



OFFICE OF THE SECRETARY OF DEFENSE
1000 DEFENSE PENTAGON
WASHINGTON, DC 20301-1000

OCT 26 2022

MEMORANDUM FOR SENIOR PENTAGON LEADERSHIP
COMMANDERS OF THE COMBATANT COMMANDS
DEFENSE AGENCY AND DOD FIELD ACTIVITY DIRECTORS

SUBJECT: Category Management Roles and Responsibilities

Effective immediately, the Principal Director of Defense Pricing and Contracting (DPC) in the Office of the Under Secretary of Defense for Acquisition and Sustainment (OUSD(A&S)) is designated as the Category Management (CM) Accountable Official (CMAO) for the Department of Defense (DoD) and the Office of the Secretary of Defense representative at the Office of Management and Budget (OMB) CM Leadership Council (CMLC). The CMLC is the governing body leading implementation of CM across the Federal government. In collaboration with the Deputy Performance Improvement Officer (PIO), the CMAO will support policy and guidance development relevant to the DoD contracting workforce. On behalf of the USD(A&S) and the PIO, respectively, the CMAO and Deputy PIO will share responsibilities for advising on and communicating OMB and DoD guidance on CM.

This memorandum establishes the DoD-OMB CXO Council – CM sub-committee (DOCC-CM) to the Defense Business Council (DBC). The DOCC-CM will be co-chaired by the CMAO and Deputy PIO and responsible for facilitating cross-component coordination on CM matters in order to improve the efficiency and effectiveness of acquisition activities. The DBC Executive Secretariat will be responsible for providing meeting management and coordination support to the DOCC-CM in its implementation of the DoD CM Program charter (Attachment 1), which is hereby approved.

The points of contact for this action are Ms. Kelsey Blaskoski, OUSD(A&S)/DPC, at kelsey.l.blaskoski.civ@mail.mil and Mr. Ryan Christianson, Office of the Director, Administration and Management/PIO, at ryan.m.christianson.civ@mail.mil.

Michael B. Donley
Director, Administration and Management,
Performance Improvement Officer

William A. LaPlante
Under Secretary of Defense for Acquisition
and Sustainment

Attachment:
As stated

DEPARTMENT OF DEFENSE

Category Management Program Charter

September 2022



Table of Contents

1.0	<i>INTRODUCTION</i>	5
1.1.	<i>Category Management Principles and Objectives</i>	6
2.0	DOD CATEGORY MANAGEMENT GOVERNANCE FRAMEWORK	9
2.1.	<i>Category Management Authorities and Appointments</i>	10
2.1.1.	Defense Business Council (DBC).....	10
2.1.2.	Department of Defense Category Management Accountable Official (CMAO)	11
2.1.3.	DoD-OMB CXO Council Category Management Sub-committee (DOCC-CM)	11
2.1.4.	Category Management Program Secretariat	12
2.1.5.	Future capabilities for the CMAO Office and Category Management Program Secretariat (resourcing pending)	13
2.1.6.	Category Manager Advisors	13
2.1.7.	DoD Sub-Committee Category Management Working Group (DoD SCMWG).....	14
	APPENDIX A - CATEGORY MANAGEMENT POLICY BACKGROUND AND REFERENCES.....	15

1.0 INTRODUCTION

This Charter, and the roles, responsibilities and authorities mandated thereunder, establishes a framework that will govern the Department of Defense's (DoD's) Category Management activities and, in so doing, further enable the DoD's use of commercial sector best practices in its acquisition of goods and services in order to enhance the Department's operational capability and, ultimately, the national defense.

The 2021 President's Management Agenda (PMA) defines Government-wide management priorities for all Federal agencies to improve how Government operates and performs¹. PMA Priority 3, 'Managing the Business of Government,' addresses the need to foster improvements within the Federal Government and strengthen the U.S. domestic industrial base.

As the Office of Management and Budget's (OMB) Memorandum M-19-13 entitled, "*Making Smarter Use of Common Contract Solutions and Practices*," notes in its introduction, "The lack of mechanisms to support agency collaboration on common contract solutions has resulted in billions of dollars in lost cost avoidance, inappropriate contract duplication, and missed opportunities to adopt government and industry best practices. These missteps have also unnecessarily added to the workload of the acquisition workforce, whose talents and time could produce greater return if they could focus more on mission critical acquisitions."² The Federal Government aims to remedy those shortfalls through the robust application of Category Management principles and practices. (For a more detailed summary of the background and policy history of Category Management, see *Appendix A – Category Management Policy Background and References*). Moreover, on 2 Dec 2021, OMB released memorandum M-22-03 "*Advancing Equity in Federal Procurement*," which identified five (5) management actions designed to increase spending to underserved communities and to broaden participation from within these communities. As a result, these actions will strengthen the breadth and depth of the Federal Government's small business supplier base, which has significantly diminished over the past decade.

The 2022 National Defense Strategy (NDS) was released earlier this year.³ With outlining the four Defense priorities: (1) Defending the homeland, paced to the growing multi-domain threat posed by the PRC; (2) Deterring strategic attacks against the United States, Allies, and partners; (3) Deterring aggression, while being prepared to prevail in conflict when necessary, prioritizing the PRC challenge in the Indo-Pacific, then the Russia challenge in Europe; and (4) Building a resilient Joint Force and defense ecosystem. Moreover, because the commercial sector is now the source of technological advancements, the adversaries of the United States have access to emerging technologies almost as quickly as they are developed.

In addition, the DoD's Strategic Management Plan (SMP) articulates the Secretary of Defense's strategic priorities, consistent with the NDS and with a particular focus on priorities geared to building enduring advantages. The Department of Defense's Strategic Management Plan (SMP) articulates the Secretary of Defense's strategic priorities, consistent with the National Defense Strategy (NDS) and with a particular focus on priorities geared to building enduring advantages. The SMP is a statutory requirement pursuant the Government Performance and Results Act of 1993 (GPRA), GPRA Modernization Act of 2010, and Office of Management and Budget (OMB) Circular No. A-11, which require federal agencies to

¹ The Executive Office of the President of the United States. *President's Management Agenda (2021)*. Washington, D.C.:The White House.

² U.S. Office of Management and Budget. *Making Smarter Use of Common Contract Solutions and Practices*. Memorandum, March 2019.

³ U.S. Department of Defense (2022, March 28). *Summary of the 2022 National Defense Strategy of the United States of America*. Washington, D.C., The Pentagon. <https://www.defense.gov/News/Releases/Release/Article/2980584/dod-transmits-2022-national-defense-strategy/>

the year in which the term of a new President commences. The SMP consists of five Strategic Goals: (1) Making the Right Technology Investments; (2) Transforming the Future Force; (3) Strengthen Resilience and Adaptability of Our Defense Ecosystem; (4) Taking Care of Our People and Cultivating the Workforce We Need; and, (5) Address Institutional Management Priorities. The strategic hierarchy in the SMP consists of four levels, with Strategic Objectives (31), Performance Goals, and Metrics nested under each Strategic Goal. The Military Departments and Defense Agencies typically nest their Performance Goals and Metrics under the DoD Strategic Objectives as part of the SMP strategic hierarchy. For these reasons, both the Secretary of Defense and the Deputy Secretary of Defense have made implementing Category Management, and the principle of fiscal stewardship that underpins it, a top Department priority.

Over the last decade, the Federal acquisition community has made significant strides in moving away from a decentralized system where local buying offices were largely left to research the market and manage acquisitions on their own. Today, agencies utilize Category Management stewardship practices for over \$425 billion in common requirements, where business intelligence for different types of common needs is shared across the Government, saving taxpayers over \$60 billion. The PMA vision to create more opportunities for all types of businesses and underserved entrepreneurs to compete for federal contracts can be achieved, in part, through Category Management. Effective implementation of category management also aims to reverse the decline in the small business supplier base, increase competition and target growth for - socioeconomic small businesses. As a part of this process, DoD Components will receive automatic credit towards their Tier 2 Spend Under Management (SUM) goals for all awards made to certified and self-certified 8(a) and other small disadvantaged businesses, women-owned small businesses, service-disabled veteran-owned small businesses, and small businesses working in HUBZones. Federal agencies are now working together to balance interests in maximizing efficiency while also advancing equity in procurement practices, including the President's goal to increase awards to Small Disadvantaged Businesses (SDBs) to 15% by FY 2025. By employing Category Management's principles of demand management, requirements standardization, rigorously-conducted market research, and data-driven decision-making, the DoD can more effectively garner synergies with similar and like requirements for enterprise solutions, leverage its inherent buying power to gain efficiencies, reduce overhead costs, and ultimately, free up both personnel and resources to focus on their core missions. In the course of doing so, both the DoD and the rest of the Federal Government are making best use of Category Management to help grow and sustain large and small businesses across America.

1.1. Category Management Principles and Objectives

1.1.1. Category Management is a well-established commercial practice used across the world to improve total cost management. It is a continuous, market facing, end-to-end process that encompasses all aspects of spending, from demand management through sourcing, to life-cycle management and transactional efficiency. Category Management seeks to manage spending to best accomplish an organization's mission. To do this, it classifies goods and services by their industrial categories.⁴

1.1.2. In the public context, the Federal Government is utilizing Category Management to buy smarter and more like a single enterprise. Category Management enables the Government to eliminate redundancies, increase efficiency, and deliver more value to the Government's acquisition programs. It is

⁴ Office of the Undersecretary of Defense for Acquisition and Sustainment. (2018, March 13). *Category Management and Strategic Sourcing Defined*. Retrieved from <https://www.acq.osd.mil/dpap/ss/index.html>

executed by:

- (1) Identifying core areas of spend;
- (2) Collectively developing heightened levels of expertise;
- (3) Leveraging shared best practices; and,
- (4) Providing acquisition, supply and demand management solutions.⁵

2.1.2. The Category Management process achieves cost savings or avoidance in three main ways; rate, demand levers, and process, which are defined as follows:

- (1) Rate: savings that accrue due to a net unit cost reduction, getting more for less. Put simply, paying a lower price per unit today than the price paid yesterday for an equivalent unit. would equate to a rate savings. Rate savings are achieved in a variety of ways to include negotiating a better deal, finding a new vendor that can offer a more competitive rate and thereby increasing competition, or even strengthening buying power through consolidation or other methods that may drive down price.
- (2) Demand: savings that accrue as a result of reduced consumption, through improved technology, or spending less because we need less. These savings include eliminating demand, reducing consumption, changing product mix, or using technology that creates a reduced resource requirement. Reduced spending caused by a budget reduction is not sufficient justification. Disciplined management of demand consumption can achieve demand savings. Consumption is the use of resources whereas demand or requirement is the determination of the need of the resource evaluating requirement (e.g., reduce over-customization). A savings that is the result of a reduced demand could be considered a “cost avoidance,” since it entails budget not allocated, and therefore not spent. A bona-fide savings would entail a budget that is allocated, but not fully spent (therefore resulting in tangible, “harvestable” funds).
- (3) Process: Productivity gains, reduction in cycle time or reduction in labor required to fulfill a requirement or other resources needed to establish and maintain contracts that results in time savings, such as a reduction in required man hours for a task or process, that do not result in a deleted position.

1.1.3. Effective Category Management requires a total understanding of requirements and associated spending across an organization over time. By combining market analysis, supplier performance and financial information, utilization data, cost and budget data, and requirements analyses, an organization has a basis for establishing category and sub-category structures and developing category strategies. These strategies then serve as the strategic framework that allows an organization to develop category-specific implementation plans.⁶⁸

1.1.4. This continuing, comprehensive analysis enables Category Management teams to identify opportunities to generate value for their organization through internal demand management and procurement interventions. Understanding market logistics, trends, industry benchmarks, and practices enables category teams to identify potential efficiencies, performance improvements, and cost avoidances. This information gathering also enables teams to embed appropriate key performance indicators in contracts and use the resulting data to further improve contract and supplier performance.

⁵ U.S. Office of Management and Budget. *Government-Wide Category Management: Guidance Overview, Version 3.0* Guidance Document, June 2019 at 5.

⁶ *Id.*

1.1.5. The DoD's implementation of Category Management consists of a structured, data-driven business practice whereby the organization broadly and strategically analyzes and manages common categories of spend with an enterprise-wide focus in order to eliminate redundancies, increase efficiencies and enhance mission effectiveness. These efforts are accomplished by:

- (1) Assigning spend analysis and strategy responsibility to the domain owners;
- (2) Performing robust business and market intelligence analyses in conjunction with advanced data analytics studies; and,
- (3) Reducing total cost of ownership by shaping, managing, and strategically informing requirements determinations and procurement strategies to strategically manage costs.⁷

1.1.6. The need for this approach is clear. The DoD does not possess the organic capability to produce all the common goods and services that it requires in order to accomplish its mission. Consequently, the DoD procures those essential goods and services from the private sector at significant annual expense. Inefficiencies in those activities (whether attributable to inadequate understanding of the market, unnecessary or poorly defined requirements, lack of standardization, variations in price and scope across the enterprise, or othersimilar shortfalls) produce unnecessary expense and reduce funds available formodernization and readiness.

1.1.7. In order to address these inefficiencies, the DoD is employing the principles and methodologies of Category Management to deliver greater mission capability per dollar. To that end, the DoD has adopted the OMB's procurement classification system. That system categorizes Federal spending into nineteen Categories, the first ten of which relate to Common goods and services procured Government-wide and the latter nine of which are classified as Defense-centric and which are generally unique to the DoD. The framework described in this Charter is intended to govern the DoD's Category Management efforts relating to the goods and services described in the ten Federal Common categories. In contrast, the weapons systems-related procurement activities described in the nine Defense-centric categories are already managed under the DoD's Program Executive Office system whose design and operation already reflects many of the principles of Category Management, including through the use of mission requirements analyses, operational readiness statistics, and lifecycle cost data to collectively inform strategic program decisions. As such, this Charter (and the framework established hereunder) is not intended to govern activities relating to the procurement of the goods and services that comprise the nine Defense-centric categories and which are expressly excluded from its scope.

1.1.8. The ten Federal Level 1 categories for Common goods and services are:

- (1) Information Technology
- (2) Professional Services
- (3) Security and Protection
- (4) Facilities and Construction
- (5) Industrial Products and Services
- (6) Office Management
- (7) Transportation and Logistics

⁷ Muir, W., Keller, R., and Knight, L. (2014). *Category Management: A Concept of Operations for Improving Costs at the Air Force Installation*. United States Air Force.

- (8) Travel
- (9) Human Capital
- (10) Medical

1.1.9. The remaining nine Defense-centric categories are:

- (1) Aircraft, Ships, Land Vehicle
- (2) Weapons and Ammunition
- (3) Electronic and Communication Equipment
- (4) Sustainment Supplies & Equipment (S&E)
- (5) Clothing, Textiles, and Subsistence S&E
- (6) Miscellaneous S&E
- (7) Research and Development
- (8) Equipment Related Services
- (9) Electronic and Communication Services

2.0 DOD CATEGORY MANAGEMENT GOVERNANCE FRAMEWORK

Many of the DoD Components have already embraced the principles of Category Management and have established their own Component-level programs. The Department-wide Category Management governance framework described in this Charter is intended to take full advantage of those efforts by providing an architecture that allows for enhanced collaboration between the respective elements through data, business intelligence, and best practices sharing and by serving as an efficient architecture for identifying opportunities to establish both standardized requirements and improved contract solutions. Through these efforts, Component-level programs will be able to access analytical support, reports, data, and tools that may not have been readily available in the absence of the Department-level framework. Similarly, improved coordination between DoD Components' Category Management programs may make available solutions that would otherwise have been impossible to implement at the Component level because they require policy changes or affect another Component's activities, processes, or decisions. Lastly, the establishment of an overarching DoD framework for Category Management will allow the Department to speak to the larger Federal Government with a single voice on matters relating to Category Management, specifically with respect to common issues across the enterprise.

The activities governed by this Charter are not intended to be primarily budgetary in nature. Accordingly, disposition of any savings or costs avoidances generated by the efforts governed hereunder shall be left to the discretion of the Component for which the funds were appropriated, or as otherwise directed by the Secretary of Defense (or designee) in support of national defense requirements.

Leveraging the DoD OMB CXO Committee (DOCC) ability to create sub-committees, this charter establishes the DOCC Category Management (DOCC-CM) sub-committee as the primary body for DoD's Category Management activities. The DOCC-CM will engage the Defense Business Council (DBC) on Category Management issues as needed and will facilitate DoD cross-component coordination.

The DoD Category Management Governance Framework (shown in Figure 1 below) contains the key elements of the DoD Category Management Program and their respective relationships within the structure, including the DoD Category Management Accountable Official (CMAO), the DoD Service and

Defense Logistics Agency Category Management Accountable Officials, the DoD Category Management Program Secretariat, and the DoD Category Manager Advisors.

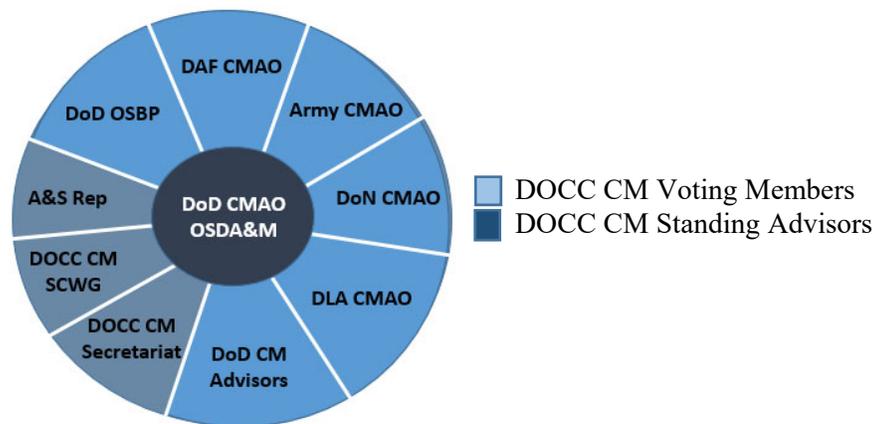


Figure 1: The DOCC-CM Governance Framework

2.1. Category Management Authorities and Appointments

The OMB has designated Category Management as the principal method by which all Executive Branch agencies are to acquire and manage the procurement of common goods and services in order to achieve greater efficiency. Category Management authority by definition, therefore, originates with OMB and flows down to each executive agency. In August 2017, the President’s Management Council, in coordination with OMB, directed all Chief Financial Officer (CFO) Act-affected agencies to designate a Senior Accountable Official(SAO) charged with accelerating the implementation of Category Management in their respective organization. Each agency’s mission and buying culture varies, necessitating the designation of an SAO to oversee tailored strategies for reducing unaligned spend and for executing plans to increase usage of Best-In-Class (BIC) contract solutions. The SAO is generally the agency’s deputy secretary or equivalent, unless another official is identified by the agency and concurred by OMB. For the purposes of the DoD’s Category Management Program, the SAO position shall be referred to as the Category Management Accountable Official (CMAO).

The DoD CMAO is charged with aligning the Category Management program’s objectives, principles, and processes to strategic imperatives across the DoD and with utilizing Category Management as an enabler for the implementation of the National Defense Strategy (NDS), the President’s Management Agenda (PMA), and OMB Category Management memoranda. Commensurate with that charge, the CMAO shall strive to ensure that the DoD’s Category Management program also aligns with the Key Performance Indicators (KPIs) set forth by the OMB and used by the Federal Government to measure the effectiveness of Category Management efforts in each Federal agency.

2.1.1. Defense Business Council (DBC)

The Defense Business Council (DBC) serves as the principal governance body for vetting issues relating to management, improvement of defense business operations, and other issues to include performance management, pursuant to the Government Performance and Results Modernization Act of 2010. The DBC shall serve as the principal body to which the DOCC-CM reports on the DoD’s Category Management program.

2.1.2. Department of Defense Category Management Accountable Official (CMAO)

As the DoD's Category Management SAO, also referred to as the DoD CMAO, the Principal Director, Defense Pricing and Contracting (PD, DPC) manages the implementation, execution, and administration of the DoD Category Management program. The CMAO shall:

- (1) Serve as the Department's Senior Accountable Official (SAO) for Category Management and as the senior accountable official for the Defense Agencies and DoD Field Activities (DAFAs);
- (2) Report to the Secretary of Defense on matters relating to Category Management;
- (3) Leverage the Defense Business Council for implementation of Category Management and resolution of multifunctional issues;
- (4) Represent the Department of Defense at the Federal Category Management Leadership Council (CMLC) with respect to matters of cross-Component or enterprise-wide significance (recognizing that the Military Departments/Fourth Estate MILDEP's SAOs occupy their own positions on the council) and report to the CMLC on the DoD's Category Management KPI targets and metrics;
- (5) Appoint Category Manager Advisors for each of the ten Federal Level 1 Common categories;
- (6) Co-chair, with ODA&M and the DOCC-CM to advise on matters involving policy, direction, and the setting of Category Management priorities while meeting statutory small business and socioeconomic requirements;
- (7) Ensure processes and policies are in place within the DoD Components to achieve the Category Management goals of OMB Memoranda M-19-13 and M-22-03, including coordinating Category Management efforts with the Undersecretary of Defense for Acquisition and Sustainment (USD(A&S)) to ensure alignment of Category Management with Defense acquisition requirements and policy; and,
- (8) Oversee the Department's Category Management training and credentialing programs.

2.1.3. DoD-OMB CXO Council Category Management Sub-committee (DOCC-CM)

The DoD-OMB CXO Council Category Management Sub-committee (DOCC-CM) serves as the primary body for coordination of the DoD's cross-Component Category Management activities in order to ensure that the Department makes best use of Component-level Category Management efforts. The DOCC-CM shall:

- (1) Serve as the primary forum for facilitating collaboration between Component-level Category Management programs;
- (2) Serve as the primary forum for identifying, evaluating, and coordinating joint Category Management efforts to be executed by Component-level Category Management programs with the support and participation of other organizations involved in the procurement, use, or management of the subject goods or services;
- (3) Voting membership will be comprised of representatives (or their delegates) from across the Department, including the officials below. Additional voting members may be appointed by the co-chairs, as required for specific initiatives.
 - i. Co-Chairs: The PD, DPC, as the DoD CMAO and the Deputy Performance

- Improvement Officer, Office of the Director, Acquisition and Management;
 - ii. Department of the Army Category Management Accountable Official;
 - iii. Department of the Navy Category Management Accountable Official;
 - iv. Department of the Air Force Category Management Accountable Official;
 - v. Defense Logistics Agency Category Management Accountable Official; and,
 - vi. DoD Office of Small Business Programs.
- (4) Standing advisory (non-voting) members of the DOCC-CM will include representatives (or their delegates) from the following organizations
- i. Office of the Secretary of Defense Category Management Program Secretariat;
 - ii. DOCC-CM Secretariat; and,
 - iii. DOCC-CM Working Group.
- (5) Additional advisory (non-voting) members to provide specific subject matter expertise to the DOCC-CM will include representatives (or their delegates) from the following organizations
- i. Office of the Secretary of Defense, Chief Financial Officer;
 - ii. Office of the Secretary of Defense, Chief Information Officer;
 - iii. Military Department Deputy Chief Management Officers (DCMOs), and Acquisition Executives;
 - iv. Component Acquisition Executive, Defense Logistics Agency;
 - v. Component Acquisition Executive, Defense Information Security Agency;
 - vi. Component Acquisition Executive, Defense Health Agency;
 - vii. Component Acquisition Executive, United States Special Operations Command;
 - viii. Component Acquisition Executive, United States Transportation Command;
 - ix. Defense Contract Management Agency (DCMA);
 - x. Chief Acquisition Officer Council (CAOC);
 - xi. Made in America Council (MiAC);
 - xii. Budget Officers Advisory Council (BOAC);
 - xiii. Chief Human Capital Officer Council (CHCOC);
 - xiv. Chief Information Officer Council (CIOC);
 - xv. Chief Data Officer Council (CCDO);
 - xvi. Evaluation Officer Council (EOC);
 - xvii. Federal Privacy Council (FPC);
 - xviii. Interagency Council on Statistical Policy (ICSP);
 - xix. Performance Improvement Council (PIC);
 - xx. Program Management Policy Council (PMPC); and,
 - xxi. Other OSD offices and DoD Components as necessary.

2.1.4. Category Management Program Secretariat

The Office of the Director, Administration and Management, provides the Category Management Program Secretariat to directly support the CMAO in facilitating the implementation, execution, and administration of the DoD Category Management program and the DoD's Category Management activities. The DoD Category Management Program Secretariat shall:

- (1) Serve as the secretariat for the DOCC-CM;
- (2) Report to the DBC on behalf of the DOCC-CM;
- (3) Facilitate collaboration between the DoD Components relating to Category Management initiatives, including the sharing of analyses, best practices, and lessons learned;
- (4) Facilitate coordination between the DoD and the rest of the Federal Government with respect to Category Management activities to include promulgating OMB and DoD CM program guidance impacting requirements and mission owners;
- (5) Manage and organize DOCC-CM meetings;

2.1.5. Future capabilities for the CMAO Office and Category Management Program Secretariat (resourcing pending)

- (1) Resourcing new OMB initiatives to expand CM capabilities or data requirements within the DOCC-CM and DoD Sub-Committee Category Management Working Group;
- (2) Provide analytical/research expertise and support to DoD Component organizations executing Category Management efforts;
- (3) Maintain a repository of DoD business intelligence reports, DoD spending and industry reports, and data analytics reports and tools;
- (4) Compile and synthesize the DoD's Spend Under Management (SUM), Best-In-Class (BIC), and other Category Management metrics and use said metrics to inform the further development of the DoD's data analytics tools;¹¹
- (5) Mine authoritative Federal and Defense business system data sources to identify and qualify potential cross-Component Category Management initiatives;
- (6) Support the cultivation and development of organic Category Management capability and expertise within the Department;
- (7) Advise on the development of DoD data management strategies and tools; and,
- (8) Identify and pursue potential policy, regulatory, and statutory changes that will allow for the improvement of the Department's Category Management efforts.

2.1.6. Category Manager Advisors

As co-chairs of the DOCC-CM, the CMAO and DPIO shall appoint functional, rather than acquisition, subject matter experts, who are typically already involved in the oversight and/or management of a particular category of common goods or services, as Category Manager Advisors. The CMAO and DPIO shall identify the position, rather than by individual name, so that new appointments are not necessary in the event of a personnel transition. The Category Manager Advisors shall:

- (1) Facilitate collaboration between the Component-level spend owners and Category Manager Advisors with enterprise-wide stakeholders in their respective category;
- (2) Coordinate with individual Components to identify common challenges or opportunities that would benefit from Category Management principles and help to prioritize, scope, and facilitate analysis of those efforts;
- (3) Coordinate with the CMAO, DOCC-CM, and Category Management Program Secretariat to ensure all Category Management analyses, recommendations, best practices, standardized requirements, and identified opportunities are shared with the Component-level Category Manager Advisors for their respective category; and,

- (4) Assist in implementation of common Component recommendations from analysis through policy, regulations, or other means mutually agreed by Components; and provide greater fidelity into the SUM, BIC and other Category Management metrics for their respective category to the Category Management Program Secretariat, and facilitate enterprise SUM and BIC strategies with OMB.

2.1.7. DoD Sub-Committee Category Management Working Group (DoD SCMWG)

The purpose of the DoD SCMWG is to foster communications amongst the military components and other agencies to ensure the DoD speaks to the larger Federal Government with a single voice on Category Management matters, applicable small business equities, and common issues across the enterprise as required by the DOCC-CM. This will be accomplished by identifying common challenges or joint opportunities with individual mission areas and help to prioritize efforts that would benefit from Category Management principles and facilitate analysis of those efforts. Appendix A provides insights into the current state and establishes the importance of Category Management efforts.

The DoD SCMWG shall appoint functional, rather than acquisition, subject matter experts, who are typically already involved in the oversight and/or management of a particular category of common goods or services, as Category Manager Advisors. Appointees shall be made by position, rather than by individual name, so that new appointments are not necessary in the event of a personnel transition. The DoD SCMWG supports to foster DoD enterprise collaboration and solutions that are not limited to the following:

- (1) Shared common solution engagements to shape demand and optimize the requirement;
- (2) Issuance of policies that improve the strategic joint-actions and processes;
- (3) Advance equity in joint procurement initiatives by adopting relevant industry best practices;
- (4) Identification of demand management opportunities by sharing in the workforce training aspects and components of capabilities enabled by the continuous development of market and business intelligence; and,
- (5) Facilitate collaboration between the DoD Components relating to CM initiatives, including sharing of analysis, best practices, and lessons learned.

APPENDIX A - CATEGORY MANAGEMENT POLICY BACKGROUND AND REFERENCES

The 2021 President's Management Agenda (PMA) defines Government-wide management priorities for all Federal agencies to improve how Government operates and performs. Under the PMA Priority 3 is 'Managing the Business of Government' which addresses the need to foster improvements within the Federal Government and strengthen the U.S. domestic industrial base toward sustainable climate solutions. Over the last decade, the Federal acquisition community has made significant strides in moving away from a decentralized system where local buying offices were largely left to research the market and manage acquisitions on their own. Today, agencies follow category management stewardship practices for over \$425 billion in common requirements, where business intelligence for different types of common needs is shared across the Government, saving taxpayers over \$60 billion. Federal agencies are now working together to advance equity in procurement practices, including the President's goal to increase awards to Small Disadvantaged Businesses (SDBs) to 15% by FY 2025. Category Management is a key enabler for the Department of Defense to achieve PMA's vision.

The origins of the Federal Government's present Category Management efforts lie in a 20 May 2005 policy memorandum entitled, *"Implementing Strategic Sourcing"*, issued by the Office of Management and Budget (OMB) and the Office of Federal Procurement Policy (OFPP) which introduced a concept known as Strategic Sourcing as a Government-wide initiative for all Federal agencies. The successes of those efforts were limited, however, and failed to consolidate procurement functions across the Government. Seeking to build upon the initiative, the OFPP issued a memorandum in December 2014 entitled, *"Transforming the Marketplace: Simplifying Federal Procurement to Improve Performance, Drive Innovation, and Increase Savings,"* which first introduced Category Management as a distinct concept and the next step in the evolution of the Government's procurement practices. The memorandum sought to use Category Management principles and methodologies to drive improved performance and charged Federal agencies with utilizing its techniques to procure more efficiently, perform disciplined, data-driven strategic cost management, and adopt commercial best practices, when appropriate. In the years that followed, the OMB and OFPP continued to issue other memoranda intended to guide agencies in their development and implementation of Category Management.

OMB Memorandum M-18-19 entitled, *"Improving the Management of Federal Programs and Projects through Implementing the Program Management Improvement Accountability Act (PMIAA)"* establishes initial implementation procedures for Federal agencies in order to comply with the Program Management Improvement Accountability Act (PMIAA) signed into law on December 14, 2016. The PMIAA aims to improve program and project management practices within the Federal Government and to that end, assigns new responsibilities and establishes new requirements for Federal agencies.

OMB Memorandum M-19-13 entitled *"Category Management: Making Smarter Use of Common Contract Solutions and Practices,"* superseded and rescinded the September 29, 2011 OFPP Memorandum entitled, *"Development, Review, and Approval of Business Cases for Certain Interagency and Agency Specific Acquisitions,"* and also the December 5, 2012 OMB Memorandum M-13-02 entitled, *"Improving Acquisition through Strategic Sourcing."* In doing so, it promoted a broader and more comprehensive directive for the use of Category Management to manage spending by the Federal Government. In Memorandum M-19-13, OMB instructed that, "Agencies shall undertake the following five key category management actions to better position themselves to bring spending under management and leverage common contract solutions and practices:

- (1) Annually establish plans to reduce unaligned spend and increase the use of BIC (Best-In-Class) solutions for common goods and services, consistent with small business and other statutory socio-

- economic responsibilities;
- (2) Develop effective vendor management strategies to improve communications with contractors, especially those that support mission-critical functions;
 - (3) Implement demand management strategies to eliminate inefficient purchasing and consumption behaviors;
 - (4) Share data across the Federal Government to differentiate quality and value of products and services in making buying decisions; and,
 - (5) Train and develop the workforce in category management principles and practices.

Of particular note is OMB Memorandum M-19-13's express reference and emphasis placed on demand management and requirement standardization as key elements of Category Management, including the direction to "ensure that requiring activities standardize requirements or specifications such as through the adoption of uniform refresh cycles or buying only standard configurations."⁸ The memorandum notes that, "To avoid wasteful spending, agencies must couple efforts to make more informed buying decisions with strengthened demand management. Demand management entails analyzing what and how an agency is buying, with a specific focus on reducing the total cost of ownership."⁹

OMB Memorandum M-22-03 entitled "*Advancing Equity in Federal Procurement*," implements the President's policies to increase Federal spending and opportunities to Small Disadvantaged Businesses (SDB). The memorandum instructs agencies to take five management actions that were developed in partnership with the Small Business Administration (SBA) and Federal buying agencies:

- (1) Agree with SBA on an agency-specific SDB contracting goal for FY 2022 that will allow the Federal Government to cumulatively award at least 11% of Federal contract spend to SDBs in FY 2022;
- (2) Review and adjust category management stewardship practices to boost contracting opportunities for SDBs and other socioeconomic small businesses (including awarding automatic Tier 2 credit for all awards made to certified and self-certified socioeconomic small businesses);
- (3) Increase the number of new entrants to the Federal marketplace and reverse the general decline in the small business supplier base;
- (4) Include the achievement of small business contracting goals as a part of the performance plans for key Senior Executive Service (SES) officials; and,
- (5) Ensure agency small business contracting offices have access to senior leadership.

Additional CM-related memoranda listed as follows: OMB Memorandum "*Transforming the Marketplace*" dated December 4, 2014, OMB Memorandum M-16-02, dated October 16, 2015, OMB Memorandum M-16-12 dated June 2, 2016, OMB Memorandum M-16-13 dated June 2, 2016, OMB Memorandum M-16-14 dated July 1, 2016, OMB Memorandum M-16-20 dated August 4, 2016, OMB Memorandum M-17-22 dated April 12, 2017, OMB Memorandum M-19-13, "*Category Management: Making Smarter Use of Common Contract Solutions and Practices*" dated March 20, 2019, and OMB M-22-03 "*Advancing Equity in Procurement*" dated December 2, 2021.

The Department of Defense has also issued its own memoranda directing the adoption and use of Category Management principles and methodologies to improve its procurement activities. These include a May 1, 2018 memorandum from the Undersecretary of Defense for Acquisition and Sustainment (USD(A&S))

⁸ U.S. Office of Management and Budget. *Making Smarter Use of Common Contract Solutions and Practices*. Memorandum, May 2005 at 9.

⁹ *Id*

entitled, “*ACQUISITION: Surge Enablers, Best-In-Class Contracts, Small Business, and Mandatory Sources*,” and an April 26, 2019 memorandum from the Office of the Secretary of Defense, Office of the Chief Management Officer (OCMO) entitled “*Category Management – Requirement to Initially Determine Whether USALearning® Assisted Acquisition Services will Satisfy Training and Education Capabilities Requirements and to Leverage Such Services to Optimize Cost Savings*.” Noteworthy, the January 10, 2020 reissuance of Department of Defense Instruction 5000.74, “*Defense Acquisition of Services*,” replaced the nine Services Acquisition Portfolio Groups with the Federal Category Structure of 19 Common and Defense-centric categories, established component portfolio managers to “coordinate the procurement of key categories of services within the component as may be appropriate,” and directed portfolio managers to address requirements “from an appropriate enterprise-level (e.g., DoD Component-wide, DoD-wide, or best-in-class solution) so that resulting contract awards are aligned with mission, security, performance, and cost objectives.”

These objectives were then codified in the third goal of the 2018 National Defense Strategy entitled, “*Reforming the Department for Greater Performance and Affordability*” which dictated that the Department of Defense will “continue to leverage the scale of our operations to drive greater efficiency in procurement of materiel and services while pursuing opportunities to consolidate and streamline contracts in areas such as logistics, information technology, and support services.”¹⁰ These objectives were to be achieved through five lines of effort: (1) delivering performance at the speed of relevance, (2) organizing for innovation, (3) driving budget discipline and affordability to achieve solvency, (4) streamlining rapid, iterative approaches from development to fielding, and (5) harnessing and protecting the National Security Innovation Base.¹¹

¹⁰ U.S. Department of Defense (2018). *Summary of the 2018 National Defense Strategy of the United States of America: Sharpening the American Military's Competitive Edge*. Washington, D.C.: The Pentagon.

¹¹ *Id.*