



# Determinants of Services Sourcing Performance

## 8<sup>th</sup> Acquisition Research Symposium

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# Issues In Service Contract Management

## Purpose & Research Questions

## Theoretical Frameworks

**Service quality**

**Expectation – Disconfirmation → Satisfaction**

**Resource-based view**

**Competence-based view**

**Relational exchange**

**Agency theory**

**Conceptual model**

**Methodology**

**Results & Implications**

**Future Research**



**2005: services > 78% US GDP & employed  
10% of country's workforce**

**services > 50% of DoD's Contract Spend**

**Persistent Problems Acquiring Services**

**13 GAO Reports since 2001**

**7 IG Reports since 2000**

**Symptoms:**

**Poorly defined requirements**

**Insufficient oversight**

**Inadequate staffing**

**Not strategically managing spend**

**Lack of competition**

**Poor assessment of contractor performance**

**Non-compliance**



**Why is DoD struggling to effectively manage services?**

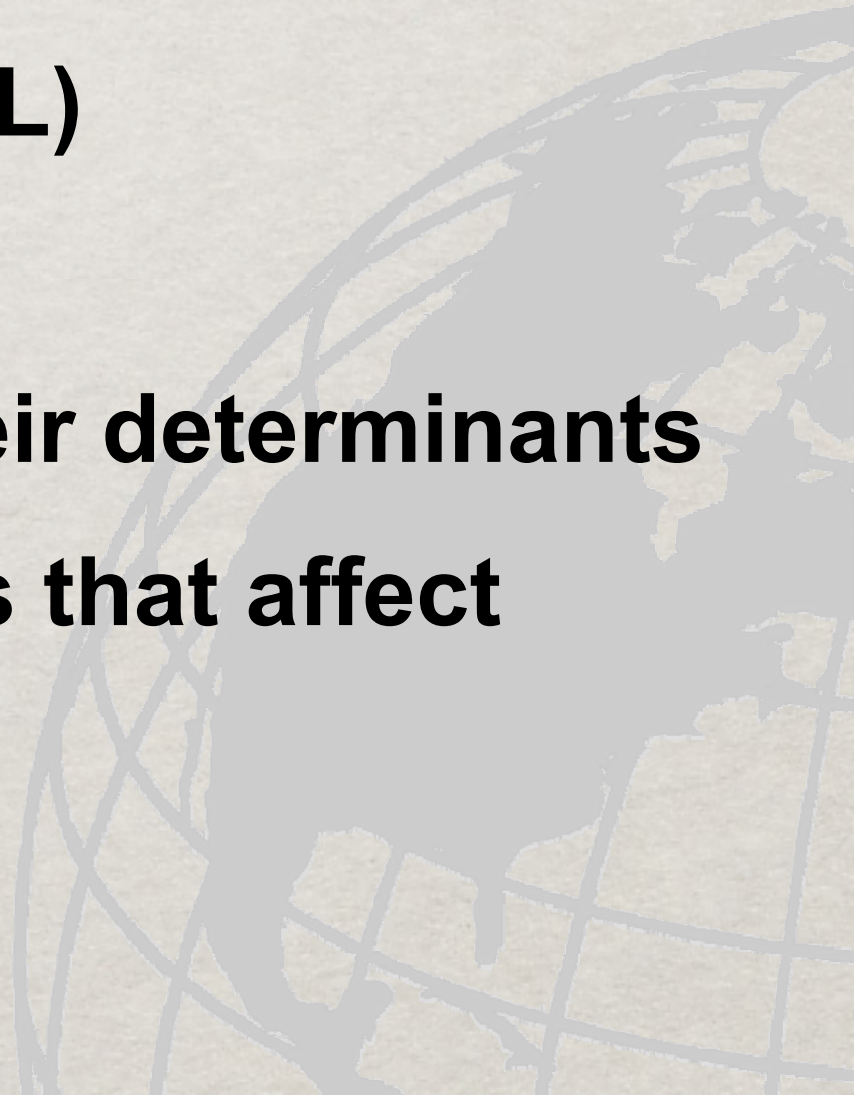
**Consider key outcomes:**

**Service quality (SERVQUAL)**

**Compliance**

**First, need to understand their determinants**

**Purpose: Identify the factors that affect  
SERVQUAL & compliance**




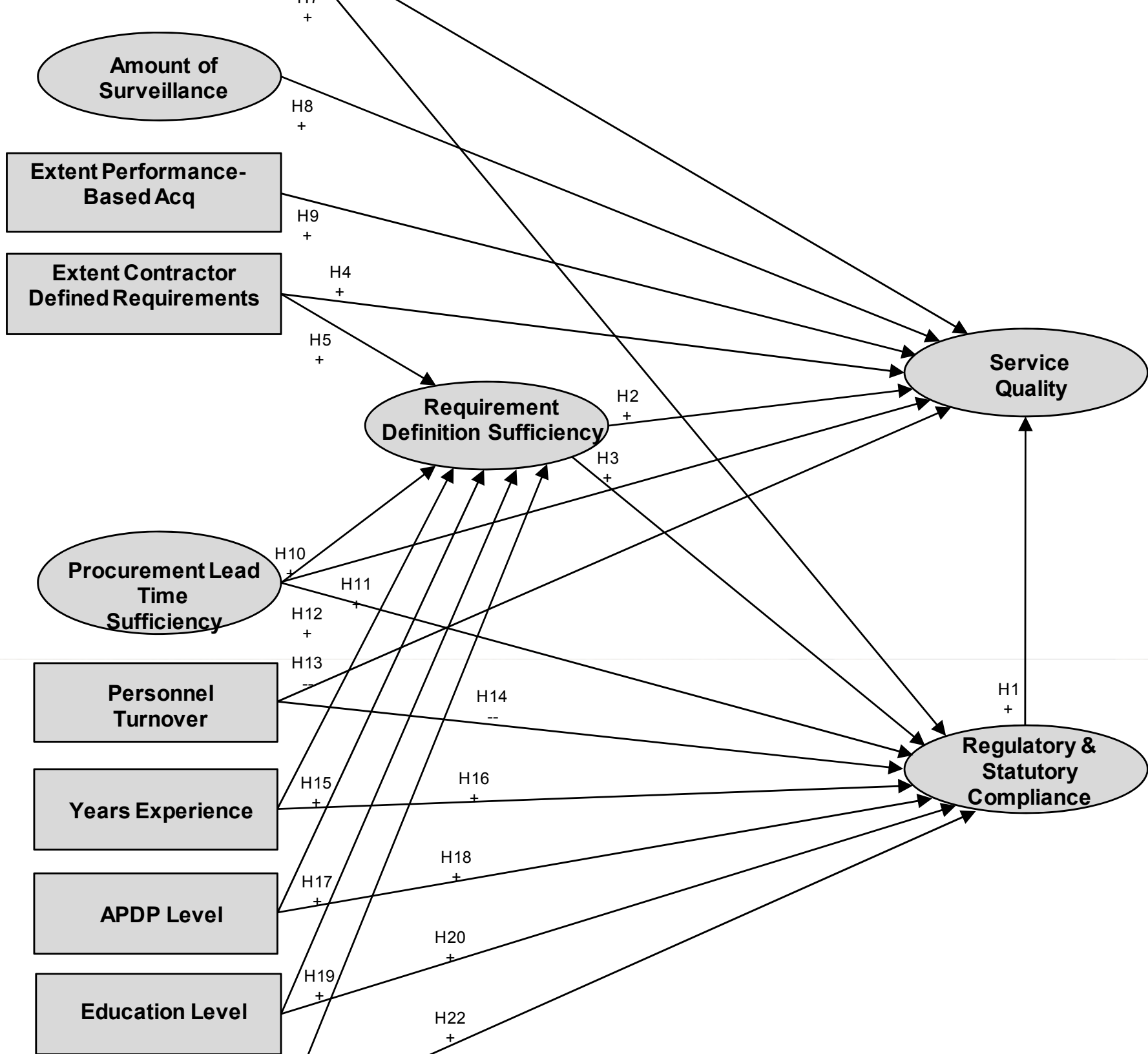
**Services are difficult to define and assess.**

**Differ from goods in terms of:**

- **Intangibility**
- **Heterogeneity**
- **Perishability**
- **Inseparability**

**Parasuraman, Zeithaml, & Berry, 1985**

- **Gaps model – key to troubleshooting SERVQUAL problems**
  - **5 dimensions of SERVQUAL**
    - **Tangibles**
    - **Reliability**
    - **Responsiveness**
    - **Assurance**
    - **Empathy**
  - **Needed to be adapted to a B2B setting:**
    - **Reliability**
- 



# Structural Equation Modeling

Online survey

Sample:

240 USAF service contract administrators

42 buying activities

Response rate = 34%

Survey measures

Adopted and adapted existing scales where possible

Created new scales for: *sufficiency of rqmt def* & *sufficiency of lead time*

Table 14. Service Type Administered by Respondents

Service Type	Percent of total
Maintenance/repair	22.22
Professional, administrative and management support	17.70
Utilities and housekeeping	17.28
Medical	10.29
Education and training	4.53
Architect-engineering	3.29
Quality control, testing, and inspection	0.82
Research and development	0.82
Other	23.05



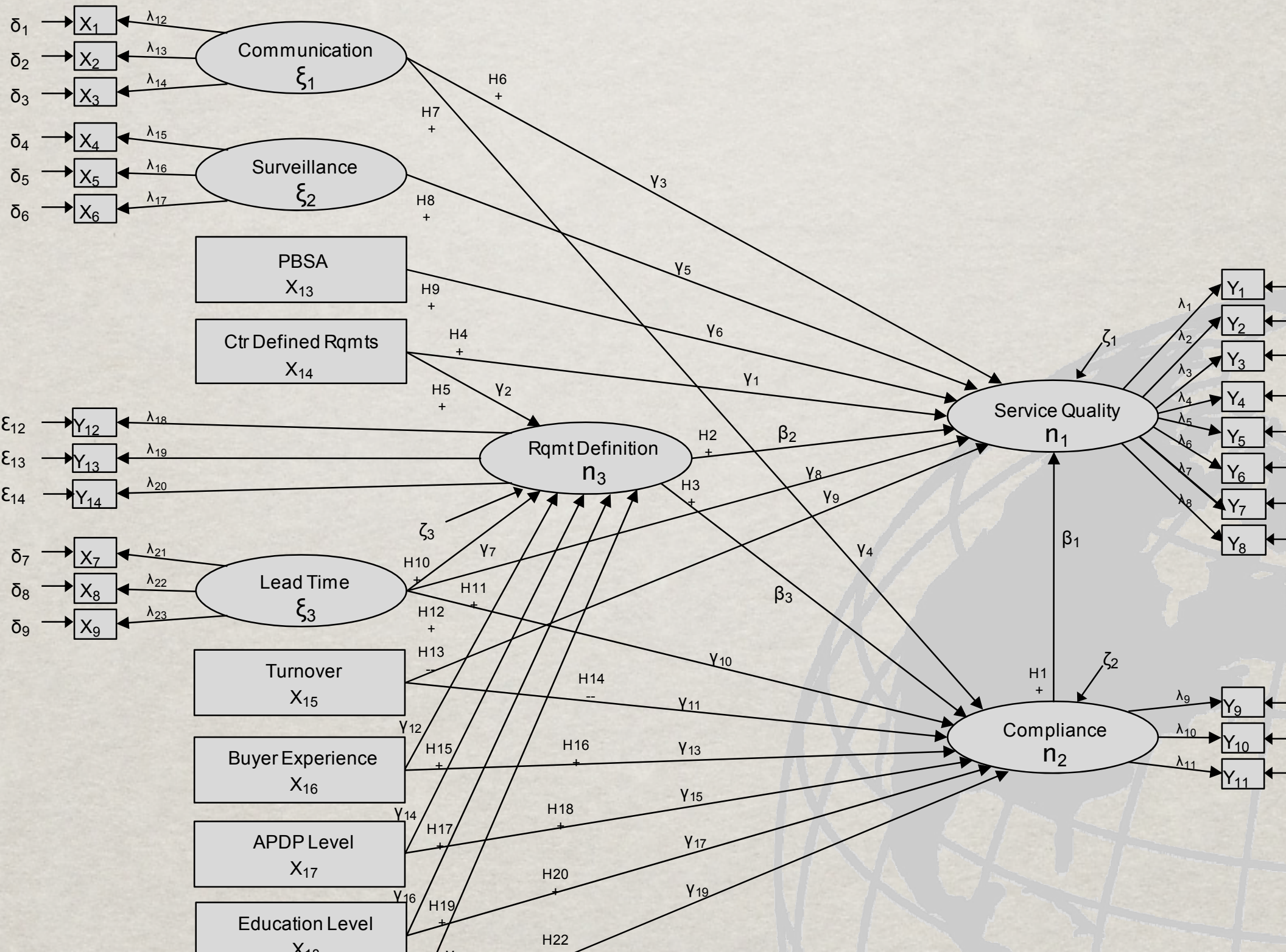
**Face validity: Expert and Practitioners reviewed the model & survey**

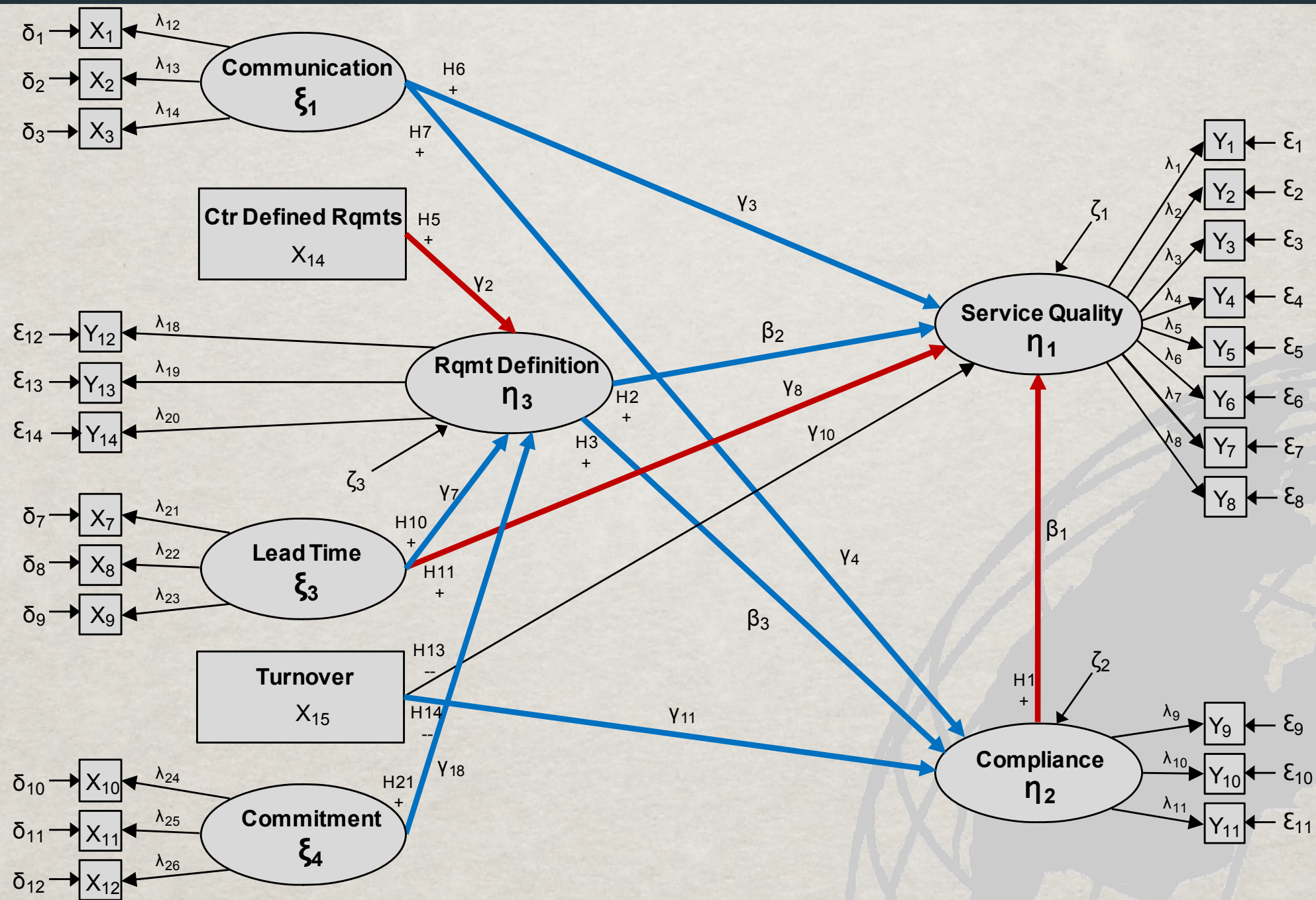
**Composite reliabilities  $> .7$**

**Construct validity: confirmatory factor analysis w/ software**

**Convergent validity: Average variance extracted  $> .5$**

**Discriminant Validity: AVE  $>$  squared correlations**





$R^2_{SERVQUAL} = .65$

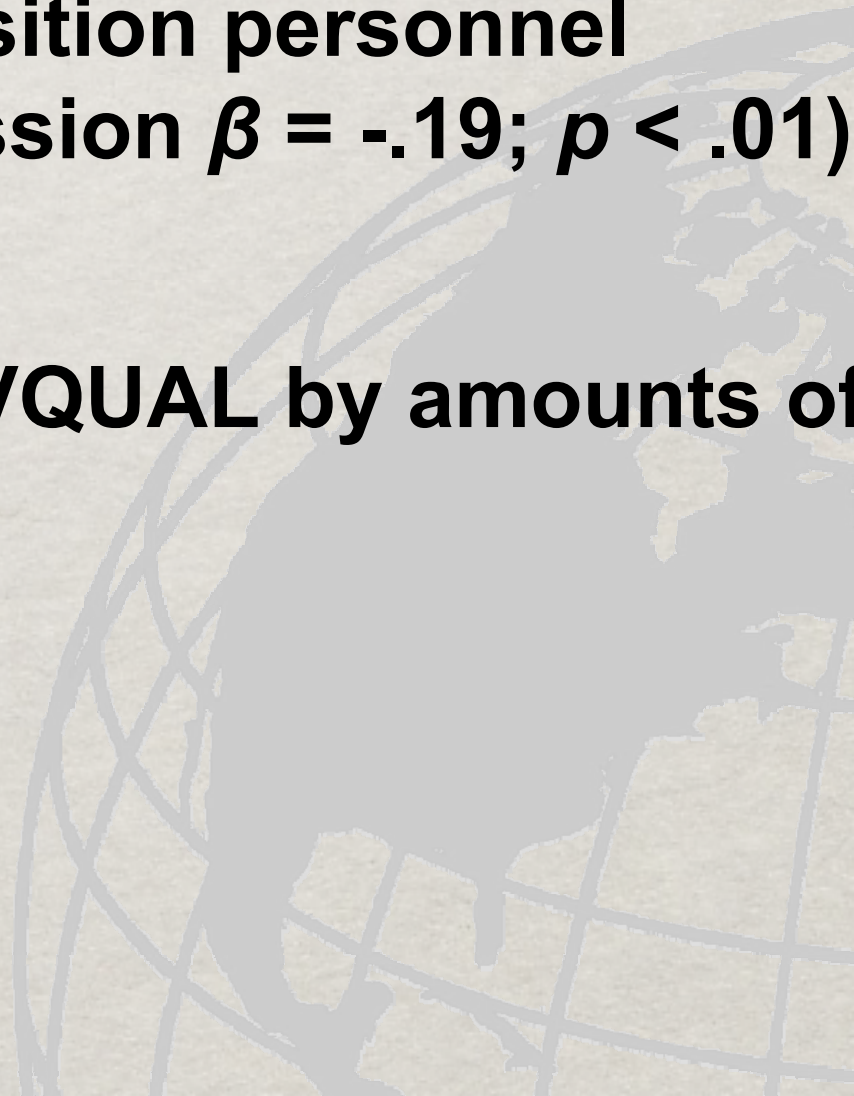
$R^2_{Compliance} = .30$

$R^2_{Rqmt Def} = .30$

**Compliance is less where acquisition personnel turnover  $\geq 100\%$  (Regression  $\beta = -.18$ ;  $p < .01$ ).**

**Compliance is less where acquisition personnel turnover  $\geq 42\%$  annually (Regression  $\beta = -.19$ ;  $p < .01$ ).**

**There was no difference in SERVQUAL by amounts of turnover.**



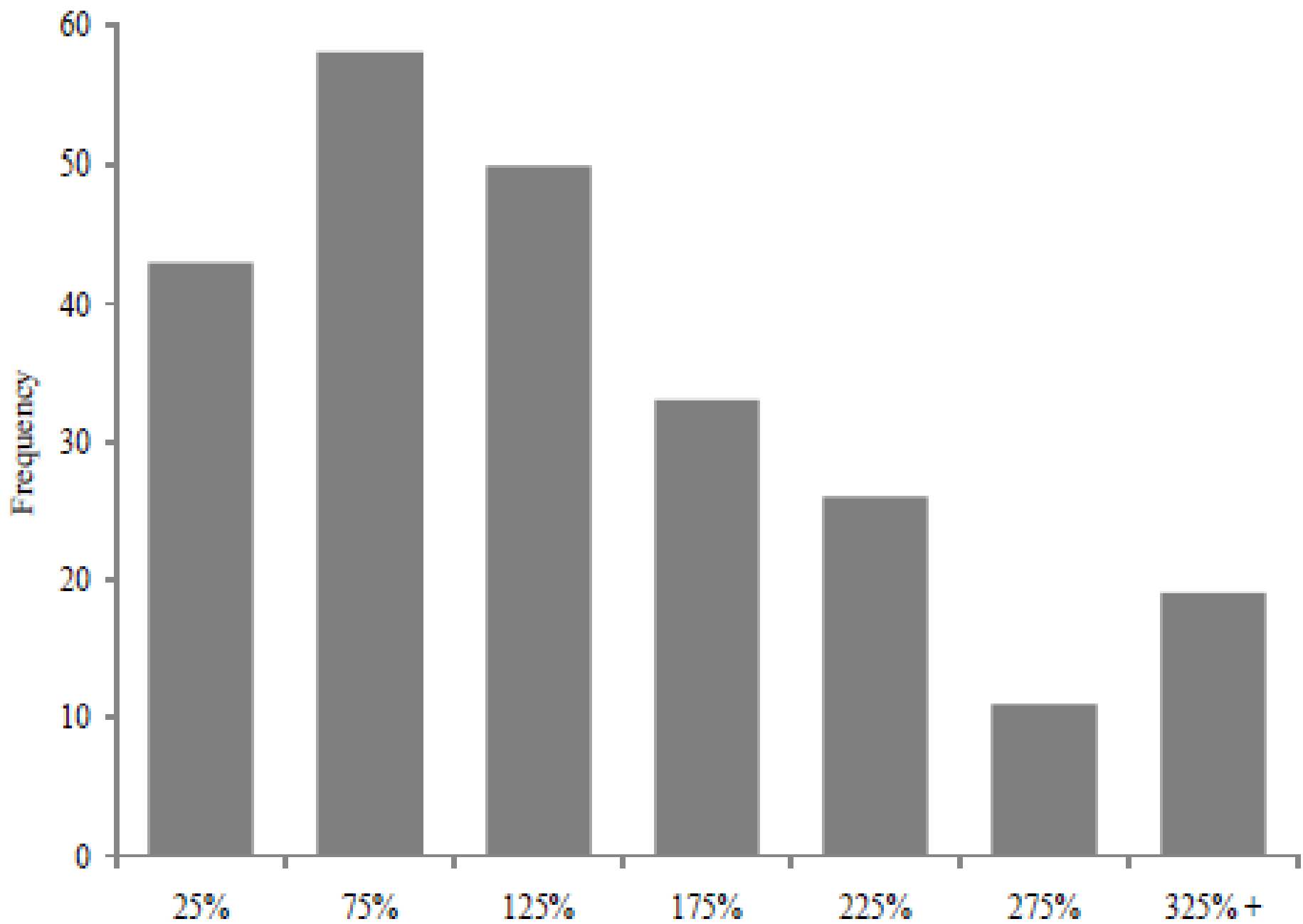


Figure 12. Histogram of Percent Turnover of Acquisition Personnel

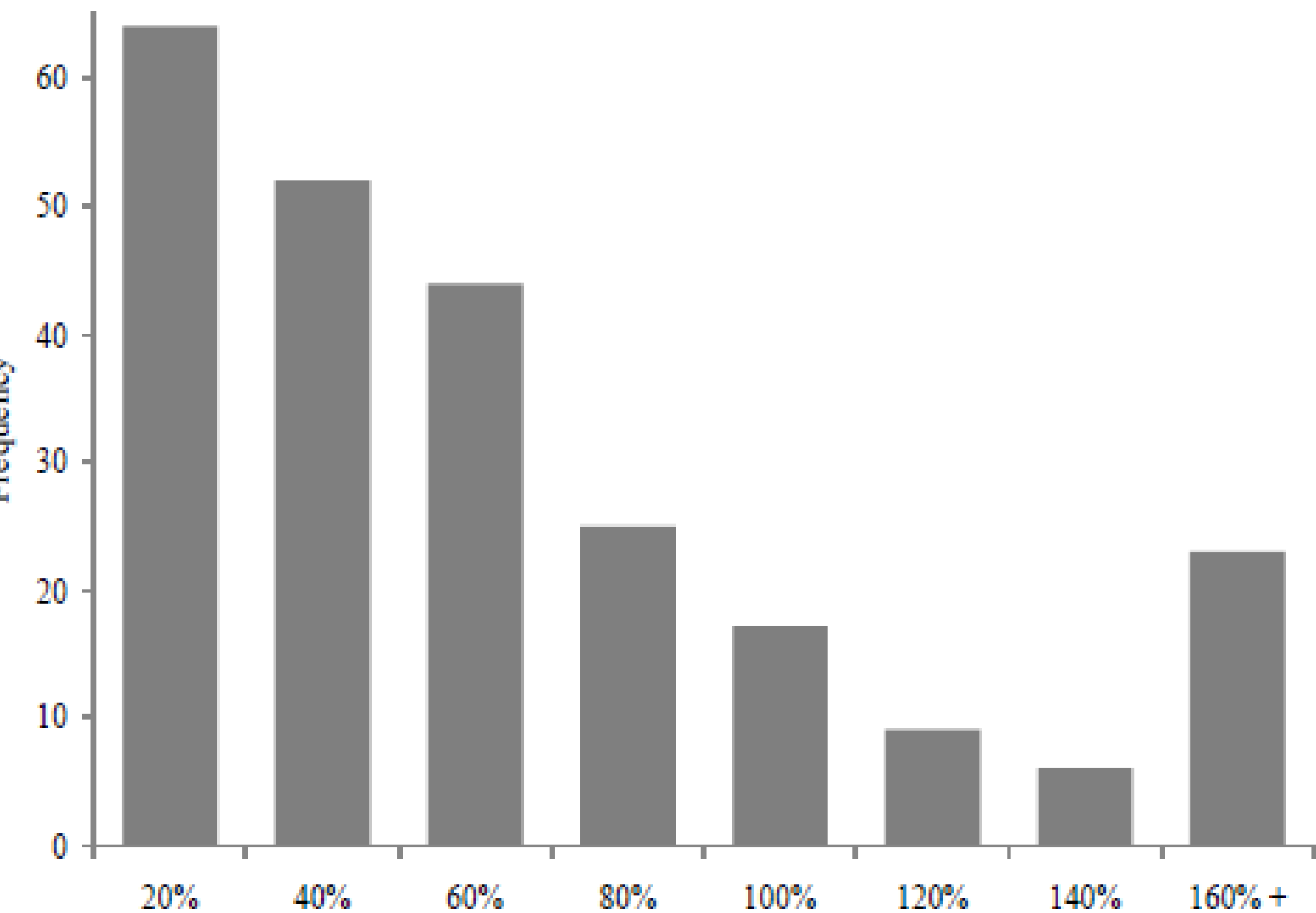


Figure 13. Histogram of Annualized Percent Turnover of Acquisition Personnel

**Low CO experience (5 years or less) is associated with lower levels of service quality (Regression  $\beta = -.13$ ;  $p < .05$ ).**

**Experience is not associated with compliance or rqmt def**

**Explored differences in rqmts definition & compliance by APDP certification level.**

**One difference detected: APDP Level II define rqmt more sufficiently than do APDP Level III**

**No differences in rqmt def or compliance by CO education level**

***Limit the turnover of acquisition personnel to no more than 100% over the term of contracts and 42% annually.***

***Establish buyer-supplier relationship management skills (communication and negotiation) as a core-competency.***

***Ensure that assigned internal customers are fully committed to services acquired prior to engaging in procurement processes & develop measures to increase commitment.***

***Better educate customers on methods to effectively develop requirements documents; develop high-quality requirements documents templates for commonly acquired services.***

***Revise or remove non-value added regulations & policy***

***Implement a supplier performance evaluation system for service contracts including the service quality scale.***



**Why is turnover so high, and how do we control it?**

**How do we retain experience?**

**Why is procurement lead time not sufficient?**

**What are the antecedents of a well-defined requirement?**

**What is the supplier's perspective on the relationship between compliance and SERVQUAL?**

**Is contract award the goal line or is supplier performance the desired end state – positive vs. normative?**

**Does CPARS adequately help us manage supplier performance? Is a SRF system needed?**

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**SAF sample may limit generalizability**

**Not a random sample**

**Common method variance**

**socially desirable response bias**

**Internal customer commitment measured by the CO v  
the customer**

**One single-item scale (*contractor defined rqmts*)  
prevents assessment of reliability**

Education level	Percent of total	Certification level	Percent of total
High school diploma or GED	11.90%	No APDP certification	19.30%
Associate's degree	12.30%	APDP Level I	18.50%
Bachelor's degree	43.20%	APDP Level II	36.60%
Master's degree	31.70%	APDP Level III	25.50%
Doctoral or professional degree	00.80%	Other professional certification	15.40%