

**Organizational Alignment for Contracting/Subcontracting:
Optimizing Performance and Managing Risk
A Single Platform Imperative – The Most Effective Acquisition Organization (MEAO)**

By Dan Jacobs, CPCM, CScM, CMC – Chairman, and
Lenn Vincent, RADM USN (RET), DAWIA Level III Logistics & Contracts – Vice Chairman
The Subcontract Management Institute

Too often the acquisition process is undermined by adversarial relationships, suspicion between the government and industry, volumes of paperwork and costly litigation. We can no longer afford to do business in this manner. This paper suggests to the acquisition community a tool that can maximize the potential for achieving contractual objectives. **This tool is called the Most Effective Acquisition Organization (MEAO).**

The lack of synergy and collaboration among functions of program management, contract management, subcontract management, purchasing, supply chain management and other players is viewed as one of the highest risk factors in the publicly-funded acquisition process. At issue are the conflicting interpretations of the duties and responsibilities of each of those disciplines in the value chain for delivering quality supplies, services and data in a business environment that has unique requirements for documentation, accountability and standards of conduct.

This paper is an attempt to improve the “value chain” in the context of the U.S. government’s \$400+ billion annual appropriation expenditures for the acquisition of supplies, services and data.

A *value chain* is defined as a set of activities that an organization performs to deliver a valuable product or service. Examination of the value chain is a continuous process to ascertain how much and at which stage value is added to an organization’s products and/or services, and how value can be increased to enhance the product/service differentiation. This paper discusses various elements of the value chain for providing supplies, services and data in publicly-funded contracts and provides recommendations for improving the process in the context of a proven organizational structure.

Establishing an MEAO constitutes more than a tacit mutual commitment by the parties on how they will interact during the contract, with the primary objective of facilitating improvement in contract performance through enhanced communications. Making the MEAO effective as envisioned can take an attitude adjustment where the parties to the contract form a relationship of teamwork, cooperation, and good faith performance. It will require the parties to look beyond the strict bounds of functional entities to develop this cooperative working relationship which promotes their common goals and objectives.

Managing a Prime Contract/Subcontract typically includes:

1. Identifying requirements
2. Addressing various needs, concerns, expectations
3. Balancing the competing constraints (unique per contract) including but not limited to:
 - Scope
 - Quality
 - Schedule
 - Budget (Cost)
 - Resources,
 - Issues (problems)
 - Risks (potential problems)



Figure 1. If one side of a triangle changes, each of the other sides change.

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The following key functions and/or activities are ongoing in each publicly funded contract. The potential large and diverse numbers of players in the process drive the necessity to create an organizational structure that ensures there is a single platform from which leadership at every level communicates consistently with all members of the MEAO TEAM.

1. **“Acquisition”** means the acquiring by contract with appropriated funds of supplies or services (including construction) by and for the use of the Federal Government through purchase or lease, whether the supplies or services are already in existence or must be created, developed, demonstrated, and evaluated. Acquisition begins at the point when agency needs are established and includes the description of requirements to satisfy agency needs, solicitation and selection of sources, award of contracts, contract financing, contract performance, contract administration, and those technical and management functions directly related to the process of fulfilling agency needs by contract. (FAR Subpart 2.1)
2. **“Contract”** means a mutually binding legal relationship obligating the seller to furnish the supplies or services (including construction) and the buyer to pay for them. It includes all types of commitments that obligate the Government to an expenditure of appropriated funds and that, except as otherwise authorized, are in writing. In addition to bilateral instruments, contracts include (but are not limited to) awards and notices of awards; job orders or task letters issued under basic ordering agreements; letter contracts; orders, such as purchase orders, under which the contract becomes effective by written acceptance or performance; and bilateral contract modifications. Contracts do not include grants and cooperative agreements covered by 31 U.S.C. 6301, et seq. For discussion of various types of contracts, see FAR part 16. (FAR Subpart 2.1)
3. **“Subcontract”** means any **contract** as defined in Subpart 2.1 entered into by a subcontractor to furnish supplies or services for performance of a prime contract or a subcontract. It includes but is not limited to purchase orders, and changes and modifications to purchase orders. “Subcontractor” means any supplier, distributor, vendor, or firm that furnishes supplies or services to or for a prime contractor or another subcontractor. (FAR Subpart 44.101)
4. **“Contract/Subcontract Management”** is a strategic management discipline employed by both buyers and sellers, whose objectives are to manage customer and supplier expectations and relationships, control risk and cost, and contribute to organizational profitability and success. (National Contract Management Association - NCMA, Subcontract Management Institute - ScMI)
5. **“Purchasing”** – Is an activity to buy supplies or services, including construction and research and development, upon specified terms and conditions, **using simplified acquisition procedures**. (FAR Part 2)
6. **“Supply Chain”** is a system of organizations, people, activities, information, and resources involved in moving a product or service from supplier to customer. Supply chain activities involve the transformation of natural resources, raw materials, and components into a finished product that is delivered to the end customer. (Institute for Supply Chain Management - ISCM)
7. **“Supply Chain Management”** (SCM) includes all the activities that must take place to get the right product into the right consumer’s hands in the right quantity and at the right time – from raw materials extraction to consumer purchase. SCM focuses on planning and forecasting, purchasing, product assembly, moving, storage, distribution, sales and customer service. SCM professionals are involved in every facet of the business process as they strive to achieve a sustainable competitive advantage by building and delivering products better, faster and cheaper.” (ISCM).

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8. **“Program Management”** - *A program is defined as a group of related projects managed in a coordinated way to obtain benefits and control not (necessarily) available for managing them individually. (Project Management Institute - PMI)*
9. **“Project Management”** - *A project can be defined as a temporary endeavor undertaken to create a unique product or service therefore, Project Management is the application of knowledge, skills, tools, and techniques to project activities to meet the project requirements. (PMI)*

The Federal Government is Program/Project Management-Centric: Congress passed the **Program Management Improvement and Accountability Act, (Public Law No: 114-264, 12/14/2016)** that mandates OMB establish standards and policies for executive agencies.

The evolution to a program and risk management focus demonstrates the growing importance of a company’s most effective acquisition organization.

To meet the organizational challenges in publicly funded contracting, leadership has three imperatives:

1. *To establish an organization that aligns and integrates people, processes, and technology to enable suppliers and stakeholders to acquire and deliver the right “stuff”, at the right time, to the right place, at an affordable cost to support customer requirements;*
2. *To structure an organization that provides total acquisition visibility: Timely access to accurate, authoritative, and reliable information supporting acquisition oversight, accountability, and decision-making;*
3. *To maintain an organization that provides total materiel visibility: Locate and account for materiel assets throughout their lifecycle and provide transaction visibility across the enterprise in support of the customer’s mission.*

Those imperatives can be met by creating a hierarchical organization, e.g., a Most Effective Acquisition Organization (MEAO), focused on the customer’s requirements. That structure is essential in the context of publicly-funded contracting and provides the single platform that facilitates planning, successful execution and communications:

The structure of an organization must be aligned with a company’s:

- **Internal Environment**
 - Corporate Vision, Mission, Strategy
 - Values and Culture
 - Processes and Procedures
- **External Environment**
 - Customer Requirements/Expectations
 - Competition
 - Legal & other organizations (GAO, rating agencies, bankers, analysts, etc.)

A company’s size and access to resources will influence its organizational strategy.

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Proven Benefits of a Single Platform or MEAO

- **Encourages establishing mutual goals and objectives**
This avoids the us vs. them mentality that often characterizes internal organizational relationships. Finding common ground in mutual goals and objectives, functional entities can realize that success is dependent upon their commitment and ability to work as a team.
- **Helps build trust and encourages open communication**
At the beginning of a contract's execution, the respective functional entities can establish communication channels designed to promote openness, trust and efficient contract execution and administration.
- **Minimizes surprises and reduce risk**
Increased communication on various subjects means that the parties are less likely to be surprised by events that occur during contract performance. Surprises result in schedule delays and additional costs, often leading to non-compliance issues.
- **Enables the anticipation and timely resolution of problems**
The MEAO partners can proactively anticipate problems and jointly decide how those problems will be resolved or avoided.
- **Reduces the time and cost of contract performance**
By establishing open communication as a guiding principle, issues are raised, discussed and resolved more expeditiously with less costly administration.
- **Can improve morale and promote professionalism in the workforce**
Enhanced communication, the identification of shared goals and objectives will empower functional personnel to work together towards common goals. This will create a uniquely positive outlook and motivation to personally contribute to the team's efforts.

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As indicated in figure 2 below, there are three (3) proven methodologies to develop the “Most Effective Acquisition Organization” (MEAO):

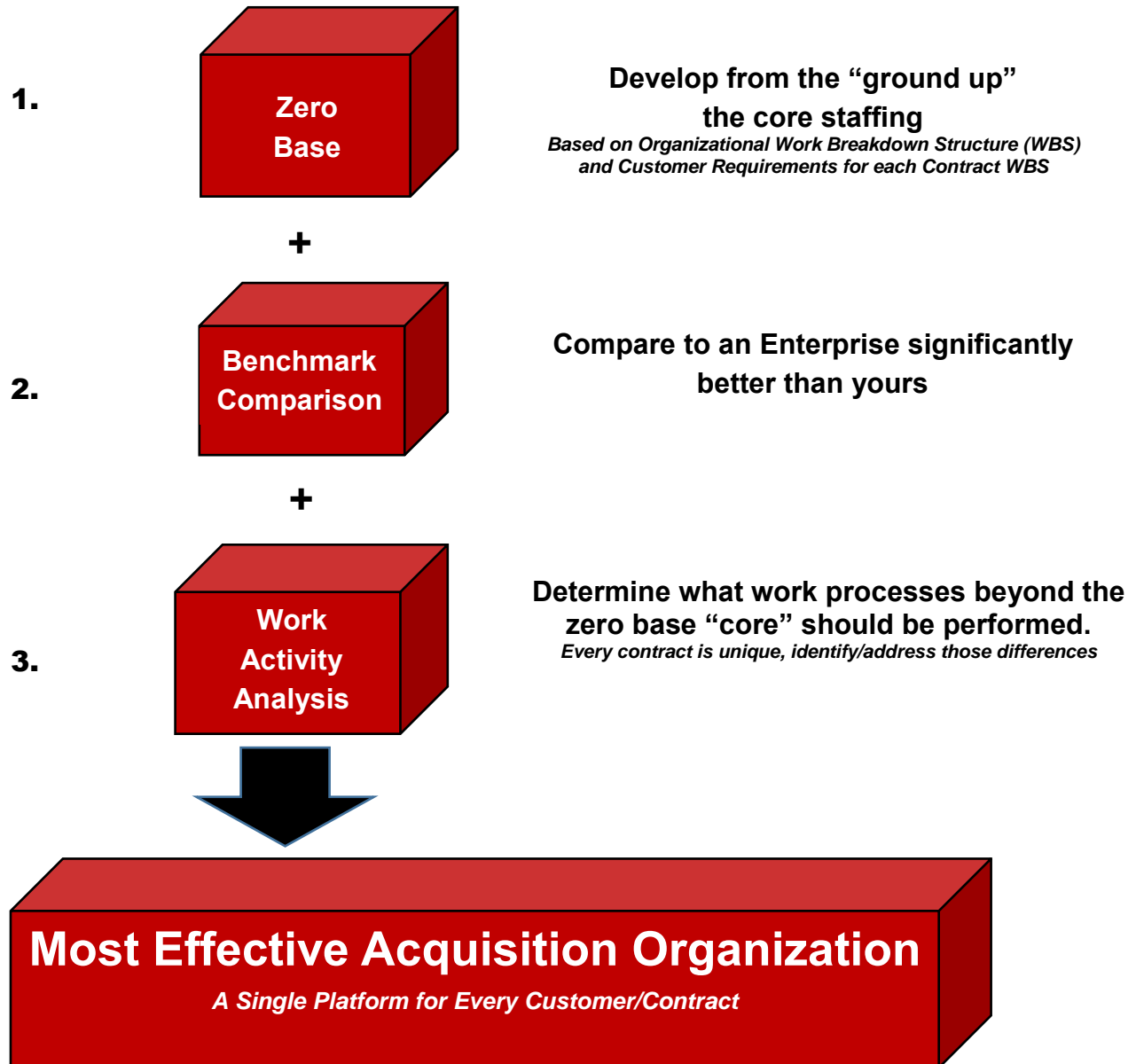


Figure 2. MEAO, The Single Platform

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Since outcomes are determined by People, not systems and processes, it is imperative to create the most effective acquisition organization e.g., MEAO, which has the right people in the right job at the right time doing the right thing. The notional MEAO in Figure 3 below portrays a program/project management-centric structure that aligns and integrates people, processes, and technology to provide total acquisition visibility and accountability throughout the organization and through the life-cycle of the contract.

**Notional Most Effective Acquisition Organization (MEAO)
for the Management and Execution of Publicly-Funded
Contracts**

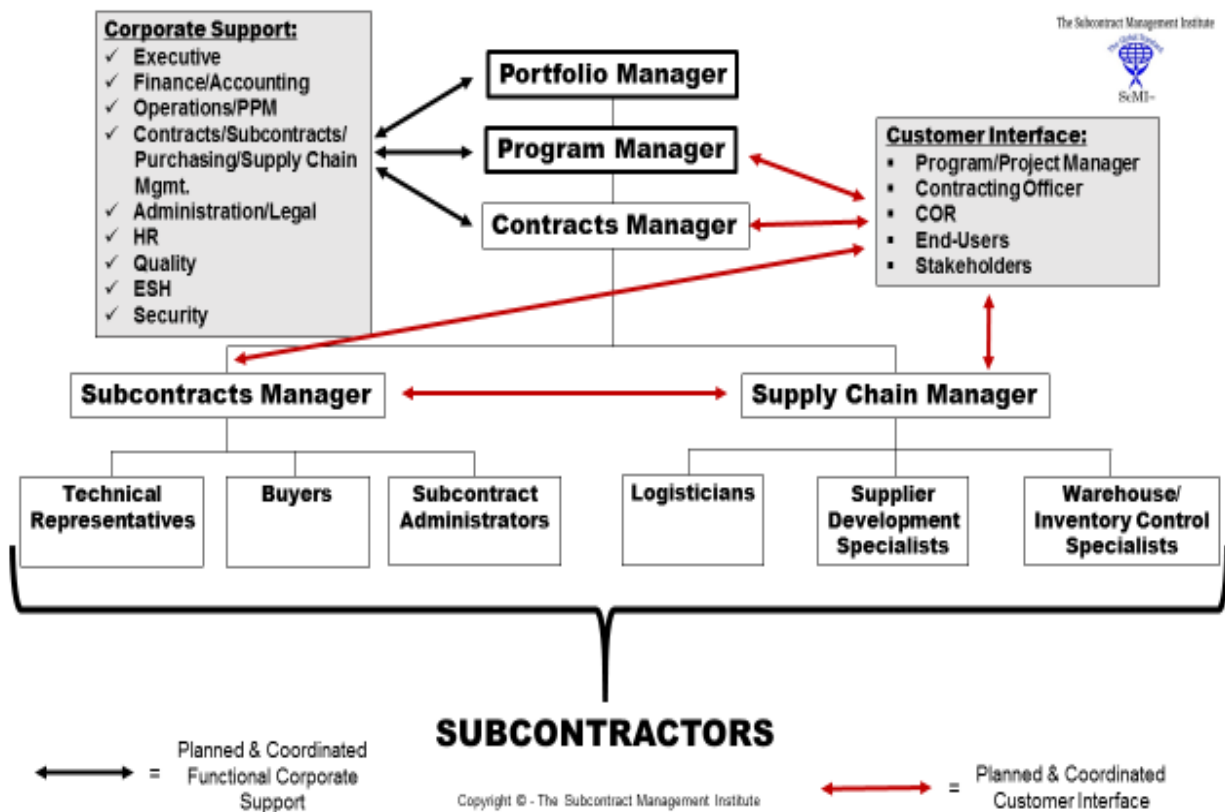


Figure 3. The Single Platform for every contract.

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About the Authors:

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About The Subcontract Management Institute (ScMITM) – ScMI is a 501 (c)(3) non-profit organization chartered to establish and maintain the Subcontract Management Body of Knowledge (ScMBOK©). ScMITM trains and provides professional certification to individuals and organizations in that body of knowledge and the attendant competencies. ScMITM is the global standard for subcontract management; headquarters in Washington, D.C with representation in Los Angeles, Seattle, Brussels and Tel Aviv.

About the Procurement Round Table – The PRT is a nonprofit organization chartered in 1984 by former federal acquisition officials concerned about the economy, efficiency and effectiveness of the federal acquisition system. Its Directors and Officers are private citizens who serve pro bono with the objective of advising and assisting the government in making improvements in federal acquisition.

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