

DoD-Wide Strategic Sourcing Program

Concept of Operations



Department of Defense
Defense Procurement and Acquisition Policy

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1. Introduction

The Department of Defense (DoD) officially initiated a collaborative and structured strategic sourcing process by establishing the DoD-Wide Strategic Sourcing (DWSS) Program in 2003 to ensure “improved efficiencies and economics in [DoD’s] acquisitions resulting in reduced costs and improved effectiveness.”¹ The program began with a spend analysis and opportunity assessment study. It expanded to become an operational model for delivering enterprise strategic sourcing with approval of the DWSS Program Concept of Operations (ConOps) by the Director, Defense Procurement and Acquisition Policy (DPAP) on January 14, 2005. This document revises the DWSS Program ConOps to update policy, responsibilities, and procedures for the DWSS Program.

1.1. Concept of Operations Overview

The purpose of this ConOps is to provide guidance to DoD Components on the structure, management, and operation of the DWSS Program, taking into consideration the unique structures and inherent complexities of the DoD acquisition environment. Specific objectives are:

- Present the rationale and the drivers behind implementing the DWSS Program, including the key benefits to be realized.
- Describe the DoD environment within which the DWSS Program operates, including identification of key internal and external stakeholders.
- Define the overarching DWSS governance structure that engages and connects stakeholders from across the DoD organizations and creates a manageable and sustainable framework for long-term collaboration and sourcing strategy implementation.
- Outline the roles and responsibilities of key DWSS Program participants involved in developing, implementing, and managing Supplies and Equipment (S&E) and Services sourcing strategies.
- Define the DWSS Program strategic sourcing framework that participants work within while developing, implementing, and managing DWSS program initiatives.

The ConOps is a working document that will be updated periodically over the life cycle of the DWSS Program as new priorities, policies, and requirements emerge. Supporting documents may be created to facilitate the DoD’s strategic sourcing efforts.

¹ “Acquisition of Services Review,” Paul Wolfowitz, Deputy Secretary of Defense, (February 6, 2003).



1.2. Scope

This document addresses the processes for S&E and Services to be sourced based on deliberate planning and execution, using spend analyses, portfolio management, and strategically-driven decisions benefiting the total Defense Enterprise.

The DWSS program is chartered to promote a "program management" concept of strategic sourcing that proactively drives cost savings, enhances mission delivery, and maximizes effective utilization of resources across the Defense Enterprise. However, major weapon systems; defense business systems; and research, development, test and evaluation programs are excluded since they are managed through other directives and processes (e.g., Defense Acquisition System (DAS) per DoD 5000.01 and 5000.02). This does not exclude opportunities affecting programs in the Operations & Support phase of the DAS.

2. Background and Environment

The Department of Defense is the largest purchasing organization in the world, spending over \$370 billion on purchases of S&E and Services. The bulk of these procurement dollars directly support the DoD's warfighting mission, often straining budget resources and increasing pressure to extract more value from acquisition dollars.

In the past, DoD maintained budget flexibility for Warfighter support by employing strategic assessments of processes and functions to eliminate resources lost through inefficiencies. Efficiency savings were obtained by consolidating supply distribution, outsourcing commercial activities, merging missions, improving supply chain management, and recently, through consolidation of internal purchasing by individual DoD Components. Although these initiatives were effective, there are still other opportunities. DoD senior leadership determined that the acquisition function of purchasing S&E and Services within DoD is strategic in nature and required management across the entire Defense Enterprise. DWSS is DoD's strategic acquisition management program for providing reliable, responsive, and cost-effective support to Warfighters worldwide.

The Office of Management and Budget (OMB) also recognized that Federal Agencies could leverage spending to the maximum extent possible through strategic sourcing. On May 20, 2005, OMB defined strategic sourcing as "the collaborative and structured process of critically analyzing an organization's spending and using this information to make business decisions about acquiring commodities and services more effectively and efficiently."²

Emphasizing the necessity of DoD's financial health to continue providing exceptional Warfighter support, the Under Secretary of Defense for Acquisition, Technology, and

² "Implementing Strategic Sourcing," Office of Management and Budget Memorandum (May 20, 2005).



Logistics (USD(AT&L)) issued the memorandum “Better Buying Power: Mandate for Restoring Affordability and Productivity in Defense Spending” to acquisition professionals on June 28, 2010. The memorandum addressed DoD’s efficiencies initiative designed to deliver better value to the taxpayer and improve the way DoD does business. The memorandum’s corresponding charts detail objectives for Government practices that encourage efficiency and incentives for greater industry efficiency. On September 14, 2010, detailed guidance for achieving the Better Buying Power (BBP) mandate was issued emphasizing that DoD Acquisition professionals had to “do more without more.”³ On November 13, 2012, DoD continued its efficiencies focus by issuing “Better Buying Power 2.0: Continuing the Pursuit for Greater Efficiency and Productivity in Defense Spending.” On April 24, 2013, USD(AT&L) issued implementation guidance for BBP 2.0, emphasizing principles and detailing specific actions to achieve BBP 2.0’s goals.⁴ BBP 2.0 both builds on momentum from the initial Better Buying Power successes, as well as defines new efficiency focus areas.

Two examples under the “Improve Tradecraft of Services” section of BBP illustrate how both current and new initiatives reflect strategic sourcing principles. The initiative to adopt market segmentation appeared in both BBP 1.0 and 2.0, and is a crucial building block to implementing DoD enterprise-wide strategic sourcing. Additionally, expanding the use of requirements review boards, debuting as a BBP 2.0 initiative, leverages requirements definition and demand management, both key strategic sourcing concepts.

The DWSS Program is a tool to achieve the Better Buying Power mandates by improving acquisition efficiencies with a comprehensive application of strategic sourcing processes in order to achieve increased effectiveness and reduced costs.⁵

2.1 DWSS Program Stakeholders

The DWSS Program is designed to take stakeholder needs and interests into consideration to ensure contributions of these communities are effectively leveraged and buy-in for the DWSS Program is secured. Figure 1 depicts the high-level DoD acquisition environment by tiered identification of two key internal and three key external stakeholder groups. The DWSS Program integrates these groups through a stakeholder-focused program design, governance structure, and communications

³ “Better Buying Power: Guidance for Obtaining Greater Efficiency and Productivity in Defense Spending,” Under Secretary of Defense for Acquisition, Technology, & Logistics Memorandum (September 14, 2010).

⁴ “Better Buying Power 2.0: Continuing the Pursuit for Greater Efficiency and Productivity Defense Spending,” Under Secretary of Defense for Acquisition, Technology, & Logistics Memorandum (November 13, 2012). “Implementation Directive for Better Buying Power 2.0: Achieving Greater Efficiency and Productivity in Defense Spending,” Under Secretary of Defense for Acquisition, Technology, & Logistics Memorandum (April 24, 2013).

⁵ “FY11-12 Strategic Sourcing Report to the Secretary of Defense,” Defense Business Board (January 2011).



strategy. Within each tier grouping, multiple subgroups are defined by similar stakeholder roles and information needs.

- **Internal DWSS Program Stakeholders.** The DWSS Program spans the entire DoD Enterprise and impacts numerous program and procurement organizations. The DWSS Program is managed by USD(AT&L), Defense Procurement and Acquisition Policy (DPAP), Services Acquisition (SA). However, all DoD Components are directly involved in the leadership, governance, and execution of the program. Across the DoD organization, two primary internal stakeholder tiers have been identified:
 - **DWSS Oversight, Program Facilitators and Implementers.** These stakeholders are directly involved with defining the mission and goals for the DWSS Program and for overall management, planning, and implementation. Direct involvement and “buy in” of these stakeholders is required to lead, manage, and “champion” the program.
 - **Users, Related Programs, and other DoD Interests.** These stakeholders are directly impacted by changes occurring as a result of the DWSS Program. Their direct involvement and “buy in” is needed for program implementation to succeed.
- **External Stakeholders.** The DWSS Program also impacts interests outside of DoD, both in terms of setting an example for how strategic sourcing can be applied to Government acquisitions as well as potentially modifying the way suppliers do business with DoD. Outside of DoD, three primary external stakeholder tiers have been identified:
 - **Oversight and Indirect Interests.** These external Federal Government stakeholders are involved with ensuring the efficiency and compliance of Federal procurement overall and are interested in the performance and progress of the DWSS Program.
 - **Commercial Interests.** These are commercial entities whose business (or whose customers’ business) with DoD may be directly impacted by sourcing strategies coming out of the DWSS Program.
 - **Government and Other Interests.** This tier includes all other non-DoD stakeholders with a general interest in the DWSS Program.



Figure 1: DWSS Program Stakeholders

Stakeholder Group		Stakeholders
Internal	Oversight, Facilitators and Implementers	Component / Service Acquisition Executives
		Chief Financial Officers
		Chief Information Officers
		OSD Office of Small Business Programs
		Services Acquisition (SA)
		Strategic Sourcing Director's Board
	Users, Related Programs and Other DoD Interests	Heads of Contracting Activities
		Acquisition Workforce Professionals
		Program Executive Officers
		Program Managers
		Competition Advocates
		Offices of Small and Disadvantaged Business Utilization
External	Oversight and Indirect Interests	OMB, GAO, Congressional Committees, IG Offices, Defense Business Board and Defense Science Board
		Government and Agency Leadership
		Small Business Administration
		Taxpayers
	Commercial Interests	Suppliers
		Industry Best Practice Groups
		Industry Interest Groups
	Government and Other Interests	Small Business Interests
		Federal, State and Local Agencies
		Academic Institutions

3. DWSS Program Description

3.1. DWSS Program Vision and Objectives

The vision for the DWSS Program is to improve mission responsiveness by continually aligning DoD's acquisition processes to strategically driven functions (such as sourcing teams, integrated technologies, improved collaboration across services, and a cost-sensitive culture that is understanding of DoD's enterprise-wide procurement cost structure) that will obtain the efficiencies necessary to promote affordability and productivity in Defense spending. Changing the way DoD does business is promoted by the following key design tenets, inherent in the DWSS Program:

- Organization of sourcing teams based on S&E or Services portfolios (e.g., office supplies, administrative services) as opposed to business processes (e.g., simplified acquisitions).
- Sourcing strategies grounded in a deep understanding of internal needs, the external market environment for S&E and Services, industrial supply base capabilities, and cost structure for the acquired S&E or Services.



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- Coordination and collaboration among the various Military Departments and agencies to leverage spending to the maximum extent possible and to share best practices.
 - Enabling sourcing and procurement technologies that automate business processes (e.g., reverse auctions, e-catalogs), ensure compliance with strategically negotiated contracts, and provide integrated and meaningful information to key DoD stakeholders.

The DWSS Program has five core objectives.

- **Objective 1: Establish Department-wide, cross-functional sourcing strategies.** The DWSS Program facilitates the collaborative development of Department-wide sourcing strategies for target S&E and Services, where mission appropriate.
- **Objective 2: Reduce the Total Cost of Ownership (TCO) for acquired S&E and Services.** The DWSS Program focuses on the TCO. This emphasis accounts for all costs related to the acquisition, use and disposal of acquired S&E and Services, thereby taking full life-cycle costs into consideration.
- **Objective 3: Improve fulfillment of socio-economic acquisition goals.** The DWSS Program promotes the utilization of small and disadvantaged businesses and fulfillment of socioeconomic programs by matching small business capabilities to DoD requirements.
- **Objective 4: Transform acquisition business processes from transactional to strategic.** The DWSS Program aims to improve the efficiency and consistency of DoD procurements and transform the acquisition culture by implementing standardized collaborative acquisition business processes (e.g., electronic ordering via DoD Email) across the Defense Enterprise.
- **Objective 5: Improve skills of DoD acquisition community.** The DWSS Program will require acquisition professionals to become and think like “Business Managers,” broadening the current focus on compliance with the Federal Acquisition Regulation (FAR) to incorporate innovative thinking, such as the two-tiered structure of the systems and modular furniture acquisition strategy, into acquisitions.

3.2. Key Elements

The DWSS Program promotes an organized, systematic, and collaborative approach to sourcing S&E and Services. Collaboration improves the transparency of requirements across the Defense Enterprise, reduces the proliferation of redundant business arrangements for acquiring similar commodities, and increases alternative



business arrangements that may be better suited to particular needs. However, strategic sourcing is not just about reducing the numbers of contracts or reallocating spend; it is about operating collaboratively with increased efficiency and effectiveness to deliver quality S&E and Services for our Warfighters and taxpayers. Key doctrines of strategic sourcing are noted below:

Strategic sourcing is an on-going and continually improving analytical process.

- It is data-driven and relies on facts for sourcing decisions.
- It relies on internal customer requirements and external market intelligence to develop strategies.
- It considers all the angles, from customer needs and market conditions to financial and socio-economic objectives.
- It includes standing up Commodity Teams to help foster the improvements.

Strategic sourcing is a collaborative process.

- It is a cross-functional, integrative approach toward engaging and synergizing stakeholders from multiple perspectives.
- It derives the most appropriate level for sourcing from a coordinated, “big picture” view of the spend environment.
- It includes increasing the focus on active participation by individuals outside of the procurement process (e.g., subject matter experts, requirements owners, end users, and small businesses).

Strategic sourcing controls cost growth.

- It increases acquisition productivity growth through Will Cost/Should Cost management in both contract negotiation and contract administration.
- It eliminates inconsistent approaches to or redundant business arrangements of acquiring similar S&E and Services.
- It leverages buying power to obtain better prices.
- More than just unit price reductions, TCO savings can be achieved through reduced volume and consumption (demand management), improved process efficiencies, and better supplier management.



Strategic sourcing improves mission delivery.

- It improves the quality and value of acquired S&E and Services that directly or indirectly support mission-focused programs and activities.
- It increases the efficiency of the acquisition process.

Strategic sourcing promotes effective competition.

- It fosters competitive acquisition strategies.
- It removes obstacles of ineffective competition.
- It considers small business and/or socio-economic goals when implementing sourcing strategies.

Strategic sourcing hones tradecraft in acquisition.

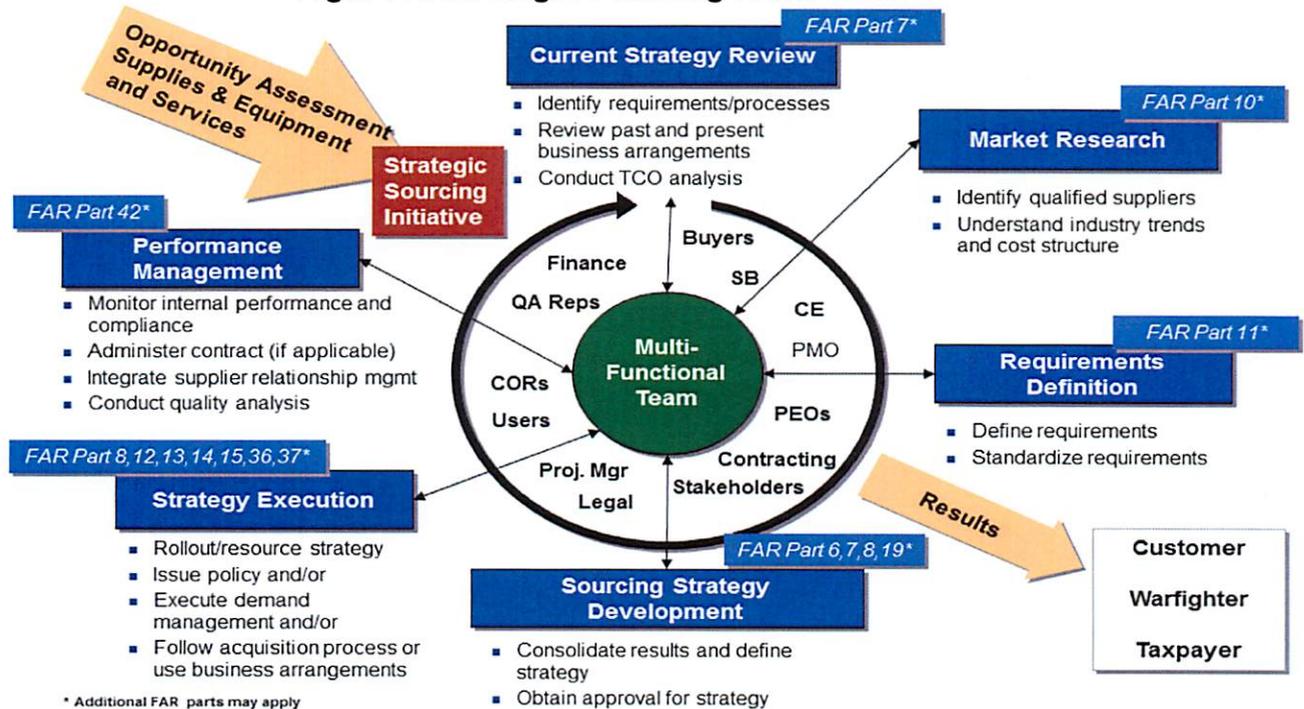
- It provides an enterprise perspective for the acquisition workforce, building deep functional skills that facilitate specialization in specific portfolios, industries, and marketplaces.
- It defines requirements with a greater visibility, understanding, and awareness of demands across the entire enterprise and throughout supporting supply chains.
- It demonstrates that market research is more than just the mechanism that DoD uses to solicit offers by requiring an understanding of industry capabilities and a determination of appropriate pricing within markets.

3.3. Strategic Sourcing Framework

Although DoD and individual DoD Components have implemented strategic sourcing processes, the DWSS Program incorporates strategic sourcing Department-wide. All DoD Stakeholders can conduct opportunity assessments to identify strategic sourcing initiatives. An opportunity assessment is portfolio analysis, but the actual process varies by stakeholder. After identifying a possible strategic sourcing initiative, they then submit these candidates to the Strategic Sourcing Director's Board (SSDB) for consideration. The DWSS Program applies the seven-step Strategic Sourcing Framework (Figure 2, below) on identified strategic sourcing initiatives. This Framework incorporates innovative thinking and compliance with the FAR in the process.



Figure 2: Strategic Sourcing Framework



Steps 1-7 represent the strategic sourcing process applied to each identified strategic sourcing initiative. Step 1 appears at the center of Figure 2, and the subsequent steps appear clockwise on the perimeter, starting at the top of the figure. Each step is briefly described below:

- **Step 1: Form the Team** – Create a team that includes cross-functional owners and requirements owners. Captures broader, more inclusive, base of participation.
- **Step 2: Current Strategy Review** – Develop a detailed S&E or Services profile based on current requirements, process, TCO, and portfolio spend analysis. Leads to the identification of key findings and sourcing opportunities.
- **Step 3: Market Research** – Conduct market research to develop an understanding of the complexity of the market and the competitive landscape in order to inform a strategic sourcing approach. Market research consists of identifying various suppliers, understanding industry trends, market segments, cost structure, and other research. As a business operation, the extent of market research will vary and should be conducted in a cost-effective manner.
- **Step 4: Requirements Definition** – Collect customer's requirements to understand their needs and standardize requirements. Requirements definition is one of the most crucial steps in strategic sourcing. Without well-defined requirements there is no way to ensure the final solution meets the customer's needs.



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- **Step 5: Sourcing Strategy Development** – Develop an organization-wide sourcing strategy to exploit the sourcing levers identified as part of the S&E or Services assessment and market analysis processes.
 - **Step 6: Strategy Execution** – Implement the developed sourcing strategy. Based on the sourcing strategy, this step may include issuing policy, implementing demand management, executing communication and change management plans, developing and issuing solicitation requests, conducting negotiations, analyzing proposals, and awarding contract(s).
 - **Step 7: Performance Management** – Implement contract, process, and policy changes; and continually measure, track, and manage performance.

This seven-step Strategic Sourcing Framework relies on the basic principle of making informed business decisions, resulting in efficient and effective changes to both acquisition behaviors and processes. The DWSS Program framework for collectively sourcing S&E and Services can be applied to any targeted solution, regardless of the number and/or type of organizations involved. Strategic sourcing solutions can range from implementing supplier partnerships to establishing centers of excellence (based on region or core competencies), changing business processes, and issuing policy changes; to leveraging strategic business arrangements that garner results for the entire enterprise.

The DWSS Program strategic sourcing framework results in data-driven decisions that benefit the total Defense Enterprise, relies on deliberate planning and execution using spend analyses and portfolio management.

3.4. Spend Analyses

Spend analysis is the first critical step in developing a strategic sourcing acquisition process. It is a powerful tool that provides knowledge about how much is being spent across the entire Department, or within a single DoD Component or various combinations of DoD Components, by identifying which S&E, Services, buyers, customers, and suppliers exist within selected spending analysis parameters. Spend analysis identifies opportunities to create significant cost savings, leverages economies of scale, employs demand management principles, and identifies procurement best practices. It plays a critical role in the strategic planning and execution of DoD acquisitions by providing transparent information that allows senior leadership to make informed business decisions and policy.

3.5. Portfolio Management

Transparency in business arrangements is also improved by using the portfolio management structure established by DoD's Better Buying Power initiatives. Portfolio management helps eliminate tactical processes by fostering communication and



strategic acquisition through collaboration between the acquisition workforce and customer organizations in a framework to ensure consistency across DoD. The DWSS Program uses the collaboration inherent in a portfolio management approach to leverage DoD resources and buying power by shifting from buying tactically to buying strategically. In turn, this leads to a better understanding of the aggregate DoD spend and provides significant insights into the marketplace. Requirements are combined from across the Component(s) and/or enterprise and resulting acquisition solutions are aligned with specific mission, performance, and cost goals.

Portfolio analysis includes a review of all commodities and identifies performance measures (e.g., effective competition, small business participation, etc.), spending patterns (e.g., buyers, sellers, what was purchased), and buying practices (e.g., direct or assisted acquisition, contract type, etc.). It can provide the fuel for decision making, potential opportunity assessments, and postulating potential sourcing strategies.

The DoD's Portfolio Group Taxonomy for S&E and Services consists of few categories (i.e., portfolio groups), yet is broadly defined in terms of people, equipment, and facilities, and encompasses all spending. The DoD's Portfolio Group Taxonomy is defined by an overarching hierarchical classification of S&E and Services being purchased and not what acquisition method was used or what organization did the buying.

The S&E and Services portfolio groups are based on product service codes (PSCs) used today by all Federal Government contracting activities for identifying and classifying the S&E and Services that are purchased under contract, as set forth in the Federal Procurement Data System Product and Service Codes Manual. PSCs were selected because they are readily available, generally understood, and widely used across the DoD Enterprise, unlike other classification codes used by various contracting offices. Additional factors used to develop the S&E and Services portfolio groups' structure include:

- Nature and type of S&E and Services.
- Manufacturing level (raw materials to a completed end-item).
- Intended use or application (air, land, sea, and space).

Figure 3 depicts DoD's 16 portfolio groups and 70 portfolios: Services (9 Services Portfolio Groups, 40 Services Portfolios); and S&E (7 S&E Portfolio Groups, 30 S&E Portfolios).



Figure 3: Portfolio Groups and Portfolios



*Product and Service Codes Organized into
9 Services Portfolio Groups and 40 Services Portfolios ...*

... and 7 S&E Portfolio Groups and 30 S&E Portfolios

3.6. Strategic Sourcing Benefits

As a strategic sourcing program, the DWSS Program promotes an efficient acquisition system that fulfills DoD requirements and ensures effective use of taxpayer dollars, while producing benefits that go far beyond leveraging the Government’s spend to negotiate lower prices. Figure 4, below, depicts these primary benefits.

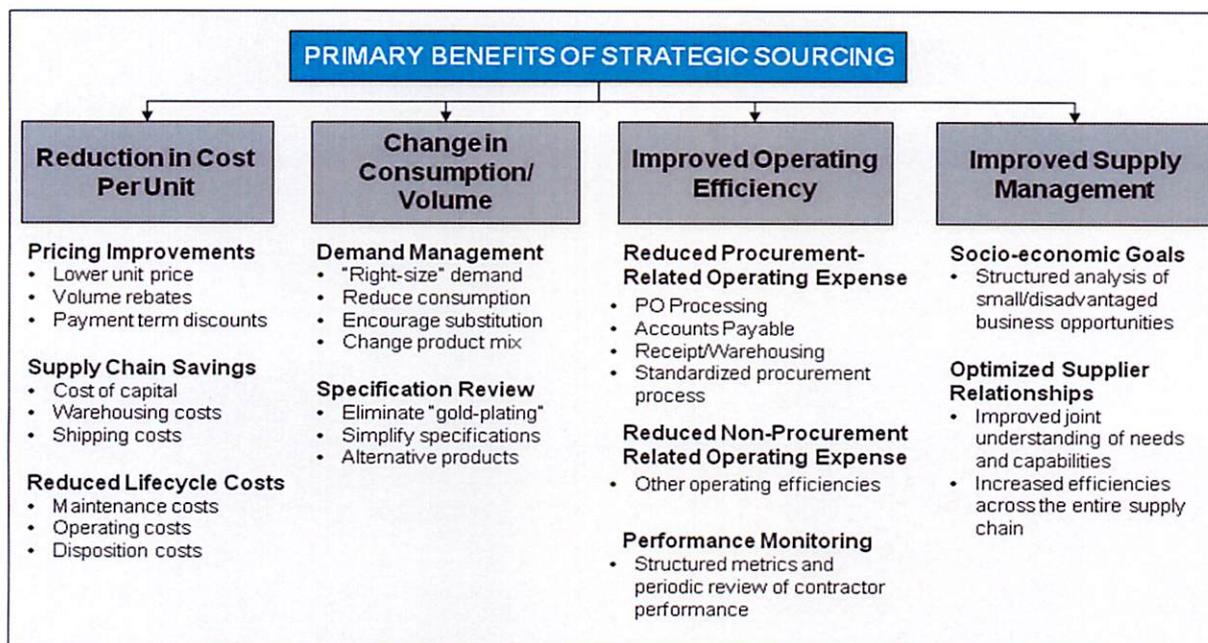
Strategic sourcing is not about simply reducing the number of contracts, leveraging buying, or saving money. It instead seeks to maximize enterprise-level benefits by achieving for the Warfighter the right balance between service levels, quality, innovation, delivery time, price, competition, costs to purchase and administer, and attainment of small business goals.

Strategic sourcing must be performed continuously to understand the constant changes in organizational spend. It not only addresses actions leading to contract award, but actions and spend taking place after contract award. Most importantly, strategic sourcing activities are accomplished early so as to shape and influence the development and approval of the individual contract acquisition strategy – especially as it relates to the sourcing decision.

Strategic sourcing offers far-reaching and numerous benefits to DoD customers (i.e., requesting offices), buyers (i.e., contracting offices), and suppliers (i.e., prime contractors). These benefits provide needed improvements in capabilities for setting strategic direction, defining requirements, executing purchases, and encouraging participation from essential customers, buyers, and industry.



Figure 4: Benefits of Strategic Sourcing

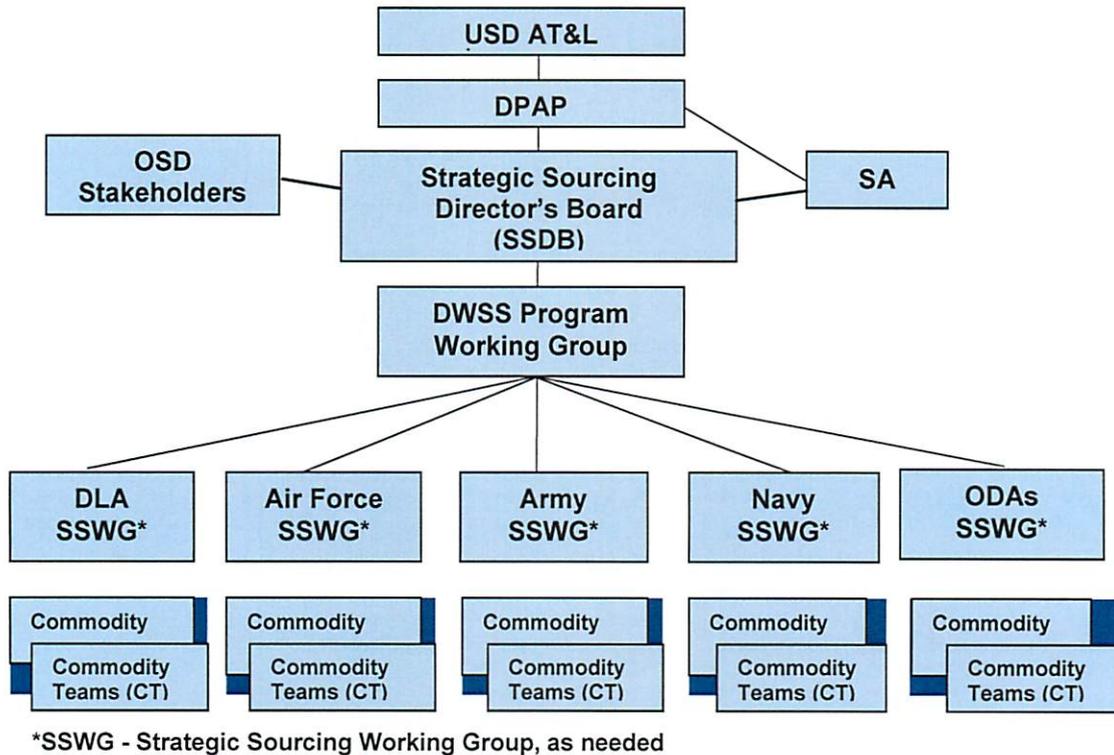


4. DWSS Program Governance Structure

It is critical that the DWSS Program governance structure recognizes the unique differences and autonomy required by each DoD Component while facilitating cross-service collaboration on requirements and standards to maximize DoD-wide benefits. DWSS Program initiatives must be flexible enough to accommodate variations in requirements and customer needs in a manner that does not interfere with the mission and assigned responsibilities of each individual DoD Component. Figure 5 depicts a layered governance structure for the DWSS Program that will allow the DoD to achieve the objectives of the DWSS Program in the most efficient and effective manner.



Figure 5: DWSS Program Governance Structure



4.1. DWSS Program Governance Roles and Responsibilities

Each organization within the DWSS Program governance structure has a specific role and set of responsibilities to ensure the successful implementation and management of the program. Specific decision-making and performance monitoring occurs throughout the various tiers within the governance structure. These are described below.

4.1.1. Under Secretary of Defense for Acquisition, Technology, and Logistics

USD(AT&L), within the Office of the Secretary of Defense, is the primary Executive-level office responsible for providing oversight and guidance as well as ensuring overall effectiveness of the DWSS.

Primary Responsibilities

- Set the strategic direction of the DWSS Program.
- Issue strategic sourcing policies.
- Monitor Strategic Sourcing Director's Board (SSDB) progress and performance.



4.1.2. Defense Procurement and Acquisition Policy

The director is the chair of the SSDB. Services Acquisition (SA) is a directorate under DPAP. See the SA Primary Responsibilities for DPAP roles and responsibilities.

4.1.3. Strategic Sourcing Director's Board (SSDB)

The SSDB provides strategic vision, guidance, and direction that enables and promotes strategic sourcing DoD-wide. The SSDB reports directly to the Director, DPAP as the senior-level body engaged in day-to-day decision making. It is the primary body for establishing the standards, processes, and policies governing the DWSS Program and vetting and approving sourcing strategies recommended by the DWSS Program Working Group. The SSDB facilitates collaboration across the Department to share innovative initiatives and to achieve increased cost savings, process improvements, and socio-economic participation. It provides support to the Strategic Sourcing Leadership Council and facilitates Federal strategic sourcing solutions. For further details reference current SSDB Charter.

4.1.4. OSD Stakeholders

Strategic sourcing success depends heavily on stakeholder involvement. It is critical to bring in the right stakeholders and requirements community (from OSD and lower echelons) when working a strategic sourcing program or initiative. The appropriate stakeholders will need to participate in SSDB meetings to support establishment of initiatives and resulting policies, processes, and solutions. Appropriate stakeholders will also participate in other levels of the DWSS Program governance structure.

4.1.5. Services Acquisition (SA)

As the “champion” of Strategic Sourcing, SA provides the staff support for SSDB in providing oversight and guidance, and monitors overall effectiveness of the DWSS Program.

Primary Responsibilities

- Perform Executive Secretariat functions on behalf of the SSDB.
- Issue strategic sourcing policies for use by DoD Components.
- Foster communication and collaboration.
- As directed by the Director, DPAP, provide the DoD Strategic Sourcing representative to the Government Accountability Office (GAO), Office of Federal Procurement Policy (OFPP), Defense Business Board, Defense Science Board,



Federal Strategic Sourcing Initiative (FSSI), and other Federal Government strategic sourcing initiatives.

- Disseminate and coordinate information and taskings from other Federal Agencies.

4.1.6. DWSS Program Working Group

The DWSS WG is the main body reporting directly to the SSDB to ensure overall performance of all strategic sourcing initiatives. Upon approval and implementation of an initiative, the DWSS WG receives input on performance from DoD Components (the customers), suppliers, and commodity teams. This role for the DWSS WG ensures that the DWSS Program S&E and Services are being managed to gain maximum value for the Department as a whole.

Primary Responsibilities

- Recommend initiatives, team leads, and policy to SSDB.
- Monitor overall DWSS Program usage for all commodities by soliciting feedback and collecting/analyzing performance data.
- Report DWSS Program metrics and provide results of performance analysis to SSDB.
- Coordinate market and best practices information.
- Provide guidance on performance measures and data collection.
- Review Component's annual Reports on Strategic Sourcing Initiatives, including initiatives for the current fiscal year, near-term, long-term, and savings objectives, prior to the first SSDB meeting each new fiscal year.
- Interface/coordinate with requirement's community, identify, determine level of engagement, and/or meet with DoD Component stakeholders (i.e., ensure appropriate level of initiative support).
- Collaborate proactively with the OFPP and on FSSIs.

Members

- Deputy Director, DPAP, Program Acquisition and Strategic Sourcing – Chair.
- SA Representative (interacts directly with DWSS WG).



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- DoD Component Headquarters (e.g., procurement and senior service manager offices) representatives at a senior-level with the ability to objectively review and assess results and provide guidance for improvement, as assigned by SSDB members and advisors.
 - Part-time DoD stakeholders with vested interest in initiatives (e.g., requirements owner or customer representatives).
 - Analytical support (Government or contracted).

4.1.7. DoD Component Strategic Sourcing Working Group (SSWG)

Each DoD Component SSWG will be responsible for determining how best to manage initiative(s) within their organization. For a DWSS Program S&E or Services initiative, a DoD Component SSWG shall be selected by the SSDB to manage all aspects of the sourcing process for the entire DoD, DoD Component(s) or interested agencies. At a minimum, the nominated DoD Component SSWG shall possess expertise and/or experience for the chosen S&E or Services and be able to provide adequate resources/funding, before being selected to manage an initiative. The SSWG may obtain participation/resources from other Components.

Each DoD Component SSWG must have an Executive Sponsor as the central point of contact to the DWSS Program Working Group and SA. The Executive Sponsor is accountable for the performance of the Strategic Sourcing initiative. The Executive Sponsor (e.g., Portfolio Lead, Customer/Requirements Lead, Commodity Council Lead, Program Executive Officer, Senior Service Manager, Senior Procurement Executive) should be a GS-15 equivalent or above.

There are numerous SSWGs already established to manage initiatives supporting the objectives of the DWSS Program they include the U.S. Army Environmental Command (USAEC);⁶ the Naval Supply Systems Command (NAVSUP); Strategic Sourcing Program Management Office;⁷ the Air Force Enterprise Sourcing Group (ESG);⁸ the DoD Enterprise Software Initiative (ESI) Working Group; and various other centers of excellence and commodity councils.⁹

⁶ E.g. "Strategic Sourcing of Environmental Services," U.S. Army Environmental Command (web: accessed May 7, 2012 - <http://aec.army.mil/usaec/business/index.html>).

⁷ "Department of the Navy (DoN) Strategic Sourcing Governance," The Assistant Secretary of the Navy (Research, Development and Acquisition) Memorandum (November 18, 2008).

⁸ "Installation Acquisition Transformation (IAT) Way Ahead," The Secretary of the Air Force and Chief of Staff, United States Air Force Memorandum (July 6, 2009).

⁹ Deputy Secretary of Defense Memorandum, "Department of Defense (DoD) Information Technology (IT) Enterprise Strategy and Roadmap," (October 5, 2011).



Primary Responsibilities

- Identify a service lead or designee responsible for execution and performance management.
- Provide training for all participants.
- Provide functional/technical expertise.
- Initiate and ensure award of strategic sourcing contracts, or other acquisition solutions as applicable, on behalf of entire DoD Enterprise, interested agencies, or DoD Component(s).
- Internally staff and fund the commodity team (CT) with requisite S&E or Services team lead, program/analytical staff and contracting staff.
- Ensure commodity teams are managed in a manner that best serves the interests of all stakeholders.
- Ensure sharing of best practices with appropriate stakeholders.
- Perform program management functions, including: communication, change management, technology analysis, and business process analysis.
- Review performance and CT recommendations and initiate/recommend changes (i.e., process improvements and/or re-engineering efforts) through governance process, as appropriate.
- Provide ongoing/continual S&E or Services management.
- Recommend initiatives and policy.
- Provide status reports as required.
- Collaborate with other federal and DoD Component SSWG's.

Members

Members are determined by the nominated DoD Component and may include existing organizations that support or execute strategic sourcing initiatives.

4.1.8. Commodity Teams (CT)

Commodity Teams are the key component in developing strategic sourcing strategies. While the range and scope of responsibilities for each CT will be dependent on the S&E



or Services and the specific situation, below is a brief summary of some overarching responsibilities:

Primary Responsibilities

- Define the strategic goals, tactical objectives, and key success factors for the S&E or Services to be strategically sourced.
- Identify and engage key stakeholders throughout review of the strategic sourcing initiative.
- Develop and validate scope and breadth of analysis required of CT.
- Complete analyses required to develop S&E or Services profile, market analysis, S&E or Services strategy, and performance measurement metrics; ensure integrity of process by seeking input and involving all members throughout the process.
- Present S&E or Services sourcing strategies to the SSDB through the SSWG and DWSS Program Working Group governance structure, and modify as appropriate.
- Modify membership of the CT, if required, to ensure adequate representation of stakeholders.
- Conduct acquisition (if deemed appropriate by the S&E or Services strategy and supporting business case) and develop and execute the implementation plan, including a communications plan to speed adoption and change existing processes.
- Develop an implementation plan if an acquisition is not required, including a communications plan, to clearly indicate how the solution will be achieved (e.g., modification of an existing contract, use of an interagency agreement, issue policy, etc.).
- Recommend to the Executive Sponsor, areas that are candidates for process improvements/re-engineering efforts. The recommendation should include a high level plan for attaining success.
- Develop S&E or Services management plan.
- Continually manage S&E or Services and take corrective action as required.
- Monitor markets and share best practices through the DWSS Program Working Group.



- Report progress and performance to DWSS Program Working Group.

Members

A Commodity Team is a team comprised of users, subject matter experts, procurement specialists, and other various stakeholders who work together to execute strategic sourcing initiatives. Resources may come from one or more Components.

4.2. DWSS Program Performance Metrics

Performance measurement, both at the Program level and at the S&E or Services level is critical to ensuring the success of the DWSS Program. While program level metrics are higher level and generic in nature, commodity level metrics tend to vary by S&E or Services.

Commodity level metrics are highly dependent on the specific S&E or Services being addressed. Savings impact should generally be limited to “hard” savings that can be measured. “Soft” savings, such as process related savings, are subjective and difficult to accurately measure, but should not be discounted.

Performance measurement examples, and a broad sample CT performance measurement, are provided in Figure 6. Additional S&E and Services specific performance metrics will be developed by each CT.

Figure 6: DWSS Program Performance Metrics

Program Level Metrics	
Metric	Description
Commodity Teams Initiated	The total number of S&E and Services initiatives where personnel are continuously engaged in managing a commodity
Cost Savings-Cost Avoidance	Spend for S&E and Services strategically sourced in dollars versus baseline S&E and Services dollars.
Compliance with established strategic sourcing agreements, strategies, or policies	Spend for S&E and Services sourced through an established strategy and/or business arrangement(s), as a percentage of total commodity spend
Overall customer satisfaction	Customer satisfaction survey process (to be developed)
Change in Competition (goal is to increase competition)	The total non-competed and competed with one offeror percentage and spend for S&E and Services sourced through commodity teams versus baseline non-competed and competed with one offeror percentage and spend
Change in Small and Disadvantaged Business Utilization (goal is to increase utilization)	The total Small and Disadvantaged Business percentage and spend for commodities sourced through commodity teams versus baseline Small and Disadvantaged Business percentage and spend



4.3. Key Success Factors

- Strong Senior Leadership – Ongoing senior leadership support and buy-in will create a sense of urgency and ensure broader buy-in and support across the Federal Government.
- Communication – A comprehensive and on-going communication process that engages all stakeholders is critical to ensuring a complete understanding of the DWSS Program and strategic sourcing.
- Resource Commitment – A certain level of resource commitment, in terms of manpower and dollars, will be required to ensure adequate time and focus is given to all aspects of the program.
- Alignment of Incentives with Program Goals – Need to establish metrics and targets at the Department-wide level and incorporate into individual performance evaluations, as appropriate, in order to ensure program progress and accountability.
- Qualified Resources and Training – The DWSS Program’s transformational and technical nature requires that stringent criteria be established for selecting individuals playing critical roles in the DWSS Program.
- Spend Visibility and Analysis – Utilize new or existing tools to allow greater visibility into agency spending. Support agency data analysis to enable better business decisions. This factor is a critical element of the sourcing methodology.
- Stakeholder Commitment - In order for the DWSS Program to be successful, the stakeholders must be willing to embrace the strategic sourcing concept and commit their Component(s) (including resources and funds) to use the resulting DWSS Program solutions. Mandatory use policies may be implemented to ensure program success.



DEFINITIONS OF DWSS PROGRAM TERMS

Acquisition – “Acquisition” means the acquiring, by contract with appropriated funds, of supplies or services (including construction) by and for the use of the Federal Government through purchase or lease, whether the supplies or services are already in existence or must be created, developed, demonstrated, and evaluated.

Commodity – A commodity is a category of Supplies and Equipment (S&E) and/or Services segmented by commonality of materials or service type. The term does not imply an expendable or non-complex item. This grouping will allow volume and technical leveraging of organizational spending and the establishing of a network of S&E and/or Service(s) experts.

DoD Components – The Office of the Secretary of Defense, the Military Departments, the Chairman of the Joint Chiefs of Staff, the Combatant Commands, the Office of the Inspector General of the Department of Defense, the Defense Agencies, the DoD Field Activities, and all other organizational entities within the Department of Defense.

Department of Defense Wide Strategic Sourcing (DWSS) – Established in 2003 to improve the effectiveness of and gain efficiencies in DoD acquisitions through the use of best commercial practices such as centralizing key functions, conducting spend analyses, expanding the use of cross-functional S&E and/or Service(s) teams, achieving strategic orientation, achieving savings by reducing purchasing costs, and improving contract performance.

Federal Strategic Sourcing Initiative (FSSI) – The Federal Strategic Sourcing Initiative launched and co-chaired by the General Services Administration and the Department of the Treasury to test the ability to strategically source across federal agencies, share best practices, apply lessons learned and avoid unnecessary duplication of effort in responding to the 2005 OMB Strategic Initiatives. FSSI is chartered under the purview of the Strategic Sourcing Leadership Council and monitored by the Office of Federal Procurement Policy.

Military Departments (MILDEP) – One of the departments (Department of the Army, Department of the Navy, Department of the Air Force) within the Department of Defense created by the National Security Act of 1947, as amended.

Other Defense Agencies (ODA) – Other Defense Agencies (e.g., Defense Contract Management Agency, Defense Logistics Agency, Defense Information Systems Agency, Missile Defense Agency)



Portfolio Management Taxonomy:

- Services - Nine categories (portfolio groups) for managing and reporting contract spend for Services (e.g., knowledge based; logistics management, electronic and communications; equipment related; medical; transportation; facility related; construction; and research and development services).
- Supplies and Equipment (S&E) - Seven categories (portfolio groups) for managing and reporting contract spend for Supplies and Equipment (i.e., aircraft, ships/submarines, and land vehicles; weapons and ammunition; electronic and communication equipment; sustainment S&E; facilities S&E; clothing, textiles, and subsistence S&E; and miscellaneous S&E).

Spend Analysis – A tool that provides knowledge about how much is being spent for what commodities, who are the buyers, and who are the suppliers; thereby identifying opportunities to leverage buying, save money, and improve performance.

Strategic Sourcing (SS) – The collaborative and structured process of critically analyzing spending and using this information to make business decisions about acquiring S&E and Services more effectively and efficiently (per Office of Management and Budget).

Strategic Sourcing Working Group (SSWG) – a DoD Component or DWSS working group to proactively facilitate collaboration and manage strategic sourcing procurements for a DoD Component and/or DWSS Program S&E and/or Services initiative(s).

Total Cost of Ownership (TCO) – A comprehensive, full cost accounting estimate of owning and operating an asset (S&E or Services) over its expected period of use, i.e. lifecycle cost, including costs to acquire, deploy, operate, support and dispose of the asset. Consists of both direct (labor and capital) and indirect (difficult to measure and rationalize “soft”) costs.

