Contracting Excellence via Continuous Process Improvement

Glenn L. Starks

Process improvements to streamline contracting processes are often not undertaken because of the misconception that federal and agency-specific acquisition regulations are impediments. That misconception results from a desire to maintain acquisition integrity through the application of sometimes stringent standards and detailed processes, even when regulations and directives provide guidance to foster process flexibility. In contrast to the intent of regulatory flexibility, acquisition specialists and agencies often take extensive steps to ensure they are in compliance with regulations by developing elaborate processes, which often lead to long lead times in awarding contracts and diminished customer support. A primary complaint of customers who rely on contracting activities for support when materiel is not readily available is that logistics response times are too long as a result of lengthy contracting lead times.

Contracting processes can be streamlined and made more efficient through the application of continuous process improvement (CPI) techniques. Those techniques can not only improve customer

Starks *has almost 20 years of federal service and holds a doctoral degree in public policy and administration from Virginia Commonwealth University. He has published numerous articles on employee recruitment, leadership, managing conflict, and transforming the federal government.*

Continuous process improvement ensures DoD contracting activities will be better positioned to meet the evolving needs of the warfighter in supporting global requirements.

support through reduced lead-times but also assist in improving regulatory compliance by focusing on critical contracting processes. Although contracting processes may vary by the dollar value of acquisitions and the types of requirements being supported, CPI offers a strategy for applying improvements across the full spectrum of contracting.

What Is CPI?

CPI is a strategic approach to reduce cost, improve productivity and quality, and reduce cycle time through the application of techniques to improve output. For example, CPI techniques can improve pricing methodologies, streamline higher-level review processes, and bring efficiencies to contract administration and performance monitoring. It produces continuous benefits unless interrupted or interceded by major organizational impacts such as political, regulatory, or cultural changes.

Improvements are obtained through the application of Lean Six Sigma, which combines the practices of Lean and Six Sigma. Six Sigma improves quality by reducing the variation in production or process techniques. Lean eliminates non-value-added activities. An additional technique, Theory of Constraints, eliminates process bottlenecks. All of the areas of targeted improvements are inherent in the contracting process, making CPI a critical component of strategies leading to contracting excellence.

A misconception is that CPI is a technique primarily applicable to production processes. Motorola and General Electric were the pioneers in applying such techniques as Six Sigma in improving their production lines by reducing process variation and streamlining manufacturing processes. However, CPI is just as effective in improving administrative procedures and processes. Therefore, CPI can be employed to produce strategic improvements in DoD contracting, leading to acquisition excellence.

How to Employ CPI

Applying CPI to contracting begins by identifying all processes required for different contract types. The types range from simple acquisitions (such as micro-purchase awards for consumable items) to complex award actions (such as performance-based logistics contracts for

entire weapons systems). In all cases, each process—from acquisition planning to contract award—must be analyzed. One of the primary opportunities to reap improvements is to reduce variation in processes. For example, some acquisition specialists may perform their duties based upon their on-the-job training or process norms established in their office. For instance, specialists could gain approvals from support offices consecutively rather than concurrently. Many repetitive or duplicative efforts can be eliminated if agencies simply developed contracting process templates that outline broad contracting steps and provide standard directions on required actions.

Process analysis is to be conducted by consecutively analyzing each step in the contracting process. Some past practices, in attempting to employ contracting process improvements, have erroneously separated simple and difficult processes in the attempt to gain benefits by tackling only the most difficult tasks (such as pricing reviews) or focusing on only the simple tasks (such as those for low-dollar acquisitions). A thorough analysis involves reviewing each step separately to determine where improvements can be gained.

Inputs for each step in the contracting process must be identified: people, procedures, requirements, regulations and directives, required approvals, and systems. Each input provides opportunities for improvements. For example, identifying system improvements can streamline the acquisition time through such actions as automated clause insertion; developing system mechanisms to obtain approvals; and developing system enhancements for document storage, communication, and retrieval.

The analysis then focuses on identifying the critical steps in the contracting process. The critical path includes actions that must be taken (versus those that are optional) and the identification of the minimum time it will take to complete each. The combined time requirement of the critical path is the minimum time in which a contract can be awarded. To achieve improvements, impediments to streamlining the process are identified and strategies are developed. For example, obtaining pricing approval may be deemed a critical step for large-dollar-value acquisitions. One impediment, however, may be obtaining multiple approvals because of administrative layers of review. Actions that are not critical should be identified to determine their necessity. The tasks are to identify activities that delay or interrupt actions along the critical path and to eliminate duplicative activities.

A critical (and often overlooked) step in CPI is setting benchmarks. A single agency or activity may analyze its internal processes and make improvements it believes are world-class. However, agency standards and improvements should be compared to those of similar agencies to determine if benchmarks exist. If they do, those should be the gauges against which improvements are measured.

Reducing Contracting Lead-Times through CPI

Average Contract Award Time Before CPI Effort											
Pre-Award Planning	Small Business Coordination	Legal Coordination	Pre-Solicitation Approval	Solicitation	Proposal Reviews	Negotiations	Pricing Approvals	Post-Solicitation Approval	Amendments	Contract Award	Total Days
30 days	7 days	7 days	45 days	45 days	30 days	30 days	30 days	45 days	15 days	10 days	294 days

Average Contract Award Time After CPI Effort									
Pre-Award Planning	Small Business and Legal Coordination	Pre-Solicitation Approval	Solicitation	Proposal Reviews and Negotiations	Pricing Approvals	Post-Solicitation Approval	Amendments	Contract Award	Total Days
15 days	7 days	20 days	30 days	30 days	20 days	20 days	5 days	5 days	152 days
Using IPTs	Concurrent reviews	Proactive communication	Using FAR flexibility for commercial procedures	Concurrent actions	Co-located pricing analyst and reduced approval layers	Proactive communication	Systems capability	Streamlined and automated documentation	

The table presents a simplistic but realistic timeframe chart of an agency's contracting process for large-dollar acquisitions before and after a CPI effort has taken place. Notice that before CPI, the average total time to award a contract was 294 days. After CPI, the average total time was reduced to 152 days. The bottom row of the table outlines what actions were taken that led to improvements. The time reductions were achieved through concurrent coordination efforts (e.g., concurrent small business and legal reviews); streamlining administrative efforts (e.g., using Federal Acquisition Regulation flexibility for reduced solicitation times for commercial-type items); and improving personnel and system inputs (e.g., co-locating the pricing analyst with buyers, reducing the layers of approval for pricing, and using automated documentation processes).

The Critical Components of CPI

There are several things that are critical to establishing a successful CPI program or undertaking a CPI initiative. The first, and perhaps most important, is senior leadership support. Leadership must openly and actively endorse CPI in order to embed it into the organization's culture. Support goes beyond just sending personnel to Green Belt and Black Belt Lean Six Sigma training; senior leadership should be active sponsors of CPI projects and should engage in efforts to ensure the execution of outcomes. At the next leadership level, managers must also embrace CPI and be willing to support the investment of personnel training, the time for teams to develop strategies, and the importance of seeing beyond tactical requirements to gain strategic benefits. CPI must also become a part of an organization's strategic plan and be formally documented in an organization's vision statement and strategic plan documentation. Employees have to be flexible and accepting of new training, take the initiative in applying innovation to their day-to-day activities, and be open to supporting multidisciplinary approaches when tackling large projects.

Regulatory flexibility is another requirement of contracting CPI. In many cases, rules and regulations are already flexible in serving as guidance. However, contract specialists may apply too strict an interpretation. In other cases, agencies apply stringent interpretations to federal regulations in issuing local directives and guidance. Agencies should review their local clauses and directives at least once every three years to ensure they adhere to best governmental and commercial standards of flexibility. Lastly, there may be a need to lobby headquarters or other oversight and governing bodies in attempts to have regulations changed to foster process improvements.

A critical component of CPI is a tracking system for reporting all completed, in-process, and planned CPI projects. The system should outline key milestones, primary and collateral offices of responsibility, and desired outcomes; and (for completed projects) should track progress over time. The tracking system should include complete details on CPI outcomes, specifically the details on the refined process steps outlining the streamlined contracting process.

Tracking CPI efforts also entails continuous monitoring of outcomes for analysis of potential improvements. The goals of institutionalized CPI are to continue nurturing the improvement process and to develop personnel to be more readily able to identify areas of potential improvement.

A Critical Future Investment

CPI is an effective tool in reducing costs, improving efficiencies, and sustaining quality. It is a strategic tool that embeds continuous improvement in the culture of the organization. The benefits of CPI can be applied to contracting processes to produce streamlined processes that improve support to customers. CPI is a critical investment in the future of all contracting agencies and ensures DoD contracting activities will be better positioned to meet the evolving needs of the warfighter in supporting global requirements.

The author welcomes comments and questions and can be contacted at glenn.starks@dla.mil.