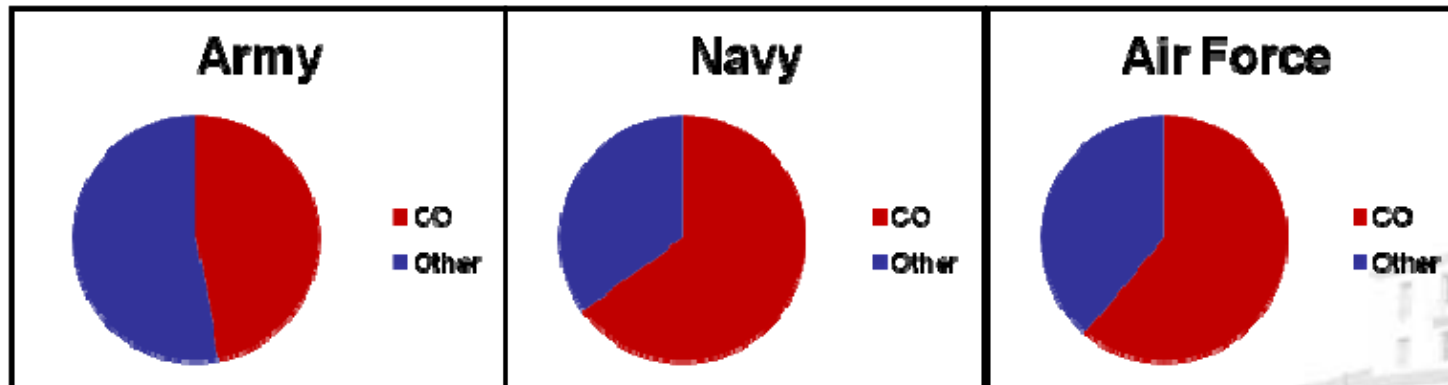


Acquisition Leadership

When Project Team Approach is Used

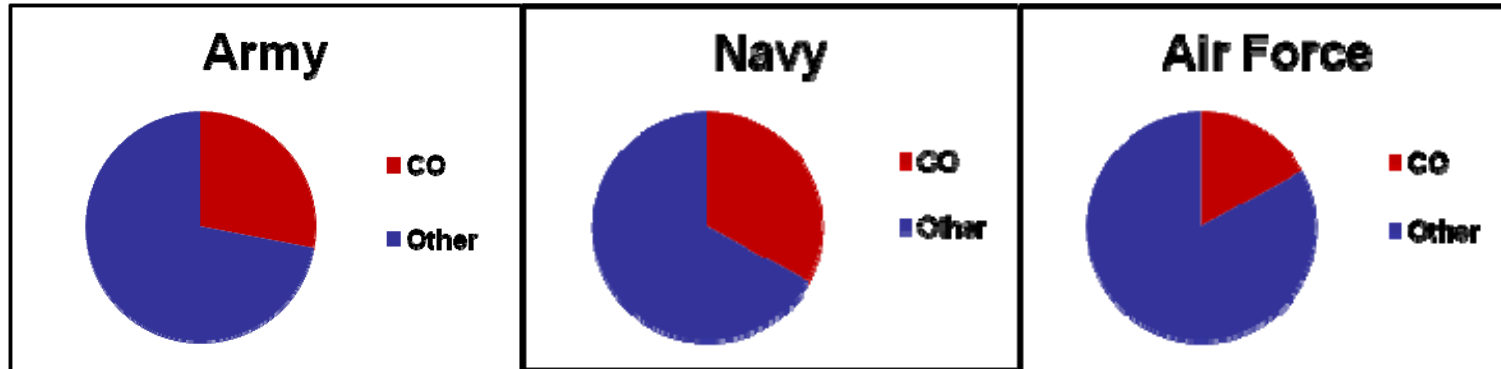


When Project Team Approach is Not Used

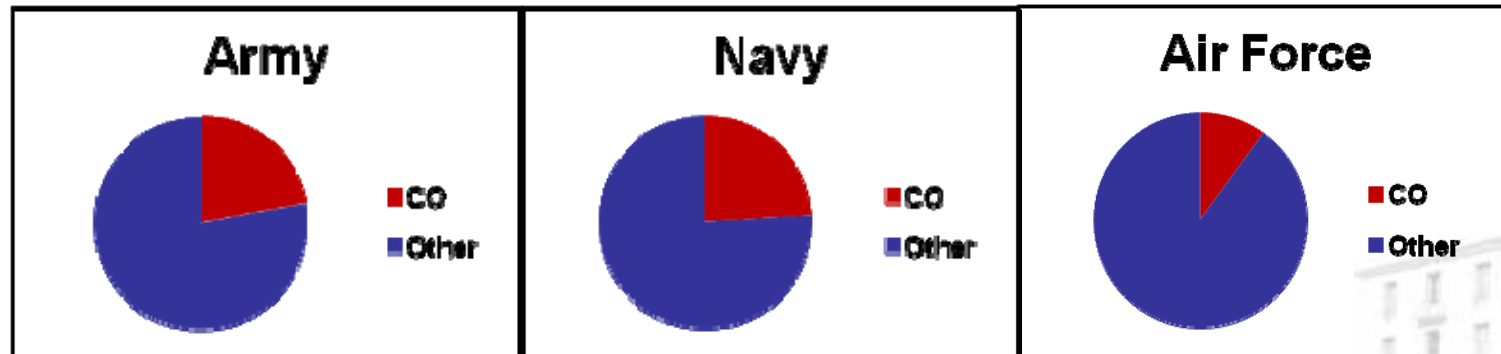


Requirements Ownership

When Project Team Approach is Used

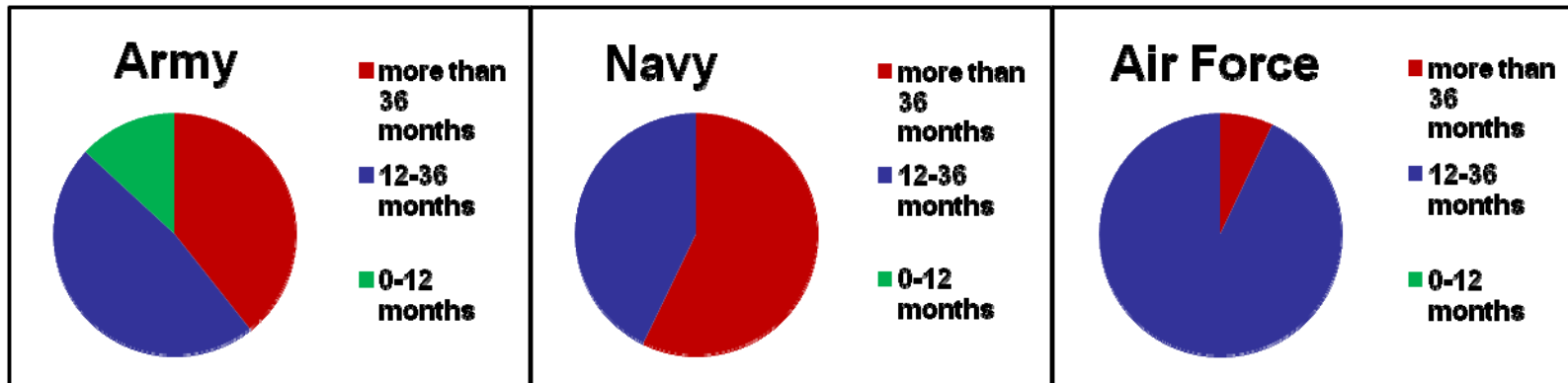


When Project Team Approach is Not Used



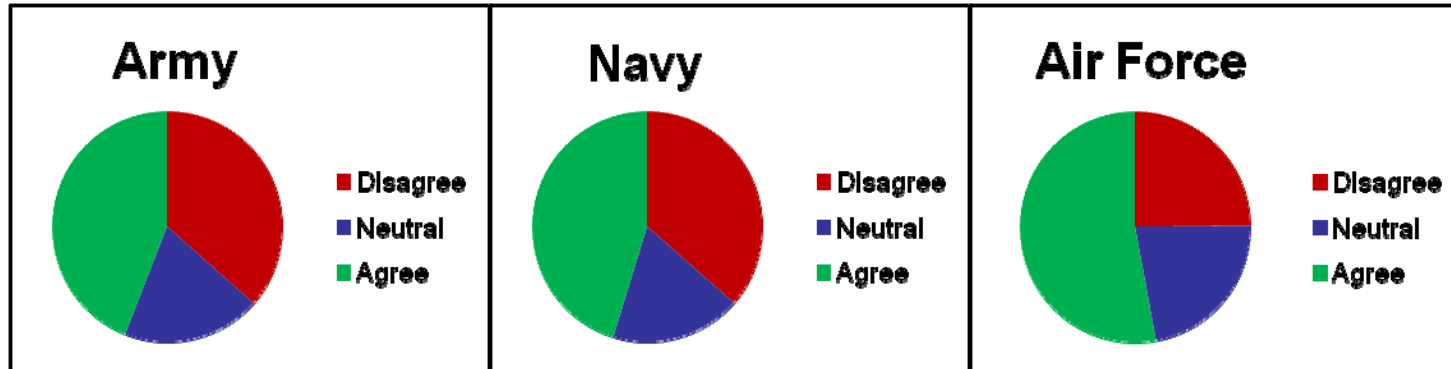
Scope and Ability of Personnel Responsible for Acquisition

How long did the COR/QAE spend in the position?

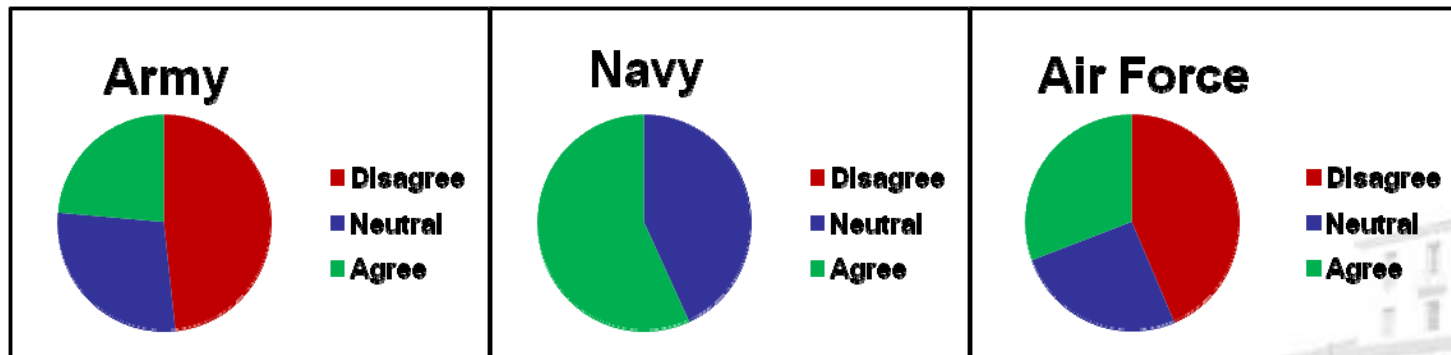


Life Cycle Approach as the Dominant Strategy

Routine Services

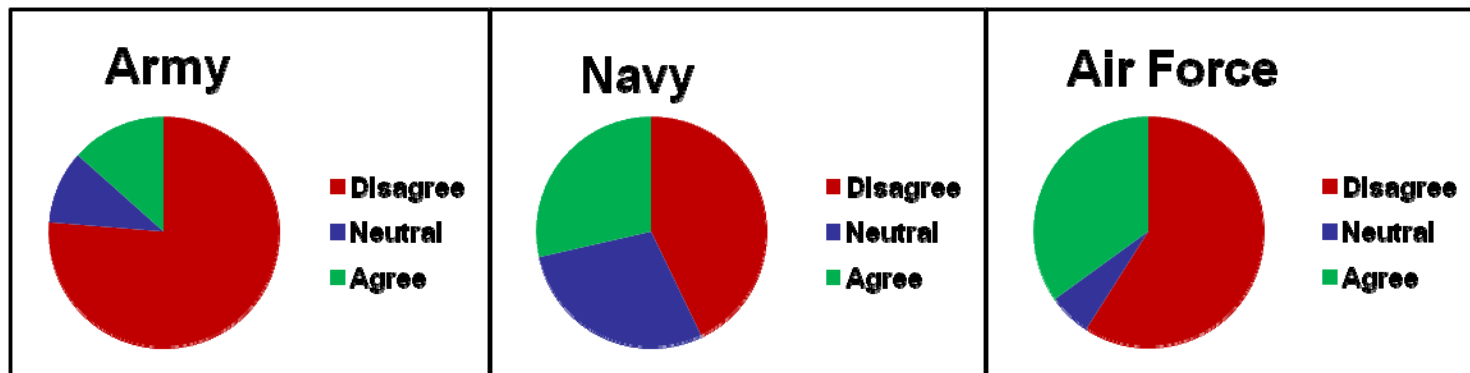


Non-Routine Services



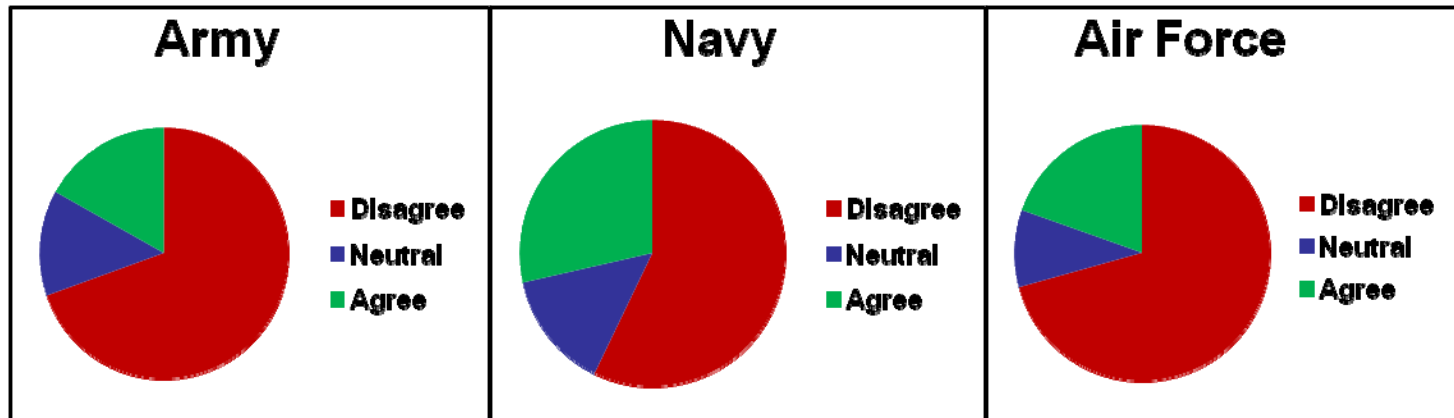
Acquisition Billets

Number of Billets is Adequate



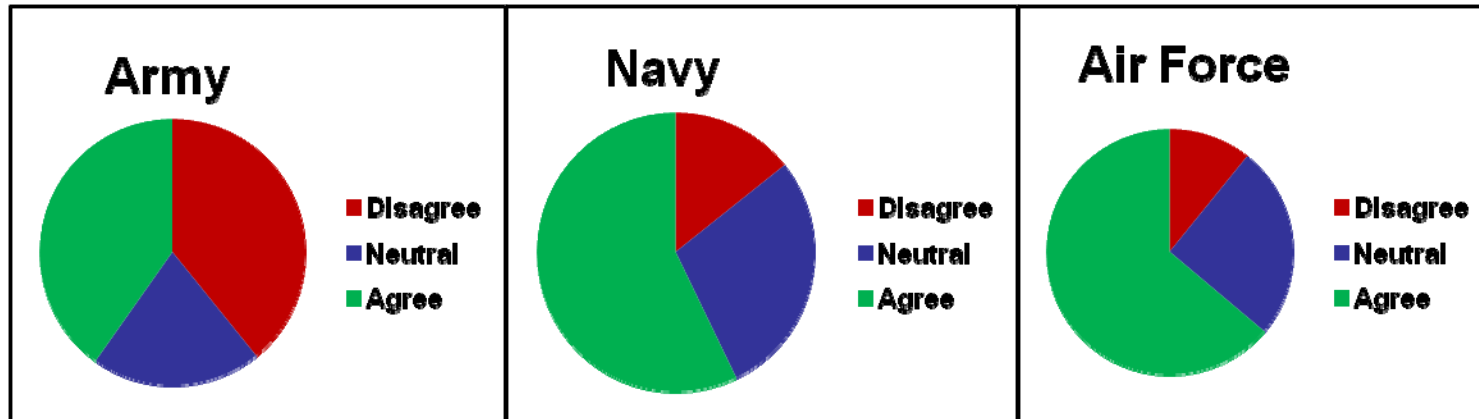
Acquisition Billets

Billets are Adequately Filled



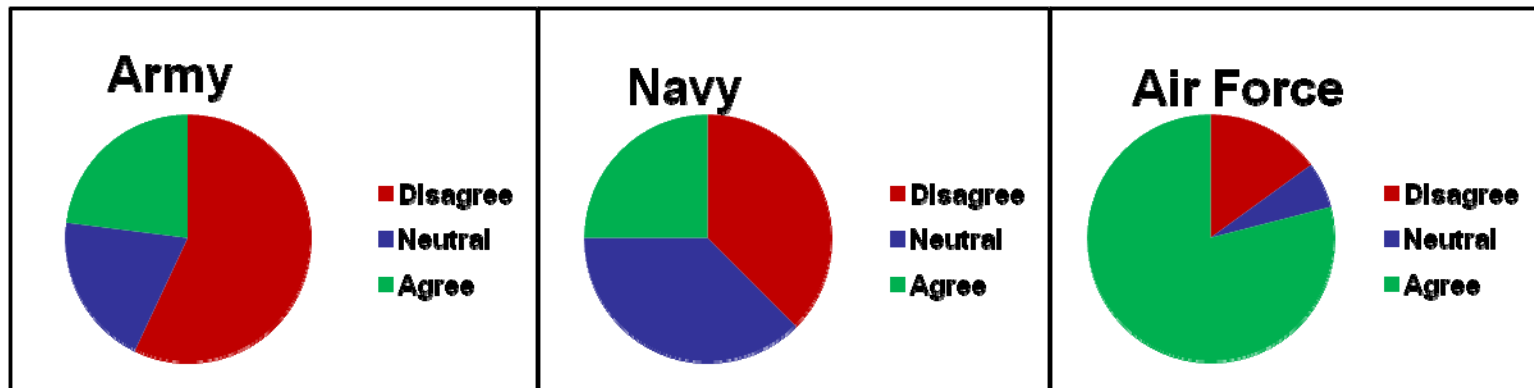
Acquisition Billets

Staff is Adequately Trained



Acquisition Billets

Proper Level of Oversight is Afforded to Monitor Contractor Performance



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?

