Defense Acquisition in Transition
6TH ANNUAL ACQUISITION RESEARCH SYMPOSIUM

Contract Management Process Maturity: Analysis of Organizational Assessments

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Overview

- Background
- Relevant Literature
- Assessment Tool
- Analysis of Assessments
- Summary

Background

- Organizations are relying on procurement processes for achieving competitive advantage
  (Quinn, 2005; Patel, 2006; Cohen, Eimicke, 2008)

- DoD contract management is considered a core competency
  (Kelman, 2001)

- DoD contract management has been listed as a "high risk" area since 1990
  (GAO, 2009)

Background

- DoD is emphasizing workforce competence in contract management

  (Newell, 2007; GAO, 2007)

- Organizations should also emphasize organizational competence to ensure consistent and superior results

  (Frame, 1999, Kerzner, 2001)

Relevant Literature

- Procurement assessment models have focused on measuring the development of the procurement function's orientation and support of organization's strategy and objectives

  (Reck & Long, 1988; Leenders and Blenkhorn, 1988; Bhote, 1989; Freeman & Cavinato, 1990; Burt, Dobler, & Starling, 2003)

Relevant Literature

- Organizations have used capability maturity models to assess, measure and improve process capability

  - Organizational competence: an underlying characteristic that is causally related to effective or superior performance (Curtis, Hefley, and Miller, 2001)

  - Process capability: inherent ability of a process to provide planned results (Ahern, Clouse, & Turner, 2001)

  - Maturity: a measure of effectiveness or capability in any specific process (Dinsmore, 1998)

Relevant Literature

- Higher levels of process capability and maturity lead to increased organizational competence
  (Yueng, Ulrich, Nason, & von Glinow, 1999)

- Capability maturity models have been successfully used in assessing software management and project management processes

  (Chrissis, Konrad, & Shrum, 2003; Kerzner, 2001, 2009)

Contract Management Maturity Model

- The CMMM applies the maturity model concept to the contract management process

  - Contract Management (CM): the art and science of managing a contractual agreement throughout the contracting process (Garrett, Rendon, 2005)

  - CM Process Maturity: the measure of effectiveness of an organization's CM processes (Rendon, 2003)

Contract Management
Maturity Model

- 62 question survey
- Contract Management process areas
  - Buying process
  - Selling process
- Likert scale
- Purposeful sampling

Contract Management
Maturity Model

- ## Contract Management process areas

Buying Process
- Procurement Planning
- Solicitation Planning
- Solicitation
- Source Selection
- Contract Administration
- Contract Closeout

Selling Process
- Pre-Sales Activity
- Bid/No-Bid Decision-Making
- Bid/Proposal Preparation
- Negotiations and Formation
- Contract Administration
- Contract Closeout

Contract Management Maturity Model

- Likert scale

    0. Don't Know

    1. Never

    2. Seldom

    3. Sometimes

    4. Usually

    5. Always

CM Key Process Areas

Procurement Planning: Determining what to procure and when.

Solicitation Planning: Documenting program requirements and identifying potential sources.

Solicitation: Obtaining quotations, bids, offers, or proposals, as appropriate.

CM Key Process Areas

Source Selection: Choosing from among potential
        offerors.

Contract Administration: Managing the relationship with the
        contractor.

Contract Closeout: Completion and settlement of the
        contract, including resolution of any open items.

Reference Text: *Contract Management
Organizational Assessment Tools*, by Gregory A.
Garrett and Rene G. Rendon, NCMA, 2005.

Five Levels of Maturity

- ## Level 1 – Ad Hoc
  - Organization acknowledges that CM processes exist; that these processes are accepted and practiced throughout various industries, and the organization's management understands the benefit and value of using CM processes.
  - Some established CM processes and informal documentation exist and are used within the organization, but applied only on an ad hoc and sporadic basis to various contracts.
  - Managers and CM personnel are not held accountable for adhering to, or complying with any CM processes or standards.

Five Levels of Maturity

- ## Level 2 – Basic
  - Some basic CM processes and standards are established, but are only required on selected complex, critical, or high-visibility contracts.
  - Some formal documentation has been developed for these established CM process and standards.
  - The CM process and standards are not considered established or institutionalized throughout the organization.
  - There is no organizational policy requiring the consistent use of these CM processes and standards on other than the required contracts.

Five Levels of Maturity

- ## Level 3 – Structured
  - CM processes are fully established, institutionalized, and mandated throughout the organization.
  - Formal documentation has been developed for these CM processes, and some processes may even be automated.
  - Tailoring of CM processes and documents is allowed in consideration of the unique aspects of each contract.
  - Senior mgt is involved in providing guidance, direction, and even approval of key contracting strategy, decisions, documents and contract Ts & Cs

Five Levels of Maturity

- ## Level 4 – Integrated
  - CM processes fully integrated with other organizational core processes such as financial management, program management, and systems engineering.
  - In addition to representatives from other organizational functional offices, the contract's end-user customer is also an integral member of the contracts team.
  - Periodical use of metrics to measure various aspects of the CM process and to make contracts-related decisions.

Reference Text: *Contract Management Organizational Assessment Tools*, by Gregory A. Garrett and Rene G. Rendon, NCMA, 2005.

Five Levels of Maturity

- ## Level 5 – Optimized
  - Systematic use of performance metrics to measure the quality and evaluate the efficiency and effectiveness of the CM process.
  - Continuous process improvement efforts used to improve the CM processes.
  - Established Lessons Learned and Best Practices programs to improve CM processes and standards.
  - CM process streamlining initiatives implemented as part of its continuous process improvement program.

Five Process Factors

- Strength
  - Processes are established, documented, standardized

- Results
  - Processes provide effective, successful results

- Support
  - Processes are supported by organizational management

- Integration
  - Processes are integrated and involve integrated teams

- Measurement
  - Processes are measured, continuously improved, and reflect lessons learned and best practices

Recent Assessments

- Ogden Air Logistics Center (OO-ALC)
- Naval Air Systems Command (NAVAIR)
- US Transportation Command (USTRANSCOM)
- Commander, Fleet Industrial Supply Centers (COMFISCS)
- Army Contracting Command Joint Munitions and Lethality (JM&L) Contracting Center

CMMM Assessment Results

- Groups within the same organization have different maturity ratings for the same CM key process area
- Contract Closeout process is consistently the lowest mature CM process in all organizations
- Process Measurement Factor is consistently the lowest in all organizations (questions related to use of metrics and lessons learned/best practices)

CMMM Assessment

- Assessment results identify the CM key process areas and key practice activities which need to be improved
- Assessment results provide a roadmap for implementing CM process improvements
  - Guides the organization in identifying CM training needs
  - Guides the organization in identifying CM process deficiencies as well as best practices throughout the enterprise

CMMM Assessment

- Assessment results can identify knowledge gaps and knowledge deficiencies throughout the enterprise
    - Provides opportunities for knowledge sharing and knowledge transfer throughout the enterprise
- Organizations with higher process maturity should be sharing techniques, best practices, lessons learned with organization with lower process maturity

CMMM Limitations

- CMMM is an assessment of organizational processes, not individual competence
- CMMM is based on subjective survey data
- CMMM should be used as an initial assessment tool, followed by:
  - Review of contract files
  - Review of process documentation
  - Compare with other procurement metrics

Summary

- Organizations are relying on procurement processes as key to achieving competitive advantage (Quinn, 2005, Patel, 2006)

- DoD contract management is receiving extensive emphasis in areas of workforce competence (Newell, 2007; GAO, 2007).

- Organizations should also provide additional emphasis on process capability to ensure consistent and superior results (Frame, 1999, Kerzner, 2001)