



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

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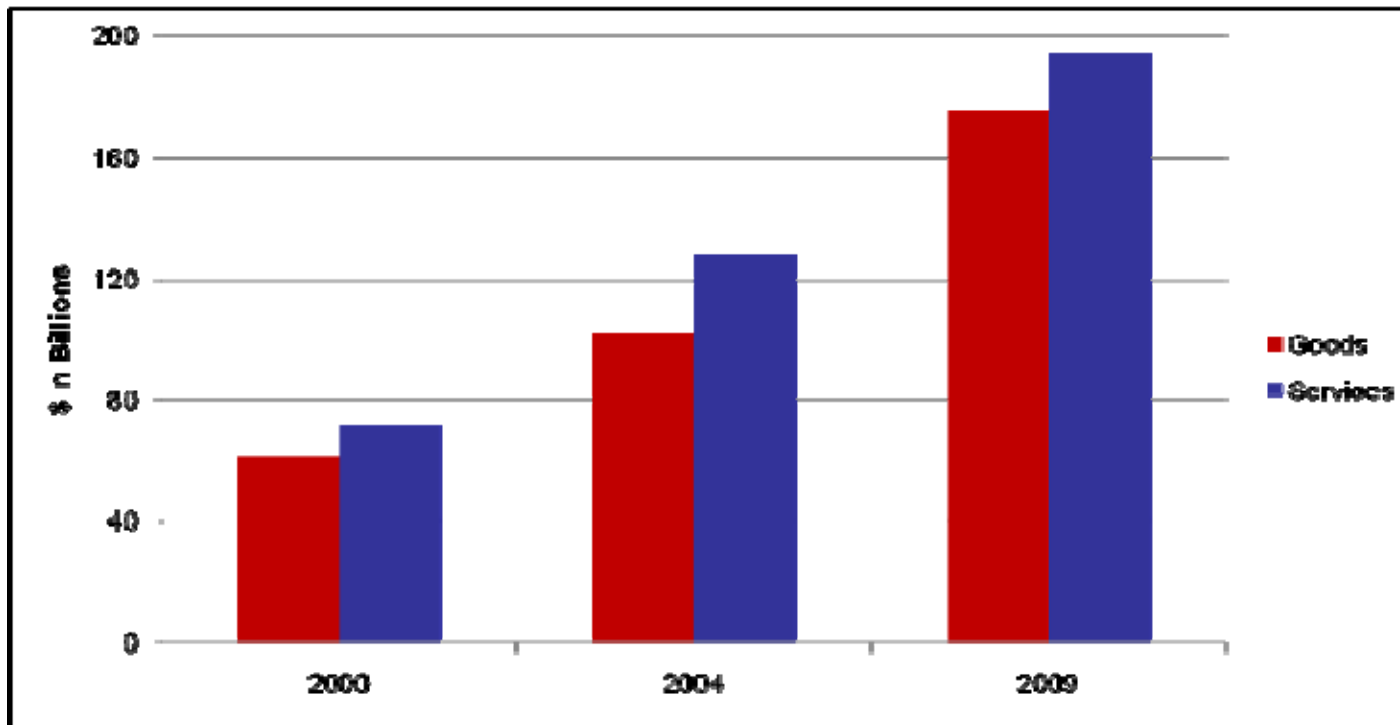
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# Overview

- 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

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



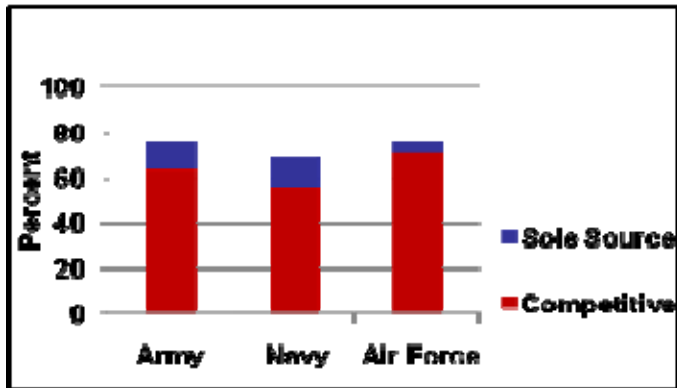
# Survey Core Questions

- 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

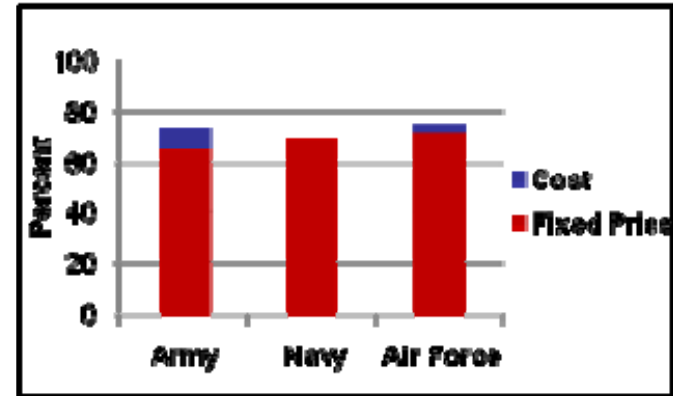


# Contract Characteristics

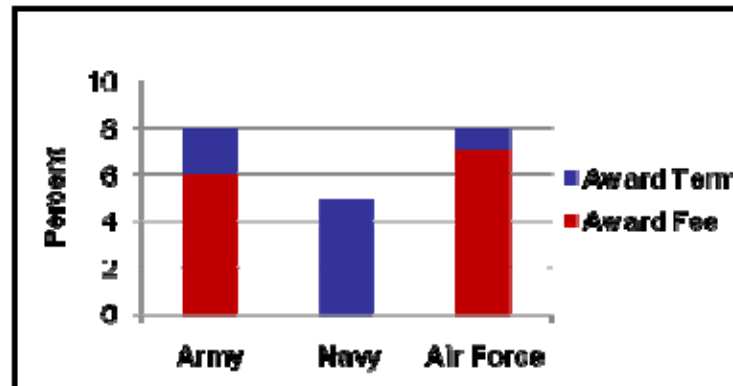
## Degree of Competition



## Contract Type



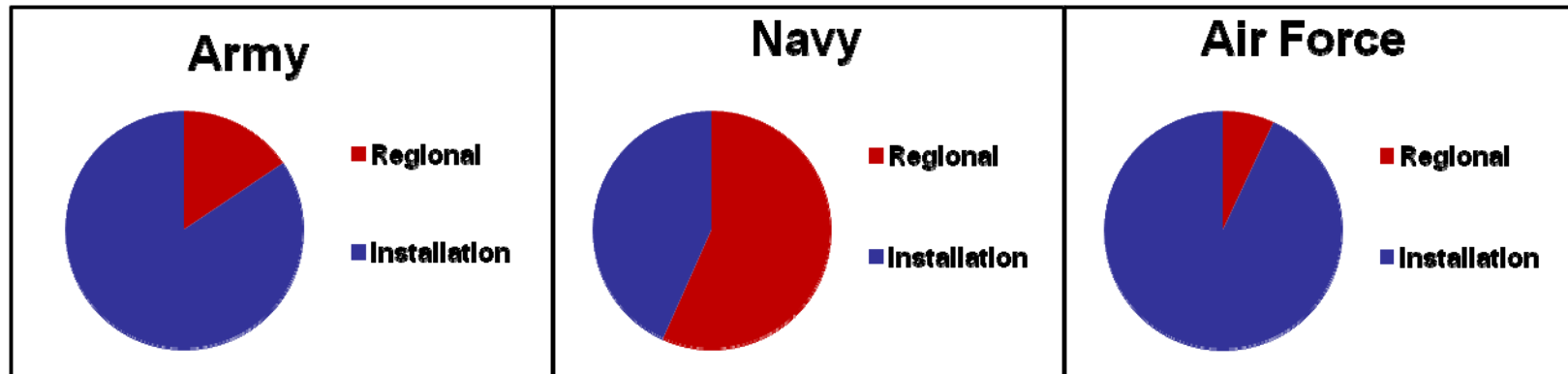
## Contract Incentive





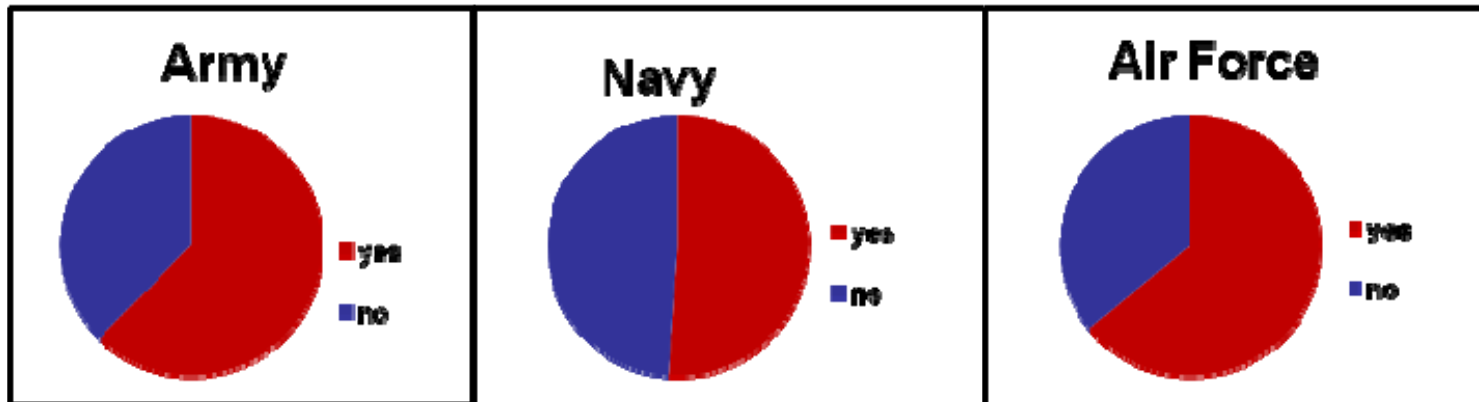
# Acquisition Management Methods

## Organization Level at which Services are Acquired



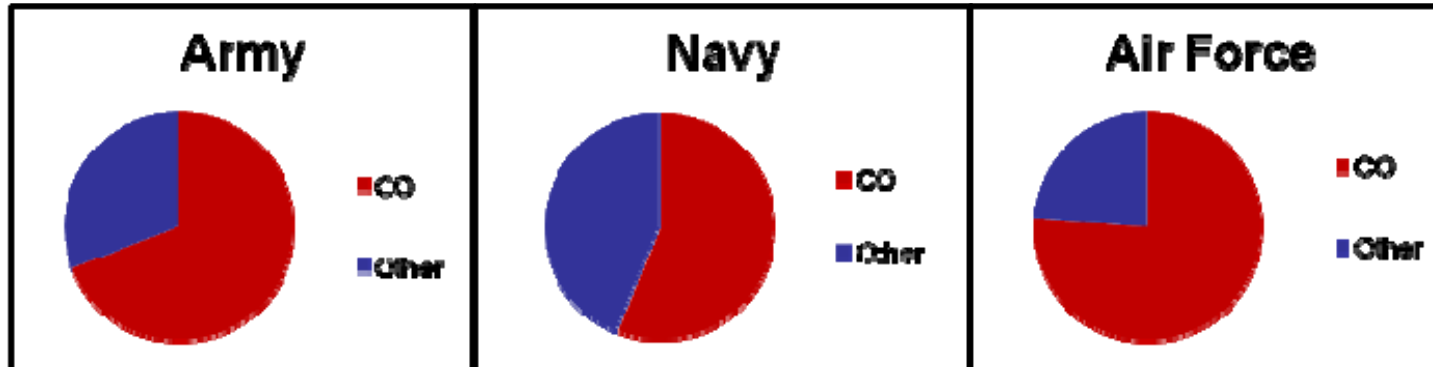
# Acquisition Management Methods

## Use of Project Team Approach

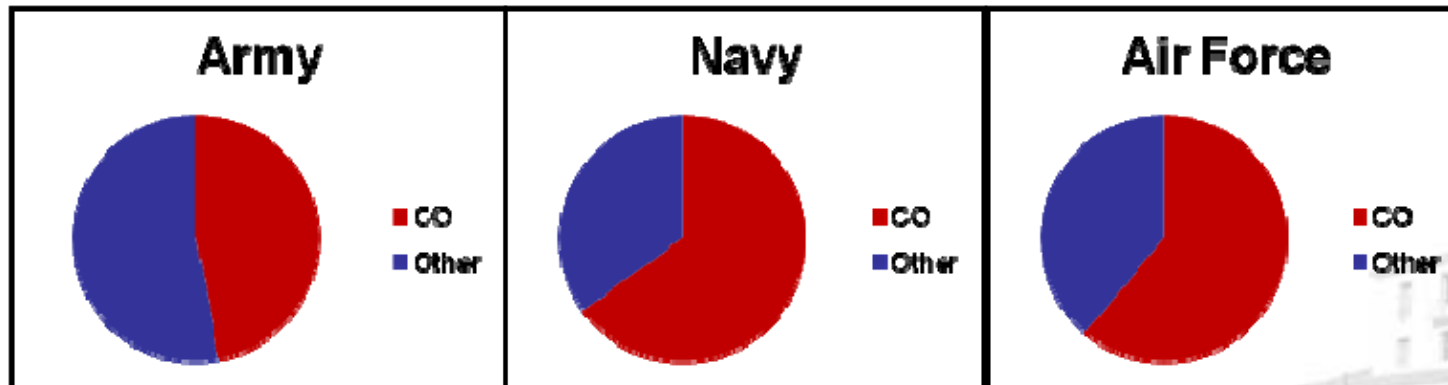


# Acquisition Leadership

## When Project Team Approach is Used

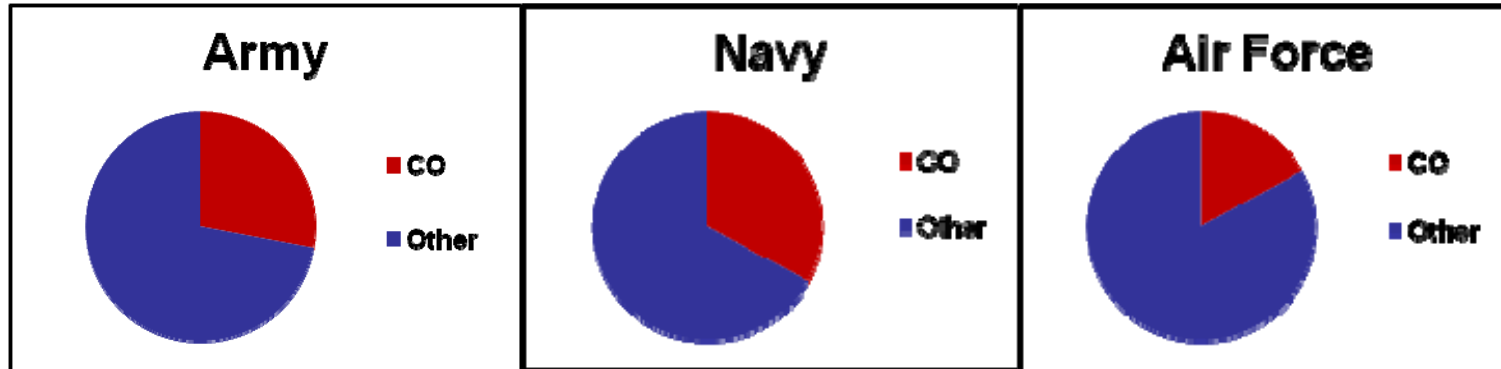


## When Project Team Approach is Not Used

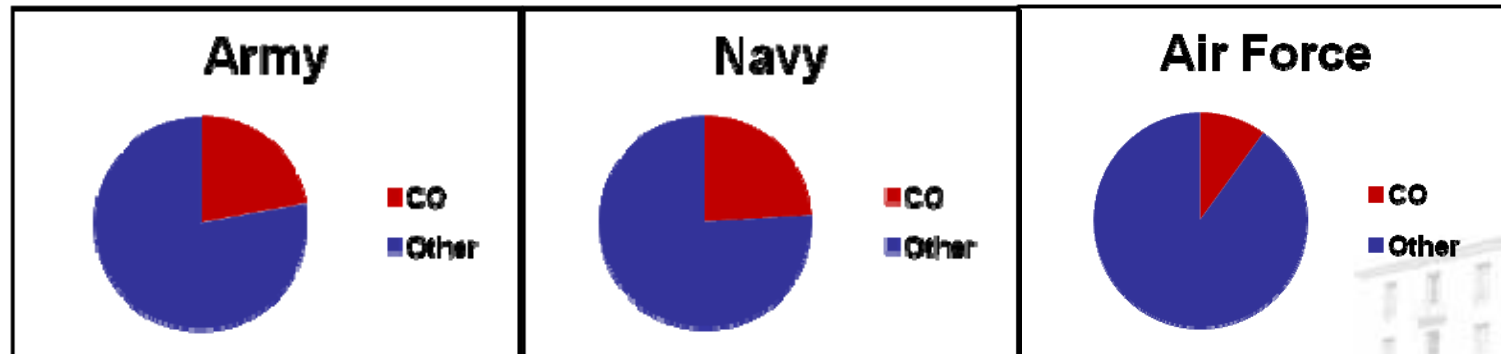


# Requirements Ownership

## When Project Team Approach is Used

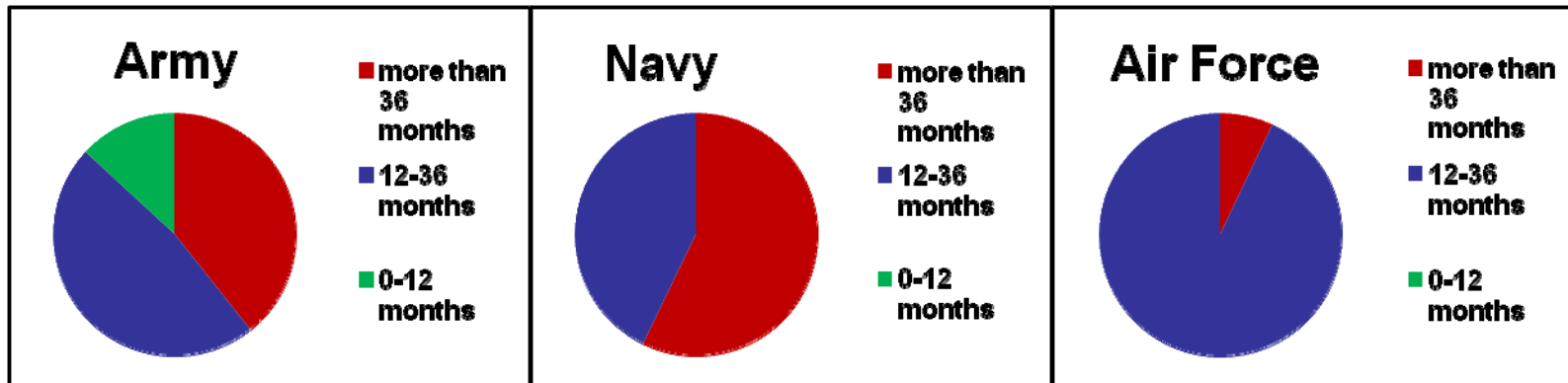


## When Project Team Approach is Not Used



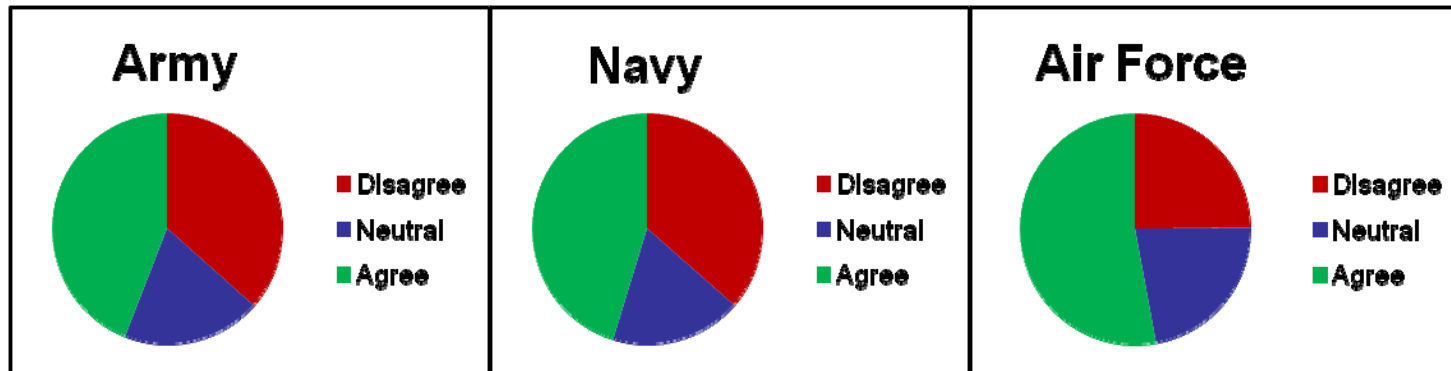
# Scope and Ability of Personnel Responsible for Acquisition

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

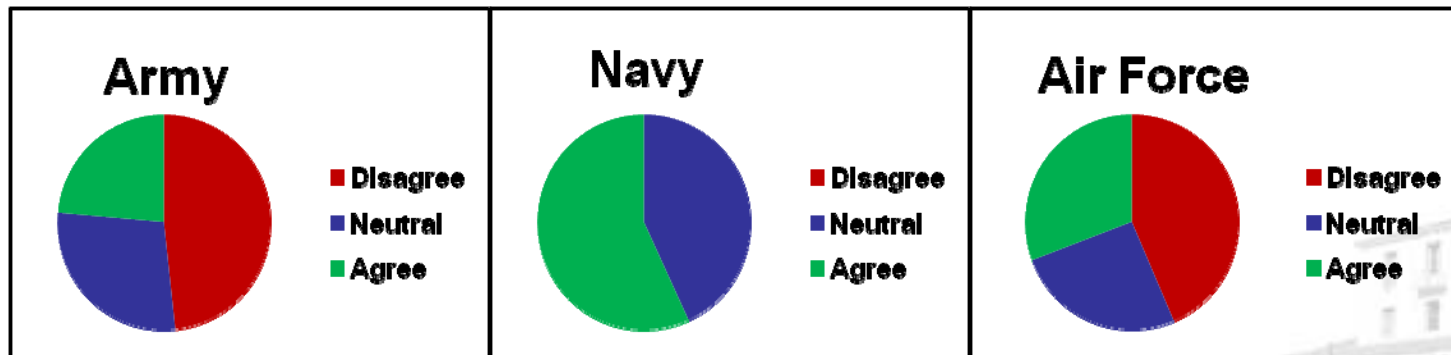


# Life Cycle Approach as the Dominant Strategy

## Routine Services

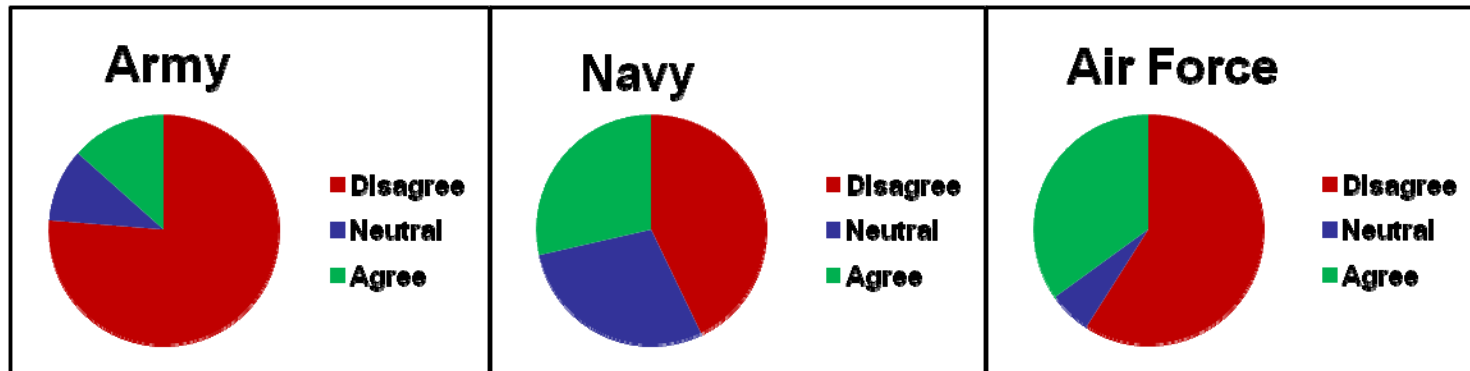


## Non-Routine Services



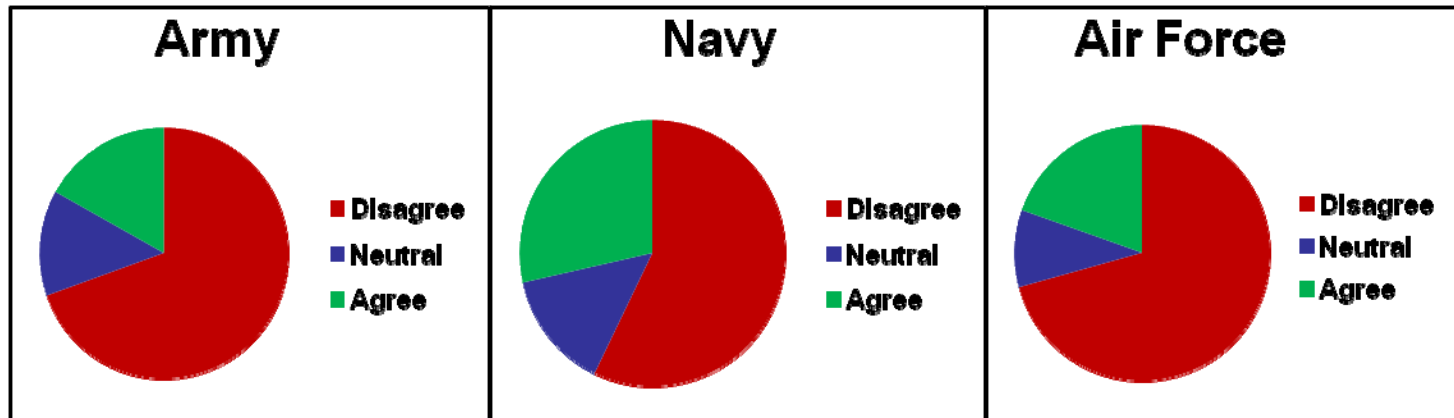
# Acquisition Billets

## Number of Billets is Adequate



# Acquisition Billets

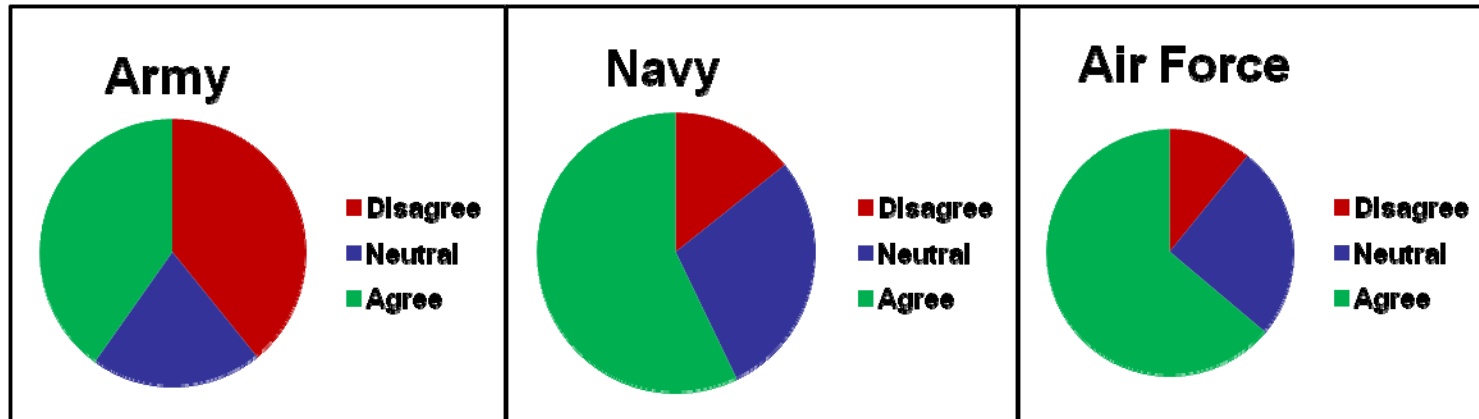
## Billets are Adequately Filled





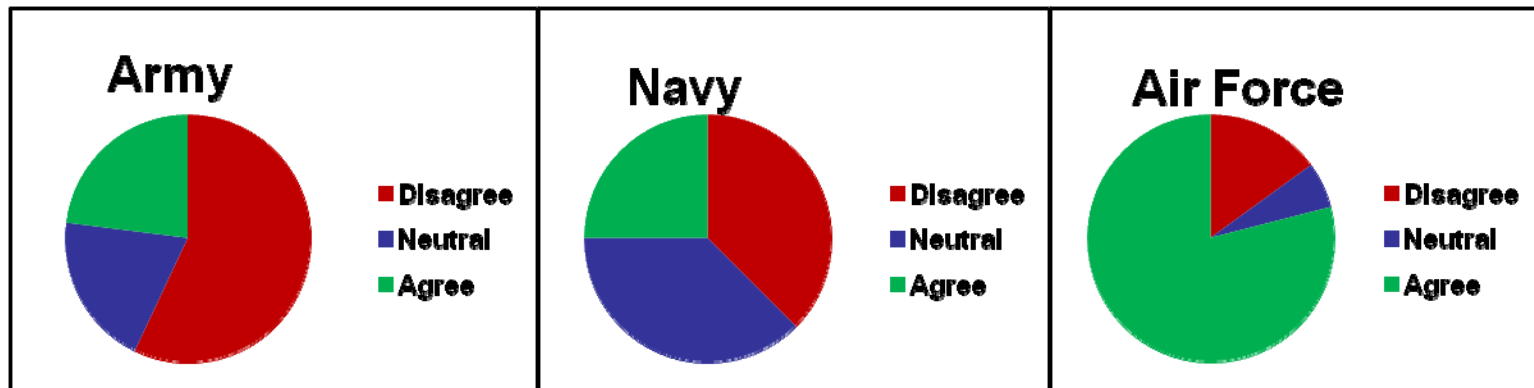
# Acquisition Billets

## 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?

