

GSA Outreach Europe Expo

Strategic Sourcing

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Defense Acquisition University

- ▶ General Overview
- ▶ Vision and Objectives
- ▶ Policy and Guidance
- ▶ Benefits
- ▶ Governance
- ▶ Communities of Interest
- ▶ Process
- ▶ Current Activities

- ▶ “Society is always taken by surprise at the latest example of common sense”

Abraham Lincoln

- ▶ Leveraging an organization’s buying power to obtain goods and services at better terms and conditions over the life cycle of those goods and services.
- ▶ **Definition:** The collaborative and structured process of critically analyzing an organization’s spending and using this information to make business decision about acquiring commodities and services more effectively and efficiently

Vision

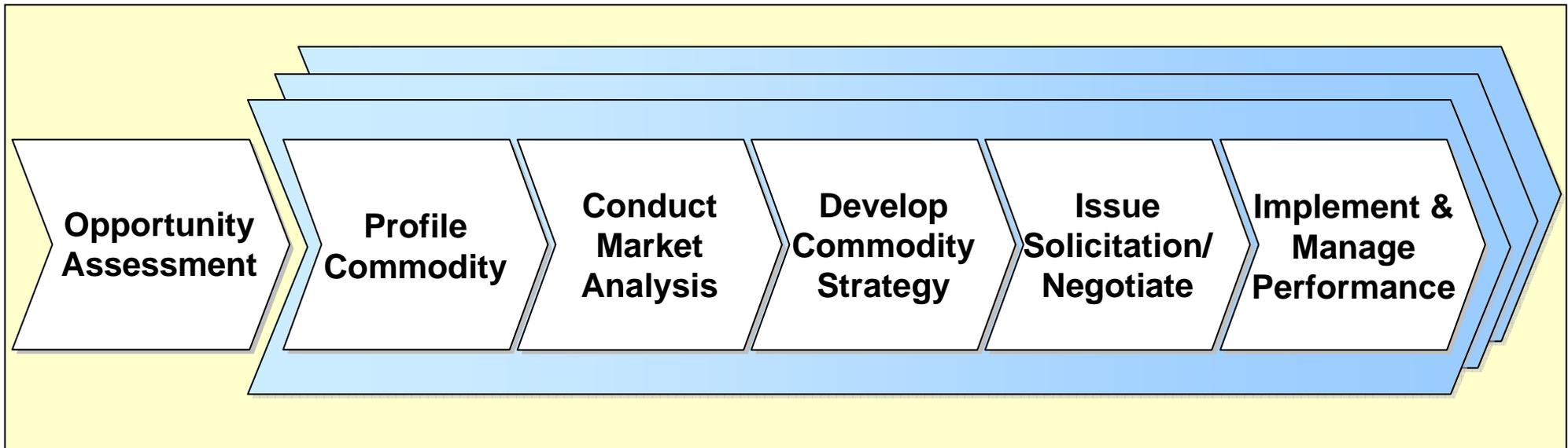
“To provide customers throughout the Department [of Defense] with services acquired in the most efficient and advantageous manner.”

***Memorandum from Paul Wolfowitz,
Deputy Secretary of Defense,
“Acquisition of Services Review”
2/6/2003***

Program Objectives

- ▶ Reduction in Total Cost of Ownership
- ▶ Department-wide cross-functional acquisition strategies
- ▶ Improvements in meeting socio-economic goals
- ▶ Standardization of acquisition business process
- ▶ Improved skills of DoD acquisition community

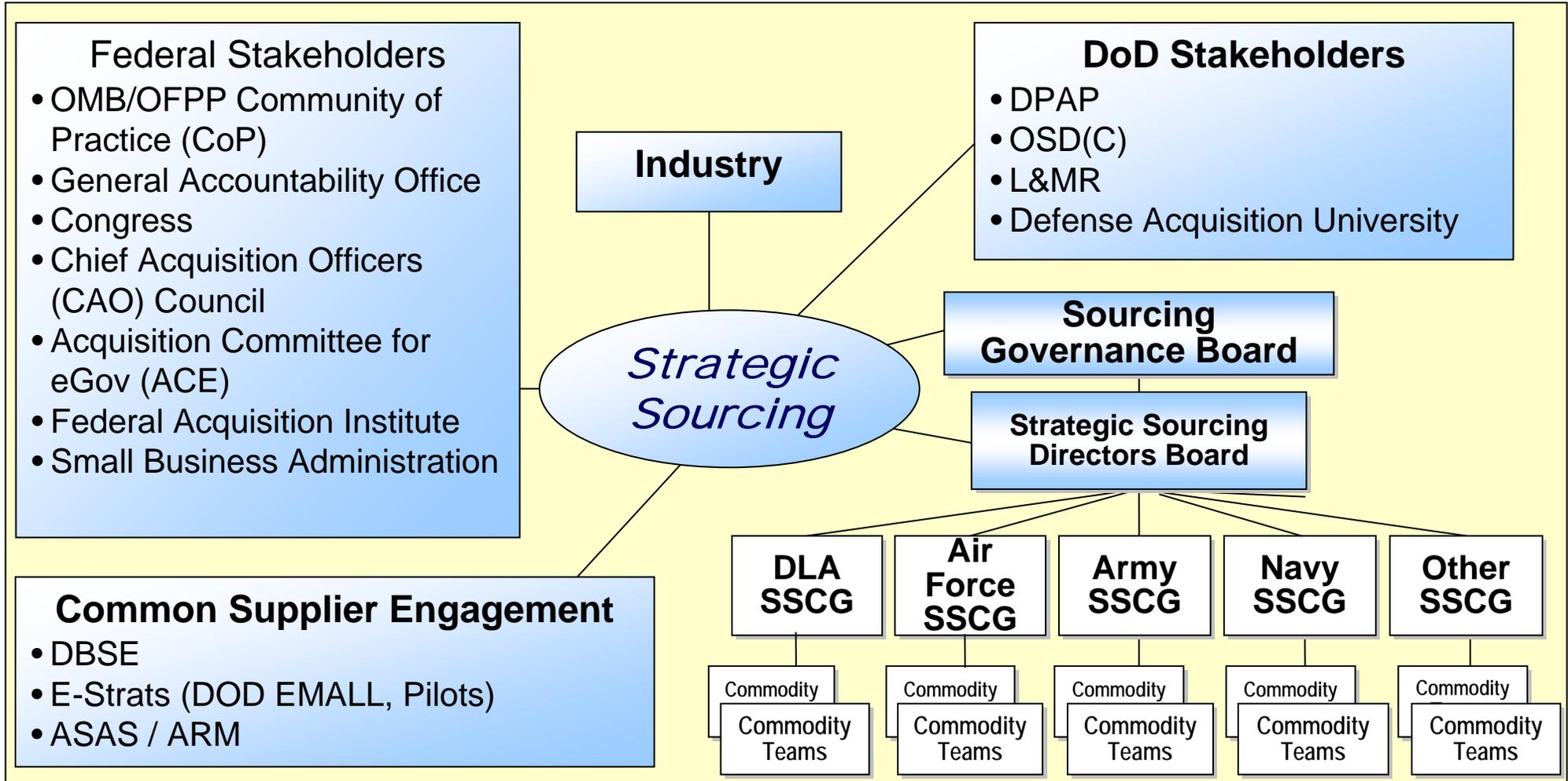
General Overview . . . Process



**A systematic process that incorporates
Enterprise Spend Analysis, Supplier Relations Development,
Demand Management, and Stakeholder Requirements
into the sourcing process**

General Overview . . .

Stakeholders and Relationships





Policy and Guidance

▶ DoD Concept of Operations

- January 2004 DoD-wide guidance Directors Board to oversee:
 - DoD-wide Commodity Strategies Development
 - DoD-wide Capabilities/Technologies
 - Reporting to GAO and OFPP/OMB

▶ DAU/FAI Resources

- Changes to core curriculum and new courses are in development
 - Skills development expected in **all** applicable career fields
 - Knowledge Sharing Workspace
 - Available at: <http://acc.dau.mil/strategicsourcing>

▶ OFPP/OMB

- 20 May 2005 Memorandum – Requires each Federal Agency/Department to:
 - Encourage and implement Strategic Sourcing
 - Identify at least three commodities for strategic sourcing
 - Report annually to OFPP/OMB on progress

▶ GAO

- GAO-04-870 recognizes Spend Analysis as Industry/Government Best Practice
- GAO-05-179 recognizes Strategic Sourcing benefits within DHS



Primary Benefits

Reduction in Cost Per Unit

Pricing Improvements

- Lower unit price
- Volume rebates
- Payment term discounts

Supply Chain Savings

- Cost of capital
- Warehousing costs
- Shipping costs

Reduced Lifecycle Costs

- Maintenance costs
- Operating costs
- Disposition costs

Change in Consumption / Volume

Demand Management

- Eliminate demand
- Reduce consumption
- Encourage substitution
- Change product mix

Specification Review

- Eliminate “gold-plating”
- Simplify specifications
- Alternative products

Improved Operating Efficiency

Reduced Procurement-Related Operating Expense

- PO Processing
- Accounts Payable
- Receipt/Warehousing
- Standardized procurement process

•Reduced Non-Procurement Related Operating Expense

- Other operating efficiencies

Performance Monitoring

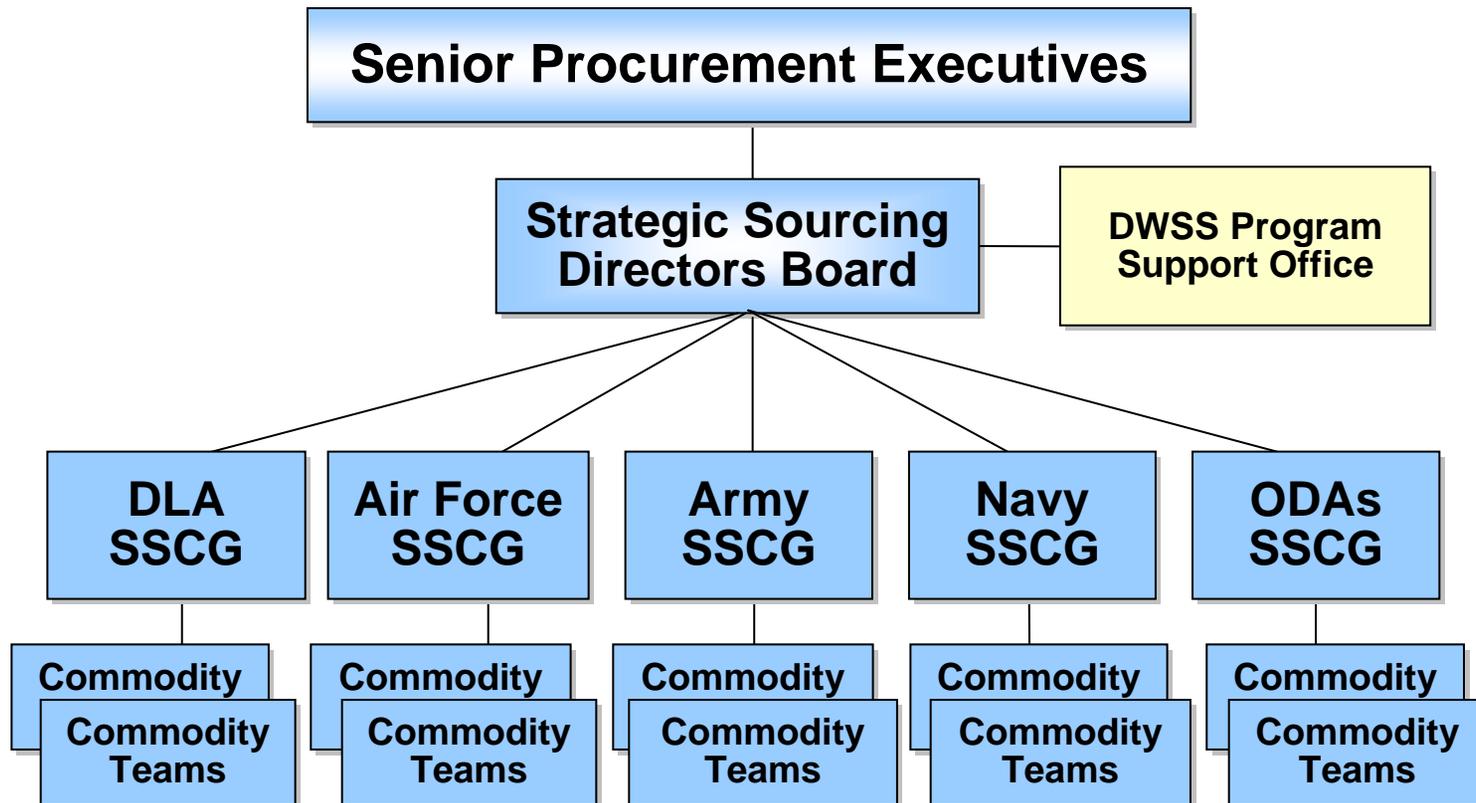
- Structured metrics and periodic review of contractor performance

Improved Focus on Socio-Economic Goals

Socio-economic Goals

- Structured analysis of small/disadvantaged business opportunities

Governance – Executive Agent Model



Strategic Sourcing Directors Board consists of SSCG Leadership
SSCG = Strategic Sourcing Coordination Group
DWSS PSO provides coordination and support to SSDB



Communities of Interest . . . Stakeholders and Relationships

Internal DoD

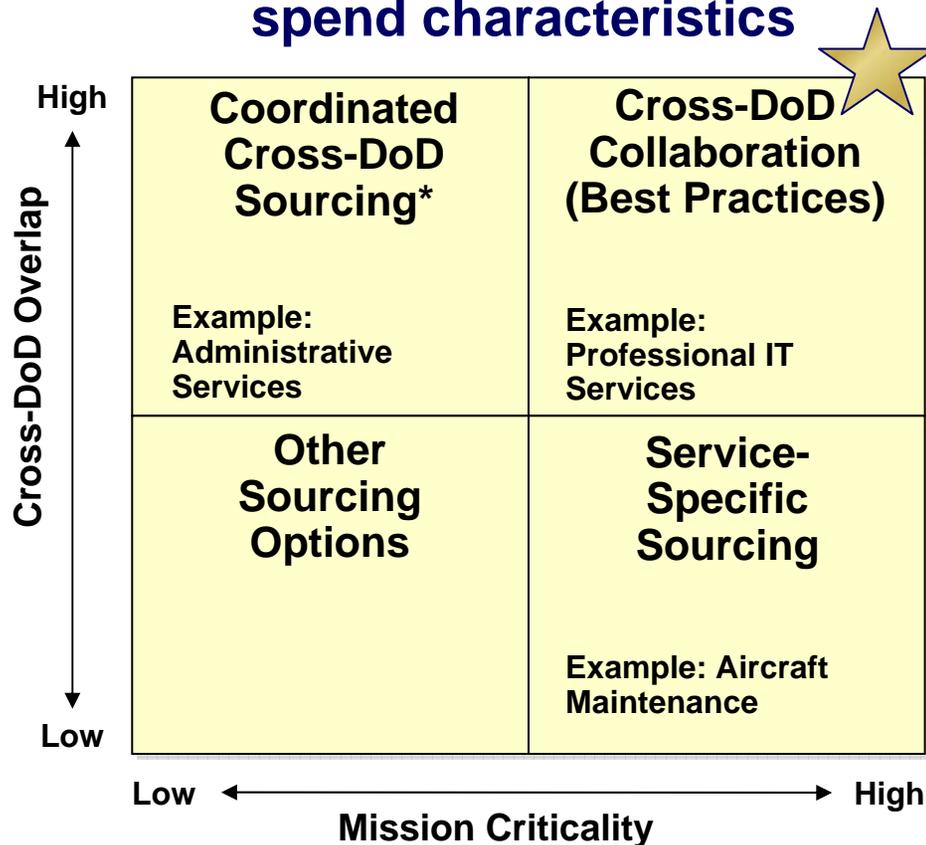
- **DWSS Governance Model**
 - Governance Board (SGB), Strategic Sourcing Directors Board, and Component Strategic Sourcing Coordination Groups
- **DPAP-Policy Office**
 - Development and Coordination of DoD- wide policies, guidance, and instructions
- **DoD-wide and Component Level Commodity Teams / Commodity Management Councils**
 - DoD-wide Commodity Strategy Mgmt
 - Ex. Admin/Clerical Support, Bearings
 - Component Level Oversight/Insight
- **Defense Acquisition University**
 - DoD Acquisition Workforce Development and Knowledge Sharing

External to DoD

- **OMB/OFPP Community of Practice**
 - Senior Federal Agency/Department SS Leadership
- **General Accountability Office**
 - Audits and Reports on Spend Analysis, Commodity Management, and Strategic Sourcing
- **Chief Acquisition Officers (CAO) Council**
 - Federal Agency/Department CAOs
- **Acquisition Committee for eGov (ACE)**
 - Federal Agency/Department eGov Initiatives & Capabilities
- **Federal Acquisition Institute**
 - Federal Acquisition Workforce Development and Knowledge Sharing
- **Small Business Administration**
- **Industry**

Common Commodity Selection Criteria

Sourcing approaches based on spend characteristics



Primary Segmentation Criteria

- **Coordinated Sourcing** – commodities that may provide the most significant opportunities through DoD-wide sourcing
- **Collaboration** – these commodities may provide significant opportunities for sharing knowledge and information across all services
- **Service-Specific** – these commodities may be unique to a service and thus sourced by that service
- **Other Options** – commodities that are neither mission critical nor have much overlap with other services could be contracted through GSA, for example

Other Possible Criteria

- **Spend Volume**
- **Requirements Compatibility**
- **Commodity Complexity**
- **Organizational Sensitivity**

Commodity Strategic Sourcing Process



SUMMARY OF ANALYSES PERFORMED

1. Baseline Analysis

- Overview of Commodity (definition, usage, stakeholders, mission criticality, etc.)
- Spend Summary Existing Sourcing Strategy and Initiatives
- Existing Contracts Analysis
- Existing Sourcing Strategy & Initiatives
- Business Process and Policy
- Total Cost of Ownership

2. Commodity Requirements

- Customer Needs Analysis/Requirements
- Socio-Economic Requirements
- Regulatory and Process Related Requirements
- Estimated Volume Requirements

3. Market Analysis Findings and Opportunities

- Market overview (segments, size)
- Key trends
- Small Business Capabilities
- Comparison of market capabilities to requirements
- Potential Sourcing Levers

COMMODITY STRATEGY

I. Commodity Goals and Objectives (Includes scope, usage, mission criticality)

II. Business Need/Case for Change

- A. Requirements
- B. "As Is" Environment (sourcing strategy, process, technology)
- C. "To Be" Environment (sourcing strategy, process, technology)
- D. Benefits

III. Commodity Sourcing Strategy (strategy and tactics)

IV. Business Case

V. Acquisition Strategy

VI. Implementation Plan



Current DoD Activities

Services Commodity Management OSD Led	Wireless Services EA: Army	Administrative Services EA: Navy	Medical Services EA: Army
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Matériel Commodity Management OSD Led	Bearings Led by OSD (L&MR SCI)	Microelectronics Led by OSD (L&MR SCI)
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Air Force	Army	Navy	DLA
Purchasing Supply Chain Management (PSCM) Matériel 8 Commodities Managed by AFMC Information Technology Strategic buying of IT equipment Managed by SAF(AQ)	Purchasing and Supply Management (PSM) Matériel 5 Commodities (planned) Managed by AMC Office Supplies Strategic BPAs posted on DoD EMALL Managed by ACA	Program Management Support Services 151 contracts awarded Maximum of \$1.3 Billion per year for 5 years Managed by NAVSEA eFSC Facilities Maintenance Electronic Task Ordering via DoD EMALL Managed by NAVFAC	Supplier Relationship Management 25+ Strategic Supplier Alliances Fuels Management Consolidated purchase point for DoD fuels

▶ **Administrative-Clerical Support Services**

- Evaluated by a DoD Wide Commodity Council
- Scope: Philadelphia, Washington DC Metro, Norfolk Regions
- Initially, 100% Small Business Set-aside

▶ **Wireless Services**

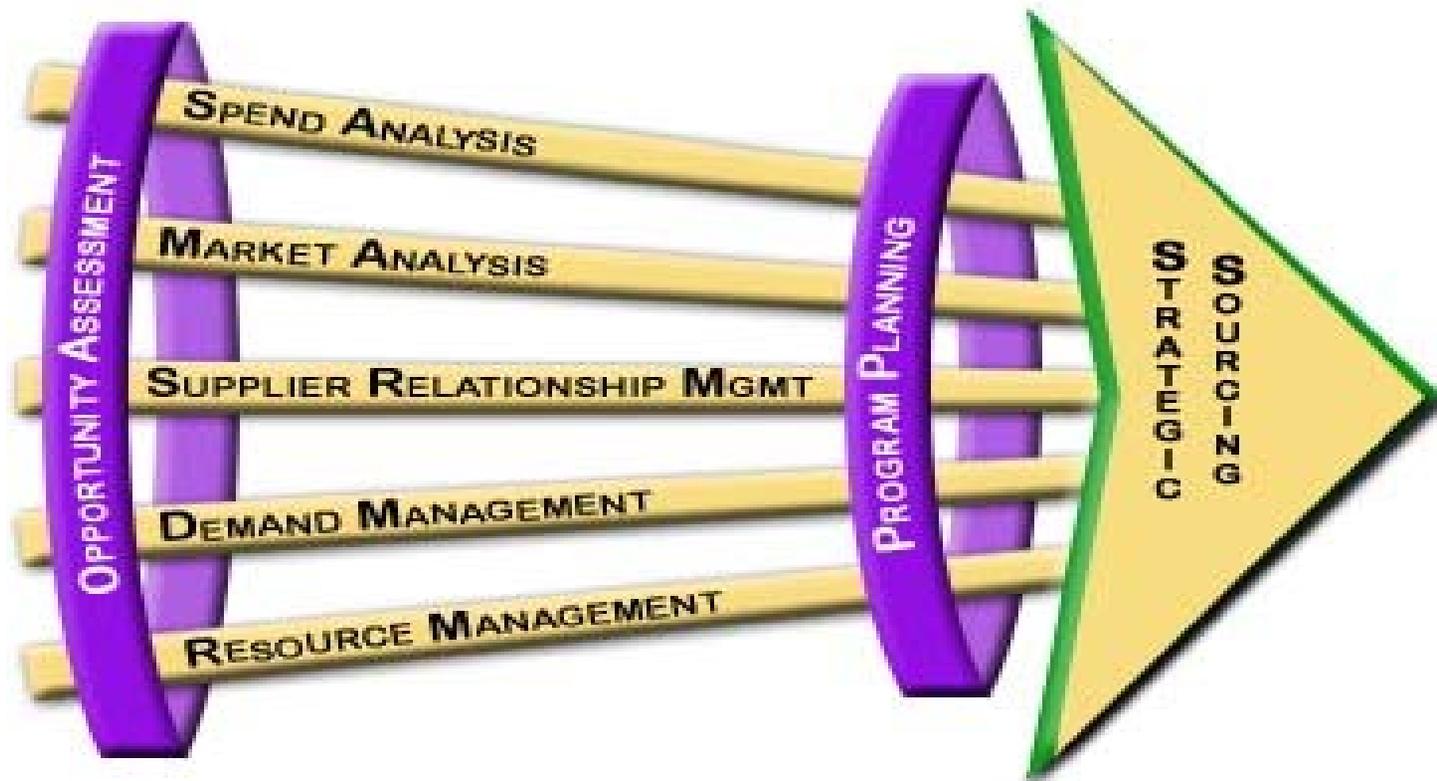
- Evaluated by a DoD-wide Commodity Council
- Each Service responsible to determine & pilot most optimal solution
 - Army and Air Force: Working to develop a joint strategy
 - Navy: FISC-San Diego and NMCI alternatives underway
 - DoD-Wide Commodity Council to evaluate Service pilot results

▶ **Other Commodities Under Consideration**

- Medical Services
- Bearings
- Microelectronics

Current DoD Activities. . . DAU

- ▶ **Community of Practice in development**
- ▶ <https://acc.dau.mil/strategicsourcing>





Federal-Wide Activities

- ▶ OMB/OFPP Oversight
 - Annual reviews of Strategic Sourcing activities
- ▶ Federal Strategic Sourcing Initiatives (FSSI)
 - Led by GSA
 - Representation by numerous Federal Agencies and the DoD
 - Office Supplies
 - Office Equipment (copiers)
 - IT
 - Domestic Delivery
 - Cell Phones
- ▶ Federal Strategic Sourcing Community of Practice
 - Led by OFPP; Driving FSSI activities
 - Request to develop Federal Strategic Sourcing Knowledge Center
 - Once fully developed, an on-line CoP will be listed in the Contracting CoP – <https://acc.dau.mil/msc> as well as on the front page of the Acquisition Community Connection – <https://acc.dau.mil>
 - Contact Jeffrey Birch at DAU with information on Knowledge-Sharing Opportunities
 - Jeffrey.Birch@dau.mil, 703-805-4576
- ▶ Acquisition Council for e-Business (ACE)
 - Oversight for Federal Spending on Integrated Acquisition Environment (IAE) initiatives

▶ **Continuous Learning Modules in Development**

– **Module 1: Strategic Sourcing Overview**

- Chapter 1 – Introduction to Strategic Sourcing
- Chapter 2 – The Strategic Sourcing Process
- Chapter 3 – Building a Successful Strategic Sourcing Program

– **Module 2: Spend Analysis Strategies**

- Chapter 1 – Spend Analysis Overview
- Chapter 2 – Data Collection
- Chapter 3 – Spend Profiling

▶ **Open to all: <http://clc.dau.mil/>**



Questions?



▶ One lead for DoD

- Coordinates and provides insight into DoD-wide and Component activities
- Establishes common processes/policies
- Performs market and spend analysis to target opportunities
- Establishes benchmarks
- Monitors performance
- Provides cross-functional SMEs
- Sets enterprise capabilities/standards
- Sponsors DoD-wide workforce development/ transformation

▶ One lead for Federal Focus

- Supports OMB & OFPP direction
- Prepares annual OMB reports
- Supports Federal activities led by
 - OFPP/OMB CoP, CAO Council, and ACE
- Responds to SBA, GAO & Congressional inquiries & follow-up actions

▶ One lead for Federal Focus

- One voice to industry & small businesses on strategic sourcing matters