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This document describes the Contracting Directorate TQM implementing plan. It supplements and strongly endorses the DLA TQM Master Plan. The primary goal of the DLA-P TQM implementing plan is to develop a world-class DLA supplier base which will provide a completely dependable source of quality supplies and services at competitive prices to meet U. S. military requirements.

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CONTRACTING DIRECTORATE (DLA-P)
TOTAL QUALITY MANAGEMENT (TQM) MASTER PLAN

INTRODUCTION

This Contracting Directorate Total Quality Management Master Plan [hereinafter "the Plan"] supplements and strongly endorses the DLA TQM Master Plan [hereinafter the "DLA Plan"], and is consistent with it. This Plan addresses not only the process improvements we intend to establish at Headquarters and those which we are directing or encouraging our field contracting offices to take in the contracting arena, but also the ways in which we intend to "export" the TQM philosophy to our contracting partners.

CONCEPT

TQM BASICS

The basic premises and requirements of Total Quality Management have already been discussed at length in the Agency Plan. See DLA Plan, pages 2 and 3.

METHODOLOGY

DLA-P's methodology for local TQM implementation is to:

- 1) study the TQM literature;
- 2) determine the approach which is most suited to our white-collar procurement environment;
- 3) identify work processes;
- 4) ascertain relevant measurement points;
- 5) identify and prioritize opportunities for improvement;
- 6) implement the best solutions; and
- 7) monitor the effectiveness of that implementation.

Our methodology for field implementation is to:

- 1) encourage innovative thinking about contracting policies and procedures;
- 2) approve all field ideas that contribute to the "buying best value" ideology;
- 3) contribute ideas/possible approaches originating in DLA-P to the field for its implementation, as it deems appropriate;
- 4) ascertain relevant measurement points;
- 5) identify and prioritize opportunities for improvement;
- 6) implement the best solutions; and
- 7) monitor the effectiveness of that implementation.

GOALS

The primary DLA-P TQM goal is to develop a world-class DLA supplier base which will provide a completely dependable source of quality supplies and services at competitive prices to meet U.S. military requirements. In order to achieve this, we have established six current objectives for field implementation, and two for local implementation. The six to be undertaken by the contracting offices are:

- 1) Source selection;
- 2) Competition for Performance;
- 3) Incentivizing contractors;
- 4) Long-term contracting;
- 5) Commercial buying practices; and
- 6) Family of item buys.

The two issues for DLA-P implementation are:

1) The study of our individual processes, missions, and functions to ensure that they represent the services we provide, and that the work performed by individuals and components contributes value to the organization;

2) The review of the various TQM philosophies to determine which pertain(s) most directly to the Government white-collar (procurement) environment.

The following eight core DLA goals and their subsets are the means by which we intend to pursue these overriding -P concerns.

1. Develop a TQM-trained workforce.

- (a) Assist DLA-K in preparing an appropriate Statement of Work (SOW) to be used to contract with training vendors.
- (b) Identify individuals to be trained as facilitators.
- (c) Promote opportunities for an exchange of information on successful TQM implementation with other Governmental and private-sector entities.

2. Harmonize directives.

Continue to utilize the Model Installation Program and Pilot Contracting Activity Program (MIP and PCAP, respectively), under which detailed, complex regulations which inhibit the initiative of contracting personnel and limit their ability to make sound business decisions are identified and removed.

3. Integrate existing initiatives.

Existing initiatives which are subsumed under the TQM umbrella, but which do not relate directly to any other core goal, are included under this heading. These particular initiatives are specified in Appendix A (Milestone Chart).

4. Sensitize industry to TQM.

- (a) Utilize source selection techniques.
- (b) Continue to develop and apply the competition for performance program.
- (c) Incentivize industry via:
 - (i) promotion of statistical process control;
 - (ii) competition for performance;
 - (iii) offer evaluation factors for preaward surveys, source inspections, and acceptance of nonconforming supplies and delinquent deliveries;
 - (iv) the fixing of realistic and adequate consideration for contract modifications occasioned by the contractor's delinquent delivery or tendering of nonconforming supplies; and
 - (v) the use of poor performance as a basis for debarment of contractors.

5. Demonstrate an uncompromising commitment to buying and supplying the highest quality products and services.

- (a) Identify and address the applicability of various commercial buying practices not currently implemented in DLA.
- (b) Expand the use of long-term contracting.
- (c) Promote the use of "family of items" buys.

6. Enhance DLA recognition and award system.

- (a) Establish an annual "Buying for Quality" award sponsored by DLA headquarters and given to one or more DLA employees who have created the largest positive effect on quality improvement in DLA procurement.
- (b) Establish a parallel annual DLA Field Activity Award focussed on "Buying for Quality."

7. Develop feedback and communication system.

Initiate (on an informal basis) a newsletter dealing exclusively with quality in the procurement process, whose primary purpose will be to share ideas from the field, headquarters and industry on specific techniques and practices on buying quality, and to publicize our (and the private sector's) success stories.

8. Institutionalize TQM within DLA.

- (a) Demonstrate top-level management's commitment to the notion of continuous process improvement.
- (b) Identify formats and documents for loading into personal computers (PCs).
- (c) Study our individual processes, missions, and functions to ensure that, first of all, they are a fair representation of the service we provide, and, secondly, that the processes performed by each individual and DLA-P component all contribute value to the collective undertaking.

- (i) Have each employee (individually or via DLA-P TQM working group representative) list the twelve or fifteen processes that he or she routinely performs, and attempt to relate these processes to the mission statement.
- (ii) Ask individuals to look at the documents and work assignments which come to them and leave them--to become more aware of customer relationships (a hallmark of TQM).
- (d) Review the various "strains" of the TQM philosophy (e.g., the teachings of Deming, Crosby, Juran, Ishikawa, and so forth) to determine which of these most pertain(s) to us in a white-collar, and specifically a Governmental, environment.
- (e) Encourage innovation.

EXECUTION

With regard to the above outline, the specifics of our Plan execution are contained in the Milestone Chart at Appendix A. Additionally, we are incorporating the Contracting Directorate's portion of the DLA Strategic Plan, and the DoD Action Plan for Continuously Improving the Quality of Spare and Repair Parts in the DoD Logistics System, within our TQM structure. See, respectively, Appendices B and C. (The DLA Action Plan for Continuously Improving the Quality of Spare and Repair Parts in the DLA Logistics System will become a part of this Plan upon its development and approval.)

APPENDICES

Appendix A - Milestone Chart

Appendix B - DLA Strategic Plan (DLA-P portion) *not provided*

Appendix C - DoD Action Plan for Continuously Improving the
Quality of Spare and Repair Parts in the DoD
Logistics System *not provided*

Appendix D - Complete Statement of DLA-P Goals

Appendix E - TQM Structure Within DLA-P; Points of Contact

APPENDIX A - MILESTONE CHART

<u>Goal</u>	<u>*Cognizant Division/ Branch</u>	<u>*Estimated Start/ Compl. Date</u>
1a Statement of Work (support function)	DLA-PPP	QTR 4/ FY 1989
1b Identification of facilitators	All	QTR 3/ FY 1989
1c Exchange informa- tion on implementation	All	Ongoing
2 Harmonize directives	DLA-PPR	Ongoing
3a POPS/PETS	DLA-PPP	Ongoing
b MANTECH	DLA-PR	Ongoing
c Award & delivery management indicators	DLA-PPP	Ongoing
d IDTPOS	DLA-PPR	Ongoing
e Credit card purchases	DLA-PPR	Ongoing
f IMIP	DLA-PR	Ongoing
g "Professionalization" of the Contracting workforce	DLA-PPP	Ongoing
h EDI	DLA-PPP	Ongoing
i SPEDE	DLA-PPS	QTR 3/ FY 1989
j See also DLA-P actions in the DLA Strategic Plan and the DoD Noncon- forming Parts Plan and associated milestones -	All	See individ- ual Plans for milestones
4a Source selection: - Generally	DLA-PPP	QTR 4/ FY 1990
- Handbook	DLA-PPR	Draft: QTR3/ FY 1989; pub- lication 1990
b Competition for Performance	DLA-PPR	CONTRLTR 89-33, 11 May 1989
c Incentivize contractors: (i) Statistical pro- cess control	DLA-PPR	Ongoing
(iii) Offer evaluation factors:		
- Source inspection	DLA-PPR	Completed
- Preaward survey	DLA-PPR	QTR 3/ FY 1989
- Nonconformances		
- (QDRs)	DLA-PPR	QTR 1/ FY 1990
- Delinquencies	DLA-PPR	QTR 1/ FY 1990
- Nonconformances (RODs)	DLA-PPR	QTR 2/ FY 1990
(iv) Contract modifica- tion (consideration)	DLA-PPR	QTR 3/ FY 1990
(v) Poor performance debarments	DLA-PPR	Completed

5a	Commercial buying pracs.; ADCOP (in support of -S)	DLA-PPR	Ongoing
b	Long-term contracting	DLA-PPP	Ongoing
c	Family of items buys	DLA-PPP	Ongoing; Hand-book QTR 1/FY90
(d)	Streamlined business logistics systems; control and visibility of logistics assets/"Just-in-Time"	DLA-PPP/PPS	QTR 4/ FY 1989
6a	HQ "Buy Quality" award	DLA-PPP	Ongoing; first phase: QTR 1/ FY 1990
b	Field activity award	DLA-PPP	QTR 2/ FY 1990
7	Newsletter	DLA-PPR/All	QTR 2/ FY 1990
8a	Management commitment	All	QTR 3/ FY 1990
b	Standard PC formats	All	Ongoing
c	(i) Process listing	All	Ongoing
	(ii) Document flow/customer identification	All	QTR 1/ FY 1990
d	Review philosophies	All	QTR 1/ FY 1990
e	Encourage innovation	All	Ongoing

* Includes Headquarters' cognizant offices and milestones only.

Mid- and long-range goals (Headquarters' actions).

In addition to or in furtherance of those goals outlined above, DLA-P intends to take the following actions:

1) (DLA-PPP - FY 1991) Establish DLA "World Class Supplier Partnerships." DLA-P will establish a strategic emphasis on maintaining excellent relationships with excellent suppliers. We will recommend that the Centers take specific steps to emphasize the "world class suppliers" concept by:

- Reducing or eliminating adversarial relationships with suppliers, and
- Increasing communications with suppliers where beneficial and legally possible, with separate emphasis on the pre-award and post-award phases.

DLA-PPP will recommend specific techniques to the Centers for their consideration, which may include the following:

a) Establishing formal teams consisting of engineering, buying, quality, and user personnel of both buyer and supplier;

b) Holding regularly-scheduled team meetings concentrating specifically on quality, but also including a discussion of problems and plans between buyer and supplier personnel. Meetings should emphasize a cooperative sharing of information for the benefit of both parties, rather than an adversarial relationship;

c) Annual or periodic supplier conferences. (To the extent that Government-provided training of contractors is desirable, however, that action should be undertaken at the DoD level.)

2) (DLA-PPR - ECD FY 1991) Place greater emphasis on second-sourcing/"dominant source" strategy. (DLA-PPR has already issued a CONTRLTR on Multisourcing: CONTRLTR 89-30, 19 May 1989.)

3) (DLA-PPR - initial goal Aug, 1989; ECD 1993) Investigate supplier rating systems. DLA-P will investigate supplier rating systems currently in use in industry. We will attempt to obtain data on a considerable number (30-50) of supplier rating systems representing as many of the DLA commodities and industries as possible. DLA will investigate these systems to ascertain potential benefits to be gained by use within this Agency. In particular, we will investigate quantitative algorithms used by industry for supplier rating.

4) (DLA-PPP - Ongoing; ECD FY 1992) Investigate the feasibility of increased implementation of commodity management. Some DLA Centers have tested a Commodity Management organization strategy following industry practice. DLA-P will look into the idea of having all Centers consider forming "commodity management" teams consisting of (as appropriate) the contract specialist or purchasing agent, the inventory manager, a quality representative and a production specialist. Each such team would be required to familiarize itself with the industry from which the commodity is bought, and to form contractual relationships which maximize the benefit to the Government, considering the economic factors within the industry, e.g., structure, manufacturing capacity, quality practices, typical buyer/seller relationships, etc.

5) (DLA-PPP - initial goal Oct 1989; ECD 1993) Promote increased timeliness and decreased handling of material. DLA-P will recommend that the Centers consider the benefits of procurement techniques which ensure timely delivery of material while minimizing handling costs and stockage investment. We will recommend that each Center choose one or more commodities (depending upon the DoD demand pattern, as well as upon the industry itself) to test this concept. The Centers who opt to participate would award a long-term contract of this type, to include as appropriate:

- frequent deliveries for current period requirements;
- reduction of operation stock inventory held by DLA;
- reduction of safety level stock held by DLA;
- passing of customer requisitions directly to the supplier; and
- direct delivery from the supplier to the customer.

6) (DLA-PPR - FY 1990) Include Statistical Process Control in the source selection process. DLA-P will investigate the possibility of using SPC as an evaluation factor in source selection, especially with regard to the Competition for Performance Program.

7) (DLA-PPP - FY 1991) Consider establishing a vendor quality award program. DLA will select a "Vendor of the Year," via committee at DLA headquarters, with input from the field. Nominations will be solicited from all contracting offices. Selection will be made by means of local adaptation of the Baldrige Award criteria.

All the initiatives which have been discussed above, and all the items within our Strategic Plan and the DoD Action Plan for Continuously Improving the Quality of Spare and Repair Parts in the DoD Logistics System (appended hereto), comprise the main action items of the DLA-P TQM Plan.

APPENDIX D - COMPLETE STATEMENT OF DLA-P GOALS

[The following is a more comprehensive statement of the eight core goals set forth in the text.]

1. Develop a TQM-trained workforce. DLA-P is committed to the development of a well-trained workforce that can comfortably and effectively apply the principles and philosophy of TQM on an everyday basis. Our immediate goal is to assist DLA-K in preparing an appropriate Statement of Work (SOW) to be used to contract with training vendors. The training is anticipated to be tailored to the needs of this Agency, and is intended to be provided eventually to all managers and supervisors within DLA. Additionally, each PSE (including DLA-P) will identify individuals to be trained as facilitators for the purpose of expanding the knowledge base and expertise on TQM within each Directorate. The SOW for vendor-provided training is targeted for completion NLT 4th Quarter, FY1989; actual training is not expected to be provided for at least eight months thereafter. In the interim, the Directorate will continue to promote opportunities for an exchange of information on successful TQM implementation with other Governmental and private-sector entities.

2. Harmonize directives. In its regulatory reform efforts, the Contracting Directorate had a TQM-like philosophy in operation well before that name was assigned to it. Under the ongoing Model Installation Program and Pilot Contracting Activity Program (MIP and PCAP, respectively), detailed, complex regulations which inhibit the initiative of contracting personnel and limit their ability to make sound business decisions are identified and removed. In the words of the MIP Regulation, DLAR 4000.9, these programs "encourage the waiving of regulatory restrictions to conduct controlled tests of new ideas for better management." There are four PCAP test sites: DCSC, DESC, DGSC, and DISC. Non-PCAP DLA activities are encouraged to use the MIP to pursue their regulatory reform needs. There are formalized procedures, such as the MIP ten-day turnaround time for processing, which provide adequate control of the programs and measurement of their successes. (On the other hand, directives and regulations which are consistent with TQM will be continued.)

3. Integrate existing initiatives. Existing initiatives which are subsumed under the TQM umbrella, but which do not relate directly to any other core goal, are included under this heading. These particular initiatives, as well as our intended course for the future, are contained elsewhere in the Appendices.

4. Sensitize industry to TQM. There are three primary DLA-P goals which fall under the heading of sensitization of the private sector. These are to utilize source selection techniques, to continue to develop and apply the competition for performance program, and to incentivize industry. They will be discussed in turn.

a. Source Selection - There are varying degrees of complexity in source selection. From the most to the least complex, they are "formal source selection," in which technical proposals and managerial information are primary factors considered in addition to price; streamlined ("mini") source selection, or award determination premised upon proposals containing information on firms' quality programs, productive facilities, and past performance, or awards without proposals based on performance history; "Competition for Performance" and cost evaluation factors, both of which techniques are discussed below; and responsibility determinations based on price and price-related factors. These five are all techniques which will be covered in the Source Selection Handbook, projected for publication in 1990.

b. Competition for Performance - This is a commercial style competition technique by which an award is made to the offeror that, in the contracting officer's judgment, provides the greatest value to the Government, price and price-related past quality and delivery performance factors considered. Based on that demonstrated dependable quality and delivery performance, the contracting officer may award to a listed offeror at a price up to 20 percent higher than the low offeror. DLA-P periodically receives reports of program application and costs-vs.-benefits. In this manner, we are able to "monitor the effectiveness of implementation."

c. Incentivizing Industry - When the need can be identified to reduce variability through application of statistical process control techniques (as with particular items specified by Quality and Technical Directorate personnel), the Contracting Directorate is prepared to assist the field in development of contractual incentives for business entities to implement such procedures. Continuous reductions in variability to specification nominal values have been shown to increase the reliability of items. However, the processes required to be instituted by contractors to provide production process variability reduction can be costly, at least in the near term. If, even so, we expect contractors to take such actions, we must be prepared to incentivize them by devising a profit incentive or savings-sharing scheme, and by providing for this payback contractually.

Another means of incentivizing contractors is via the Competition for Performance Program, outlined above. On the other hand, we are providing "disincentives" for poor contractor performance, such as the evaluation factors for preaward surveys, source inspections, and acceptance of nonconforming supplies and delinquent deliveries. - Still another disincentive (and another use for cost studies which have been and are being provided to us by DLA-LO) is the fixing of realistic and adequate consideration for contract modifications occasioned by the contractor's delinquent delivery or tendering of nonconforming supplies. Finally, we are using poor performance as a basis for debarment of contractors.

Other issues (e.g., the "world class supplier" and quality award ideas) are discussed elsewhere in this Plan.

5. Demonstrate an uncompromising commitment to buying and supplying the highest quality products and services.

a. We have adopted an ongoing project to identify and address the applicability of various commercial buying practices not currently implemented in DLA. The private sector continues to develop logistics techniques and practices which allow firms to operate more efficiently. Streamlined business logistics systems have simultaneously allowed reduced inventories, quicker response times, better control and visibility of logistics assets, and rapid adaptation to changing customer requirements. Many of these new logistics practices operate through the firm's purchasing function, and require specialized buying practices together with closer relationships between vendor and customer. We hope to facilitate possible adaptation of certain commercial buying and logistics practices. This will be accomplished by surveying private sector procurement and logistics practices to ascertain how these practices differ from current DoD practice; to ascertain which of these practices would make sense for us to adopt; to compare these with current law and regulation to determine where potential conflicts may arise; to prepare legislative changes and/or implementation plans as appropriate; and to provide parallel analysis in light of proposed Commercial Products Acquisition Act legislation.

Commercial buying practices currently in place at DLA contracting activities and addressed elsewhere in this document include Competition for Performance; the development of tools for evaluating and quantifying how much it costs the Government to do business with poor-quality and relatively poor-quality performers; use of a variety of source selection techniques to "buy smart" rather than "buy cheap"; expanded use of long term contracting arrangements; and expanded implementation of electronic data interchange in procurements.

b. Long-term contracting, mentioned above, has been recognized for some time as an effective means of saving money and man-hours and as an efficient buying practice. As the pressures of a constrained budget environment continue to grow, it becomes increasingly important that we utilize every available tool to achieve productivity increases while assuring continued supply support. By reducing the number of purchase requests initiated for fixed quantity contracting, we can realize a reduction in routine contracting actions. This, in turn, will cause an overall decrease in workload, and generate smarter contracting. For the contractor, long-term contracts generally provide an incentive to contract with the Department of Defense by reducing the administrative burden and stabilizing production. These incentives encourage firms not otherwise interested in doing business with the Government to reconsider the opportunities offered by long-term arrangements. Long-term contracting may be particularly applicable to small business firms that need stable production runs over time to compete more effectively in the DoD marketplace.

c. "Family of items" buys - Items with some similar characteristics may be grouped together to achieve efficiency in the contracting and supply processes. In a like item/family grouping, even though the affected items may not have a similar description, they are acquired from the same segment of industry or suppliers. We are exploring ways to increase the use of this buying technique.

6. Enhance DLA recognition and award system. DLA-P will emphasize TQM through internal promotional techniques such as:

a. An annual "Buying for Quality" award sponsored by DLA headquarters and given to one or more DLA employees who have created the largest positive effect on quality improvement in DLA procurement; and

b. An annual DLA Field Activity Award focussed on "Buying for Quality." The Award Program will be widely publicized, promoted, and treated as a high-profile, prestigious event; contracting offices will be solicited for suggested means by which this goal can be accomplished.

7. Develop feedback and communication system. A newsletter dealing exclusively with quality in the procurement process, e.g., "Buy Quality," will be initiated on an informal basis by this Directorate. Its primary purpose will be to share ideas from the field, headquarters and industry on specific techniques and practices on buying quality, and to publicize our (and the private sector's) success stories.

8. Institutionalize TQM within DLA. We are determined to make TQM a way of life within DLA-P. Top-level management within the Directorate is committed to the notion of continuous process improvement; not only are the managerial personnel receptive to staffers' ideas, but they themselves have initiated many of the goals and operations which are identified here as the thrust and focus of the Plan. Some projects undertaken in DLA-P which may properly be labelled TQM initiatives include the ongoing effort to identify formats and documents for loading into the personal computers (PCs). The ability of the action officer to call up a standardized DAR Case format, for example, complete with the Regulatory Flexibility Act and Proposed Federal Register Notice portions, is a considerable savings of time and effort both for the action officer and for the administrative staff.

We are making a major commitment to study our individual processes, missions, and functions to ensure that, first of all, they are a fair representation of the service we provide, and, secondly, that the processes performed by each individual and DLA-P component all contribute value to the collective undertaking. One method we may employ to accomplish this, rather than extensive flow-charting or PERT analysis, is to request that each employee, either individually or via DLA-P TQM working group representatives, list the twelve or fifteen processes that he or she routinely performs, and attempt to relate these processes to the mission statement. If this is able to be accomplished for any process, it will be considered to be a "value-added" process. On the other hand, if the process cannot be related in any way to the mission statement, either the process will be deleted, combined, or altered, or the mission statement will require careful scrutiny. By requesting that the individual either list his or her own processes or provide that information to the working group member, the examination of these functions does not create the threat of a lost position, but instead becomes an opportunity to exercise "ownership of the process" and to realize greater efficiency within the Directorate.

Along these same lines, we will ask individuals to look at the documents and work assignments which come to them and leave them--to become more aware of customer relationships (a hallmark of TQM). This, too, will contribute to the continuous process improvement that we seek within the Directorate.

In order to accomplish the above, and in accordance with the level of training we have already been provided and will continue to receive, we will review the various "strains" of the TQM philosophy (e.g., the teachings of Deming, Crosby, Juran, Ishikawa, and so forth). We will make a determination as to which of these is most pertinent to us (that is, applicable to a white collar, and specifically a Governmental, environment). This will necessarily be part of our long-range, or at least mid-range, goals, and may change or be refined over time.

Finally, innovation will continue to be encouraged. If in our "brainstorming" efforts we identify initiatives or goals which belong more properly to other Directorates or which cross functional lines, these will be offered to the other Directorates for their consideration. Although DLA-P intends to continue to function as an "excellent organization," we realize that our first priority is to the overall mission of the Agency. Anything which contributes to its greater efficiency and ability to fulfill its mission is, naturally, of concern and benefit to us.

APPENDIX E - TQM STRUCTURE WITHIN DLA-P; POINTS OF CONTACT

In February, 1989, each of the DLA-P components was requested to provide the name of a contact point for our PSE-level TQM working group. The individuals so identified are as follows:

DSPCO-Ms. Diana Baker	(AV) 284-4370
DCORO-Mr. Nicholas McHenry	(AV) 284-6461
DLA-PR-MAJ Frank Krempa, USAF	(AV) 284-6451
DLA-PPP-Mr. Philip Church	(AV) 284-7936
DLA-PPR-Ms. Mary Massaro	(AV) 284-6431
DLA-PPS-Ms. Nancy Myrick	(AV) 284-7866

These persons will meet periodically (but not less than quarterly) to discuss implementation status and to present progress reports to DLA-P/PD.