



Acquisition Research Program:  
Creating Synergy for Informed Change

**Managing the Service Supply Chain  
in the Department of Defense:  
An Empirical Study of Current Management Practices**

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# Overview

- Background
- Previous Research Findings
- Current Research Focus
- Preliminary Findings

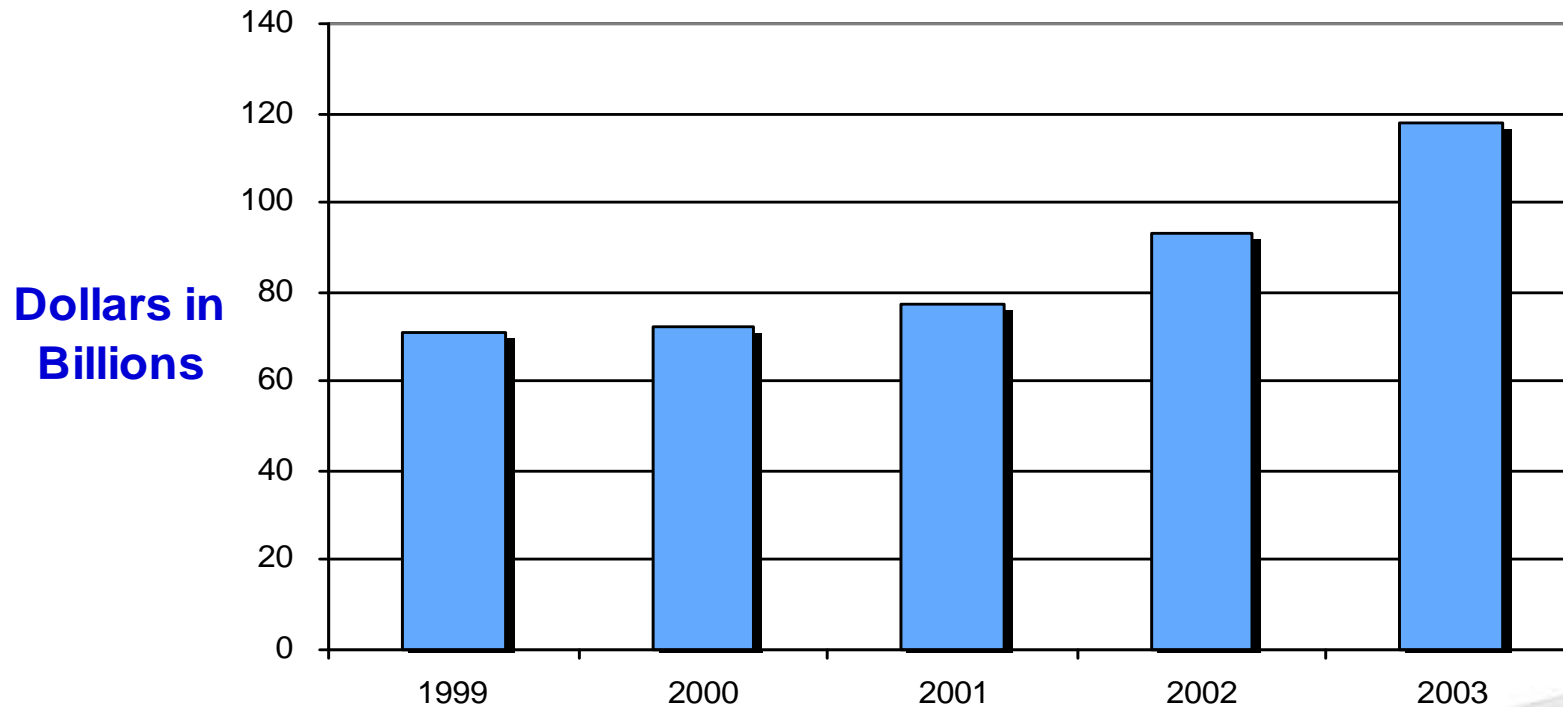


# Managing the Service Supply Chain in the Department of Defense: Ongoing Research Program

- FY 2006 Exploratory Research in the Opportunities and Challenges
- FY 2007 Implications for a Program Management Approach
- FY 2008 An Empirical Study of Current Management Practices



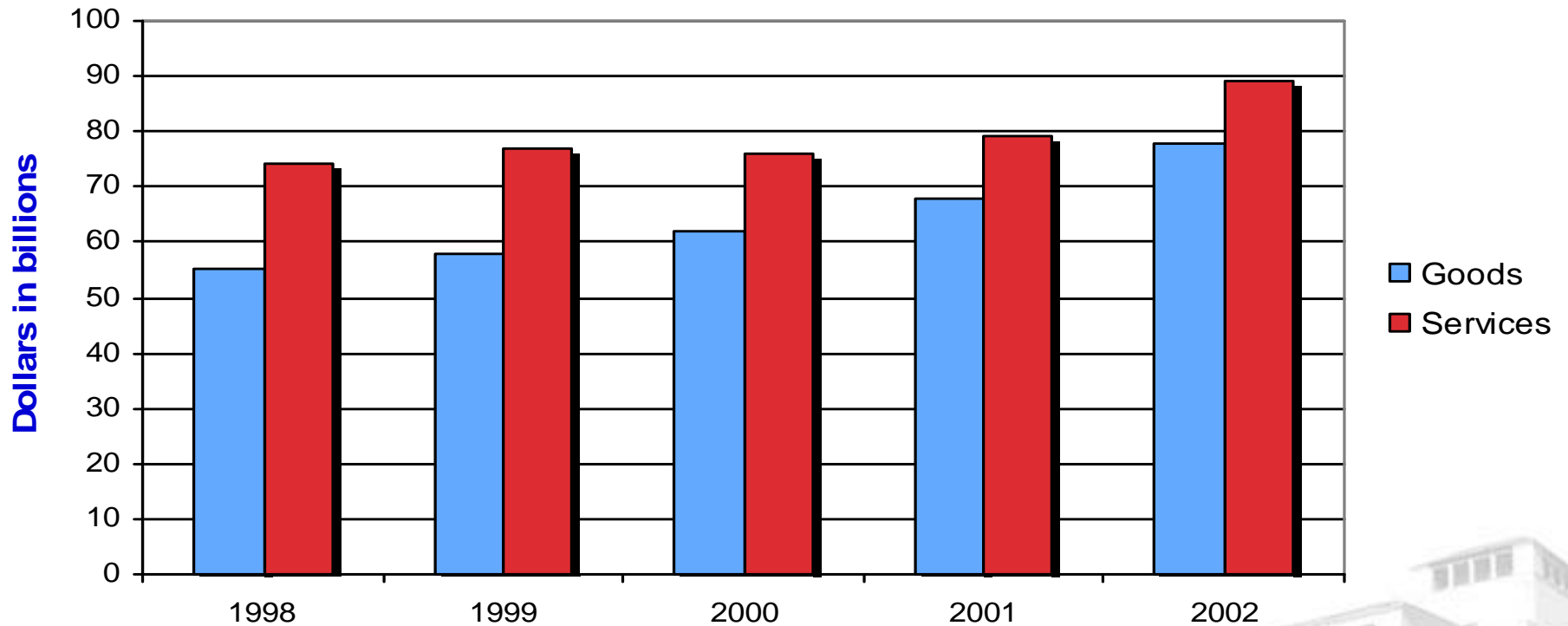
# The Services Acquisition Environment



**DoD Spending on Services**  
(Source: GAO-05-274, March 2005, pg. 5)



# The Services Acquisition Environment



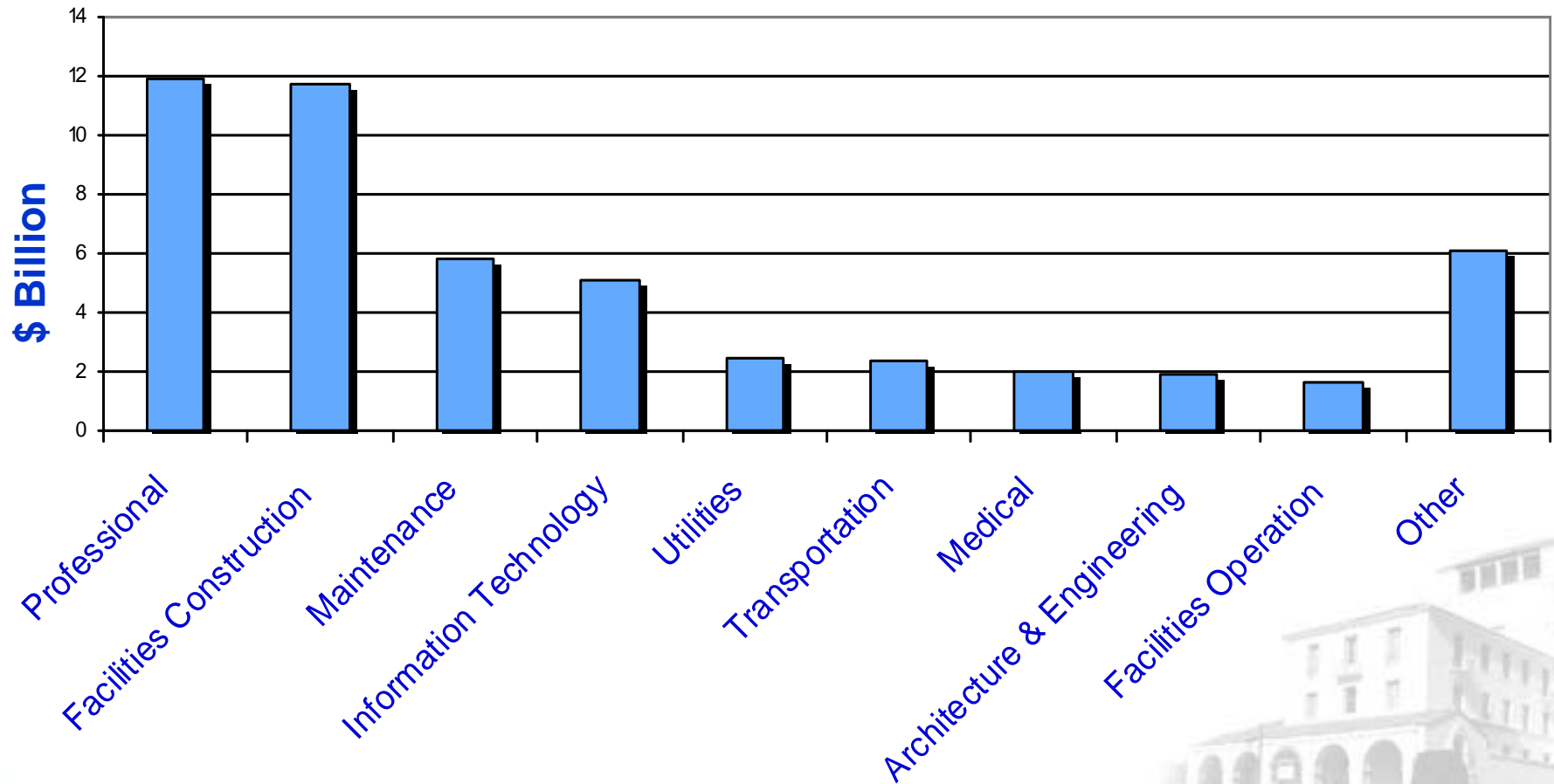
**Figure 3: DoD's Contracts for Goods and Services**

(Source: GAO 03-935, September 2003, pg. 4)



# The Services Acquisition Environment

## Services Purchased by the DoD in FY 2000



# Services Characteristics

- Intangibility
- Co-production
- Measurement Difficulty (input, output, quality, etc.)
- Simultaneity of production and consumption
- Diversity



# Conclusions of FY2006 Research SSC in DoD: Opportunities & Challenges

- Continued growth in the volume of service acquisition in the Department of Defense
- It is difficult to establish service specifications and measure and monitor service output and quality. Hence, having on board the right number of skilled acquisition personnel is highly critical.





# Conclusions of FY2006 Research SSC in DoD: Opportunities & Challenges

- Infrastructure for acquisition of services is less developed and less established compared to that of weapon systems acquisition
- Less formal approach to the acquisition and management of services
- Lack of standardization of business practices in services acquisition



# Conclusions of FY2007 Research SSC in DoD: Program Mgmt Approach

- Program management approach is traditionally used to manage systems acquisition
  - Well-defined, disciplined methodology and infrastructure
  - Centralized, coordinated management
    - Project lifecycle
    - Integrated processes
    - Designated manager with project authority
    - Integrated cross-functional teams
    - Enabling organizational structure
- However, program management approach is typically not used in managing services acquisition



# Conclusions of FY2007 Research SSC in DoD: Program Mgmt Approach

- Program management approach is needed to manage DoD's critical services acquisition
- Air Education and Training Command (AETC)
  - AETC Program Management Flight
  - AETC Contracting Squadron
- Air Combat Command (ACC)
  - Acquisition Management and Integration Center
    - Centralized Planning, Control, and Execution
  - “Services SPO”
    - Combined program management and contracting organization



# Goals of FY 2008 Research: An Empirical Study of Current Mgmt Practices

1. What types of services are typically procured at military installations?
2. What type of acquisition strategy, procurement method, and contracts are used in services acquisition?
3. How is the service acquisition process managed? What management concepts—such as a lifecycle, a program management or a project management approach—are used?



# Goals of FY 2008 Research: An Empirical Study of Current Mgmt Practices

4. What type of organization/management structure is used to manage the services acquisition
5. What training is given to contract and project/program management staff?
6. Are there any significant differences between the way services are acquired and managed in different DoD departments?



# Survey Instrument

<b>Service Category</b>	<b>Product/Service Classification (PSC) Code</b>
Professional, administrative, and management support	R
Maintenance and repair of equipment	J
Data processing and telecommunications	D
Medical	Q
Utilities and housekeeping	S
Transportation and travel	V
Maintenance and repair of real property	Z



# Survey Core Questions

- Contract Characteristics
- Acquisition Management Methods
- Project-team Approach
- Service Acquisition Leadership



# FY 2008 Research Focus

- Lifecycle Approach
- Length of Service
- Level of Staffing, Training and Qualifications
- Market Research Techniques



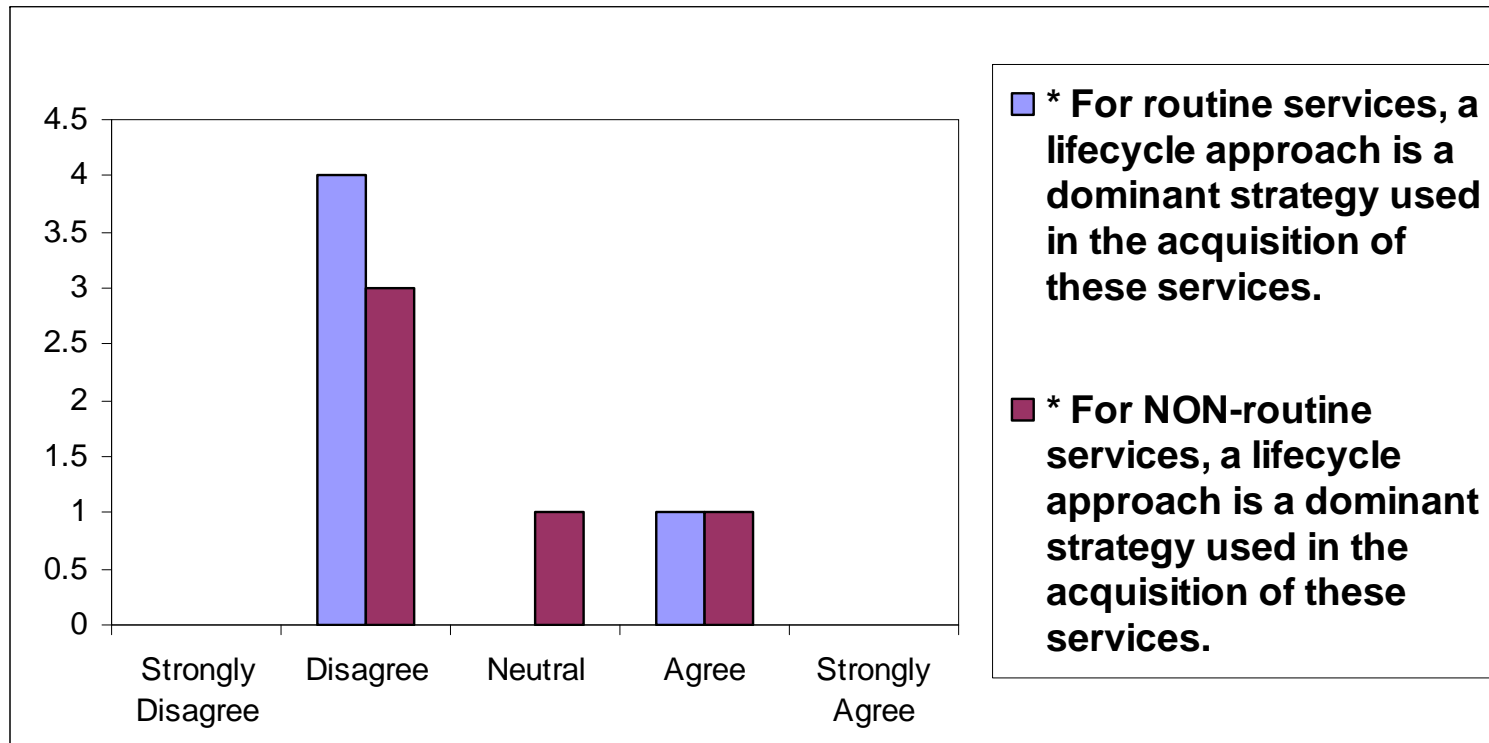


# Contract Characteristics

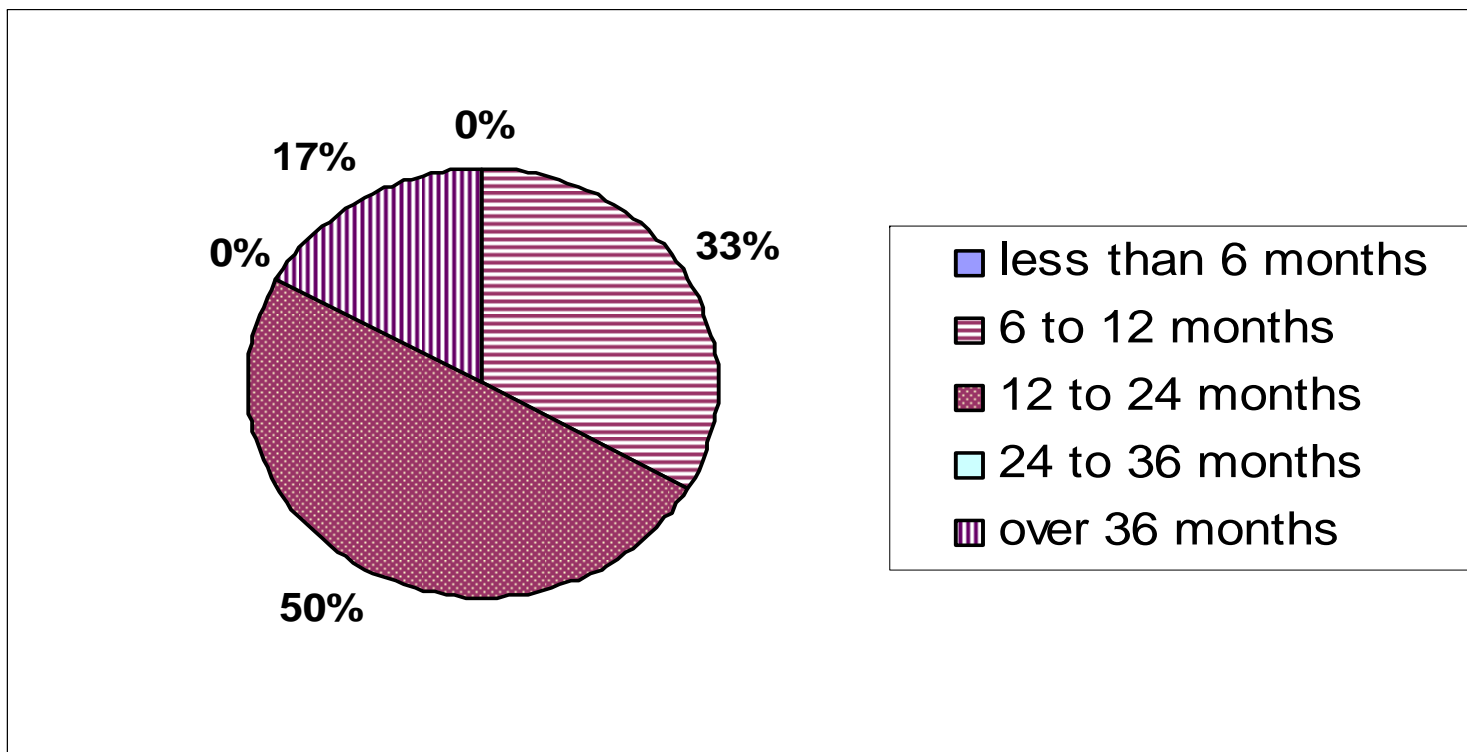
- 88% Competition
- 12% Sole Source
- 70% Fixed Price Contracts
- 30% Cost Type Contracts
- 1 Instance of use of Award Fee in  
Maintenance and Repair of Equipment



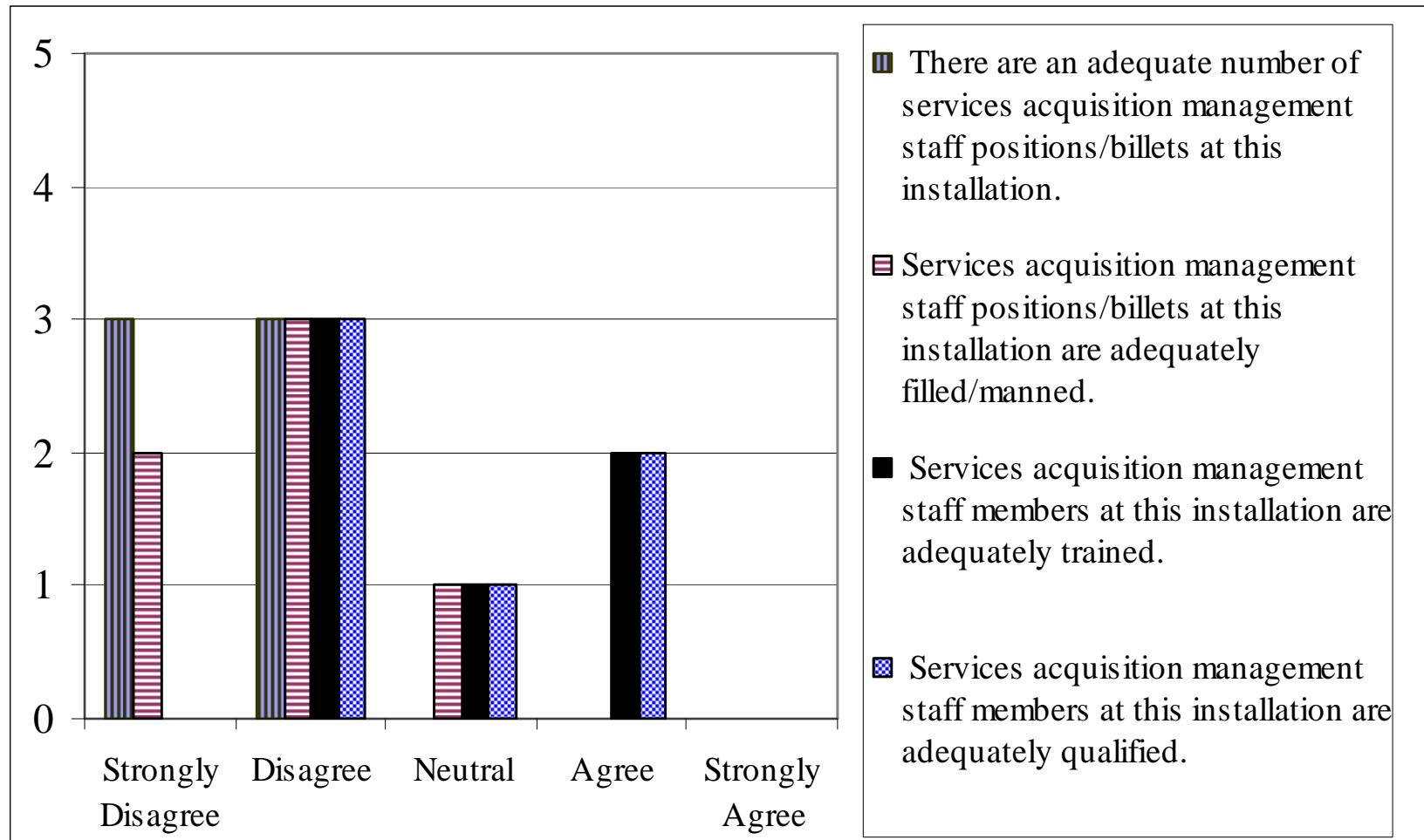
# Lifecycle Approach



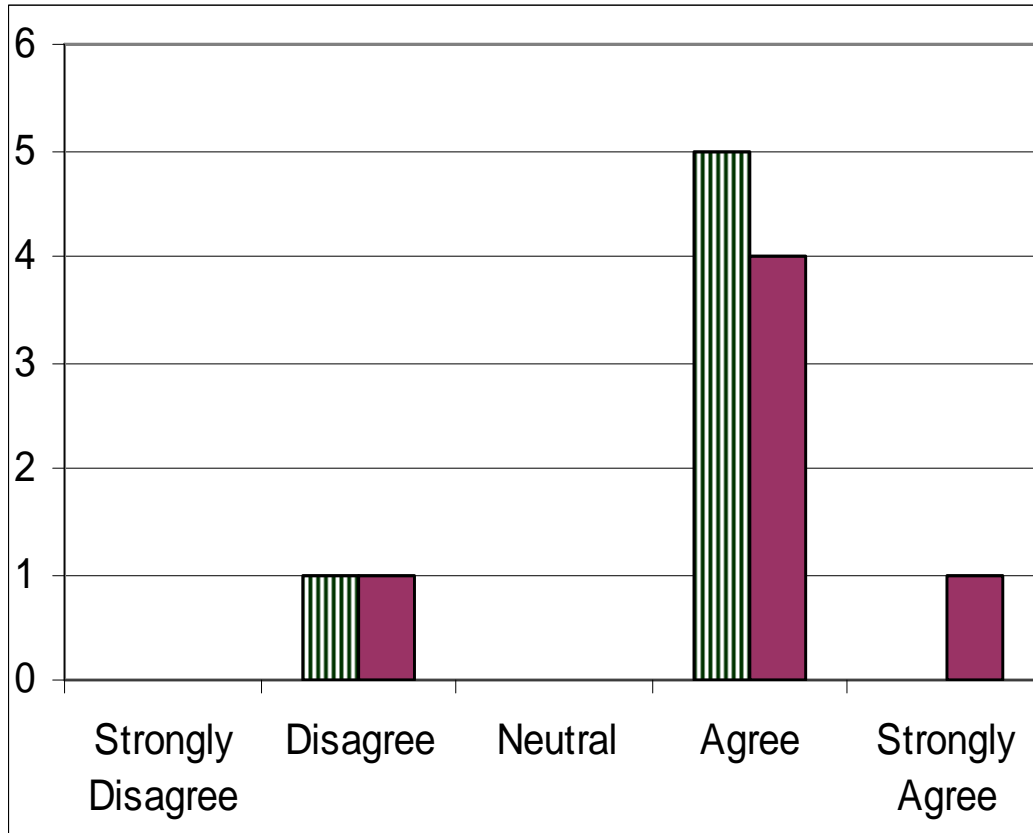
# Length of Service



# Levels of Staffing, Training, and Qualifications



# Requirements Management & Market Research



- ▣ The entity that identifies the requirements in a service contract also writes the Statement of Work/Statement of Objectives (SOW/SOO) for the service contract.
- Market research is conducted for the acquisition of services.



# Preliminary Observations

- Current state of services acquisition management at the installation level suffers from several deficiencies
  - Deficit billets and manning levels
  - Insufficient training
  - Inexperienced acquisition personnel
  - Lack of project team leadership
  - Lack of lifecycle approaches
- Each of these contributes to ineffective and inefficient management of services acquisition



# FY 2008 Research: Current Status

- Preparing to administer survey to Navy and Air Force organizations
- Estimated target date for completed surveys is 15 June
- Survey results to be analyzed by August 30
- Report to be completed by September 30

