Reorganizing the Department of Veterans Affairs Acquisition and Logistics Office

Kristine M. Clark

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<td>Bartman, Christi</td>
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**REORGANIZING THE DEPARTMENT OF VETERANS AFFAIRS ACQUISITION AND LOGISTICS OFFICE**

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REORGANIZING THE DEPARTMENT OF VETERANS AFFAIRS
ACQUISITION AND LOGISTICS OFFICE

A Masters Project

Submitted to the Faculty

of

American Public University

by

KRISTINE CLARK

In Partial Fulfillment of the

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of

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ABSTRACT OF THE THESIS

REORGANIZING VA ACQUISITION AND LOGISTICS OFFICE

by

Kristine Clark

American Public University System, April 24, 2016

Charles Town, West Virginia

Professor Christi Bartman, Thesis Professor

Abstract

The Secretary of the Department of Veterans Affairs (VA) is looking for suggestions on options to realign the services that provide support VA-wide. The goals of the proposed alignment should focus on increasing efficiencies and reducing costs. The project examines the organizational structure and design options and compares each for strengths and weaknesses against the requirements of the VA Acquisition and Logistics. It is also essential that the structure and design align with the new culture of the organization to avoid a conflict that will decrease the likelihood of successful implementation of the realignment. After a thorough evaluation of each structure and design option, it became clear that a functional alignment within a professional bureaucracy was the best fit to reach the needs of the VA, and the goals of the Secretary. The project finishes with fine-tuning additional parts of the organization, including span of control, depth of the hierarchy, decision authorities and degree of centralization. The final product is a new alignment and organizational chart that will increase efficiencies while empowering employees.
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Reorganizing VA Acquisition And Logistics Office

The Secretary of the Department of Veterans Affairs put out a request in 2014 to move support business processes to a shared services model (McDonald, 2014a). The Secretary’s goals for this change are; to improve efficiency, reduce cost, and increase productivity by leveraging economies of scale for the services that are needed by all of the Administrations (McDonald, 2014a). The focus of this project will be to find the best business model that will allow for efficiencies and cost savings within the Acquisition and Logistic operations of the Department of Veterans Affairs (VA). While the Secretary has named a specific business model that he would like to see implemented, the project will focus on finding the business model that will provide the best options for efficiencies and cost reductions are the goals, regardless of the name. The Secretary has not defined what shared services should look like for each business process, that it is for the owners of the process to figure out the most efficient business model (McDonald, 2014a).

Currently, the VA has an Acquisition and Logistics chain of command within each of the three administrations as well as another chain of command that handles agency-wide policy, consolidated contracting, and other support (VA, 2015). Combined, these offices spent over $18 billion (Bloomberg, 2015) of the VA’s $68.4 billion discretionary budget during fiscal year 2015 (Department of Veterans Affairs, 2014). These positions play a critical role in assuring the mission of the VA is accomplished (OPM, 2016). Finding efficiencies and cost savings here could have a major impact on the care veterans receive.

This paper will be limited to components of the logistic groups that fall outside of the direct authority of each medical center director. Each medical center has logistics
staff that support maintaining a stock of items needed for the daily function of the medical center and warehouse functions. However, these employees purchase stock items off contracts and agreements created by the Acquisition and Logistic groups, which have already been consolidated under other lines of authorities. The tasks supported at the medical center level cannot be further consolidated for efficiencies, and therefore are not considered as part of this project. There also appears to be a VA contracting office within the VA Office of Inspector General (VA OIG); that is not included in this paper. The existence of this office can only be seen when searching VA records on the Federal Procumbent Database System, where federal spending is reported. Without further information the assumption is that the work done by this group must be separated for the integrity of the function of the VA OIG. However, VA leadership should investigate if this assumption is accurate before deciding if the outcome of this project does not apply to this group.

The current VA structure for Acquisitions and Logistics is a complicated bureaucracy (VA, 2015). While a clear chain of command exists within each administration, the system contains complicated authority roles. The policy office, Office of Acquisitions, Logistics and Construction (OALC), falls completely outside of the chain of each of the Administrations, yet has signatory authority over the actions completed by the Administrations (VAAR Class Deviation, 2012). Further complications are created by duplications of efforts. The Office of Acquisition and Logistics (OAL), within OALC, is the office responsible for creating VA policies, procedures and regulations governing how acquisitions are conducted (VA, 2015). However within the largest Administration, Veterans Health Administration (VHA), the Office of Logistics
and Procurement has a purpose of developing, implementing and overseeing national policies and processes (VA, 2015). With two distinct groups creating policies for the same actions the process of moving acquisitions becomes overly complicated. It is imperative to make sure that the organizational design for the Acquisitions and Logistics department is the right fit to achieve the best performance as well as the greatest reduction in cost and increase inefficiencies the Secretary is looking for (Donaldson & Joffe, 2014). If the wrong structure or design is chosen, there can be negative effects on the organization (Donaldson & Joffe, 2014). It will be important to think about the goals of the VA and challenges facing the Acquisition and Logistics of the VA, and how these impact the various organizational designs (Donaldson & Joffe, 2014).

**Literature Review**

**Organizational Structure**

Organizational structure is the manner an organization divides the different operational tasks, responsibilities and authority (Martínez-León & Martínez-García, 2011). The structure of an organization can be planned or spontaneous, but it is relatively stable in nature (Janićiijević, 2013). The organizational structure is best represented on paper through the organizational chart (Greenberg, 2013). However, this chart is not inclusive of the whole structure (Tran & Tian, 2013). The organizational structure also defines the chain of command, use of resources, and even the culture of the organization (Verle, Markic, Kodric, & Gorenc Zoran, 2014). The defining elements of the organizational structure are the hierarchy of authority, span of control, division of labor, decision authority, and the degree of centralization (Tran & Tian, 2013).
The hierarchy, or which positions an employee reports up through, can easily be seen in the organizational chart (Tran & Tian, 2013). The number of levels of the hierarchy is known as the depth of the organization (Gibson, Finnie & Stuart, 2015). It is important to understand the impact of the depth of the hierarchy within the organization. As the hierarchy grows taller, increased communication problems are seen (Ashkenas, 2012). There is also a distinct effect on the cost of the organization, as the hierarchy grows taller, due to the larger salary differences among employees at different levels (Gibson, Finnie & Stuart, 2015). Tall structures allow managers to move from managing employees to the function of decision-making due to a decreased span of control (Mintzberg, 1993). Gibson, Finnie, and Stuart (2015) found that depths greater than a level of seven or eight would become so complex that communication would be significantly hindered.

The span of control refers to the number of direct reports any one manager has (Ashkenas, 2012). There is no one magic number of direct reports that is ideal for every organization. In manufacturing organizations the ideal number of direct reports can be in the hundreds (Mintzberg, 1993). When work becomes more standardized, the number of direct reports can increase; however, professional work is more complex requiring smaller groupings (Mintzberg, 1993). The ideal span of control for a knowledge-based workforce was once thought to be five to seven, as this was the number of people a manager could control (Ashkenas, 2013). However as organizations move from controlling employees to fostering teamwork and communication the number of direct reports can increase (Ashkenas, 2013). The right number of employees that can be
supervised by one manager is based on the amount of direct supervision required and complexity required by the tasks (Mintzberg, 1993).

Division of labor refers to how the tasks are divided into the different jobs within the organization (Martínez-León & Martínez-García, 2011). When an organization is young and smaller, the structure tends to be less formal and rigid than that of larger organizations (Steiger, Hammou, & Galib, 2014). These distinctions are understandable; when an organization is small, there are only a few people to spread the various tasks among; requiring each person to be less specialized (Tran & Tian, 2013). However, the larger organization can benefit from economy of size, increasing efficiencies by specializing job tasks (Tran & Tian, 2013). As organizations evolve, the degree of specialization must change to compliment the needs at the time (Gibson, Finnie & Stuart, 2015). This evolution can be seen with both dynamic growth, and at times of downsizing (Greenberg, 2013).

Another important aspect of the organizational structure is where the authority to make a decision falls in the hierarchy (Tran & Tian, 2013). As a company grows, the number of decisions needed grows, requiring the authority to be spread out to more people (Donaldson & Joffe, 2014). This aspect of the organization is where formal decision-making authorities are placed. However, this authority can be heavy influenced by the degree of centralization (Mintzberg, 1993). Many positions are given the ability to influence the manner in which those with actual authority view the choices available in the decision-making process (Mintzberg, 1993).

The last and most complicated part of the structure is the degree of centralization of power (Tran & Tian, 2013). Organizations that delegate power down the chain of
command are considered to be decentralized, where organizations that limit power to just one central position are considered centralized (Tran & Tian, 2013). However viewing centralization of power as one or the other is flawed, and it should rather be viewed as a continuum where power can be distributed between the two extremes (Mintzberg, 1993). Centralization allows organizational control, however also increases the likelihood of disengaged employees by reducing communication, commitment, and involvement in tasks (Tran & Tian, 2013). Mintzberg (1993) points out that centralization should be thought of as delegated formally, or informal. When authorities are delegated formally, it is normally down the chain of command through the hierarchy, so this form of decentralization is vertical (Matheson, 2009). Informal authority is granted when others influence the outcome of the decision-maker (Mintzberg, 1993). If authority is informal, it is horizontal decentralization (Matheson, 2009). Supervisors can be given formal authority to make decisions on a vertical decentralization; however, legal advisors are given an informal authority to influence and direct decisions (Mintzberg, 1993).

The geographic locations where people work should not be referred to as centralization or decentralization, as part of the organizational design, (Mintzberg, 1993). Employees sitting in decentralized locations, in and of itself, does not require them to have decision-making authority. For example, a clerk at the Department of Motor Vehicles working in a remote location is not given extra authorities beyond the authorities of a clerk at any other location. While the location is important in the structure and design, it should instead be referred to a concentrated and dispersed to alleviate confusion (Mintzberg, 1993).
When creating the structure of an organization, the designer will make choices that impact each of these five pieces. As these pieces are tightly connected the decisions made for one piece, such as level of decentralization, will impact the other pieces, such as authority (Tran & Tian, 2013). Many of these decisions will be made in the process of defining the structure or design that is the best fit for the organization (Janičijević, 2013).

To understand how the structure and design impact these parts it is important to understand what each of these options entail.

**Classifications of Structures**

There are different ways to group units within the organization, and these groupings form the type of structure within the organization. The original theories of organizational structure pointed to three distinct groupings: functional, product and matrix (Greenberg, 2013). In a functional organizational structure, groups of employees are put together into a unit based on the professional skills needed for the work (Steiger, Hammou, & Galib, 2014). Examples would include separating finance, human resources, and marketing into different departments. A product-based organization would align employees into a unit that exclusively supports one product (Greenberg, 2013). A matrix structure is a more complicated structure in which an organization aligns employees into units by both product and function (Steiger, Hammou, & Galib, 2014).

By aligning tasks by function, an organization can benefit by reducing duplication (Greenberg, 2013). However, increased efficiency is achieved at the cost of communication and cooperation (Greenberg, 2013). In product alignment, there is increased communication within the division (Harris & Raviv, 2002). For example, if the research and development group is teamed with the sales associates, the unit would be
better aware of the need or wants of the customer base (Greenberg, 2013). However, this increase in communication comes at a cost of economies of scale, because within each product team would have accounting, human resources, and acquisitions support causing the duplication of efforts (Harris & Raviv, 2002). Many view the choice between function and product as a tradeoff between economy of scale and coordination (Harris & Raviv, 2002).

If an organization cannot make a trade-off between economy of scale and coordination, they would choose a matrix. This structure is a hybrid of functional and divisional, requiring, at least, some employees in the structure to report to two managers (Greenberg, 2013). The matrix structure, when implemented well, allows for flexibility with human resources as well as enhanced communication (Greenberg, 2013). One distinct benefit is a reduction in duplication of scarce talent while increasing communication (Kates & Galbraith, 2007). Disadvantages of the matrix include confusion or frustration caused by reporting to two managers and power struggles between managers (Greenberg, 2013). When placing decision authority in the hands of two people, clear rights of decision authorities and strong conflict resolution process are needed within the organization or the organization will experience paralysis (Kates & Galbraith, 2007).

Other research has increased these categories to include mechanistic and organic within the types of classifications (Ugbomhe & Dirisu, 2011). Mechanistic structure is defined as having a high complexity, high formalization and little participation in decision-making by lower levels (Ugbomhe & Dirisu, 2011). Mechanistic structures are also referred to as bureaucratic structures (Martínez-León & Martínez-García, 2011).
Mechanistic structures are also ridged, seeking to maximize efficiency by increasing standardization as much as possible (Ugbomhe & Dirisu, 2011). Organic structures are the opposite, with low levels of formality, to increase flexibility and development (Ugbomhe & Dirisu, 2011). However with a review of the definitions, it becomes clear that these cannot be used in making the decisions on how to group positions together, and, therefore, these are not classifications of organizational structure. These terms, however, can be used to describe the five organizational design types developed by Henry Mintzberg (Greenberg, 2013).

**Organizational Design**

If organizational structure is the manner in which tasks and responsibilities are arranged, organizational design is the turning of each of those pieces or knobs to optimize, or tune, how the organizations function (Mintzberg, 1993). Mintzberg’s framework for organizations is the benchmark used and the most influential in organizational design theory (Andrews & Beynon, 2010). Even the most recent articles cite the frameworks as still being very relevant (Steiger, Hammou, & Galib, 2014).

This framework consists of five types of design; simple structure, machine bureaucracy, professional bureaucracy, divisionalized form, and adhocracy (Mintzberg, 1993). Each of these design types is influenced by organizational size, age, and technical systems (Andrews & Beynon, 2010). The other key characteristics to the differences in these types of designs are the degree of centralization, formalization and the type of collaboration needed (Andrews & Beynon, 2010).

The Simple structure is an organization that is very flat with a single decision maker, with little specialization (Greenberg, 2013). These organizations tend to be
young, small, and informally organized (Steiger, Hammou, & Galib, 2014). These structures allow for maximum flexibility, however as an organization grows additional decision-makers must be brought on for success (Tran & Tian, 2013). Simple structures are an organic design type (Steiger, Hammou, & Galib, 2014). This structure is used in small, owner-operated businesses that are just beginning (Greenberg, 2013). This tends to be the place most organizations start, with one Chief Executive making all the decisions, through informal communications lines due to a flat hierarchy (Mintzberg, 1993).

The machine bureaucracies tend to be large, older organizations that allow for extensive specialization, and formality (Greenberg, 2013). The decision-making in a machine bureaucracy is centralized, in the top levels (Greenberg, 2013). A machine bureaucracy allows for a standardized product through the tight control of the process (Andrews & Beynon, 2010). The machine bureaucracy relies on lots of rules and processes to achieve the standardized output and is used in many factories (Greenberg, 2013). The work within a machine bureaucracy must be technically simple and routine, to allow for standardization of repetitive work processes (Mintzberg, 1993). Machine bureaucracies can suffer from a lack of engagement, and innovation within the frontline workers as well as the middle management due to the high level of standardization and centralization (Tran & Tian, 2013).

A professional bureaucracy is also generally large, older organizations, but relies on standardized skills rather than processes (Andrews & Beynon, 2010). While, the organization is highly formal with extensive rules and procedures the decision-making authority is held by the professional (Greenberg, 2013). The work preformed in a
professional bureaucracy requires that an individual with a specific skill set make decisions based on the needs of the client (Mintzberg, 1993). An example of a professional bureaucracy would be a hospital, where each doctor is empowered to make the decisions regarding the care of his or her patient (Greenberg, 2013). With highly qualified people a professional bureaucracy can be highly effective; however, the professional can become shortsighted and fail to achieve the organization's missions with the decisions made (Greenberg, 2013). An additional short fall of the professional bureaucracy is that professionals can become hard to control, as their skills are highly sought after they are at high risk of leaving and taking critical knowledge with them (Leitko & Szczerekci, 1987). Both types of bureaucracies are mechanistic design types (Andrews & Beynon, 2010).

Divisionalized forms of organizational design are typically large organizations, which have decided to create autonomous units under the parent organization (Greenberg, 2013). Each of these units, however, would have an organizational design type that best fits the needs of the individual unit (Mintzberg, 1993). The structure that works best within divisionalized is the machine bureaucracy; however organizations have been known to use any type other than the simple structure (Mintzberg, 1993). A divisionalized structure not only allows for flexibility where needed, but it can also allow senior leadership to focus on large-scale strategic decisions (Greenberg, 2013).

The final design form is adhocracy, which has little formalization, high specialization, low levels of centralization and are highly informal (Andrews & Beynon, 2010). An adhocracy design fosters innovations in the organic structure (Greenberg, 2013). These organizations tend to have high levels of inefficiencies and disruptive
conflict (Greenberg, 2013). Google would be an example of a large adhocracy, where employees are encouraged to spend time on pet projects and ideas can fail (Greenberg, 2013).

While Mintzberg (1993) only identifies five design types, he points out that these types are not all-inclusive, but rather create the boundaries of a pentagram in which all organizational design resides within. Organizations have been found to have some mix of the different types of design structures (Andrews & Beynon, 2010). This mixing is explained by the pull of the central value of each type (Mintzberg, 1993). Each of the design types has a distinct pull; simple coordination through direct supervision, machine bureaucracy coordination through work process standardization, divisional standardization of the outputs, adhocracy standardization through collaboration, and professional bureaucracy coordination through standardization skills (Mintzberg, 1993). If an organization needs both standardized skills and standardization outputs, it will fall somewhere in the pentagram between a professional bureaucracy and a divisionalized type (Mintzberg, 1993).

**Organizational Parts**

The positions people hold within an organization fall into one of five different groupings (Greenberg, 2013). These groups relate to the type of work performed respectively to the overall work of the organization (Maheson, 2009). The first part is the strategic apex, consisting of those people accountable for the organization as a whole, including direct support staff such as assistants (Mintzberg, 1993). The operating core is at the opposite end of the organization, as the front line workers (Maheson, 2009). Between these two groups is the middle line, or all the layers of management between the
senior leaders and the front line employees (Maheson, 2009). The support staff is the group whose work supports the overall work of the organization, and can include secretaries, lawyers, as well as whole departments such as human resource personnel and accounting (Mintzberg, 1993). The last of the five identified as the technostructure; these are the analysts that create policies and procedures to standardize the work (Mintzberg, 1993).

These groupings are important to the designs of the organization as the power and authority within an organization must be divided among the groups, and the one with the most influence has an impact on the ultimate design the organization (Mintzberg, 1993). Understanding the pulls toward a design type based on the central value it becomes evident how the power and authority of each of these groups would have an impact on an organization. An organization that has a desire to standardize the process places an increased level of authority in the technostructure, pulling power away from the strategic apex and middle line (Mintzberg, 1993). However if an organization desires a standardized process, the middle line would have an increase in power and authority as they supervise the work of each member of the operating core (Mintzberg, 1993). Table 1 provides a summary of how each of the parts of organizational design line up helping to pull an organization toward one design type over another (Mintzberg, 1993).
Table 1 – Summary of Designs

<table>
<thead>
<tr>
<th>Design</th>
<th>Simple</th>
<th>Machine Bureaucracy</th>
<th>Divisionalized</th>
<th>Adhocracy</th>
<th>Professional Bureaucracy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coordination Method</td>
<td>Direct Supervision</td>
<td>Standardization of Work Process</td>
<td>Standardization of Outputs</td>
<td>Collaboration and Mutual Adjustment</td>
<td>Standardization of Skills</td>
</tr>
<tr>
<td>Key Part</td>
<td>Strategic Apex</td>
<td>Technostructure</td>
<td>Middle Line</td>
<td>Support Staff</td>
<td>Operating Core</td>
</tr>
<tr>
<td>Type Of Centralization</td>
<td>Vertical and Horizontal Centralization</td>
<td>Limited Horizontal Decentralization</td>
<td>Limited Vertical Decentralization</td>
<td>Selective Decentralization</td>
<td>Vertical and Horizontal Decentralization</td>
</tr>
<tr>
<td>Age</td>
<td>Young</td>
<td>Old</td>
<td>Old</td>
<td>Young</td>
<td>Varies</td>
</tr>
<tr>
<td>Size</td>
<td>Small</td>
<td>Large</td>
<td>Very Large</td>
<td>Small</td>
<td>Varies</td>
</tr>
<tr>
<td>Environment</td>
<td>Simple and Dynamic Environment</td>
<td>Simple and Stable Environment</td>
<td>Simple and Stable</td>
<td>Complex and Dynamic</td>
<td>Complex and Stable</td>
</tr>
<tr>
<td>Technical System</td>
<td>Not Regulated</td>
<td>Heavy Regulation</td>
<td>Not Regulated</td>
<td>Varies</td>
<td>Not Regulated</td>
</tr>
<tr>
<td>Organic/Mechanistic</td>
<td>Organic</td>
<td>Mechanistic</td>
<td>Mostly Mechanistic</td>
<td>Organic</td>
<td>Mechanistic</td>
</tr>
</tbody>
</table>

(Mintzberg, 1993)

Shared Services

The shared services business model is a divisionalized model, where one type of work is removed from the organization and functions as a stand-alone operation specializing in that type of work, providing the work to other offices within the organization for a fee, such as acquisitions (Bondarouk, 2014). In a shared service organization, the different departments can decide how much, and what types of services will be obtained from the organizations office and how much will be obtained from an outside source (Bondarouk, 2014). The different offices make this decision based on the quality of the services provided for the cost (Bondarouk, 2014). However due to the Federal Regulations the VA offices would not be able to use other acquisitions services outside of the VA, without the VA Acquisition staff first placing a contract for such
services (FAR 1.602). Additionally, many of the functions of the acquisitions professionals are considered inherently governmental and therefore required to be completed by a federal employee (FAR 7.5). For these reasons a true, shared services model would not be a viable option for VA Acquisitions and Logistics, and will no longer be considered.

**Structure and Culture**

As the structure of an organization directs behaviors of the employees, it is important that the structure is designed to support the culture that is being promoted (Janići jević, 2013). A structure which conflicts with the organizational culture risks being implemented on paper only, affecting little change, or creating dysfunction (Janići jević, 2013). In reviewing the different types of cultures found within organizations, a clear relationship can be seen between the culture and organizational structures. The culture of an organization is determined by two sets of values (Greenberg, 2013). The first set of values is flexibility verse stability, and the second is the degree that an organization is concerned with internal or external interests (Lejeune & Vas, 2009).

These two sets of values create four distant types of cultures; power or clan culture, role or hierarchy culture, task or market culture, and people or adhocracy culture (Lejeune & Vas, 2009). The power culture concentrates power and authority at the top, where the role culture creates high levels of formalization and standardization (Janići jević, 2013). In a task culture, groups work as teams to accomplish goals and achieve results through problem solving (Janići jević, 2013). The people culture is concerned with the individual, and the growth of the individual is more important to the
realization of the organization's goals (Janićijević, 2013). Understanding the culture that the VA wants to promote will enable the removal of some types of structure and design to eliminate conflict between the culture and structure.

As the structure and design dictate goals and functions, they also influence ethics in decision-making (Bazerman & Tenbrunsel, 2011). If the goals of one level of an organization conflict with the goals of the organization as ethical blind spots can occur (Bazerman & Tenbrunsel, 2011). The structure has an influence on relationships within the organization, the decision-making process as well as policies and procedures (Martínez-León & Martínez-García, 2011).

The structure and design of an organization can have an impact on almost all aspects of the organization. Minor improvements to the organizational design can create significant gains for the VA, however only if the right structure and design are utilized (Andrews & Beynon, 2010). The trend of organizations is currently to become shorter, decentralized and more team-orientated for better adaptability (Verle et al., 2014). However, it is important to remember that the structure of an organization must align with the goals, values, and tasks within the organization and no two organizations require the same structure (Mintzberg, 1993). To find the ideal structure for the VA’s Acquisition and Logistics office all options must be considered.

**VA Acquisitions and Logistics**

As stated, no one type of organizational structure or design is right for every organization. Instead, the one that provides the best fit for the organization must be chosen (Donaldson & Joffè, 2014). For the best organizational structure and design to be created for the VA acquisitions and logistics staff, it is important to understand the role
and work of this group in supporting the mission of the VA. While designing a new structure for the VA Acquisitions and Logistics Office, it is also important to assure it embraces the culture the VA is trying to implement.

**VA Culture**

The culture of the VA was described as corrosive by the White House deputy chief of staff in 2014 (Davidson, 2014). The VA has been battered by scandals for the past few years (Davidson, 2014) and the acquisition offices have not been immune to these problems. In 2014, Ms. Taylor, the number two official for VHA procurement, was found to be in violation of multiple procurement ethics laws and regulations (VAOIG, 2014a). In December of 2014, another top VA procurement official was found in violation of procurement policies and regulations (VAOIG, 2014b). To further support the corrosive culture of the VA acquisition office there is the new allegation presented to the US House of Representatives Committee on Veterans Affairs from the Office of the Inspector Generals (IG) for the Department of Treasury, which investigated the December VA IG report (Thorson, 2015). The VA official accused of wrongdoing had been hired by the Treasury before the VAIG report had been released, so the Treasury opened an investigation to protect Treasury acquisitions (Thorson, 2015). The findings of the Treasury IG report open suspicions that another current VA procurement official was using the VAIG’s office to investigate and punish employees that disagreed with him (Thorson, 2015).

Secretary McDonald has stated that the VA culture needs to be “re-set” with a premium on job performance and the VA values of Integrity, Commitment, Advocacy, Respect and Excellence (I-CARE) (McDonald, 2014b). The VA values of I-CARE had
been in place for years before Secretary McDonald arrived, and codified in the Federal Register on July 13, 2012, under Values, Standards of Ethical Conducted and Related Responsibilities (38 C.F.R. § 0). However, prior Secretary McDonald’s arrival with the VA the I-CARE values were not front and center as they are today.

Besides embracing the values of I-CARE, the Secretary has created a blueprint for improving the VA including changing the culture. One of the major goals of the Secretary is to engage and empower employees to change the organization (VA, 2015). The goals include improving the employee experience to increase the pride people take in the work they do, as well as empowering employees to streamline processes and remove barriers in providing services that are needed (VA, 2015). Any decisions made on the implementation of changes in the organizational structure and design within the VA must assure that the cultural changes are supported.

The culture that the Secretary is trying to create focuses on an environment that increases flexibility to encourage problem-solving at the lowest level possible. The Secretary is trying to implement a task culture within the VA (Janićijević, 2013). If the employees embrace this culture, there will be an increase in teamwork and collaboration to resolve issues and improve the VA, but to assure the employees will embrace this the structure and design need to match the culture (Bazerman & Tenbrunsel, 2011).

**Acquisitions and Logistics**

The role of acquisition professionals in the federal government is one that is mission critical for all federal agencies (US Office of Personnel Management, 2015). The positions within the field were professionalized years ago with the passage of various pieces of legislation including the Office of Federal Procurement Policy Act, and The
Clinger-Cohen Act, which created educational requirements (OPM, 2016). Within the VA, these professionals are responsible for the obligation of over 26% of the VA’s discretionary budget (Department of Veterans Affairs, 2014). The key role of the acquisition professional is to be a business advisor helping to direct the strategic course for the agency (Nelson, 2006). These positions require critical thinking, research, writing, and analytical skills as well as the ability to persuade others (Mlinarchik, 2014).

The skills needed to be successful in acquisitions take years of training and extensive on the job experience to learn (Friar, 2006). The importance of knowledge and training has been expressed by many of the top professionals in the field; such as Cathy Reed, Director, Office of Acquisitions Management, Department of State (Burke, 2014), Melissa Stakinsky, Director Federal Acquisition Institute (Burke, 2015b), and Anne Rung, Administrator, Office of Federal Procurement Policy (Burke, 2015a). Acquisition positions have been professionalized with education and training standards, however, extensive on the job training and mentoring are required to develop the needed decision-making skills for the profession as expressed by top officials throughout federal acquisitions (Burke, 2014 & Burke, 2015c).

While training and experiences are critical to the development of acquisitions professionals, the current economic climate is also putting pressure on the field to find efficiencies (Burke, 2015b & Burke, 2015c). To achieve these efficiencies contracting professionals must collaborate and share information to enhance buying power (Burke, 2015b). The lack of knowledge and information sharing contributes to duplications and excess costs (Burke, 2015a). Finding a structure that will encourage sharing of
information and knowledge across the organization will be essential to finding the
efficiencies the Secretary is seeking.

**Current Alignment**

The overall alignment of the VA is a divisionalized form, with each of the three
separate Administrations, as well as the support services for the VACO campus having
their own hierarchy and structure to support the type of benefit they provide to the
veterans (VA, 2015). The current structure of the VA Acquisitions and Logistics is
spread among the four different areas of the VA. Each of the three administrations has an
acquisition and logistics chain of command, as well as the Office of Acquisitions,
Logistics and Construction (OALC), which oversee all of VA acquisitions and logistics
(GAO, 2015). The OALC office has oversight of the strategic source contracting offices,
as well as a field office that supports the VA Central Office (VACO) campus (VA, 2015).
Additionally, OALC oversees Office of Acquisitions and Logistics (OAL) the policy
office for VA acquisitions (VA, 2015).

With the recent change in the Secretary, the VA is undergoing a cultural shift,
including VA Acquisition and Logistics. Until recently VA Acquisitions and Logistics
design had a strong centralization pull, as well as standardized output through
standardized processes. This standardization of processes can be seen most strongly
within the VHA acquisitions process dictated by the VHA Procurement Manual (VHA,
2016). This is a 13-volume manual providing Standard Operating Procedures for all
aspects of acquisitions, removing much of the decision-making authorities from
contracting professionals. The VA Acquisitions were functioning under the machine
bureaucracy design, despite the nature of contracting requiring the operating core to make
decisions based on the customers’ needs (Burk, 2015b). Recently, though, policies were issued realigned the policies of acquisitions to the new desired culture of the VA. Specifically, OAL issued a deviation to VA Acquisition Regulations (VAAR) 801.602-70, 801.602-71 and 802.602-72. These deviations are to “instituted the Employee Empowerment Initiative” by placing decision-making authority to the lowest possible level within the acquisitions activity (VAAR Class Deviation, 2016). While the VA is making efforts to change the culture through empowerment, a change in the organizational structure and design is needed to match the new culture and goals (Janićijević, 2013).

**Task Assignments**

The VA has a total of six positions that have been designated as the Head of the Contracting Activity (HCA) (GAO, 2015). There is one HCA within each administration, two within OALC and one in OAL (GAO, 2015). The position of HCA is one of the top positions that is held for making decisions required by the Federal Acquisition Regulations (FAR) (FAR, 2016). Within the VA, the workload is not disbursed evenly between the six HCA though. A comparison of the work done in each of the six areas is difficult, as the National Acquisitions Center, as well as the Strategic Acquisition Center, each award many actions where no dollars are obligated until the field offices place an order (VA, 2015). This discrepancy prohibits comparing a review of the dollars awarded as a measure of comparison. However, reviewing the number of actions awarded also provides a false comparison, as some contracting actions are significantly more complicated than others. While neither method will provide a complete picture, reviewing both data sets can provide some clarity on the distribution of
work within the VA. Below are two charts providing the data for both the number of actions awarded by each of the contracting activity and the total dollar values of these actions for FY 2015. From these charts, it is clear that the HCA within VHA is responsible for the majority of the VA acquisition workload, both in dollars and number of actions.

Table 2 - FY 15 Actions by Number of Awards

<table>
<thead>
<tr>
<th>Number of Actions</th>
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<tbody>
<tr>
<td>CFM</td>
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<td>50,000</td>
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(VA, 2016a)
Table 3 –FY 15 Actions by Dollar Value

<table>
<thead>
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<th>Evaluation Method</th>
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<td>Within the literature review, it is evident that any one decision about the design of the organization will have a direct impact on all other decisions as the pieces are so closely related (Maheson, 2009). That means each option must be considered, before a determination can be made on which structure and which design would be the most beneficial in increasing efficiencies within VA Acquisitions and Logistics, or eliminating an option. This paper will approach first how the three different structures would each impact the operations of VA Acquisitions and Logistics. After reviewing the three types of structure, the five design types will be review for compatibility with the VA Acquisition and Logistics needs and goals. Through these comparisons of the traits and impacts of each structure and design type against the needs of the VA, options will be eliminated, and an ideal structure and design will be presented.</td>
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Once an ideal structure and design are identified, other aspects of the organizational structure can be finalized. With the selection of a structure and design, each of the five parts of the structure will be addressed in part. The structure will address the organizational chart depicting the hierarchy, span of control and division of labor. The other two parts, decision authority and degree of centralization, will be impacted by the organizational design decision.

**Structure Types**

There are three different types of organizational structures that could be applied to the VA Acquisitions and Logistics group. The structure types that could be implemented to determine the manner in which units will be grouped together are Functional, Product, and Matrix (Kates & Galbraith, 2007). The acquisition offices have already been aligned into functional groups within each Administration, to assure contracting field employees report to a contracting chain of command. This alignment was created as a solution to a finding of ethical issues during a 2002 review of acquisition within the VA (Department of Veterans Affairs, 2002). Like many large organizations, the VA is already taking advantage of the economies of scale that can be achieved by aligning groups by functions (Ugbomhe & Dirisu, 2011). Despite the functional grouping within each Administration, the current alignment under the divisionalized design creates duplications of efforts within each administration.

Each of the current VA acquisitions offices has a different focus based on the internal customers the office supports. The VHA acquisitions offices focus on procurement required to maintain the functions of the Medical Centers, Vet Centers and Community Based Outpatient Clinics (VA 2015). These offices make purchases ranging
from supplies, services, minor construction, medical sharing services, real property leasing and research and development (VA, 2015). The National Cemetery Administration (NCA), however, works on procuring land as needed for expanding VA cemeteries and headstones, in addition to supplies and services (VA, 2015). The VA also has multiple strategic sourcing contracting offices that focus on technology, medical supplies and services, and other supplies and services (VA, 2015). Each of these types of procurements can be separated into a functional line, as each procurement type has different requirements in accordance with the FAR (2016).

The majority of the VA acquisition staff has already been aligned into functional teams, which would limit the impact of implementation on employees (VA, 2015). This alignment allows employees to become proficient in a specific type of contracting and allows for areas of growth from less complicated requirements to more complicated requirements as employees grow in the position (Greenberg, 2013). This growth opportunity is also an important aspect of providing job satisfaction (Mintzberg, 1993). A downside to aligning the units based on products is a reduction in the amount of communication between each functional team (Greenberg, 2013). As acquisition is divided into smaller units lines will be drawn that create barriers to communication across the different teams (Mintzberg, 1993). Communication is key to enhancing the learning process for acquisition professionals.

Additionally, the VA could remain aligned in the various acquisitions offices based on the different product team. For a traditional product alignment an acquisitions person would be aligned with people outside of acquisitions into a team working on one major project, however the VA would not be able to align in this manner. The VA
aligned all acquisition personal under an acquisitions chain of command based on the recommendations from a 2002 procurement reform taskforce, after findings of ethical conflicts and coercion influencing procurements (Department of Veterans Affairs, 2002). The only product alignment that the VA could achieve while limiting the ethical conflicts is to remain aligned by administration. If the work were to remain divided based on the three administrations, the VA will have reached the limit on economies of scale within Acquisitions, yet many of the goods and services purchased within each Administration are needed by all of them. Every VA office needs paper, printers, document shredding, and janitorial work for example. Not only does the VA not gather the economics of scale for these purchases, by being divided into the administrations, the VA does not benefit from the learning acquired in each group as these requirements are worked. This alignment however, assures that the top Acquisitions staff in each administration is responsible for answering to the appropriate Under Secretary for the work being processed. To remain aligned into product teams the VA will sacrifice some economies of scale for increased control within each Administration.

The last option would be to align VA staff into both products and functional teams, where some employees would have two managers. A matrix structure is the most complicated structure as it can create conflicting priorities for the employees that report to two managers (Mintzberg, 1993). For the VA, this type of alignment could take a few different forms. The VA could align employees by contract type under one manager; such as services or supplies, and additionally have them report to a manager that is responsible for the Administration’s workload. This alignment would solve some
communication issues, however new issues would be created with the added complication of competing priorities.

Within the majority of matrix structures, the employees with two managers are the middle line, or middle management (Mintzberg, 1993). If the VA were to take this approach of implementing a matrix, the front line managers could report to both the local division chief, and the product line manager for each Administration. This type of alignment would allow for increased communication between Administrations and acquisitions professionals, however each manager would effectively report to four supervisors. For a matrix to work the organization must first have a solid foundation of teamwork, joint accountability and supportive and collaborative management (Kates & Galbraith, 2007). The recent OIG reports about actions within VA Acquisitions shows a lack of these features ((VAOIG, 2014a & VAOIG, 2014b). Other reports also support this conclusion such as a review of the responses to the VA All Employee Survey, when the Contracting Specialist field (1102) responses are compared to all VA employees (Department of Veterans Affairs, 2015). The results of the VA All Employee Surveys for the last four years show a distinct downward trend in the faith in senior leaderships as well as distrust in leadership’s motivation and integrity (Department of Veterans Affairs, 2015). The acquisitions staffs’ opinions of leadership are dropping quicker than the VA as a whole (Department of Veterans Affairs, 2015). Based the OIG reports and the All Employee Surveys it is clear that the VA acquisition leadership is not currently in a position to handle implementation of a matrix design.

While both function and product structures could be viable solutions for VA acquisition, aligning into functional teams allows for better support of the goals the
Secretary has for the Department as a whole. The Secretaries’ goals of increasing efficiencies to better services the needs of Veterans, is better met by aligning to functional teams (McDonald, 2015b). This structure does have a shortcoming of creating communication barriers, and these barriers could lead to failure if the implementation of a realignment does not plan for improving communication.

For VA acquisitions, a functional alignment would entail moving employees into units that focus mainly on one type of contract, such as services or construction. This will require coordination between the different units, as it is not uncommon for a requirement to cross into more than one category. For example, when the VA purchased the equipment for the Gate Lab the contract required extensive services for the installation of this sensitive equipment, as well as training on proper use of the equipment. Additionally, coordination and cooperation will be needed between unit managers, as other requirements can be unclear which category the action would fall under, such as a lease of a vehicle can be seen as a commodity or a service contract. To make this structure work the VA will have to make sure to add tools that encourage coordination and cooperation, such as communities of practice and networking opportunities (Kates & Galbraith, 2007).

The change into functional teams would also be an alignment that would have minimal impact on the majority of the operating core. As the VHA has already aligned into service lines, the 2800 employees of this administration would feel no to minimal impact on this change. Minimizing the change felt by the operational core increases the likelihood of acceptance (Greenberg, 2013). The strategic sourcing offices are also, at least in part, aligned into functional teams. The offices that would feel this change the
most would be the Acquisitions Business Service, VBA, and the NCA. These offices have limited staff and have not been able to make this type of alignment. This alignment will also move the National Acquisitions Center out from underneath OAL. The removal of all contract execution from the policy office is something that the VA told Congress was happening in 2007, but has yet to be implemented (U.S. Department of Veterans Affairs Internal Contracting Oversight Deficiencies, 2007).

The best method of implementing this alignment into these administrations will be to divide the work into strategic contracting and field execution, two distinct types of contracting first, then into service lines. Combining the workload, and workforce of all VA Acquisitions and Logistics staff will allow for all VA requirements to be routed to one central Acquisitions and Logistics office. The combined workload can be consolidated where allowed, and all VA employees in a service line can benefit from lessons learned with each action.

Design Options

After deciding on the manner in which to align the work units the next step in the process is deciding on an organizational design. Five types of organizational designs must be reviewed to determine the fit, or lack thereof, for the VA Acquisition and Logistics staff. These are the simple structure, machine bureaucracy, divisionalized structure, professional bureaucracy, and adhocracy (Mintzberg, 1993). It is important to review the strengths and weakness that each of these designs types can bring to the VA before making a decision for the best fit, however as some are examined it will become clear the types that will not work (Donaldson & Joffe, 2014).
The simple structure is a very flat structure, where all decisions are made by one individual (Greenberg, 2013). If this type of design were implemented within the VA acquisitions, the execution of the mission would be crippled. The VA made 5422 awards during FY 2015, and each of these awards requires many decisions (Federal Procurement Data System – Next Generation, 2016). Decisions range from the type of set-aside to be used, the method used to solicit offers, to the company that will receive the actual award. Each decision is made on a different level of the organization depending on the value or the action and other factors, in accordance with law, regulations and policies (FAR, 2015). The VA like most public organizations must empower the street level bureaucrats to some degree due to the size of the organization (Raadschelders, 2008). Moving these decisions to one central location would cause mission failure, making the simple structure an unacceptable option for the VA.

The machine bureaucracies are tall organizations that place the decision-making authorities with the leaders and managers of the organization (Greenberg, 2013). These organizations focus on controlling the product output by controlling the manner in which the work is done (Andews & Beynon, 2010). If the VA were to continue this design the policy portion of the structure, or technostructure, would retain power by creating the policies (Maheson, 2009). If achievable, a standardized product would help in assuring that contracts comply with all applicable laws and regulations, however, it is difficult to create a policy for every contingency (Edwards 2009). Despite increased oversight and an increase in policies and templates, VA Acquisitions have still struggled with compliance (Jefferson Solutions, LLC, 2016). One feature of contracting that makes creating standardized policies difficult is that each action has unique situations that arise,
affecting the outcome of the many decisions. For example, the purchase of medical equipment is done everyday within VHA; however there are times when the hospital requires a piece of equipment to perform a lifesaving surgery for a veteran. In these cases timelines must be moved up and the contracting officer must know how to do this while staying within the law. Additionally, dictating the manner in which to do the work has also been found to decrease both employee satisfaction and employee innovation, which would run counter to the goals of the Secretary (Luoh, Tsaur & Tang, 2014).

The divisionalized structure, another type of structure, is seen in large organizations, and can be viewed within the VA already. The VA has three Administrations, each providing specialized benefits to veterans and their families. However the divisionalized form cannot stand on its own, but rather each division would have its own design of the other four options (Mintzberg, 1993). The VA Acquisitions and Logistics staff does not provide enough services to make creating separate divisions within VA Acquisitions a viable option. Additionally creating separate divisions would run contradictory to the goals of the Secretary, and the decision to align contracting by function.

The professional bureaucracies function like a machine bureaucracy, in that there is substantial structure, and rules; however the decision-making authority is placed in the hands of the professional performing the work (Greenberg, 2013). This type of structure requires a focus on the training and education of the professional (Mintzberg, 1993). Contracting Specialists, the major discipline within Acquisitions and Logistics, is a professional position that requires a bachelor’s degree, 24 business credits, and training leading to Federal Acquisitions Competency in Certification (FAC-C) for civilian
agencies (FAI, 2014). The FAC-C is required for a Contracting Specialist to become warranted with the authority to obligate the federal government. Once warranted, the Contracting Specialist can act in the capacity of Contracting Officer up to his or her warrant authority. Moving all decision-making authority to the role of the Contracting Officer (CO) is not a feasible alternative; many requirements of the FAR (2016) call out that the CO must have a higher approval before moving forward with a given decision.

The last design option is adhocracy. This is a design that allows for trial and error to find innovations, and is often seen in the technology industry. Within this structure there is little formal authority, and little regulations. Both of these restrictions would make an adhocracy a bad fit for a federal acquisition workforce. Acquisitions within the federal government are heavy regulated and monitored by the agency, Congress, and the American people. Additionally, as a public organization in the spotlight it is seen as unacceptable to have a high degree of failure to accrue within the VA (Raadschelders, 2008), especially when $18 billion dollars are at risk (Bloomberg, 2015).

After a review of each of the five design types it is clear that two of these options simply would not be acceptable options; the simple structure and adhocracy. The VA is already in a divisionalized structure, and creating additional divisions within acquisitions would move further from the goals of the Secretary. This leaves the two bureaucracies that must be compared. The machine bureaucracy will create an environment where employees are more likely to be disengaged and will attempt to standardize tasks that are complex. Both of these issues show that a machine bureaucracy would not be the optimal design for the VA Acquisitions and Logistics offices to achieve the Secretary’s goals.
That leaves just one that will best fit the needs of the VA Acquisitions and Logistics staff as well as meet the goals of the Secretary is the professional bureaucracy. This type of design will allow for employees to be engaged, and empowered in the work that is done to support the veterans. The professional bureaucracy also increases the speed with which decisions can be made, speeding up the process. The VA has already taken steps to embrace this design, but as the design has not yet been updated, employees feel at odds with the direction, as evident in the engagement and satisfaction numbers in the employee survey (Department of Veterans Affairs, 2015). The VA already has the VA Acquisitions Academy in place to support a focus on training acquisitions processionals to obtain and maintain their certifications. The VA is making strides to move decision-making to the lowest level possible with the deviations to VAAR 801.602-70, 801.602-71 and 802.602-72 (2016). By making a change to embrace the design more completely the VA employees should feel a relief from the conflict between the current design and the contradictory goals.

While the professional bureaucracy is the best fit, the VA will not be able to implement a pure form of this design. As stated earlier, all decision-making ability cannot be delegated to the contracting officer or operating core. The FAR requires that approvals for many items be provided at a level or many levels above the contracting officer (FAR, 2016). This limitation will place the VA Acquisitions and Logistics design in the pentagram of the designs mostly as a professional bureaucracy, but with a pull toward a machine bureaucracy. This splits the power between the operating core, and the technostructure creating policies (Mintzberg, 1993).
Fine-Tuning

By reviewing each structure and design type decisions could be made on the best fit for VA Acquisitions and Logistics to achieve the goals of the Secretary. A functional grouping, within a professional bureaucracy design, will empower and engage employees, while increasing efficiencies and capitalizing on the VA’s size. These decisions have also helped to define many of the elements of organizational design; including division of labor, decision authority and degree of centralization. The VA should create an organization that will stand-alone from any of the Administrations. The new organizational chart will divide the labor needed into categories; these categories are policy and training, support, strategic contracting, and field execution.

A review of the Current Organizational PDF, at appendix A, demonstrates where each of these categories falls under currently. With the new design and structure these categories will be aligned together into one of two groups; Policy and Support, or Execution as seen in the New Organizational Chart PFD, as seen in appendix B. The Policy and Support Office already exists and will see only a few changes. The major change will be the removal of an execution group, the NAC, from under the policy office. Additionally the Policy and Support group will likely see an increase in the workforce due to the consolidation of VHA, VBA, and NCA policy offices into one VA policy office.

The degree of centralization has also been addressed with the decisions that have been made. As noted in the discussion about centralization, informal authority leads to decentralization when those without approval authority influence the decisions (Mintzberg, 1993). Within acquisitions, even on decisions that must be approved at a
higher level, decisions are influenced by the research and supporting documentation provided by the contracting officer to senior leadership. With thousands of contracting specialists and officers drafting the supporting documentation for decision makers up the chain, VA Acquisitions has always been and will remain decentralized. The last two major elements of organization structure that must be fine-tuned are the depth of the organization and the span of control.

Currently, parts of the VA Acquisitions workforce can be removed from the Secretary by as many as twelve levels of depth, as seen in Appendix C. The increase in the depth of the organization chart creates two problems for an agency; an increase in communication problems (Ashkenas, 2012), and the increased cost to the organization (Gibson, Finnie & Stuart, 2015). Organizations of 20,000 people or more have been found to limit depth to no more than eight levels due to the communication issues that arise (Gibson, Finnie & Stuart, 2015). VA Acquisitions and Logistics, however, has a much smaller workforce of around at about 3,000 employees and should be able to reduce this depth (Department of Veterans Affairs, 2015).

**Moving Parts**

To create a more efficient organization the organizational charts needed to be looked at and revised for a number of reasons, including not only reaching the correct depth but maximizing efficiencies and span of control. The act of restructuring all acquisitions employees under one group, instead of within each Administration removed three layers of management immediately. However, more reorganization was needed to bring all of the offices within the depth range of eight or fewer levels between the Secretary and the operating core. To achieve the maximum depth of eight, current
organizations of the Strategic Acquisitions Center (SAC), and Technology Acquisition Center (TAC) needed to be adjusted. Both of these offices achieve a depth of nine levels under the current organizational charts. However, moving the support functions under the deputy, and the execution functions under the Director of the unit reduced the depth levels to eight for each group.

A reduction in senior positions was created by moving the Network Contracting Office (NCO) Two (Up-State New York) into NCO Three. While reviewing the different NCO’s that currently support the VHA offices it becomes clear that NCO Two was less than half the size of the next smallest NCO. These offices were created to mirror the lines of the VHA offices. However as these lines will no longer define the workload of the office, there is no reason to maintain them, when it creates additional overhead. Combining NCO Two and Three into one unit creates one office that will be on par with the average NCO size. This project was limited to information readily available through public means. Therefore, this project was not able to detect areas where consolidation across current NCO lines could continue. Based on a cursory review of the number of employees supporting Real Property Leasing, realigning this workload outsize of NCO lines could have the possibility of achieving greater efficiencies.

To address the span of control, adjustments also needed to be made to the current work units. The current organization of the SAC and TAC included work units as small as four employees. By increasing the direct reports to seven for a manager and from four to five for middle managers, one whole division was removed from both the TAC and the SAC. These increases put the strategic offices more in line with even the lowest suggestions for ideal direct reports when management included controlling employees.
These increases in the span of control and decreases in depths resulted in a reduction of senior level positions while maintaining the same operating core.

With the reorganization of the various offices, and increase in direct reports for first line supervisors, the span of control for middle managers and senior leadership was reduced. The current organizational chart has managers with as many as 11 direct reports. The number of direct reports should decrease as one moves up the chain of command, to allow for an organizational focus (Tran & Tian, 2013). Through the reorganization, the number of direct reports for any one middle manager or senior leader has dropped to nine or less. The number of direct reports for the majority of the offices, not mentioned above, will remain unchanged. With the exception of a few outliers most frontline managers will not exceed ten employees, however, these remains additional room for improvement in which the VA will need additional research during implementation planning. These changes can be seen in appendix D.

Location

Currently the VA has offices across the entire country, and would be considered dispersed. The current alignment offers many advantages, such as increasing the pool of talent to choose from, by being able to hire employees nation-wide, as well as allowing acquisitions professionals the ability to monitor contractors locally, rather than remotely. Additionally, if the VA were to realign into a consolidated area, there would be a substantial cost for relocating thousands of employees or finding these employees other positions within the agency. Relocating employees to a consolidated area would not provide any value, and could create cost the VA would not recoup; therefore, this would be an inadvisable change.
Final Alignment

After a review of the different structure and design options, the one that offers the best fit for the VA to achieve the goals of the Secretary has been identified. The goals that the Secretary has for the realignment of the support offices within the VA are; to improve efficiency, reduce cost, and increase productivity by leveraging economies of scale (McDonald, 2014a). A professional bureaucracy with a functional alignment that supports the entire VA will provide the best fit and allow for the best opportunities for cost savings.

To achieve these goals for VA Acquisitions and Logistics the offices must be brought together, so all requirements will be worked in a manner that allows for consolidation. If each administration is working the same type of action separately with no communication, there is no ability to achieve the cost savings from an economy of scale. By aligning the VA into functional acquisitions teams without additional boundaries created by the separate administrations, the VA will be able to realize cost savings from consolidating the contract action; both in the cost to procure and the price paid (Burke, 2014a).

By creating teams that specialize in one type of contracting the VA will be creating knowledge groups, where information can be shared and exchanged for lessons learned (Steiger, Hammou, & Galib, 2014). These specialized teams also allow for greater oversight of the requirements being purchased, and areas for consolidating, or strategic contracting. Additionally, providing separation from field execution and strategic contract actions prevents the daily requirements from overwhelming the movement of strategic actions. By assuring that the strategic and field offices report up
through the same chain of command, the needs of each group will be heard by the same leadership allowing for prioritization based on needs rather than expected income generation from task orders.

The professional bureaucracy will engage and empower the acquisitions workforce to find additional ways to achieve savings as well as opportunities to grow. Employees feel empowered and engaged when they are involved in the manner in which they do their work (Greenberg, 2013). With engaged employees the VA will also be in a position to retain the best and brightest in the field, which is needed to retain the resource contained within the workers of this knowledge-based profession (Steiger, Hammou, & Galib, 2014).

For the VA, a professional bureaucracy with functional teams will create the environment needed to increase efficiencies, as well as engage employees. The VA will achieve cost savings through a shallower depth of the hierarchy in addition to cost savings achieved by increasing consolidation of requirements. The shallower hierarchy, with more clearly defined lines of authority, will also help to increase the communication within acquisitions and logistics. By increasing the span of control for front line managers within the strategic offices, the VA will see additional savings in salaries by reducing the number of units needed to perform the workload. The VA should also look into including the VA OIG acquisitions workforce in this realignment if the mission of VA OIG will not be comprised by inclusion.

With this new alignment the VA Acquisitions and Logistics staff will achieve all the Secretary’s goal suggestions of implementing a shared service model, without the violation of federal policies. Achieving these goals will allow the VA to use the money
saved from these efficiencies toward other aspects of the promised care for the men and women that served the country, without compromising the $18 billion spent by this dedicated workforce each year.
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Appendix C

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Diagram Description

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- The diagram is color-coded with red, yellow, and blue sections.
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**Director of Contracting**
- Secretary (6-8)
- Deputy Director of Contracting (6-10)

- 5 employees

**Chief of Contracting**
- Application Coordinator (6-10)
- Procurement Specialist (6-10)

- 4 employees

**Chief of Contracting 2**
- Application Coordinator (6-10)
- Procurement Specialist (6-10)

- 7 employees

**Chief of Contracting 3**
- Application Coordinator (6-10)
- Procurement Specialist (6-10)

- 7 employees
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**Director of Contracting MCO (1 BS 09)**

- 2 employees
  - Deputy Director of Contracting (GS 14)

**Division Chief 1 (GS 14)**

- Branch Chief Construction (10)
- Branch Chief Capital Planning (10)
- Branch Chief Medical Equipment (10)
- Branch Chief Procurement (10)

**Division Chief 2 (GS 14)**

- Branch Chief Supply (10)
- Branch Chief Procurement (10)
- Branch Chief Medical Equipment (10)
- Branch Chief Procurement (10)

**Division Chief 3 (GS 14)**

- Branch Chief Construction (10)
- Branch Chief Capital Planning (10)
- Branch Chief Medical Equipment (10)
- Branch Chief Procurement (10)

**Division Chief 4 (GS 14)**

- Branch Chief Supply (10)
- Branch Chief Procurement (10)
- Branch Chief Medical Equipment (10)
- Branch Chief Procurement (10)

**Division Chief 5 (GS 14)**

- Branch Chief Construction (10)
- Branch Chief Capital Planning (10)
- Branch Chief Medical Equipment (10)
- Branch Chief Procurement (10)

**Division Chief 6 (GS 14)**

- Branch Chief Supply (10)
- Branch Chief Procurement (10)
- Branch Chief Medical Equipment (10)
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**Division Chief 7 (GS 14)**

- Branch Chief Construction (10)
- Branch Chief Capital Planning (10)
- Branch Chief Medical Equipment (10)
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**Division Chief 8 (GS 14)**

- Branch Chief Supply (10)
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- Branch Chief Procurement (10)

**Division Chief 9 (GS 14)**

- Branch Chief Construction (10)
- Branch Chief Capital Planning (10)
- Branch Chief Medical Equipment (10)
- Branch Chief Procurement (10)

**Division Chief 10 (GS 14)**

- Branch Chief Supply (10)
- Branch Chief Procurement (10)
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- Branch Chief Procurement (10)
Appendix E

On April 22, 2016 the project was presented to the Executive Director of the Office of Acquisitions Operations (OAO), and the Principal Executive Director of the Office of Acquisitions, Logistics, and Construction. The presentation was well received and timely, as the Principal Executive Director noted that the Office of Acquisitions, Logistics, and Construction (OALC) has just created a team to work on a realignment of OALC. The Principal Executive Director is very interested in the research into span and depth that was completed as part of the project, and requested that I join the team working the realignment.

The leadership had questions about the decisions that were made, including keeping only three Service Areas, instead of the five regions the VA is working to align into. It was explained that increasing to five regions would increase the number of Head of Contracting Activities within the VA, which the VA has been trying to limit. Additionally, increasing to five would create extra overhead, and decrease any cost savings achieved by reducing the depth of the organization. The leadership stated that the VA Office of Inspector General (VAOIG) should have an acquisition workforce that is separate from other offices to assure the work that is being done by the VAOIG is not compromised, due to the nature of the work.

The overall response to the project was positive. The leadership feels that this is the starting point of creating a single acquisition office within the VA. It was pointed out that more work will need to be completing including creating a persuasive case that will create the needed buy-in from each administration to release control for the good of the agencies. While it as pointed out that the project could not be fully implemented during
the current year, the indication as that this project might have created laid the groundwork for a future change in the alignment of the acquisition and logistics workforce.