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# Analyzing Noise in Contracting Officer Decision-Making

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- Contracting officers make decisions necessary for effective contract management, ensuring compliance with the terms of the contract, and safeguarding the interests of the United States in its contractual relationships.
- These contracting decisions are based on contracting officers' knowledge and experience in contract management principles more so than by government rigid rules or checklists.
- In making these decisions, contracting officers are allowed wide latitude to exercise business judgment. This wide latitude may result in variability in these decisions, often referred to as “noise”.



DECISION MAKING

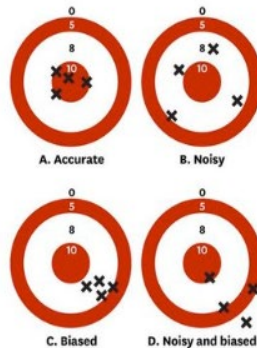
## Noise: How to Overcome the High, Hidden Cost of Inconsistent Decision Making

by Daniel Kahneman, Andrew M. Rosenfield, Linnea Gandhi, and Tom Blaser

FROM THE OCTOBER 2016 ISSUE

Harvard  
Business  
Review

How Noise and Bias Affect Accuracy



NEW YORK TIMES BESTSELLER

"A genuinely new idea so exceedingly important you will immediately put it into practice . . . A masterpiece." —Angela Duckworth, author of *Grit*

# NOISE



A FLAW IN HUMAN  
JUDGMENT

DANIEL KAHNEMAN

AUTHOR OF *THINKING, FAST AND SLOW*

OLIVIER SIBONY

CASS R. SUNSTEIN



- Research Purpose
  - The purpose of this exploratory research is to investigate the level of variability (noise) in contracting officer decisions.
- Research Question
  - What extent does variability in decisions (noise) exist in the contracting officer/contract manager workforce”?
- Research Method
  - Survey deployed to workforce with scenario-based questions.



- Deployment of a Qualtrics-based survey to a population of contracting officers/contract managers.
- Surveys consisted of scenario-based questions requiring a contracting decision.
- Scenarios included multiple options, with one option to be selected by the respondents.
- Scenarios and questions are the type that there is no one correct answer.



# Demographics

Years of CM Experience	
3 or Less	0
4 to 8	3
9 to 13	8
14 to 19	10
20 or More	21
DAWIA /FAC-C Level	
None	19
I	2
II	1
III	18

Employment Sector	
Public (Buyer)	18
Private (Buyer)	7
Private (Seller)	20
Academia	8
CO Warrant	19
Professional Certification	
CFCM	16
CCCM	1
CPCM	15

The number of survey responses ranged from 40 to 43 responses

Scenario Number	Contract Life Cycle Phase*	Decision Issue	Option	Option	Option	Option	Option
			A (%)	B (%)	C (%)	D (%)	E (%)
1	Post-Award	Specification interpretation	28	2	70	n/a	n/a
2	Award	Source selection decision	7	12	81	n/a	n/a
3	Post-Award	Schedule extension determination	58	42	n/a	n/a	n/a
4	Post-Award	REA for government delay of payment and schedule	83	12	5	n/a	n/a
5	Award	Challenge to competitive range determination	27	34	39	n/a	n/a
6	Pre-Award	Contract schedule development	0	48	24	19	10
7	Post Award	REA for increased level of effort	0	75	25	n/a	n/a
8	Pre-Award	Requesting certified cost/pricing data	48	50	3	n/a	n/a
9	Award	Contract price negotiation	38	0	45	14	2
10	Award	Determining timely receipt of proposals	5	57	38	n/a	n/a
11	Award	Determining delivery date for EOFY purchase	17	56	2	24	n/a

\*As reflected in the NCMA Contract Management Standard, 3<sup>rd</sup> edition.



- Preliminary findings indicate there is some variability (noise) in the decisions made by our respondents.
- Contracting professionals complete a structured and regulated contracts training program, yet, there appears to still be some level of variability in contracting decisions.





- It would not be expected to have no noise or zero variability in contracting officer decisions; some variability in decisions is expected in contracting officers' use of judgment and policy interpretation.
- Senior leaders should acknowledge that variability in contracting decisions exists, have an appreciation for the potential causes of variability (e.g., types of biases), and determine how to limit the extent of unwarranted or unwanted noise in contracting decisions.



# Recommendations

- Senior leaders may not be able to conduct a full-up noise audit to identify and quantify noise across the organization, but they can examine discreet decision processes for evidence of variability.
- If the variance is unwarranted and unwanted, leaders have a manageable problem to mediate.



# Questions/Comments

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