

# SeaPort: Charting a New Course for Professional Services Acquisition for America's Navy

E - G o v e r n m e n t S e r i e s



David C. Wyld  
Professor of Management and  
Director of the Strategic E-Government  
Initiative  
Department of Management  
Southeastern Louisiana University

IBM Endowment for  
**The Business  
of Government**



E - G O V E R N M E N T   S E R I E S

# **SeaPort:** Charting a New Course for Professional Services Acquisition for America's Navy

**David C. Wyld**

Professor of Management and  
Director of the Strategic E-Government  
Initiative  
Department of Management  
Southeastern Louisiana University

June 2003

# TABLE OF CONTENTS

|  |    |
|--|----|
| <b>Foreword</b> .....  | 3  |
| <b>Executive Summary</b> .....   | 4  |
| <b>Introduction</b> .....  | 7  |
| NAVSEA and Professional Support Services (PSS) .....   | 7  |
| The Road to SeaPort .....  | 9  |
| A Look at SeaPort.....   | 9  |
| <b>Multiple Award Contracts (MACs)</b> .....   | 13 |
| Award-Term Contracting .....   | 14 |
| Guaranteed Savings and Cost Controls .....   | 14 |
| Conversion to Performance-Based Contracting .....  | 16 |
| Quality Focus .....  | 16 |
| Communication .....  | 17 |
| <b>SeaPort E-Marketplace</b> .....   | 18 |
| The Development .....  | 18 |
| How Does the SeaPort E-Marketplace Work? .....   | 20 |
| Conclusion .....   | 24 |
| <b>Assessing the SeaPort Experience</b> .....  | 25 |
| Did the Shift to MACs Produce the Desired Results? .....                                       | 25 |
| Does the SeaPort E-Marketplace Produce Cost and Time Savings? .....                            | 27 |
| Has SeaPort Generated the Anticipated Level of Procurement<br>Activities? .....                | 29 |
| Has Small Business Participation in NAVSEA Contracting Been<br>Improved through SeaPort? ..... | 30 |
| Has SeaPort Enhanced Cooperation and Fostered Learning? .....                                  | 31 |
| The SeaPort Scorecard.....   | 32 |
| <b>SeaPort and the Future of Federal Services Acquisition</b> .....                            | 34 |
| <b>Appendices</b> .....  | 36 |
| Appendix I: The Wider E-Procurement Revolution.....  | 36 |
| Appendix II: The Evolving Role of Services Spending in<br>Federal Procurement.....             | 49 |
| Appendix III: The 20 MAC Holders for SeaPort .....   | 60 |
| <b>Endnotes</b> .....  | 62 |
| <b>Bibliography</b> .....  | 64 |
| <b>About the Author</b> .....  | 67 |
| <b>Key Contact Information</b> .....   | 68 |

## F O R E W O R D

June 2003

On behalf of the IBM Endowment for The Business of Government, we are pleased to present this report, “SeaPort: Charting a New Course for Professional Services Acquisition for America’s Navy,” by David C. Wyld.

This report examines how the Naval Sea Systems Command (NAVSEA) created SeaPort to serve as an innovative electronic procurement portal for the acquisition of professional support services. Professor Wyld describes how the creation of SeaPort represents innovation in two important areas: procurement and e-commerce. In the area of procurement, SeaPort was created to maximize efficiency and economy in the purchase of professional support services at NAVSEA. In the area of e-commerce, SeaPort automated the “business process” of procuring professional support services and substantially reduced both the costs and completion times for processing service acquisitions.

In February 2003, the Endowment published the report “Digitally Integrating the Government Supply Chain: E-Procurement, E-Finance, and E-Logistics,” by Jacques S. Gansler, William Lucyshyn, and Kimberly M. Ross. In that report, the three authors strongly advocate the increased use of e-procurement throughout the government. In his study of SeaPort, Professor Wyld shows how e-procurement has become a reality in its first 18 months of operation. The report demonstrates that SeaPort has indeed reinvented the way NAVSEA procures over half a billion dollars of professional support services annually.

We trust that this report will be both informative and useful to executives throughout government as they continue to examine how the operations of government can be dramatically improved by applying e-commerce tools to government procurement — especially in the fast-growing area of services acquisition — and other processes as well. There is clearly much to learn from the experience of SeaPort.

Paul Lawrence  
Co-Chair, IBM Endowment for  
The Business of Government  
paul.lawrence@us.ibm.com

William Phillips  
Partner  
IBM Business Consulting Services  
william.r.phillips@us.ibm.com

## EXECUTIVE SUMMARY

Today, services procurement is becoming increasingly strategic in nature and electronic in scope. In both the private and public sectors, increased spending on services has made this an area of intensified focus of e-procurement efforts. This is because, according to Diana Jovin, president of CascadeWorks, a San Francisco-based electronic procurement enabler, organizations cannot only “save money by automating service procurement, they can also better track performance and manage relationships with service vendors” (cited in Cleary 2001a, n.p.). In the federal marketplace, the acquisition of services is accounting for an ever-larger percentage of total procurements. Annual spending on services is projected to top \$150 billion in fiscal year (FY) 2003, with the Department of Defense (DoD) accounting for approximately half of this spending (Sherman 2002). In fact, fully one-sixth of DoD’s procurement spending has shifted from goods to services over the past decade (Friel 2000).

Lawrence Martin (2002a, 7) observed that “the transition to service contracting constitutes a fundamental paradigm shift for federal procurement.” Former Undersecretary of Defense Jacques Gansler (2002, 12) recently observed, “One should *not* perceive that the government’s moving to e-business is simply digitizing the current acquisition process. Rather, it is necessary (and desirable) to *transform the acquisition process to take full advantage of the potential offered by electronic commerce*” (emphasis in the original). This report is about one such effort to leverage e-business methods to transform both the mechanisms *and* the culture of contracting, focusing on SeaPort.

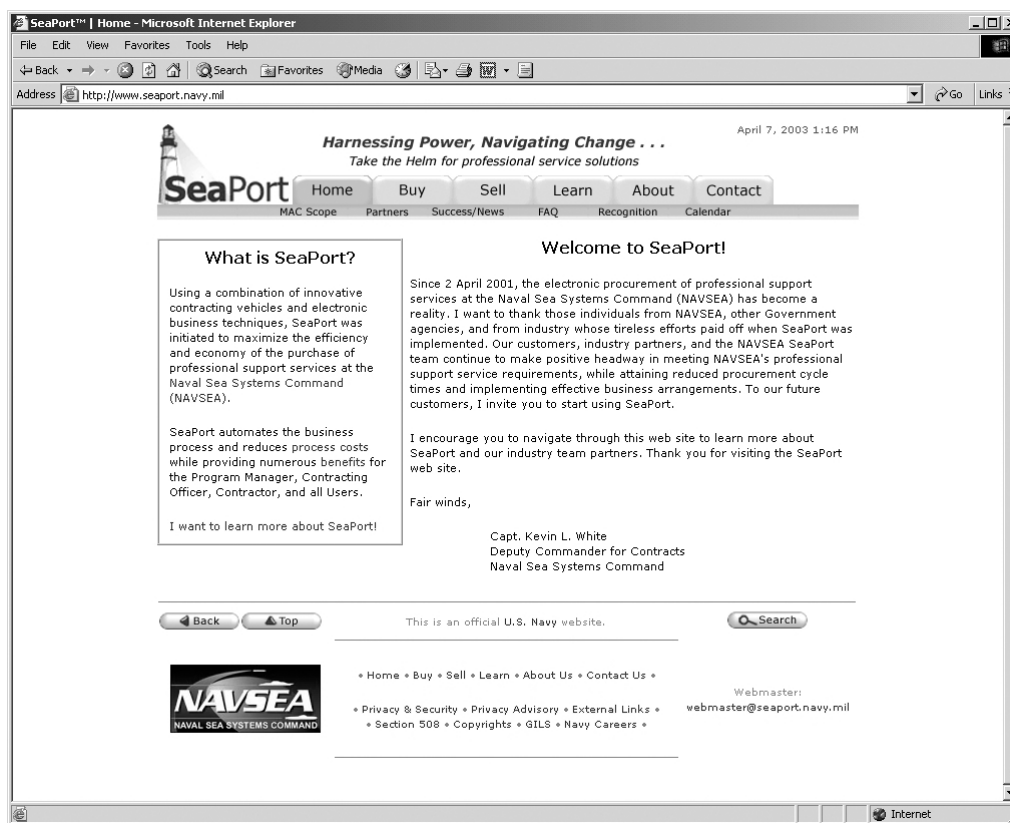
SeaPort was established by the Naval Sea Systems Command (NAVSEA) to be the first e-marketplace for services acquisition in the federal government. SeaPort has become an e-business portal through which NAVSEA acquires a significant portion of the over half a billion dollars worth of professional support services (PSS) necessary to support the Navy’s mission around the world. The total value of the SeaPort multiple award contracts (MACs) is placed at \$14.5 billion over the potential 15-year duration of the indefinite delivery/indefinite quantity (ID/IQ) contracts (Naval Sea Systems Command Public Affairs Staff 2001). It was initiated by NAVSEA to streamline the services contracting model:

- To achieve \$250 million in wedge savings
- To enable the Navy to meet the secretary of defense’s mandate that performance-based contracting be used in 50 percent of professional services contracting by 2005

Through its use of ID/IQ contracts of up to 15 years, issued to 20 MAC holders (with fully one-third being small businesses), SeaPort has many innovative measures, including:

- Built-in, guaranteed cost reductions
- Award-term and performance-based contracting provisions
- Totally electronic order process
- Real-time monitoring of contractor performance and quality
- Alternative dispute resolution procedures

Figure 1: The Front Door to SeaPort



Source: <http://www.seaport.navy.mil>.

The SeaPort website, shown in Figure 1 and accessible at [www.seaport.navy.mil](http://www.seaport.navy.mil), is a constantly updated “community of practice” in which contracting officers and contractors can:

- Access the e-marketplace
- Execute totally electronic services acquisitions
- Learn about the processes involved
- Build on the experiences of others

All this can be accomplished from anywhere on the seven seas—so long as there is a computer equipped with a web browser at hand. Thus, NAVSEA now has a global e-procurement system for service acquisition that can serve the needs of America’s Navy around the world.

This report looks at the development and the operation of SeaPort. We will see that in order to have the e-marketplace operational by its targeted opening of April 1, 2001, NAVSEA had to both

work with vendors and contracting professionals to create the e-marketplace itself and work with contractors to change the manner in which they relate to one another and to NAVSEA. We will see how the e-marketplace was created from an innovative, one-page request for proposal (RFP) and based on a commercial software solution. We will then examine how the SeaPort e-marketplace works from a Naval buyer’s perspective and the MAC prime contractors’ viewpoint. Then we will assess the SeaPort initiative on the basis of five areas of investigation. These areas, assessed over the 18 months from SeaPort’s “going live” on April 1, 2001, through the end of FY 2002 on September 30, 2002, are:

- Did the shift to Multiple Award Contracts produce the desired results?
- Does the SeaPort e-marketplace produce cost and time savings?
- Has SeaPort generated the anticipated level of procurement activities?

- Has small business participation in NAVSEA contracting been improved through SeaPort?
- Has SeaPort enhanced cooperation and fostered learning?

In the end, we will see that SeaPort has had successes as well as failures in each of these areas. We will see that because NAVSEA chose to make this a voluntary shift, rather than a mandated solution for its Naval customers, activity and volume through the e-marketplace have actually decreased over time. We will see that while processing time for task orders has decreased markedly—from over half a year to just over a month—NAVSEA still wants to reduce the time much more. We will also see that the electronic capabilities of SeaPort have dramatically improved NAVSEA's capacities—both internally and in operations with the MAC partners—in terms of:

- Communication
- Business intelligence
- Knowledge management

The impact on competition is less clear. While SeaPort has streamlined the number of prime contractors (from over 350 to 20), whether the intensity of competition among the MAC holders for individual task orders has been heightened and whether the ability to unseat incumbent contractors exists remain open questions. Also, while the opportunities for small businesses in NAVSEA professional services contracting have exceeded initial expectations, both in terms of their representation among the MAC holders (seven out of 20) and as subcontractors, how this translates into actual participation as active prime contractors and subcontractors remains an open issue.

Writing in *Government Executive*, Allan Burman (2001b, 72), a former administrator with the Office of Federal Procurement Policy (OFPP), observed that “former NASA administrator Daniel Goldin’s mantra of faster, better, cheaper best characterizes the forces driving acquisition reform in the last decade. Simplification, speed, a willingness to look to others for good ideas, and a focus on performance are all part of this transformation.” NAVSEA’s establishment of the SeaPort e-market-

place certainly seems to be an initiative that follows these ideas, and for its efforts, NAVSEA has received awards for the innovativeness of the SeaPort initiative (see “Recognition for the SeaPort Initiative”). SeaPort has already served as a model for developing an information technology (IT) e-procurement portal for the Marines. In time, the innovations of SeaPort and the lessons learned from its operations may be instrumental in bringing about collaborative service acquisition portals for DoD and the overall federal government.

Mary Blevins, president of ZAI (a partner in the Unified-ZAI Joint Venture, a prime contractor for SeaPort), observed that “SeaPort works because it leverages a long-standing government–industry partnership. The technology of e-business allows SeaPort to take full advantage of that relationship to expedite the procurement process” (personal communication, November 2002).

### Recognition for the SeaPort Initiative

To date, NAVSEA has garnered significant recognition for its effort to streamline PSS procurement for the Navy.

- Small Business Administration Award
- Joint Electronic Commerce Program Office Finalist—Best Government/Industry Team (Large Business)
- E-Gov 2001 Trailblazer Award
- Naval Sea Systems Command Vice Admiral Certificates of Excellence for SeaPort Team Members
- Naval Sea Systems Command Medallions for SeaPort Team Members
- 2001 DON E-Gov Award
- 2001 Undersecretary of Defense for Acquisition, Technology, and Logistics, Defense Acquisition Executive Certificate of Achievement Award
- SeaPort selected as Excellence.Gov Award Finalist



# Introduction

## NAVSEA and Professional Support Services (PSS)

NAVSEA supports the operations of all U.S. Naval units, and beyond, including:

- Ships
- Submarines
- Shore facilities
- Systems and equipment of the Navy
- Foreign military sales (FMS)
- Other DoD/civilian agencies
- Other participating foreign navies (Naval Sea Systems Command 2002a and 2002b)

NAVSEA's history and current operational mission are detailed in "NAVSEA" (see p. 10).

Each year, NAVSEA procures more than a half billion dollars of professional support services worldwide for:

- Naval fleet operations around the world
- NAVSEA's headquarters operations
- Program executive offices (PEOs)

The professional support services necessary for effective worldwide Naval operations constitute a rather small percentage (approximately 2.5 percent) of NAVSEA's overall annual budget of approximately \$20 billion.<sup>1</sup> Yet, due to the need to support

worldwide, effective Naval operations, NAVSEA's PSS acquisitions are *strategic* in nature.

In the late 1990s, NAVSEA was called on to reduce its professional services spending. Captain Kurt R. Huff, former deputy commander of contracts for NAVSEA, observed, "My commitment to my boss was that we would save him \$250 million over five years" (quoted in Bhambhani 2001a, n.p.). This was the "sourcing wedge"—the targeted reduction amount for PSS acquisitions through 2005. Yet, according to a 2001 NAVSEA report, there was a great need for business intelligence, simply to determine both baseline data and—down the road—whether this savings goal had indeed been achieved. As late as 2000, NAVSEA *could not even determine within a \$100 million window* exactly how much the Navy spends annually on professional support services.<sup>2</sup> With this state of business intelligence in regard to services spending, NAVSEA certainly was in danger of running into operational and oversight problems.

NAVSEA has been characterized as "a \$20 billion command that doesn't change easily" (Murray

### Acknowledgments

The author would like to thank Claire Grady, Pat Dolan, and Kathleen Monahan of the Naval Sea Systems Command for their assistance in providing information for this report. He would also like to thank Mark Abramson for his helpful comments on an earlier draft of this report.

## NAVSEA

Headquartered in the historic Washington Navy Yard, NAVSEA is the arm of the Navy responsible for designing, acquiring, and maintaining the Navy's 300+ ship fleet and its shipboard and combat weapons systems. NAVSEA's origins can be traced back to 1794. Under President Washington, Commodore John Barry was appointed as the superintendent overseeing the construction of a 44-gun frigate, with the charge to ensure all business was conducted in the public interest. Organizationally, today's NAVSEA is the successor to the Bureau of Construction, Equipment, and Repair and the Bureau of Ordnance and Hydrography, both created in 1842, and the Bureau of Ships, established in 1940 (Naval Sea Systems Command 2002a).

Today, NAVSEA is the largest of the Navy's five systems commands. NAVSEA has an annual budget of nearly \$20 billion—accounting for almost a fifth of the Navy's total budget. Through its approximately 50,000 employees, NAVSEA manages more than 130 acquisition programs (Naval Sea Systems Command Public Affairs Staff 2002a). It also administers over 1,400 sales contracts to approximately 80 foreign militaries, amounting to more than \$16 billion annually (Naval Sea Systems Command 2002b). NAVSEA's operations encompass all phases of the life cycles of the Navy's ships—which now can reach 40 to 50 years—and its weapon systems, including:

- Technology development
- Concept exploration
- Design
- Specification development
- Construction and production
- Test and evaluation
- Certification and operation
- Maintenance
- Improvement and modernization
- Overhaul
- Refueling
- Search, salvage, and disposal
- Diving
- Underwater ship husbandry
- Pollution control

These service areas encompass all phases of both ship and weapon systems life cycles, including:

- Technology development
- Concept exploration
- Design
- Specification development
- Construction and production
- Testing and evaluation

The mission of NAVSEA is simply stated as "Keeping America's Navy #1 in the World" (Naval Sea Systems Command 2002a).

2001, n.p.). Yet, NAVSEA's leadership duly recognized that it needed to gain greater efficiency and control over this spending (Monahan 2002b). To accomplish the savings challenge, and to be able to verify these savings, NAVSEA undertook a "business process reengineering effort to maximize the efficiency and economy" in acquiring professional support services (Grady and Braham 2001, n.p.). What followed is a tale of e-business innovation and cultural transformation.

## The Road to SeaPort

In July 1998, NAVSEA formed what became known as the Contract Efficiency Working Group (CEWG) to take a strategic look at its services spending. This group was charged with collecting and analyzing data regarding the six main areas of services procurement for NAVSEA:

- Program management
- Logistics support
- Engineering
- Financial management
- Computer assistance
- Clerical and administrative support

The decision was made to focus on the first four areas of services acquisition. The computer operations would be encompassed within the Navy–Marine Corps Internet (NMCI), while the clerical and administrative support area was the subject of an A-76 competition (Monahan 2002a).

Over the next year and a half, the CEWG found that NAVSEA's services procurements were decentralized, fragmented, and redundant (Monahan 2002a). At the time, NAVSEA acquired these professional support services through either of two means. First, a program manager could use one of more than 350 separate contract vehicles through NAVSEA. In this case, it often took from nine to 12 months to make competitive service awards internally (Bhambhani 2001b). NAVSEA's costing system found that fully two-thirds of the costs in awarding a task order for acquiring support services come from the process of sourcing, drafting, gaining approvals, and placing task orders.<sup>3</sup> Alternatively, services could be acquired through the employ-

ment of General Services Administration (GSA) Schedule contracts. However, for this convenience, GSA charged the Navy a user fee, ranging from 2 to 5 percent of the total value of the task orders (Monahan 2002c).

In March 2000, NAVSEA established the Support Services Acquisition Program Office (SSAPO). This office comprised a dozen individuals representing the directorates within NAVSEA and several PEOs, and it was charged with developing a strategy for remaking NAVSEA's PSS procurement activities. Among the items SSAPO was chartered to do were:

- Planning, developing, issuing, and awarding the command-level ID/IQ contracts for professional support services
- Developing policy and procedures for procuring services
- Developing an e-business solution for procuring services
- Developing metrics for program evaluation
- Developing training programs for NAVSEA personnel for new services procurement process<sup>4</sup>

After some initial work on a draft plan that met resistance from both internal Navy customers and the contracting community, the program was reassigned later that same year to NAVSEA's Contracts Directorate. SSAPO was thus transformed into SeaPort—a portal for NAVSEA. The initiative now had a new home and a new, more "marketable" moniker for the project (Monahan 2002a).

With a unique public–private partnership model, SeaPort represents an innovative application of e-business best practices to the business of government. SeaPort thus became the first federal e-marketplace for services acquisition, but as will be seen in this report, NAVSEA had a more far-reaching goal of changing the culture of services contracting within the Navy and with members of the contracting community.

## A Look at SeaPort

The purpose of this research report is to examine the SeaPort initiative, the effort undertaken to reinvent the way NAVSEA procures more than a half

### Three Objectives for SeaPort

#### NAVSEA stated three objectives for the SeaPort initiative.

- Develop and award multiple-award ID/IQ contracts (MACs) using innovative acquisition techniques to achieve the NAVSEA strategic wedge, to conform to the OSD performance-based contracting directive, and to bring order to PSS acquisitions.
- Exploit existing e-business opportunities and create an automated, intuitive, web-based, e-procurement portal to provide services quickly and easily in an “Amazon.com” environment.
- Create a website continually refreshing customers and suppliers with new information, opportunities, training, metrics, and useful links to associated sites.

billion dollars annually in professional support services required for continual global operations of today’s 300-plus ship Navy. The SeaPort initiative has been characterized as representing nothing short of “a bow-to-stern overhaul” of the manner in which NAVSEA goes about acquiring professional support services (Zyskowski 2002b, n.p.). See “Three Objectives for SeaPort.”

SeaPort is noteworthy specifically because NAVSEA’s leadership has been prescient in recognizing that two major factors would be integral parts of any 21st-century response necessary to accomplish the wedge savings target:

- The growing importance of e-procurement
- A changing services acquisition landscape

Because of their importance to federal procurement in general, these megatrends are discussed in detail in Appendices I and II. In Appendix I, we see that private-sector firms, led by the largest buyers, are turning to web-based acquisition strategies. Increasingly, the use of electronic procurement marketplaces and enterprise-wide procurement tools to acquire both goods and services is becoming an important part of corporate purchasing—and business—strategies. In Appendix II, we review the federal government’s shift from a buyer of mostly

goods to a procurer of services. With this shift has come increasing oversight and criticism of federal services contracting, accompanied by a push to make such services contracting performance based. These developments have continued to take on even more significance over time.

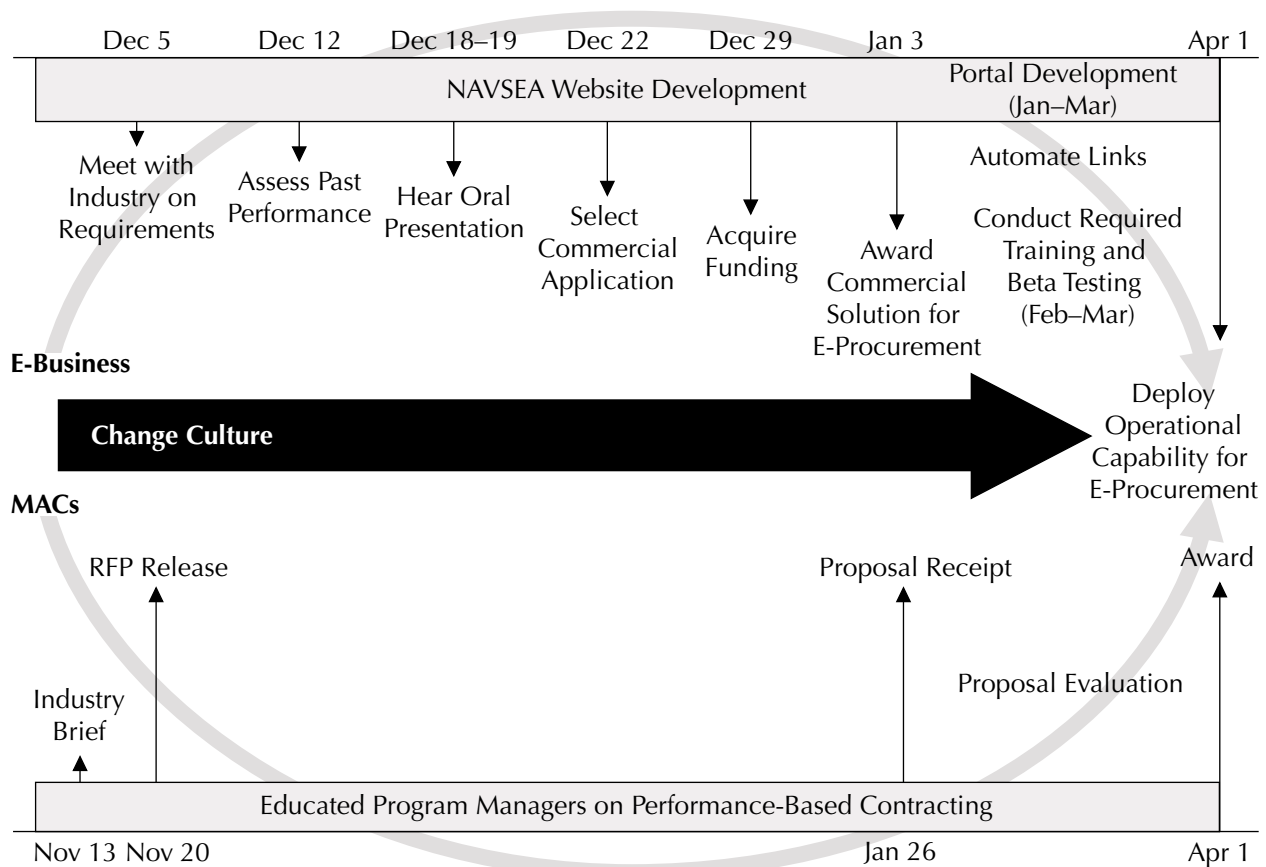
The creation of SeaPort thus brought NAVSEA down two separate tracks:

- The e-business track to create the e-marketplace itself
- The contracting community track to change the manner in which contractors relate with one another and with NAVSEA

As can be seen in Figure 2, to introduce the SeaPort e-marketplace by the target date of April 1, 2001, both tracks had a tight timeline. This chart, created by Kathleen Monahan, director of NAVSEA’s Surface Systems Contracts Division, depicts the key milestones for SeaPort (Monahan, Petersen, and Singleton 2002). The top line shows the key dates in the process of creating the online marketplace. The bottom line shows the parallel efforts that had to be undertaken with the contracting community, both to develop the partnerships necessary to bring about the depth and breadth of coverage NAVSEA desired and to educate them about the nature of the change to performance-based contracting.

The next two sections of this report chronicle how NAVSEA worked on both fronts in order for the project to converge at that juncture. We, however, examine the changes in contracting before examining the e-marketplace itself. This is only appropriate because this case study of SeaPort is not simply an e-business story. Rather, as Captain Kevin L. White, NAVSEA’s deputy commander for contracts, commented, “The key to SeaPort’s success is often identified as the e-business mechanism, but that is an erroneous assumption.... *The e-business mechanism is the enabler*” (emphasis added) (personal communication, December 2002). SeaPort thus emphasizes that e-business is a means to an end, not the end itself. Indeed, SeaPort allowed the Navy and its service contractors to use technological enablers to change not only the process but, more important, the culture of contracting. SeaPort was seen as a means “to build a new level of coopera-

**Figure 2: The “Dual Tracks” for SeaPort’s Development**



Source: Monahan 2002b.

tion that benefits everyone” in the acquisition of hundreds of millions of dollars annually in vital support services (Zyskowski 2002b, n.p.).

Experts inside and outside government have repeatedly stressed this culture–technology contention in e-procurement change efforts. In a recently released report from the IBM Endowment for The Business of Government, “Digitally Integrating the Government Supply Chain: E-Procurement, E-Finance, and E-Logistics,” Gansler, Lucyshyn, and Ross (2003, 19) echoed this sentiment: “The key to achieving the greatest increases in procurement efficiencies is to recognize that technology is just an enabling tool—business processes must be improved to gain the benefits of applying technology. In fact, this process transformation should not be viewed as a technology issue, but one of *critical organizational change management*” (emphasis added). According to the Department of the Navy’s

Acquisition Reform Office (2000), because changing and reforming procurement processes involves risk, “agents of change” play a crucial role in managing not just the technical and communication changes but also the cultural challenges that accompany such changes.

This was indeed the case with SeaPort. Vice Admiral George Nanos Jr., commander of NAVSEA, observed in regard to achieving successful redesigns of business processes: “It’s not about software. Ultimately, it’s about processes” (quoted in Murray 2001). Kathleen Monahan has stressed that the real challenge for SeaPort was cultural as opposed to operational, for if the end user’s needs are not taken into account in the design and refinement of the system, the system simply will not be accepted (opinion cited in Zyskowski 2002b, n.p.). In fact, in the view of Captain Kurt Huff, chief procurement officer for NAVSEA, the biggest objection to SeaPort was simply

“fear of the unknown” (cited in Cleary 2001b, n.p.). SeaPort meant a change in mindset not only for government buyers but for the contracting community as well. Thus, the NAVSEA contracting professionals behind the e-marketplace placed great emphasis on changing the culture of contracting—among both Navy procurement officers and the contracting community.

In this report, the SeaPort experience is analyzed after its first 18 months of existence and on the basis of five areas of investigation:

- Did the shift to Multiple Award Contracts produce the desired results?
- Does the SeaPort e-marketplace produce cost and time savings?
- Has SeaPort generated the anticipated level of procurement activities?
- Has small business participation in NAVSEA contracting been enhanced through SeaPort?
- Has SeaPort enhanced cooperation and fostered learning?

Finally, we look at the SeaPort experience and assess what the future holds for it and other services contracting initiatives in the federal marketplace.

# Multiple Award Contracts (MACs)

Simultaneous to the development of the actual e-business architecture of the SeaPort e-marketplace in late 2000 and into 2001, the SeaPort development team had to effect a radical change with the contractors providing NAVSEA's professional support services to MACs. Members of the contracting community were briefed on November 17, 2000, on the project and given a final opportunity to provide their input into what would become SeaPort.

The original RFP for potential MAC contractors, issued by NAVSEA on November 20, 2000, stated the five objectives for SeaPort:

- Provide the government with high-quality professional support services at a reasonable price and in a timely manner
- Maximize innovation
- Maximize cost reduction initiatives to meet NAVSEA's budget reduction (the \$250 million mandate)
- Facilitate NAVSEA's conversion to performance-based contracting in accordance with the Office of the Secretary of Defense (OSD) direction that 50 percent of all support services be procured using performance-based contracting by 2005
- Implement e-business opportunities to the maximum extent practical (Naval Sea Systems Command 2000, n.p.)

The contractors were given a deadline of January 26, 2001, to respond with their proposals, and

the contracts were officially awarded on April 1, 2001—the start-up date for the e-marketplace.

**Table 1: Current SeaPort MAC Prime Contractors**

|   |
|---|
| ADI Technology Corporation                    |
| AERA, Inc.                                    |
| Anteon Corporation                            |
| BAE Systems Applied Technologies, Inc.        |
| CACI Technologies, Inc.                       |
| Columbia Research Corporation                 |
| Computer Sciences Corporation                 |
| DTI Associates, Inc.                          |
| EG&G Technical Services, Inc.                 |
| Gray Hawk Systems, Inc.                       |
| GRC International (AT&T Governmental)         |
| Gryphon Technologies, LC                      |
| Identix Public Sector, Inc.                   |
| John J. McMullen Associates, Inc.             |
| Lockheed Martin Integrated Systems, Inc.      |
| Northrop Grumman Information Technology, Inc. |
| Planning Consultants, Inc.                    |
| TMASC Joint Venture                           |
| Unified-ZAI Joint Venture                     |
| Vredenburg                                    |

Twenty-one contractors bid for the MAC contracts, and all 21 were awarded such (Murray 2001). The number of MAC contractors presently (as of early 2003) stands at 20—see the firms listed in Table 1. MAC contracts allow a prime contractor to earn extensions on task orders, up to the 15-year run of the SeaPort contract itself, and this allows the private-sector partners in SeaPort to take a long-term approach to the Navy's services needs and develop workable solutions for the duration. There is no need to aim for the quick fix. Rather, slow and steady progress at improving quality while lowering costs through efficiencies gained over time will be the winning strategy in the end. However, in each of the MAC contracts, clause H-10 gives the government the right to annually review the status of SeaPort and determine whether a new competition should be conducted to add more ID/IQ contractors.<sup>5</sup>

There are several novel aspects to the ID/IQ contracts that form the basis of the relationships between NAVSEA and the 20 MAC holders. These include:

- Award-term contracting
- Guaranteed savings and cost controls
- Conversion to performance-based contracting
- Quality focus
- Communication

Each of these pioneering provisions of the SeaPort MAC contracts is briefly summarized in this section.

### **Award-Term Contracting**

Allan Burman (2000, 100) posed the question: "Are there innovative ways to reward a company's successful performance that go beyond the traditional incentives based on profit or fee?" Award-term contracting, yet another example of the government adopting a best practice from the commercial world, appears to be the answer.

The practice is growing in use in both private and public sectors. In the private sector today, we see companies entering into long-term strategic partnerships with their service providers—so long as the contractors produce satisfactory results. In the public marketplace, award-term contracting allows a contractor to earn years on existing contracts,

assuming that benchmarks for performance are attained. Why take this step? As Burman (2000, 101) observed:

One way to visualize this concept is to map efficiencies over time with a line leading down a staircase reflecting continually lowered costs. By following that line, the government continues to see productivity gains from the contractor and continues to lengthen the contract. However, if the slope flattens out, a new competition would be set up to promote cost savings that are no longer accruing through the existing contract.

Award-term contracting is an essential part of the SeaPort MACs. Each MAC is actually an ID/IQ contract. It is for a base period of five years, with two five-year options. Hence, under SeaPort, with award-term provisions allowing for task orders to be as long as the MAC contract itself, contractors can "earn," through attaining quality and price benchmarks, additional periods of performance, potentially up to 15 years.<sup>6</sup> However, the terms of the MAC contract also hold the contractors' feet to the fire if performance falls below the set goals or if costs are out of line, and after appropriate notice, NAVSEA retains the right to compete and award a new task order within 30 days (Monahan 2002a).

This long-term perspective allows for real partnerships to be developed between NAVSEA contracting professionals and their private-sector counterparts but also between the companies joining together to provide the necessary services to the Navy. The private-sector service providers benefit from knowing that they can make long-term investments to improve service levels and program efficiencies, while Navy program managers benefit simply by knowing that they are buying cost-effective support services without having to recompetete the services on a recurring basis. As noted in "GAO's Critical 2000 Report on the Use of MACs in DoD" (see p. 17), however, the use of such MAC vehicles has not been without problems in the past in defense contracting.

### **Guaranteed Savings and Cost Controls**

As discussed previously, one of the prime motivators behind the creation of SeaPort was the "250



## GAO's Critical 2000 Report on the Use of MACs in DoD

In 2000, at the behest of the U.S. Senate's Armed Services Committee's Subcommittee on Readiness and Management Support, the General Accounting Office (GAO) examined the use of MACs for large IT buys of both goods and services. The resulting GAO Report, *Contract Management: Few Competing Proposals for Large DoD Information Technology Orders (NSIAD-00-56)*, found that in many instances, competition was simply not occurring. GAO looked at 22 DoD task orders over \$5 million, most of which involved IT services for ongoing defense programs, awarded between October 1, 1997, and December 31, 1998. GAO found that only six of the 22 orders had competing proposals. This translated into the fact that \$443.7 million, or just over 80 percent of the \$553.1 million total value of the contracts examined, was awarded by noncompetitive processes (General Accounting Office 2000).

The rationales that competitive proposals were not forthcoming in these instances centered around three primary reasons. First, incumbent contractors often had an inherent advantage that precluded potential bidders from expending the time and effort necessary to submit a proposal. For example, in nine of 10 instances where there was an incumbent contractor, only the existing prime contractor submitted a proposal. This was attributed to the requirements that potential bidders would have to meet should they be successful in gaining the contract. For example, several contracts contained provisions that required a successful offeror to have staff in place (with proper security clearances and fully functioning offices) within days of the award. Also, GAO cited that in some instances potential offerors were not given reasonable time to respond with proposals. For instance, on an Air Force contract, only the current contractor responded with a proposal on a three-year, \$11 million contract within the two-day time frame given by the agency.

A second reason was that DoD contracting officers used statutory exceptions to the Federal Acquisition Streamlining Act (FASA) to not have competitive bidding on services contracts that were a "logical follow-on" to a contract that had been competitively sourced initially. GAO offered several such instances of this practice:

- The Defense Information Systems Agency made an award, valued at \$300,000, to a multiple award contractor for two months of work. Citing a FASA exception because the work in question was highly specialized, the agency awarded a second order, covering another 10 months of work at an estimated cost of \$6.7 million as a logical follow-on to the initial award. The agency subsequently awarded the incumbent contractor another award as a logical follow-on, valued at \$7 million for another 11 months of work.
- The National Institutes of Health (NIH) placed an order for an Army communication system. The original NIH order covered one year and was valued at \$1.6 million. A subsequent award was made noncompetitively as a logical follow-on. This follow-on order was valued at approximately \$8.5 million annually, spanning 45 months of work for \$32.1 million. The work description for this follow-on order included two task areas that the original \$1.6 million order's work description did not mention and that necessitated the contractor to increase staffing to almost three times that proposed for the original order. With the increased scope, the contractor proposed to increase expenditures for other direct costs (such as supplies and equipment) to about \$2.6 million annually; these were under \$40,000 in the original task order.

GAO concluded that such logical follow-on orders were inconsistent with guidance from OFPP.

In response to the critical report, DoD disagreed with GAO that outreach efforts *can* produce an increase in the number of bidders and the competition for such contracts. A DoD spokesperson commented, "It does not seem appropriate to go beyond notification to more active encouragement. It is unlikely that active campaigning on the part of the government will overcome a contractor's business judgment (to not bid)" (quoted in Saldarini 2000, n.p.).

million dollar bogey"—the targeted wedge savings for the Navy's PSS acquisition. As a mechanism to reach this target, the SeaPort MAC contracts all include a guaranteed savings clause. This provision holds the contractor—on all task orders that extend

beyond one year in duration—to produce a minimum guaranteed savings rate on their total costs. The average guaranteed savings is 5.3 percent.<sup>7</sup> This clause is an important one, primarily because it demonstrates the long-term commitment in SeaPort

from both the Navy's and the contractors' perspectives. The prime contractors are ensuring that they can produce efficiencies in the out years of a contract in trade-off for the security of the government's long-term commitment to their efforts. This further demonstrates the partnership model on which SeaPort is based.

Under the SeaPort ID/IQ contracts, the contractors also agreed to a provision setting maximum pass-through, escalation, and profit for all cost-plus-fixed-fee (CPFF) task orders, regardless of their duration.<sup>8</sup> Limiting pass-through costs is an important means through which total expenditures can be kept at a reasonable and predictable level (Monahan 2002a). It also reflects the emphasis on the teaming approach of the contractors to work together to produce cost efficiencies.

One of the conditions of the MAC contracts is that services pricing can be set through reverse auction events in the SeaPort e-marketplace, if this dynamic pricing mechanism is requested by the Naval customer.<sup>9</sup> While much has been written on the applicability of reverse auctions in the federal sector (Wyld and Settoon 2002; Wyld 2000), there has been somewhat limited application to date in the federal marketplace overall. To date, the option to employ a reverse auction has not been utilized within the SeaPort e-marketplace.

## Conversion to Performance-Based Contracting

Both to comply with mandates from OSD and to be "ahead of the curve" regarding the general trend toward performance-based contracting (discussed further in Appendix I), NAVSEA placed a high degree of importance on the fact that SeaPort would represent a shift to performance-based contracting. However, one of the very real problems that NAVSEA faced in converting to a performance-based contracting environment was that its program managers, as well as contractors, had little knowledge of performance-based contracting or experience in writing performance-based statements of work (SOWs) (Monahan 2002a).

NAVSEA is taking proactive measures to provide educational opportunities, within SeaPort and

beyond, to educate contractors and Naval personnel on performance-based contracting. In addition to the extensive information on SeaPort's operations offered on the SeaPort website ([www.seaport.navy.mil](http://www.seaport.navy.mil)), NAVSEA regularly performs SeaPort demonstrations at its headquarters in the Washington Navy Yard, in addition to conducting field demonstrations for Navy contracting personnel and program managers located outside the Washington, D.C., area.<sup>10</sup>

NAVSEA now also provides online and classroom training specifically on performance-based contracting. An online tutorial on the basics of drafting an RFP for a performance-based contract is available at <http://www.acq-ref.navy.mil/pbrfp/index.html>. The SeaPort website itself offers guidance on how to write performance-based statements of work (SOWs).<sup>11</sup> NAVSEA headquarters' operations also offers a two-day overview on performance-based contracting, with a follow-up course that takes a "hands-on" approach to drafting performance-based SOWs.<sup>12</sup> Such outreach is again evidence that a sustained effort must be made to "sell" the nonmandated SeaPort solution over the former means of procuring these professional support services.

Under the terms of the ID/IQ contracts, NAVSEA included an important provision that for all task orders that have options extending them beyond one year in duration, the MAC contractor must agree to convert the fixed-price or cost-plus-fixed-fee contract to one that is performance based. Under the terms of the SeaPort MAC, after nine months of work is completed on a continuing task order, the prime contractor must submit a performance-based plan. At a minimum, the plan must ensure that the incumbent MAC holder will continue to provide the same or higher quality level of support at reduced prices in future year(s). The final performance-based SOW is negotiated between the government and the prime contractor. If this cannot be agreed on, then the contract must be recompeted, and the prime contractor faces the prospect of losing the award to a competing firm.<sup>13</sup>

## Quality Focus

In the SeaPort environment, quality is measured on a real-time basis, and contractor quality issues are immediately addressed. Under provision H-8 of

the MAC contracts, NAVSEA collects and uses data on contractor performance in conjunction with the Navy's Online Contractor Performance Assessment Reporting System (CPARS).<sup>14</sup> All task orders issued through SeaPort are evaluated, both annually and upon final completion, and the results of these evaluations are archived in the SeaPort system.

Another important component of the SeaPort e-marketplace is an electronic issue resolution desk (IRD). With the IRD, if there is a quality issue on a given task order, the Naval customer can send an electronic notification to the IRD that also goes to senior-level management of the MAC prime contractor. The SeaPort system stores a history of all issues brought through the IRD and their resolution.<sup>15</sup>

With each MAC contractor's performance on SeaPort-issued task orders immediately available to them, as well as any IRD-recorded actions and their resolution, NAVSEA contracting professionals and their Naval customers have substantial business intelligence on the past performance of the contractors with which they are dealing (Monahan 2002a).

## Communication

A unique feature of the SeaPort MAC contracts is the establishment of an ombudsperson for handling contractor inquiries. The ombudsperson is an individual within NAVSEA, but employed outside the traditional contracting operation, that MAC holders and subcontractors can contact regarding questions and concerns about activities within the scope of the SeaPort e-marketplace. The primary duty of the SeaPort ombudsperson is to ensure that all contractors have a fair opportunity to compete and that all federal contracting regulations—including those pertaining to fair and open competition and small and disadvantaged business contracting—are abided by. If formal disputes should arise, then this individual is designated to serve as an independent third party to head and address such disputes through an alternative dispute resolution process.<sup>16</sup>

As part of the requirements for maintaining their status as MAC holders, firms must maintain a SeaPort-dedicated website. A sampling of the "front

pages" of three of these prime contractor sites are shown for:

- EG&G Technical Services, Inc.
- TMASC Joint Venture
- Unified-ZAI Joint Venture

Although the sites vary in their creativity and user-friendliness, there is uniformity to their basic structure. This is because all conform to clause H-12 of the MAC contract. The primes' websites, at a minimum, must include:

- A copy of the ID/IQ contract and all task orders
- A copy of all technical instructions issued against any task order
- A list of all team members proposed and their capability/area of expertise
- A description of the last three years of PSS experience, for the prime contractors and each subcontractor, listed by functional area (program management, logistics, financial management, and engineering) and PEO, directorate, and specific program, as appropriate
- Reference point of contact to determine information on customer satisfaction with the services performed
- A description of the prime's quality assurance program
- Points of contact for information related to ID/IQ contracts<sup>17</sup>

According to the MAC contract, to be extended a fair opportunity to compete on task orders, contractors must actively maintain their respective websites, keeping them accurate and up to date. These sites thus provide valuable information for Navy users and contractors alike. Links to all 20 of the contractors' MAC websites are provided in Appendix III.

# SeaPort E-Marketplace

In this section of the report, we examine the e-business aspect of SeaPort. First, we examine the unique manner in which the e-marketplace was created. Then, we look at how the SeaPort e-marketplace works, from both the government buyer's perspective and the MAC contractors' vantage point.

## The Development

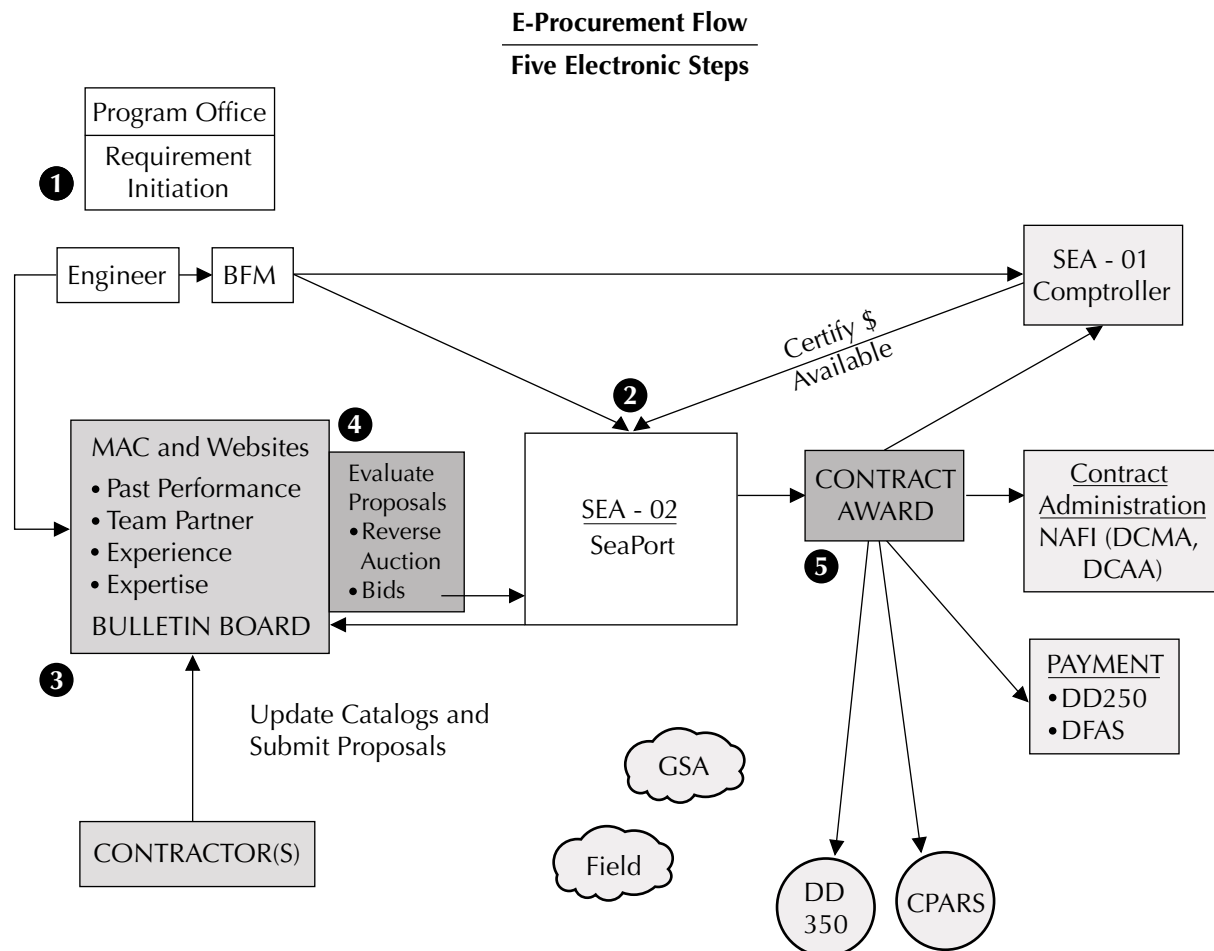
The process by which NAVSEA conducted the bidding and building of the e-business component of the SeaPort project was unique in itself. NAVSEA was focused on producing quick change in the way services were procured. To achieve having the e-business architecture in place, this meant several innovative steps had to be taken.

First, rather than writing a traditional RFP, NAVSEA simply drew up a one-page flowchart (Figure 3) showing what it wanted its electronic services procurement system to look like. The five steps represented the "full operating capability" (FOC) of the desired system, with the extensions and clouds being areas for future scalability in the eventual system (Monahan 2002). As Kathleen Monahan squarely put it, the Navy simply handed the flowchart to potential vendors and asked them, "How much of this picture can you deliver and at what price?" (quoted in Zyskowski 2002a, n.p.). Captain Kurt Huff remarked that the process through which NAVSEA went about acquiring the e-business architecture that was to be the basis of SeaPort was very different from anything done previously in federal contracting. He related:

I've had some experience with the software industry. Usually, you're promised more than you're ever going to get. I wanted to try to roll something out on March 31, and gave a one-page sketch of the process. "You tell me what you can get on 31 March." Normally, we say: "We want it on X date. Tell me what it will cost." Then I added, "And if you don't deliver, your payment is zero." That really got their attention. Historically in this business, people are late and over budget (cited in Cleary, 2001b, n.p.).

Zyskowski (2002a) pointed out that "old-school" procurement would have had the government dictating in great detail exactly what the system should look like and what it should do, effectively eliminating a commercial off-the-shelf (COTS) software solution. Working with COTS software has been controversial for e-procurement efforts in the federal sector. Writing in *Government Executive*, Shane Harris (2002, n.p.) contended that searching for such a "ready-made" e-procurement solution was pointless for federal agencies. He stated, "The truth is that there's no commercially available procurement software that agencies can pull off the shelf and use without significant modification. Don't even bother looking for the elusive, ready-to-go 'COTS' product, because it won't work if it still exists." Yet, as Sandy Kline, deputy director for electronic business and contract automation at NAVSEA, observed, "If you give industry a highly detailed RFP, then they start to move away from giving us what the commercial industry is already

Figure 3: The Original One-Page Conceptual Framework for SeaPort



Key: BFM Bureau of Facilities and Material  
 CPARS Contractor Performance Assessment Reporting System  
 DCAA Defense Contract Audit Agency  
 DCMA Defense Contract Management Agency  
 DD Department of Defense  
 DFAS Defense Financing and Accounting Service  
 GSA General Services Administration  
 NAFI Nonappropriated Funds Instrumentality  
 SEA

Source: Monahan, Petersen, and Singleton 2002.

using” (quoted in Zyskowski 2002a, n.p.). NAVSEA had both a tight timeline and a desire to mirror commercial best practices. Thus, a COTS solution was the only real option.

As depicted in the top timeline in Figure 2, the entire e-business award process was conducted

within the course of less than a month at the end of 2000. The one-page statement of work (Figure 3) was released on December 5. Only two weeks later, on December 19, offerors had two hours in which to make a presentation to show how their COTS solution met NAVSEA’s requirements. All of the e-business solution providers’ proposed COTS

software met or exceeded these requirements. In the intervening period, a full vetting of the potential suppliers was conducted, as NAVSEA asked all bidders to provide references of customers who were running similar software to manage similar e-procurement environments. On December 22, a “best-value” selection was made with a firm-fixed price for the full operating capacity needed and a not-to-exceed price basis for future scalability and extendability options. And on January 3, 2001, less than one month from the release of the RFP and with no less than two holiday seasons in the interim, the e-business component of SeaPort was awarded (Monahan 2002a).

SeaPort was developed through a contract valued at \$2.8 million, with:

- CommerceOne<sup>18</sup> taking the lead role, providing the e-marketplace software solution and providing the web services
- Computer Sciences Corporation providing the integration necessary for the marketplace to work
- IBM providing business consulting services (Cleary 2001a)

The initial set-up costs of the system totaled approximately \$1.4 million, with approximately \$460,000 being necessary annually for software licensing, system support, and third-party hosting (Zyskowski 2002b).

According to CommerceOne Vice President Max Peterson, “NAVSEA controls the look and feel of the system, and they control strategy. We (CommerceOne) design, implement, and run it for them” (quoted in Bhambhani 2001a, n.p.). The foundation of the Aquilent solution is a combination of proven CommerceOne applications, including:

- Enterprise Buyer<sup>TM</sup> 6.5 eProcurement
- Auctions 4.1 (eRFX Bidding Services Platform)

Aquilent also provides the web-hosting services for the marketplace (personal communication from Sean Curry, Aquilent program manager, November 2002). Contracts under SeaPort are actually awarded on the Exostar exchange (a leading aerospace and defense e-marketplace) (Cleary 2001b).

In the end, NAVSEA was able to “go live” with the SeaPort e-marketplace in just 69 days, with the website up and running on April 2, 2001 (personal communication from Sean Curry, Aquilent program manager, November 2002). On May 14, 2001, the first task order competed through SeaPort was awarded to EG&G Technical Services. The six-month task order (with a one-year option) was for EG&G to develop advanced technologies for the Navy’s Advanced Systems and Technology Office (ASTO). From start to finish, this first services acquisition—from PR origination to the awarding of the task order—took less than a month.<sup>19</sup>

## How Does the SeaPort E-Marketplace Work?

The SeaPort e-marketplace that was created provides a secure, completely paperless e-procurement environment for all parties involved. It can be accessed from anywhere in the world, simply through a web browser. In this section, after overviewing the security of the e-marketplace, we examine how task orders are generated, competed, and awarded.

### Security

Today, security is at the forefront of concerns regarding any e-commerce site. NAVSEA has taken adequate steps to ensure the security of the e-marketplace. First, from a technical standpoint, NAVSEA and its lead e-business solution provider, CommerceOne, have employed the most secure commercially available 128-bit secure socket layer (SSL) server-client session encryption.<sup>20</sup> However, the main security measure is the fact that while SeaPort itself has a “public face” visible through its public website (shown in Figure 1) with many resources available, all “users” of the actual e-marketplace—the SeaPort BuySite<sup>TM</sup>—must be authorized by NAVSEA. This means that all prime contractors and subcontractors must submit the names of those personnel who need to have access to the e-marketplace and ask that they be granted a user account for the BuySite.<sup>21</sup>

Further, there are differing levels of authority assigned to the registered users. Hence, a company—and the government—can only be bound by the actions of a duly authorized user. Finally,

once a user is determined to have the authority to participate in the electronic “event” he or she is attempting to carry out on the BuySite (posting a solicitation, submitting a proposal, or issuing a task order), the authorized user is asked to “confirm” his or her intent to “engage in a legally binding electronic action.” An affirmative response is viewed legally as creating an electronic signature, with the user, date, and time duly recorded and a “locked down” copy of this information—along with all associated documents and materials associated with that particular action—archived through the SeaPort website.<sup>22</sup>

In its SeaPort operations, NAVSEA has designed the e-marketplace’s use of e-signatures to comply with both the:

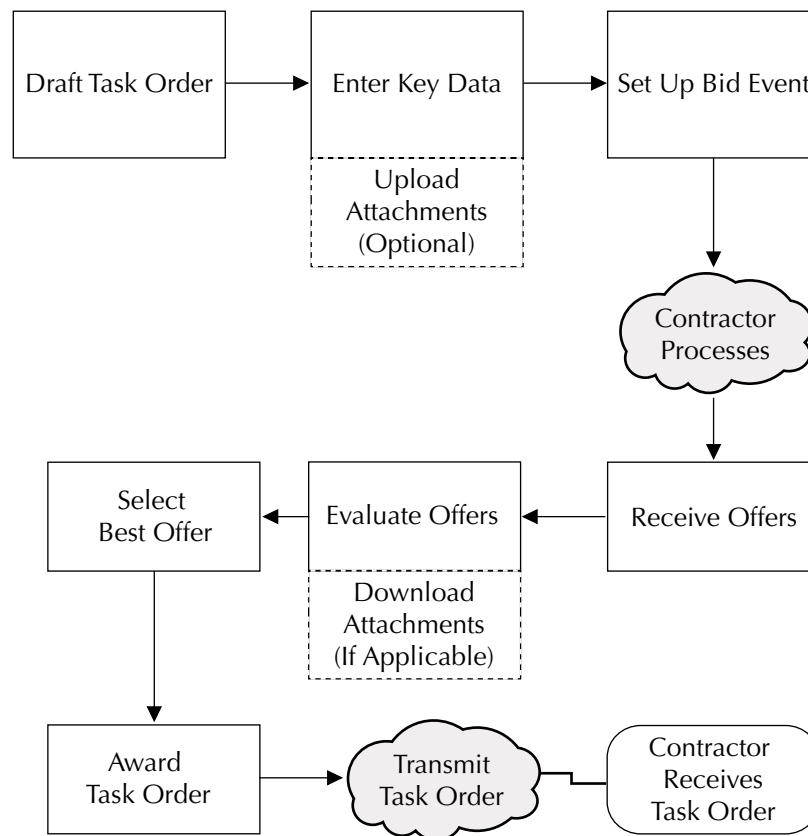
- Electronic Signatures in Global and National Commerce Act (ESIGN)
- Government Paperwork Elimination Act (GPEA)<sup>23</sup>

### Task Orders

For Navy procurers, as well as for MAC holders and their subcontractors, the SeaPort electronic work flow is as depicted in Figure 4. The processes to be followed by both the government and the MAC holders are spelled out in the Task Order Process Clause (H-7) of the MAC contracts.<sup>24</sup> In this section of the report, we overview the mechanics of how the SeaPort e-marketplace works in terms of task order generation, competition, and award.

As shown in Figure 4, the process begins with drafting the task order itself. The SeaPort project

**Figure 4: SeaPort’s Paperless Task Order Work Flow**



Source: Naval Sea Systems Command—SeaPort (2002).

team desired to have an “Amazon.com-like” web-based system, through which program managers could procure necessary services without the need for extensive training (Zyskowski 2002b). According to Kathleen Monahan, the conceptual metaphor for what they envisioned SeaPort to be was—ironically for a federal program—to make it “TurboTax-like.” As with the federal tax program, procurement staff could develop a service acquisition based on a series of questions that would “guide” them to the proper way to do things. The “wizard” would automatically fill in the forms necessary for initiating the task order (personal conversation, June 2002). The finalized task order emanates from the procurement staff’s responses to these queries.

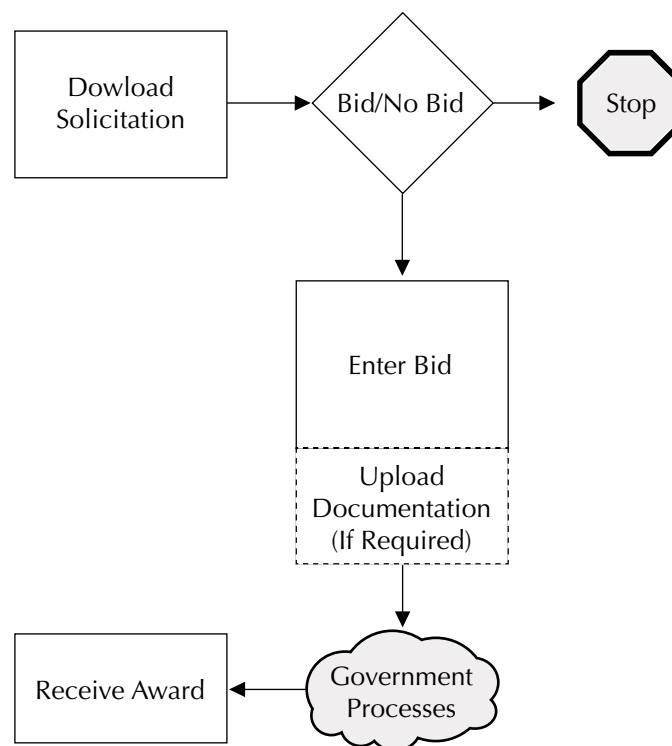
NAVSEA recognized that the “wizard” was not necessary for all users, and experienced users today need not follow the “dummy proof” steps built into the software wizard for initiating task orders (Zyskowski 2002b). There are thus two exceptions

to the use of this task order wizard. Procurement officers can choose to “bypass” the wizard, drawing on their expertise to draft an order. Alternatively, one of the benefits of SeaPort is that over time all task orders processed in the SeaPort e-marketplace are archived. Thus, contracting officers can draw on a library of past task orders as references and as “models” on which to base their procurements.

The task order request indeed drives the rest of the process, as the task order solicitation is then posted as a PDF (portable document format) file on the SeaPort BuySite. This must be done by an authorized procuring contracting officer (PCO), and an electronic signature of this individual (generated as discussed in the previous section) creates a “binding” action on the part of the government. All 20 MAC holders are then notified by e-mail of the solicitation’s availability.<sup>25</sup>

In the SeaPort e-marketplace, all prime contractors are extended a fair and open opportunity to com-

**Figure 5: MAC Holders’ Work Flow Diagram for Selling through SeaPort**



Source: Naval Sea Systems Command—SeaPort (2001).



pete on NAVSEA's PSS contracts. All MAC holders are notified of task orders entered into SeaPort. If, under circumstances deemed necessary by a program manager, only a limited number of MAC holders are to be solicited, the ombudsperson must give prior approval to such an action.<sup>26</sup> The ombudsperson must also approve any sole source acquisition.<sup>27</sup>

For MAC holders, this process works as shown in Figure 5. In the SeaPort environment, prime contractors have only five days to turn around concise proposals for their work, as opposed to the one or two months they formerly had to produce proposals, which in the view of Zyskowski (2002b, n.p.) were "verbose works [that] more often resembled novels than business proposals." The contractors then must go to the SeaPort e-marketplace, download the solicitation, and decide whether to enter a proposal on the task order solicitation. If they decide to enter a bid, the MAC holder's authorized representative logs into the SeaPort BuySite. The registered user—with prespecified authority to bind his or her company to the proposal—then creates the firm's response. This is done by entering required information in the appropriate data fields, generating a grand total for all priced items in the solicitation, and attaching related proposal documents in PDF format. When the registered user indicates that the proposal is finalized, the system prompts the user to confirm his or her intent to submit the proposal materials. The submission action is confirmed by the authorized user, generating an electronic signature, indicating the date and time of the action and the identity of the user undertaking it. The contractor's submission is then stored in the system.<sup>28</sup>

For NAVSEA, the award process works in much the same fashion as it does for contractors, with totally electronic evaluation and execution. Once the closing time and date have arrived, NAVSEA evaluates all proposals in accordance with the solicitation document for the specific task order. The determination is to be based on a best-value assessment.

One of the unique features of SeaPort is that it enables MAC holders to submit multiple bids for the same project, enabling the Navy to consider alternate ways that contractors can supply solutions

at different price, service, and quality levels. For instance, for a business solution, contractors can submit alternate bids, "for example, the choice of one \$100-per-hour star consultant or two \$60-per-hour consultants, one with related specialty experience" (Cleary 2001a, n.p.). This enables NAVSEA to consider multiple solutions to a given services acquisition, even though the rules on federal procurement prohibit the back-and-forth dialogue common in the private sector. In commenting on the previous system, Captain Kurt Huff remarked, "The thing that bothers me is we by fiat are having contractors determine what they think is best value when I want to be the guy who does that" (quoted in Cleary 2001a, n.p.).

Once a MAC holder has been selected for the award, a task order is generated using the selected contractor's information. At this juncture, a warranted contracting officer can log into the SeaPort BuySite, using a registered user name and password, and execute the task order on behalf of the Navy. The system only allows a designated user to execute a task order or a modification. The BuySite captures a time- and date-stamped electronic signature and retains this in a log file as proof of the intent to issue the task order. Once this electronic signature is captured by the system, the task order is considered to be bilaterally executed by the government and the contractor. The executed task order is then forwarded electronically to the successful MAC holder as a PDF file. It also becomes part of the electronic task order library and can be consulted for later reference by authorized contracting personnel and program managers.<sup>29</sup>

This same process applies to any modifications to the initial task order, as well. However, by capturing all data and tracking changes, the SeaPort system helps improve both the speed and accuracy of task order modifications.<sup>30</sup>

Finally, NAVSEA has made provisions for alternate means of contractor proposal submission, in the event that the SeaPort BuySite is inaccessible. Under such circumstances, with the approval of the PCO, the prime contractor may submit its written proposals through either manual or electronic means.<sup>31</sup>

## Conclusion

In the end, the “mechanics” of the SeaPort e-marketplace have drawn praise from Naval users and the contracting community alike. David H. Schofield, a Navy contract specialist, said, “I find using SeaPort very intuitive; the links are quite useful and well thought out. Also, the technical architecture seems to provide a vast array of capability. The end result is a remarkable combination of simplicity, while providing a high degree of functionality” (personal communication, December 2002). Likewise, Paul Ilg, president of AT&T Government Solutions Inc., a SeaPort MAC holder, commented, “We’ve been very impressed with NAVSEA’s use of technology to electronically streamline the issuance of solicitations, accept industry proposals, and effect awards” (personal communication, November 2002).

In the next section of this report, we turn our attention to assessing SeaPort’s first 18 months of operations in attaining the goals espoused by NAVSEA for the e-marketplace.

# Assessing the SeaPort Experience

In this section, we analyze the overall success of the SeaPort endeavor. The time period scrutinized is from the implementation of the SeaPort e-marketplace (April 1, 2001) through the end of FY 2002 (September 30, 2002)—an operating period of 18 months. This examination focuses on five key areas:

- Did the shift to Multiple Award Contracts (MACs) produce the desired results?
- Does the SeaPort e-marketplace produce cost and time savings?
- Has SeaPort generated the anticipated level of procurement activities?
- Has small business participation in NAVSEA contracting been improved through SeaPort?
- Has SeaPort enhanced cooperation and fostered learning?

Analyzing these outcomes calls for analysis of both hard metrics and softer qualitative data.

## Did the Shift to Multiple Award Contracts (MACs) Produce the Desired Results?

Through the SeaPort initiative, NAVSEA reduced the number of contracts from an unwieldy 380 or more to 20 MAC contracts.<sup>32</sup> According to Captain Kurt Huff, simply reducing the number of contract vehicles by over 90 percent represents significant savings in itself (cited in Bhambhani 2001a).

Yet, the question must be raised as to whether there was too much emphasis on cost reduction to the detriment of long-term relationships with the MAC holders. Among MAC holders was a contention that, in the words of one program manager who voiced a common feeling, “the government wimped out.” This was strong language, but it reflected some degree of frustration among the prime contractors that NAVSEA selected all the initial 21 proposals for the MACs. In interviews for this report, some of the companies’ representatives openly admitted that they put forward more competitive proposals than would have been necessary to get the business in the belief that NAVSEA would only award a limited number of MACs. One SeaPort program manager forthrightly, but anonymously, commented that:

NAVSEA stated during presolicitation briefings that the intent was to award nine or 10 contracts. This caused most of the bidders to bid aggressively to qualify for the top ratings on cost. The cost savings initiatives from the RFP to achieve an “outstanding” rating were extreme, and if it was known that all 21 bidders would be awarded a contract, then we would not have bid so aggressively (personal communication, October 2002).

A tangible change that NAVSEA wanted was to invite the existing 80-plus member companies of its existing contractor base to develop high-performance teams to provide the necessary professional support services. The original RFP for SeaPort asked potential contractors to be creative in assembling

their teams to gain significant “depth and breadth” of services they could collectively offer, specifically allowing for companies both to act as prime contractors themselves and to support other firms as subcontractors in NAVSEA services acquisitions (Naval Sea Systems Command 2000).

As of the end of FY 2002, we see that the vast majority of MAC holders have arrangements to potentially use other MAC prime contractors as subcontractors on their proposals and actual work through SeaPort. Two firms (Anteon and EG&G Technical Services) have agreed to act as subcontractors on as many as seven other prime contractors’ NAVSEA services work. Likewise, GRC International and Northrop Grumman Information Technology serve as subcontractors for six other MAC holders’ teams. The vast majority of the other prime contractors serve as subs on two or more of the MAC high-performance teams. Indeed, as of the end of FY 2002, only three MAC holders do not use any of the other prime contractors as potential partners. These are Lockheed-Martin Integrated Systems, Inc., TMASC Joint Venture, and Unified-ZAI Joint Venture.

In the final analysis, is this cross-contracting beneficial? Although critics may charge that this situation presents the potential for collusion, the teams that have emerged today address the overarching goal enumerated in the SeaPort RFP—that the teams be assembled to “optimize the balance between providing the broad range of quality services to a range of customers using state of the art management while achieving significant cost savings through efficiency and innovation” (Naval Sea Systems Command 2000, 1).

Among the company representatives spoken to, however, there was a sense that the government did not get the type of teams it wanted or truly needed. NAVSEA stressed that the MAC teams should have “significant depth and breadth,” but some MAC spokespeople believed that this led to proposals (and eventually real working relationships) that were overly broad and complex. According to the RFP, there were over 2,000 “cells” of potential coverage for NAVSEA’s operational needs that a MAC prime contractor could cover. Through reporting on their MAC websites, this author’s analysis showed that many of the MAC holders’ coverage of these

potential services contracting areas are spread over 60 percent or more of the “cells.”

While this ensured significant breadth, some MAC holders questioned whether it provided *true* depth and expertise. For one thing, could there be real and unique synergies and know-how developed among the diverse, and often many, partners that were brought together on these teams? One MAC program manager said that the teams were developed by prime contractors working out deals to the effect of, “I’ve got submarine experience, you’ve got surface experience. Let’s get together.” From this perspective (heard on more than one occasion), it was simply a matter of companies finding complementary competencies, not extending the range of their own work. There was questioning offered about what exactly brought the teams together to achieve the desired breadth. Often, MAC holders acknowledged that being a subcontractor to another competing prime was a way to ensure that they at least received some of the business. This led one prime contractor to characterize the situation as—no pun intended by the author or the spokesperson—“sharks circling sharks surrounded by more sharks.” Another prime contractor, Gray Hawk Systems, had much more direct comments. Its program manager, Joe Martini, said, “Many large teams were formed with opportunities and encouragement offered to team members (large and small) who have been unsuccessful, or only moderately successful in participating in, bidding, and winning SeaPort procurements. There are many of these team members who no longer feel that there is a reasonable chance of gaining work” (personal communication, October 2002).

Finally, Charles Vinroot, managing director of the TMASC Joint Venture, raised the issue of predestination in the contracting process:

The SeaPort process itself works well and appears well thought out and executed, but the eventual winners appear to have been “preselected” for the most part and the justification written to support this selection. While this continues, those that know they will win will not reduce their prices, and costs will continue to be the same or higher (personal communication, October 2002).

There was indeed sentiment found among a significant portion of the MAC holders that NAVSEA had a desire to see incumbent contractors receive business, or alternatively, that it had a wish to split service contracts among several nonincumbent firms. This, of course, depended on the perspective of whether or not the MAC contractor was speaking from an incumbent or prospective contractor position. Speaking from the perspective of one of the small business MAC holders, Joe Martini remarked, “The general impression among many of the SeaPort primes and subcontractors is that most awards appear to be going to incumbents. As a result, there is far more selectivity in the bid decision process and increasing reluctance to compete on those procurements that appear to favor the incumbents that are currently supporting the procuring codes” (personal communication, October, 2002). Mr. Martini also complained, “There have been a number of procurements that were very small in scope, duration, and/or value. It would appear to be advantageous and less expensive in time and resources (for both the Navy and industry) to award these items directly to a contractor possessing the requisite personnel and qualifications. In short, go sole source for these very small items” (personal communication, October 2002).

## Does the SeaPort E-Marketplace Produce Cost and Time Savings?

In absolute terms, SeaPort achieved a return on investment for the government within 10 weeks of the April 2001 launch of the portal for NAVSEA by recovering the upfront costs of establishing the e-marketplace (Brown 2001). According to Kathleen Monahan (2002c), SeaPort has contributed to producing command-documented savings of approximately \$55 million in its first 18 months of operations.<sup>33</sup> These savings break down as:

- FY 2001: \$34.3 million
- FY 2002: \$20.3 million

SeaPort has seen significant growth in the overall total dollar volume of acquisitions processed through NAVSEA's e-business portal. In FY 2001, \$2.6 million of professional services were acquired (this was a partial year because SeaPort went live

in April 2001). For FY 2002, NAVSEA reported that the volume of services procured through SeaPort had reached approximately \$150 million. This number represents approximately one-third of NAVSEA's total spending on professional support services falling within the scope of the SeaPort initiative. One must remember that under the long-term partnering approach, the potential size of the task orders issued under the ID/IQ contracts magnifies in the potential out years. According to Claire Grady, program manager for SeaPort, the total potential value of the task orders awarded to date, including options and award terms, could top \$1.7 billion over the potential 15-year lifetime of the contracts (personal communication, November 2002).

In regard to the issue of savings metrics, the precise outcomes are indeed difficult to pinpoint. This is not a dodge; it is just inherent in the fact that SeaPort—and indeed NAVSEA itself—is a support function. For instance, Claire Grady rightly does not claim cost savings achieved through SeaPort, deferring all questions on such matters to be more accurately answered by the programs purchasing services through the operation. This is because the actual amount of realized savings may be due to a number of factors outside the scope of the SeaPort system. For instance, a particular command may have lessened or heightened demand for professional services in a specific time frame, making it difficult to assess quarter-over-quarter or year-over-year changes (personal communication from Claire Grady, September 2002).

Where do the savings come from? Captain Kurt Huff observed that being able to operate with fewer contracting personnel is only a small part of the overall savings picture for NAVSEA (opinion cited in Bhambhani 2001a, n.p.). Indeed, the greater cost savings are likely to occur in the out years—as more of the guaranteed savings and performance-based contracting provisions kick in for the task orders issued under the MAC contracts.

Yet, one must question whether these “guaranteed” savings clauses can really produce both savings and viable and willing contractors over the long term. An anonymous program manager for one of the SeaPort prime contractors stated that “professional support services for engineering, financial

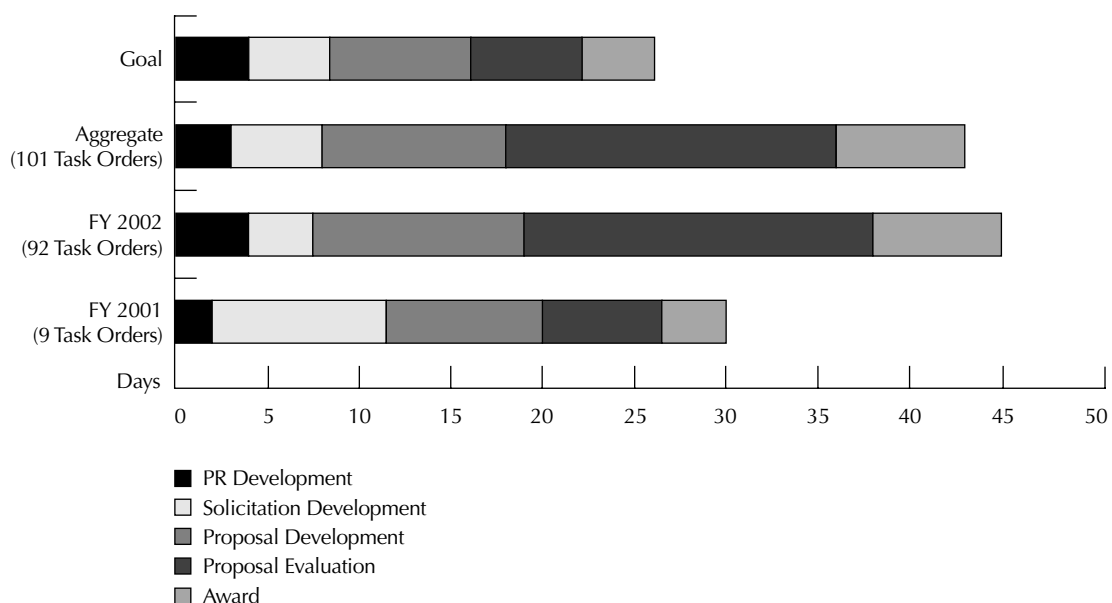
and program management, and logistics do not lend themselves to performance-based contracting, except in rare cases where all ‘products’ are known” (personal communication, October 2002). One of the MAC prime contractors program managers observed, “The cost savings expected on work transitioning from a cost-plus to fixed-price basis are unrealistic to customers and contractors alike. It is unreasonable to expect the same level of support, with highly qualified and fairly compensated employees, while costing less each year” (personal communication, October 2002).

During the present climate where Navy civilian personnel and contractor support are being reduced, more emphasis needs to be put on the cost aspect of these MAC solicitations. During the informal “debrief” process, we have received comments such as “low risk of unacceptable performance,” while offering to perform at 20+ percent less than the eventual successful offeror. We continue to not understand how this process saves taxpayer money (personal communication, October 2002).

A somewhat negative sentiment was found among the MAC holders’ spokespeople and program managers about the overemphasis on cost versus “best value” in NAVSEA awards made through SeaPort. While the awarding of task orders through SeaPort is not governed by Federal Acquisition Regulation (FAR) Part 15, MAC holders can still request a debriefing on unsuccessful bids.<sup>34</sup> While most MAC holders were unwilling to go “on the record” regarding their company’s debriefings for this report, some were. As an example, Charles Vinroot, managing director of the TMASC Joint Venture commented:

Pat Dolan, deputy director for NAVSEA’s Office for Congressional and Public Affairs, stated, “We were looking at trying to simplify and shorten our process time for delivery orders. To do that we needed an e-business solution” (quoted in Bhambhani 2001b, n.p.). In the present analysis, the researcher analyzed data from NAVSEA on the first 18 months of the e-marketplace’s operations (through September 30, 2002) to determine just what impact implementing the e-business architecture had on the award process. Through SeaPort, NAVSEA’s data revealed that it had significantly cut the time necessary to award professional services contracts—from almost a year to approximately four weeks in FY 2001.

**Figure 6: SeaPort Activity Metrics—Time (Inception through End of FY 2002)**



Source: Claire Grady, program manager, SeaPort (October 2002).

This confirmed earlier findings (i.e., Brown, 2001). However, as shown in Figure 6, SeaPort's processing time on task orders has actually *increased* in FY 2002 to approximately 45 days, raising the aggregate award time to approximately six weeks. As can be seen in this graphic, the data show that the major source of delay stems from proposal evaluation times that are roughly triple that of the goal set for this activity. Thus, NAVSEA stands far apace from its eventual goal of reducing the entire cycle time to between three to five days (CommerceOne 2001).

In interviews on the subject, the MAC prime contractors raised issues with this researcher on the time aspect of the award process. One MAC holder commented that a number of awards made under SeaPort were so bundled and complex that the only company in a reasonable position to respond would be the current prime contractor. Furthermore, NAVSEA contracting personnel often specified quick turnaround time on services buys that were several hundred million dollars. Some MAC holders privately questioned their ability to effectively respond if they were seeking to unseat the incumbent contractor in cases where they were given a seven- to 10-day time frame to respond. Thus, there is some questioning in the contractor community as to whether or not, even with electronic processes, speed should be such an important decision criterion, especially when dealing with the size of the services acquisitions being carried out today. When asked about the eventual goal of a three- to five-day total time frame, none believed that short a time frame was feasible or prudent on service acquisitions of this size and scope. One MAC program manager derisively replied, "This ain't office supplies!" (personal communication, November 2002).

## **Has SeaPort Generated the Anticipated Level of Procurement Activities?**

From an overall perspective, as of the end of FY 2002, SeaPort had seen 326 government users and 224 industry users, representing 93 companies. It had processed 101 task orders, with 247 modifications issued electronically against those task orders (Claire Grady, personal communication, October 2002).

According to Ms. Grady:

While it is difficult to provide a specific percentage of services that are being placed through SeaPort, adoption of SeaPort has far exceeded initial expectations regarding usage. Over half of the requiring directorates and PEOs affiliated with NAVSEA have chosen to make SeaPort their exclusive mechanism for acquisition of services. Additionally, those directorates and PEOs that are not using SeaPort exclusively have accelerated their usage and are transitioning even more services requirements to SeaPort than had been planned (personal communication, December 2002).

For this report, an assessment of monthly activity metrics for SeaPort was conducted on data provided by NAVSEA. The author was able to assess SeaPort activity in three areas: new procurement requests, solicitations, and task orders executed.

Surprisingly, all three of these activity metrics peaked in FY 2001. Indeed, there has been an apparent, marked fall-off in utilization of the SeaPort e-marketplace, particularly in the last half of FY 2002. For instance, new procurement requests hit a high in August 2001, and for the last month of FY 2002, September 2002, the number of new procurement requests was just a quarter of those received in September 2001. As these requests drive the other outcome measures, the numbers of solicitations and task orders actually executed fell in a like fashion, lagging by a matter of a month or so. In fact, for the month of August 2002, no task orders were actually executed through the e-marketplace.

Undoubtedly, this downward trend in SeaPort's utilization metrics should be a concerning result. It is a trend that bears watching in FY 2003 and beyond, as it could mean that after an initial "rush" to make use of this new e-enabled mechanism, there has been an apparent fall-off in its utilization among the all-important Naval customers. If this trend continues, certainly the potential benefits of the operation will be limited, and indeed, the success of the entire venture could come into question.

The precise reason of the fall-off in utilization is a tough matter to assess. One important thing to remember in assessing the activity level of the new e-marketplace is that SeaPort is not the only contracting vehicle available for the necessary range of professional support services for NAVSEA. Indeed, many program managers continue to use the GSA vehicles that remain available to them in lieu of “switching” to SeaPort. Why? Although some proportionality can be attributed to inertia, probably more of the answer lies in the strategic approach taken to forming the SeaPort e-marketplace.

Indeed, much of the reason that the precursor to SeaPort, the SSAPO plan, met stiff resistance from internal Navy users and the contracting community was that it envisioned a mandatory electronic acquisition system, replacing all former avenues for procuring the targeted professional support services. In contrast to the SSAPO approach, SeaPort replaced the former “push” strategy (making the use of the system mandatory) with a “pull” strategy (making the system voluntary) (Monahan 2002a). In the view of Claire Grady, “If it (SeaPort) was a mandated solution, then we wouldn’t have the pressure to provide that high level of customer service and to work with people to deliver a system that meets or exceeds their expectations” (quoted in Zyskowski 2002b, n.p.). This placed the onus on the SeaPort development team to truly take its Navy “customers” needs into account in order for them buy into the new e-marketplace and foster its use and growth.

Vice Admiral George Nanos Jr., commander of NAVSEA, does encourage the e-marketplace’s use. However, SeaPort was not, and apparently will not be, a mandated solution.<sup>35</sup> While the pull strategy has been judged successful by NAVSEA and is to be admired in an environment where implementing change by marketing over a mandate is unique, it is vital for the long term that SeaPort be utilized in as many appropriate instances across Naval operations as possible. The improved business intelligence, control over spending, and shift to performance-based contracting are all dependent on increased SeaPort utilization. With other, perhaps more expedient contracting vehicles available (such as GSA Schedule buys), the long-term success of the e-marketplace is crucial to accomplish the real mission—the wedge savings. Indeed, as Charles

Vinroot pointed out, “This MAC effort (SeaPort) has largely replaced the previous trend to use a GSA vehicle, where the individual customer could select the contractor of their choice with little or no real competition. While this resulted in a cost to NAVSEA to use these GSA vehicles, the personnel executing the MAC effort are not ‘free’ either. It would be interesting to compare the GSA and MAC costs to the government” (personal communication, October 2002). Thus, if significant percentages of Naval contracting professionals elect not to use SeaPort, the costs of operating the e-marketplace could, over time, outweigh any savings generated by the effort.

While it is important to remember that SeaPort successfully employed a pull strategy in achieving these significant results, a push strategy mandating the use of SeaPort over the other available contracting vehicles would have produced *de facto* greater results in terms of contract actions, volume, and savings. However, there likely would not be the level of customer buy-in to the system found at present, a soft metric that NAVSEA emphasizes.

### **Has Small Business Participation in NAVSEA Contracting Been Improved through SeaPort?**

In testimony before the House Government Reform Committee’s Subcommittee on Technology and Procurement Policy, Colonel Aaron B. Floyd, president of the Retired Military Officers Association, expressed concern that, overall, small businesses are not able to obtain prime contractor status in military procurement. If subjugated to being a subcontractor to a larger prime, a small business cannot have revenue assurance and overhead expense reimbursement that enables it to succeed in the long term through engaging in critical areas, such as program management, accounting and finance, contract management, and administrative support (United States House of Representatives 2001).

NAVSEA stressed that small businesses should be a significant part of the contracting base for professional support services, working out a strategy in conjunction with the Small Business Administration. NAVSEA did not include all PSS contracting in the



sphere of SeaPort, letting all the small business 8(a) set-asides remain as such. NAVSEA also intended to set aside two MAC contractor slots for small businesses. However, this proved unnecessary because seven of the 20 MAC holders turned out to be small businesses (Monahan 2002a). NAVSEA also established a goal that 35 percent of all sub-contracted work should be assigned to small businesses.

In practice, NAVSEA has hit its small business contracting goals for the SeaPort initiative. According to Claire Grady, as of the end of FY 2002, after 18 months of operations, small businesses (acting both as prime and subcontractors) accounted for:

- 25.3 percent of the total potential value of task orders, including options
- 31.2 percent of the total potential value of task orders, including options and award terms
- 12.8 percent of the obligated dollars (personal communication, October 2002)

All MAC holders list their subcontracting partners on their websites. An analysis of each contractor's website for their subcontracting partners finds that small businesses make up a significant portion of the subcontractors performing the services NAVSEA has acquired through SeaPort.<sup>36</sup> For instance, one of the small business MAC holders, Planning Consultants, Inc., has just a single large business among its seven partners. Furthermore, among the larger prime contractors bidding on work through the NAVSEA portal, small business participation in the MAC teams is impressive as well. For instance, for EG&G Technical Services, small businesses make up 62.2 percent of the MAC team, and for BAE Systems Applied Technologies, Inc., small businesses constitute over 70 percent of its group of subcontractors.

Even more impressive is the standing of especially at-risk small businesses in the contracting pool of SeaPort's prime contractors. Analysis of the reporting of the MAC contractors finds significant participation in the contracting pool of:

- 8(a)—Small Disadvantaged Businesses
- WOSB—Women-Owned Small Businesses

- VOSB—Veteran-Owned Small Businesses
- HZSB—HUBZone Small Businesses

For EG&G Technical Services, out of the 37 subcontractors on its MAC team, over 20 percent are 8(a) businesses. For BAE Systems Applied Technologies, Inc., out of 67 subcontractors, over 20 percent of its subcontracting base is composed of woman- or veteran-owned small businesses. However, not all of the prime contractors make the breakdown of the business size (small versus large) or the nature of the small businesses involved (woman- or veteran-owned, disadvantaged, and HUBZone). Thus, it is impossible to provide a definitive assessment regarding small business participation in services contracting through SeaPort.

Some MAC holders had mixed views on NAVSEA's commitment to *real* small business participation in services contracting. The MAC holders that were small businesses argued that they had received few of the contracts let through SeaPort. Still, small businesses were being included as part of many of the large corporate MAC holders' proposals. Indeed, one MAC contractor believed that small business participation seemed to be the only metric that the prime contractors were being evaluated on (personal communication, November 2002). Thus, there seemed to be mixed messages and skepticism within the contracting community on the small business issue.

## Has SeaPort Enhanced Cooperation and Fostered Learning?

As mentioned in the assessment of SeaPort in regard to participation, NAVSEA placed great emphasis on learning more about the needs of the contracting community and, reciprocally, having them understand the Navy's strategic needs as well. Over time, the SeaPort system's ability to build a database on contractor performance and task orders will enable program managers and contracting officers to better understand and operate in this e-business environment. SeaPort is thus not only an electronic marketplace; it is a driver of education. This final metric regarding cooperation and learning is one that is inherently unquantifiable and therefore must rely on "soft" data.

Feedback on the SeaPort system comes from formal and informal interactions among the contracting staff, Naval users, and MAC partners. In addition to the informal discussions that occur, NAVSEA hosts quarterly meetings during which industry partners are urged to provide feedback to help SeaPort's procedures and processes work better. According to SeaPort staff, this "candid dialogue with industry has proven invaluable" in making the e-marketplace work better for users and contractors (Naval Sea Systems Command Contracts Directorate Staff 2002).

NAVSEA recognized that SeaPort not only meant that processes would change inside the agency, but that it would reshape relationships both between the government and its contractors and between parties in the contracting community itself. Thus, NAVSEA placed high importance on continually educating, and being educated, about the changes taking place and creating an ongoing dialogue, in person and electronically, that facilitated continual learning and knowledge building.

For instance, one issue that was resolved with cooperation between Navy contracting personnel and the MAC holders was that of RFPs being issued on Fridays. Under SeaPort's original terms for participation, MAC holders had a strict, five-day turnaround requirement for the proposals. However, many of the prime contractors complained to NAVSEA that an RFP issued at the end of the week meant that, to meet the tight timeline, their personnel and those of prospective subcontractors were tied up over the weekend drafting responses. When the issue arose, NAVSEA agreed to curtail Friday proposal releases whenever possible. Mike Parrott, business manager for MAC prime contractor ADI Technology, commented that the Friday proposal release problem was a "quality of life" issue and that he and his staff greatly appreciated NAVSEA's accommodation and understanding of the contracting community's position (opinion cited in Zyskowski 2002b, n.p.). Likewise, solicitations are prohibited from being released on the day before a national holiday (NAVSEA Contracts Directorate Staff 2002).

Finally, the Navy is not immune to the general "knowledge management" crisis facing the federal government, which is impacting the acquisition

area particularly hard. Its paper-based acquisition process, combined with an aging workforce and reductions in staffing, brought NAVSEA to an inflection point. In response, NAVSEA is embarking on a four-pronged knowledge management strategy, using technology to better manage both its information resources and the acquisition process. SeaPort is viewed as one of the critical components in this strategy (Kline and Snider 2002). SeaPort not only gives NAVSEA much improved business intelligence, but the archiving of task orders processed through the system, compiled into a library accessible to registered contracting personnel, builds a knowledge base for sharing information worldwide among Naval contracting professionals.

## The SeaPort Scorecard

What did NAVSEA accomplish in the first 18 months of SeaPort's operation? In short, the assessment of

**Table 2: The SeaPort Scorecard**

| Assessment | Area   |
|------------|--|
| ▲          | E-Business Capabilities                                  |
| ▲          | Processing Time  |
| ▲          | Processing Costs   |
| —          | Naval Customer Usage                                     |
| ▲          | Small Business Opportunity                               |
| —          | Small Business Participation                             |
| ▲          | Contracting Competition                                  |
| ▲          | Business Intelligence                                    |
| ▲          | Knowledge Management                                     |
| ▲          | Communication and Accessibility                          |
| ▲          | Cooperation between Government and Contracting Community |
| ▲          | Cooperation among Contractors                            |

Key: ▲ Definite Improvement  
▼ Definite Worsening  
— Undecided or Too Early to Call

this researcher is that the overall results summarized in Table 2 have been achieved.

Much of what was brought about was the result of an alignment between the e-business strategy and the culture of NAVSEA and the contracting community. As found in other such initiatives, the cultural challenge is proving to be far greater than the technical one. Based on feedback from both sides, the relationship issues—between NAVSEA and the contracting community and among the contractors themselves—are challenges that must be continually dealt with during the life of SeaPort. The great positive is that NAVSEA has taken, and continues to take, steps to proactively address the cultural challenges. In doing so, NAVSEA has generally earned the respect and admiration of its contracting partners, and this bodes well for the shape of things to come and the results that can be produced through SeaPort's operations.

In her report for the IBM Endowment for The Business of Government, "The Procurement Partnership Model: Moving to a Team-Based Approach," Kathryn Denhardt (2003, 21) stressed the difficulties of undertaking cultural change in the acquisition area, both within the governmental procurement domain itself and between the public- and private-sector actors. She observed, "Even when a strong case can be made for the innovations or changes, we have to expect that it will take three to five years to see real change in the organizational culture." Thus, we may be in the early stages of SeaPort's full development, with the ultimate outcome to be determined in the future.

In the concluding section of this report, we look at the future for SeaPort itself and the outlook for federal services acquisition initiatives in general, in the wake of the creation and operation of the first e-marketplace for services procurement.

# SeaPort and the Future of Federal Services Acquisition

Today, two trends are clear:

- E-business methods are fast becoming the norm for many aspects of business-to-business (B2B) and business-to-government (B2G) commerce
- Spending for services is accounting for greater percentages of overall public-sector spending and such spending will increasingly be performance based

NAVSEA and its SeaPort office looked at these challenges and saw opportunity. SeaPort is noteworthy specifically because of when and how it was created, representing an innovative strategy for dealing with these two major intersecting trends. NAVSEA wanted speed and innovation to “e-enable” the Navy’s critical services acquisitions that help keep it, and America, strong at a time of great tension in far-flung locales around the globe. SeaPort came about because intrapreneurial public-sector leaders and entrepreneurial private-sector firms seized this “one moment in time” to create what, in retrospect, appears to be a most prescient solution for a changing acquisition environment.

The SeaPort staff understood that this project entailed a far-reaching reengineering of its business processes that had to be accomplished in tandem with a concomitant and radical cultural change. Furthermore, as Kathleen Monahan (2002a) strongly stated, “the bottom line” is that through SeaPort, NAVSEA already has the systems and procedures in place to deal with all current and pending guidelines for services acquisition, which many agencies, both in DoD

and across the federal government, are just now beginning to address.

In e-business, as in art, imitation is indeed the sincerest form of flattery. Focused on the realm of IT services, the Marine Corps Acquisition Center for Support Services (ACSS) instituted its Enterprise Procurement Portal (eP2)<sup>37</sup> in mid-2002. The eP2 is a procurement portal that enables users to complete the entire procurement process for IT services online in a paperless operation through a \$3 billion ID/IQ program, the Commercial Enterprise Omnibus Support Services (CEOSS). The Marines’ goal in establishing the eP2 is much the same as that for SeaPort, as it seeks to “incorporate e-business functionality (i.e., contracting functions, metrics extraction, reporting) into a cohesive professional services contracting application” (United State Marine Corps Acquisition Center for Support Services 2002, n.p.). Indeed, one of the e-business models that the Marine Corps modeled its portal after was NAVSEA’s SeaPort (Dorobek 2002b). The lessons learned from SeaPort, eP2, and other such initiatives, both positive and negative, may well roll into what may be a cross-cutting, DoD-wide services acquisition initiative.

One note of interest is the goal of DoD to create a website encompassing *all* government-wide acquisition, multiple award, and ID/IQ contracts. At the direction of Deidre Lee, director of procurement policy for DoD, the Defense Department would host the site that would include ID/IQ contracting vehicles from all federal agencies. This would enable contracting officers to take advantage of

MAC contracts across the scope of the federal government. More important, perhaps, such a “GovPort” would simultaneously enable the government to better track services spending and to develop business intelligence and metrics to benchmark services acquisition (Dorobek 2002b).

This writer would lend his support to Deirdre Lee’s efforts to develop such a federal e-procurement portal for services acquisition. He believes that SeaPort is by no means the model. However, SeaPort, and the people, philosophies, and software behind it, will become an important incremental step toward this or any effort to better grasp and deal with the federal government’s shift to services spending. It is a shining example of how federal acquisition specialists honestly assessed their internal procurement processes and viewed a rapidly changing environment in a prescient manner to develop a strategy that enabled their organization to better carry out its mission in an increasingly challenging environment. With any luck, the cultural change management and time imperative of SeaPort can be a valuable “lesson learned” to promote future innovations, not only in NAVSEA and DoD but across the federal marketplace.

Rusty Braziel, chairman and chief executive officer of Netrana, an e-commerce consulting firm, recently observed that “facilitating transactions online creates *incremental* improvements in the business. It’s *not* revolutionary” (emphasis added) (quoted in Young 2002, 86). Thus, moving to an online procurement environment, whether in the private or public sector, should be looked on as means toward evolutionary improvement in the way things are done. It should not be looked on as an e-elixir. Instead, the e-way should be seen as it was in this case—as an enabler to work toward operational improvements.

In the final analysis, SeaPort represents an exemplary example of such evolutionary progress. From the perspective of Aquilent (2002, n.p.) (one of the partnering firms that provided the platform for the SeaPort e-marketplace): “The application of these e-business principles to professional support services acquisition and the attendant benefits are truly unprecedented and provide a shining example of how the government can make optimal use of scarce resources and budget dollars.” While

SeaPort may be structured to be long-term in perspective, the e-marketplace itself is likely to be looked upon in five years as, say, “stage 2”—part of a longer term and more fundamental change in the way that the federal government procures services in what is today a service-based economy.

In the end, it must be remembered that e-commerce is a constantly evolving concept. As new technology, new collaborations, and new best practices come to light, there is a need for constant improvement and innovation in the move to e-procurement. Somewhere not too far down the road, the e will drop off, and the e-way will become *the* way. The question is how long it will take (sooner rather than later would be a best guess) and to what degree there will be unity across major areas of federal acquisition (such as across all DoD-related agencies) or perhaps across the federal government as a whole. Only time will tell.

What will the future hold? Hopefully, there will be more projects like SeaPort, both in service and product acquisition, that build on the best practices of the private sector and seek to make federal procurement:

- More electronic
- More integrated
- More user-friendly
- More measured
- More cost effective
- More sensible
- More rapid

With any luck, there will be more success stories like SeaPort to report on, as the e-way in procurement increasingly becomes the way things are done. But even if all the projects do not turn out as innovative and successful as NAVSEA’s SeaPort e-marketplace, in an e-commerce world, entrepreneurialism in government contracting should be rewarded, and mistakes—which will inevitably occur—should not be excoriated. It is clearly time to unhook the links to the past and get moving in this new direction, as the Navy has done with SeaPort. “Anchors aweigh!”

# Appendix I: The Wider E-Procurement Revolution

## Overview: The Growth of B2B E-Commerce

Martin and Hafer (2002) observed that online procurement breaks the time and location restrictions of what they label traditional “gravitational commerce.” Now, if only with a bit less thrust than it had before the recent recession, B2B (business-to-business) e-commerce still appears to be on what has been described as a “rocket-ship ride” trajectory (Sostrom, 2001). Four leading research firms (AMR Research, Forrester Research, Gartner, Inc., and Jupiter Research) still project rapid growth in the B2B sector of the economy, from under half a trillion dollars in 2000 to between approximately \$3 and \$6 trillion by 2005. The consensus estimate among these analysts is that B2B e-commerce will approach \$5 trillion by 2005 (Totty, 2001).

Today, we are certainly in a “post-Internet bubble” environment. In the great rearview window of history, we can see that many projections for e-commerce were based purely on speculation—and hope. Yet, as Gordon (2001) acknowledged, while excessive optimism fueled the growth of B2B markets, today’s environment may be characterized as being excessively pessimistic. No less an authority than The Wall Street Journal has officially declared dead the notion of “Internet time,” in which products, people, and strategies would be continually reshaped at warp speed (Gomes, 2002).

Thus, the forecasts on the shift of how fast commercial markets are moving online—especially in today’s skeptical and chastened environment—may actually understate the case for e-business. After

all, as Charles E. Phillips, a managing director at Morgan Stanley Dean Witter, observed, the move toward e-commerce is not likely to be deterred by the downturn in the economy. He stated, “Even in hard times, I don’t think that a single big company is prepared to say, ‘Paper is fine. Let’s keep doing it the old way’” (quoted in Canabou, 2001, p. 90).

## Tracking B2B’s Evolution: Analyzing the ISM/Forrester Reports on eBusiness

Perhaps the best “tracking” source on the growth of the e-procurement aspect of e-business comes from the Institute for Supply Management (ISM), formerly the National Association of Purchasing Managers (NAPM). Along with Forrester Research, ISM began the quarterly *Report on eBusiness* in January 2001. This report lends perhaps the most credible insights into the current status of e-commerce in the B2B realm in the United States. Each quarter, ISM and Forrester survey approximately 600 to 700 purchasing and supply management executives of both manufacturing and service industry firms. The surveyed firms, which are randomly selected each quarter, represent a broad cross section of American business, as they are diversified according to:

- Geography
- Size
- Industry—based on SIC (Standard Industrial Classification) Codes

This researcher’s independent analysis of the ISM/Forrester reports (2001a, 2001b, 2001c,

2001d, 2002a, 2002b, 2002c, 2002d) show that across the board, the Internet is revolutionizing the purchasing process for organizations (Wyld, 2003). In this section, the *Report on eBusiness* is examined for its use of web-based methods to:

- Bring down the total cost of purchasing
- Communicate and collaborate with the supplier base
- Purchase both direct and indirect materials
- Use Internet-based marketplaces and hubs
- Use enterprise-wide e-procurement tools

### The Bottom Line: E-Procurement and the Total Cost of Purchasing

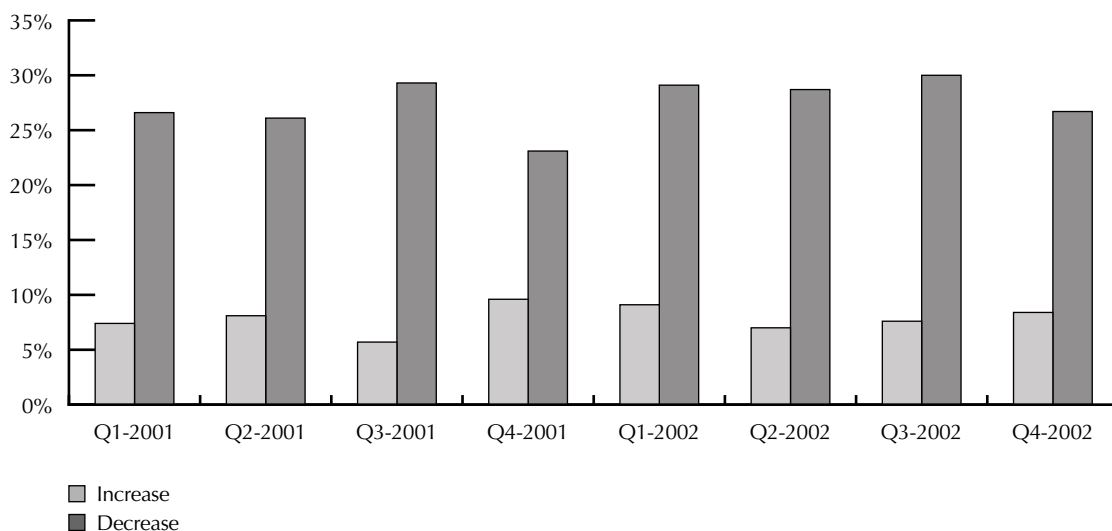
Does the shift to e-procurement mean purchasing organizations can experience savings in their purchasing function? This is perhaps the key question facing corporate executives and public-sector leaders alike as they look at the various ways available today to make their own sourcing more electronic and look at participating as suppliers in the e-procurement efforts of their customers, all of which involve the need for investment outlays.

ROI (return on investment) and metrics have become huge issues in e-commerce today. With

so much money already expended on e-commerce projects and funds tightened for such initiatives, there is a need to assess the worth of these investments. As Cutler and Sterne (2000) framed the issue, “The traditional management adage is that you cannot manage what you do not measure. The e-Business addendum is that you cannot measure what you do not define” (p. 1). Yet, as Heath (2001) commented, “Traditional methods for calculating return on investment have been, for the most part, ill suited to measuring the strategic impact of e-business” (p. 1). Indeed, gauging the ROI for e-commerce projects and applications, in the view of Goldberg (2001) presents decision makers with a “Gordian knot,” as “the benefits are the new processes they bring. Yet, because the processes are new, existing measurement tools may miss those benefits” (p. 1).

In the ISM/Forrester research, respondents in each of the eight quarterly surveys carried out to date were asked whether their organizations had experienced cost savings or increases stemming from the implementation of e-procurement methods. As shown in Figure I.1, sourcing executives overall have consistently responded that e-procurement efforts more often produce decreases in the total cost of purchasing than increases. The magnitude

**Figure I.1: Private-Sector Organizations’ Perceptions of E-Procurement’s Impact on Their Total Cost of Purchasing**



Source: ISM/Forrester Research Report on eBusiness (2001, 2002) ([www.napm.org/ismreport/forrester/](http://www.napm.org/ismreport/forrester/)).

of these findings has consistently been on the order of three or four to one.

Analysis of the ISM/Forrester data reveals an unmistakable fact: The benefits of the shift to e-procurement are, far and away, accruing to the largest, blue-chip buyers. The ISM/Forrester analysts differentiated “large” and “small” purchasing organizations, based on respondents’ self-identification of their annual procurement budgets falling above or below a \$100 million benchmark, respectively. As can be seen in Figure I.2, when asked whether implementing e-procurement techniques has decreased their total cost of purchasing, procurement executives with larger organizations have consistently outnumbered their counterparts with smaller companies. And, over the two years the ISM/Forrester surveys of purchasing officials have been conducted, that gap has been steadily increasing.

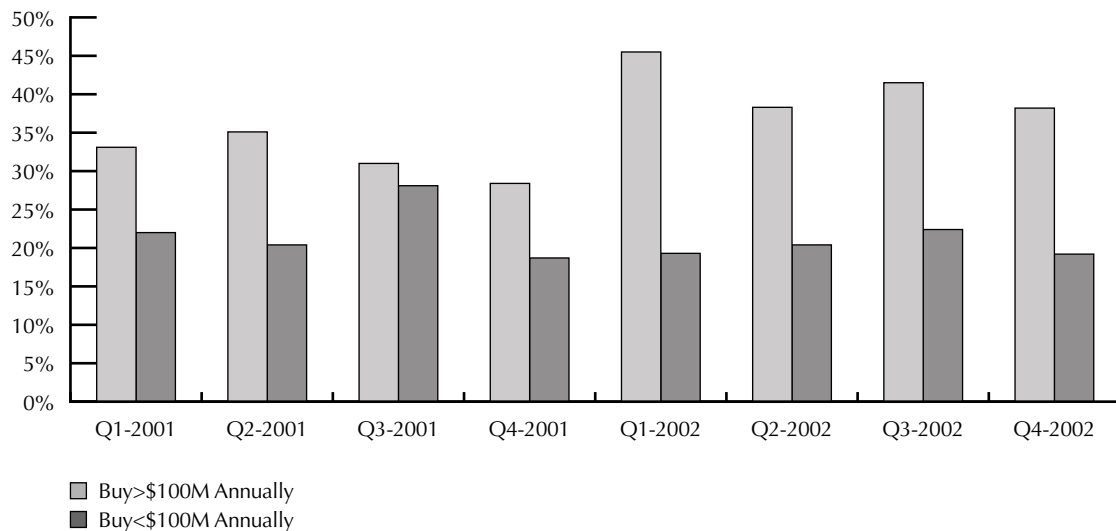
As we will see in a brief examination of the specifics of e-procurement utilization, organizations that have the largest procurement outlays are indeed driving the move to B2B e-commerce and are reaping its benefits.

### Using the Internet to Communicate and Collaborate with Suppliers

Across the board, the web has become the de facto means of identifying new suppliers. Today, whether by scouring the Internet themselves or using online directories and catalogues, well over 80 percent of the surveyed purchasing executives—in organizations large and small across the American landscape—say that their organizations now use the Internet to locate new sources of supply. In fact, using the Internet to identify new suppliers has become so routine that in mid-2002 the ISM/Forrester researchers discontinued asking whether or not the procurement executives did so.

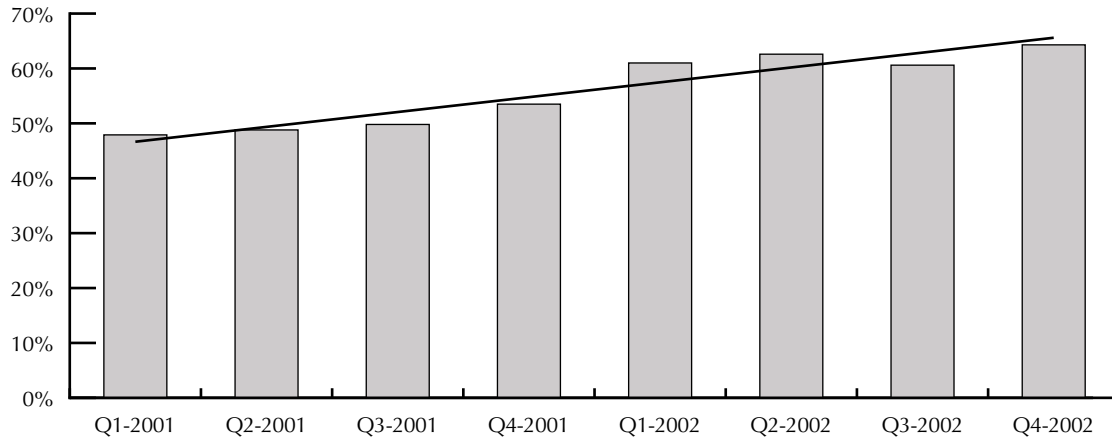
The web serves as a communication medium by which organizations can eliminate much of the cumbersome paper flow that historically has been part of the procurement process. Purchasing cycle times can be dramatically reduced, often from months to weeks or even days, and costs of the purchasing function likewise can be cut. Indeed, analysts estimate that many firms may be able to shave between 25 and 50 percent off their direct and indirect procurement costs by purchasing online (Henig, 2000).

**Figure I.2: Comparison of Large and Small Corporate Purchasers’ Beliefs That Shifting to E-Procurement Has *Decreased* Their Total Cost of Purchasing**



Source: ISM/Forrester Research Report on eBusiness (2001, 2002).

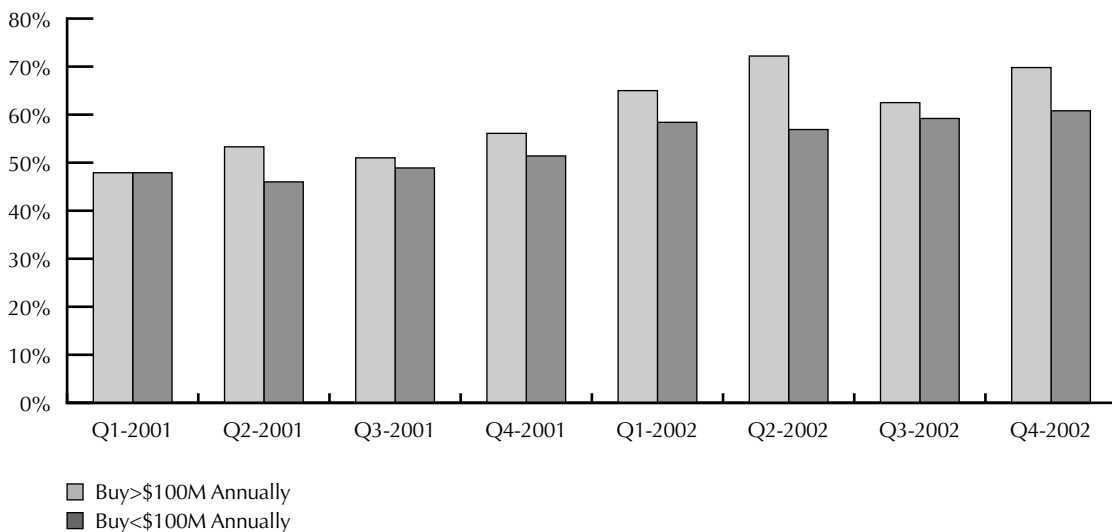


**Figure I.3: Use of the Internet as Part of the RFP Process in Private-Sector E-Procurement**

Source: ISM/Forrester Research Report on eBusiness (2001, 2002).

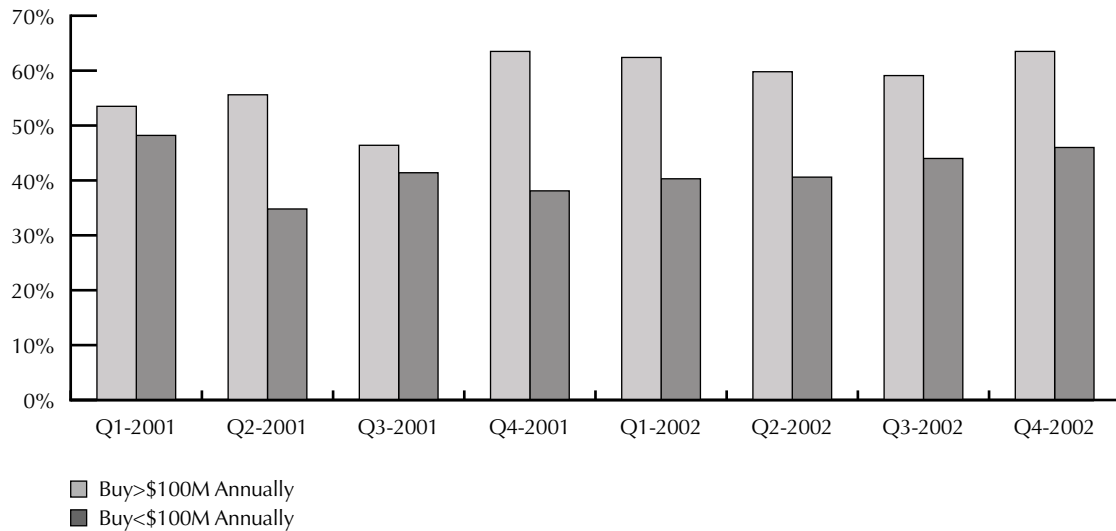
In Figure I.3, the ISM/Forrester survey shows that more than half the responding organizations use the web in the RFP (request for proposal) process. This shift to web-based methods of communication has grown consistently since the beginning of the survey period over two years ago. Analysis of the ISM/Forrester data reveals very little disparity between manufacturing and nonmanufacturing firms in their propensity to use web-based methods

to cut the paper flow that characterized corporate procurement in the past. However, as seen in Figure I.4, larger corporate purchasers—companies sourcing more than the \$100 million benchmark used by ISM/Forrester to categorize the procurement executives—have consistently proven more likely to use the Internet for RFP issuance and communication. And this trend is only accelerating over time.

**Figure I.4: Comparison of Large and Small Corporate Purchasers' Use of the Internet in the RFP Process**

Source: ISM/Forrester Research Report on eBusiness (2001, 2002).

**Figure I.5: Comparison of Large and Small Corporate Purchasers' Use of the Internet to Collaborate with Suppliers**



Source: ISM/Forrester Research Report on eBusiness (2001, 2002).

Much has been made of the potential for the Internet to serve as a collaborative tool by purchasing organizations and their suppliers. If this comes about, procuring organizations could move beyond order issuance, and suppliers could go beyond simply order fulfillment into such areas as product design, supply chain and logistical management, and demand aggregation. Today, we can clearly see that American organizations increasingly use the Internet not only to communicate but also to collaborate with their supplier bases.

The ISM/Forrester *Report on eBusiness* shows the rate at which procurement and sourcing professionals see this happening with their own organizations' suppliers as hovering at around 50 percent. No significant disparity is evident between manufacturers and nonmanufacturers. However, large purchasing organizations have demonstrated a far greater propensity to engage, or "push," their suppliers into collaboration. As can be seen in Figure I.5, corporations that have annual procurement budgets above \$100 million have been consistently more than 20 percentage points more likely than their smaller contemporaries, since the last quarter of 2001, to collaborate with suppliers. This significant trend bears watching, as it further demonstrates

the power of larger corporations in electronic markets.

### Using the Internet for Purchasing Both Direct and Indirect Materials

In procurement circles, the line is often drawn between direct and indirect materials. Yet, what is the difference? A good breakdown between direct and indirect materials was provided in Thomas Eisenmann's *Internet Business Models* (2002). His model is shown in Table I.1. *Indirect materials* constitute what are typically referred to as MRO (maintenance, repair, and operating) goods, whereas *direct materials* are closely linked to production or service delivery. This analogy can even be extended to services provided to the company, whereby services such as janitorial and cafeteria help can be categorized as indirect in nature. In contrast, for an airline, maintenance would be a prime example of a direct service. While much of the progress in e-procurement has been in acquiring goods, attention is increasingly focused on purchasing services through online exchanges and other mechanisms. As Tim Clark, an analyst with Jupiter Media Metrix, observed, "Services are kind of the next frontier. It's a lot harder to do" (quoted in Cleary, 2001a, n.p.).

**Table I.1: Attributes of Direct vs. Indirect Purchases**

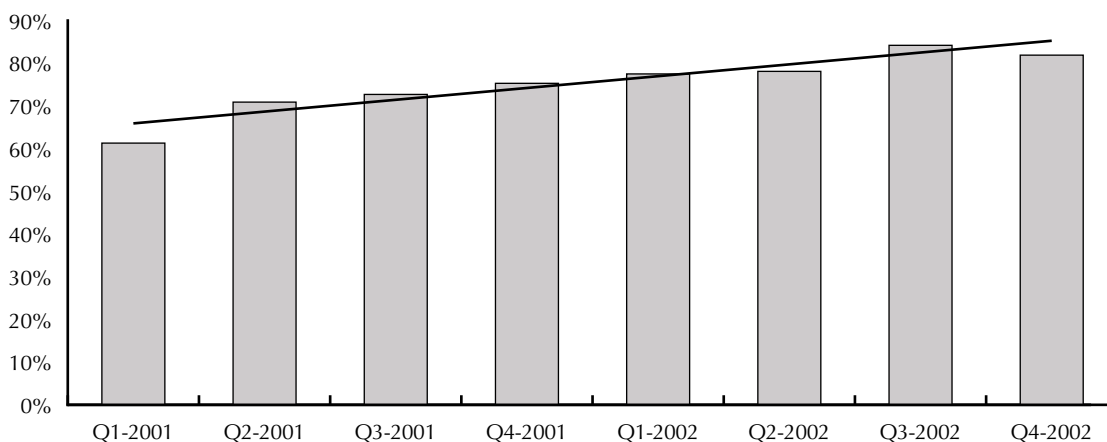
|   | <b>Direct Purchases</b>                       | <b>Indirect Purchases</b>                                     |
|---|---|---|
| Purchase Predictability                       | Volatile                                      | Internally driven   |
| Order Size                                    | Large lots                                    | Often small   |
| Collaboration with Suppliers                  | Varies: usually high, but low for commodities | Varies: low for MRO supplies, high for equipment and services |
| Percentage of Total Dollars Spent             | 80%   | 20%   |
| Percentage of Total Number of Purchase Orders | 20%   | 80%   |
| End Customer                                  | External customer                             | Internal employees  |

Adapted from Eisenmann, *Internet Business Models* (2002), p. 479.

The ISM/Forrester *Report on eBusiness* has shown consistent growth in the adoption of web-based methods for indirect purchases. As revealed in Figure I.6, the overall penetration rate for web-based sourcing of indirect materials and assistance in the United States is fast approaching 80 percent of all purchasing organizations. Much of this increase is due to the fact that firms in the service and manufacturing sectors alike increasingly make

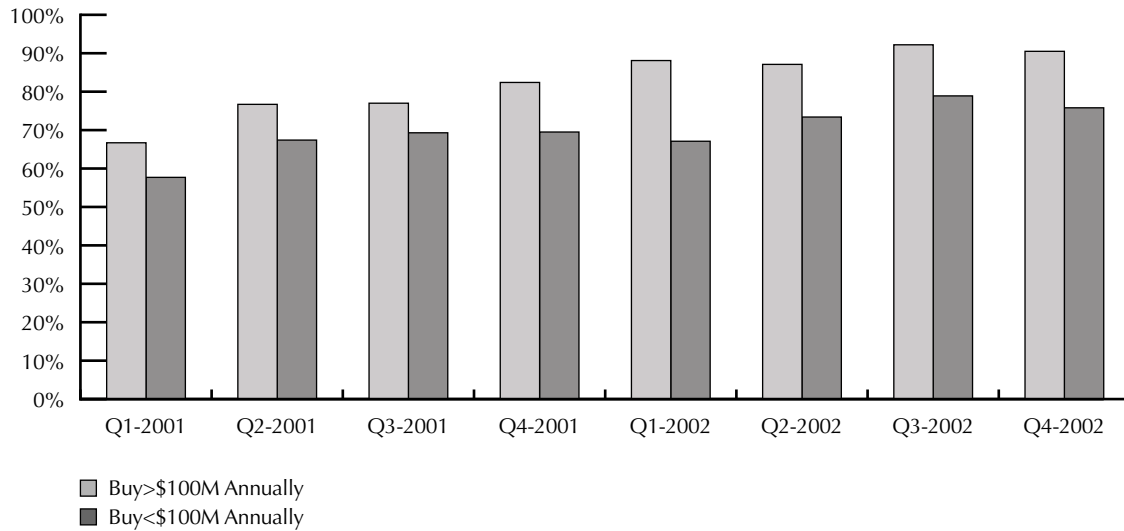
routine purchases, for items such as operating and office supplies, through online catalogue sites.

When the ISM/Forrester results are looked at more closely, however, the driving force behind this overall shift to sourcing indirect goods and services via the Internet again emerges as the largest purchasing organizations. Indeed, as seen in Figure I.7, the gap between companies procuring more than and those

**Figure I.6: Use of the Internet for Online Purchasing of Indirect Goods and Services in Private-Sector E-Procurement**

Source: ISM/Forrester Research Report on eBusiness (2001, 2002).

**Figure I.7: Comparison of Large and Small Corporate Purchasers' Use of the Internet for Purchasing Indirect Goods and Services**



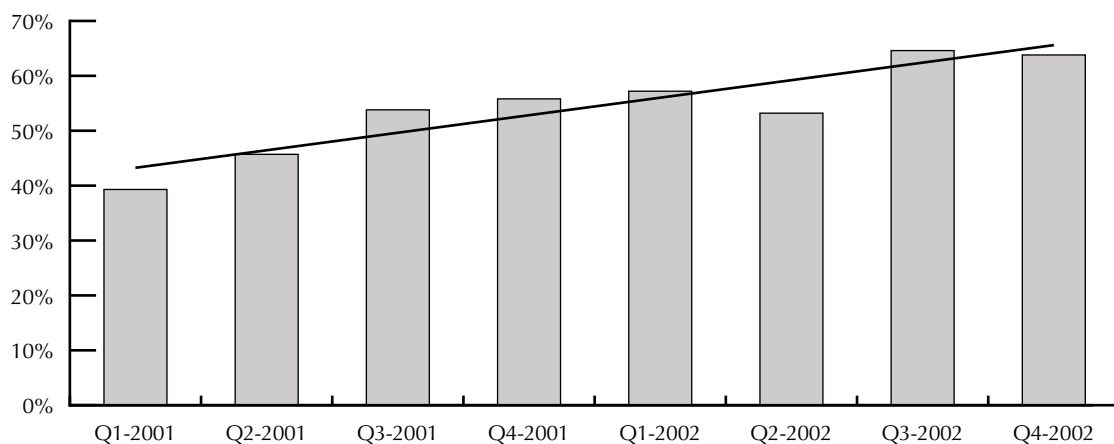
Source: ISM/Forrester Research Report on eBusiness (2001, 2002).

procuring less than \$100 million annually has grown rather consistently over the past two years. In 2002, a double-digit disparity emerged between the larger corporate purchasers and their smaller brethren.

Roughly the same pattern has emerged in the adoption of web-based sourcing methods for direct goods

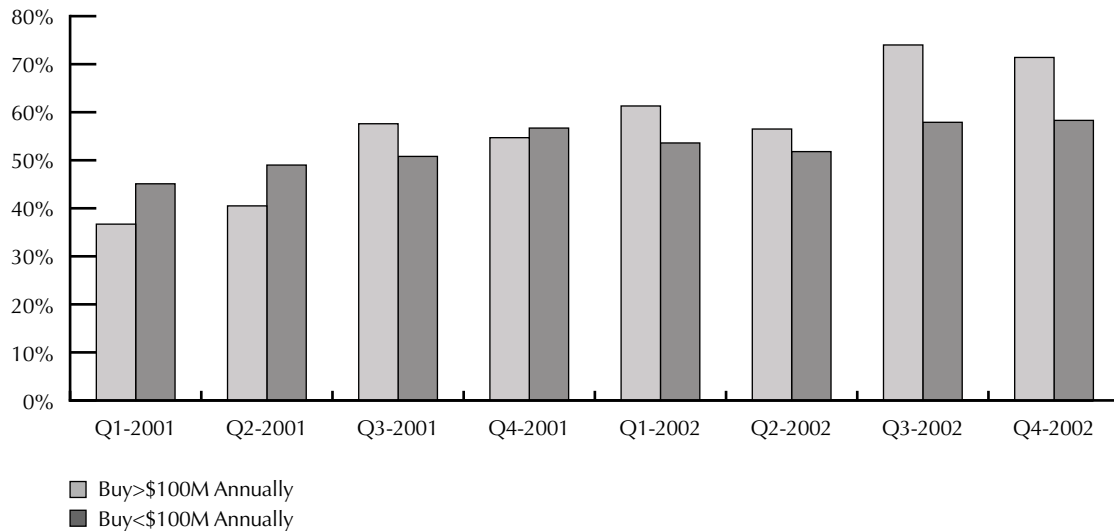
and services. In Figure I.8, the overall shift to e-procurement for direct materials is trending upward, with almost two-thirds of all purchasing organizations utilizing the Internet for such sourcing. This represents more than 50 percent growth since the initiation of the ISM/Forrester research. Remarkably, the ISM/Forrester data show that while smaller

**Figure I.8: Use of the Internet for Online Purchasing of Direct Goods and Services in Private-Sector E-Procurement**



Source: ISM/Forrester Research Report on eBusiness (2001, 2002).

**Figure I.9: Comparison of Large and Small Corporations' Use of the Internet for Purchasing *Direct Goods and Services***

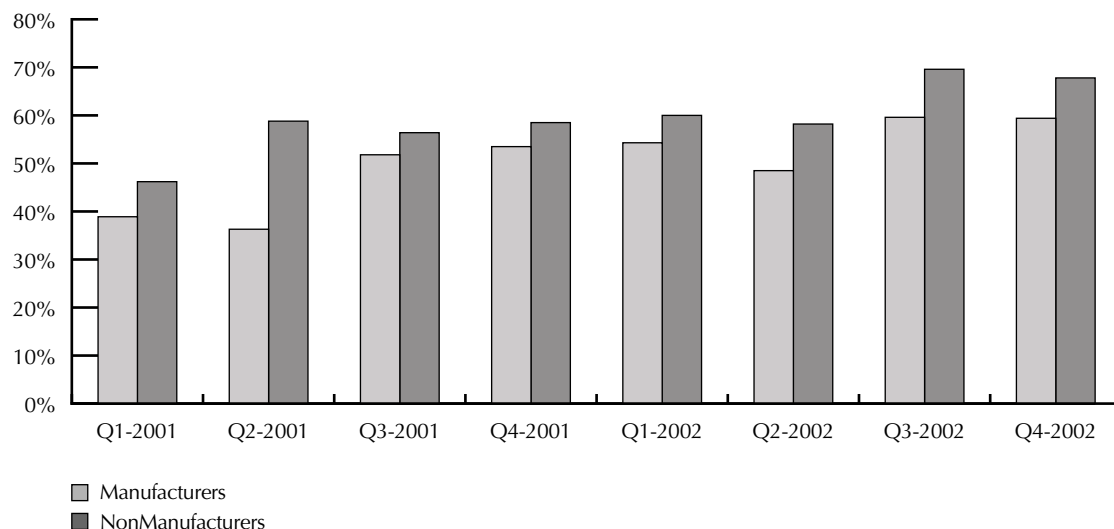


Source: ISM/Forrester Research Report on eBusiness (2001, 2002).

organizations initially led the movement to web-based procurement of their more strategic buys, they have been overtaken by the rapid adoption of such methods by organizations with annual procurements exceeding \$100 million. This shift is depicted in Figure I.9.

Figure I.10 reveals an interesting countertrend in the ISM/Forrester data: In contrast to earlier findings regarding purchases of indirect goods, nonmanufacturing firms are significantly more likely to purchase their direct goods and services via web-based procurement methods. Perhaps this

**Figure I.10: Comparison of Manufacturing and Nonmanufacturing Firms' Use of the Internet for Purchasing *Direct Goods and Services***



Source: ISM/Forrester Research Report on eBusiness (2001, 2002).

is due to quality concerns for manufacturing operations, as there is a straighter line between direct materials procurement and products in fabrication or processing than in service delivery. However, the ISM/Forrester data unmistakably uncover an area where service-sector firms are leading the way in e-procurement.

Comparing the ISM/Forrester findings on indirect and direct sourcing via the Internet (Figures I.6 and I.8) reveals a 20-point gap between the likelihood of companies purchasing their indirect goods and services over their more strategic, direct procurements. It must be remembered, however, that the exact breakdown of what constitutes a direct purchase vs. an indirect one varies even within companies, and even depending on the timing and circumstances of the purchase. Although purchases of indirect goods often may outpace spending on direct materials, acquisition of MRO goods heretofore has not been looked upon as a strategic issue (Wendin, 2001). Yet, this should be an area of attention for not only procurement executives, but also for top officials of all organizations—and not based purely on the dollars involved. As R. Gene Richter, former chief procurement officer at IBM, astutely acknowledged, “Everything is strategic to somebody. Talk about ballpoint pens. A secretary has spots all over her brand new blouse because the pen you bought for a cent and half is leaking” (quoted in Anonymous, “E-Auction Playbook: What Top Supply Execs Say About Auctions,” 2001, p. S2).

### Using Internet-Based Marketplaces and Hubs

One of the most interesting developments in how the B2B landscape has unfolded is the matter of marketplaces. As chronicled in an earlier report for the IBM Endowment for The Business of Government (Wyld, 2000), hundreds of public exchanges were launched or at least announced. Many B2B analysts, including this writer, predicted that there was little room for such third-party hosted exchanges, intervening between buyers and sellers for the purpose of garnering a percentage of the transaction revenue from one or both parties. Indeed, most have fallen to earth—with a thud—into bankruptcy. While marketplaces for electronic exchanges have developed at a rapid pace, most have been private in nature. Stellar examples include Covisint in the automobile industry

(Schwartz, 2000) and Exostar in the world of aerospace (Plyler and Shaw, 2001), but dozens of industry-wide exchanges have been successfully established. Also, truly private exchanges have also developed, hosted by companies for themselves.

Since the initiation of the ISM/Forrester research in January 2001, overall participation in such electronic marketplaces or hubs for the acquisition of goods and services has risen by almost 50 percent. As of the latest Report on eBusiness (October 2002), the results of which are shown in Table I.2, participation rates are approaching a third of all organizations. Analysis of the data does not show a significant difference in utilization between manufacturing and service-sector firms. However, a significant gap is found again between larger and smaller purchasing organizations, with the biggest blue-chip buyers leading the way once again. Certainly, third-party-hosted exchanges made e-marketplaces more accessible to smaller organizations, enabling them to participate without having to face possibly insurmountable upfront investment costs necessary to start an exchange. However, many of these third-party exchanges have disappeared. Thus, today, we are seeing the largest purchasers exercise their

**Table I.2: Use of Electronic Marketplaces in the Private Sector**

| <i>Report on eBusiness</i> Respondents Who Made Purchases through an Online Marketplace or Private Hub |            |
|--|------------|
| Category   | Percentage |
| All respondents  | 32.7%      |
| Manufacturers  | 33.8%      |
| Nonmanufacturers   | 31.7%      |
| Buy > \$100 million per year   | 39.5%      |
| Buy < \$100 million per year   | 29.1%      |

Source: ISM/Forrester Research Report on eBusiness, October 2002 ([www.napm.org/ismreport/forrester/frob102002.cfm](http://www.napm.org/ismreport/forrester/frob102002.cfm)).

market power and build on their scalability through the use of such industry-consortia and privately led exchanges.

There can be no doubt that the move in B2B e-commerce toward private marketplaces and hubs shifts power to the buyer. This had led to some suppliers' disgruntlement in the private sector. According to Jon Gibs, a B2B analyst with Jupiter Media Metrix, "Collaboration is not the term for what is happening over private trading hubs. Coercion is the right term. Businesses don't work together by everyone hugging each other. Whoever runs the supply chain in most cases can determine what platform other businesses work on" (quoted in Young, 2002, p. 86).

### Use of Enterprise-wide E-Procurement Tools

A final measure of interest in the ISM/Forrester *Report on eBusiness* is one added in mid-2002, the rapid increase in the employment of e-procurement "systems" across the organization—hence the term "enterprise-wide." As can be seen in Table I.3, over one-third of all private-sector organizations in the U.S. now use such a system. With only two quarters of data currently available on this question, speaking to trends is not possible. However,

**Table I.3: Use of Enterprise-wide E-Procurement Tools in the Private Sector**

| <i>Report on eBusiness</i> Respondents Who Made Purchases Using an Enterprise-wide Procurement Tool That Incorporates the Internet |            |
|--|------------|
| Category   | Percentage |
| All respondents  | 35.9%      |
| Manufacturers  | 30.8%      |
| Nonmanufacturers   | 40.7%      |
| Buy > \$100 million per year   | 53.6%      |
| Buy < \$100 million per year   | 22.7%      |

Source: ISM/Forrester Research Report on eBusiness, October 2002 ([www.napm.org/ismreport/forrester/frob102002.cfm](http://www.napm.org/ismreport/forrester/frob102002.cfm)).

it is noteworthy what the data from the final quarter of 2002 show:

- With a greater than two-to-one margin (53.6 percent versus 22.7 percent), the larger purchasing organizations (those with annual procurement budgets of greater than \$100 million) demonstrated that such tools were much more available to bigger companies.
- Service-sector organizations are outpacing their manufacturing counterparts by what is an apparently significant margin (40.7 percent versus 30.8 percent) in their adoption of such systems.

### Summary

The purpose of this analysis of the ISM/Forrester *Report on eBusiness* is to demonstrate that we are in the midst of a truly fundamental evolution in the way things are done. B2B commerce, communication, and relationships are being transformed—even if a bit slower than first predicted and than the market may like. This analysis clearly demonstrates that the drive to e-sourcing is being led by the largest blue-chip buyers.

While the markets may rise and fall and e-business companies may come and go, the methods, protocols, and tools of e-business are fast becoming simply the way business is done. In like fashion, e-procurement will become simply *procurement*—the way companies source the products and services they need. Whether for office supplies or jet engines, compressors or grease, cleaning services or legal services, the processes involved in sourcing these items and services will become electronic over time.

As this historical change takes place over the long-term, it is important to remember how disruptive the change may seem in the short-term. Entire categories of jobs in purchasing, logistics, distribution, and sales will change. New and different relationships between companies and the people who lead and represent them will be built, and existing ties will be challenged and, in many cases, broken. The "perfect storm" of the Internet will leave no part of business untouched, and purchasing—at the edge of all organizations and in a boundary-spanning role—will be among the most affected groups in any company.

With the size of government purchasing, led by Washington's "market power," clearly the public sector should be making the B2G (business-to-government) marketplace work more like its private-sector counterpart.

## B2B Techniques in the Public Sector

According to Fred Messing (2002), director of Computer Sciences Corporation, multiple forces—citizens, business, and intra- and intergovernmental—are driving all government organizations to transform the ways they operate in order to achieve higher levels of performance. In a recently released report from the National Academy of Sciences (2002), one of the principal recommendations of the study group was that "government should adopt commercial e-commerce technologies and associated practices wherever possible" (p. 7). The expert panel concluded that the shift toward making government more e-enabled can occur much more quickly if efforts build on private-sector best practices. The panel observed:

Because the technologies and processes that underlie digital services in government are in most respects similar to those used in e-business, government obviously benefits when it can exploit off-the-shelf components, infrastructure, systems, and successful practices already used in the private sector.... When government systems exploit widely used standards and technologies, government can "ride the curves" of performance growth and enhancement that are characteristic of the broader marketplace (p. 7).

In the view of Moran (2001), while e-government initiatives have largely been thought of as focusing on government's relationship with citizens, "the real and more immediate payback will be the transformation of government relationships with business" (n.p.). From this perspective, shifting to e-procurement is a way of producing "quick wins" for the public sector, in terms of both lowering costs and shortening the time frames for acquiring goods and services.

Writing in *Government Executive*, Harris (2002) observed that in the public sector, " ... rumors

of the death of electronic procurement are greatly exaggerated" (n.p.). Although shifting the government acquisition process to the Internet may be neither as easy nor as lucrative as some vendors—many now "dot.com flameouts"—touted, federal agencies are discovering that, as in the private sector, e-procurement can:

- Deliver better prices
- Ease contract writing, processing, and payment
- Develop better business intelligence to track spending (Harris, 2002)

Writing in 2000, Patricia Seybold (2000) forecast that we would likely see *almost all* B2B processes move to electronic platforms during the current decade. Both her contention and NAVSEA's decision made in establishing SeaPort to take advantage of commercial best practices in the e-business are two years old as of this writing. The results of the ISM/Forrester *Report on eBusiness* certainly appear to bear out the rapid shift to e-procurement, necessitating the "electronifying" of the governmental supply chain.

## Bibliography for Appendix I

Anonymous (2001). "E-auction Playbook: What Top Supply Execs Say about Auctions." *Purchasing Magazine* (July 2001): S2. Retrieved from the web on August 20, 2001. Available through subscription at <http://www.purchasing.com>.

Canabou, Christine (2001). "Best of the Best: Charles E. Phillips." *Fast Company*, Issue 47 (June 2001): 90.

Cleary, Mike (2001a). "Anchors Aweigh." *eWeek*, (May 7, 2001). Retrieved from the web on June 25, 2002. Available at <http://www.eweek.com/article2/0,3959,138098,00.asp>.

Cutler, Matt and Jim Sterne (2000). *E-Metrics: Business Metrics for the New Economy—A White Paper from NetGenesis*. Retrieved from the web on May 5, 2001. Available at <http://www.netgen.com/emetrics/>.

Eisenmann, Thomas R. (2002). *Internet Business Models*. Boston: McGraw-Hill Irwin.



- Goldberg, Aaron (2001). "ROI Metrics: Building Empirical Metrics." *CIO Insight Magazine*, Issue 1 (May 2001): 25-26.
- Gomes, Lee (2002). "How Internet Time's Fifteen Minutes of Fame Ran Out." *The Wall Street Journal*, (November 4, 2002): B1.
- Gordon, Leslie A. (2001). "A Look at e-Markets: Cheers or Sneers—What Works, What Doesn't, and Why Some Businesses Won't Touch 'em." *Line56*, (March 2001): 26-27.
- Harris, Shane (2002). "E-Procurement Lives," *Government Executive*, (October 1, 2002). Retrieved from the web on November 3, 2002. Available at <http://207.27.3.29/features/1002/1002managetech1.htm>.
- Heath, Peggy Sue (2001). "ROI Metrics: Measuring the Future." *CIO Insight Magazine*, Issue 1 (May 2001): 34-37.
- Henig, Peter D. (2000). "Revenge of the Bricks: The World's Largest Corporations Are Creating the World's Newest Ones, Forming Online Exchanges as Their Answer to the Internet. Let's See If They Do It Right." *Red Herring*, no. 81 (August 2000): 121-134.
- Institute for Supply Management (ISM) (2002a). *ISM/Forrester Research Report on eBusiness—January 2002* (Released January 16, 2002). Retrieved from the web on January 20, 2002. Available at [www.napm.org/ISMReport/Forrester/FROB012002.cfm](http://www.napm.org/ISMReport/Forrester/FROB012002.cfm).
- Institute for Supply Management (ISM) (2002b). *ISM/Forrester Research Report on eBusiness—April 2002* (Released April 16, 2002). Retrieved from the web on April 22, 2002. Available at [www.napm.org/ISMReport/Forrester/FROB042002PR.cfm](http://www.napm.org/ISMReport/Forrester/FROB042002PR.cfm).
- Institute for Supply Management (ISM) (2002c). *ISM/Forrester Research Report on eBusiness—July 2002* (Released July 17, 2002). Retrieved from the web on July 17, 2002. Available at [www.napm.org/ISMReport/Forrester/FROB072002.cfm](http://www.napm.org/ISMReport/Forrester/FROB072002.cfm).
- Institute for Supply Management (ISM) (2002d). *ISM/Forrester Research Report on eBusiness—October 2002* (Released October 15, 2002). Retrieved from the web on October 15, 2002. Available at [www.napm.org/ISMReport/Forrester/FROB102002.cfm](http://www.napm.org/ISMReport/Forrester/FROB102002.cfm).
- Martin, Thomas N. and John C. Hafer (2002). "Internet Procurement by Corporate Purchasing Agents: Is It All Hype?" *SAM Advanced Management Journal*, (Winter 2002): 41-48.
- Messing, Fred (2002). *Managing Enterprise Integration: A White Paper from Computer Sciences Corporation* (Issued September 2002). Retrieved from the web on September 30, 2002. Available at <http://www.csc.com/industries/government/knowledgelibrary/964.shtml>.
- Moran, Nuala (2001). "Web Pressures Put the Squeeze on Governments (Special Report on e-Government)." *Financial Times* (June 20, 2001). Retrieved from the web on November 15, 2002. Available at <http://www.specials.ft.com/ftit/june2001/FT3SWJUY2OC.html>.
- National Academy of Sciences (2002). *Information Technology Research, Innovation, and E-Government*. Washington, DC: National Academy Press. Retrieved from the web on October 2, 2002. Available at <http://www.nap.edu/open-book/0309084016>.
- National Association of Purchasing Management (NAPM) (2001a). *NAPM/Forrester Research Report on eBusiness—January 2001* (Released January 22, 2001). Retrieved from the web on June 8, 2001. Available at [www.napm.org/ISMReport/Forrester/FROB012001.cfm](http://www.napm.org/ISMReport/Forrester/FROB012001.cfm).
- National Association of Purchasing Management (NAPM) (2001b). *NAPM/Forrester Research Report on eBusiness—April 2001* (Released April 16, 2001). Retrieved from the web on June 8, 2001. Available at [www.napm.org/ISMReport/Forrester/FROB042001.cfm](http://www.napm.org/ISMReport/Forrester/FROB042001.cfm).
- National Association of Purchasing Management (NAPM) (2001c). *NAPM/Forrester Research Report on eBusiness—July 2001* (Released July 16, 2001). Retrieved from the web on July 22, 2001. Available at [www.napm.org/ISMReport/Forrester/FROB072001.cfm](http://www.napm.org/ISMReport/Forrester/FROB072001.cfm).

National Association of Purchasing Management (NAPM) (2001d). *NAPM/Forrester Research Report on eBusiness—October 2001* (Released October 16, 2001). Retrieved from the web on October 22, 2001. Available at [www.napm.org/ISMReport/Forrester/FROB102001.cfm](http://www.napm.org/ISMReport/Forrester/FROB102001.cfm).

Plyler, Andy and George P. Shaw (2001). *Exostar: The Trading Exchange Revolutionizing A&D. Exostar Provides an Open Internet Trading Exchange for Global A&D Suppliers and Buyers of All Sizes, from Commercial Aviation to Defense and Space Systems—A White Paper for the ASCET Project (May 2001)*. Retrieved from the web on June 15, 2001. Available at <http://www.plyler.ascet.com>.

Schwartz, Ephraim (2000). "All Eyes Focus on Launch of Covisint." *InfoWorld* 22(38) (September 15, 2000): 1, 26.

Seybold, Patricia B. (2000). "Niches Bring Riches: The Winning B-to-B e-Markets Won't Be Mass Markets. They'll Be Highly Specialized Niche Markets." *Business 2.0*, 5(6) (June 13, 2000): 135-137.

Sostrom, Carolyn Pye (2001). "The Next Step in e-Commerce: Every Day, Professionals Are Deluged with Statistics and Promises About e-Commerce Tools and Trends. How Will They Affect the Supply Management Function and Its Leaders?" *Purchasing Today*, (June 2001): 46-54.

Totty, Michael (2001). "The Next Phase: Contrary to Rumor, B-to-B e-Commerce Is Showing Surprising Signs of Life," *The Wall Street Journal* (Special Report: E-Commerce), (May 21, 2001): R8-R9.

Wendin, Christine Grech (2001). "Slash Purchasing Costs," *Smart Business Magazine*, 14(5) (May 2001): 66-67.

Wyld, David C. (2000). "The Auction Model: How the Public Sector Can Leverage the Power of E-Commerce through Dynamic Pricing," IBM Endowment for The Business of Government (October 2000).

Wyld, David C. (2002). "Tracking the 'Perfect Storm': Charting the Future Course of B2B e-Commerce through an Analysis of the ISM/

Forrester *Report on eBusiness.*" *Journal of Global Competitiveness*, 10(1) (October 2002): 339-345.

Young, Eric (2002). "Web Marketplaces That Really Work: The Best New Online Exchanges Are Different from the Old Public B2Bs—They're Private and They're Profitable." *Fortune/CNET Tech Review*, (Winter 2002): 78-86.

# Appendix II: The Evolving Role of Services Spending in Federal Procurement

## Introduction—Changes in What the Federal Government Is Buying

According to the General Accounting Office (GAO) (2002), in fiscal year (FY) 2001, the federal government procured services totaling \$136 billion. By far, the Department of Defense (DoD) contracts for more services than any other federal agency. In FY 2001, DoD spending on services contracting was approximately \$59 billion, and for FY 2003, the Pentagon's proposed budget calls for this amount to rise to \$68.7 billion (Sherman 2002). Within DoD, spending for services accounts for an increasingly large share of total procurement spending. During the 1990s, DoD's annual budget for procurement of goods—such as aircraft—actually decreased from \$59.8 billion to \$53.5 billion (Friel 2000b). In fact, over one-sixth of total DoD spending has shifted from the procurement of materials to the acquisition of services in the last 10 years. The size and scope of services contracting is growing rapidly in the military realm, as DoD contracting actions worth more than \$100,000 increased by 28 percent in that same time span.

The Administrator of the Office of Federal Procurement Policy (OFPP), Angela Styles, recently observed in testimony before the U.S. Senate:

Significant portions of the military budget go not to “war-fighting” but to infrastructure and overhead. The logistics that keep our armed forces housed, trained, and mobile are essential to our success on the battlefield. At the same time, there are numerous opportunities to (a) meet the President’s

competition goals and (b) maintain and improve “non-war-fighting” capabilities (United States Senate 2002, n.p.).

As Balk and Calista (2001) point out, by contracting out more of their activities on the periphery, agencies are able to better concentrate on their core missions. Yet, as Sherman (2002) observed in *Defense News*, DoD acquisition rules, aimed at governing primarily the procurement of goods rather than services, have severely lagged behind this transition in the acquisition environment.

Lawrence Martin (2002a, 7) observed that “the transition to service contracting constitutes a fundamental paradigm shift for federal procurement.” This has been a difficult transition for the federal government overall and for DoD in particular.

The size and scope of the “paradigm shift” to services acquisition in federal procurement is readily evident in the results of a report from DoD's Inspector General, released in 2000. In the report, *Contracts for Professional, Administrative and Management Support Services (D-2000-100)*, the Inspector General reviewed 105 service contracts in DoD, with the audit finding problems with every one of them. The major findings of the report included the following:

- Contracts continued for extended periods of time without proper oversight and review. The paramount example of this was one between the Army and Raytheon for engineering services for the HAWK missile system that extended for a total of 39 years.

- Lax oversight, or little oversight, of contractor performance was being conducted. Rather than conducting performance reviews and audits, DoD acquisition staff often made use of contractor-prepared status reports in assessing the quality of the contractors' work.
- The strain of stretching procurement officials too thin was showing. In one case, a technical monitor was responsible for preparing 13 new contract awards, valued at \$115 million, while tracking performance on 43 existing contracts, worth \$621 million. In another instance, a technical reviewer had only a single day to complete a technical assessment on a contract valued at \$9 million.
- A contracting officer, acting at the behest of a program official, awarded 30 task orders without seeking competitive bids (Office of the Secretary of Defense, Inspector General, 2000).

Much of the "blame" in the Inspector General's report was placed on the fact that the DoD's acquisition workforce was overworked, shifted too frequently between assignments, and undertrained to effectively deal with services contracting.

In reaction to the report, DoD simply responded that "the military services recognize the need for improvement in contracting for services" (cited in Friel 2002b, n.p.).

Especially in the area of defense acquisition, the development of proper performance measures is certainly more difficult for services than for goods and equipment. As Friel (2002a, n.p.) observed, "making sure all the tanks that were ordered under a product contract were delivered at the proper time and in battle-ready condition is a far easier prospect."

### **Acronyms for Services Contracting: FASA, ID/IQ, and MAC**

The 1994 Federal Acquisition Streamlining Act (FASA) was aimed at speeding small purchases in the federal sector to reduce the number of contracts that had to be actively competed in contract shops across all federal agencies. However, the act had what Anne Laurent (1999, n.p.), writing

in *Government Executive*, classified as "a buried bombshell." This was because for the first time, FASA allowed, and encouraged, agencies to use multiple award task and delivery order contracts. These are commonly known as indefinite delivery/indefinite quantity (ID/IQ) or umbrella contracts, which are discussed at Federal Acquisition Regulation (FAR) Part 16.504. Rather than fully competing every acquisition, an ID/IQ contract allowed federal agencies to purchase—within time and price limits—goods or services, with delivery or service performance to be scheduled by placing orders with the contractor (Goan 2002). Having an ID/IQ in place enabled agencies to speed their purchasing cycle and to make do with fewer contracting personnel. While the former benefit speeded purchasing overall, particularly in the information technology (IT) area, the latter gain was also important, especially as the procurement "brain drain" that began in the 1990s has continued to accelerate to the present day (Laurent 1999).

FASA also made awards to multiple companies the preferred approach to services contracting. Hence, the concept of multiple award contracts (MACs), which are ID/IQ contracts, was born. Under these contracts, task and delivery order contracts for the same or similar products and/or services can be acquired under a single solicitation from two or more competing sources for that particular order. FAR Part 16 states a preference for these multiple award ID/IQ vehicles and requires that each multiple awardee be given a "fair opportunity for consideration" for any order of \$2,500 or greater. This provision built competition into the process, even though the arena was exclusive to the awardees and not open to "all comers."

DoD has been criticized over just how competitive these MAC processes really are. In 2000, at the behest of the U.S. Senate's Armed Services Committee's Subcommittee on Readiness and Management Support, GAO examined the use of MACs for large IT buys of both goods and services. The resulting GAO report, *Contract Management: Few Competing Proposals for Large DoD Information Technology Orders (NSIAD-00-56)*, found that in many instances, competition was simply not occurring.

GAO looked at 22 DoD task orders over \$5 million, most of which involved IT services for ongoing defense programs, awarded between October 1, 1997, and December 31, 1998. GAO found that only six of the 22 orders had competing proposals. This translated into the fact that \$443.7 million, or just over 80 percent of the \$553.1 million total value of the contracts examined, was awarded by noncompetitive processes (General Accounting Office 2000).

The rationales that competitive proposals were not forthcoming in these instances centered around several primary reasons. First, incumbent contractors often had an inherent advantage that precluded potential bidders from expending the time and effort necessary to submit a proposal. For example, in nine out of 10 instances in which there was an incumbent contractor, only the existing prime contractor submitted a proposal. This was attributed to the requirements that potential bidders would have to meet should they be successful in gaining the contract. For example, several contracts contained provisions that would require a successful offeror to have staff in place (with proper security clearances and fully functioning offices) within days of the award. Also, GAO cited that in some instances, potential offerors were not given reasonable time to respond with proposals. For example, on an Air Force contract, only the current contractor responded with a proposal on a three-year, \$11 million contract within the two-day time frame given by the agency (General Accounting Office 2000).

A second reason was that DoD contracting officers used statutory exceptions to FASA to not have competitive bidding on services contracts that were a “logical follow-on” to a contract that had been competitively sourced initially. GAO (2000) offered several such instances of this practice:

- The Defense Information Systems Agency made an award, valued at \$300,000, to a multiple-award contractor for two months of work. Citing a FASA exception because the work in question was highly specialized, the agency awarded a second order covering another 10 months of work at an estimated cost of \$6.7 million as a logical follow-on. The agency subsequently awarded the incum-

bent contractor another award as a logical follow-on, valued at \$7 million for another 11 months of work.

- The National Institutes of Health (NIH) placed an order for an Army communication system. The original NIH order covered one year and was valued at \$1.6 million. A subsequent award was made noncompetitively as a logical follow-on. This follow-on order was valued at approximately \$8.5 million annually, spanning 45 months of work for \$32.1 million. The work description for this follow-on order included two task areas that the original \$1.6 million order’s work description did not mention, which necessitated the contractor to increase staffing to almost three times that proposed for the original order. With the increased scope, the contractor also proposed to increase expenditures for other direct costs (such as supplies and equipment) to about \$2.6 million annually; these were under \$40,000 in the original task order.

GAO (2000) concluded that such logical follow-on orders were inconsistent with guidance from OFPP.

In response to the critical report, DoD disagreed with GAO that outreach efforts *can* produce an increase in the number of bidders and the competition for such contracts. A DoD spokesperson commented, “It does not seem appropriate to go beyond notification to more active encouragement. It is unlikely that active campaigning on the part of the government will overcome a contractor’s business judgment (to not bid)” (quoted in Saldarini 2000, n.p.).

## The Push for Performance-Based Contracting

According to Dick Hill, vice president for automation for the Dedham, Massachusetts-based ARC Advisory Group, the “standard bidding approach” most often leads to the buyer seeing that “you get what you pay for when you pick the low-cost bid.” Williams (2003) characterizes the traditional competitive bidding in government contracting as an adversarial approach, which does not serve to foster necessary innovations and quality improvements. In contrast, performance-based contracting

is “based on a partnership in which the buyer has more control over the work being done, and the vendor works harder to achieve benefits for the buyer and for itself” (quoted in Mullin 2002, 27). Performance-based contracting offers the opportunity to align the interests of both the government and the contractor—to the betterment of both. For the first time, the process “brings customers, technical personnel, and contracting staff together as a team” (Hutcheson 2001, 17).

Performance-based contracting evolved out of the “shared savings” concept from energy management in the 1980s. It is seen in the corporate world as a means to make gains in business process efficiency without having to make capital outlays (Mullin 2002).

Allan Burman (2001, 88), a former administrator with OFPP, gave what he labeled as “the 30-second elevator speech” describing what performance-based contracting is: “Tell the contractor the result you want, not how to do the work, and then be sure you can measure whether that result has been achieved. Performance metrics and incentives or disincentives that focus the contractor’s actions on the agency’s goals provide the framework for evaluation.”

Writing in *Government Executive*, Joshua Dean (2002, 54) has hailed performance-based contracting as nothing less than “a revolutionary way of doing business.” Yet, what exactly is it? For the relative simplicity of the concept, there have been a variety of definitions given for performance-based contracting, including the following:

- According to FAR 37.601 ([http://www.arnet.gov/far/current/html/Subpart\\_37\\_6.html](http://www.arnet.gov/far/current/html/Subpart_37_6.html)): “Performance-based contracting methods are intended to ensure that required performance quality levels are achieved and that total payment is related to the degree that services performed meet contract standards. Performance-based contracts—
  - (a) Describe the requirements in terms of results required rather than the methods of performance of the work;
  - (b) Use measurable performance standards (i.e., terms of quality, timeliness, quantity, etc.) and quality assurance surveillance plans (see 46.103(a) and 46.401(a));
  - (c) Specify procedures for reductions of fee or for reductions to the price of a fixed-price contract when services are not performed or do not meet contract requirements (see 46.407); and
  - (d) Include performance incentives where appropriate.”
- According to DoD’s (2001, 1) Guidebook for Performance-Based Services Acquisition (PBSA) in the Department of Defense, to be considered performance based, an acquisition should contain, at a minimum, the following elements:
  - **Performance work statement**—description of the requirement in terms of measurable outcomes rather than by means of prescriptive methods.
  - **Measurable performance standards**—to determine whether performance outcomes have been met, definitions of what is considered acceptable performance.
  - **Remedies**—procedures that address how to manage performance that does not meet performance standards. While not mandatory, incentives should be used, as appropriate, to encourage performance that will exceed performance standards. Remedies and incentives complement each other.
  - **Performance assessment plan**—description of how contractor performance will be measured and assessed against performance standards (quality assurance plan or quality assurance surveillance plan).
- According to the National Association of State Purchasing Officials (NASPO) (1997, 1), performance-based contracting is characterized by “specification of the outcome expectations of the contract and the requirement that any renewals or extensions be based on the achievement of the identified outcomes.”

Seeking to clarify the muddled picture, Lawrence Martin (2002b, 57–58) has recently offered a “consensus definition” for performance-based services contracting: “A performance-based contract can be defined as one that focuses on the *outputs*, *quality* and *outcomes* of service provision and may tie at least a portion of a contractor’s payment as

well as any contract extension or renewal to their achievement” (emphasis in the original).

The federal government has established stretch goals for the shift to performance-based contracting. In April 2000, then Undersecretary of Defense Jacques Gansler established the goal that 50 percent of DoD’s service acquisitions, as measured by both dollars and actions, were to be performance based by the year 2005 (Department of Defense 2000, 1). The Office of Management and Budget (OMB) (2001) initially mandated that 20 percent of all eligible federal service contracts over \$25,000 be performance based for FY 2002. This goal has since been pushed back to FY 2004 (Frank 2002a). However, the Procurement Executives Council has established that fully half of all service contracting should be performance based by FY 2005 (Martin 2002a). Angela Styles, administrator of OFPP, observed that attaining these targeted goals is especially difficult, in large part because federal agencies still disagree on what makes a contract truly performance based (opinion cited in Frank 2002b).

From the viewpoint of Michael Sade, director of acquisition management at the Department of Commerce, while performance-based contracting sounds fairly simple, it is extremely difficult to put into practice. Sade observed, “Conceptually, people get it...but it’s when you go to sit down and try to write a performance-based statement of work that the problems begin” (opinion cited in Frank 2002b, n.p.). According to Richard White, president of Fedmarket.com, “While the concept is simple (pay based on performance), implementation isn’t. That’s because performance-based work statements, which set the terms of payment and work to be performed, are difficult to draft” (White 2002, n.p.). Essentially, a performance-based statement of work (SOW) describes the work “in terms of ‘what’ the required service is rather than ‘how’ to perform the work” (Hutcheson 2001, 17). Writing in *Supply Management*, Sam Tulip (2001, 38) cautioned that “the object of the exercise” in services contracting should be to focus on value received, rather than solely on costs.

## The Need for Appropriate Measures

Gary Krump, a procurement executive for the Veteran’s Administration, observed that to effec-

tively administer contracts in a performance-based environment, one should heed the advice of former President Ronald Reagan to “trust, but verify” (cited in Burman 2001, 89).

When developing appropriate metrics for performance-based contracting, it is essential to have appropriate measures in place. Indeed, performance and having the means to ensure accountability for delivering outcomes are the central issues in this area (Greve 2001). Under performance-based contracting, buyers are essentially “buying a business outcome.” As such, the key to success in a performance-based environment is to have accurate measures in place (Mullin 2002, 27). Yet, at what price should accuracy be achieved? Tulip (2001, 39) points out that there are instances where qualitative observations must be utilized in assessing performance, due to the impracticality or unavailability of quantitative outcomes. He gives a quintessential example: “You could monitor a cleaning contract in terms of microbes per square meter of floor, for example, but this would require the full-time services of a pathology lab.”

## Performance-Based Statements of Work

There is certainly difficulty in transitioning to performance-based contracting and drafting the all-important SOWs. In testimony before the House Government Reform Committee’s Subcommittee on Technology and Procurement Policy, Colonel Aaron B. Floyd, president of the Retired Military Officers Association, characterized most SOWs as “boilerplates, voluminous and poorly written, and often fuel(ing) disputes between the contractor and the government contracting community” (United States House of Representatives 2001, n.p.). Earlier this year, Angela Styles characterized traditional SOWs as often being “process driven,” in that they are “telling a contractor ‘how to do the work’ instead of telling a contractor what the desired outcome should be” (United States Senate 2002, n.p.).

This difficulty can be seen in the recently released GAO report on performance-based contracting for services across the federal government. In September 2002, GAO released *Contract Management: Guidance Needed for Using Performance Based Service Contracting* (GAO-02-

1049). In the report, GAO sampled 25 federal performance-based contracts from five agencies:

- Department of Defense
- Department of Energy
- Department of the Treasury
- General Services Administration (GSA)
- National Aeronautics and Space Administration (NASA)

The purpose of the exercise was to examine how well federal agencies were actually making use of performance-based measures. To assess whether the contracts were indeed performance based, GAO (2002a) looked at whether they included the four essential elements for performance-based contracting, spelled out in the FAR, in that they:

- Described what outcomes the government was looking for and left it up to the contractor to decide how best to achieve these outcomes
- Set measurable performance standards
- Subjected the contractor to a quality assurance plan
- Included performance penalties and incentives when appropriate

GAO found that most of these contracts did exhibit some of these elements. Specifically, GAO discovered that nine of the 25 clearly exhibited all four of the essential characteristics. These were for services commonly performed in the private sector, including:

- Advertising
- Building maintenance and custodial services
- IT support services
- Tour guides

In these instances—all of which involved services not unique to the government or especially risky for the contractor to perform—the measurement and assessment of outcomes were relatively straightforward, and the contractors were able to determine the best methods for delivering services to meet or exceed the quality goals.

On the opposite end of the spectrum, four of the 25 contracts were deemed by GAO investigators to clearly have *not* met the definition of performance-based contracting. These contracts were for commercial-type services, all of which were suitable for performance-based contracting. The contracts reviewed were two for the Air Force, involving a single base's garbage collection/recycling and housing maintenance, and two for the Department of the Treasury, involving food service and dormitory management at a training facility. Overall, GAO found that while the contracts did specify performance targets and positive rewards and negative consequences for the contractor's performance, all four contracts were overly prescriptive in specifying how the contractor should carry out the assignment.

In GAO's review, Treasury was found to have been relying on "old style" government contracting methods of having highly detailed SOWs in what were supposed to be performance-based contracts. For instance, the Treasury contract for dormitory management of the Federal Law Enforcement Training Center had a 47-page list of specifications, including:

- The cotton/polyester fiber content of towels, bed linens, and ironing board pads
- The components necessary for making up a bed
- Monogramming of contractor employee uniforms
- Minimum thickness standards for trash can liners
- When and how to perform maintenance on water coolers and air conditioning equipment (GAO 2002a, 6)

Likewise, Treasury specified 33 pages worth of guidelines for a contractor providing food service at the same facility, including:

- What sandwiches were to be served
- What should be included in picnic baskets
- What length the corn-on-the-cob should be (GAO 2002a)

While the preceding examples of detail orientation in government contracting may seem humorous and could be used by late-night talk show hosts quite effectively, these SOWs can also stifle the



ability and imagination of the contractor to find new and better ways of providing the services, while achieving the necessary outcomes and perhaps saving taxpayer dollars as well.

Between the two extremes, GAO (2002a) found that roughly half of the examined contracts were for services that were unique to the government market and not applicable to the private sector and/or were highly risky, technical, or complex. These contracts were for such things as:

- Operating a nuclear facility
- Administering an Army DNA registry
- Launching and recovering the space shuttle
- Overseeing Navy tactical missile and ordnance test ranges

GAO found that due to the risk and complexity of the subjects of these contracts, the agencies, while striving for true performance-based contracting, could not refrain from instituting extensive specifications and oversight without putting their mission—and indeed employee and public safety—at risk. Thus, while the agencies involved were to be complimented for working to include important elements of performance-based contracting, they could not be considered as such due to their strategic nature.

Two of the contracts cited by GAO (2002a) as falling into this final category were contracts let by the Department of Energy and NASA. In the former agency's case, a contract for operating the Savannah River Nuclear Facility had 14 highly detailed "work authorizations" that contained exhaustive protocols and specifications for employees to follow at the nuclear plant. Likewise, the NASA contract for space shuttle services was very comprehensive and included 107 pages of work specifications and 190 pages of performance metrics. NASA administrators believed that the shuttle contract "went as far as it could toward building in performance-based attributes without putting astronauts' lives at risk as well as risking highly expensive equipment" (that is, the space shuttle itself) (GSA 2002a, 7–8). Interestingly, though, in a "Catch 22"-like twist, GAO admitted that in prior reports, it had cited these two agencies for needing

stricter oversight to prevent performance problems and cost overruns such as those that were found in these current contracts.

The GAO (2002a) report indeed found that, across the board, agencies wanted more guidance in how to better apply performance-based contracting, particularly in complex and mission-critical situations. Yet, it also urged the development of more stringent criteria for labeling contracts as truly being performance based. According to Ballard (2002), the GAO report has also prompted OFPP to reexamine its targets for future fiscal years and to issue revised guidance on performance-based contracting. As of the end of 2002, it now appears that rather than government-wide goals for performance-based contracting, OMB will set agency-by-agency benchmarks. Peckenpaugh (2002) commented that this will make it more difficult for observers to track how much progress is being made on competitive sourcing across the federal government.

## Performance-Based Contracting and the President's Management Agenda

In both the private and public sectors, performance-based contracting has been a "buzzword" for the past decade. Indeed, the overall trend in the public sector is toward performance-based services contracting and away from the fixed-price or labor-hour models of the past. As Martin (2002b) demonstrated, performance-based contracting has been used successfully at the state and local levels in a diverse range of settings. Under the Bush Administration, the concept appears to be moving from idea to full-blown implementation in federal services contracting (Weinstock 2001).

President George W. Bush's Management Agenda is based on three guiding principles that the federal government should be:

- Citizen-centered, not bureaucracy-centered
- Results-oriented
- Market-based, actively promoting rather than stifling innovation through competition (Executive Office of the President, Office of Management and Budget, 2001)

Angela Styles observed, “Competition has made the American economy the envy of the world. The President, through his Management Agenda, wishes to inject this spirit of competition in as many places in the federal government as possible” (United States Senate 2002, n.p.).

As part of pursuing this agenda to foster real competition, the Bush Administration has determined that the government should curtail its practice of having outside contractors provide services on a labor-hour basis off the GSA Schedule. This practice has been widespread in DoD and particularly applied in the area of IT services, as:

- DoD accounts for 54 percent of all GSA Schedule sales
- IT service purchases make up 57 percent of GSA Federal Supply Service (FSS) schedule sales (Dorobek 2002c)

Section 803, so named because of the provision of the FY 2002 Defense Authorization Act, would have required DoD contracting officers to notify all vendors on a multiple award contract or at least seek bids from a sufficient number of potential vendors so that proposals from at least three eligible parties would be received on task orders of \$50,000 or more (Dorobek 2002b). While proponents of Section 803 argued that it would have promoted competition in military services contracting, Deidre Lee, director of DoD procurement, observed that too often, the perception among the vendor community is that agencies know the vendor that they want to get the business and then simply “find two other companies to ‘make it look good’” (cited in Dorobek 2002b, n.p.).

Section 803 would have prohibited the long-standing practice of hiring outside contractors to supply IT services on a labor-hour basis. Aimed at promoting competition for these contracts, the rule would have had the effect of eliminating the use of GSA Schedule contracts. In fact, according to Steve Kelman, a professor of public management at the John F. Kennedy School of Government at Harvard and a former administrator of OFPP, if made operative, Section 803 “would have a devastating impact on the schedule program,” (opinion cited in Dorobek 2002c, n.p.). However, despite much

clamor on the proposed rule for much of the current year (2002), the proposal will apparently not become law until sometime during 2003, if at all (Dorobek 2002a).

## Summary

In the report, “A Vision of the Government as a World-Class Buyer: Major Procurement Issues for the Coming Decade,” Jacques Gansler observed that “the government must learn to use incentives rather than regulations as the way to create higher performance at lower costs” (2002, 22). Yet, the tension between the use of regulations versus incentives is present still today. Richard Sylvester, deputy director of acquisition initiatives for DoD, observed that increased oversight of contractors is “an attempt to deal with acquisition of services in a more strategic manner” (cited in Sherman 2002, n.p.). Performance-based contracting, despite its problems, appears to be the mechanism for managing the increasing presence of services in federal procurement. However, one must be mindful that, as Lawrence Martin (2002b, 56) observed, performance-based contracting is one of those instances “where practice is outpacing theory.”

In fact, outcomes will be vital in assessing not only contractor performance but the performance of agencies using services contractors in support of their mission—and ultimately the public’s trust. OMB Director Mitch Daniels has made it clear that the Bush Administration will be looking squarely at outcome data in assessing agency performance and future funding requests. In testimony to a joint hearing of subcommittees from the House Government Reform and Rules Committees, Daniels stated, “For far too long the question we seemed to address is ‘How much?’ not ‘How well?’ It is time to put the burden of proof for spending where it should be—on the proponent of spending” (cited in Weinstock 2002, n.p.).

In a grant report for the IBM Endowment for The Business of Government, Chris Wye, director of the Center for Improving Government Performance for the National Academy of Public Administration, made several astute observations on performance-based management. Writing in “Performance Management: A ‘Start Where You Are, Use What You Have’ Guide,” Wye (2002, 8) commented that:

Performance-based management itself is not complicated. Outcome indicators can be only as good as the human beings who design them and the resources available to implement them. If we had infinite time and resources, it might be possible to think about perfection. However, no appropriation was made for designing and implementing indicators. Also, implementers are squeezing their attention to performance into already crowded schedules. The best that can be done is always related to the time and resources available. The worst is not to do something with what we have. We need to start where we are and do what we can.

From this perspective, doing *something* is important. In fact, doing nothing to measure and improve performance can be viewed as nothing less than a dereliction of duty to public service. As Wye (2002, 8) wrote, those in public service should always be mindful “that the money supporting public endeavors is not ours but the public’s, and that we are their trustees.” This is the simple “core concept” of public service that should enable and motivate public-sector leaders to more creatively and effectively make use of performance-based management (Gruber 2002).

As discussed in this report on the SeaPort initiative, NAVSEA recognized the importance of professional support services in the accomplishment of its overall mission, making performance-based contracting an integral part of its SeaPort e-marketplace.

## Bibliography for Appendix II

- Balk, Walter, and Donald Calista. 2001. “A Framework for Professional Action in Government: A Facts and Values Perspective,” *Public Performance & Management Review*, 25(1) (September 2001): 88-104.
- Ballard, Tanya N. 2002. “Report: Agencies’ Use of Performance-Based Contracts Is Limited,” *Government Executive*, (October 24, 2002). Retrieved from the web on November 10, 2002. Available at <http://www.govexec.com/dailyfed/1002/102402t1.htm>.
- Burman, Allan V. 2001. “Performance-Based Pointers,” *Government Executive*, 33(9) (July 2001): 88-89.
- Dean, Joshua. 2002. “The Supply Chain’s Demands,” *Government Executive*, 34(5) (May 2002): 54-56.
- Department of Defense. 2001. *Guidebook for Performance-Based Services Acquisition (PBSA) in the Department of Defense*, (Issued January 2, 2001). Washington, D.C.: Department of Defense. Retrieved from the web on February 1, 2002. Available at <http://www.acq.osd.mil/ar/doc/pbsaguide010201.pdf>.
- Department of Defense. 2000. *DoD Policy on Performance-Based Services Acquisition (PBSA) — Memorandum Issued April 5, 2000*. Retrieved from the web on September 29, 2002. Available at <http://www.acq.osd.mil/ar/doc/ganslerpbsa.pdf>.
- Dorobek, Christopher J. 2002a. “OFPP Tables Section 803,” *Federal Computer Week*, (August 26, 2002). Retrieved from the web on September 30, 2002. Available at <http://www.fcw.com/fcw/articles/2002/0805/news-ofpp-08-05-02.asp>.
- Dorobek, Christopher J. 2002b. “DoD Rule Stirs Concern,” *Federal Computer Week*, (May 6, 2002). Retrieved from the web on October 25, 2002. Available at <http://www.fcw.com/fcw/articles/2002/0506/pol-rule-05-06-02.asp>.
- Dorobek, Christopher J. 2002c. “Rule Would Stifle DoD Service Buys,” *Federal Computer Week*, (June 24, 2002). Retrieved from the web on October 25, 2002. Available at <http://www.fcw.com/fcw/articles/2002/0624/news-rule-06-24-02.asp>.
- Executive Office of the President, Office of Management and Budget. 2001. *The President’s Management Agenda—FY 2002*. Retrieved from the web on April 5, 2002. Available at <http://www.whitehouse.gov/omb/budget>.
- Frank, Diane. 2002a. “Procurement Execs Set Priorities,” *Federal Computer Week*, (January 31, 2002). Retrieved from the web on September 25, 2002. Available at <http://www.fcw.com/fcw/articles/2002/0128/web-proc-01-31-02.asp>.

- Frank, Diane. 2002b. "OMB Rethinks Contracting Goals," *Federal Computer Week*, (February 4, 2002). Retrieved from the web on September 29, 2002. Available at <http://www.fcw.com/fcw/articles/2002/0204/web-proc-02-04-02.asp>.
- Friel, Brian. 2000a. "DoD Pledges More Performance-Based Contracting," *Government Executive*, (March 17, 2000). Retrieved from the web on November 1, 2000. Available at <http://207.27.3.29/news/index.cfm?mode=report&articleid=11713&printerfriendlyVers=1&>.
- Friel, Brian. 2000b. "DoD Service Contracts Riddled with Errors, Report Says," *Government Executive*, (March 15, 2000). Retrieved from the web on November 1, 2002. Available at <http://207.27.3.29/dailyfed/0300/031500b1.htm>.
- Gansler, Jacques S. 2002. "A Vision of the Government as a World-Class Buyer: Major Procurement Issues for the Coming Decade," IBM Endowment for The Business of Government, (January 2002).
- General Accounting Office (GAO). 2002a. *Contract Management: Guidance Needed for Using Performance-Based Service Contracting (GAO-02-1049)*, (September 2002). Retrieved from the web on November 5, 2002. Available at <http://www.gao.gov/new.items/d021049.pdf>.
- General Accounting Office. 2000. *Few Competing Proposals for Large DoD Information Technology Orders (NSAID-00-56)*, (March 20, 2000). Retrieved from the web on November 10, 2002. Available at <http://www.gao.gov/new.items/ns00056.pdf>.
- Goan, Joni T. 2002. "Advanced Issues in the Federal Acquisition Regulation," Presentation made on May 7, 2002, to the National Council of University Research Administrators, Region III Conference. Retrieved from the web on November 12, 2002. Available at [http://www.orga.cofc.edu/ncura3/ADVANCED\\_ISSUES.PPT](http://www.orga.cofc.edu/ncura3/ADVANCED_ISSUES.PPT).
- Greve, Carsten. 2001. "New Avenues for Contracting Out and Implications for a Theoretical Framework," *Public Performance & Management Review*, 24(3) (March 2001): 270-284.
- Gruber, Amelia. 2002. "Managers Urged to Focus on Improving Results, Not Making Excuses," *Government Executive*, (October 24, 2002). Retrieved from the web on November 10, 2002. Available at <http://www.govexec.com/dailyfed/1002/102402a1.htm>.
- Hutcheson, James E. 2001. "Changes in Performance-Based Contracting," *Public Works Digest*, 13(1) (January/February 2001): 17-18.
- Laurent, Anne. 1999. "The Buying Business," *Government Executive*, (April 1, 1999). Retrieved from the web on October 31, 2002. Available at <http://207.27.3.29/features/0499/0499s2.htm>.
- Martin, Lawrence L. 2002a. "Making Performance-Based Contracting Perform: What Federal Departments and Agencies Can Learn From State and Local Governments," IBM Endowment for The Business of Government, (June 2002).
- Martin, Lawrence L. 2002b. "Performance-Based Contracting for Human Services: Lessons for Public Procurement?" *Journal of Public Procurement*, 2(1) (Winter 2002): 55-71.
- Mullin, Rick. 2002. "Pay-for-Performance Is Back," *Chemical Week*, (March 20, 2002): 27.
- National Association of State Purchasing Officials. 1997. *State & Local Government Purchasing: Principles & Practices*, Lexington, KY: National Association of State Purchasing Officials.
- Office of Management and Budget. 2001. *Memorandum from Sean O'Keefe, Deputy Director, for Heads & Acting Heads of Departments and Agencies: Subject—Performance Goals and Management Initiatives for the FY 2002 Budget (Issued March 9, 2001)*. Retrieved from the web on September 25, 2002. Available at <http://www.whitehouse.gov/omb/memoranda/m01-15.pdf>.
- Office of the Secretary of Defense, Inspector General. 2000. *Contracts for Professional, Administrative and Management Support Services (D-2000-100)*, (March 10, 2000). Retrieved from the web on November 11, 2002. Available at <http://www.dodig.osd.mil/audit/reports/00100sum.html>.

Peckenpough, Jason. 2002. "No Overall Outsourcing Target in 2004, OMB Says," *Government Executive*, (November 1, 2002). Retrieved from the web on November 4, 2002. Available at <http://207.27.3.29/dailyfed/1102/110102p1.htm>.

Saldarini, Katy. 2000. "DoD Criticized for Relying on One-Bid Contracts," *Government Executive*, (March 22, 2000). Retrieved from the web on November 1, 2000. Available at <http://207.27.3.29/dailyfed/0300/032200k1.htm>.

Sherman, Jason. 2002. "Pentagon to Reform Spending on Services," *Defense News*, (June 24, 2002). Retrieved from the web on July 13, 2002. Available at <http://www.ebird.dtic.mil/Jun2002/s20020624spending.htm>.

Tulip, Sam. 2001. "How to Buy Outsourced Services," *Supply Management*, 6(24) (November 29, 2001): 38-39.

United States House of Representatives. 2001. *Statement of Colonel Aaron B. Floyd (Retired) President, Retired Military Officers Association Before the Committee on Government Reform—United States House of Representatives*, (June 28, 2001). Retrieved from Lexis-Nexis Academic Universe on September 8, 2002.

United States Senate. 2002. *Statement of Angela B. Styles, Administrator for Federal Procurement Policy Before the Committee on Governmental Affairs—United States Senate*, (March 6, 2002). Retrieved from Lexis-Nexis Academic Universe on September 8, 2002.

Weinstock, Matthew. 2002. "OMB: Agencies Need Better Performance Data to Justify Budgets," *Government Executive*, (September 19, 2002). Retrieved from the web on November 10, 2002. Available at <http://www.govexec.com/dailyfed/0902/091902w1.htm>.

Weinstock, Matthew. 2001. "Paying for Performance," *Government Executive*, 33(11) (August 2001): 12-14, 40.

White, Richard. 2002. "Installment 25: Performance-Based Contracting,"

*Fedmarket.com eNewsletter*, (July 4, 2002). Retrieved from the web on July 6, 2002. Available at <http://www.fedmarket.com/freeRes/eNewsletters/viewNewsletter.php?pkin=34>.

Williams, Trefor P. 2003. "Moving to Public-Private Partnerships: Learning from Experience around the World," IBM Endowment for The Business of Government, (February 2003).

Wye, Chris. 2002. "Performance Management: A 'Start Where You Are, Use What You Have' Guide," IBM Endowment for The Business of Government, (October 2002).

# Appendix III: The 20 MAC Holders for SeaPort

| MAC Prime Contractor                            | SeaPort Dedicated Website   |
|---|---|
| ADI Technology Corporation                      | <a href="http://www.aditech.com/MAC/MAC.htm">http://www.aditech.com/MAC/MAC.htm</a>   |
| AERA, Inc.                                      | <a href="http://navseateamaera.aera.com/">http://navseateamaera.aera.com/</a>   |
| Anteon Corporation                              | <a href="http://www.anteon.com/navsea/cmachome.htm">http://www.anteon.com/navsea/cmachome.htm</a>   |
| BAE Systems Applied Technologies, Inc.          | <a href="http://207.97.83.25/">http://207.97.83.25/</a>   |
| CACI Technologies, Inc.                         | <a href="http://www.caci-navsea.govapps.com/">http://www.caci-navsea.govapps.com/</a>   |
| Columbia Research Corporation                   | <a href="http://www.columbiaresearch.com/navsea/index.htm">http://www.columbiaresearch.com/navsea/index.htm</a>                           |
| Computer Sciences Corporation                   | <a href="http://www.amc.csc.com/mac/mac_home.htm">http://www.amc.csc.com/mac/mac_home.htm</a>   |
| DTI Associates, Inc.                            | <a href="http://www.dtiassociates.com/navseamac.htm">http://www.dtiassociates.com/navseamac.htm</a>                                       |
| EG&G Technical Services, Inc.                   | <a href="http://www.egginc.com/navsea/index.htm">http://www.egginc.com/navsea/index.htm</a>   |
| Gray Hawk Systems, Inc.                         | <a href="http://www.grayhawksystems.com/ContractVehicles/navseamac.htm">http://www.grayhawksystems.com/ContractVehicles/navseamac.htm</a> |
| GRC International (AT&T Governmental Solutions) | <a href="http://www.teamgrci.net/pss/pss_main.htm">http://www.teamgrci.net/pss/pss_main.htm</a>   |
| Gryphon Technologies, LC                        | <a href="http://www.gryphonteam.com/">http://www.gryphonteam.com/</a>   |
| Identix Public Sector, Inc.                     | <a href="http://www.mac4change.com/">http://www.mac4change.com/</a>   |
| John J. McMullen Associates, Inc.               | <a href="http://ide.jjma.com/MAC/">http://ide.jjma.com/MAC/</a>   |
| Lockheed Martin Integrated Systems, Inc.        | <a href="http://www.lmnavseapss.com/">http://www.lmnavseapss.com/</a>   |
| Northrop Grumman Information Technology, Inc.   | <a href="http://www.northropgrummanit.com/navsea/">http://www.northropgrummanit.com/navsea/</a>   |
| Planning Consultants, Inc.                      | <a href="http://www.planningconsultantsinc.com/mac/index_mac.htm">http://www.planningconsultantsinc.com/mac/index_mac.htm</a>             |

|                           |   |
|---------------------------|---|
| TMASC Joint Venture       | <a href="http://www.navseaservices.com/tmascweb/default.htm">http://www.navseaservices.com/tmascweb/default.htm</a> |
| Unified-ZAI Joint Venture | <a href="http://www.unified-zai.com/">http://www.unified-zai.com/</a>   |
| Vredenburg                | <a href="http://navseamac.vredenburg.com/">http://navseamac.vredenburg.com/</a>                                     |

*Source Information: Naval Sea Systems Command (2001). "SeaPort: Partners." Retrieved from the web on June 24, 2002. Available at <http://www.seaport.navy.mil/main/home/partners.html>.*

NOTE: Two of the original MAC contract holders, Logicon and PRC, have been combined into Northrop Grumman Information Technology. As of the end of FY 2002, 18 of the current 20 MAC contract holders have been awarded task orders.

# Endnotes

1. <http://www.seaport.navy.mil/main/about/history.html>.
2. [http://www.teamgrci.net/pss/SEAPORT\\_Brief\\_To\\_Subs.ppt](http://www.teamgrci.net/pss/SEAPORT_Brief_To_Subs.ppt).
3. [http://www.seaport.navy.mil/main/home/process\\_costs.html](http://www.seaport.navy.mil/main/home/process_costs.html).
4. <http://www.seaport.navy.mil/main/about/charter.html>.
5. [http://www.seaport.navy.mil/main/home/faq\\_contractor.html](http://www.seaport.navy.mil/main/home/faq_contractor.html).
6. [http://www.seaport.navy.mil/main/home/faq\\_general.html](http://www.seaport.navy.mil/main/home/faq_general.html).
7. [http://www.seaport.navy.mil/main/home/faq\\_general.html](http://www.seaport.navy.mil/main/home/faq_general.html).
8. [http://www.seaport.navy.mil/main/home/faq\\_general.html](http://www.seaport.navy.mil/main/home/faq_general.html).
9. [http://www.seaport.navy.mil/main/home/faq\\_general.html](http://www.seaport.navy.mil/main/home/faq_general.html).
10. [http://www.seaport.navy.mil/main/home/faq\\_general.html](http://www.seaport.navy.mil/main/home/faq_general.html).
11. <http://www.seaport.navy.mil/main/learn/index.html>.
12. <http://www.seaport.navy.mil/main/learn/training.html>.
13. [http://www.seaport.navy.mil/main/home/faq\\_general.html](http://www.seaport.navy.mil/main/home/faq_general.html).
14. [http://www.seaport.navy.mil/main/sell/planning\\_perf.html](http://www.seaport.navy.mil/main/sell/planning_perf.html).
15. [http://www.seaport.navy.mil/main/home/faq\\_general.html](http://www.seaport.navy.mil/main/home/faq_general.html).
16. [http://www.seaport.navy.mil/main/sell/planning\\_omb.html](http://www.seaport.navy.mil/main/sell/planning_omb.html).
17. [http://www.seaport.navy.mil/main/home/partners\\_h12.html](http://www.seaport.navy.mil/main/home/partners_h12.html).
18. At the time the SeaPort contract was awarded, Aquilent was the integration services arm of e-commerce software developer, CommerceOne Inc. Aquilent was spun off from CommerceOne in March 2002.
19. [http://www.seaport.navy.mil/main/home/2001-05-14\\_firstto.html](http://www.seaport.navy.mil/main/home/2001-05-14_firstto.html).
20. <http://www.seaport.navy.mil/main/about/security.html>.
21. [http://www.seaport.navy.mil/main/home/faq\\_contractor.html](http://www.seaport.navy.mil/main/home/faq_contractor.html).
22. [http://www.seaport.navy.mil/main/buy/overview\\_e-sign.html](http://www.seaport.navy.mil/main/buy/overview_e-sign.html).
23. [http://www.seaport.navy.mil/main/buy/overview\\_e-sign.html](http://www.seaport.navy.mil/main/buy/overview_e-sign.html).
24. [http://www.seaport.navy.mil/main/buy/overview\\_approval.html](http://www.seaport.navy.mil/main/buy/overview_approval.html).
25. [http://www.seaport.navy.mil/main/buy/overview\\_e-sign.html](http://www.seaport.navy.mil/main/buy/overview_e-sign.html).
26. <http://www.seaport.navy.mil/main/sell/planning.html>.
27. [http://www.seaport.navy.mil/main/buy/overview\\_approval.html](http://www.seaport.navy.mil/main/buy/overview_approval.html).
28. [http://www.seaport.navy.mil/main/buy/overview\\_cont-exe.html](http://www.seaport.navy.mil/main/buy/overview_cont-exe.html).
29. [http://www.seaport.navy.mil/main/buy/overview\\_gov-exe.html](http://www.seaport.navy.mil/main/buy/overview_gov-exe.html).
30. [http://www.seaport.navy.mil/main/home/faq\\_general.html](http://www.seaport.navy.mil/main/home/faq_general.html).
31. [http://www.seaport.navy.mil/main/buy/overview\\_e-sign.html](http://www.seaport.navy.mil/main/buy/overview_e-sign.html).
32. [http://www.teamgrci.net/pss/SEAPORT\\_Brief\\_To\\_Subs.ppt](http://www.teamgrci.net/pss/SEAPORT_Brief_To_Subs.ppt).
33. According to Claire Grady, program manager for SeaPort, SeaPort and SEA 02 reports this as the total savings for PSS acquisitions NAVSEA reports toward the wedge goals of \$250 million—and *not* savings generated exclusively by SeaPort. To be completely accurate, SeaPort provides data back to the various Naval operations so



that they can calculate and report savings. As Ms. Grady stated, "The requiring codes have the complete picture of the program from both a budget and execution perspective and are in the best position to assess what constitutes true savings" (personal communication, December 2002).

34. [http://www.seaport.navy.mil/main/home/faq\\_contractor.html](http://www.seaport.navy.mil/main/home/faq_contractor.html).

35. [http://www.seaport.navy.mil/main/home/faq\\_general.html](http://www.seaport.navy.mil/main/home/faq_general.html).

36. A complete listing of the 20 MAC holders (prime contractors) and their participating team members is available from the author (dwyld@selu.edu).

37. The eP2 website is [www.marcosyscom.usmc.mil/sites/acss/default.asp](http://www.marcosyscom.usmc.mil/sites/acss/default.asp).

# Bibliography

Aquilent. 2002. "NAVSEA—Solution." Retrieved from the web on October 10, 2002. Available at [http://www.aquilent.com/customers/navsea\\_2.html](http://www.aquilent.com/customers/navsea_2.html).

Bhambhani, Dipka. 2001a. "Look, No Paper," *Government Computer News*, 20(28) (September 17, 2001). Retrieved from the web on September 2, 2002. Available at [http://www.gcn.com/20\\_28/tech-report/17083-1.html](http://www.gcn.com/20_28/tech-report/17083-1.html).

Bhambhani, Dipka. 2001b. "Navy Automates Procurement for Contracts, Goods," *Government Computer News*, (August 12, 2001). Retrieved from the web on September 2, 2002. Available at [http://www.gcn.com/vol1\\_no1/daily-updates/16817-1.html](http://www.gcn.com/vol1_no1/daily-updates/16817-1.html).

Brown, Richard. 2001. "Naval e-Hub Boasts Fast ROI: SeaPort Claims Return 10 Weeks after C1-built Platform Goes Live," *Line56*, (July 30, 2001). Retrieved from the web on August 27, 2002. Available at <http://www.line56.com/articles/default.asp?newsid=2796>.

Burman, Allan V. 2000. "Innovative Incentives," *Government Executive*, 32(12) (October 2000): 100-102.

Cleary, Mike. 2001a. "Anchors Aweigh," *eWeek*, (May 7, 2001). Retrieved from the web on June 25, 2002. Available at <http://www.eweek.com/article2/0,3959,138098,00.asp>.

Cleary, Mike. 2001b. "Captain Kurt Huff," *eWeek*, (August 13, 2001). Retrieved from the web on June 25, 2002. Available at [http://www.eweek.com/print\\_article/0,3668,a=12070,00.asp](http://www.eweek.com/print_article/0,3668,a=12070,00.asp).

CommerceOne. 2001. "Naval Sea Systems Command Private E-Marketplace Live on CommerceOne and CSC Solutions: Private E-Marketplace Delivers Immediate ROI for U.S. Navy," (Press Release Issued July 31, 2001). Retrieved from the web on September 20, 2002. Available at [http://www.commerceone.com/news/printer\\_template.html?keyyear=2001&keyid=57](http://www.commerceone.com/news/printer_template.html?keyyear=2001&keyid=57).

Denhardt, Kathryn. 2003. "The Procurement Partnership Model: Moving to a Team-Based Approach," *The IBM Endowment for the Business of Government*, (February 2003).

Department of the Navy, Acquisition Reform Office. 2000. *Turbo Streamliner: Performance-Based Services*. Retrieved from the web on October 2, 2002. Available at <http://www.acq-ref.navy.mil/tools/turbo/areas/pbs.cfm>.

Dorobek, Christopher J. 2002a. "Marines Turn to Portal to Spur Competition," *Federal Computer Week*, (August 26, 2002). Retrieved from the web on September 3, 2002. Available at <http://www.fcw.com/fcw/articles/2002/0826/pol-portal-08-26-02.asp>.

Dorobek, Christopher J. 2002b. "DoD Revising Competition Rule," *Federal Computer Week*, (May 23, 2002). Retrieved from the web on October 25, 2002. Available at <http://www.fcw.com/fcw/articles/2002/0520/web-lee-05-23-02.asp>.

Friel, Brian. 2000. "DoD Pledges More Performance-Based Contracting," *Government Executive*, (March 17, 2000). Retrieved from the web on November 1, 2000. Available

at <http://207.27.3.29/news/index.cfm?mode=report&articleid=11713&printerfriendlyVers=1&>.

Gansler, Jacques S., William Lucyshyn, and Kimberly M. Ross. 2003. "Digitally Integrating the Government Supply Chain: E-Procurement, E-Finance, and E-Logistics," IBM Endowment for the Business of Government, (February 2003).

Gansler, Jacques S. 2002. "A Vision of the Government as a World-Class Buyer: Major Procurement Issues for the Coming Decade," IBM Endowment for The Business of Government, (January 2002).

General Accounting Office (GAO). 2000. *Few Competing Proposals for Large DoD Information Technology Orders* (NSAID-00-56), (March 20, 2000). Retrieved from the web on November 10, 2002. Available at <http://www.gao.gov/new.items/ns00056.pdf>.

Grady, Claire, and E. Bruce Braham. 2001. "DON eGovernment Awards," Naval Sea Systems Command (NAVSEA) News Release, (August 24, 2001). Retrieved from the web on September 2, 2002. Available at [http://www.navsea.navy.mil/newswire\\_content.asp?txtDataID=1974](http://www.navsea.navy.mil/newswire_content.asp?txtDataID=1974).

Harris, Shane. 2002. "E-Procurement Lives," *Government Executive*, (October 1, 2002). Retrieved from the web on November 3, 2002. Available at <http://207.27.3.29/features/1002/1002managetech1.htm>.

Kline, Sandy, and Bill Snider. 2002. "Leveraging Technology to Solve the Knowledge Management Puzzle," NAVSEA Observer, (May 14, 2002). Retrieved from the web on September 2, 2002. Available at [http://www.navsea.navy.mil/feature\\_stories\\_content.asp?txtDataID=5250&txtTypeID=3](http://www.navsea.navy.mil/feature_stories_content.asp?txtDataID=5250&txtTypeID=3).

Martin, Lawrence L. 2002. "Making Performance-Based Contracting Perform: What Federal Departments and Agencies Can Learn from State and Local Governments," IBM Endowment for The Business of Government (June 2002).

Monahan, Kathleen. 2002a. "SeaPort: Private eMarketplace for Innovative Acquisition of Services in Partnership with Industry," Paper presented at the

National Contract Management Association National Conference, (July 24, 2002), Long Beach, Calif.

Monahan, Kathleen. 2002b. "Facilitating Change, Improving Effectiveness," Presentation given at the GSA Federal Acquisition Conference, (May 14, 2002), Washington, D.C.

Monahan, Kathleen. 2002c. "SeaPort: Improving Services Acquisition through Innovation and E-Business," Presentation given at NAVSEA Meeting, (June 19, 2002), Washington, D.C.

Monahan, Kathleen, Max R. Petersen, and Sean Singleton. 2002. "SeaPort: Improving Services Acquisition through Innovation and E-Business," Presentation given at e-Gov 2002 Electronic Procurement Conference, (January 30, 2002), Washington, D.C.

Murray, Bill. 2001. "NAVSEA on Board with Better Business," *Federal Computer Week*, (April 16, 2001). Retrieved from the web on June 24, 2002. Available at <http://www.fcw.com/fcw/articles/2001/0416/news-navsea-04-16-01.asp>.

Naval Sea Systems Command (NAVSEA). 2002a. "About NAVSEA." Retrieved from the web on August 15, 2002. Available at <http://www.navsea.navy.mil/aboutnavsea.asp>.

Naval Sea Systems Command. 2002b. "About NAVSEA: History." Retrieved from the web on August 15, 2002. Available at <http://www.navsea.navy.mil/aboutnavsea2.asp>.

Naval Sea Systems Command. 2000. "RFP for SeaPort (Solicitation Issued by Ann Van Houten, Procuring Contracting Officer, on November 20, 2000)." Retrieved from the web on October 3, 2002. Available at <http://www.amelexwebdesign.com/navsea/rfp.asp>.

Naval Sea Systems Command Contracts Directorate Staff. 2002. "SeaPort—One Year Later," NAVSEA Observer, (May 14, 2002). Retrieved from the web on September 2, 2002. Available at [http://www.navsea.navy.mil/featurestories\\_summary.asp?txtTypeID='magazine\\_article'&txtTypeID=3&txtDataID=5245](http://www.navsea.navy.mil/featurestories_summary.asp?txtTypeID='magazine_article'&txtTypeID=3&txtDataID=5245).

- Naval Sea Systems Command Public Affairs Staff. 2002a. "This Week in NAVSEA History," Naval Sea Systems Command News Release, (August 30, 2002). Retrieved from the web on September 3, 2002. Available at [http://www.navsea.navy.mil/newswire\\_content.asp?txtDataID=6330](http://www.navsea.navy.mil/newswire_content.asp?txtDataID=6330).
- Naval Sea Systems Command Public Affairs Staff. 2002b. "NAVSEA Programs Win Procurement Excellence Awards," Naval Sea Systems Command News Release, (June 21, 2002). Retrieved from the web on September 1, 2002. Available at [http://www.navsea.navy.mil/newswire\\_content.asp?txtDataID=5635](http://www.navsea.navy.mil/newswire_content.asp?txtDataID=5635).
- Naval Sea Systems Command Public Affairs Staff. 2001. "NAVSEA Awards Professional Support Contracts Valued at \$14.5 Billion," Naval Sea Systems Command News Release, (April 6, 2001). Retrieved from the web on September 1, 2002. Available at [http://www.navsea.navy.mil/newswire\\_content.asp?txtDataID=2867](http://www.navsea.navy.mil/newswire_content.asp?txtDataID=2867).
- Naval Sea Systems Command—SeaPort. 2002. "Sell: Overview—Task Order Work Flow Diagram." Retrieved from the web on September 5, 2002. Available at <http://www.seaport.navy.mil/main/sell/overview.html>.
- Naval Sea Systems Command—SeaPort. 2001. "Buy: Overview—Task Order Work Flow Diagram." Retrieved from the web on September 5, 2002. Available at <http://www.seaport.navy.mil/main/buy/overview.html>.
- Saldarini, Katy. 2000. "DoD Criticized for Relying on One-Bid Contracts," *Government Executive*, (March 22, 2000). Retrieved from the web on November 1, 2000. Available at <http://207.27.3.29/dailyfed/0300/032200k1.htm>.
- Sherman, Jason. 2002. "Pentagon to Reform Spending on Services," *Defense News*, (June 24, 2002). Retrieved from the web on July 13, 2002. Available at <http://www.ebird.dtic.mil/Jun2002/s20020624spending.htm>.
- United States House of Representatives. 2001. Statement of Colonel Aaron B. Floyd (Retired) *President, Retired Military Officers Association Before the Committee on Government Reform—United States House of Representatives*, (June 28, 2001). Retrieved from Lexis-Nexis Academic Universe on September 8, 2002.
- United States Marine Corps Acquisition Center for Support Services. 2002. Enterprise Procurement Portal (eP2). Retrieved from the Internet on October 20, 2002. Available at <http://www.marcosyscom.usmc.mil/sites/acss/default.asp>.
- Wyld, David C., and Randall P. Settoon. 2002. *The Strategic Need for Real-Time Competitive Bidding in the Public-Sector Procurement Process: A White Paper for FreeMarkets, Inc. from the Strategic e-Government Initiative*. Retrieved from the web on November 17, 2002. Available at [http://elc.freemarkets.com/cat2/Whitepapers/Public\\_Sector.pdf](http://elc.freemarkets.com/cat2/Whitepapers/Public_Sector.pdf).
- Wyld, David C. 2000. "The Auction Model: How the Public Sector Can Leverage the Power of E-Commerce through Dynamic Pricing," IBM Endowment for The Business of Government, (October 2000).
- Young, Eric. 2002. "Web Marketplaces That Really Work: The Best New Online Exchanges Are Different from the Old Public B2Bs—They're Private and They're Profitable," *Fortune/CNET Tech Review*, (Winter 2002): 78-86.
- Zyskowski, John. 2002a. "Charting a New Course," *Federal Computer Week*, (April 8, 2002). Retrieved from the web on June 24, 2002. Available at <http://www.fcw.com/fcw/articles/2002/0408/tec-naval1-04-08-02.asp>.
- Zyskowski, John. 2002b. "Testing e-Commerce Waters: Naval Group Improves Services Procurement with Amazon.com-inspired Online System," *Federal Computer Week*, (April 8, 2002). Retrieved from the web on June 24, 2002. Available at <http://www.fcw.com/fcw/articles/2002/0408/tec-naval-04-08-02.asp>.

## ABOUT THE AUTHOR

**David C. Wyld** currently serves as a Professor of Management at Southeastern Louisiana University in Hammond, Louisiana, where he teaches courses in business strategy and methods for dealing with the challenges of e-commerce and other contemporary management issues. Recently, he was named director of the College of Business & Technology's Strategic e-Government Initiative.

Dr. Wyld has written over 70 journal articles on a wide variety of subjects dealing with contemporary management issues. These have appeared in many leading business, public policy, health care, and education journals. He has also presented over 80 papers at professional conferences, garnering five best paper awards for these efforts.



Dr. Wyld has been extremely active in the area of grant writing, having served as principal investigator or as co-author on a number of grants that have helped to upgrade both the classroom presentation technology and computer labs of the College of Business & Technology at Southeastern Louisiana University. In recognition of these accomplishments, Dr. Wyld has been awarded the campus-wide "President's Award for Excellence in Research," while also having been recognized in 2002 as the outstanding teacher in the College of Business & Technology.

Over the past two years since the publication of his first grant report with the IBM Endowment for The Business of Government, Dr. Wyld has concentrated his research efforts in the emerging area of e-government. He has now written three monographs on the use of e-procurement techniques for the public sector for the IBM Endowment for The Business of Government. His first book, *We the People Speak on e-Government: Interviews with 21 Leading B2G Players*, was published in 2002 by ISI Publications ([www.isipublications.com](http://www.isipublications.com)). In 2003, he will follow up with a second book, focusing on international e-government efforts, *All Around the World: The e-Government Revolution*. He has also been an active speaker and panelist on business-to-government, business-to-business, and e-government issues at national and international events.

In addition to his traditional teaching duties and research efforts, Dr. Wyld has served as a consultant to major corporations on a wide range of topics. He has participated extensively in delivering college classes to non-traditional students in divergent settings, teaching in executive MBA programs, and working with emerging online teaching technologies.

He earned his doctorate in management from the University of Memphis in 1993.

KEY CONTACT INFORMATION

**To contact the author:**

**David C. Wyld**  
**Southeastern Louisiana University**

Professor of Management and  
Director of the Strategic E-Government  
Initiative

Department of Management  
SLU - Box 10350  
500 Western Avenue  
Hammond, LA 70402-0350  
(985) 549-3972  
fax: (413) 812-7575

e-mail: [dwyld@selu.edu](mailto:dwyld@selu.edu)

## ENDOWMENT REPORTS AVAILABLE

### GRANT REPORTS

#### E-Government

##### **Supercharging the Employment**

**Agency:** An Investigation of the Use of Information and Communication Technology to Improve the Service of State Employment Agencies (December 2000)

Anthony M. Townsend

##### **Assessing a State's Readiness for Global Electronic Commerce:**

Lessons from the Ohio Experience (January 2001)

J. Pari Sabety  
Steven I. Gordon

##### **Privacy Strategies for Electronic Government**

(January 2001)

Janine S. Hiller  
France Bélanger

##### **Commerce Comes to Government on the Desktop:**

E-Commerce Applications in the Public Sector (February 2001)

Genie N. L. Stowers

##### **The Use of the Internet in Government Service Delivery**

(February 2001)

Steven Cohen  
William Eimicke

##### **State Web Portals:** Delivering and Financing E-Service (January 2002)

Diana Burley Gant  
Jon P. Gant  
Craig L. Johnson

##### **Internet Voting:** Bringing Elections to the Desktop (February 2002)

Robert S. Done

##### **Leveraging Technology in the Service of Diplomacy:** Innovation in the Department of State (March 2002)

Barry Fulton

##### **Federal Intranet Work Sites:** An Interim Assessment (June 2002)

Julianne G. Mahler  
Priscilla M. Regan

##### **The State of Federal Websites:** The Pursuit of Excellence (August 2002)

Genie N. L. Stowers

##### **State Government E-Procurement in the Information Age:** Issues, Practices, and Trends (September 2002)

M. Jae Moon

##### **Preparing for Wireless and Mobile Technologies in Government**

(October 2002)

Ai-Mei Chang  
P. K. Kannan

##### **Public-Sector Information Security:**

A Call to Action for Public-Sector CIOs (October 2002, 2nd ed.)

Don Heiman

##### **The Auction Model:** How the Public Sector Can Leverage the Power of E-Commerce Through Dynamic Pricing (November 2002, 2nd ed.)

David C. Wyld

##### **The Promise of E-Learning in Africa:**

The Potential for Public-Private Partnerships (January 2003)

Norman LaRocque  
Michael Latham

##### **Digitally Integrating the Government Supply Chain:**

E-Procurement, E-Finance, and E-Logistics (February 2003)

Jacques S. Gansler  
William Lucyshyn  
Kimberly M. Ross

##### **Using Technology to Increase Citizen Participation in Government:** The Use of Models and Simulation (April 2003)

John O'Looney

##### **SeaPort:** Charting a New Course for Professional Services Acquisition for America's Navy (June 2003)

David C. Wyld

### Financial Management

##### **Credit Scoring and Loan Scoring:** Tools for Improved Management of Federal Credit Programs (July 1999)

Thomas H. Stanton

##### **Using Activity-Based Costing to Manage More Effectively**

(January 2000)

Michael H. Granof  
David E. Platt  
Igor Vaysman

##### **Audited Financial Statements:**

Getting and Sustaining "Clean" Opinions (July 2001)

Douglas A. Brook

##### **An Introduction to Financial Risk Management in Government**

(August 2001)

Richard J. Buttimer, Jr.

### Human Capital

##### **Profiles in Excellence:** Conversations with the Best of America's Career Executive Service (November 1999)

Mark W. Huddleston

##### **Reflections on Mobility:** Case Studies of Six Federal Executives (May 2000)

Michael D. Serlin

##### **Managing Telecommuting in the Federal Government:** An Interim Report (June 2000)

Gina Vega  
Louis Brennan

##### **Using Virtual Teams to Manage Complex Projects:** A Case Study of the Radioactive Waste Management Project (August 2000)

Samuel M. DeMarie

##### **A Learning-Based Approach to Leading Change**

(December 2000)  
Barry Sugarman

##### **Labor-Management Partnerships:** A New Approach to Collaborative Management (July 2001)

Barry Rubin  
Richard Rubin

##### **Winning the Best and Brightest:** Increasing the Attraction of Public Service (July 2001)

Carol Chetkovich

**Organizations Growing Leaders:**  
Best Practices and Principles in the  
Public Service (December 2001)

Ray Blunt

**A Weapon in the War for Talent:**  
Using Special Authorities to Recruit  
Crucial Personnel (December 2001)

Hal G. Rainey

**A Changing Workforce:**  
Understanding Diversity Programs  
in the Federal Government  
(December 2001)

Katherine C. Naff  
J. Edward Kellough

**Life after Civil Service Reform:**  
The Texas, Georgia, and Florida  
Experiences (October 2002)

Jonathan Walters

**Leaders Growing Leaders:**  
Preparing the Next Generation  
of Public Service Executives  
(November 2002, 3rd ed.)

Ray Blunt

**The Defense Leadership and  
Management Program:** Taking  
Career Development Seriously  
(December 2002)

Joseph A. Ferrara  
Mark C. Rom

**The Influence of Organizational  
Commitment on Officer Retention:**  
A 12-Year Study of U.S. Army  
Officers (December 2002)

Stephanie C. Payne  
Ann H. Huffman  
Trueman R. Tremble, Jr.

**Human Capital Reform:**  
21st Century Requirements for  
the United States Agency for  
International Development  
(March 2003)

Anthony C. E. Quinton  
Amanda M. Fulmer

**Modernizing Human Resource  
Management in the Federal  
Government:** The IRS Model  
(April 2003)

James R. Thompson  
Hal G. Rainey

## Managing for Results

**Corporate Strategic Planning  
in Government:** Lessons from  
the United States Air Force  
(November 2000)

Colin Campbell

**Using Evaluation to Support  
Performance Management:**  
A Guide for Federal Executives  
(January 2001)

Kathryn Newcomer  
Mary Ann Scheirer

**Managing for Outcomes:**  
Milestone Contracting in  
Oklahoma (January 2001)

Peter Frumkin

**The Challenge of Developing Cross-  
Agency Measures:** A Case Study of  
the Office of National Drug Control  
Policy (August 2001)

Patrick J. Murphy  
John Carnevale

**The Potential of the Government  
Performance and Results Act as  
a Tool to Manage Third-Party  
Government** (August 2001)

David G. Frederickson

**Using Performance Data for  
Accountability:** The New York City  
Police Department's CompStat  
Model of Police Management  
(August 2001)

Paul E. O'Connell

**Moving Toward More Capable  
Government:** A Guide to  
Organizational Design (June 2002)

Thomas H. Stanton

**Performance Management:** A "Start  
Where You Are, Use What You  
Have" Guide (October 2002)

Chris Wye

**How Federal Programs Use Outcome  
Information:** Opportunities for  
Federal Managers (April 2003)

Harry P. Hatry  
Elaine Morley  
Shelli B. Rossman  
Joseph S. Wholey

## New Ways to Manage Innovation

**Managing Workfare:** The Case of  
the Work Experience Program in  
the New York City Parks Department  
(June 1999)

Steven Cohen

**New Tools for Improving  
Government Regulation:** An  
Assessment of Emissions Trading  
and Other Market-Based Regulatory  
Tools (October 1999)

Gary C. Bryner

**Religious Organizations, Anti-  
Poverty Relief, and Charitable  
Choice:** A Feasibility Study of  
Faith-Based Welfare Reform in  
Mississippi (November 1999)

John P. Bartkowski  
Helen A. Regis

**Business Improvement Districts  
and Innovative Service Delivery**  
(November 1999)

Jerry Mitchell

**An Assessment of Brownfield  
Redevelopment Policies:**  
The Michigan Experience  
(November 1999)

Richard C. Hula

**San Diego County's Innovation  
Program:** Using Competition and a  
Whole Lot More to Improve Public  
Services (January 2000)

William B. Eimicke

**Innovation in the Administration  
of Public Airports** (March 2000)

Scott E. Tarry

**Entrepreneurial Government:**  
Bureaucrats as Businesspeople  
(May 2000)

Anne Laurent

**Rethinking U.S. Environmental  
Protection Policy:** Management  
Challenges for a New  
Administration (November 2000)

Dennis A. Rondinelli

**The Challenge of Innovating in  
Government** (February 2001)

Sandford Borins



**Understanding Innovation:** What Inspires It? What Makes It Successful? (December 2001)

Jonathan Walters

**Government Management of Information Mega-Technology:** Lessons from the Internal Revenue Service's Tax Systems Modernization (March 2002)

Barry Bozeman

## Procurement

**Determining a Level Playing Field for Public-Private Competition** (November 1999)

Lawrence L. Martin

**Implementing State Contracts for Social Services:** An Assessment of the Kansas Experience (May 2000)

Jocelyn M. Johnston  
Barbara S. Romzek

**A Vision of the Government as a World-Class Buyer:** Major Procurement Issues for the Coming Decade (January 2002)

Jacques S. Gansler

**Contracting for the 21st Century:** A Partnership Model (January 2002)

Wendell C. Lawther

**Franchise Funds in the Federal Government:** Ending the Monopoly in Service Provision (February 2002)

John J. Callahan

**Making Performance-Based Contracting Perform:** What the Federal Government Can Learn from State and Local Governments (November 2002, 2nd ed.)

Lawrence L. Martin

**Moving to Public-Private Partnerships:** Learning from Experience around the World (February 2003)

Trefor P. Williams

**IT Outsourcing:** A Primer for Public Managers (February 2003)

Yu-Che Chen  
James Perry

**The Procurement Partnership Model:** Moving to a Team-Based Approach (February 2003)

Kathryn G. Denhardt

**Moving Toward Market-Based Government:** The Changing Role of Government as the Provider (June 2003)

Jacques S. Gansler

## Networks, Collaboration, and Partnerships

**Leveraging Networks to Meet National Goals:** FEMA and the Safe Construction Networks (March 2002)

William L. Waugh, Jr.

**21st-Century Government and the Challenge of Homeland Defense** (June 2002)

Elaine C. Kamarck

**Assessing Partnerships:** New Forms of Collaboration (March 2003)

Robert Klitgaard  
Gregory F. Treverton

**Leveraging Networks:** A Guide for Public Managers Working across Organizations (March 2003)

Robert Agranoff

**Extraordinary Results on National Goals:** Networks and Partnerships in the Bureau of Primary Health Care's 100%/0 Campaign (March 2003)

John Scanlon

**Managing "Big Science":** The Challenge of Coordination (June 2003)

W. Henry Lambright

## Transforming Organizations

**The Importance of Leadership:** The Role of School Principals (September 1999)

Paul Teske  
Mark Schneider

**Leadership for Change:** Case Studies in American Local Government (September 1999)

Robert B. Denhardt  
Janet Vinzant Denhardt

## Managing Decentralized

**Departments:** The Case of the U.S. Department of Health and Human Services (October 1999)

Beryl A. Radin

**Transforming Government:** The Renewal and Revitalization of the Federal Emergency Management Agency (April 2000)

R. Steven Daniels  
Carolyn L. Clark-Daniels

**Transforming Government:** Creating the New Defense Procurement System (April 2000)

Kimberly A. Harokopus

**Trans-Atlantic Experiences in Health Reform:** The United Kingdom's National Health Service and the United States Veterans Health Administration (May 2000)

Marilyn A. DeLuca

**Transforming Government:** The Revitalization of the Veterans Health Administration (June 2000)

Gary J. Young

**The Challenge of Managing Across Boundaries:** The Case of the Office of the Secretary in the U.S. Department of Health and Human Services (November 2000)

Beryl A. Radin

**Creating a Culture of Innovation:** 10 Lessons from America's Best Run City (January 2001)

Janet Vinzant Denhardt  
Robert B. Denhardt

**Transforming Government:** Dan Goldin and the Remaking of NASA (March 2001)

W. Henry Lambright

**Managing Across Boundaries:** A Case Study of Dr. Helene Gayle and the AIDS Epidemic (January 2002)

Norma M. Riccucci

**Managing "Big Science":** A Case Study of the Human Genome Project (March 2002)

W. Henry Lambright

**The Power of Frontline Workers in Transforming Government:** The Upstate New York Veterans Healthcare Network (April 2003)

Timothy J. Hoff

**Making Public Sector Mergers Work:** Lessons Learned (June 2003)

Peter Frumkin

## SPECIAL REPORTS

### **Government in the 21st Century**

David M. Walker

**Results of the Government Leadership Survey:** A 1999 Survey of Federal Executives (June 1999)

Mark A. Abramson  
Steven A. Clyburn  
Elizabeth Mercier

**Creating a Government for the 21st Century** (March 2000)

Stephen Goldsmith

**The President's Management Council:** An Important Management Innovation (December 2000)

Margaret L. Yao

**Toward a 21st Century Public Service:** Reports from Four Forums (January 2001)

Mark A. Abramson, Editor

**Becoming an Effective Political Executive:** 7 Lessons from Experienced Appointees (January 2001)

Judith E. Michaels

**The Changing Role of Government:** Implications for Managing in a New World (December 2001)

David Halberstam

## BOOKS\*

***E-Government 2001***  
(Rowman & Littlefield Publishers, Inc., 2001)

Mark A. Abramson and  
Grady E. Means, editors

***E-Government 2003***  
(Rowman & Littlefield Publishers, Inc., 2002)

Mark A. Abramson and  
Therese L. Morin, editors

***Human Capital 2002***  
(Rowman & Littlefield Publishers, Inc., 2002)

Mark A. Abramson and  
Nicole Willenz Gardner, editors

***Innovation***  
(Rowman & Littlefield Publishers, Inc., 2002)

Mark A. Abramson and  
Ian Littman, editors

***Leaders***  
(Rowman & Littlefield Publishers, Inc., 2002)

Mark A. Abramson and  
Kevin M. Bacon, editors

***Managing for Results 2002***  
(Rowman & Littlefield Publishers, Inc., 2001)

Mark A. Abramson and  
John Kamensky, editors

***New Ways of Doing Business***  
(Rowman & Littlefield Publishers, Inc., 2003)

Mark A. Abramson and  
Ann M. Kieffaber, editors

***Memos to the President: Management Advice from the Nation's Top Public Administrators*** (Rowman & Littlefield Publishers, Inc., 2001)

Mark A. Abramson, editor

***The Procurement Revolution***  
(Rowman & Littlefield Publishers, Inc., 2003)

Mark A. Abramson and  
Roland S. Harris III, editors

***Transforming Organizations***  
(Rowman & Littlefield Publishers, Inc., 2001)

Mark A. Abramson and  
Paul R. Lawrence, editors

\* Available at bookstores, online booksellers, and from the publisher (www.rowmanlittlefield.com or 800-462-6420).



---

### **About IBM Business Consulting Services**

With more than 60,000 consultants and professional staff in more than 160 countries globally, IBM Business Consulting Services is the world's largest consulting services organization. IBM Business Consulting Services provides clients with business process and industry expertise, a deep understanding of technology solutions that address specific industry issues, and the ability to design, build and run those solutions in a way that delivers bottom-line business value.

---

### **About the Endowment**

Through grants for research, the IBM Endowment for The Business of Government stimulates research and facilitates discussion on new approaches to improving the effectiveness of government at the federal, state, local, and international levels.

Founded in 1998, the Endowment is one of the ways that IBM seeks to advance knowledge on how to improve public sector effectiveness. The IBM Endowment focuses on the future of the operation and management of the public sector.

### **For additional information, contact:**

**Mark A. Abramson**

Executive Director

IBM Endowment for The Business of Government

1616 North Fort Myer Drive

Arlington, VA 22209

(703) 741-1077, fax: (703) 741-1076

e-mail: [endowment@businessofgovernment.org](mailto:endowment@businessofgovernment.org)

website: [www.businessofgovernment.org](http://www.businessofgovernment.org)

---

IBM Endowment for  
**The Business  
of Government**

1616 North Fort Myer Drive

Arlington, VA 22209-3195

|   |
|---|
| PRST STD<br>US Postage<br><b>P A I D</b><br>Permit 1112<br>Merrifield, VA |
|---|