

Acquisition Reform — A Good Omen or The Trojan Horse in Our Midst?

What Looks Like Efficient Competition Results in Stifling Entrepreneurial Instincts of Small- to Medium-Sized Technology Firms

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I would like first to go on record as stating that the recent initiatives — Federal Acquisition Streamlining Act (FASA) and Federal Acquisition Reform Act (FARA) — to reform and make more efficient the federal acquisition process have, in general, been positive steps. The use of Electronic Commerce to eliminate dependence on an outmoded and inefficient paperwork process has been one of the most significant improvements. Additionally, reducing the acquisition cycle time will pay significant dividends to the taxpayers. However, I am very concerned about the significant, adverse impact of several of the core initiatives on the small- to medium-sized Information Technology (IT) community.

Are We Really Improving Competition?

The central issue deals with the premise that the recent actions to “streamline” the federal acquisition process with the enactment of the FASA and FARA have enhanced the competitive process. However, for many small- to medium-sized technology firms, this so-called “new” competitive process is not working and if it is allowed to continue, it will result in forcing many of these innovative and creative small- to medium-sized firms out of business.

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As I reflected upon the series of events that precipitated our recent acquisition reform initiatives – of which achievement is a laudable goal – my ruminating conjured up the image of The Trojan Horse, a classical Greek legend. As you will recall, the Greeks constructed a hollow horse, which came to be known as a Trojan Horse, filled it with soldiers, and left it outside the gates of Troy. The Trojans, believing that the horse was a good omen, ushered the Horse into the city, only to be attacked by the soldiers from within, thus losing the war.

It is my considered assessment that many of the small- to medium-sized firms today clearly believe that *someone has structured a Trojan Horse under the veil of “improved competition” and has, under the cover of “efficient competition,” installed this Trojan Horse right at the core of the federal acquisition process.* Clearly, from the perspective of small- to medium-sized IT firms (\$20 million to \$120 million), there is a Trojan Horse in our midst – a Trojan Horse that looks like efficient competition, but results in eliminating a large segment of the IT business from competing.

Specifically, as I see it, there are five areas that require immediate attention if small- to medium-sized firms are to continue participating in the new federal procurement environment:

- Bundling of Procurements
- Efficient Competition Definition
- Competitive Range Assessment
- Pre-Award Briefings Limitations
- Task Order Competition Realignment

Bundling of Procurements. *First*, perhaps the single most vexing problem currently confronting small- to medium-sized IT firms is the fact that many of the *procurements are being bundled into large, billion-dollar procurements*, and as a result of this bundling exercise, only the large or mega-firms can successfully compete, given the current ground

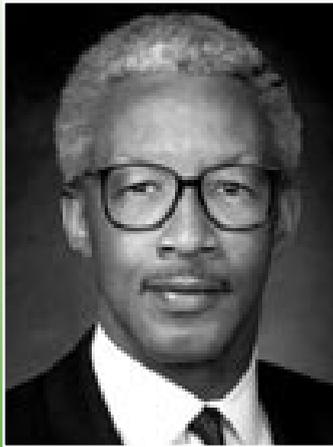


Photo courtesy Century Technologies, Inc.

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rules. While some attention has been given to very small, mostly start-up firms in terms of set aside, the vast majority – possibly as many as 80 percent of small- to medium-sized IT firms – are being locked out of fully participating in the competitive process.

Small- to medium-sized firms should be allowed to form consortia, but there are real constraints that mitigate against the effective use of consortia under the current procurement rules.

Efficient Competition Definition. The *second* most significant issue in terms of the recent acquisition reform initiatives is in the area of *efficient competition*. I am certain that all of my colleagues would agree with me that all competition should be efficient. In fact, in my view, we should have two

levels of efficient competition, which might be defined as “*full competition*” and “*equitable competition*.” I define “*full competition*” as the ability to allow any and every firm to compete. I define “*equitable competition*” as the ability of firms to compete in an equitable way among similar firms, i.e., their relative peers. It is my view that the implementation of those two levels of competition will ensure the robustness of the competitive process.

Many may argue that by allowing for full competition you, in fact, will ensure the best return for the government's dollar. I clearly would not argue against that logic; however, I would suggest that when you combine *full competition with the bundling of major procurements* resulting in multi-billion dollar contracts, it is literally impossible for firms in the small- to medium-sized range to consistently and successfully compete in this fully competitive process. *I would, however, suggest that if those same firms were allowed to compete in what I call an equitable competitive process, against firms of essentially similar size and resources, the government would receive significant returns on its investments.*

Competitive Range Assessment. The *third* major issue is the concept of the *competitive range*. The competitive range is determined by a procurement official who many consider makes a subjective determination, thus limiting the number of participants in the competitive process. This limiting process clearly works to create significant barriers to entry, and thus to reduce competition. Since most of the new entries into the competitive process are, and most likely will continue to be small- to medium-sized firms or emerging firms, this limiting process represents a significant impediment for these firms to enter into the procurement process.

Any federal procurement initiative that would reduce the ability of those firms to exercise their independent business prerogatives would clearly strike at the core of this country's *competitive busi-*

ness model. The long-term impact would, in my considered judgment, significantly reduce competition, drive up the price the taxpayer might pay for critical IT products and services, and lead to the creation of oligopolies in our industry.

Pre-Award Briefings Limitations. The fourth issue is that of *pre-award briefings*. During a recent procurement acquisition seminar, in which I was invited to appear as a panelist, I indicated that these pre-award briefings could be positive; however, I believe that many of the briefings, in reality are “beauty shows” where those who are prepared to spend an inordinate amount of dollars on rehearsals and on presentation skills, may be victorious even though their technical and management approaches may not be superior.

Small- to medium-sized firms with very limited resources certainly could not be expected to compete against the large mega-firms in a beauty contest. This particular provision could have a detrimental effect upon the growth of the IT business base and significantly reduce competition.

Task Order Competition Realignment. The fifth and final major issue

deals with the structure of many of these large omnibus contracting vehicles under the recent federal acquisition guidelines. Specifically, many of these vehicles are Indefinite Delivery Order/Indefinite Quantity (ID/IQ)-type vehicles and require that as one identifies a delivery order opportunity, that delivery order is competed among all those firms that successfully submitted a bid for the contract.

I would strongly suggest that most of us in this business would consider this ID/IQ task order competition to be a most inefficient process. More importantly, this represents a significant problem for many small firms. These small- to medium-sized firms find themselves, as a sub, *competing three times* – once to win the contract with the prime; second, to be selected by the prime to submit their quotes on the delivery order; and third, to be selected by the end client.

Looking Beneath the Surface

As I stated earlier in this article, there are clearly many aspects of the recent acquisition reform initiatives that positively impact small- to medium-sized firms. I have, however, attempted to highlight several major problem areas

for those firms. It is my view that most small- to medium-sized firms have identified the problem issues pinpointed in this article as what I would term a *Trojan Horse* – the set of reforms that on the surface appears to be a good omen of a more open and equitable federal procurement process.

Upon further investigation of this Horse, however, one sees a set of initiatives that, in many cases mitigates against the entrepreneurial instincts and innovative drives of many small- to medium-sized firms; a set of reforms that arbitrarily excludes many of these firms from the opportunity to compete for federal dollars; a set of reforms that closes the door on many of these small- to medium-sized firms and does not allow them to compete fully or equitably.

From Where I Sit

In conclusion, *there is a Trojan Horse in our midst*. I hope that in some small way this article reveals the Trojan Horse and shares with many of *Program Manager's* readers the view of one entrepreneur – that there is more to be accomplished in acquisition reform.

Inside DSMC



Retired Army Brig. Gen. Edward Hirsch, Provost and Deputy Commandant, became the new Chair for Acquisition Management, DSMC Executive Institute, effective October 1, 1997. Prior to becoming the Provost and Deputy Commandant in 1992, Hirsch served the College in several key positions: Member, Research Division (1984–1986); Chairman, Acquisition Enhancement (ACE) Program (1986–1989); and Director, Center for Acquisition Management Policy (1989–1992). Hirsch holds an M.A. in International Relations and Public Law from the University of Maryland. A distinguished graduate of the Naval War College, he was awarded a number of decorations during his 35-year military career, including the Army

Distinguished Service Medal. In 1990, Hirsch was awarded the Meritorious Civilian Service Award, and in 1992 received the Commandant's Award.



Richard H. Reed, Dean of Faculty since October 1994, became the new Provost and Deputy Commandant, effective October 1, 1997. Prior to becoming Dean of Faculty, Reed held the position of Associate Dean of Faculty from 1991 to 1994. He also served the College as Department Chair for the Systems Engineering Department from 1989 to 1991. Reed holds an M.B.A. from Central Michigan University. In 1992, he was awarded the Defense Superior Service Medal.