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THESIS

A PROCUREMENT POLICY MANUAL FOR THE NAVY
FIELD CONTRACTING SYSTEM (NFCS)

by

Samuel B. Moyle, III

September 1990

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A Procurement Policy Manual for the Navy Field Contracting System (NFCS)

by

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ABSTRACT

This research effort explores the merit of developing a procurement policy manual for purchasing organizations within the Navy Field Contracting System (NFCS). The structure, content, uses, advantages, and methods for evaluating effectiveness found in the literature, as well as the generic characteristics of a procurement policy manual, are identified and discussed. These properties are then applied to Navy purchasing contracting activities and the differences and similarities analyzed.

The research concluded that procurement policy manuals are useful and Navy contracting organizations should be encouraged to develop and use them. Many Navy manuals are not well organized and are often too technical. The generic characteristics of desirable manuals should be incorporated into the planning stage of manual development. Recommendations include encouraging the use of the manuals, applying the generic characteristics, training the procurement policy specialists, measuring manual effectiveness, making the manuals a part of procurement training, and using the manuals to evaluate purchasing performance. Ideas for related research efforts complete this thesis.

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I. INTRODUCTION

A. PROBLEM STATEMENT

This research effort investigates the feasibility of developing a procurement policy manual for purchasing activities within the Navy Field Contracting System (NFCS). More specifically, the research examines the proposed manual's structure and content and identifies certain generic characteristics that are germane to all procurement policy manuals. Related areas of interest include identifying activities that currently have manuals, how those activities measure the effectiveness of the manuals, and how the manuals are used.

Corporate purchasing departments, like Navy field contracting activities, develop and promulgate policies in order to deal with the many recurring issues associated with modern business. Policies can also help purchasing managers make decisions about unusual problems that do not quite fit within the guidelines of normal operating procedures. Purchasing policies are useless, however, unless they can be effectively communicated to all individuals who are affected by them.

Many purchasing departments have found that the most effective way to disseminate purchasing policy to employees, customers, and vendors is through the use of procurement

policy manuals. The manuals promote good customer, supplier, and interdepartmental relationships, ease the burden of close supervision, standardize and improve practices and procedures, and bolster procurement training. Many Navy field contracting activities could derive similar benefits from developing and utilizing procurement policy manuals.

In order for procurement policy manuals to be successful in the Navy field contracting arena, the concept must now be approved by the Deputy Assistant Secretary of Defense for Procurement (DASD (P)), the Office of the Assistant Secretary of the Navy (Shipbuilding & Logistics) (OASN (S&L)), and Commander, Naval Supply Systems Command (COMNAVSUPSYSCOM). Furthermore, the manuals must be accepted and used by all lower level activities. One objective of this research is to develop a framework for a Navy procurement policy manual that would facilitate the necessary acceptance.

In conclusion, this study reviews the literature relating to the development of corporate procurement policy manuals, examines existing Navy procurement policy manuals, and analyzes research questionnaires completed by a select group of Navy field contracting activities in order to identify and better understand the structure, content, characteristics, usage, and effectiveness of the manuals.

B. RESEARCH OBJECTIVE

The purpose of this thesis is to determine what should be included in a procurement policy manual for Navy field contracting activities. The structure and content of existing policy manuals and the responses of field contracting personnel to questionnaires sent out by the researcher are analyzed to develop a framework of generic characteristics that will enable individual Navy field contracting activities to construct an effective procurement policy manual.

C. THE RESEARCH QUESTIONS

The primary research question for this study is "What should be the structure and content of a procurement policy manual for Navy field contracting activities?" Although each activity, at times, has promulgated procurement policies that are specific to that organization, there are enough policies and procedures covered by the current regulatory guidance that pertain to the NFCS to make it feasible for contracting organizations to compile and write a well-developed procurement policy manual.

The following subsidiary research questions were formulated to further investigate the feasibility of developing the framework of a procurement policy manual that could be used by all Navy field contracting activities.

1. What are the generic characteristics that should be exhibited in a procurement policy manual designed for use by Navy field contracting activities?
2. Which Navy field contracting activities currently have procurement policy manuals and how are they used?
3. How do Navy field contracting activities with existing procurement policy manuals measure the effectiveness of those manuals?
4. What should procurement policy manuals for Navy field contracting activities contain and how should they be used?

The responses to these questions are found in Chapter VI.

D. SCOPE, LIMITATIONS, AND ASSUMPTIONS

This research effort is a study of procurement policy manuals for Navy field contracting activities. Existing Navy procurement policy manuals and literature on corporate procurement policy manuals will be examined for content, common characteristics, generic qualities, and effectiveness. It is not within the scope of this thesis to develop or write a procurement policy manual that could be used by Navy field contracting activities. Nor is it within the scope of this thesis to make a determination as to whether purchasing procedures should be included in Navy procurement policy manuals, whether the manuals should be developed and issued by COMNAVSUPSYSCOM, or through what medium the manuals should be made available to purchasing personnel (i.e., traditional printed manuals or computer software). This study does, however, develop the framework for a procurement policy manual and provides a clear, concise

explanation as to the kind of material that should be found therein.

Although a number of purchasing manuals were received from some of the contracting organizations participating in this study, the research effort was limited by the fact that there were very few true procurement policy manuals to draw data from. To supplement these data, the researcher developed and mailed out procurement policy manual survey forms to COMNAVSUPSYSCOM and 34 Navy field contracting activities. A number of procedures manuals were received from various field activities and analyzed. Eventually, enough data were collected from the survey forms and the few manuals in use to adequately analyze the research questions and develop appropriate conclusions and recommendations.

It is assumed that the reader has a basic knowledge of Department of Defense (DoD) acquisition concepts, terminology, and procedures. It is also assumed that the organizational structure of the Navy field contracting activities will remain pretty much the same as it is at present. As a result of the Defense Management Review (DMR), recommendations have been made to combine the functions of the different service contracting activities to form one central defense acquisition command under the auspices of the Defense Logistics Agency (DLA) in the same manner that Defense Contract Administration Service (DCAS) functions and the different Services' Plant Representative

Office (PRO) functions were combined under the Defense Contract Management Command (DCMC) (also under the auspices of DLA). If this occurs, Navy procurement policy would probably change dramatically. The generic characteristics, structure and content of a procurement policy manual for Navy field contracting activities would probably also change, if the need for the procurement policy manuals did not disappear altogether.

E. LITERATURE REVIEW AND RESEARCH METHODOLOGY

The literature review for this study included the Federal Acquisition Regulation (FAR), the Department of Defense Federal Acquisition Regulation Supplement (DFARS), the Navy Acquisition Procedures Supplement (NAPS), the Final Report to the President by the President's Blue Ribbon Commission on Defense Management, Secretary of Defense Dick Cheney's Defense Management Report to the President dated July, 1989, Defense Logistics Studies Information Exchange (DLSIE) custom bibliographies, sections on procurement policy written by specialists in the field of purchasing and materials management, journal articles, Naval Postgraduate School Masters theses, and existing procurement policy and procedures manuals promulgated by some of the Navy field contracting activities contacted by the researcher.

Research data were collected through personal and telephone interviews, the literature review described above,

and a procurement policy manual survey form that was mailed to COMNAVSUPSYSCOM and 34 Navy field contracting activities. The lists of interviewees and contracting activities surveyed are found in Appendices A and B respectively.

The literature review was conducted primarily to establish how industry, and to a lesser extent the Navy, develops and implements procurement policy manuals. The literature and the existing Navy procurement policy manuals presented an excellent opportunity to study structure and content. During this portion of the study, generic qualities were also identified.

The surveys were conducted to identify contracting activities that currently have procurement policy manuals, determine what those manuals contain, and establish how the manuals are used. In addition, the surveys contained questions that attempted to gain a crude measure of the existing manuals' effectiveness and identify any observed advantages or disadvantages from their use. Examples of the cover letter and questionnaire that were sent to field contracting organizations are found in Appendices C and D respectively.

The interviews were conducted primarily to identify contact points, ask for copies of existing policy manuals, and smooth the way for the surveys. Later, individuals at various activities were contacted to determine the status of unreturned survey forms or to answer questions about some of

the data received by the researcher. During the interviews, however, questions were asked to gain further insight into procurement policy manual structure, content, and usage, as well as to identify problems with implementation and utilization.

The interviews focused on the following types of questions:

1. What do you think the impact of developing and implementing a procurement policy manual would be on your contracting department/activity?
2. What problems do you foresee in implementing and using a procurement policy manual at your contracting department/activity?
3. How do you think a procurement policy manual should be used?
4. What are some of the most important policies that you think should be included in a procurement policy manual at your contracting department/activity?
5. How would you attempt to measure the effectiveness of a procurement policy manual?

F. DEFINITIONS

1. Policy

Dean S. Ammer defined policies as broad, overall guides to performance. "Policies define in general terms the basic jobs of each department and its relation to other departments; they are derived from the general goals and objectives of the department itself and the company as a whole." [Ref. 1:p. 78.] Dobler, Lee, and Burt define policy as being

...a statement which describes in very general terms an intended course of action. After the fundamental objectives of an activity are established during the planning process, policies are developed to serve as general guidelines in channeling future action toward the objectives. Policies as distinguished from procedures, do not set down a series of explicit steps to be followed in performing a task. Rather, they state broadly the intended course of action. After a policy has been formulated, specific procedures are then developed for handling common recurring decisions. [Ref. 2:p. 471]

At Navy field contracting activities, procurement policies are derived from laws and regulations enacted by Congress, from instructions and notices promulgated by the DoD, COMNAVSUPSYSCOM, the local activity and others, and from objectives delineated in the activity's strategic plan.

2. Procedures

Ammer describes procedures as being derived from policies. "Procedures are the specific administrative actions needed to carry out policies....They describe routine operations in great detail." [Ref. 1:p. 78]

Procurement procedures for Navy field contracting activities have been developed from acquisition regulations (e.g., the FAR, the DFARS, and the NAPS), local implementing instructions, procurement handbooks, clause books, and local desk guides.

G. ORGANIZATION OF THE STUDY

This thesis analyzes a number of issues that must be addressed in order to develop a meaningful procurement policy manual for Navy field contracting activities.

Chapter II is a review of some of the literature that has been written about the development of procurement policy manuals in industry. Many of the functions, uses, advantages, and disadvantages are described. Also included is a review of procurement literature that addresses content, organization, and some of the policy categories found in corporate procurement policy manuals. Chapter III reviews the literature to identify and describe the generic characteristics found in corporate procurement policy manuals. Corporate and Government procurement processes are compared to determine if these same generic characteristics can be used to develop the framework for a Navy procurement policy manual. Chapter IV presents the data obtained from the questionnaires, manuals, and interviews. Procurement policy manual questionnaires were mailed to COMNAVSUPSYSCOM and 34 Navy field contracting activities. Twenty-four responses were received. The researcher also received 18 purchasing manuals to review and analyze. Telephone interviews were conducted with 15 procurement policy specialists from various field contracting organizations. A systematic presentation of the information gathered from the sources described above lays the groundwork for Chapters V and VI. Chapter V analyzes the data presented in Chapter IV. Analysis of the information obtained from the questionnaires, manuals, and interviews has allowed the researcher to gain a better understanding of the

similarities and differences between corporate and Navy procurement policy manuals. Chapter VI identifies the researcher's conclusions and recommendations. These conclusions and recommendations answer the questions that were asked concerning the generic characteristics, structure, content, and uses that should be considered by contracting organizations interested in developing a procurement policy manual. Some areas that might merit further study are also mentioned. Several of these topic areas could result in excellent thesis material.

II. THE BACKGROUND LITERATURE ON PROCUREMENT POLICY MANUALS

A. INTRODUCTION

This chapter focuses on the literature that pertains to industrial procurement policy manuals. Generally speaking, a procurement policy manual is a collection of statements that explains how a company's purchasing department does business. Many companies use the manuals to communicate their policies and procedures to employees, vendors, and customers. However, prior to describing procurement policy manuals and discussing their functions, uses, characteristics, advantages and disadvantages, it is perhaps helpful to understand what is meant by the word "policy." Various authors have given the word slightly different definitions, but the general meaning remains pretty much the same.

B. POLICY

Donald W. Dobler, Lamar Lee, Jr., and David N. Burt define the word policy as a general statement that describes a course of action. Policies are derived from corporate goals and objectives. These goals and objectives are established during, and as a result of, the company's long- and short-range planning processes. Since policies are an integral part of the planning process, they tend to serve as

guidelines to help companies achieve their goals and objectives. [Ref. 2:p. 471]

Others would advocate that policy should be defined as a carefully prepared, detailed statement describing a course of action. This detailed statement may describe the company's organization, the duties of various personnel, or procedures and filing systems. But because of this detail, they are of as much value to senior, experienced personnel as they are to new employees. [Ref. 3:p. 79]

Instead of discussing policies and procedures, Eberhard E. Scheuing talks about planning as the way for a company to manage its future business. Planning, in the words of Scheuing, involves "deciding now what the team should strive for in the year ahead and mapping out the actions to be taken to get there." [Ref. 4:p. 130] Procurement planning involves the development of purchasing strategies and budgets. Scheuing defines strategy as "a broad, comprehensive, long-term direction of the purchasing effort that reaches beyond the confines of an annual plan to guide purchasing activities for years to come." [Ref. 4:p. 130] He defines a budget as "a formal financial statement that spells out intended purchasing actions and their cash flow consequences." [Ref. 4:p. 130] These strategies and budgets, to be successfully implemented, however, still require the identification of goals and objectives and the development of policies and procedures. Policies, like the

purchasing function itself, should be an inextricably integral part of any company's planning process.

In addition to being defined as statements, policies can be described as understandings. They are understandings which direct an employee's thinking and actions in the decision-making process. Policies can be considered understandings because they are often implied from the actions of managers. A manager's habits or practices can be interpreted as policy by his subordinates. This is a potential problem area of which that managers need to constantly be aware. [Ref. 5:p. 117]

Policies can be said to place boundaries around business issues in the corporate decision-making process. They tend to ensure that, over time, decisions resulting from issues that are similar in nature will be consistent. This concept enables managers to delegate authority while maintaining a certain amount of control. Policies, however, should not be established as rules. They should be established broadly enough to allow some discretion in the decision-making process. Issuing rules instead of policies is a proven method for stifling thought and innovation in supervisors and subordinates alike. [Ref. 5:p. 117]

Dobler, Lee, and Burt also describe policy as a communication. Because policies are generally considered to be important communications in the business world, they must be received clearly and accurately. Unfortunately, there are

many obstacles to accurate policy communications. Modern corporations must establish numerous policies to conduct business effectively. Job turnover rates have increased in recent years resulting in fewer and fewer workers or managers with any real corporate knowledge. Differences in interpretation of policies are common. For these reasons, corporate policies should be accurate and they should be in writing. [Ref. 2:p. 482]

C. PROCUREMENT POLICY MANUALS

George W. Aljian identifies four types of procurement policy manuals. [Ref. 6:pp.3-3--3-4] Policy and procedures manuals are used by corporations to establish and communicate procurement procedures in conjunction with procurement policies. These manuals are normally made available to corporate staff members and all purchasing personnel. They are generally placed in loose-leaf binders to facilitate procedural updates. According to Aljian, policy and procedure manuals often contain 20 sections or more and can be from 80 to 300 pages in length. [Ref. 6:p. 3-4]

Policy manuals are generally only used to explain the company's procurement policies. They are usually given to other departments to promote teamwork and improve interdepartmental relations. Policy manuals are often given to vendors to help them understand the company's procurement policies. This, in turn, tends to promote positive vendor

relationships. Policy manuals can also be kept in loose-leaf binders but are usually somewhat smaller than policy and procedure manuals. Aljian states that industrial procurement policy manuals may be from only 20 to 26 pages in length. [Ref. 6:p. 3-4]

Some companies have found it expedient to issue separate policy and procedure manuals. This is because procurement procedures tend to change frequently while procurement policies tend to be much more stable. Procurement procedure manuals are usually issued for distribution within the purchasing department only and often contain examples of purchasing forms with descriptions for their use. Companies that sell products and services to the Government will probably include examples of Government forms in their procedure manuals. Procedure manuals vary in size depending on the complexity of the contracts engaged in and the number of forms used. [Ref. 6:p. 3-4]

Aljian includes welcome booklets as a type of procurement policy manual because they provide vendors with a limited amount of procurement policy and because they tend to promote positive vendor relations. These are a great deal smaller in size and usually provide only general information. Welcome booklets are often distributed to salespeople to help them contact the appropriate buyer or contract specialist in order to talk to him/her about a particular product. [Ref. 6:p. 3-4]

Dobler, Lee, and Burt have found that many companies tend to divide their policy manuals into two parts. The first part contains guidance that is general in nature and affects all departments within the organization. The other part contains policies that have been established for each individual department and generally affect only the employees that work within those departments. Regardless of the type of procurement policy manual that a company eventually decides upon, the most important fact to remember is that it should be in writing, easy to use and updated regularly. [Ref. 2:pp. 482-483]

D. FUNCTIONS OF PROCUREMENT POLICY MANUALS

One of the primary functions of a procurement policy manual is to identify, record, and communicate a company's purchasing policies. When policies affect only the personnel within the purchasing department, the purchasing manager may be able to record and communicate those policies effectively by simply using standard practice instructions. In the Navy these are referred to as Standard Operating Procedures (SOPs). A more formal statement is required when policies affect vendors, customers, and other departments within the organization. According to Heinritz and Farrell, the most effective way to formally present a company's purchasing policies to all concerned parties is to use a procurement policy manual. [Ref. 7:pp. 375-376]

E. Raymond Corey has identified several important functions of procurement policy manuals. Dedicated use of a procurement policy manual can help persuade a company's buyers and contract specialists to follow uniform purchasing practices. When procurement personnel use procurement policy manuals there is a greater likelihood that corporate policies will be carried out. Procurement policy manuals can also help ensure that companies relate to the supply environment in a positive and responsible manner. [Ref. 8: p. 87]

Another important function of procurement policy manuals is that they enable purchasing managers to manage by exception. Managing by exception invokes the old adage that if something isn't broken, it should not be fixed. After a company's purchasing objectives have been identified, programs are developed to achieve those objectives. Procurement policy manuals guide routine purchasing performance and allow purchasing managers to delegate to subordinates the manner in which the programs are carried out and the objectives achieved. A purchasing manager need only interfere when something goes wrong. [Ref. 1:p. 78]

Procurement policy manuals are also needed to define the purchasing department's responsibilities. This need becomes critical when attempts are made to measure and evaluate purchasing performance. It is almost impossible to determine how well a job is being performed until the nature

of the job has been defined and the responsibilities assigned. The need for procurement policy manuals becomes greater in a decentralized purchasing department. Purchasing managers and their staff members at headquarters are often separated from plant purchasing agents by great distances and consequently have less control over their day-to-day actions. For a decentralized company, a procurement policy manual may not be a luxury but a necessity. [Ref. 6: p. 3-5]

Procurement policy manuals act as focal points for the development of new purchasing procedures. They often serve as repositories of corporate knowledge and information for purchasing managers and other purchasing department personnel who have to make decisions about unusual problems that don't fit neatly within existing procedural guidelines. Procurement policy manuals can also be used to apprise purchasing personnel of the conduct that is expected of them both on and off the job. They are the source of most of the corporate rules that govern the purchasing department's relationship with vendors, customers, and other departments within the organization. [Ref. 2:p. 486]

E. USES OF PROCUREMENT POLICY MANUALS

A number of uses have been identified for procurement policy manuals. They are ideal for bolstering purchasing department training programs. They can be used to

indoctrinate new employees into the purchasing department and as administrative guides for experienced purchasing personnel. Procurement policy manuals can also be useful in acquainting suppliers and personnel from other departments with how the purchasing department does business. [Ref. 7: p. 377] Heinritz and Farrell find that the manuals are much more effective, and better received, if each policy statement contains a clear explanation of its underlying principles and objectives. [Ref. 7: p. 377] Westing, Fine, and Zenz echo this sentiment but caution that there is considerable controversy over whether suppliers should be provided with copies of the manual. They conclude, however, that "Since purchasing policies often affect vendor-buyer relationships, it would appear that vendor knowledge of policies would facilitate sound relationships." [Ref. 9: p. 459]

Westing, Fine, and Zenz also believe that procurement policy manuals should be used to evaluate purchasing department performance:

Purchasing manuals aid evaluation by specifying policies and procedures to be followed by purchasing personnel. The policy manual contains approved statements of the policies under which the department operates. The procedures manual contains the procedures to be followed by the department in conducting activities. [Ref. 9: p. 457]

An audit team can evaluate purchasing department performance by reviewing an activity's procurement policy manual, becoming familiar with the department's policies and

procedures, and by comparing them with what actually occurs in the work place. This is commonly done by Procurement Management Review (PMR) teams when they inspect Navy field contracting activities. If an activity does not have a procurement policy manual it is strongly advised by the PMR team to develop one. [Ref. 10]

Procurement policy manuals also introduce an element of flexibility into the purchasing department by enabling managers to move employees from one job to another in the event of illness, vacation, or a temporary increase in purchase requirements. [Ref. 3:p. 79] Though not specifically mentioned in the literature, procurement policy manuals could prove very useful to Navy field contracting activities if they were provided to Navy customers and other requiring activities to help them gain a better understanding of how and why a field contracting activity conducts business as it does.

F. CONTENT AND ORGANIZATION

Westing, Fine, and Zenz state that the contents of procurement policy manuals vary from company to company. They feel that policies should only be considered for inclusion in a procurement policy manual if they relate to a situation that is likely to recur frequently. Nor should procurement policy manuals be issued without strong endorsement from top level management. [Ref. 9:p. 459]

Aljian makes the same observation, and writes that "There is no standard concept of the contents of a purchasing manual, and thus variations will be noted from one company to another." [Ref. 6:p. 3-5] Dobler, Lee, and Burt have also found that the style, format, and contents of procurement policy manuals differ with each company:

Some firms include only policies, while others include policies and procedures. Still others add organization charts, job descriptions, sample departmental forms, and other detailed data which, in total, completely describe the purchasing department's operation. The particular format is of little importance. One style may fit one company's need better than another. [Ref. 2:pp. 482-483]

Heinritz and Farrell observe that procurement policy manuals customarily include sections on customer relations, interdepartmental relations, and ethical considerations. They add that more extensive manuals may contain policy statements on "the principles of proper quality, quantity, price and value, with applicable criteria, the use of specifications, and the fundamentals of purchase law, contracts and patent rights." [Ref. 7:p. 377] Aljian writes that "manuals incorporate such matters as organization, responsibility, authority, functions, company policy, department policy, procedures, references, specifications, and specific instructions regarding company purchase orders and acceptances." [Ref. 6:pp. 3-5--3-6]

Leenders, Fearon, and England have identified a number of subjects that are common to procurement policy manuals. Included are such topics as:

...authority to requisition, competitive bidding, approved vendors, vendor contacts and commitments, authority to question specifications, purchases for employees, gifts, blanket purchase orders, confidential data, rush orders, vendor relations, lead times, determination of quantity to buy, over and short allowance procedure, local purchases, capital equipment, personal service purchases, repair service purchases, authority to select vendors, confirming orders, unpriced purchase orders, documentation for purchase decisions, invoice clearance and payment, invoice discrepancies, freight bills, change orders, samples, returned materials, disposal of scrap and surplus, determination of price paid, small order procedures, salesperson interviews and reporting of data. [Ref. 3: p. 80]

Although the topics included in a procurement policy manual can vary greatly depending on the particular needs of the company, there are certain similarities. These similarities can be ascribed to the manner in which subject matter is organized in most procurement policy manuals.

Procurement policy manuals are generally organized under a group of categories. Each category contains a number of related purchasing policies. The policies are related to each other by topic or subject matter. The actual number of topics included in any given category will vary among procurement policy manuals depending on the needs of the purchasing departments and, ultimately, on the needs of the corporations themselves.

For example, ethics could be classified as a policy category that would be found in many corporate procurement policy manuals. Ethics (or a lack thereof) can have a dramatic effect on any company's customer and supplier relationships. [Ref. 11:p. 16] For this reason, most

companies that have procurement policy manuals include a section on ethics. Given the current political climate in Washington, it is almost imperative for a company that sells its products to the government to include a section on ethics. [Ref. 12:p. 15]

Some of the policies that are found in procurement policy manuals under the ethics category deal with topics like gifts, gratuities, bribery, reciprocity, conflicts of interest, and purchases for employees. Not all procurement policy manuals will contain policies on each of the topics listed. Purchasing departments tend to develop policies as they are needed. Unless a company sells to the government, it may not be interested in having a procurement policy manual that includes policies pertaining to defective pricing or the hiring of former DOD officials.

Another common category is purchasing department organization. All purchasing departments need policies that address, among other things, purchasing department centralization or decentralization, purchasing department size and composition, the reporting hierarchy, and operating responsibilities. [Ref. 13:p. 2] Mapping out the purchasing department's organization can help improve purchasing operations.

In addition to ethics and purchasing department organization, other categories that are often found in corporate procurement policy manuals include

interdepartmental relationships, strategic planning, purchasing performance evaluation, customer relationships, procurement training, quality management, supplier relationships, and, of course, the technical aspects of purchasing (e.g., policies relating to source selections, small purchase, negotiations, cost and price analysis, etc.). The list is neither all inclusive nor static. Like policies, the organization of a procurement policy manual changes as, over time, a company's customers, products, and business practices change.

G. MEASURING EFFECTIVENESS

Arjan J. van Weel observes that purchasing performance evaluation is a "fuzzy issue...." [Ref. 14:p. 16] The fact that it continues to be a vague process while being of major interest to many companies adds emphasis to the difficult nature of the problem. Part of the difficulty can be attributed to the company politics involved with evaluating purchasing performance. Another difficulty is that most of the approaches used to measure and evaluate purchasing performance produce inconsistent results. [Ref. 14:p. 16] Purchasing performance is inextricably bound to purchasing policies and procedures. If purchasing performance evaluation is a fuzzy issue, the same can be said for measuring and evaluating the effectiveness of procurement policy manuals.

Wilbur B. England advocates the use of procurement policy manuals as one method for evaluating the performance of purchasing systems. England observes that for a meaningful evaluation of the purchasing system to occur, there is general agreement that certain basic information must be available to, and be understood by, the audit teams performing the evaluations. Written policies and procedures are a valuable source of information. "Careiully prepared procedure and policy manuals provide the information base needed to compare current practice with previously determined standards of good practice." [Ref. 15:p. 145]

One of England's recommendations is that audit teams determine whether "the policies and procedures detailed in the purchasing manual are being followed. A random check of various purchasing transactions will aid in the inquiry." [Ref. 15:p. 145] This is in fact one of the techniques used by PMR teams. [Ref. 16] The researcher believes that this same technique could be used by an internal audit team to measure the effectiveness of a purchasing department's procurement policy manual.

If, for example, a purchasing department has a procurement policy manual that contains 20 sections, the internal audit team might want to assign a graded weight of five percent to each section. The graded weight for the entire manual would therefore be 100 percent. Of course, the weight distribution can vary depending on the importance

the purchasing department assigns to each section. The members of the internal audit team should then familiarize themselves with the policies and procedures in each section. The next step would be to examine purchasing transactions and question purchasing department personnel to determine the extent to which the policies and procedures are being followed.

A grade, based on the number of discrepancies found, should be assigned to each section by the internal audit team. For example, if the team reviews 25 transactions that pertain to a particular section and observe five discrepancies, a grade of 80 percent would be assigned to that section. A total grade for the manual could be computed by adding the grades assigned to each section and dividing by 20. Based on the grades assigned to each section, a pareto chart could then be developed to help determine training priorities for improving the effectiveness of individual sections within the procurement policy manual. [Ref. 17: pp. 105-107] Although this approach is not totally empirical, it could provide a fairly accurate measurement of policy manual effectiveness for most purchasing departments.

H. ADVANTAGES AND DISADVANTAGES

There is a belief among some purchasing managers that procurement policy manuals are too restrictive and should therefore not be developed. Westing, Fine, and Zenz think

that the belief is based on confusion over the definitions and uses of policies and procedures. They argue that policies, if sound, should not be subject to frequent change. Procedures, on the other hand, should be changed as often as necessary. This argument is probably a good one for keeping policies and procedures in separate binders.

[Ref. 9:pp. 457-458]

Some individuals feel that small purchasing departments really do not need procurement policy manuals. Westing, Fine, and Zenz believe that small purchasing departments need them more than large purchasing departments do. Their belief is based on the fact that "only one person in a small department may be familiar with important policies and procedures. If this person is removed for any reason, the department will be seriously handicapped if such matters have not been recorded." [Ref. 9:p. 458]

Other disadvantages include the enormity of the job. Purchasing departments may have to "codify hundreds of policies and procedures in manuals that may include several hundred pages." [Ref. 1:p. 78] They may have to invest "hundreds of hours of high-priced specialists' time for preparing the manuals. Moreover, such manuals are no good unless they are kept up to date, so frequent revisions are necessary." [Ref. 1:pp. 78-79] Leenders, Fearon, and England add that a great deal of time, effort and thought ought to go into the planning phase for "unless the work is

carefully planned and well done, accurate and reasonably complete, it might almost as well not be done at all."

[Ref. 3:p. 79]

The biggest disadvantage is that all of the time, effort and expense involved in developing a procurement policy manual is usually wasted. Ammer states that in nine cases out of ten, the procurement policy manuals aren't even used.

[Ref. 1:p. 79] Well-trained employees seldom need to refer to a procurement policy manual because they know their jobs. New employees prefer to learn their jobs by observing their co-workers and by receiving verbal instructions from their supervisors. [Ref. 1:p. 79]

The advantages of developing and utilizing a procurement policy manual are manifold. Procurement policy manuals offer numerous advantages to companies by:

1. Spelling out the responsibilities and authority of purchasing. Management backing is needed to make purchasing policies authoritative.
2. Apprising other departments of purchasing's prerogatives, in order to avoid misunderstandings and frictions.
3. Helping to promote consistent and fair relations with vendors, both old and new.
4. Facilitating uniform action by all purchasing personnel in dealings both within and without the company.
5. Standardizing routine purchasing procedures, thus relieving administrators of the task of close supervision.
6. Facilitating training of new members in the department and of veteran members assigned to new positions.
7. Stimulating new ideas and suggestions for improving and streamlining purchasing operations. [Ref. 6:p. 3-5]

Procurement policy manuals can also help purchasing department personnel develop standards of purchasing behavior. This purchasing behavior:

...seeks to assure that the procurement function operates in the corporation's best interests in terms of preserving long-run supply sources, buying at the lowest available prices consistent with quality requirements, and protecting the corporation's physical assets and proprietary technical and business knowledge. [Ref. 8: p. 87]

Heinritz and Farrell note that the act of compiling and writing a procurement policy manual can be advantageous in itself. The development of a procurement policy manual "frequently clarifies ambiguities and points of issue; it may also reveal discrepancies or shortcomings in current policy, thus serving to improve departmental standards." [Ref. 7:p. 376] They also report that, in some instances, it may be advantageous for a company to provide copies of its procurement policy manual to vendors as "it has proved to be a potent means of developing good business relationships and cooperation." [Ref. 7:p. 376]

I. PREPARING A PROCUREMENT POLICY MANUAL

The first step in preparing a procurement policy manual is careful and thorough planning. Much thought should be given to the intended purposes and uses of the proposed manual. During this phase, decisions should be made about style, format and content. A review of procurement policy manuals written by other companies can be helpful in

developing a general outline. [Ref. 3:p. 79] A careful review and modification of existing policies and procedures is also beneficial and can save time. [Ref. 1:p. 80]

Leenders, Fearon, and England recommend writing the manual in sections, as time permits, rather than trying to do it all at one time. Rough drafts of each section should be submitted for approval to all department heads affected by the manual. This procedure will help facilitate discussion of the manual. The discussions are a very important part of the process. Allowing the other departments to have a hand in developing the manual can serve to create a spirit of cooperation and promote better interdepartmental relationships. During the discussions, personnel from other departments can often identify errors, suggest worthwhile changes, and develop a better understanding of the manual's contents. Once the final draft has been approved, the Chief Executive Officer (CEO) should give the manual top-level management's unqualified approval in the form of a written endorsement. [Ref. 3: pp. 79-80]

Aljian recommends a "Program for Preparing a Purchasing Manual" that helps organize one's thoughts with regard to compiling and writing a procurement policy manual. The program was originally included in a three-part article written by F. Albert Hayes, Consulting Editor of Purchasing Week, and entitled "Purchasing Manuals Have Many Uses":

1. Do your own thinking. Decide what you want, why you want it.
2. Get permission of top operating executive to cross department lines in exploring and formulating policies. (Policies to be submitted again for final approval.)
3. Collect and compile material:
 - a. Start a tentative index of subjects.
 - b. Jot down unwritten policies carried in minds of old-timers or observed by company custom.
 - c. Record information already appearing in company bulletins, letters, or pamphlets that concern purchasing.
 - d. Collect other information defining purchasing subjects from organization charts, job descriptions, procedure manuals, correspondence, reports, etc.
 - e. Collect manuals issued by other companies. Request information on their development.
4. Evaluate this material. Are existing policies compatible with stated objectives of the company or those of other departments?
5. Select and edit retained material so evolved policy has companywide applicability and value for frequent and permanent reference.
6. Make a draft of policy manual.
7. Circulate draft to other department heads and associates in purchasing department. Ask for suggestions, confer personally with each man. Try to reconcile all possible points of controversy.
8. Rewrite and resubmit on basis that document now reflects participation by all concerned.
9. If manual is also intended for vendors, submit it to a few of them for comment and review at this point.
10. Submit document to chief executive officer. Include summary of all expressed comments secured for or against policies.
11. If top executive approves, get his foreword and signature to make it an official company statement of purchasing objectives and policies. [Ref. 6:p. 3-7]

J. SUMMARY

This chapter is a review of the literature dealing with the development of corporate procurement policy manuals. The chapter describes the content, organization and uses of the manuals. Many of the advantages and disadvantages of

developing and using a procurement policy manual are discussed. The research literature indicates that procurement policy manuals enjoy wide use among well-organized, well-run corporations. The successful use of procurement policy manuals by industry indicates that they would be a step in the right direction for Navy field contracting activities wishing to improve organization and operational capabilities.

Procurement policies are developed and promulgated to handle, among other things, numerous recurring procurement issues. Many companies have found that the most effective way to accurately communicate procurement policies to the people affected by them is to use procurement policy manuals. The benefits are significant and the disadvantages are few. Navy field contracting activities would derive similar benefits from developing and utilizing procurement policy manuals. A framework for a Navy procurement policy manual based on the generic characteristics of corporate procurement policy manuals could make the enormous task of compiling and writing the manuals less onerous and more acceptable to the activities.

III. GENERIC CHARACTERISTICS OF PROCUREMENT POLICY MANUALS

A. INTRODUCTION

Webster's New Collegiate Dictionary defines the word "generic" as "relating to or characteristic of a whole group or class." [Ref. 18:p. 478] The word "characteristic" is defined as "a distinguishing trait, quality or property." [Ref. 18:p. 187] Taking these two definitions together, the phrase, "generic characteristic," can be said to describe a distinguishing trait or property relating to a whole group or class. For the purposes of this study, the words "group" and "class," found in the definition above, will refer to the corporate procurement policy manuals described in Chapter II. The purpose of this chapter, then, is to identify and discuss the generic characteristics of corporate procurement policy manuals that could be used as a framework for developing a procurement policy manual for Navy field contracting activities.

B. THE GENERIC CHARACTERISTICS OF A BODY OF KNOWLEDGE

LCDR Connie L. Thornton, a former student at the Naval Postgraduate School, conducted a study to develop a systematic body of knowledge for the contracting discipline. One of the major problems she faced in her study was defining and describing a body of knowledge.

This effort proved difficult in that a detailed discussion of a body of knowledge was not readily available in the literature nor was there even a definition in Webster's dictionary. Although the phrase, "body of knowledge", was repeatedly used throughout the literature, it was rarely accompanied by a sufficiently detailed discussion of what the particular body of knowledge entailed. [Ref. 19:p. 28]

She concluded that in order to better understand a body of knowledge, its attributes or characteristics must first be identified and described.

Thornton observes that an attribute is "an observable characteristic or property that allows us to assess the extent to which it satisfies a criterion." [Ref. 19:p. 32] She identifies five essential attributes that are necessary to develop a body of knowledge. These attributes include a central theme, a conceptual framework, systematic classification, operational axioms and dynamic progression. A description of the five attributes is provided below.

1. Central Theme: The phenomenon under observation or study. Supported by a coalescence of opinion, as demonstrated by a common language, specific academic curriculum, associated professional organizations or entities, and rigorous research.
2. Conceptual Framework: The foundation that establishes the range of boundaries, essential parameters and basic objectives fundamental to the central theme.
3. Systematic classification: A taxonomy that provides for a method of indexing, cataloging, or categorizing published/unpublished material, thoughts, ideas, processes, levels of outcome, and research efforts surrounding the central theme.
4. Operational Axioms: The collective generalizations, theories, laws, and principles that currently hold true for the body of knowledge. Combined together, it

forms the precepts that compose the foundation of the body of knowledge.

5. Dynamic Progression: The continual discovery and reformation of the body of knowledge. Fueled by a visible and active dialogue of agreement and/or dissent. Tools utilized include scientific research, analyses, and measurement techniques. [Ref. 19:pp. 41-42]

Thornton states that the central theme is the key to the body of knowledge. She ranks dynamic progression second in importance to the central theme. The third group of attributes, the conceptual framework, systematic classification, and operational axioms, are all equally important and without them the dynamic progression would not occur. Thornton concludes that all five attributes are "essential ingredients and the intensity of their interaction determines the growth and development of the body of knowledge." [Ref. 19:p. 43]

Thornton identifies five attributes that characterize the body of knowledge for the acquisition contracting discipline. These attributes are, in reality, generic characteristics that can be used to describe any body of knowledge. As such, they are quite useful in helping to identify and understand some of the generic characteristics of procurement policy manuals.

C. THE GENERIC CHARACTERISTICS OF A PROCUREMENT POLICY MANUAL

As with bodies of knowledge, perhaps the most important generic characteristic of procurement policy manuals is that

they have a central theme. At a very fundamental level, this central theme is procurement. For example, a purchasing department will not incorporate engineering department policies and procedures into its policy manual unless they affect purchasing department personnel. To do otherwise would diminish the procurement policy manual's usefulness and effectiveness.

On a different level, this concept of procurement as a central theme embodies a general consensus by members of the procurement profession as to what procurement really entails. This general consensus is supported by professional organizations like the National Association of Purchasing Management and the National Contract Management Association, colleges and universities that offer programs in procurement, and organizations like the Naval Postgraduate School and the Logistics Management Institute that conduct research in the field of procurement. It should be noted, however, that the professional opinions of corporate procurement specialists may differ slightly from their counterparts in Government contracting. For instance, Aljian states that a study conducted by F. Albert Hayes and George A. Renard found that 62 percent of the companies contacted had procurement policy manuals, while 71 percent had procurement procedures manuals. [Ref. 6:p. 3-5] Research data from this study show that many Navy field contracting activities

(83.3 percent) favor procurement manuals that combine policies and procedures.

A generic characteristic of procurement policy manuals that is closely related to the concept of dynamic progression is the idea that the manuals are living documents. Corporations that make a concerted effort to incorporate their procurement policy manuals into the daily routine of doing business find that the manuals evolve constantly. Policies, to be effective, can not be set in stone. As new procurement laws and principles are enacted by the Government and adopted by industry, old procurement principles and theories are questioned, and often rejected and discarded. Aljian echoes this sentiment when he states that "Purchasing is not static. It is alive. As changes in policies or procedures become advisable, they should be made without delay." [Ref. 6:p. 3-6]

A generic characteristic of procurement policy manuals that supports the living document concept is the fact that the manuals are often placed in loose-leaf binders. Leenders, Fearon, and England note that when the manuals are reproduced for issue, "a loose-leaf form may be found preferable, since it allows for easy revision." [Ref. 3: p. 80] To this Aljian adds that a policy and procedure manual "may consist of a loose-leaf binder containing 20 sections or more; its 8 1/2- by 11-in. pages will total anywhere from 80 to 300." [Ref. 6:p. 3-4]

Aljian also identifies a related generic characteristic:

As procedures change frequently, while policies, if sound, rarely change, some companies issue separate procedures manuals for internal distribution, which include samples of the various forms used and explain their usage in detail. [Ref. 6:p. 3-4]

Westing, Fine, and Zenz concur, stating that it is not necessary to change policies as often as procedures. They add that "If policy statements are kept in a separate manual, there should be little difficulty in understanding that they are relatively permanent." [Ref. 9:p. 458]

Another generic characteristic of procurement policy manuals is that they often begin with broad policies that affect the entire company and progress toward more narrowly-defined policies that may only affect the employees within a single department. According to Dobler, Lee, and Burt, many corporations have company policy manuals that are normally divided into two distinct sections. The first section normally includes company-wide policy that "spells out in unmistakable terms the responsibility and authority of all departments." [Ref. 2:p. 482] The second part is usually divided into sections containing policies that "are directed to the personnel of each respective operating department." [Ref. 2:p. 482]

An important generic characteristic of procurement policy manuals is that in order for them to be effective, they must be approved by the other departments within the organization. The reason for this is that procurement

policy manuals generally affect all of the other departments. Leenders, Fearon and England recommend that the purchasing department discuss each section of the procurement policy manual with affected departments as it is developed. [Ref. 3:pp. 79-80] After inputs are received and the necessary changes are made, approval from the departments should follow as a matter of course. Ammer concurs by stating that:

Since most of the important policies and procedures affect other departments, the person writing the manual must submit a draft of the proposed policy to each affected department head for approval. In many cases, hours are spent discussing precisely how a given policy should be worded so that each department's prerogatives are protected. [Ref. 1:p. 80]

Related to the generic characteristic of interdepartmental concurrence and approval is one of distribution. Procurement policy manuals are usually distributed widely in order to enhance their effectiveness. Westing, Fine, and Zenz recommend that procurement policy manuals be issued to everyone in the purchasing department as well as to the heads of departments affected by the procurement policies. In addition, they believe that copies of the manuals should be furnished to vendors to facilitate sound business relationships. [Ref. 9:p. 459] Heinritz and Farrell agree, noting that "Some companies have found it advantageous to supply copies to their entire list of vendors, and it has proved to be a potent means of developing good business relationships and cooperation." [Ref. 7:p. 376] Aljian

also advocates distributing procurement policy manuals to purchasing department personnel, other departments and vendors. [Ref. 6:p. 3-4] Within the Navy Field Contracting System (NFCS), it might also be advantageous to make the manuals available to Navy customers in order to acquaint them with how field contracting activities do business.

With regard to content, an important generic characteristic of procurement policy manuals is that each section tends to focus on a major area of procurement. In other words, the policy topics are often grouped within the manual by specific categories. Some examples of categories that might be found in a procurement policy manual include ethics, purchasing department organization, interdepartmental relationships, strategic planning, purchasing performance evaluation, customer relationships, procurement training, quality management, supplier relationships and the technical aspects of purchasing. Some of the topics that might be included in the ethics section are policies on gifts, gratuities, reciprocity, conflicts of interest, and purchases for employees. Heinritz and Farrell provide an excellent example of what a corporate procurement policy manual might look like with regard to organization and content:

- I. Foreword by the company president, giving authority to the manual as a statement of company policy.
- II. Objectives of the purchasing department.
- III. Scope and responsibilities of the purchasing department.

IV. Organization charts, showing the position of the purchasing department in the complete company organization and the detailed setup of the department itself.

V. Limitations (requirements of authorization to purchase; final determination of quality reserved to manufacturing and sales departments; certain classifications of purchases exempted, for example, food, insurance, rentals, advertising art and media, style and design sketches).

VI. Policies of selecting sources of supply (dealing only with reliable vendors, requirements of competitive bids, criteria used in evaluating sources, reciprocity).

VII. Policies on making commitments, placing purchase orders and contracts (all negotiations to be conducted and concluded by the purchasing department; no commitments to be made as to preference for products or sources by anyone outside the purchasing department; no commitments to be valid except as authorized by the purchasing department; conditions for acceptance of vendors' own sales contract forms).

VIII. Policies on vendor contacts (prompt reception of business callers; opportunity for complete sales presentation on initial call; arrangements for interviews with other departments to be made through purchasing; all correspondence, requests for catalogs and samples, and so on, to be cleared through the purchasing department; acceptance, trial, and report on free samples; price quotations held confidential; gifts and excessive entertainment forbidden; handling of complaints and adjustments).

IX. Policy on conflicts of interest.

X. Relations of purchasing with other divisions and departments (reference to VI and VII; buyers to be alert in passing on to interested personnel in other departments all potentially useful information gained through sales contacts; purchasing department authorized to ask reconsideration of specifications or quantities, in the best interests of the company; purchasing department to consult with traffic, legal, tax, insurance, and credit departments on all pertinent problems; purchasing records to be available to the controller, treasurer, president, or any auditor delegated by them).

XI. Policy on centralized versus decentralized buying (director of purchases has authority to allocate responsibility for specific purchases or types of purchases in the best interests of the company, criteria used).

XII. Policy on buying for employees (limited to tools used in company activities that are customarily supplied at employee's expense). [Ref. 7:pp. 376-377]

Aljian provides another example of what a procurement policy and procedures manual might look like in the form of an index. The index is a listing that describes the content of each section within the manual:

PURCHASING MANUAL INDEX

Foreword.....	Section 1
Organization.....	Section 2
Purchasing Policy.....	Section 3
Legal Aspects of Purchasing.....	Section 4
Relations with Other Departments.....	Section 5
Relations with Salesmen.....	Section 6
Buying Proper Quality.....	Section 7
Buying Proper Quantity.....	Section 8
Buying at a Proper Price.....	Section 9
Contracts.....	Section 10
Surplus and Obsolete Materials.....	Section 11
Quotation Requests.....	Section 12
Purchase Orders.....	Section 13
Purchase Order Acceptances.....	Section 14
Follow-up and Tracing Orders.....	Section 15
Invoices.....	Section 16
Records.....	Section 17
Reports.....	Section 18
Patents.....	Section 19
Special Instructions.....	Section 20

[Ref. 6:p. 3-9]

Another important generic characteristic of procurement policy manuals is that they are usually initiated and approved by top-level management. This is a logical occurrence because policy manuals are generally initiated and developed to have a major impact on how the company does business and because many companies subscribe to a top-down form of management theory. Ammer discusses the initiation and development of policy manuals by materials managers and their staffs. Both Heinritz and Farrell and Dobler, Lee, and Burt identify the approval of procurement policy manuals

by top management as an important step in the development of the manuals. [Refs. 7:p. 376; 2:p. 482] Leenders, Fearon, and England go so far as to recommend that "the chief executive of the company write a short foreword, endorsing the policy and practices of the department and defining its authority." [Ref. 3:p. 80]

A final important generic characteristic of procurement policy manuals is that they are in writing. A company's procurement policy is sometimes only what is in the memory of older, seasoned managers, or what is actually done by top management in different situations. If, however, a company wishes to effectively standardize procurement practices, improve training and clarify various business relationships, its procurement policies must be clearly stated in writing.

A written procurement policy manual can take several forms. In addition to the traditional method of printing and issuing written manuals, modern technology allows for the automation of written manuals. The FAR has already been automated through the use of computer software programs like "Textsearch" developed by Network Management Inc. [Ref. 20: p. v]

Much of the literature agrees on the importance of written policies and procedures. Aljian notes that:

The best manuals are those that are easy to read. They should be printed in large type on a good grade of 8 1/2- by 11-in. paper, with indices separating the various sections. It is well to letter the front cover of

the loose-leaf binder to show the company name, trademark, and the words "Purchasing Manual." [Ref. 6:p. 3-8]

Heinritz and Farrell observe that "A written policy assures understanding; it assures that decisions and actions will be consistent and in accordance with the judgement of the responsible department head." [Ref. 7:p. 368] Dobler, Lee, and Burt agree by noting that "What is important is that all major policies and operating procedures be committed to writing. They must be stated simply and unambiguously in a manual that is easy to use and that is kept current." [Ref. 2:p. 483]

D. GOVERNMENT VS. CORPORATE PROCUREMENT

In identifying and describing some of the generic characteristics of corporate procurement policy manuals, the question arises as to whether they are attributes or generic characteristics of Government procurement policy manuals. Thornton's five attributes, discussed earlier in this section, were identified to help describe a systematic body of knowledge for the acquisition contracting discipline as it relates to the Federal acquisition work force. Corporate contracting was not addressed. Research indicates, however, that there may be enough similarities between Government and corporate procurement to allow the generic characteristics discussed in this section to be considered common attributes.

Jagdish N. Sheth, Robert F. Williams, and Richard M. Hill have identified a number of similarities between the Government and industry in the procurement decision process. They observe that "Public and private procurement alike are designed to support operations by fulfilling the material needs of using departments." [Ref. 21:p. 8] Numerous similarities were identified in the process of need definition, making those needs known (requisitions in Government procurement), requests for quotations (requests for proposals in Government procurement), and placing orders (contract award in Government procurement).

There are also many similarities in the area of contract administration. These similarities result primarily from the review of vendor performance and include follow-up and expediting procedures. Sheth, Williams, and Hill conclude that "Although emphasis may differ, the overall sequence of steps involved in business and government buying as well as the general purpose of each are much the same." [Ref. 21: p. 8]

E. SUMMARY

This section identifies and discusses ten generic characteristics of corporate procurement policy manuals. Connie L. Thornton's study, in which she identifies and describes the five critical attributes of a body of knowledge, was extremely helpful in identifying and gaining

a better understanding of the generic characteristics of corporate procurement policy manuals. These generic characteristics are used as a framework by companies to establish the functions, parameters and scope of their procurement policy manuals. Sheth, Williams, and Hill's study was also helpful. Their study identifies a number of similarities between the Government and industry in the procurement decision process. Because of the many similarities in Government and corporate procurement, it is apparent that these same generic characteristics can be used as a framework for procurement policy manuals for Navy field contracting activities.

IV. DATA PRESENTATION

A. INTRODUCTION

Research data for this thesis were gathered primarily from three sources. A questionnaire requesting information concerning a procurement policy manual was mailed to Commander, Naval Supply Systems Command (COMNAVSUPSYSCOM) and 34 Navy field contracting activities. A cover letter attached to the questionnaire requested a copy of the activity's procurement policy manual if available. It also requested a draft copy if the manual was in the process of being developed. Prior to sending out the questionnaires, the researcher telephoned all of the activities within the continental United States and established points of contact for the study. The contact points were established to help ensure that the activities would respond to the questionnaires, and later, to answer questions about data received and to provide additional data through personal and telephone interviews when necessary.

Of the 35 questionnaires mailed to the activities, 24 (68.6 percent) were completed and returned. Eighteen manuals (51.4 percent), in various stages of development, were received. Most of the manuals were completed, but several were outlines or drafts. The manuals included an assortment of procurement policy and procedures manuals,

procedures manuals (Standard Operating Procedures (SOPs) and desk guides), collections of instructions and notices, and collections of policy memoranda and letters. As might be expected, style, format and content varied greatly.

B. THE QUESTIONNAIRES

The questionnaire used in this study consisted of 11 questions designed to help answer the primary and subsidiary research questions. The questions were fill in the blank, multiple choice, and short answer type questions that would make it easier and less time consuming for the activities to respond. A complete copy of the questionnaire can be found in Appendix E.

1. Policy Manuals: Pros and Cons

The first question was divided into four parts. The first part asked the activities whether they had a procurement policy manual. If the answer to this part was in the affirmative, then the second and third parts asked the activities to list some of the most important advantages and disadvantages to having such a manual. If the answer to the first part was no, then the fourth part asked the activities to identify some of the major reasons why a procurement policy manual had not been developed and implemented.

Ten activities (41.7 percent), of the 24 that returned their questionnaires, stated that they had a procurement policy manual. Eight of those ten activities

mailed copies of their manuals to the researcher. Fourteen activities (58.3 percent) said that they did not have a procurement policy manual. Two of the 14 activities, however, stated that they were in the process of developing a manual. Seven of the 14 activities (50.0 percent) sent copies of purchasing manuals that they classified as other than procurement policy manuals. Of the 18 activities that sent copies of manuals, three did not return their questionnaires. The researcher was, therefore, unable to determine how they classified their manuals.

When asked to list the most important advantages derived from using a procurement policy manual, ten activities answered the question. (All ten of these have a purchasing manual of some description). Responding activities listed nine advantages to using the manuals.

One advantage mentioned by several activities was the improvement in the procurement packages submitted by requiring activities. The procurement request packages seemed to be clearer and easier to understand. Another activity listed its manual's usefulness in indoctrinating new procurement personnel as a distinct advantage. Two activities acknowledged the usefulness of their manuals as training guides. One activity noted that its manual was especially valuable for training GS-1102s.

Several activities felt that their manuals helped to set office policy by including local directives pertaining

to such matters as Contract Review Board (CRB) practices. A couple of activities observed that their manuals were useful in serving as sources of additional procurement information by referring readers to related regulations, instructions, and directives. One activity stated that its procurement policy manual helped generate consistency in the purchasing practices of the activity's buyers and contract specialists.

An advantage noted by one activity was that its manual proved extremely useful as a basis for administering PMRs. It is interesting to note that none of the activities stated that their manuals were useful in preparing for PMRs or other inspections and audits. Several activities felt that their manuals were useful as procedural guides. They tended to classify their manuals as SOPs. Finally, an important advantage observed by a number of activities was that their manuals save time. In short, the manuals provide a one-stop central location for a vast amount of procurement policy and procedural information.

Of the nine advantages described above, clearly the most important advantage was that procurement policy manuals save time. Seven of the ten activities (70.0 percent) listed this advantage. There was no clear-cut second choice. Five advantages (use of the manuals as training guides, procedural guides, and source references, as well as for obtaining improved procurement packages and setting office policy) were each listed as advantages by two of the

activities. The other three advantages, the indoctrination of new personnel, the generation of consistency in purchasing practices, and the use of procurement policy manuals as a basis for administering PMRs, were listed by only one activity each.

When asked to describe some of the weaknesses of their procurement policy manuals, nine activities (37.5 percent) answered the question. (All nine either stated that they had a procurement policy manual or sent the researcher a copy of their purchasing manual). Responding activities listed five weaknesses or disadvantages.

A major disadvantage identified by the activities was the difficulty they have in keeping their manuals updated. This disadvantage seems to be primarily attributed to the rate of policy change. One activity, however, did state that it had difficulty maintaining its procurement policy manual because of a lack of personnel resources. A disadvantage related to keeping manuals current is the problem of timely dissemination of policy and procedural changes. The activities that identified the problem of slow dissemination were unanimous in attributing the problem, at least in part, to the rate of policy changes that come down from higher levels in the chain of command. LT Mike Rellins, Contracts Department Director at the Naval Regional Contracting Center (NRCC) San Diego, succinctly describes this problem below:

As a field activity, NRCC San Diego is subject to an abundance of rapidly changing policies from ASN (the Assistant Secretary of the Navy) and NAVSUP (COMNAVSUPSYS-COM). The fluid nature of procurement policy naturally leads to delays in getting this policy information to the working professionals. [Ref. 22]

A disadvantage identified by one activity was that the extent of its manual's policy coverage was often too small. The activity felt that the policies and procedures incorporated into its manual always seemed to miss something. Finally, one activity observed that there is a lot of unwritten policy in the Navy field contracting system. They felt that a major disadvantage of procurement policy manuals is that unwritten policy is never reflected in the manuals.

Of the five disadvantages described above, the activities were unanimous in agreeing that keeping the manual updated and current was the greatest single disadvantage. All nine activities (100.0 percent) listed it as a weakness. Three activities (33.3 percent) listed slow dissemination as a weakness. The other three disadvantages, a lack of coverage (the extent of coverage is too small), a lack of personnel resources to maintain the manual, and the fact that unwritten policy is not reflected in the manual, were each listed by only one activity.

The part of question one that deals with listing the major reasons for not developing and implementing a procurement policy manual was answered by 14 activities

(58.3 percent). All 14 stated that they did not have procurement policy manuals. Seven of the 14 activities, however, did in fact send a copy of their policy and procedures manual or a collection of policy instructions, letters, or memoranda. Responding activities gave ten reasons for not developing procurement policy manuals.

Several activities stated that they preferred to issue individual instructions, directives, and memoranda rather than develop and issue a procurement policy manual. One activity, however, did say that it was in the process of collecting and putting its policy instructions and memoranda in a loose-leaf binder. Another activity stated that it wasn't inclined to develop and issue a procurement policy manual because procurement policies change too often. A number of activities didn't want to spend the time necessary to develop a procurement policy manual because most procurement information is covered by regulations. They observed that updating the procurement regulations is time-consuming enough.

In addition to the reasons given above, one activity felt that it was too small to be concerned with developing and implementing a procurement policy manual. Another activity felt that it was unable to develop a procurement policy manual at the present time because it was in the throes of reorganizing its procurement department. One activity stated that, with regard to policy, the FAR and

DFARS are quite adequate. They observed that local supplemental instructions and manuals tend to dilute the Contracting Officer's authority and add nothing of value to the process.

Several activities felt that Navy field contracting organizations would be better served by developing desk guides and SOPs that actually show procurement personnel how to do certain things. A number of Navy field contracting activities stated that they lacked the resources to develop and implement a procurement policy manual. These activities observed that a deficiency in time, money, and personnel were the major factors that prevented them from taking steps to implement a manual.

Finally, two activities noted that they were in the process of developing manuals. From the comments on the questionnaires, it appeared that one was in the process of collecting policy memoranda, procurement instructions, a small purchase guide, and a systems policy and procedures guide to put into a loose-leaf binder. The other activity stated that it was currently in the process of developing a handbook for new employees that will include all applicable cites, sample documentation, on-site routing instructions, and office organization. Otherwise, the activity's procurement analyst will continue to maintain copies of all procurement regulations, memoranda, in-house guidance and procurement statistics. It should be noted, however, that

neither of these manuals will be procurement policy manuals in the true sense of the word.

A major reason for not developing a procurement policy manual appeared to be a lack of resources. Five of the 13 activities (38.5 percent) listed this reason. In addition, five activities observed that the information normally found in procurement policy manuals is already covered by existing regulations and that the manuals are not really necessary. Three (23.1 percent) felt that keeping the manuals updated is too time consuming. Two of the thirteen activities (15.4 percent) stated that they preferred issuing and updating individual instructions and memoranda rather than developing and implementing a procurement policy manual. Two activities acknowledged that they were currently in the process of developing a policy manual and two activities stated that their procurement personnel were better served by the development of desk guides or SOPs that explained how to do things. The other five reasons were listed by only one activity each.

2. Procurement Policy Specialists

The second question was also divided into four parts. The first part asked the activities if they had an individual specifically designated to interpret and promulgate policy received from a higher authority. The second part asked whether that individual was also responsible for updating and maintaining a procurement policy

manual. The third part asked if the individual in question held a full-time or collateral position. Finally, the fourth part asked the individual's grade. All 24 activities answered at least part of the question.

Twenty activities (83.3 percent) stated that a procurement policy specialist had been appointed by their command to review, interpret, and promulgate policy. Twelve (60.0 percent) stated that the procurement policy specialist was responsible for updating and maintaining a procurement policy manual. Seven activities (35.0 percent) said that maintaining a policy manual was not one of their procurement policy specialist's responsibilities. One did not answer the question. Eight activities (40.0 percent) said that the position was full-time and eight said that it was a collateral duty. Four activities did not answer this part of the question.

The procurement policy specialists' grades ranged from GS-11 to GM-14. Sixteen activities answered this part of the question. The majority of the procurement policy specialist positions were at the GS/GM-13 (43.8 percent) and GS-12 (31.3 percent) level. The remaining positions were equally distributed between GS-11s and GM-14s. Table 1 displays the procurement policy specialist information gathered from the questionnaires.

TABLE 1
INFORMATION ON PROCUREMENT POLICY SPECIALISTS

<u>Grade</u>	<u>Total No.</u>	<u>Full/Part Time Position</u>	<u>Responsible For Pol. Manual Maint.</u>
GS-11	2	2/0	1
GS-12	5	3/2	3
GS/GM-13	7	3/4	6
GM-14	2	0/2	2

3. Sources

Question number three asked the activities to describe the sources they used to develop their procurement policy manuals. The activities were asked to choose from six examples of sources that could be used to develop a policy manual and were asked to list any additional sources that were used. Thirteen responded to this question. All 13 had some type of purchasing manual.

Sources that were listed as examples included acquisition regulations, objectives from the activity's strategic plan, procedures manuals (e.g., the Navy Acquisition Procedures Supplement (NAPS), COMNAVSUPSYSCOM (and local) instructions and notices, local policy memoranda, and local desk guides. Other sources identified by the activities included industrial security regulations, Office of the Assistant Secretary of the Navy (Shipbuilding & Logistics) (OASN (S&L)) notices and memoranda, Secretary

of the Navy (SECNAV) instructions, Department of Defense (DoD) notices and letters, Contract Review Board (CRB) decisions, Comptroller regulations, and field activity requests for changes.

Twelve of the 13 activities that responded to this question (92.3 percent) listed acquisition regulations and COMNAVSUPSYSCOM (and local) instructions and notices as important sources of information for developing a procurement policy manual. Eleven (84.6 percent) listed local policy memoranda as important sources of information and ten (76.9 percent) chose procedures manuals, like the NAPS. Local desk guides were listed as important by four contracting activities (30.8 percent). Objectives from the activity's strategic plan were considered important by three activities (23.1 percent). Each of the seven sources identified by the activities was listed by only one organization.

4. Policy Manual Effectiveness

Question number four was divided into two parts. The first part asked each activity to rate the effectiveness of its policy manual on a scale of one to ten (one being the lowest rating and ten being the highest). Prior to answering the question, the respondents were asked to think about whether their procurement policy manual did something for them that otherwise would not have been accomplished. They were also asked to think about whether their

procurement policy manual actually accomplished the objectives set forth in the manual. The second part of the question asked the respondents to explain why they rated their manuals as they did.

Thirteen activities answered question four. The effectiveness ratings ranged from a low of four to a high of nine. The average score was 7.08 with a standard deviation of 1.85. The activities gave 17 different explanations for their ratings. A significant explanation for assigning some rather low ratings was given by four activities (30.8 percent) who stated that their manuals were difficult to update and maintain. Each of the other explanations were given by only one or two activities. The explanations given by the activities are displayed in Table 2.

5. Policy Manual Content

Question five asked the activities to list the policies currently included in their procurement policy manuals. Since many of the activities that responded to the questionnaire also mailed the researcher a copy of their policy manual, many referred the researcher to their policy manual as an answer to question five. Consequently, policy manual content will be discussed and analyzed in Chapter V.

6. The Most Important Policies

Question six asked each activity to list the policies in their manuals that they considered to be the most important, or essential, to their purchasing function.

TABLE 2
EXPLANATIONS FOR PROCUREMENT POLICY MANUAL
EFFECTIVENESS RATINGS

<u>Explanations</u>	<u>No. of Activities</u>	<u>Ratings Assigned</u>
1. Manual is effective, but there is always room for improvement.	1	9
2. Manual provides detailed instruction/documentation.	1	9
3. Manual is an effective training guide.	2	9,6
4. Manual is difficult to maintain/update.	4	5,6,4,8
5. Changes are not pleasantly received by employees.	1	6
6. Employees show less willingness to learn new things.	1	6
7. It is not necessary to reiterate instructions with a manual.	2	8,6
8. Manual provides advanced implementation of policy.	1	6
9. Manual is not fully effective because there are too many regs.	1	6,4
10. Manual effectively disseminates guidance/policy from higher authority.	1	8
11. Manual highlights essential information.	1	8
12. Manual is a good starting place for further research.	1	8
13. Manual consolidates directives and is one source for information.	1	8
14. Manual delegates authority to field activities.	1	8

TABLE 2 (CONTINUED)

<u>Explanations</u>	<u>No. of Activities</u>	<u>Ratings Assigned</u>
15. Manual provides more flexibility to Contracting Officers.	1	8
16. Manual provides clearer procedural information to Contracting Officers.	1	8
17. Manual is a unique compendium of several internal and informal procedures.	1	8

Eleven (45.8 percent) answered this question and all 11 had some type of purchasing manual. Eighteen policy areas were identified by the 11 activities as being the most important to their purchasing function. These 18 policy topics are displayed in Table 3 below.

An effort was made to determine if the policy topics listed in Table 3 could be grouped by a common characteristic. Grouping the policy topics into pre-award, post-award, or managerial categories seemed to be a meaningful categorization. For example, policies on standards of conduct and policies that interpret regulations and higher level guidance pertain to management issues or administrative matters. COTR policy is generally a post-award issue. All of the other policy areas listed above can be considered pre-award issues. Five activities (45.5 percent) considered policy pertaining to selection of sources to be very important to the purchasing function. Three (27.3 percent)

TABLE 3

POLICIES CONSIDERED BY ACTIVITIES TO BE THE MOST IMPORTANT
FOR INCLUSION IN A PROCUREMENT POLICY MANUAL

<u>Policies</u>	<u>No. of Activities</u>	<u>Categories</u>
1. Contract Review Board policy award	3	Pre-award
2. Pricing policy	2	Pre-award
3. Policy on selection of sources	5	Pre-award
4. Policy on standards of conduct	1	Management
5. Policy that interprets regulations and higher level guidance	1	Management
6. Small purchase policy/procedures	2	Pre-award
7. Policy on clause usage	1	Pre-award
8. Policy on unusual contract situations	1	Pre-award
9. Small and disadvantaged business policy	1	Pre-award
10. Contract type selection policy	1	Pre-award
11. Acquisition plan policy	1	Pre-award
12. Policy concerning justification for other than full and open competition	1	Pre-award
13. Contracting Officer Technical Representative (COTR) policy	1	Post-award
14. Policy concerning contract production issues	1	Pre-award
15. Automated Data Processing Equipment (ADPE) procurement policy	1	Pre-award
16. Policy as set forth in accordance with the FAR	1	Pre- & Post-award
17. Requisition processing policy/ procedures	1	Pre-award
18. Policy on Procurement Administra- tive Lead Time (PALT) objectives	1	Pre-award

identified policy pertaining to CRBs as being essential for inclusion in procurement policy manuals. Two activities (18.2 percent) considered pricing policy and small purchase policy and procedures essential. As Table 3 shows, each of the other policy areas were considered important by only one activity.

7. Additions and Deletions

Question seven asked the activities to identify any additions or deletions they would make to their procurement policy manuals if they were given the opportunity to revise them. Six activities answered this question. All of them either stated that they had a procurement policy manual or sent the researcher a copy of their purchasing manual. Additions identified by the activities included policy on contract administration, COTRs, file control, Government property, closeouts, release of information/technical data to foreign concerns, internal document processing flow charts, and weighted guidelines.

Of the policy additions listed above, three (policy on weighted guidelines, an internal document processing flow chart, and policy on the release of information/technical data to foreign concerns) appeared to be related to pre-award issues. Four policy additions (contract administration policy, Government property policy, closeout policy/procedures, and COTR policy/procedures) were related to post-award issues. One policy addition, the policy and

procedures related to file control, pertained to management issues or administrative matters.

Policy deletions identified by the activities included DD 350 contract reporting and current use of money rates. Both policy deletions pertained to management issues. Each of the additions and deletions were identified by only one activity.

8. Policy Manual Development

Question eight asked the activities that did not have a procurement policy manual to identify policies that should be included in developing one. This question was answered by 13 activities who stated that they did not have policy manuals. Six of the activities did, however, send the researcher a manual of some description. These manuals were devoted primarily to procedures and were often nothing more than a collection of procurement instructions, directives, and memoranda. The activities identified 28 policy topics that they felt should be included in the development of a procurement policy manual. In addition, three activities answered question eight by stating that they did not think a procurement policy manual was necessary. The remaining answers are displayed in Table 4 below.

Of the 28 policy topics identified, nine appeared to be related to pre-award issues. These pre-award issues included large and small purchase rules, regulations, and

TABLE 4

POLICIES THAT SHOULD BE INCLUDED IN DEVELOPING A
PROCUREMENT POLICY MANUAL

<u>Policies</u>	<u>No. of Orgs.</u>	<u>Categories</u>
1. DoD memoranda/letters	2	Management
2. OASN (S&L) memoranda/letters	2	Management
3. COMNAVSUPSYSCOM memoranda/letters	3	Management
4. Small purchase rules, regs. and procedures	3	Pre-award
5. Large purchase rules, regs. and procedures	2	Pre-award
6. Large/small purchase chains of approval	1	Pre-award
7. Document examples	1	Management
8. Source references	1	Management
9. Source selection procedures	1	Pre-award
10. Special procedures for unusual procurement situations	1	Pre-award
11. Cost/price analysis procedures	3	Pre-award
12. Policies/procedures organized by chapter corresponding to the FAR	1	Pre- & Post-award
13. Internal document processing flow chart	1	Pre-award
14. ADPE procurement policies	1	Pre-award
15. Small and disadvantaged business policies	1	Pre-award
16. Policies on synopsis and competition	1	Pre-award
17. Ethics/standards of conduct	1	Management
18. Policies on negotiations	1	Pre-award
19. An updated, more detailed Armed Services Procurement Manual (ASPM)/more readable Cost Accounting Standards (CAS)	1	Management
20. Information on customer responsibilities	1	Management

TABLE 4 (CONTINUED)

<u>Policies</u>	<u>No. of Orgs.</u>	<u>Categories</u>
21. Policy on the responsibilities of COs and other procurement officials	1	Management
22. Policy on authority and the delegation thereof	1	Management
23. Policy on inspection requirements	1	Post-award
24. Policy relevant to the activity's mission	1	Management
25. Policy on contractor relations	1	Management
26. Policy on customer relations	1	Management
27. Interdepartmental relations and responsibilities	1	Management
28. List of activity's policy memoranda/instructions	1	Management

procedures, large and small purchase chains of approval, source selection procedures, special procedures for unusual procurement situations, cost and price analysis procedures, an internal document processing flow chart, ADPE procurement policies, small and disadvantaged business policies, policies on synopsis and competition, and negotiation policy. One policy topic, inspection requirements, was clearly a post-award issue. As can be seen from Table 4, the remaining topics appear to be managerial or administrative in nature. Some of these policy topics could, however, contain both pre-award and post-award subject matter.

It is of interest to note that three activities (23.1 percent) stated that a procurement policy manual was not necessary. Three activities felt that a procurement policy manual should include rules, regulations, and procedures for small purchase, cost and price analysis policy and procedures, and COMNAVSUPSYSCOM memoranda and letters. Two activities (15.4 percent) believed that a manual should include DoD memoranda and letters, OASN (S&L) memoranda and letters, and rules, regulations, and procedures for large purchase. These six policy topics appear to be evenly divided between managerial and pre-award issues. Each of the other policy topics was listed by only one activity.

9. Procurement Policy Manual Uses

This question dealt with how policy manuals are used by Navy field contracting activities. The question identified six possible uses for procurement policy manuals from which the activities were asked to choose. The activities were also asked to list uses other than the six identified in the question. Fourteen activities answered this question. All of them had some type of purchasing manual.

The uses identified in the question were for procurement training, to familiarize new employees with the activity's procurement policies, to familiarize perspective vendors with how the activity does business, as a desk

reference for experienced employees, to measure the effectiveness of the activity's procurement system, and to prepare for inspections (PMRs). Only two other uses were identified by the activities. These were to cover procurement procedures and as guidance for requiring activities.

Twelve activities (85.7 percent) stated that procurement policy manuals should be used to familiarize new employees with the activity's procurement policies and as a desk reference for experienced employees. Eight (57.1 percent) felt that the manuals should be used for procurement training and six activities (42.9 percent) thought that the manuals could be used to prepare for inspections. It is interesting to note that none of the activities believed that the manuals should be used to familiarize perspective vendors with how the activity does business or to measure the effectiveness of the activity's procurement system. The two uses identified by the activities were only selected by one activity each.

10. Policy Categories and Organizational Characteristics

Question ten asked field contracting activities to identify generic characteristics that could be used to develop a procurement policy manual. In retrospect, the question really asked the activities to identify a group of procurement policy categories, like those discussed in Chapter II, under which the subject matter of a procurement

policy manual could be organized. The activities were encouraged to choose from the eight procurement policy categories already listed as examples in question ten. They were also asked to identify other categories that they considered appropriate. Twenty activities responded to the question. Of the 20, 15 had some type of purchasing manual.

The procurement policy categories identified in question ten included the activity's mission and objectives, purchasing department objectives, planning, ethics/standards of conduct, relationships with customers, relationships with vendors, interdepartmental relations, and the technical aspects of procurement (e.g., policies on source selection, contract administration, evaluation of suppliers, clause usage, etc.). The activities identified what they considered to be seven categories. They were mostly policy topics and should for the most part have fallen under the category identified in question ten as the technical aspects of procurement. These policy topics included COTR responsibilities, contract closeout policies, legal precedents (from contractor protests), procurement procedural steps with applicable citations, a floppy disk format that would incorporate activity guidance, procedures for the internal processing of documents within the purchasing department, and the technical aspects of procurement only when the existing regulations need amplification or clarification. Floppy disk formatting of local activity guidance came the

closest of any of the policy topics mentioned above to being a true generic characteristic of a procurement policy manual. It would only be a policy category, however, if several policies were issued that pertained specifically to the software program in question. These procurement policy categories and topics were only selected by one activity each.

The activities were almost unanimous (95.0 percent) in choosing the technical aspects of procurement as a policy category that should be included in the development of a procurement policy manual. Twelve activities (60.0 percent) felt that purchasing department objectives and a section on ethics ought to be included. Eleven (55.0 percent) identified for inclusion a section dealing with the purchasing department's relationship with its customers. Ten activities (50.0 percent) felt that interdepartmental relations should be included. Finally, nine (45.0 percent) chose vendor relations, planning, and the activity's mission and objectives as important policy categories that should be included in developing a procurement policy manual.

11. Additional Insights and Comments

Question 11 asked for additional insights or comments; 13 activities responded. Based on the comments, seven activities appeared to be in favor of developing a procurement policy manual and six seemed to be against it. It is interesting to note that most of the activities in

favor of a procurement policy manual already had one and a majority of those activities opposed did not.

Four of the contracting organizations in favor of a procurement policy manual indicated a preference for a locally prepared manual. Two of the activities opposed to the development of a procurement policy manual felt that a procedures manual or desk guide (especially a small purchase procedures manual) would be more beneficial. Three felt that a procurement policy manual ought to be developed at the COMNAVSUPSYSCOM level, and one added that the manual should be automated for timely dissemination of updated guidance.

COMNAVSUPSYSCOM, who now must get approval from the Deputy Assistant Secretary of Defense for Procurement (DASD (P)) prior to issuing procurement policy, regulations, procedures, clauses, and forms, appeared to have no interest in developing and implementing a procurement policy manual for the contracting activities. It did indicate, however, that it was considering the consolidation, into one instruction, of a number of instructions and directives common to most activities in the Navy Field Contracting System (NFCS). [Ref. 23]

C. THE MANUALS

As was stated earlier in this study, questionnaires were sent to COMNAVSUPSYSCOM and 34 activities in the NFCS to

obtain data on procurement policy manuals. A cover letter accompanying the questionnaire requested a copy of existing policy manuals or those in the process of being developed. Eighteen documents were eventually received.

Of the 18 documents, 12 were in a manual format. Nine of the 12 manuals contained procurement policies and procedures. Two manuals contained only procedures. One activity sent only a table of contents which made it impossible to classify.

Two activities sent collections of policy and procedures memoranda, while three sent collections of instructions that contained procurement policies and procedures. One activity sent a binder with different sections containing procurement policy letters, operating procedures, instructions, and memoranda.

There appears to be a great deal of confusion over what is meant by the terms "policy" and "procedures." As was stated in Chapter I, a policy is a statement which describes in very general terms an intended course of action. Procedures, on the other hand, are the specific administrative actions needed to carry out policies. Procedures describe routine operations in great detail. Ten activities stated on their questionnaires that they had a procurement policy manual. With regard to the four types of purchasing manuals described in Chapter II, the eight manuals received from these activities were generally either

policy and procedures manuals or simply procedures manuals (SOPs). Occasionally the manuals were nothing more than a collection of instructions and memoranda that contained both procurement policy and procedures. The researcher was unable to identify any manuals that pertained solely to procurement policy.

The majority of the policies and procedures found in the activities' purchasing manuals dealt with the technical aspects of procurement. Some activities did, however, include sections that pertained to some of the other procurement categories discussed in Chapter II. For instance, 11 manuals contained policies and procedures pertaining to administrative matters. Ten included examples of forms and instructions for completing them. Nine manuals contained policies and procedures that dealt with vendor relations while, seven included policies and procedures dealing with ethics and standards of conduct. Acquisition planning was important enough to be included by six activities in their policy and procedures manuals. Only one or two activities had manuals that included policies and procedures dealing with organization, training, quality management, mission and objectives, and customer relations. None of the manuals contained policies and procedures dealing with procurement performance evaluation or interdepartmental relations. The content and organizational characteristics of the manuals obtained during the course of

this study will be discussed and analyzed more fully in Chapter V.

D. THE INTERVIEWS

Initially, activities were telephoned to establish points of contact and to obtain permission to mail out the questionnaires. The contact points were established in an effort to both increase the number of responses and ensure that the responses received were as complete as possible. Later, telephone calls were made to various activities to check on the status of questionnaires that had not been returned and to get answers to questions generated by some of the responses on the questionnaires.

Although these were not interviews in the strictest sense of the word, important information was obtained. Formal interviews were occasionally conducted and questions similar to those listed in Chapter I were asked. The formal interviews did not prove to be as useful as did the questionnaires. Answers tended to be off the cuff and did not reflect as much thought as did the responses on the questionnaire. Because the interviews were not necessarily conducted at the interviewees' convenience, the answers may have been more hurried.

Later, after the generic characteristics in Chapter III had been identified, telephone interviews were conducted with eight field contracting activities that had already

taken part in the study by answering questionnaires. These activities were chosen because they furnished the researcher with copies of their manuals and because it appeared that they had given a lot of thought to the responses they provided in answering the questionnaires.

The interviewees were read the ten generic characteristics from Chapter III over the phone and asked to provide comments and opinions. They were then asked to pick the three most important generic characteristics and rank them in order of importance. The generic characteristics that were identified in Chapter III are as follows:

1. Procurement policy manuals must have a central theme. They must be well focused. The central theme embodies the general consensus of procurement professionals as to what procurement really is.
2. Procurement policy manuals are living documents that evolve constantly.
3. Procurement policy manuals are often placed in loose-leaf binders for easy revision.
4. Procurement policy manuals must be in writing.
5. Procurement policies and procedures are often placed in separate binders because procurement procedures tend to change more frequently than do policies.
6. Procurement policy manuals often begin with broad policies that affect the entire company and progress toward more narrowly defined policies that may only affect the employees within a single department.
7. Each section of a procurement policy manual tends to focus on a major procurement policy area. Procurement policy topics are grouped by specific categories within the manual.
8. Because they can have a dramatic impact on other departments, procurement policies must be discussed

with and approved by other departments within the organization prior to implementation.

9. Procurement policy manuals are usually initiated, approved, and endorsed by top-level management.
10. Procurement policy manuals should have a wide distribution. To be effective, the manuals should be issued to purchasing personnel, other departments, customers, and vendors.

Many of the interviewees agreed with the basic tenants of the generic characteristics described above and could think of little to add. Other activities disagreed with certain aspects of a particular generic characteristic. Several interviewees had specific comments concerning some of the generic characteristics that seemed quite relevant.

One interviewee felt that it was too dangerous to provide procurement policy manuals to vendors because the numerous changes would invite protests. In addition, she believed that issuing procurement policy manuals to vendors might create the appearance that the Government was providing inside information. On the other hand, another interviewee felt that if procurement policy manuals could give contractors a better understanding of how the Government conducts business it would make the jobs of procurement personnel easier.

With regard to the generic characteristic of top management initiating and approving procurement policy manuals, one interviewee stated that COMNAVSUPSYSCOM should develop and implement a consolidated policy and procedures

manual for the field contracting activities. Another interviewee felt that the manuals should be developed and implemented locally but that it was important not to repeat what COMNAVSUPSYSCOM had already issued. Several interviewees expressed concern about getting a procurement policy manual approved by COMNAVSUPSYSCOM or OASN (S&L). The Defense Management Review has created a perception among the field contracting activities that if DoD or a senior command does not address a particular policy topic, the field contracting activities won't be allowed to address it at a local level.

Two interviewees expressed opposing views with regard to grouping policy topics by specific categories within a procurement policy manual. One interviewee observed that the topics should not be grouped by FAR categories because the manual would soon become unwieldy. Another interviewee felt that grouping policy topics by FAR categories would make the manual easier to use and make for quicker reference to the FAR.

There was some disagreement when the interviewees were asked to pick the three most important generic characteristics and then rank them in order of importance. The researcher used weighted averages to obtain a general consensus. The most important generic characteristic dealt with the idea that procurement policy manuals are living documents. The idea that procurement policy manuals should

be in writing was clearly considered to be the second most important generic characteristic. Two generic characteristics, obtaining approval of the procurement policy manual from other departments and obtaining the approval and endorsement of top-level management, tied for third place in importance.

E. SUMMARY

Chapter IV presented the research data on procurement policy manuals that were gathered from COMNAVSUPSYSCOM and 34 Navy field contracting activities. These data were obtained from questionnaires, a review of existing procurement manuals, and telephone interviews. The data obtained from these sources helped to provide a better understanding of concepts like procurement policy manual organization, content, usage, and effectiveness. The data presented in this chapter also helped to point out some of the advantages, disadvantages, and difficulties faced by Navy field contracting activities in trying to develop and implement a procurement policy manual. In Chapter V, these data will be analyzed and discussed in greater detail.

V. DATA ANALYSIS

A. INTRODUCTION

Chapter V is an analysis of the research data presented in Chapter IV. As was stated earlier, the data that will be analyzed were collected from questionnaires and from policy and procedures manuals received from various Navy field contracting activities. Data collected from personal and telephone interviews will also be analyzed. Analysis of the data will be conducted with special attention paid to the literature reviewed in Chapters II and III. Prior to conducting this analysis, however, it is perhaps appropriate to discuss the climate that is currently found within the Department of the Navy (DoN) and DoD surrounding the development and implementation of procurement policy. This digression will help explain some of the answers given by the field contracting activities on the research questionnaire.

B. AN ANALYSIS OF GOVERNMENT PROCUREMENT POLICY DEVELOPMENT

In 1972 the Commission on Government Procurement completed its review of the Federal procurement system as directed by Congress. The Commission had been created in 1969 as a result of growing Congressional concerns over the effectiveness and efficiency of the procurement process.

Over a period of several years the Commission documented 149 recommendations for improving the system. [Ref. 24:p. 100]

One of the Commission's major findings was that there was no central policy maker for Federal procurement. On August 30, 1974, as a result of one of the Commission's recommendations, Congress created the Office of Federal Procurement Policy (OFPP). OFPP was established on a temporary basis within the Office of Management and Budget (OMB) and was given the responsibility for establishing and maintaining Federal acquisition policy. OFPP is no longer temporary and its permanent role "is to provide central policy direction for procurement." [Ref. 24:p. 103]

OFPP's charter included, among other things, a mandate to standardize Federal procurement regulations. Consequently, OFPP initiated an exhaustive review of existing procurement regulations (primarily the Defense Acquisition Regulation (DAR) and the Federal Procurement Regulation). This review culminated in the development and issuance of the Federal Acquisition Regulation (FAR) which became effective on April 1, 1984. Unfortunately, the passage of the Competition in Contracting Act (CICA) three months later resulted in major revisions to the FAR almost immediately.

The purpose of the FAR is to codify and publish uniform acquisition regulations for the executive agencies. The total number of regulations was expected to decrease with FAR implementation because agency regulatory guidance was

made subordinate to the FAR and could not duplicate it.

[Ref. 24:p. 46] The FAR does, however, authorize agencies to issue supplemental regulations. [Ref. 25:Section 1.301] In addition, field contracting activities are authorized to promulgate implementing policies and procedures. [Ref. 24:p. 46]

The DoD and DoN, through the DFARS and NAPS respectively, have attempted to increase control over the issuance of acquisition regulations. The DFARS states that "The Departments and their subordinate organizations shall not issue instructions (including directives, regulations, policies, or procedures) contract forms, or contract clauses implementing or supplementing the FAR" unless specifically allowed by the criteria delineated in DFARS 201.304. [Ref. 26:Section 201.304] The NAPS requires that Navy activities ensure that all instructions, contract forms and contract clauses issued pursuant to the authority of FAR Subpart 1.3 and DFARS Subpart 1.3 be submitted to the Assistant Secretary of the Navy (Shipbuilding & Logistics) (OASN (S&L)), Director, Contracts & Business Management (CBM) for screening. [Ref. 27:Section 1.304]

Despite the guidance set forth in the FAR, DFARS, and NAPS, there has been a proliferation of procurement regulations, instructions, policies, and procedures within the DoD. In recent years, activities at all levels have issued guidance in an attempt to clarify or simplify

procurement processes. This additional acquisition guidance has only served to complicate the procurement environment and has resulted in a great deal of confusion and frustration for procurement personnel. [Ref. 28:p. xxii]

DoD shouldn't be held wholly responsible. Congress has added to the confusion and frustration with a mass of legislation designed to control real and imagined excesses in the Government procurement arena. [Ref. 29:p. 11] This proclivity for micro-management on the part of Congress and the DoD was brought to the public's attention by the President's Blue Ribbon Commission on Defense Management (The Packard Commission) in July, 1986 when it made the following observation:

Over the years, Congress and DoD have tried to dictate management improvements in the form of ever more detailed and extensive laws and regulations. As a result, the legal regime for defense acquisition is today impossibly cumbersome. For example, we have identified 394 different regulatory requirements in the Federal Acquisition Regulation (FAR) and the DoD FAR supplement that are pegged to some 62 different dollar thresholds, ranging from as little as \$15 to as much as \$100 million or more. In our judgment, there can be far fewer of these requirements, and those that are retained can apply at far fewer dollar thresholds.

The sheer weight of such requirements often makes well-conceived reform efforts unavailing. At operating levels within DoD, it is now virtually impossible to assimilate new legislative or regulatory refinements promptly or effectively. [Ref. 28:pp. 54-55]

The Packard Commission's recommendation was that the President and Congress work together to recodify existing Federal procurement legislation so that a single,

streamlined, greatly simplified procurement statute might be developed.

In a report to President Bush dated July, 1989, Secretary of Defense Dick Cheney echoed the views of the Packard Commission when he observed that the acquisition system:

...is encumbered by overly detailed, confusing and sometimes contradictory laws, regulations, directives, instructions, policy memoranda, and other guidance. Little room now remains for individual judgment and creativity of the sort on which the most successful industrial management increasingly relies to achieve higher levels of productivity and lower costs. [Ref. 29: p. 11]

Recognizing that part of the problem could be corrected by DoD without Congressional involvement, Cheney implemented the Defense Management Review (DMR) and took immediate action to ensure that a task force was created to review all regulatory guidance within the entire DoD organization. Cheney's resolve to correct the problem at the DoD level is reflected by the following:

To reduce the self-imposed burden, the Secretary will charter a joint OSD-Services task force to conduct a zero-based review of regulatory and other guidance to DoD's systems acquisition, procurement, logistics, and related activities, beginning first with DoD-level guidance and proceeding down through the Military Departments and their components. The review will include both existing guidance and that which is currently under development. The task force will also assess the processes by which guidance is developed, issued and disseminated, and recommend changes to ensure that in the future such guidance is held to the minimum required. [Ref. 29:p. 11]

Cheney's report placed an emphasis on eliminating unnecessary or duplicative guidance. The report stated that the burden of proving that specific regulations, policies, and

procedures were needed would be placed on the proponent of the guidance in question.

The mechanisms to support Cheney's review of regulatory guidance are now in place. The Secretary of Defense (SECDEF) delegated the authority to approve agency procurement policy, regulations, procedures, clauses, and forms to Eleanor Spector, the Deputy Assistant Secretary of Defense for Procurement (DASD (P)). In a memorandum dated September 15, 1989, she advised the Services and Defense Agencies of this authority:

Military Departments and Defense Agencies must submit regulations developed on or after July 22, 1989, directly to me for approval prior to their becoming effective. This requirement applies to all procurement policies, regulations, procedures, clauses, or forms that have any effect beyond the internal operating procedures of the agency or have a significant cost or administrative impact on contractors or offerors. [Ref. 30]

Spector added that all regulations developed between January 16 and July 22, 1989 would be reviewed by the DMR Task Force and that her approval of these regulations would be based on the Task Force's recommendations.

Unfortunately, this massive effort to review and reduce unnecessary or redundant procurement guidance has not done much to reduce the level of confusion and frustration within the DoD procurement work force. The DMR Task Force's review and subsequent elimination of a number of Government contract clauses has caused some consternation among field contracting activities. One activity felt that the people

conducting the review and making the decisions about which clauses to eliminate were too far removed from what was going on at the field contracting activity level. This activity observed that the remaining clauses could not possibly cover all of the contracting situations that can arise and that the Government was opening itself up for a lot of protests. [Ref. 31] Another activity recently devoted a lot of time and effort toward the development and implementation of a procurement policy and procedures manual. This activity is now faced with a major revision of the manual because it was unable to get approval for some of its policies and procedures. [Ref. 32]

The changes in Government procurement brought about by the DMR have created an air of uncertainty among the field contracting activities. The researcher believes that this uncertainty accounts for some of the negative responses toward procurement policy manuals that were received on the research questionnaires. Some of the activities that felt that procurement policy manuals were not necessary, or that there was no need to duplicate existing regulations, referred specifically to Eleanor Spector's memorandum. [Ref. 33]

The most important point to be drawn from this discussion is that field contracting activities do not have to write and issue their own local policies and procedures in order to develop and implement a procurement policy manual. Activities are of course authorized and encouraged to write

implementing policies and procedures for FAR, DoD, and DoN regulatory guidance. DoD, on the other hand, should not lose sight of the fact that Government procurement policies and procedures, like industrial procurement policies and procedures, must evolve constantly to meet changing requirements. DoD and DoN should ensure that mechanisms are set in place so that field contracting activities are not restrained from looking for better ways of doing business.

C. AN ANALYSIS OF THE QUESTIONNAIRES

1. The Pros and Cons of Policy Manuals

As was stated in Chapter IV, question one of the research questionnaire was divided into four parts. The first part of the question asked the activities whether they had a procurement policy manual. This part of the question was asked in order to estimate the number of field contracting activities within the NFCS that had taken the time to develop and implement a procurement policy manual. For those answering the first part of the question in the affirmative, parts two and three asked them to list some of the most important advantages and disadvantages of having a procurement policy manual. These parts of the question were asked so that the researcher could compare the responses given by the field contracting activities to what had been written in the literature about the advantages and disadvantages of industrial procurement policy manuals. Finally, if

the first part of question one was answered no, then the fourth part asked the activities to identify some of the major reasons why they had not developed and implemented a procurement policy manual. This part of the question was also asked in order to compare the answers given by the activities to what has been written in the literature.

In part one of question one, ten of the 24 activities that returned their questionnaires stated that they had a procurement policy manual. Eight of the ten mailed copies of their manuals to the researcher. Seven of the 14 activities that said that they did not have a procurement policy manual also mailed copies of their purchasing manuals. In addition, three activities that did not return their research questionnaires mailed copies of their purchasing manuals. None of these manuals were procurement policy manuals in the strictest sense of the word. The manuals received from activities participating in the study included procurement policy and procedures manuals, procedures manuals (SOPs and desk guides), collections of procurement instructions and notices, and collections of procurement policy memoranda and letters.

Therefore, 15 of the 24 Navy field contracting activities participating in this study (62.5 percent) have purchased manuals of one type or another. If one counts the three activities that sent manuals but failed to return their questionnaires, the number of activities with

purchasing manuals rises to 18 out of 27 (66.7 percent). These figures compare favorably with data that were obtained by Aljian in 1966 and which were described in Chapter III. Aljian stated that a study conducted by F. Albert Hayes and George A. Renard found that 62 percent of the companies contacted had procurement policy manuals while 71 percent had procurement procedures manuals. [Ref.6:p. 3.5] Consequently, it would probably not be unreasonable to estimate that approximately two-thirds of the organizations within the NFCS have some type of procurement policy and/or procedures manual.

The data above also indicate that corporations tend to place their policies and procedures in separate manuals. On the other hand, most of the Navy field contracting activities that took part in this study (83.3 percent) seemed to favor purchasing manuals that combine policies and procedures. The literature and the data from the study support this observation.

As was seen in Chapter II, Aljian described four types of purchasing manuals that are commonly found in industry (policy and procedures manuals, policy manuals, procedures manuals, and welcome booklets). [Ref. 6:pp.3-3--3-4] Westing, Fine, and Zenz also discussed the differences between policy manuals and procedures manuals and observed that "Policies should not be changed frequently, whereas procedures are subject to frequent changes. If policy

statements are kept in a separate manual, there should be little difficulty in understanding that they are relatively permanent." [Ref. 9:p. 458]

The Navy field contracting activities participating in this study felt that it was important to have all of the policies and procedures in one manual. The general consensus seemed to be that, because of heavy workloads and the fact that there is so much guidance, a one-stop, central location for procurement policies and procedures saves time. Several activities felt that the manuals would be even quicker and easier to use if they were fully cross-referenced to the FAR, DFARS, and NAPS.

Part two of question one asked the activities to list the most important advantage to using a procurement policy manual. As was seen in Chapter IV, the ten activities responding to the question listed a total of nine advantages. All ten had purchasing manuals.

The advantages included use of the manuals as training guides, procedural guides, and source references for experienced procurement personnel. The manuals were also considered useful for indoctrinating new employees. In addition, activities said that the manuals helped set office policy for various administrative matters, generate consistency in purchasing practices, and improve the procurement request packages submitted by requesting

activities. Finally, the majority of the Navy activities (70.0 percent) felt that the manuals saved time.

These advantages are very similar to some of the advantages of corporate procurement policy manuals discussed in Chapter II. Aljian identified seven advantages to using policy and procedures manuals, the most important of which include:

1. Apprising other departments of purchasing's prerogatives, in order to avoid misunderstandings and frictions.
2. Facilitating uniform action by all purchasing personnel in dealings both within and without the company.
3. Standardizing routine purchasing procedures, thus relieving administrators of the task of close supervision.
4. Facilitating training of new members in the department and of veteran members assigned to new positions.
5. Stimulating new ideas and suggestions for improving and streamlining purchasing operations. [Ref. 6:p.3-5]

These advantages described by Aljian encompass most of the advantages identified by the Navy activities. This consensus makes it fairly obvious that purchasing organizations, both public and private, can derive significant benefits from developing, implementing, and consistently using procurement policy manuals.

One activity, COMNAVSUPSYSCOM, observed that its procurement policy manual proved extremely useful as a basis for administering PMRs. This advantage was not specifically

addressed by the literature, but it does have two important applications for the Navy. First, as was discussed in Chapter II, PMR teams (and internal audit teams) can learn a lot in a relatively short period of time about how a contracting activity conducts business by studying the activity's procurement policy manual. [Ref. 16] The PMR team can then do a much more thorough job of administering the inspection. If an activity does not have a manual, the PMR team makes a strong recommendation in the inspection write-up that one be developed. Two activities acknowledged being told by PMR teams to do this. [Refs. 10; 16]

Second, common sense should dictate that procurement policy manuals (and procedures manuals) be used by contracting activities to prepare for PMRs and other inspections. Since the manuals tend to standardize purchasing practices and facilitate training, the activities ought to be quick to realize the advantage of developing and implementing a well-thought-out policy manual to help prepare for inspections. The researcher estimates that at least a third of the activities in the NFCS have failed to do this. The estimate is somewhat corroborated by the fact that in question nine of the questionnaire, only six of 14 activities (42.9 percent) thought that procurement policy manuals ought to be used to prepare for inspections.

Part three of question one asked the activities to describe some of the weaknesses of their procurement policy

manuals. Of the 24 activities that returned their questionnaires, only nine answered this part of the question. All nine either sent a copy of their manual or stated that they had one. Five weaknesses or disadvantages were identified.

The list of disadvantages included keeping the manual current, slow dissemination of policy changes, not enough policy coverage (the extent of policy coverage is too small), lack of personnel resources to maintain the manual, and the fact that unwritten policy is not reflected. All nine activities stated that keeping the manual updated and current was a major disadvantage. Most of them seemed to attribute this problem to the rapid rate of policy change, although one activity stated that it had a problem maintaining its manual because of a lack of personnel resources.

A related disadvantage identified by three activities was the problem of slow dissemination. Here they were concerned with the many delays that occur in getting the new policy information to the work force. This problem was also attributed to the number and rapid rate of policy changes. However, the tedious and time-consuming methods (the pen-and-ink changes and the page changes that all Government employees are familiar with) that the Navy uses to update publications and manuals was also mentioned.

These disadvantages are not unique to Navy field contracting activities. Many of the disadvantages listed above are faced by corporations and are described in the

literature. In Chapter II, Ammer observed that in order to develop a purchasing manual, companies must be willing to codify hundreds of policies and procedures in manuals that may ultimately be several hundred pages in length. These companies usually have to hire or train specialists who, in turn, must devote hundreds of hours to the planning and preparation of the manuals. After the manuals have been written, approved, and issued, additional resources must be devoted to keeping the manuals current. [Ref. 1:pp. 78-79]

With regard to developing and implementing a procurement policy manual, Navy field contracting activities must make the same hard decisions made by corporations. They must carefully weigh the advantages of developing and implementing the manuals against the disadvantages. The activities must then decide whether they can afford to allocate the resources that will be required to accomplish the task. Finally, a commitment must be made to keep the manual current.

The researcher believes that the advantages far outweigh the disadvantages. This belief is obviously shared by many Navy organizations since an estimated two-thirds of the contracting activities participating in this study currently have a procurement policy and/or procedures manual. The activities that have already devoted the resources to developing a manual recognize the benefits that can be gained. As was stated earlier, PMR teams have

provided an added impetus to the implementation of procurement policy manuals by recommending that organizations without manuals develop them. Several contracting activities that complied observed significantly improved inspection results. Finally, in order to make the resource allocation more palatable, some of the major disadvantages identified by the activities could probably be eliminated or at least mitigated. For instance, hiring a management information systems contractor to automate the manual and keep it updated might eliminate the problems of slow dissemination and of keeping the manual current.

Part four of question one asked those contracting organizations without manuals to list the major reasons for not having developed and implemented them. Fourteen activities responded to this part of the question and all 14 said that they did not have a procurement policy manual. Seven of the 14, however, sent the researcher what they classified as other than a procurement policy manual. Ten reasons for not developing a manual were identified and discussed in Chapter IV.

One of the most important reasons for not developing a procurement policy manual appears to be a lack of resources. The mood in Congress is to cut defense spending and most Navy contracting organizations are faced with smaller budgets and fewer people to handle increased workloads. This is a serious problem, but before an

activity decides that it can't afford to develop a procurement policy manual, its management should take a serious look at the advantages and disadvantages involved. Many companies have found that the development and implementation of a procurement policy manual can actually improve the procurement process and make purchasing easier. Heinritz and Farrell observed that the process of developing a procurement policy manual tends to clarify ambiguities and points of issue. This development process can also reveal discrepancies and shortcomings in current policy, resulting in improved purchasing department standards. [Ref. 7: p. 376]

Another major reason for not developing a procurement policy manual is that many activities believe the policy information normally found in the manuals is already covered by existing regulations. This is a misconception. Although most procurement policies are covered by the regulations in the FAR, and are amplified by the supplemental regulations in the DFARS and NAPS, these are usually broad guidelines that describe a general course of action. The regulations don't really explain how to carry out the policies. This is the responsibility of the contracting activities. The FAR authorizes them to develop implementing policies and procedures. And it is these implementing policies and procedures that should be incorporated into the local procurement policy manuals.

Although the remaining reasons for not developing a procurement policy manual were identified by fewer activities, they still bear commenting upon. In response to the activities that felt better served by a desk guide or SOP, the researcher will be the first to agree that the procedures found inside a desk guide or SOP are extremely useful. It is important to remember, however, that purchasing personnel have a right to know what the contracting organization's policy is on various matters. The activities that prefer to issue and update individual instructions should talk with some of the organizations that have already implemented a manual. As was stated earlier, these activities have found it advantageous to place all of their policies and procedures in one manual because it saves time. Several organizations that consolidated a number of instructions into one procurement policy and procedures manual found that the manual was easier to update and easier to use.

Several other reasons for not developing a procurement policy manual have validity. Policies do change frequently and policy manuals are certainly time consuming to update. Unfortunately, not much can be done about the former at the activity level, but accomplishing the latter is time well spent. Most well-run companies have taken the time to develop policy and procedures manuals and it is hard to argue against the advantages of having standardized

purchasing practices and an improved training program. Finally, as was discussed earlier, automating the manual may eliminate or significantly mitigate the updating problem.

The belief that small activities do not need procurement policy manuals has already been discussed in Chapter II. Westing, Fine, and Zenz stated that small purchasing departments need the manuals more than large purchasing departments do. If only one or two people in a small purchasing department are familiar with important policies and procedures, and those people are suddenly removed for any reason, the department may find its ability to conduct business seriously impaired unless the policies and procedures have been recorded somewhere. [Ref. 9:p. 458]

Finally, the idea that procurement policy manuals tend to dilute the Contracting Officer's authority is just not true. The Contracting Officer's authority is established by the FAR. The policies and procedures found in local manuals merely implement this authority. If the manual is developed properly, it should be an extension of the Contracting Officer's knowledge, experience, and thought processes. By becoming actively involved in the development and implementation of the manual, the Contracting Officer ensures that his prerogatives are protected, and in no way will his authority be diminished.

2. Procurement Policy Specialists

Question two was also divided into four parts. In the first part, activities were asked if they had an individual specifically designated to interpret and promulgate policy received from higher authority. The second part asked whether this individual was also responsible for updating and maintaining a procurement policy manual. The third part asked if this procurement policy specialist held a full-time or collateral position. The fourth part of the question asked the policy specialist's grade.

The response to this question was quite good (all 24 activities answered at least part of the question) and indicates that the contracting organizations realize the importance of developing, implementing and maintaining procurement policies and procedures. The great majority of the contracting organizations (83.3 percent) indicated that they had appointed a procurement policy specialist to review and interpret policies received from higher authority and to develop and promulgate implementing policies and procedures.

Sixteen contracting activities answered question two fully. All but three had some type of purchasing manual. Again, the majority (75.0 percent) indicated that their procurement policy specialist was responsible for maintaining their procurement policy and/or procedures manuals. The importance of the tasks assigned to procurement policy

specialists is indicated by the fact that fully 87.5 percent are GS-12s or above. Although there was an equal division between full-time and part positions, the more senior personnel (GM-13s and GM-14s) tended to hold the job part-time. The senior procurement policy specialists (GM-13s and GM-14s), almost without exception, maintained the manuals. Although none of the manuals were procurement policy manuals in the strictest sense of the word, it is perhaps not surprising that some of the better organized and more complete manuals were developed and implemented by the more senior procurement policy specialists.

3. Sources Used to Develop Procurement Policy Manuals

Question three asked the contracting activities to describe the sources they used to develop their procurement policy manuals. Thirteen organizations answered this question and all 13 had a policy and procedures manual or a procedures manual. The great majority (92.3 percent) stated that acquisition regulations (the FAR and DFARS) are important sources of information for developing a procurement policy manual. An equal number considered the instructions, directives and notices issued by SECDEF, SECNAV, OASN (S&L), and COMNAVSUPSYSCOM to be important sources of information for developing procurement policy manuals. Considered almost as important were local policy memoranda (84.6 percent) and procedures manuals like the NAPS (76.9 percent*).

None of these answers are very surprising. As was seen in Section B of this chapter, regulatory guidance is codified and published in the FAR. Agencies like DoD, and its subordinate Departments, are authorized to issue supplementary guidance through publications like the DFARS and the NAPS. Contracting activities are only authorized to develop and issue policies and procedures that implement this regulatory and supplementary guidance from higher authority.

Within the DoN, contracting activities must get approval from OASN (S&L) prior to issuing instructions (this includes directives, regulations, policies, and procedures), contract forms, or contract clauses that implement or supplement the FAR. In addition, the DoN must now obtain approval from the DASD (P) before it can issue regulations. (These regulations also include policies, procedures, clauses, and forms.) The researcher has learned from several interviewees that this approval does not come automatically, or even easily. It is little wonder then that when contracting activities begin to develop their procurement policy manuals, they feel compelled to gather information from "official" sources only. More will be said on this subject when the manuals that were received from the activities are discussed in Section D of this chapter.

4. Procurement Policy Manual Effectiveness

Question four asked the contracting organizations to rate the effectiveness of their procurement policy manuals. The ratings assigned were on a scale of one to ten (one being the lowest rating and ten being the highest). After the ratings were assigned, a second part of the question asked the activities to explain why they rated their manuals as they did. Thirteen activities answered question four. All 13 had some type of purchasing manual.

The effectiveness ratings assigned by the organizations ranged from a low of four to a high of nine. The average of the 13 ratings was 7.08 with a standard deviation of 1.85. Although the average score is a very crude measure of effectiveness, it does give some indication that the majority of the contracting activities believe that their manuals are above average in effectiveness. Enough activities, however, (38.5 percent) gave their manuals a below average effectiveness rating (six or below) to indicate that there is some dissatisfaction with the manuals as they currently exist. Although none of the organizations that were asked had any empirical method of measuring the effectiveness of their procurement policy manuals, it is interesting to note that the manuals that were better organized and written in greater detail tended to receive higher scores.

Since none of the procurement policy specialists have been able to come up with a scientific way of measuring the effectiveness of their procurement policy manuals, they tended to base their opinions of how effective their manuals were on very general perceptions. For example, one specialist didn't think her manual was very effective because it had not been well received by the employees at her office. She noted that the employees were suspicious of any kind of change in work routine or procedures. Another example that seemed rather significant was given by four activities (30.8 percent) that stated that their manuals were difficult to update and maintain. Three of these organizations gave their manuals rather low effectiveness ratings. These perceptions probably have some validity and, if not, they could eventually become self-fulfilling prophecies.

One trend that was observed involved explanations for effectiveness ratings that pertained to procurement procedures. There were three of these and they all received a rating of eight or nine. This may simply be a reflection of the fact that some activities prefer desk guides or contracting "cookbooks" that tell procurement personnel exactly how to do things. The only other trend observed was one of human nature. The organizations that answered the other questions in the questionnaire in a positive manner tended to answer this question in a positive manner.

The researcher believes that contracting organizations should make an effort to develop an empirical method of measuring procurement policy manual effectiveness. Measuring the manual's effectiveness on a regular basis can help identify problem areas where stated policies and procedures are not being complied with, or where the procurement process itself needs to be changed. Productivity should increase if the manual is an accurate reflection of the procurement process. After corrective action has been taken, regular measurement of the manual's effectiveness can be a way to detect improvement in the procurement process.

Some contracting activities may want to make measuring the effectiveness of their procurement policy manuals part of a Total Quality Management (TQM) process. After it has been determined that the manuals accurately reflect the procurement process, and after the manuals have been used to identify problems (variances) in the process, the organization's management may want to consider having pareto charts developed in order to determine which problem to address first. Management may then want to have control charts of the problem area developed to help identify and eliminate the special and common causes of variation in the procurement process. Reducing the process variance will improve quality and productivity while reducing cost. It should be noted that TQM is a cyclical process that takes

total commitment and a lot of hard work, but it may be the only way that Navy field contracting activities can meet the ever increasing demands of the future with the dwindling resources presently at their command.

5. Procurement Policy Manual Content

Question five asked the contracting organizations to list the policies currently included in their procurement policy manuals. As was stated in Chapter IV, many activities that responded to the questionnaire also mailed the researcher a copy of their policy manual. As a result, question five was answered on quite a few of the questionnaires by referring the researcher to the manual. For this reason, procurement policy manual content will be discussed and analyzed in Section D of this chapter.

6. The Most Important Procurement Policies

Question six asked each contracting activity to list the policies in their manuals that they considered to be the most important, or essential, to their purchasing function. Eleven organizations answered this question and all 11 had some type of procurement manual. Eighteen policy topics were identified and divided into pre-award, post-award, and managerial categories. Fourteen policy topics (82.4 percent) were placed in the pre-award category, one (05.9%) was considered a post-award policy topic, and two (11.8 percent) were considered managerial in nature. One policy topic, policy as set forth in accordance with the FAR, was

not very specific and could have been placed in both the pre-award and post-award categories.

Policy pertaining to selection of sources was considered the most important policy topic by five contracting activities (45.5 percent). Three (27.3 percent) identified policy pertaining to CRBs as being essential to their procurement function. Two contracting organizations (18.2 percent) considered pricing policy and small purchase policy and procedures essential.

It is significant that 82.4 percent of the policy topics identified in this question fell into the pre-award category. It is also significant that the four most important policy topics identified by the activities were pre-award in nature. Of course, the data are somewhat biased. The answers would probably be quite different if most of the respondents worked in the contract administration side of the house. The data do, however, point out a major difference between corporate and Navy procurement policy manuals.

Companies that develop procurement policy manuals are interested in the nuts and bolts of purchasing. But according to the literature, equal time is devoted to defining the relationships between the purchasing department on one hand and the vendors, customers, and other departments within the organization on the other. Other categories that are often found in corporate procurement

policy manuals include strategic planning, purchasing performance evaluation, ethics, quality management, and procurement training. Navy procurement policy manuals, however, tend to be more narrow in scope. Policies and procedures that deal with the mechanical and technical aspects of procurement seem to be predominant in Navy manuals.

7. Proposed Policy Additions and Deletions

Question seven asked the contracting activities to identify any additions or deletions they would make to their procurement policy manuals if they were given the opportunity to revise them. Six activities answered the question. All six either stated on the questionnaire that they had a manual, or mailed a copy of their manual to the researcher. Eight additions and two deletions were identified. Each of the additions and deletions were identified by only one activity.

Proposed additions to the procurement policy manuals included policies on contract administration, COTRs, file control, Government property, closeouts, release of information/technical data to foreign concerns, internal document processing flow charts, and weighted guidelines. Policy deletions included DD 350 contract reporting and current use of money rates.

The additions and deletions were grouped by the pre-award, post-award, and managerial categories identified in

question six. Three of the proposed policy additions (policies on weighted guidelines, the flow charts, and the release of information/technical data to foreign concerns) were categorized as pre-award issues. Four (policies on contract administration, Government property, closeouts, and COTRs) were post award issues. The remaining policy addition (file control), as well as the two proposed policy deletions, were classified as managerial in nature.

Although the response to this question was slight, it was great enough to show that the preponderance of the answers were proposed additions to existing policy manuals. These data, along with the data in question four, seem to indicate that at least some of the procurement policy specialists feel that their manuals are insufficient and need improvement. The answers also show a preoccupation with the technical aspects of procurement. This time, however, the responses were more evenly divided between pre-award and post-award policies. As was discussed in question six, this preoccupation with the nuts and bolts of contracting, in essence, the major difference between corporate and Navy procurement policy manuals, is disturbing because it does not present a picture of a very well-rounded Navy procurement system.

8. Policies that Should be Included in Developing a Procurement Policy Manual

Question eight asked contracting organizations that do not have procurement policy manuals to identify policies that they would include in a manual if they were developing one. Thirteen contracting activities, all of whom stated that they did not have procurement policy manuals, answered this question. Six did, however, mail the researcher a copy of their purchasing manual.

As was the case in questions six and seven, the policy topics were divided into pre-award, post-award, and management categories. Inspection requirements seemed to be post-award in nature. There were nine policy topics that appeared to be related to pre-award issues. The remaining 18 policy topics were classified as managerial in nature, although some could contain both pre-award and post-award subject matter.

The policy topics identified most frequently still tended to revolve around the technical aspects of procurement. For instance, three activities (23.1 percent) felt that a procurement policy manual ought to include CONAVSUPSYSCOM memoranda and letters, small purchase rules, regulations, and procedures, and cost and price analysis policies and procedures. Two (15.4 percent) believed that a manual should include DoD and OASN (S&L) memoranda and letters, ethics and standards of conduct, and large purchase

rules, regulations, and procedures. Each of the remaining policies were listed by only one activity.

It was interesting to observe that in question eight, for the first time, non-technical procurement policy topics were identified by the respondents. Some of the responses included contractor, customer, and interdepartmental relations, ethics, the responsibilities of Contracting Officers and customers, and policy relevant to the activity's mission. The researcher also observed that the contracting organizations that did not have manuals tended to choose policy topics that were strictly technical in nature. On the other hand, activities that had purchasing manuals tended to choose both technical and non-technical policy topics. This phenomenon may result from the fact that contracting organizations that have had the opportunity to use a purchasing manual have also had the opportunity to observe the shortcomings of a purely technical manual.

9. The Uses of a Procurement Policy Manual

Question nine asked the contracting organizations that have procurement policy manuals to identify how their manuals are used. The question identified six uses for procurement policy manuals. The activities were asked to choose from the six and to identify any additional uses that were not listed. Fourteen contracting organizations answered question nine. All 14 either stated that they had

a procurement policy manual or sent the researcher a copy of their purchasing manual.

With regard to the six uses identified in question nine, 12 activities (85.7 percent) stated that their procurement policy manuals were used to indoctrinate new employees and as a desk reference for more experienced employees. Eight (57.1 percent) stated that their manuals were used for procurement training and six (42.9 percent) stated that they used their manuals to prepare for inspections. It should be remembered that in question one, only two contracting activities found their manuals useful for training. None stated that their manuals were useful in preparing for inspections.

None of the contracting activities stated that they used their manuals to measure the effectiveness of their procurement system. This is probably not surprising, for although the use of procurement policy manuals to measure the effectiveness of a procurement system was discussed several times in the literature, it was never given as a response to any of the questions in the questionnaire. In addition, none of the activities used their manuals to familiarize vendors with the Navy's way of doing business. Several were, in fact, vehemently opposed to the use of their manuals for this purpose. One interviewee was concerned that by issuing procurement policy manuals to contractors, she might give the appearance of providing

inside information. Finally, only one activity stated that it used its manual to provide guidance to requiring activities (customers).

The data seem to indicate that Navy contracting activities are more comfortable with using their manuals conservatively. The more traditional uses in question six, like training or indoctrinating new employees, tended to elicit a greater response. The contracting activities tended to steer clear of less traditional uses like using procurement policy manuals to familiarize vendors with purchasing practices or to provide guidance to customers.

10. Policy Categories for Developing Procurement Policy Manuals

With regard to the development of a procurement policy manual, question ten asked the contracting organizations to select a group of policy categories under which policies that are related by subject matter could be organized. Policy categories were discussed in Chapter II using ethics as an example. Examples of policy topics that are related to each other by subject matter and that would be grouped under an ethics section in a procurement policy manual include gifts, gratuities, conflicts of interest, and reciprocity.

Eight procurement policy categories were listed as examples in question ten from which the contracting activities were asked to choose. They were also asked to

list any other policy categories that they thought should be included. Twenty activities responded to the question. Of the 20, 15 had a purchasing manual of some description.

The procurement policy categories listed in question ten were taken primarily from the literature. They included the activity's mission and objectives, purchasing department objectives, planning, ethics/standards of conduct, relationships with vendors, customers, and other departments, and finally, the technical aspects of procurement. These policy categories are just the tip of the iceberg and were listed as examples in order to give the respondents an idea of what was wanted in the way of answers. There were many other policy categories from the literature that could have been chosen.

Most of the respondents tended to select policy categories from the examples given in the question. Few came up with policy categories of their own. For instance, 19 activities (95.0 percent) selected the technical aspects of procurement as a policy category. This is not surprising when one considers the answers that were given to some of the earlier questions. Twelve respondents (60.0 percent) selected purchasing department objectives and ethics. Eleven (55.0 percent) chose customer relations and ten (50.0 percent) chose interdepartmental relations. Finally, nine activities (45.0 percent) selected the remainder of the examples.

The policy categories identified by the activities were disappointing. Most of them were really policy topics and could have been grouped under the policy category identified in question ten as the technical aspects of procurement. These policy topics included COTR responsibilities, contract closeout policies, legal precedents (from contractor protests), procurement procedural steps with applicable citations, a software program of activity guidance, procedures for the internal processing of procurement documents, and the technical aspects of procurement only when the existing regulations need amplification or clarification.

As was stated earlier, many Navy procurement policy manuals tend to be narrow in scope, concentrating primarily on technical procurement policy topics. In addition, there is some indication that few procurement policy specialists have the time, or, perhaps, the inclination to read the literature that pertains to corporate procurement policy manuals. Having stated the above, and based on the responses to question ten, the researcher believes that it is very probable that many procurement policy specialists are unaware of the numerous policy categories and topics that could be incorporated into their manuals to enhance effectiveness.

11. Additional Insights and Comments

Question eleven asked the contracting activities for additional insights and comments. Thirteen responded to the question. Of the 13, nine had either a policy and procedures manual or a procedures manual. Based on the comments, seven contracting organizations seemed to be in favor of developing a procurement policy manual and six voiced pretty strong opposition to the idea. The researcher observed that most of the contracting activities in favor of developing a procurement policy manual already had a purchasing manual of some kind. On the other hand, the majority of those activities opposed to the development of a procurement policy manual did not have a purchasing manual. This is an indication that those contracting organizations that have devoted the resources to developing and maintaining a well-written purchasing manual, and have had the opportunity to use it for a while, are quick to recognize its worth.

While four of the respondents in favor of the procurement policy manuals felt that the manuals ought to be developed at the local level, three thought that a manual ought to be developed and issued at the COMNAVSUPSYSCOM level. One of the three added that the manual should be automated for timely dissemination of updated guidance.

This desire for a COMNAVSUPSYSCOM procurement policy manual may be a reflection of the fact that many contracting organizations really liked the old Naval Acquisition

Regulations Supplement (NARSUP) and Supply Acquisition Regulation Supplement (SUPARS). Their replacement, the NAPS, has not been well received by some contracting organizations because they feel that it does not offer enough procedural detail. The researcher believes that these activities would like to see a new procurement policy and procedures manual for large and small purchase with at least the same level of detailed guidance that was found in the NARSUP and the SUPARS. This was alluded to in one of the responses to question 11.

The researcher suspects that the three organizations in favor of the manual being developed at the COMNAVSUPSYSCOM level probably also have an ulterior motive. If COMNAVSUPSYSCOM took on the responsibility of developing a procurement policy manual for the NFCS, it would also be responsible for updating it. It is interesting to note that all three activities stated, in response to question 1c, that keeping the manual current was a major disadvantage of their purchasing manuals.

D. AN ANALYSIS OF PURCHASING MANUALS SUBMITTED BY NAVY FIELD CONTRACTING ACTIVITIES

1. Manual Organization

In order to gain a better understanding of Navy procurement policy manuals, it soon became apparent that some of the manuals would have to be obtained for study. There was some concern on the part of the researcher that

very few procurement policy manuals would be available within the NFCS. Consequently, the contracting organizations participating in the study were asked to send the researcher a copy of any procurement policy manual currently in use, or a copy of the draft if the manual was being developed. The response to this request was almost overwhelming. The researcher received 18 manuals.

Unfortunately, none of the manuals were procurement policy manuals in the strictest sense of the word. In Chapter II, Aljian identified and discussed four types of purchasing manuals commonly used in industry. They include a procurement policy manual, a procurement policy and procedures manual, a procurement procedures manual, and a welcome booklet for vendors. The manuals received from the Navy contracting organizations fell into the two middle categories almost without exception.

As was stated in Chapter IV, 12 of the 18 manuals were organized in what would be considered a manual format. They had tables of contents and the subject matter was organized under a number of categories and sub-categories. The remaining six were merely collections of various types of documents. Nine of the 12 manuals contained subject matter that included both procurement policies and procedures. Two contained only procurement procedures and could be classified as SOPs. One activity sent only a table of contents which made it impossible to classify.

Of the six documents that were not in manual format, two were nothing more than a group of numbered policy and procedures memoranda. Three were collections of individual procurement instructions that contained both policy and procedures. Finally, one contracting activity took the trouble to collect all of its procurement policy letters, operating procedures, local procurement instructions, and procurement memoranda, and place them in one binder.

All of this is an indication that there is a misunderstanding among procurement policy specialists about what a procurement policy manual really is. For example, seven activities stated on their questionnaires that they did not have procurement policy manuals but sent the purchasing manuals they had, probably out of courtesy. Ten stated that they did have procurement policy manuals and eight sent what they had. As has been said before, none of these pertained strictly to policy. Three sent manuals but did not return the questionnaire, so the researcher was unable to determine what type of manual they thought they had. In industry, companies do understand the difference between policy manuals and procedures manuals. They develop their purchasing manuals based on a perceived need. A company's purchasing department may feel that it needs a policy manual, a procedures manual, or both. The manuals can include a myriad of procurement topics. Navy procurement policy specialists need to become better

informed about what is available in the way of purchasing manuals and procurement subject matter so that they can better meet the needs of their contracting activities.

2. Manual Content

The researcher observed that the majority of the policy and procedures found in the Navy purchasing manuals deal with subject matter of a technical nature. This is not really surprising. The primary responsibility of Navy field contracting activities is to purchase the supplies and services necessary to maintain the fleet. Their primary concern is to make those purchases within the bounds of the regulatory guidance established by law.

Many of the technical policies and procedures found in Navy purchasing manuals deal with large purchasing. The policies and procedures deal with topics like acquisition planning, services, sole source/limited source justification, drawings and specifications, source selection, contract type selection, etc. These technical, large purchase policies and procedures are included in the manuals because much of the information is complicated or detailed in nature and because experience has shown that procurement personnel are more likely to make mistakes in these areas.

Although many manuals have a section that contains contract administration information, most of the large purchase policies and procedures are pre-award in nature. This is not surprising since contracting organizations tend

to share a sense of urgency in ensuring that requiring activities are satisfied and pre-award actions are accomplished within PALT guidelines. A number of manuals also contain small purchase policies and procedures, but they are often segregated in a single section of the binder.

Some of the manuals did contain non-technical procurement topics that could be incorporated into policy categories like those discussed in Chapter II. Of the 18 manuals reviewed, eleven contained policies and procedures pertaining to administrative matters. Ten included examples of procurement forms and instructions for completing them. Nine contained a section on vendor relations and seven contained a section on ethics. Six contracting activities included a section on acquisition planning in their manuals. Only one or two activities had manuals that contained sections pertaining to purchasing department organization, procurement training, quality management, the activity's mission and objectives, and customer relations. It is interesting to note that none of the manuals reviewed contained sections pertaining to procurement performance evaluation or interdepartmental relations.

Review of the manuals indicates that procurement policy specialists should encourage their managers to select more non-technical procurement policy topics for inclusion in their purchasing manuals. The researcher believes that this is important because procurement personnel have a right

to know what their contracting activity's position is on training or customer relations. It also gives purchasing personnel a more complete understanding of the total procurement process. There is a very good probability that regulatory guidance has already been introduced for most of the procurement policy topics that have been identified in this study, as well as for many that have not. To improve their manuals, procurement policy specialists must be diligent in searching for the regulatory guidance that is needed and be willing to help develop the related implementing policies and procedures.

3. Generic Characteristics of the Manuals

While reviewing the purchasing manuals submitted by the participating contracting activities, the researcher was able to observe most if not all of the generic characteristics described in Chapter III. Some of the generic characteristics were fairly obvious. For example, it was evident that most of the contracting organizations had put forth quite an effort to ensure that their procurement policies and procedures were in writing. Without actually talking with some of the more senior procurement personnel at the various activities, however, it would be impossible to determine if all of the policies and procedures were incorporated into the manuals.

It was also fairly obvious that all of the purchasing manuals had a central theme. All of the policies

and procedures pertained in some way to the procurement process. Of greater importance was the fact that there seemed to be a rough consensus among the various activities about what should be included in a purchasing manual. Many of the procurement policy topics could be found repeatedly in the various manuals. This concept was also supported by the fact that many policies and procedures referenced higher level authority.

Almost without exception, the purchasing manuals received by the researcher were designed to be placed in loose-leaf binders for quick and easy revision. The idea that the manuals are living documents is substantiated by the numerous revisions that were observed. The researcher noted that manual revision occurred primarily through page changes although several manuals with pen-and-ink changes were observed. Most of the manuals had revision dates which showed that they were being updated on a regular basis. Many of the revision dates were fairly recent, indicating regular and continued use.

The researcher observed that the purchasing manuals were generally divided into a number of sections and that each section tended to focus on a major procurement policy or procedural area. Purchasing manuals that contained policies often began with broad general guidance affecting almost the entire command and progressed toward more narrowly-defined guidance. This phenomenon occurred more

frequently in manuals that contained procurement instructions. The purchasing manuals were almost invariably signed by the activity's Commanding Officer or the Director of the Contracting Department. Endorsement often occurred in a foreword to the manual.

Navy contracting activities seldom placed procurement policies and procedures in separate binders. Both policies and procedures were often contained in a section, instruction, or procurement memorandum. The policies were generally revised along with the procedures when the section was updated.

The researcher was unable to determine from studying the manuals whether procurement policies were reviewed and approved by the affected departments within the organization prior to implementation. Several interviewees stated, however, that this was the case. In addition, the purchasing manuals gave little indication of what the distribution was. The interviewees that were asked about distribution agreed that the manuals should be issued to purchasing personnel and personnel from other departments. There was disagreement over issuing the manuals to customers and vendors.

From the information in Chapter III and the discussion above, it is apparent that these generic characteristics describe the basic elements of industrial and Navy procurement policy manuals. In developing a procurement

policy manual, they are the framework on which everything else rests. The author believes that these ten generic characteristics, along with Aljian's "Program for Preparing a Purchasing Manual," would be valuable tools for any organization interested in compiling and writing a procurement policy manual. [Ref. 6:p. 3-7]

E. AN ANALYSIS OF THE TELEPHONE INTERVIEWS

At the conclusion of Chapter III, the researcher became interested in introducing the ten generic characteristics to some of the contracting organizations to see what kind of response the characteristics elicited. Consequently, eight field contracting activities were contacted and asked to act as sounding boards. The eight activities were chosen because they appeared to have been interested in the study. All eight had furnished the researcher a copy of their manual and seemed to have given a lot of thought to their responses on the questionnaires.

The researcher conducted the interviews by reading the ten generic characteristics from Chapter III to the interviewees over the phone. The interviewees were asked to describe their general impression of the characteristics. They were then asked to pick the three most important generic characteristics and rank them in order of importance.

Most of the interviewees tended to agree with the basic tenants of the generic characteristics and none could really think of anything to add. Several comments (e.g., whether to issue procurement policy manuals to vendors) were discussed in great detail in Chapter IV. The interviewees determined that the most important generic characteristic was the idea that procurement policy manuals are living documents. Most of them felt that in order for the manuals to remain useful, some mechanism had to be built into the framework of the manuals that would enable them to evolve. The second most important generic characteristic was the idea that procurement policy manuals should be in writing. The interviewees felt that the manuals would be worthless if most of the policy remained in the memory of the most senior personnel. There was a tie for third place. Two generic characteristics, obtaining the approval of the procurement policy manual from other departments and obtaining the approval and endorsement of top-level management, were chosen by the interviewees. In their opinion, a procurement policy manual would not be effective without total commitment from top-level management and personnel from affected departments.

Prior to the interviews, the researcher had no pre-conceived ideas about how to rank the generic characteristics. When they were being identified, they all seemed equally important. The interviewees' choices do seem to

have some validity, however. The four generic characteristics described above are discussed over and over again in the literature.

F. SUMMARY

In this chapter, information gathered from three sources was analyzed to answer some basic questions about Navy procurement policy manuals. An analysis of the data obtained from the questionnaires enabled the researcher to determine which field contracting activities currently have procurement policy manuals. The questionnaires provided information on the usage, structure, and content of Navy procurement policy manuals. Many of the advantages and disadvantages of developing and implementing a procurement policy manual were identified. Finally, the questionnaires enabled the researcher to gain information on how Navy contracting organizations measure the effectiveness of their procurement policy manuals.

In addition to the questionnaires, purchasing manuals from 18 contracting organizations were analyzed to gain greater understanding of current manual structure, organization, and content. The manuals were also analyzed to see if any of the generic characteristics identified in Chapter III could be observed. The chapter concluded with an analysis of some telephone interviews. The interviewees were asked to pick the three most important generic

characteristics and rank them in order of importance. The characteristics that were chosen seem to fit with those that appeared consistently in the literature.

VI. CONCLUSIONS AND RECOMMENDATIONS

A. INTRODUCTION

The researcher believes that there is a need to improve the quality and productivity of the Navy's procurement system. This need is evidenced by the fact that the demands on the purchasing system continue to grow while the personnel and monetary resources continue to dwindle. One method of improving the quality and productivity of the procurement system would be for Navy field contracting activities to develop and use procurement policy manuals similar in nature to the manuals being used by industry. Many of the existing Navy purchasing manuals were reviewed to determine whether any met the characteristics of a corporate procurement policy manual. Most of these were found to be far too technically oriented and lacking in breadth of policy categories to provide adequate coverage of the total procurement process.

An effort was made to gain an understanding of the framework within which industrial procurement policy manuals are developed. The researcher learned that the framework of an industrial procurement policy manual is composed of ten very basic elements or attributes. These attributes are, for the most part, discussed in the literature and are the ten generic characteristics of a procurement policy manual

described in Chapter III. These generic characteristics were applied to the purchasing manuals received from various Navy contracting activities and were found to very compatible.

The structure, content, uses, advantages, and disadvantages of industrial procurement policy manuals were identified in the literature and compared to the corresponding information obtained from Navy organizations through the use of questionnaires. An analysis of the resulting similarities and dissimilarities indicates that there is much the Navy can learn from industry. The results of this analysis are embodied in the conclusions, recommendations, and areas for further research found in the remainder of this chapter.

B. CONCLUSIONS

1. Procurement Policy Manuals Contain Identifiable Generic Characteristics

As was determined in Chapter III and corroborated by the data presented in Chapter IV, procurement policy manuals developed by both industry and the Navy generally contain ten generic characteristics. These include:

1. Procurement policy manuals must have a central theme. They must be well focused. The central theme embodies the general consensus of procurement professionals as to what procurement really is.
2. Procurement policy manuals are living documents that evolve constantly.
3. Procurement policy manuals must be in writing.

4. Procurement policy manuals are often placed in loose-leaf binders for easy revision.
5. Procurement policies and procedures are often placed in separate binders because procurement procedures tend to change more frequently than policies do.
6. Procurement policy manuals often begin with broad policies that affect the entire company and progress toward more narrowly defined policies that may only affect the employees within a single department.
7. Each section of a procurement policy manual tends to focus on a major procurement policy area. Procurement policy topics are grouped by specific categories within the manual.
8. Because they can have a dramatic impact on other departments, procurement policies must be discussed with and approved by other departments within the organization prior to implementation.
9. Procurement policy manuals are usually initiated, approved, and endorsed by top-level management.
10. Procurement policy manuals should have a wide distribution. To be effective, the manuals should be issued to purchasing personnel, other departments, customers, and vendors.

These ten generic characteristics are the basic elements that make up the framework of a procurement policy manual.

2. The Structure, Content, and Use of Navy Procurement Policy Manuals are Often Misunderstood and Too Narrowly Defined

The data presented in Chapter IV and analyzed in Chapter V show that there is some confusion among field contracting activities about what a procurement policy manual really is. Almost one-half of the manuals reviewed by the researcher were classified as procurement policy manuals by the contracting organizations when in fact they

were not. Several activities simply mailed the researcher a collection of procurement instructions.

An analysis of the data also determined that Navy procurement policy manuals are used conservatively and focus on technical contracting policies. The manuals tend to contain policies and procedures that pertain to processing a procurement package. They are traditionally used to indoctrinate new employees and for training purposes. None of the Navy manuals were used to measure purchasing department effectiveness and very few were used to define the contracting organizations' relationships with other entities. In fact, few of the manuals even contained policy sections on these subjects.

The researcher contends that one of the major reasons Navy procurement policy manuals are so deficient is that the contracting organizations are unaware of the information contained in the literature and the kinds of manuals being developed by corporations. Navy procurement policy manuals in no way approach their potential of providing procurement personnel with a thorough understanding of the total procurement process.

3. Contracting Activities Have No Empirical Method of Measuring the Effectiveness of Their Purchasing Manuals

As determined in Chapter V, none of the Navy field contracting activities interviewed by the researcher have developed a scientific or statistical method for measuring

the effectiveness of their procurement policy manuals. The procurement policy specialists base their opinions of how effective their manuals are on observations and perceptions. The researcher contends that there are several valid reasons to accurately measure the effectiveness of procurement policy manuals. First, if certain policies are found to be inconsistent with the procurement process, the policies or the process can be corrected so that one is a reflection of the other. This would help alleviate frustration on the part of procurement personnel. Second, if the procurement policy manual is indeed a reflection of the procurement process, then regularly measuring the effectiveness of the policy manual would help identify new problems that need to be corrected or eliminated. This would increase purchasing department productivity.

4. Contracting Organizations do Not Use Their Manuals to Evaluate Purchasing Department Performance

Chapter V demonstrates that Navy contracting organizations do not use their procurement policy manuals to evaluate the performance of their purchasing departments. The researcher considers this to be a major reason for having a procurement policy manual. Chapter II shows that the literature advocates the use of purchasing manuals for evaluating purchasing department performance because "purchasing manuals aid evaluation by specifying policies and procedures to be followed by purchasing personnel."

[Ref. 9:p. 457] In addition, PMR teams use an activity's manual as one way of determining how well that activity performs its procurement function.

5. Procurement Policy Manuals are Important to the Successful Operation of Navy Field Contracting Activities

Chapter II discusses the many advantages of using procurement policy manuals. The advantages described in the literature are taken from studies of corporate procurement policy manuals but apply equally well to Navy manuals. They include:

1. Spelling out the responsibilities and authority of purchasing. Management backing is needed to make purchasing policies authoritative.
2. Apprising other departments of purchasing's prerogatives, in order to avoid misunderstandings and frictions.
3. Helping to promote consistent and fair relations with vendors, both old and new.
4. Facilitating uniform action by all purchasing personnel in dealings both within and without the company.
5. Standardizing routine purchasing procedures, thus relieving administrators of the task of close supervision.
6. Facilitating training of new members in the department and of veteran members assigned to new positions.
7. Stimulating new ideas and suggestions for improving and streamlining purchasing operations. [Ref. 6:p. 3-5]

In addition, Chapter IV identifies several advantages that are unique to the Navy. These include improved procurement packages submitted by requiring activities, use of the

manual as a reference for related regulations and instructions, and use of the manual as a basis for administering PMRs.

There are also disadvantages to developing and implementing a procurement policy manual. The manuals can be expensive and time-consuming to develop. They can also be difficult to maintain after implementation. In addition, policy coverage is sometimes too small. At other times important policy may not be reflected in the manuals at all. The advantages, however, far outweigh the disadvantages and automation may eventually eliminate, or at least mitigate, several of the major disadvantages.

The literature observes that procurement policy manuals are generally developed by well-run companies. This statement probably applies to the Navy too. If one of the Navy's goals is to improve the overall quality and productivity of the procurement process, then Navy field contracting activities should be strongly encouraged by their own management and higher authority to develop and use procurement policy manuals.

C. RECOMMENDATIONS

1. Navy Field Contracting Activities Should be Encouraged to Develop and Use Procurement Policy Manuals

Navy contracting organizations interested in improving the overall performance of their purchasing

departments should be encouraged to develop and use procurement policy manuals. The information presented in Chapters II, IV, and V shows that the advantages far outweigh the disadvantages. The information also shows that modern computer technology may be able to eliminate several of the major disadvantages.

2. The Identified Generic Characteristics should be Applied to the Development of Procurement Policy Manuals

The researcher recommends that Navy contracting activities contemplating the development of a procurement policy manual seriously consider, during the planning stage, the application of the ten generic characteristics described in Chapter III. These generic characteristics can be used to ensure that the proper framework and structure for the manual are established.

3. Procurement Policy Specialists should be Trained to Properly Develop Procurement Policy Manuals

It is recommended that a training program be established to educate procurement policy specialists in the methodology of preparing and maintaining procurement policy manuals. A short course of this nature could be extremely helpful in introducing the specialists to some of the existing literature and could provide some suggestions on how to make what might seem like a monumental task less onerous.

4. A More Rigorous Method should be Used to Measure the Effectiveness of Navy Procurement Policy Manuals

Scientific and statistical methods should be adopted and utilized to measure the effectiveness of procurement policy manuals. Chapters II and V offer several suggestions for how this recommendation might be accomplished.

5. Navy Field Contracting Activities should Make their Procurement Policy Manuals a Regular Part of the Purchasing Department Training Program

The data from the questionnaires indicate that contracting activities are underutilizing their procurement policy manuals for training purposes. The researcher recommends that Navy contracting organizations make their manuals a regular part of their procurement training programs. This training will benefit new employees as well as more experienced employees assigned to new positions. An added benefit of the training could be improved PMR results. A more detailed discussion of this subject is discussed in Chapter V.

6. Navy Procurement Policy Manuals should be Used to Evaluate Purchasing Department Performance

The researcher recommends that Navy field contracting activities use procurement policy manuals to measure the effectiveness of purchasing department performance. This is already being done by PMR teams. As more contracting organizations adopt the TQM concept for improving quality and productivity, procurement policy manuals could play a vital role in identifying problems in

the procurement process that need to be corrected. A more in-depth discussion of this subject is presented in Chapter V.

D. RESPONSES TO RESEARCH QUESTIONS

1. What are the Generic Characteristics that should be Exhibited in a Procurement Policy Manual Designed for Use by Navy Field Contracting Activities?

After reviewing the purchasing manuals submitted by various contracting organizations and the literature on corporate purchasing manuals, the researcher was able to determine that the generic characteristics of a procurement policy manual include the following: they have a central theme; they are in writing; they are living documents; they are placed in loose-leaf binders; procurement policies and procedures are often placed in separate binders; they often begin with broad policy topics and progress toward more narrowly defined policy topics; their sections focus on major procurement areas; they are discussed and receive approval from other departments prior to implementation; and approval and endorsement come from top-level management prior to issuance. These generic characteristics are the basic elements that make up the framework for developing a procurement policy manual. This subject is discussed more fully in Chapters III, IV, and V.

2. Which Navy Field Contracting Activities Currently have Procurement Policy Manuals and How are They Used?

None of the Navy field contracting activities currently have a procurement policy manual as described in Chapter II. Approximately two-thirds of the contracting organizations surveyed have purchasing manuals that contain both policies and procedures, or just procedures. Some of the smaller contracting organizations have purchasing manuals that are similar to the corporate purchasing manuals described in the literature. Many of the larger contracting activities like the Supply Centers either do not have purchasing manuals or have opted for a collection of procurement instructions.

As was described in Chapter V, an analysis of the data from the questionnaires indicates that most of the contracting activities use their purchasing manuals in very traditional ways. Many Navy organizations use their manuals to indoctrinate new procurement personnel. In addition, the manuals are often used for training purposes and as desk references for more experienced employees. The evidence was somewhat conflicting with regard to whether the activities actually use their manuals to prepare for inspections. The contracting organizations tended to steer away from the more unorthodox uses for purchasing manuals espoused in the literature. Only one activity stated that it used its purchasing manual to provide guidance to customers. None of

them used their manuals to measure the effectiveness of their procurement system or to help vendors become familiar with how Navy contracting activities conduct business.

3. How do Navy Field Contracting Activities with Existing Procurement Policy Manuals Measure the Effectiveness of Their Manuals?

Although the average effectiveness rating taken from the questionnaire responses is above average, none of the contracting activities interviewed by the researcher have an empirical or statistical method for measuring the effectiveness of their purchasing manuals. The procurement policy specialists tend to base their opinions of how effective their manuals are on general observations or perceptions. An in-depth discussion on procurement policy manual effectiveness evaluation is provided in Chapter V.

4. What Should Procurement Policy Manuals for Navy Field Contracting Activities Contain and How should they be Used?

Navy procurement policy manuals should contain policies, and possibly procedures, that relate to the policy categories and topics identified in Chapter II. At present, most Navy purchasing manuals focus on the technical side of contracting.

The researcher advocates a broader approach. In addition to the technical procurement policies and procedures, attention should be given to the relationship between the contracting department and its vendors, customers, and other departments within the organization.

Contracting activities should also consider including policies on ethics, procurement training, purchasing department organization, purchasing department performance, an activity mission statement, activity goals and objectives, strategic planning, and quality management to name a few. Use of these and other policy topics will give all of the players involved a much better understanding of the total procurement process. This subject is elaborated on in Chapter V.

As was discussed in question two above, Navy contracting organizations tend to use their manuals in a fairly conservative manner. The most common uses listed in the responses to the questionnaire were to indoctrinate new employees, for procurement training, and as a handy reference for more experienced employees. In addition to the uses described above, Navy contracting organizations should use their manuals to prepare for inspections, evaluate purchasing department performance, and to acquaint customers, vendors, and personnel from other departments with how the purchasing department conducts business. An in-depth discussion on this subject is presented in Chapter II (industry's viewpoint) and Chapter V (Navy practices).

5. Primary Research Question: What should be the Structure and Content of a Procurement Policy Manual for Navy Field Contracting Activities?

In industry, the structure and content of purchasing manuals vary from company to company. The same holds true

for Navy purchasing manuals. A procurement policy manual's structure should be conceived and allow to evolve during a careful and thorough planning stage. With regard to structure, one of the first decisions that must be made during the planning stage is whether the manual will include procurement procedures. During the planning stage, the procurement policy specialist must also ensure that the generic characteristics identified in Chapter III are incorporated into the structure of the procurement policy manual.

The tentative outline, which will become the table of contents, plays an important part in the manual's structural development because it forms the basis for the organization of policy categories and topics within the manual. A review of purchasing manuals written by other Navy contracting activities, and a few companies, can be extremely useful in developing the outline. At this point, a review of the contracting organization's existing procurement policies and procedures should also be conducted. Another aid to the structural development of a procurement policy manual is the process of gathering information for each policy section in a systematic and organized manner. To accomplish this task, procurement policy specialists should seriously consider using Aljian's "Program for Preparing a Purchasing Manual." [Ref. 6:p. 3-7]

While writing the manual, the procurement policy specialist should concentrate on one section at a time. If the manual is to include policies and procedures, an instruction format may be advised. If, on the other hand, the manual is to contain only policies, a policy statement or policy memorandum format may be more suitable.

Rough drafts of each section should be submitted to all affected departments for discussion and approval. This will encourage the other members of the organization to feel that they are a part of the development process and will increase the likelihood that the manual will be used in an effective manner. The finished manual should be submitted to the Commanding Officer and/or the Director of Contracting for approval and endorsement. Endorsement should be in the form of a written foreword to the manual. Finally, training should be conducted to familiarize employees with the manual and its uses. The Commanding Officer and the Director of Contracting should be encouraged to take this opportunity to explain to the employees their total commitment to the manual. Further elaboration on this subject is provided in Chapter II.

The researcher advocates a broad approach to procurement policy manual content. In addition to policies that pertain to the technical aspects of Government contracting, the manuals should contain a broad spectrum of policies that relate to the purchasing department's

performance and its relationship to other entities. A more in-depth discussion of this subject is found in Chapters II and V.

E. AREAS FOR FURTHER RESEARCH

1. A COMNAVSUPSYSCOM Procurement Policy Manual

Currently, field contracting activities that wish to develop procurement policy manuals must do so on their own. Some prefer it that way. Several contracting organizations, however, have intimated that COMNAVSUPSYSCOM should take the initiative and develop a procurement policy manual that could be utilized by the entire NFCS. As has already been discussed in Chapter IV, COMNAVSUPSYSCOM is currently looking into the possibility of consolidating into one instruction, approximately 30 procurement policy instructions that apply to most of the field contracting organizations. Perhaps the activities would be better served by a procurement policy manual. Research should be conducted to determine whether such a procurement policy manual is feasible and how many contracting organizations would be interested in it.

2. An Automated Procurement Policy Manual

In Chapter IV, the field contracting organizations identified the problem of keeping their manuals updated as the most significant disadvantage to the utilization of a procurement policy manual. Several activities observed that

automating procurement policy manuals might solve this problem. This concept was discussed in Chapter III. There are a number of firms that are in the business of automating manuals and other publications. Several automated versions of the FAR are already in existence. Further investigation is needed to determine whether automation would be an effective method of developing, implementing, and maintaining a procurement policy manual from the standpoint of time, money, and personnel.

3. Procurement Policy and Procedures Manuals vs. Procurement Policy Manuals

Chapter II described several types of corporate purchasing manuals. A corporate purchasing manual may contain policy and procedures, or one or the other. Many companies have observed that procedures require updating more frequently than policies and therefore prefer to place them in separate manuals. Navy contracting organizations tend to combine procurement policies and procedures in one manual.

Some activities believe that having procurement policies and procedures located in a single purchasing manual makes the manual more convenient to use. Another explanation may be that Navy purchasing manuals are sometimes written in a military instruction format and policies and procedures are often combined in military instructions. Further research is needed to determine

whether one method is more effective than the other and whether that method is feasible for Navy procurement policy manuals.

4. Procurement Policy Manuals and TQM

Many American companies have learned some hard lessons from Japanese industry and are implementing TQM as a process for improving the quality of their products and the productivity of their work force. Because of the documented successes achieved by these companies, it is, perhaps, not surprising that the U.S. Navy has adopted the principles of TQM. Research should be conducted to determine what roles procurement policy manuals have to play in implementing TQM in Navy contracting shops. The study should include an investigation into whether TQM statistical methods could be used to measure the effectiveness of existing procurement policy manuals.

5. Non-technical Procurement Policies and Procedures Covered by Higher Guidance

Several contracting organizations have noted that some procurement topics are not addressed by the regulatory guidance issued by higher authority. They have observed that with the current atmosphere created by the DMR, it is extremely difficult, if not impossible, to get approval to fill the void with local guidance. Further research is needed to determine whether the policy categories and topics identified in this study and in the literature are

adequately covered by the existing regulatory guidance. The study should also make an attempt to determine the best method for obtaining approval to issue local policy and procedures when higher guidance is absent.

F. SUMMARY

The researcher recognizes that this study has many shortcomings and does not cover all of the aspects associated with the development of a procurement policy manual. The subject is broad, and there are many related areas that will require investigation before a definitive procurement policy manual can be developed for the Navy. This study will undoubtedly be subjected to much scrutiny and criticism, but if it is of any benefit to those field contracting activities contemplating the development of a procurement policy manual, then the work will have been well worth the effort.

There are many difficulties associated with developing a procurement policy manual. The effort to compile and write a procurement policy manual can be overwhelming. The task of keeping a procurement policy manual updated can be herculean as well. But as this thesis effort has hopefully proved, the advantages far outweigh the disadvantages.

The decision to develop a procurement policy should not be made lightly, however. The development of a procurement policy manual should be preceded by very careful planning.

If there is any advice that the researcher would offer on developing a procurement policy manual, it is embodied in the clan motto of the ancient Drummond family of the Scottish highlands: "Gang warily!"

APPENDIX A

LIST OF INTERVIEWEES

Anderson, Lynn, Procurement Analyst, Naval Supply Center
Puget Sound, Bremerton, Washington

Clark, Mary, Procurement Analyst, Naval Coastal Systems
Center, Panama City, Florida

Clarkin, Jack, Division Head, Major Contracts Division,
Naval Underwater Systems Center, Newport, Rhode Island

Dyer, Sharon, Procurement Analyst, Naval Air Test Center,
NAS, Patuxent River, Maryland

Endres, Joe, LCDR, SC, USN, Director of Contracts, Naval
Supply Center, Pensacola, Florida

Hannerstead, Susan, Supervisory Contract Specialist, Naval
Training Systems Center, Orlando, Florida

Kenny, William, Acquisition Policy Manager, Naval Regional
Contracting Center, Philadelphia, Pennsylvania

Linser, Shirley, Acquisition Planner/Receipt Control
Supervisor, Supply Department, Naval Postgraduate
School, Monterey, California

McDowell, Bill, Deputy Director of Contracting, Naval Supply
Center, Charleston, South Carolina

Morford, P.S., Contract Specialist, Naval Supply Center,
Jacksonville, Florida

Ralls, Walter E., Jr., CDR, SC, USN, Supply Officer, Naval
Research Laboratory, Washington, D.C.

Rellins, Mike, LT, SC, USN, Contracts Department Director,
Naval Regional Contracting Center, San Diego, California

Taylor, Sherry, Contracts Department Deputy Director, Naval
Regional Contracting Center, Washington Navy Yard,
Washington, D.C.

Watts, Michele, Supervisory Contracts Specialist, Naval
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Wheeler, Elaine, Procurement Analyst, COMNAVSUPSYSCOM,
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APPENDIX B

NAVY FIELD CONTRACTING ACTIVITIES SURVEYED

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APPENDIX C

LETTER SENT TO THE NAVY FIELD CONTRACTING ACTIVITIES

LT Sam Moyle
Naval Postgraduate School
SMC 2412
Monterey, CA 93940
8 May, 1990

Commanding Officer
Naval Supply Center (Code 200A)
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Charleston, SC 29408-6320

Dear Sir,

I am collecting information for thesis research that will be used to determine the feasibility of developing a procurement policy manual for Navy field contracting activities. I am very much interested in your ideas concerning what should be included in a generic manual of this type. A survey from each field contracting activity will be included in the study and your input is needed to make the research complete.

Enclosed, please find a survey form that should take no more than fifteen minutes to complete. If you have an employee that is specifically designated to handle your activity's procurement policy matters, you may wish to have that individual complete the survey. The individual in question should be a fairly senior 1102 with significant experience at your contracting activity. He or she should know how procurement policy is received, analyzed, implemented and disseminated.

If you currently have a procurement policy manual, or if you are in the process of developing one, I would appreciate your sending me a copy of whatever you have so that I can include it in my analysis. I would also be interested in a copy of the procurement policy section of a command policy manual, if that is what is used at your activity.

For your convenience, a pre-addressed envelope is provided to return the completed form.

Thank you in advance for your assistance. If you have any additional questions or comments, please feel free to

put them on the back of the survey form or call me at (408)
375-5947 or Autovon 878-2536/2537.

Very respectfully,

Sam Moyle
LT, SC, USN

APPENDIX D

QUESTIONNAIRE SENT TO THE NAVY FIELD CONTRACTING ACTIVITIES

PROCUREMENT POLICY MANUAL QUESTIONNAIRE

COMMAND _____ NAME _____ DATE _____

GRADE/RANK _____ POSITION _____

TELEPHONE: COMM. _____ A/V _____

MAILING
ADDRESS _____

QUESTIONS

1. a.) Does your contracting department/activity have a procurement policy manual (yes or no)? _____. b.) If yes, what are some of the most important advantages your department/activity has derived from using the manual?

c.) If yes, what are some of the weaknesses you have observed in your procurement policy manual?

d.) If no, list the major reasons your department hasn't developed and implemented a procurement policy manual.

2. Does your contracting department/activity have an individual specifically designated to promulgate and interpret procurement policy (yes or no)? _____. Is this individual responsible for updating and maintaining a procurement policy manual (yes or no)? _____. If yes, does this individual hold a full-time or collateral position? _____. What is the individual's grade/rank? _____. What is the individual's code _____ and phone number? _____.

3. How was your procurement policy manual developed?
Please check the appropriate blocks.

- a. acquisition regulations _____.
- b. objectives from the command's strategic plan _____.
- c. procedures manuals (eg., NAP) _____.
- d. NAVSUP (and local) instructions and notices _____.
- e. local policy memos _____.
- f. local desk guides _____.
- g. other sources (please list) _____.

4. a.) If your contracting department/activity has a procurement policy manual, on a scale of one to ten, please rate the effectiveness of the manual by placing a circle around the appropriate number below (With regard to effectiveness, think about whether your procurement policy manual does something for your activity that otherwise wouldn't get done. Does your procurement policy manual accomplish the objectives set forth in the manual?).

(not effective) 1 2 3 4 5 6 7 8 9 10 (very effective)

b.) Briefly explain why you rated your procurement policy manual as you did.

5. Procurement policy manuals frequently contain both policies and procedures. For the purposes of this study, the researcher is interested only in the policy aspect of the manual. With that in mind, please list the policies that are currently included in your department/activity's procurement policy manual.

6. Which procurement policies do you feel are the most important and the most germane to your procurement department/activity? In other words, which procurement policies do you consider to be essential to your procurement policy manual and the most useful?

7. If your contracting department/activity currently has a procurement policy manual and if you had the opportunity to revise it, please list the procurement policies that you would add or delete to make your manual more effective.

8. If your contracting department/activity doesn't have a procurement policy manual, which procurement policies do you feel ought to be included in developing one?

9. If your contracting department/activity currently has a procurement policy manual, how is the manual used? Please check the appropriate blocks.

- a. for procurement training _____.
- b. to familiarize new employees with the activity's procurement policies _____.
- c. to familiarize perspective vendors with how the activity does business _____.
- d. as a desk reference for experienced employees _____.
- e. to measure the effectiveness of your procurement system _____.
- f. to prepare for inspections _____.
- g. other uses (please list) _____.

10. Which generic characteristics do you feel should be included in the development of a procurement policy manual for Navy field contracting activities? Please check the appropriate blocks.

- a. the activity's mission and objectives _____.
- b. the procurement department's objectives _____.
- c. planning _____.
- d. ethics/standards of conduct _____.
- e. the procurement department's relationship with its customers _____.
- f. vendor relationships _____.
- g. the procurement department's relationship with other departments within the activity _____.
- h. the technical aspects of procurement (e.g., policies on source selection, evaluation of suppliers, _____).

- contract negotiations, cost and price analysis,
etc.) ____.
- i. other generic characteristics (please list) ____.

11. Please use the space on the back of this page to provide any additional comments or personal insights that you may have on developing a procurement policy manual for Navy field contracting activities.

APPENDIX E

ACRONYMS

ADPE	Automated Data Processing Equipment
CBM	Contracts and Business Management
CEO	Chief Executive Officer
CICA	Competition in Contracting Act
COMNAVSUPSYSCOM	Commander, Naval Supply Systems Command
COTR	Contracting Officer's Technical Representative
CRB	Contract Review Board
DAR	Defense Acquisition Regulation
DASD (P)	Deputy Assistant Secretary of Defense for Procurement
DCAS	Defense Contract Administration Services
DCMC	Defense Contract Management Command
DFARS	Department of Defense Federal Acquisition Regulation Supplement
DLA	Defense Logistics Agency
DLSIE	Defense Logistics Studies Information Exchange
DMR	Defense Management Review
DoD	Department of Defense
DoN	Department of the Navy
FAR	Federal Acquisition Regulation
NAF	Naval Air Facility
NAPS	Navy Acquisition Procedures Supplement

NARSUP	Navy Acquisition Regulation Supplement
NAS	Naval Air Station
NFCS	Navy Field Contracting System
NRCC	Navy Field Contracting Center
OASN (S&L)	Office of the Assistant Secretary of the Navy (Shipbuilding & Logistics)
OFPP	Office of Federal Procurement Policy
OMB	Office of Management and Budget
PALT	Procurement Administrative Lead Time
PMR	Procurement Management Review
PRO	Plant Representative Office
SECDEF	Secretary of Defense
SECNAV	Secretary of the Navy
SOP	Standard Operating Procedure
SUPARS	Supply Acquisition Regulation Supplement
TQM	Total Quality Management

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