Contract Performance Improvement: From the Inside Out or the Outside In?
*Barbara R. Johnson MPA CPPO CPPB*

**Session Objectives**
The Forum Session participants will expand their knowledge of:
- key procurement skills and
- performance measures
in order to grow their procurement practice as individuals and at the organizational level.

**Sources**
From The Journal of Public Procurement:
- "What?"
  Root Causes of Contract Administration Problems - Sebastian and Davison
- "Measure?"
  Procurement Process Maturity – Rene Rendon

**Overview**
Root Causes of Contract Administration Problems

**Authors**
Richard J. Sebastian, Ph.D., is a Professor, Department of Management, St. Cloud State University.

Bill Davison, MA, is Director, Purchasing Division, Stearns County, Minnesota, US. His research interests are in Contract Administration.

**Root Cause**
"A root cause is a cause that once removed from the problem fault sequence, prevents the final undesirable event from recurring."

Example: A broken pedal caused a bicyclist to fall over, and sustain injuries.
**Integrated Risk Mitigation**

"An effective decision making process should incorporate an understanding of the overall costs of each of the programs and the associated risks. The public sector has begun to adopt integrated risk mitigation as a methodology to improve the decision making process."

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**Problem Solving Framework**

"an organizational behavior problem solving conceptual framework which consists of a comprehensive exposition of potential
- personal (e.g., personality) and
- environmental (e.g., technology)
causes of behavior."

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**Adaptation by Authors**

Problem Solving Conceptual Framework for Organizational Behavior:
- B = Organizational Behavior
- P = Person
- E = Environment or situation

\[ B = f(P, E) \]

**Environmental-External Factors**

- Required system - job requirements
- Performance standards
- Physical environment and layout
- Technology and job design

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**Environmental-External Factors**

- Reward and punishment system
- Group dynamics and structure
- Leadership and Management
- Organizational culture & subcultures
- Organizational structure

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**Personal or Internal Factors**

- Demographic Characteristics
  - Age (generational)
  - Gender
  - Education
- Competencies
  - Knowledge
  - Skills
  - Abilities
**Personal or Internal Factors**
- Beliefs, attitudes, and values
- Personality
- Motivation

**Adaptation by Authors**
Problem Solving Conceptual Framework for Organizational Behavior:
- $B = \text{Organizational Behavior}$
- $P = \text{Person}$
- $E = \text{Environment or situation}$

$B = f(P, E)$ means:
Behavior ($B$) is function ($f$) of the Person ($P$) and the Environment ($E$)

**Application of Framework**
Root Causes of Contract Administration Problems

**Problem Solving Framework**
Map causal (root) factors to the procurement process and its problems — Enabling one to solve the problems

**Review of Sample Tables on Paper**
- Table 1. Procurement Process
  - Pre Award Activities & Post Award Activities
- Table 2. Contract Administration Problems
  - Listing of Potential Risks
- Table 3. Root Causes of Construction Contract Administration Problems: Conceptual Framework
  - Sample Risk/Root Cause: Delays

**Scope of Work Development**
- Risk Factors for Delays:
  - Agency: No experience or definitions of quality and deadline
  - Vendor: No experience, new technology, fast delivery of numerous deliverables
Scope of Work Development

- Possible Organizational Behavior Root Causes (External) for the Identified Risk Factor - Delays
  - Physical Work Environment
  - Technology and Design
  - Group Dynamics
  - Leadership and Management
  - Reward/Punishment System
  - Organizational Structure

Discussion Questions

- Are there other internal causes for delays?
- If you could add a column with potential solutions to Table 3, what might you write where the identified root cause for the problem was

  Knowledge, Skills, and Abilities

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Q & A

Procurement Process Maturity: Key to Performance Measurement

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Author

Dr. Rene G. Rendon, D.B.A., is a senior lecturer of acquisition management at the Graduate School of Business and Public Policy of the U.S. Naval Postgraduate School. His teaching and research interests are in public procurement and contract management.
Performance Measurement Trend
"As performance measurement systems begin to take on a central focus by both private and public sector organizations, the challenges of measuring and improving organizational processes continue to be faced by these organizations."

Measure Public Procurement Performance
"...public sector organizational core competencies now include the procurement and contract management processes, and public sector organizations should be focusing their attention on measuring the performance of their critical procurement processes."

Maturity Models
"Organizations have used process capability maturity models to assess, measure, and improve their organizational critical core processes..."

The Contract Management Maturity Model
The CMMM describes an evolutionary roadmap which an organization pursues in improving its contract management process capability from an ad hoc (immature) process to a continuously improved, or optimized (mature) process.

Levels of Maturity - CMMM
- Level 5 - Optimized, Continuous Improvement
- Level 4 - Integrated with other Processes
- Level 3 - Structured, Institutionalized
- Level 2 - Basic Disciplined Process
- Level 1 - Ad Hoc

Contract Management Process*
Procurement Planning: The process of identifying which organizational needs can be best met by procuring products or services outside the organization. This process involves determining whether to procure, how to procure, what to procure, how much to procure, and when to procure

*according to the Project Management Institute - PMI 2000
**Contract Management Process**

**Solicitation Planning:** The process of preparing the documents needed to support the solicitation. This process involves documenting program requirements and identifying potential sources.

*according to the Project Management Institute - PMI 2000*

**Contract Management Process**

**Solicitation:** The process of obtaining bids or proposals from prospective sellers on how organizational needs can be met.

*according to the Project Management Institute - PMI 2000*

**Contract Management Process**

**Source Selection:** The process of receiving bids or proposals and applying evaluation criteria to select a provider.

*according to the Project Management Institute - PMI 2000*

**Contract Management Process**

**Contract Administration:** The process of ensuring that each party's performance meets contractual requirements.

*according to the Project Management Institute - PMI 2000*

**Contract Management Process**

**Contract Closeout:** The process of verifying that all administrative matters are concluded on a contract that is otherwise physically complete. This involves completing and settling the contract, including resolving any open items.

*according to the Project Management Institute - PMI 2000*

**Contract Management Process**

- Procurement Planning (Pro)
- Solicitation Planning (Sopl)
- Solicitation (Sol)
- Source Selection (SSel)
- Contract Administration (Ca)
- Contract Closeout (Ccl)

*according to the Project Management Institute - PMI 2000*
Contract Management Maturity Model

Case Study: "In the spring of 2003, the Contract Management Maturity Model was applied to the contracting processes of a major Department of Defense (DoD) procurement organization responsible for awarding and administering multi-billion dollar contracts for DoD and space related systems."

Contract Management Maturity Model

Process Levels: Ppl Sopl Sol Ssel Ca Ccl

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Contract Management Maturity Model

How would your organization measure up?

Q & A

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THANK YOU!

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