



Air Force Materiel Command



Category Management

*Applying
Better Buying Power
to
Installation Support*



- **AFICA Background**
- **Today's Environment**
- **Category Management Concepts**
- **Category Management "To Be" Process**
- **Category Management Implementation – Way Forward**



AFICA Background



What Does AFICA Do?



Provide responsive *enterprise acquisition solutions* to enable efficient and effective *mission and installation operations* through four core mission areas:

- **MAJCOM EXECUTION AND STAFF SUPPORT**...Virtual staff with presence at eight AF major commands, supporting all with full AFICA horsepower to meet their unique missions
- **INSTALLATION/SPECIALIZED EXECUTION**...Provide contract authority, and supporting tools, templates, training and expertise to enable the success of 77 wing contracting squadrons within major commands
- **ENTERPRISE SOURCING**...Drive *strategic cost management* and enterprise solutions at all levels...enterprise, regional, and local...with business intelligence, standardized processes and support systems, and through dynamic partnerships with requirements owners
- **CONTINGENCY CONTRACTING**... Plan for and obtain non-organic supplies, services, and construction from commercial sources in support of joint operations, as well as contingency, humanitarian, disaster relief and local emergencies



AFICA Leadership



Brig Gen (sel) Mark A. Baird

AFICA Commander (O-7)
(WPAFB)



Ms Heidi H. Bullock

AFICA/CA (SES)
(WPAFB)



Brig Gen (sel) Cameron G. Holt

AFICA/DS (O-6)
(WPAFB)



CMSgt David L. Tuck

AFICA/CCC
Chief Enlisted Manager (E-9)
(WPAFB)

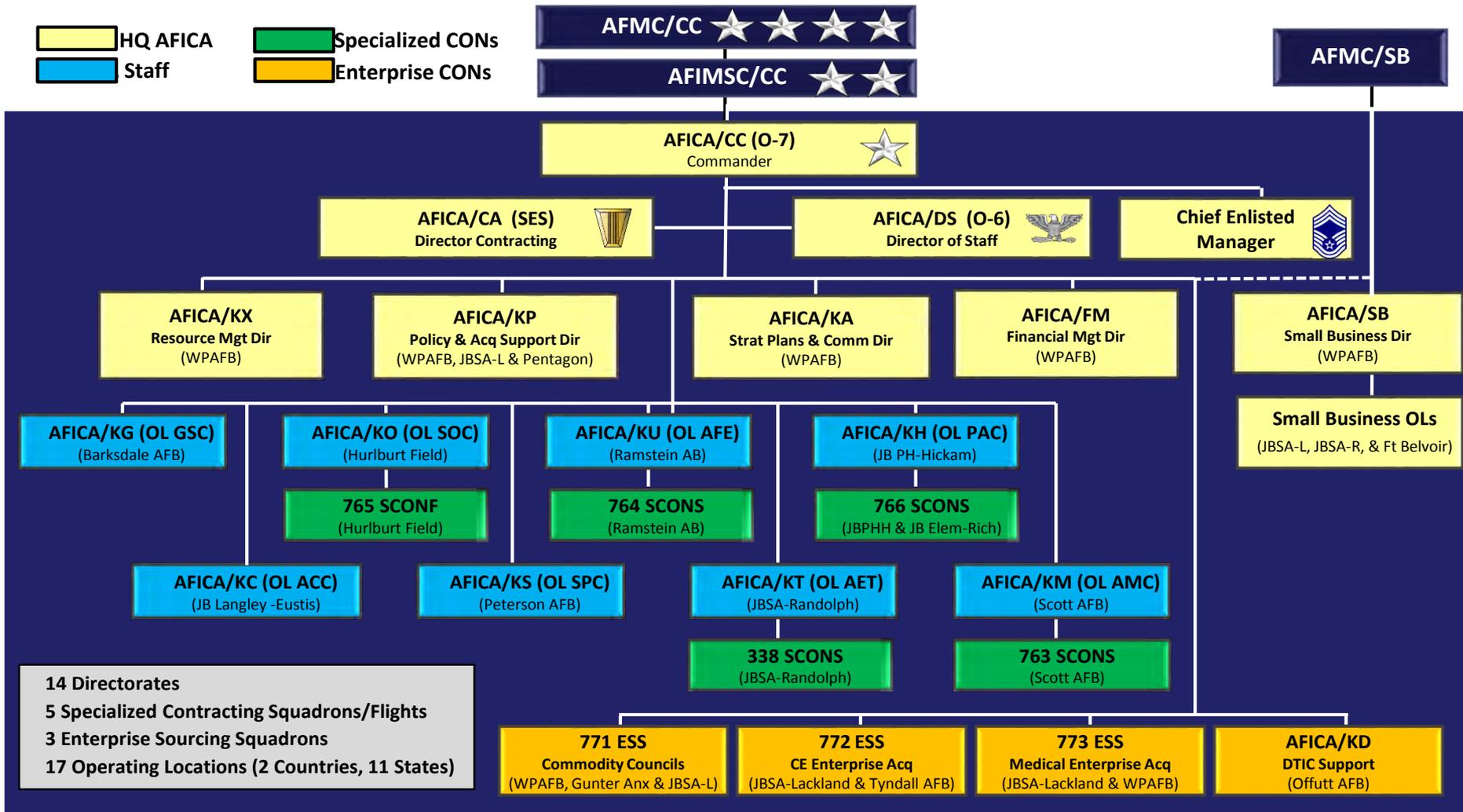




AFICA Organizational Structure

 HQ AFICA
 Staff

 Specialized CONs
 Enterprise CONs



14 Directorates
 5 Specialized Contracting Squadrons/Flights
 3 Enterprise Sourcing Squadrons
 17 Operating Locations (2 Countries, 11 States)

U.S. Air Force Operational Contracting – AFICA

Note: The below graphic is intended to represent a map of operational contracting units and does not depict any lines of command or contracting authority



HQ AFICA
Wright-Patt
(7)

MAJCOM/DRU/FOA Level

AFICA/KC
JB Langley-Eus.
(13)

AFICA/KT
JB SA-Randolph
(17)

AFICA/KG
Barksdale
(16)

AFICA/KO
Hurlburt
(9)

AFICA/KM
Scott
(12)

AFICA/KU
Ramstein
(14)

AFICA/KH
JB PH-Hickam
(12)

AFICA/KS
Peterson
(13)

AFICA/KX
Wright-Patt & JBSA (16)

AFICA/KP
Wright-Patt, & JBSA, (35)

AFICA/KA
Wright-Patt & JBSA (13)

AFICA/FM
Wright-Patt
(6)

AFICA/SB
Wright-Patt & JBSA (3)

338 SCONS
JBSA-Randolph
(62)

765 SCONF
Hurlburt
(7)

763 SCONS
Scott
(38)

764 SCONS
Ramstein
(40)

766 SCONS
JB PH-Hickam
(15)

AFICA/KD
Offutt
(30)

771 ESS
Wright-Patt
(93)

772 ESS
JB San Antonio
(173)

773 ESS
JB San Antonio
(43)

AMIC/A7K
Hampton Rds

USSOUTHAF
Davis-Monthan

USMTM
Eskan Village

USAFCENT
Shaw/Al Udeid

38 CONS
Tinker

Specialized Execution Level

4 CONS
Seymour-Johns.

376 ECONS
Manas

14 CONS
Columbus

2 CONS
Barksdale

1 SOCONS
Hurlburt

6 CONS
MacDill

31 CONS
Aviano

18 CONS
Kadena

21 CONS
Peterson

Installation Execution Level

7 CONS
Dyess

379 ECONS
Al Udeid

17 CONS
Goodfellow

5 CONS
Minot

27 SOCONS
Cannon

19 CONS
Little Rock

39 CONS
Incirlik

35 CONS
Misawa

30 CONS
Vandenberg

9 CONS
Beale

380 ECONS
Al Dhafra

42 CONS
Maxwell

90 CONS
F.E. Warren

22 CONS
McConnell

48 CONS
Lakenheath

36 CONS
Andersen

45 CONS
Patrick

50 CONS
Schriever

20 CONS
Shaw

386 ECONS
Ali Al Salem

47 CONF
Laughlin

341 CONS
Malmstrom

60 CONS
Travis

52 CONS
Spangdahlem

354 CONS
Eielson

50 CONS
Schriever

460 CONF
Buckley

23 CONS
Moody

405 ECONS
Thumrait

56 CONS
Luke

509 CONS
Whiteman

87 CONS
JB-MDL

65 CONS
Lajes

374 CONS
Yokota

460 CONF
Buckley

28 CONS
Ellsworth

25 AF

71 CONF
Vance

92 CONS
Fairchild

92 CONS
Fairchild

421 ABG/LG
Menwith Hill

673 CONS
JB Elmen.-Rich.

673 CONS
JB Elmen.-Rich.

49 CONS
Holloman

81 CONS
Keesler

319 CONS
Grand Forks

425 ABG/LGC
Izmir

425 ABG/LGC
Izmir

496 ABS/LGC
Morón

496 ABS/LGC
Morón

55 CONS
Offutt

82 CONS
Sheppard

375 CONS
Scott

496 ABS/LGC
Morón

496 ABS/LGC
Morón

501 CSW/RCO
Alconbury

501 CSW/RCO
Alconbury

99 CONS
Nellis

97 CONS
Altus

436 CONS
Dover

436 CONS
Dover

700 CONS
Rhein Ord Bar

700 CONS
Rhein Ord Bar

325 CONS
Tyndall

502 CONS
JBSA-Ft SH
JBSA-Lackland
JBSA-Randolph

628 CONS
JB Charleston

628 CONS
JB Charleston

700 CONS
Rhein Ord Bar

700 CONS
Rhein Ord Bar

355 CONS
Davis-Monthan

366 CONS
Mtn Home

633 CONS
JB Langley-Eus.

OPERATIONAL CONTRACTING UNITS RECEIVING CONTRACTING AUTHORITY FROM AFICA

Staff: 182
Direct Execution: 3032

ACC

AETC

AFGSC

AFSOC

AMC

USAFE

PACAF

AFSPC

182
532
2500
7

*Note: AFOTEC (DRU) & AFISRA (FOA) do not have installation resources.



Today's Environment



Current Environment

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Air force base to feel impact of deep budget cut

Posted by: in NEWS April 17, 2013

BLOOM, Miss. (AP) — The commander at Keesler Air Force Base says the base will ground planes and reduce training to deal with a 20 percent reduction in its budget.

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Shaun Donovan says both parties need to hash out proposed spending increases soon

By NICK TIMIRAO
June 16, 2013 7:13 pm ET

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Executive Gov Defense & National Security Mark Welsh: Air Force Budget Cuts Must Be Aimed at Personnel, Bases

MARK WELSH: AIR FORCE BUDGET CUTS MUST BE AIMED AT PERSONNEL, BASES

DAVID J. BARTON NOV 5TH 2013

The top U.S. Air Force general plans to reduce personnel and real estate properties if Congress allows him to handle the proposed Pentagon funding cuts of \$1 billion over 10 years, Military Times reported Monday.

The website cited a Colorado Springs Gazette interview with Chief of Staff Gen. Mark Welsh saying the cuts happening across the board are a "bad business model."

Approximately \$500 billion was cut as part of former Defense Secretary Robert Gates' plan in 2008 to reduce wartime budget with another \$500 billion to be cut by Congress as part of the sequestration budget agreement, the report said.

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GSA predicts new initiatives will light the path toward better governmentwide acquisition

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Taking Category Management Government-Wide

Posted by Anne Rung and Tom Sharpe on January 07, 2015 at 04:31 PM EDT

U.S. AIR FORCE

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Air Force creates Air Force Installation and Mission Support Center

Published July 14, 2014

PRINT | E-MAIL

WASHINGTON (AFNS) — The Air Force is centralizing its installation support management within a newly created Air Force Installation and Mission Support Center, Air Force officials announced July 11.

The change resulted from a comprehensive effort to reduce overhead costs; increase efficiencies; eliminate redundant activities; improve effectiveness and business processes; and will help meet the Defense Department's directive to reduce costs and staff levels by at least 20 percent.

RELATED LINKS

- Air Force announces changes to headquarters organization
- ISR Agency becomes part of newest Numbered Air Force

Current environment is full of challenges & opportunities



Declining Budgets

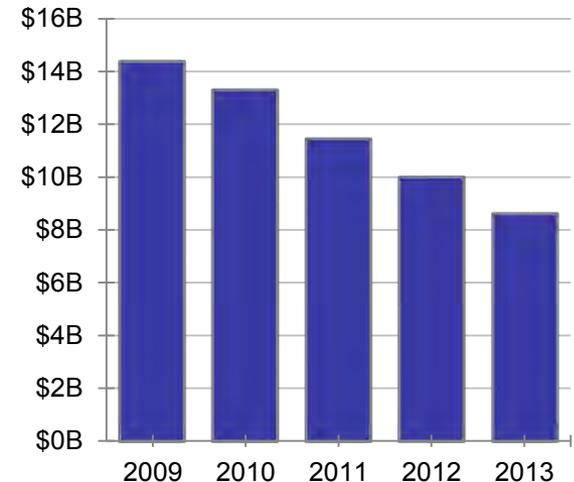
- **Funding for installations is on the decline**

- Installations are warfighting platforms
- Installation support is a program...cost, schedule, and performance
- Sustaining the competitive advantage demands increased efficiency
- Impact to Installations has been SEVERE

- **Acquisition procedures alone are not able to generate required efficiencies**

- Requiring activities make consumption decisions which drive total costs
- Paradigm Shift From Budget Execution to **Strategic Cost Management**

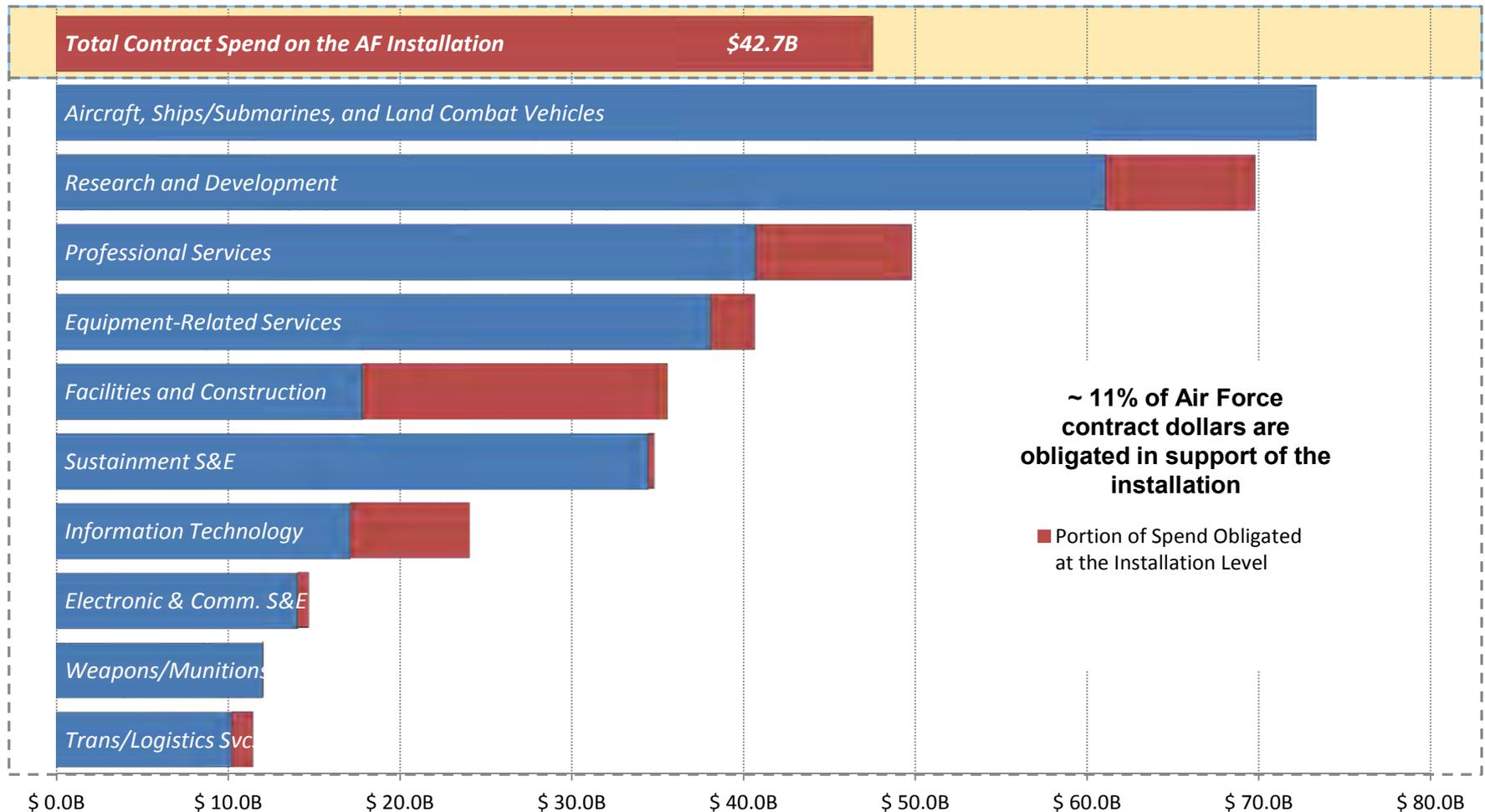
Obligations by Air Force Installation-Support Contracting Office, FY2009 to FY2013



“We are undertaking a comprehensive effort to reduce overhead costs, increase efficiencies, eliminate redundant activities, and improve management effectiveness and business processes.” SECAF Key Talking Points, FY15 Q1



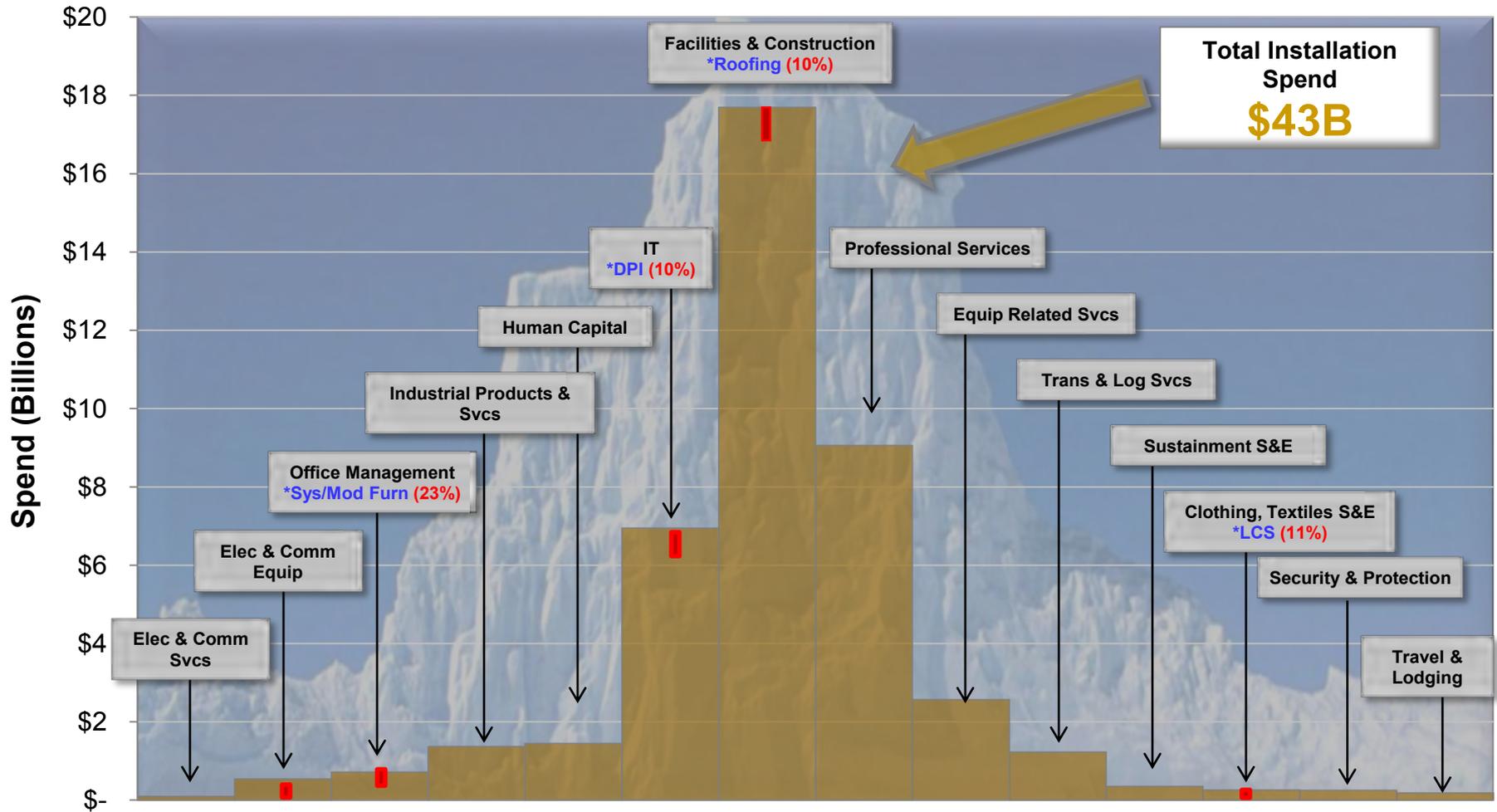
Perspective: Obligations by Air Force Contracting Offices, FY2010 - FY2014



Installation Spend Easily = ACAT ID Program But Lacks Enterprise Focus



A Mountain of Spend





Paradigm Shift

You May Ask Yourself, How Do We...

- **USAF must change culture from rapid execution of budget to Strategic Cost Management across the enterprise**
 - How do we *incentivize Better Buying & spending* habits ?
 - How do we reward leaders & organizations that *reduce cost* ?
 - How do we *manage costs & prioritize reqm'ts* across the enterprise ?
 - How do we *reduce the fixed costs* to operate a base?
 - How do we *allocate* O&M dollars where most needed ?
 - How do we *reallocate* in year of execution ?
 - How do we *standardize* levels of service?
 - How do we POM for what installations & CCs really need?



The core principles behind BBP 3.0 is getting value for dollars instead of just executing budget.

-- Mr Frank Kendall, USD (AT&L)



Category Management

A Transformational Governance Structure



What is Category Mgt?

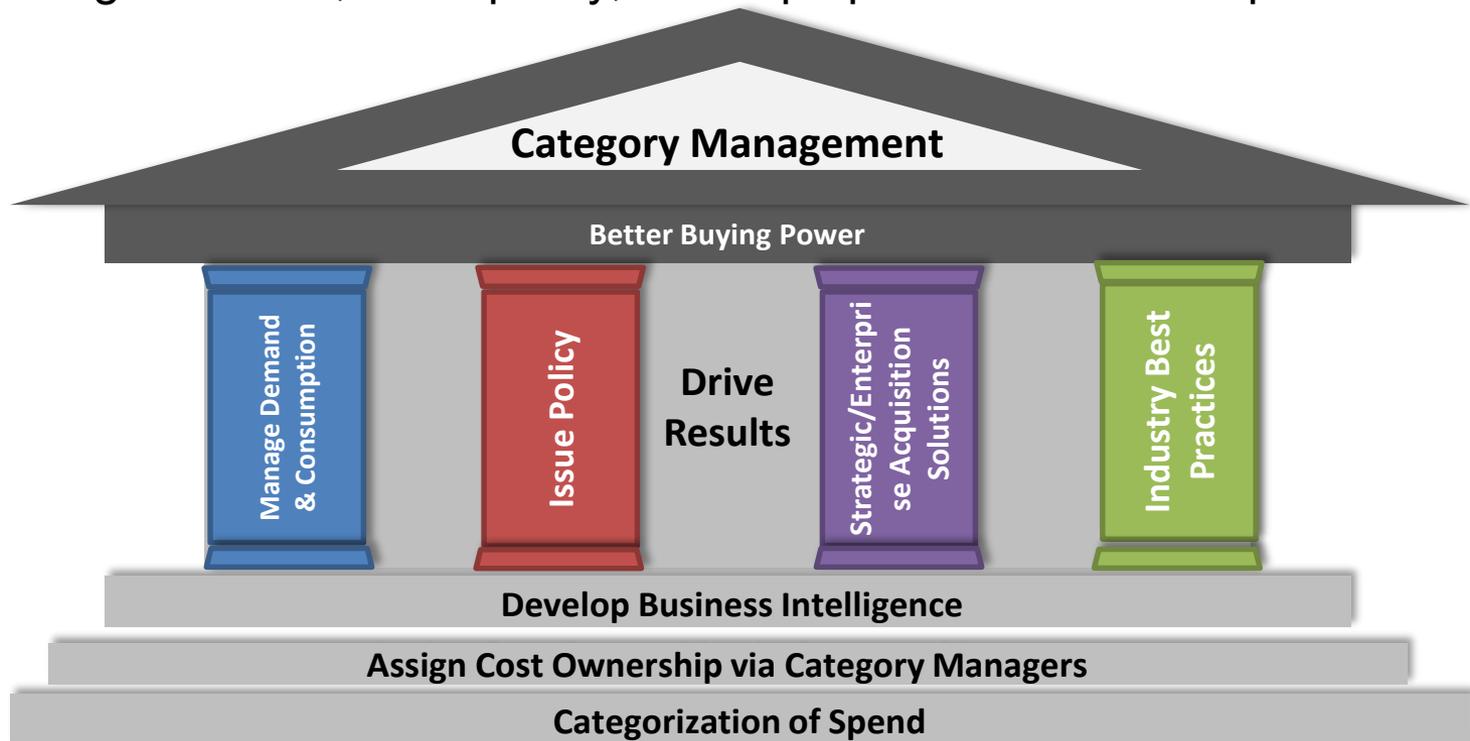
- **Category Management**
 - Strategic management of requirements across defined categories
 - Industry best practice to improve costs/achieve best-in-class performance across an enterprise
- **Builds on strategic sourcing principles**
 - Potential for greater impact via *requirements validation* & *standardization*
 - Linkage of *reqm'ts & cost ownership* enables optimal consumption
- **Category Mgrs charged with achieving *best-in-class* cost/performance**
 - More bang for the buck, fund further down the IPL

What prevents the Air Force from being “Best-In-Class”?



Category Management Key Principles

- **Categorize spend** - categories align to similar req'ts
- **Assign cost ownership** and authority/responsibility
 - Manage/improve portfolio costs & performance, shape consumption
- **Develop business intelligence** – drives results
 - Manage demand, issue policy, develop optimal AF-wide acq solutions



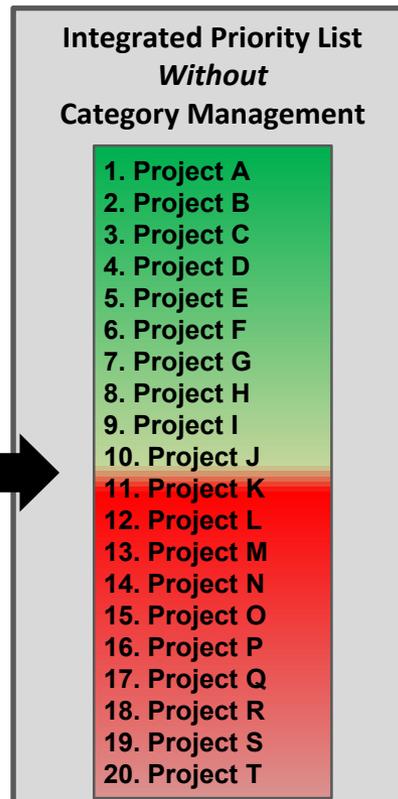


Category Management Value Proposition

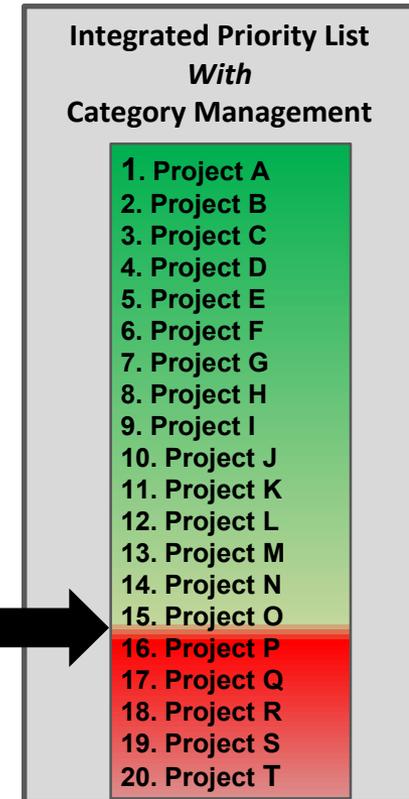
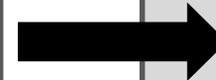
- **Get further down the IPL**
 - Sustain infrastructure
 - Maintain Quality of Life
- **Return \$ to corporate AF**
 - Pay AF must pay bills
 - Keep aircraft flying
 - Fund new mission areas



From



To



Delivering More Capability at the Same Cost



Federal Government Category Management Structure

IT/Comm Backbone

Information Technology

- IT Software
- IT Hardware
- IT Consulting
- IT Security
- IT Outsourcing
- Telecommunications

Electronic & Communication Equipment

- Communication Equipment
- Detection & Coherent Radiation Equipment
- Electrical & Electronics Equipment
- Night Vision Equipment

Electronic & Communication Services

- Equipment Maintenance
- Equipment Leases

Facilities & Infrastructure

Facilities & Construction

- Construction Related Materials
- Construction Related Services
- Facility Related Materials
- Facility Related Services
- Facilities Purchase & Lease

Security & Protection

- Security Animals & Related Services
- Security Systems
- Security Services

Office Management

- Office Management Products
- Office Management Services
- Furniture

Equipment Related Services

- MRO
- Equipment Modification
- Installation of Equipment
- Quality Control
- Technical Representative Services
- Purchases & Leases
- Salvage Services

Logistics

Transportation & Logistics Services

- Package Delivery & Packaging
- Logistics Support Services
- LOGCAP
- Transportation of Things
- Motor Vehicles (non-combat)
- Transportation Equipment
- Fuels

Industrial Products & Services

- Machinery & Components
- Fire/Rescue/Safety/Environmental Pro Eq
- Hardware & Tools
- Test & Measurement Supplies
- Industrial Products - Installation/Maintenance/Repair/Rebuild
- Basic Materials
- Oils, Lubricants & Waxes

Sustainment S&E

- Drones
- Engines, Components & Support Equipment
- Materials
- Supply Parts
- Support Ships & Small Craft
- Training Aids & Devices

Personnel & Readiness

Professional Services

- Business Admin Services
- Legal Services
- Management Advisory Services
- Marketing & Distribution
- Public Relations & Professional Communications Services
- Real Estate Services
- Trade Policy & Services
- Tech & Engineering Services (non-IT)
- Financial Services
- Social Services

Travel & Lodging

- Passenger Travel
- Lodging
- Travel Agent & Misc. Services

Human Capital

- Alternative Education Systems
- Educational Facilities
- Educational Institutions
- Specialized Educational Services
- Vocational Training
- Human Resources Services

Clothing, Textiles & Subsistence S&E

- Subsistence
- Textiles, Clothing & Equipage



Category Management Model



- **Management activities are perpetual as long as categories exist**
 - Categories are defined and benchmarked...does-cost vs. should-cost
 - Market Intelligence is performed, including best-in-class approaches
 - Improvement strategies are developed, approved, and executed
 - Cost, performance, and compliance are measured and monitored
- **Portfolio Managers are charged with achieving and sustaining *best-in-class* cost and performance for their spend categories**



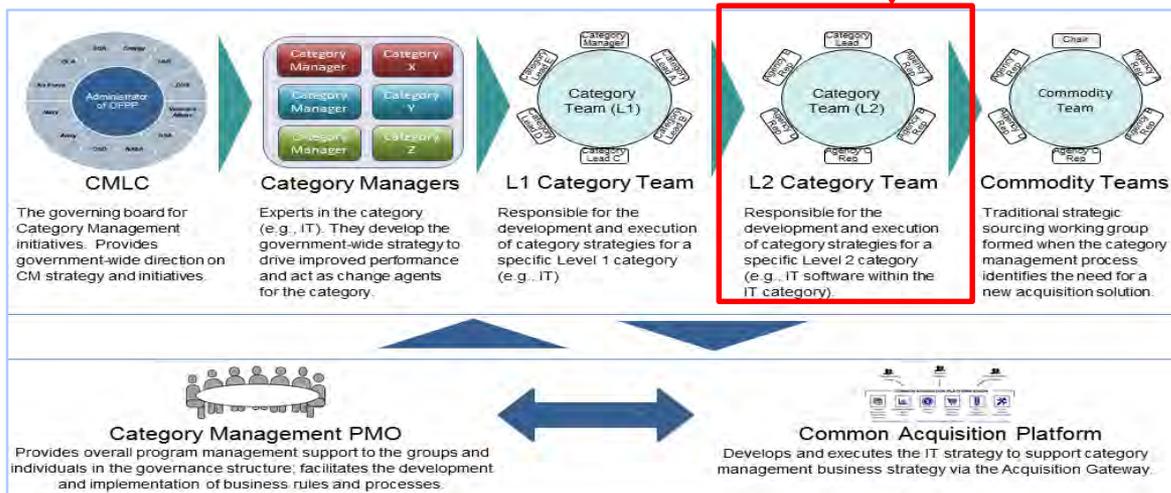
Category Management Notional “To Be” Process



Proposed “To Be” Process

- **Functional owners assigned to non-weapon system Portfolio & Categories**
 - Accountable for Strategic Cost management of their portfolio & category for entire AF spend (the whole commodity)
 - Alignment consistent with Federal Government Taxonomy
 - Air Force Category Manager would sit on the existing Federal Government level Category Management team

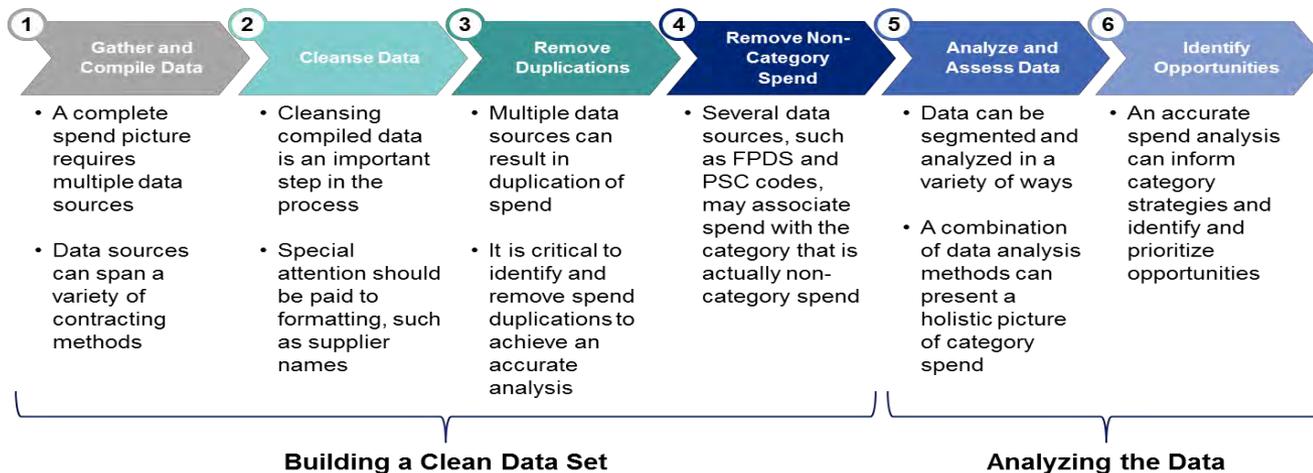
Federal Gov’t Governance Structure





Proposed “To Be” Process

- **Portfolio & Category Managers collectively overseen by AF governance board**
 - Approved charter with clear roles and responsibilities/authorities
 - Standard metrics (i.e. Spend Under Mgt, cost savings)
 - AF-wide strategic sourcing resourcing decisions
- **Business Intelligence provided by AFICA**
 - Actionable business intelligence, does cost/should cost
 - Market intelligence, Best in Class data





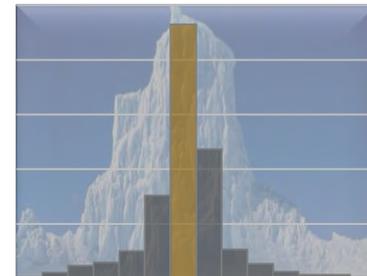
Proposed “To Be” Process

- **Portfolio/Category Managers armed with spend data & Business Intelligence feed PPBE and ACS processes**
 - How much are we spending by Portfolio/Category?
 - Is it too much, too little?
 - What are the risks if the budget is cut?
 - Are there cost reduction opportunities?
 - Is execution on track?
- **CCILs and PEMs inform Category Managers**
 - Are budget cuts coming?
 - What programs are at risk?
- **CCILs/PEMs and Cat Mgrs inform AFIMSC leadership**
 - AFIMSC leadership has knowledge to “*balance installation support reqm’ts and risk associated with the Air Force’s five core mission areas*” (PAD 7.5.16)



New Structure Closes Gaps

- **Addresses the entire mountain of spend**
 - Prioritized by spend and biggest opportunities
- **Assigns functional ownership**
 - Standardized requirements, “*more Chevies, less Cadillacs*”
- **Focuses on whole commodity**
 - Address AF-wide requirements—removes stovepipes
- **Comprehensive Governance**
 - Clear accountability, common objectives and standard metrics
- **Connects dots between PPB and Execution**
 - Brings clarity/visibility on requirements in ACS portfolio
 - Provides rich/actionable data to make informed decisions
 - Enables AFIMSC to execute its mission as outlined in PAD 14-04



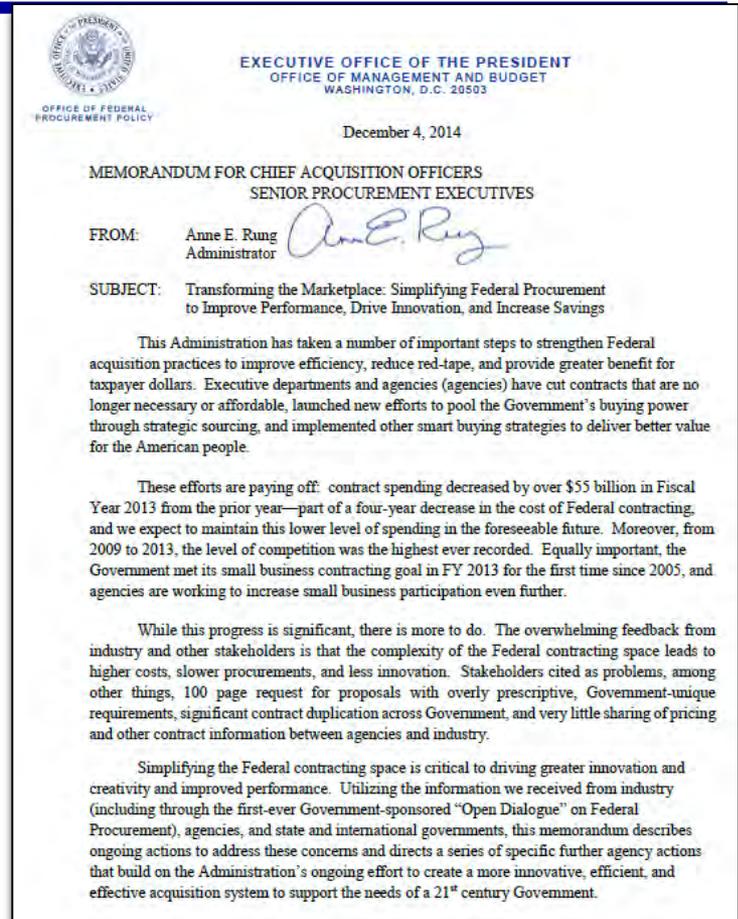


Category Management Way Forward



Federal Momentum

- **OMB issues “Transforming the Marketplace” Memo, Dec 2014**
- **Cat Mgt Leadership Council (CMLC) is governing body**
 - Approve Gov’t-wide categories of spend
 - Establish guiding principles
 - Validate performance metrics
- **Agencies develop Cat Mgt execution guidance; key components include:**
 - Validating cost savings
 - Identifying performance metrics
 - Provide Best-In-Class solutions



I. Buying as One Through Category Management

There is a critical need for a new paradigm for purchasing that moves from managing purchases and price individually across thousands of procurement units to managing entire categories of common spend and total cost through category management.



Federal Momentum

- **Category Management briefed to POTUS and Cabinet**

- “The Administration is evolving Strategic Sourcing to Category Mgt”
- “OMB, using SSLC agencies, implementing Cat Mgt Government-wide”

Current State of Purchasing:

- Lack of coordination across agencies
- Duplicated efforts
- Many agencies; no leveraged buying power



Future State of Purchasing:

- Synchronized procurement across government
- Industry involvement in developing best category strategies
- Core competencies leveraged to match customer needs
- One common management framework



Implementation of Category Management & CAP

- **Urgency to implement under Current Administration**

- Strat Sourcing Leadership Council (SSLC) changed to Category Management Leadership Council (CMLC)
- Spend Under Mgt Workshop – OFPP, DoD, Mil Deps, GSA
- Category Mgt Roundtable – OMB, DoD, OFPP, GSA
- IT & Facilities Spend Data Call – Mar 15; Results – “Unmanaged”

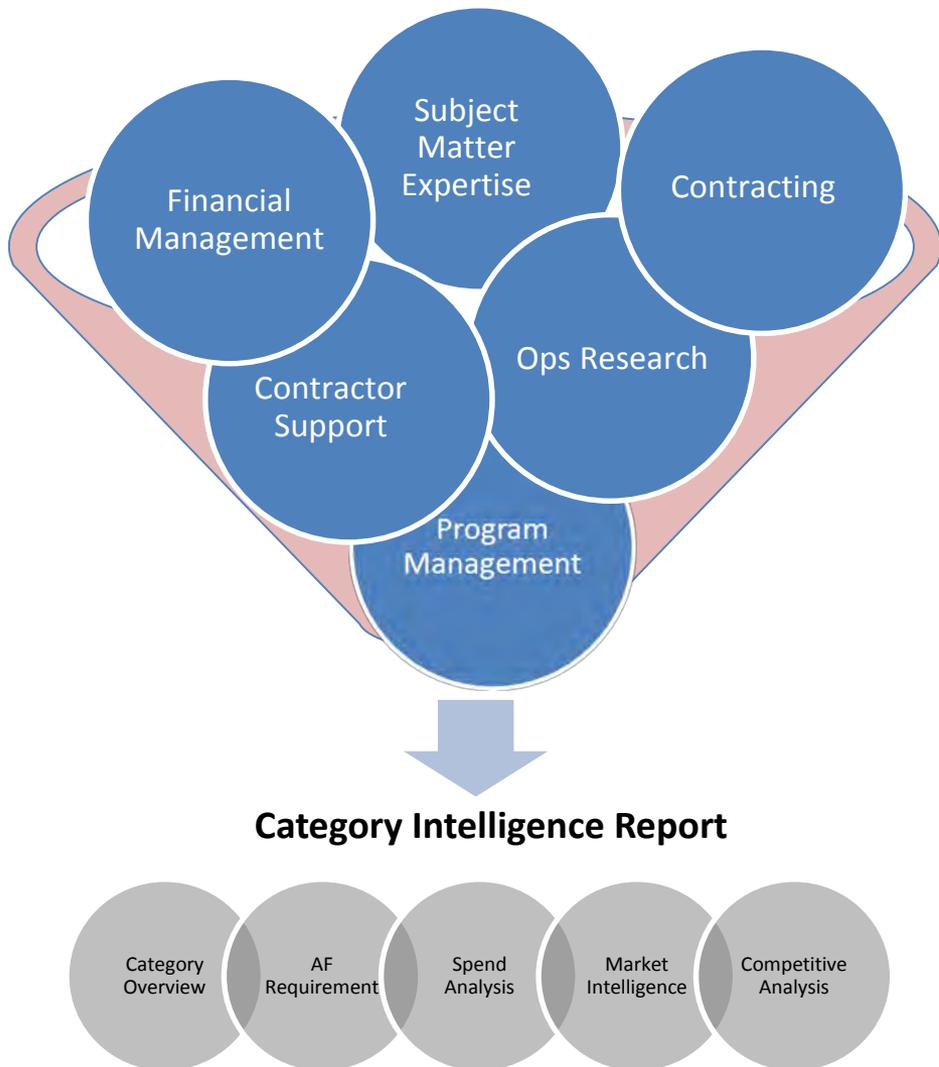


What's It Going to Take?

- **Strong Senior Leader advocacy**
 - Stakeholder investment & participation
- **Robust Business Intelligence capability**
 - Must arm functional cost owners w/actionable Bus Intelligence
 - Spend Analysis – Does Cost
 - Market Analysis – Should Cost
- **Clearly defined governance structure & charter**
 - Clear lines of accountability—roles and responsibilities
 - Effective performance metrics and progress reporting
- **Implementation plan to institutionalize across the AF**
 - Pilot one portfolio first – Facilities & Construction
 - Then expand across remaining Portfolio's



Business Intelligence Competency Cell (BICC)



- **GOAL: Enable fact-based acquisition decisions**
- **Multi-functional team**
- **Provide business and market intelligence to acquisition teams and management at all levels**
- **Help characterize spend & marketplace, identify benchmarks, best practices, and should costs**
- **Assess AF category cost performance against those benchmarks**



AFCEC – AFICA Pilot

- **Scope**

- Example of “Actionable Business Intel” – creation of 2 deliverables
- Validation of skillsets/competencies required
- Document lessons learned

- **Objectives**

- Validate the high-level Category Management process
- Provide detailed level business intelligence for the selected Category
- Gain functional buy-in and support for Category Management
- Identify critical implementation details to facilitate expansion AF-wide
- Provide information for Category Management Implementation Plan

- **Deliverables**

- **Deliverable 1:** Portfolio Group Overview Report (*Spend Analysis*)
- **Deliverable 2:** Category Intelligence Report (*Targets of Opportunity*)



Governance Structure

- **Strong, Active Governance Needed**
 - Clear roles and responsibilities/accountability
 - Metrics/dashboards
 - Represent all MAJCOM equities
 - Prioritize requirements & resources
- **5 COAs Under Consideration**
 - **COA 1** - AF Corporate Board
 - **COA 2** - AFMC Corporate Structure
 - **COA 3** - AFIMSC – CAM-like model
 - **COA 4** - AFIMSC – Installation Portfolios
 - **COA 5** – AFIMSC – ACS Alignment





Way Forward

- **Conduct AFCEC - AFICA Pilot (May – Nov 15)**
 - Document key processes, lessons learned
- **Choose Governance structure (July – Oct 15)**
- **Develop Category Mgt charter (July – Oct 15)**
 - Define roles and responsibilities, top level process, metrics
 - Decide who will be Portfolio Managers across the AF
- **Provide Category Mgt decision brief to Senior leadership (Dec 15)**
 - Governance, Charter, Roles and Responsibilities
 - How it will be implemented

“Category management leaders are under instruction from President Obama to ‘get it done’...”

-- Anne Rung White House Procurement Chief