

# Acquisition Reform Seminar

## Seen Through the Lens of A-76 and Strategic Sourcing

SYLWIA TERESA GASIOREK

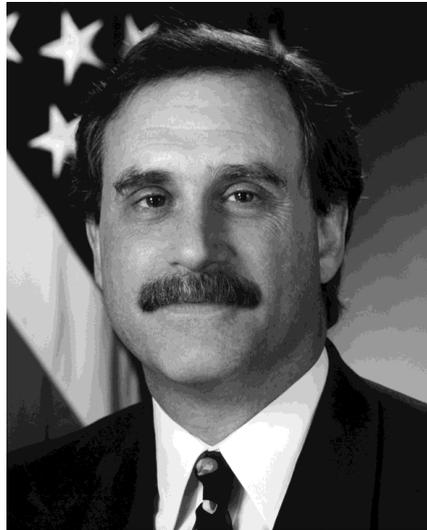
In acquisition reform (AR) the biggest challenge we face is finding improved ways of doing business and finding innovative solutions to the problems that confront us. Including industry in the decision making is a must.

In this spirit, the Center for Public-Private Enterprise (CPPE) brought DoD and Industry representatives together for “Acquisition Reform Seminar: Seen through the Lens of A-76 and Strategic Sourcing” – the first seminar to address AR, A-76, and Strategic Sourcing at one time. Held at Gallaudet University’s Kellogg Conference Center Aug. 28, this forum emphasized greater use of business practices and Strategic Sourcing by focusing on these questions:

- What it is.
- What it could be.
- What its future role is in filling the gap between AR goals and traditional approaches to A-76.

This energizing event featured experts from Office of Management and Budget (OMB), Office of the Secretary of Defense (OSD), General Accounting Office, RAND, ANSER, and private industry, offering case studies, presentations, and panel discussions.

Setting the tone for the seminar, keynote speaker Stan Z. Soloway, Deputy Under Secretary of Defense for Acquisition Reform said, “There is no doubt that the challenges we face as a Department in



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—Stan Z. Soloway,  
Deputy Under Secretary of  
Defense for Acquisition Reform

cant.” Using the budget as an example, Soloway noted that because this year DoD did reach its \$62 billion procurement goal, the presumption is that many budget problems are now solved, and we [DoD] are on the way to achieving our goal.

“Reality is that if you look at any analysis ... our budget problems are far from over, and that we have enormous challenges financially over the next 8-10 years, if we are going to recapitalize and remodernize the force.”

### Customer Focus

“Our number one responsibility as a Department,” according to Soloway, “is to show a ready force for the troops in the field. I make that statement because much of AR from Day 1, back in the early 90s, has been geared toward the concept of customer service and customer focus. But I think many times we forget that. We don’t forget the idea of customers; I think we forget the definition of what true customer focus is.”

He also emphasized that redefining and rethinking customer support is the biggest change taking place in American history in the last 15 years. “If you look at concepts like balanced scorecards and some other things that evolved over the last 10-15 years, what they are really about is everybody in the organization stepping back and looking at common top-level goals, and driving everything that is under the organization to achieving those top-level goals,” he said.

*Gasiorek is a full-time contract editor for Program Manager magazine. A native of Poland, she holds an M.B.A. from Strayer University, where she graduated Who’s Who Among Students in American Universities and Colleges.*

terms of achieving ... budgetary goals and performance objectives ... are sometimes overlooked and underestimated. The challenges are really quite signifi-

As far as the Department and the government in general are concerned, Soloway said there is still a long way to go. “We still tend to look at our cus-

tomers as those we must immediately serve and most intermediately interact with, but sometimes we fail to step back and wait a second. What is the best strategy, what is the best solution for the organization at the time, looking down at our overall, overarching goals, objectives, and requirements?"

### **Strategic Sourcing — A Program With Great Potential**

As stated in the DoD Interim Guidance, Feb. 29, 2000, the Strategic Sourcing Program is a way to maximize effectiveness, efficiencies, and savings throughout the Department. It provides an approach for DoD Components to use, to meet, or to exceed their competitive sourcing goals. And it provides a broader approach than the traditional OMB Circular A-76, extending opportunities to achieve efficiencies in areas that are exempt from the A-76 competitive process.

Strategic Sourcing is not a replacement for A-76; the program relies on a broad range of manpower management techniques to achieve savings rather than relying solely on A-76 competition. This allows managers to consider a wide range of options, including:

- Eliminating obsolete practices.
- Consolidating functions or activities.
- Reengineering and restructuring organizations, functions, or activities.
- Adopting best business practices.
- Providing Activity Based Costing (ABC) management.
- Privatizing functions or activities.

Commenting on the strategies employed during the Strategic Sourcing Program, Soloway asked, "Are we really trying to achieve a 15 percent cost reduction at a given base, or are we trying to achieve maximum efficiency to support the folks, not only at the base, but be able to contribute to the much broader mission of the Department of Defense. It is that piece that I think inarguably we have yet to accomplish. We also need to look at the much larger position, much larger world that we are to serve."

Soloway also stated that the government did not provide DoD, as well as the civil-

ian agencies, with the tools to be effective buyers and managers of services. "In DoD," he continued, "most of our education, training, and focus has been on buying major systems. That's where the big bucks are ... The reality is that we are now buying more services dollar-wise than we are buying systems — we are a service economy in DoD just like the broad American economy has become a service economy."

He recognized the need for a more aggressive and comprehensive training and education program, to give people the tools to do different kinds of analysis and make a variety of business decisions.

"If people are not given the opportunity to learn about these strategies, to understand what they mean, it's not going to mean a lot to them when you go through the analytical process. They are going to be looking for a solution that makes immediate sense or satisfies an immediate concern, not looking at the bigger picture."

### **The Bottom Line**

In closing, Soloway emphasized that understanding marketplace limits and the business decision process have both changed dramatically because of the large number of competitions. "That means ... we have to be even more disciplined in how we structure our acqui-

sitions, our strategies, and our competitions to ensure that those high-performing companies want to play.

"The issues we face here are huge," he said, "because of the commitment DoD has made to competitive sourcing." As DoD goes down this path, Soloway said that the Department has to do a far better job providing education and training tools for our workforce; to do it right whether we decide to stay in-house with work, go to contract, or some mix therein. The bottom line, said Soloway, is "competitions that work, competitions that are fair, and competitions that really drive us to optimize in ways that serve a broader interest in DoD and the mission we are here to serve, not just our local interest."

While a lot of aspects of AR within DoD are being improved and a lot of new strategies and technologies are being implemented, one thing is certain: Strategic Sourcing is a program with great potential, a program that paves the way toward making the A-76 process more employee-friendly.

**Editor's Note:** The findings of the Seminar will be published in the maiden issue of the "Forum for Enterprising Government," CPPE's follow-on publication to the "Outsourcing & Privatization Forum."

**A T T E N D**

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