

REPORT: SMALL BUSINESS, ACQUISITION, AND PROJECT MANAGEMENT

Background

In FY 2007 EMAB was tasked to dialogue with the Office of Acquisition and Project Management (EM-50) on the topic of Small Business and provide advice and recommendations drawn from EMAB members' experience in commercial industry.

Additionally, EMAB continued to review and discuss the topics of Acquisition and Project Management during its public meetings and in exchanges with EM senior personnel.

Discussion

In FY 2006, EM's small business prime contract goal of \$208 million was exceeded by well over \$100 million. The FY 2007 goal was \$198 million, and once again, the program was poised to exceed that mark. Statistically, EM's execution of its small business acquisition strategy is commendable; however, EMAB has a number of concerns regarding the selectivity and complexity of the program's small business contracts.

EM's small business selection process should be rigorous and address whether the eligible organizations possess effective quality assurance programs, core competencies, histories, and bench strength to successfully and safely execute EM's projects on time and on budget. The Board believes that EM will benefit in the long-term by implementing right-sizing practices in its small business selection to ensure that the chosen organizations are a good fit for the work they propose to execute. Allowing a company of 500 people to take on an award that requires 1,000 may ask too much for an organization, regardless of whether its management and shareholders are desirous. EMAB plans to continue discussions on the concepts of right-sizing and selectivity with the EM-50 staff throughout FY 2008.

With regard to the greater topics of Acquisition and Project Management, the Board commends Assistant Secretary Rispoli and Deputy Assistant Secretary Jack Surash, EM-50, for their leadership and numerous acquisition achievements.

During the Board's March 2007 meeting, Mr. Surash reported that his office was working to streamline EM's acquisition processes for handling contract changes, specifically with regard to their review, approval, and thresholds or levels of authorization. The Board will continue to monitor progress in this area and provide advice and support in order to bring the critical matters of classical changes in scope, site conditions, and agreements with stakeholders up to date. As EM works to improve similar acquisition processes, the Board emphasizes the need for EM to also proactively hold contractors accountable and use lessons-learned to achieve its objectives.

In FY 2007, EMAB also began to explore the concept of a single point of accountability for EM acquisition and project management and discussed the benefits of co-locating project teams. If EM wishes to establish a more efficient procurement process, the Board believes that it should first develop a culture of ownership and efficiently utilize acquisition teams. Co-locating or matrixing acquisition personnel can build this culture and help employees identify with specific projects.

Recommendations

Recommendation 2008-01: Introduce granularity into the small business selection process to ensure that EM's small business acquisitions comprise the appropriate core competencies, size, and bench strength for its projects.

Suggestions for Implementation:

- Right-size awards and practice financial due diligence. For example, a small business contractor with a revenue base of X should not be awarded a contract worth more than half that amount.
- Beyond determining if a small business qualifies for a contract and/or submits a bid, determine if that particular organization has the right quality assurance programs, technical capabilities, history, and financial capacity to perform successfully.

Recommendation 2008-02: Establish a culture of project ownership and accountability in order to achieve a more efficient procurement process.

Suggestions for Implementation:

- Create acquisition teams to help employees identify with specific projects.
- Either co-locate acquisition personnel or use matrixed project assignments to instill a culture of ownership and accountability that includes not only EM personnel, but also supporting personnel from organizations external to EM (e.g. General Counsel).

Appendix: Project Management and Procurement Staff Identity - Structure vs. Culture

APPENDIX: PROJECT MANAGEMENT AND PROCUREMENT STAFF IDENTITY STRUCTURE vs. CULTURE

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Introduction

At the March 2007 Environmental Management Advisory Board (EMAB) meeting, the board discussed with Deputy Assistant Secretary Jack Surash delays in the procurement process involving business clearances. Negotiated procurement results require business clearances by DOE central procurement and Office of Counsel. Substantial delays degrade the efficiency of the procurement process and increase overall costs to the department both in terms of internal costs and contractor overhead.

Background

The National Research Council performed a series of studies on project management within the DOE over the period 1998 to 2006. Initial studies indicated organizational problems, a lack of procedures, process inconsistencies, and a lack of recognition of project management as a discipline. In response to the initial and follow on reports, the department developed policies, procedures, and processes and incorporated them into DOE orders and manuals.

DOE Order 413.3A and DOE Manual 413.3-1 established the requirement for an integrated project team (IPT) at the earliest practicable time to plan and execute a project (NRC 2004, p. 17). Experience has shown that successful project teams develop a culture whose focus is successful execution of the project. This culture is enhanced by collocation of team members, at least while they are working on a particular project. Identity with a particular project team develops a common interest in solving problems and overcoming obstacles in order to ensure execution of the project. The importance of evaluating culture and overcoming internal roadblocks to project execution are discussed in a National Research Council report on DOE project management (NRC 1999 pp. 74, 114).

Findings

DOE has made significant progress in improving project management since the initial 1999 National Research Council report. The Environmental Management leadership has projectized all major work including long term efforts such as tank farm operations and major environmental remediation work. This major effort has been worthwhile, and has provided opportunities to improve management of EM work. Full benefit cannot be realized, however, because of lengthy business clearance processed involving DOE Procurement and Office of Counsel. For example, business clearance times in a small sample from mid- 2007 were as follows:

Business Clearance Timelines

Pre-Award

6 Acquisition Plans: average of 15 weeks (range = 12-20 weeks)

5 draft RFPs: average of 8 weeks (range = 6-11 weeks)

3 final RFPs: average of 11 weeks (range = 5-22 weeks)

Post-Award

5 REAs/Claims: average of 2.5 weeks (range= 1 to 3.5 weeks)

1 REA in process for 9 weeks with no resolution at the time of the sampling

These timeframes are significant, and appeared to be excessive. Consequently, Mr. Surash requested The DOE Office of Procurement and Assistance Management (OPAM) to initiate a study to determine whether timeframes can be reduced. The study was completed and distributed in January 2008. In addition, The National Academy of Public Administration conducted a study on organization of EM and published a report in December 2007. Recommendations for improvement are presented by these studies.

Review Reports

OPAM

OPAM final report describes process mapping and analysis of business clearance functions. In addition, the report found an astounding degree of procurement personnel understaffing when DOE was benchmarked against the Naval Facilities Engineering Command and the National Aeronautics and Space Administration, the two federal agencies closest to DOE in contracting workload character of five reviewed (DOE 2008, pp 13-19).

The report presents 12 major recommendations with eight additional subparts in the business clearance process. In addition, the report presented recommendations in other areas of the procurement process as follows (DOE 2008, pp. 19-26):

- Improving DOE contracting activity accountability and performance – 5
- Improving the procurement system – 2
- Improving knowledge management – 3

NAPA

The NAPA report also addresses the business clearance issue. It endorses the OPAM recommendations and urges greater delegation of authority and initiating a study of workload and staffing requirements (NAPA 2007, pp. 32-35). Further details are included in Appendix B to the report. The difficulty in acquiring ceiling and funding for additional staff is recognized. The report also concludes the development and use of Integrated Project Teams mentioned above is critical to an effective project management regime (NAPA 2007, p.75).

Conclusion

A significant increase in staffing to reduce business clearance timeframes will be difficult to achieve. Since project execution culture is enhanced by identification with a project team by means of collocation or to a lesser extent by matrix assignments, use of these ideas can have a positive effect on improving the business clearance process.

References

NRC (National Research Council). 2004. *Progress in Improving Project Management at the Department of Energy*. Washington, D.C.: National Academy Press.

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DOE 2008. *Report on Reengineering the Business Clearance Process*. Washington, D.C.: DOE Office of Procurement and Assistance Management internal document, November 14, 2007.

NAPA (National Academy of Public Administration). 2007. *Office of Environmental Management: Managing America's Defense Nuclear Waste*. Washington, D.C.: National Academy of Public Administration.