



STRATEGIC SOURCING

STRATEGIC SOURCING OF ENVIRONMENTAL SERVICES

WHAT IS STRATEGIC SOURCING?

Strategic sourcing is a process for systematically analyzing an organization's spending and using this information to develop strategies for acquiring commodities and services more effectively and efficiently. It is a fact-based analysis that looks holistically at customer needs, market conditions, and organizational goals and objectives.

WHY IS IMCOM DOING THIS?

In 2005, the President's Office of Management and Budget (OMB) required each federal agency and department to identify at least three commodities for strategic sourcing and report annually on their progress. The Army senior leadership has embraced this process as a means to eliminate fragmentation and variation in contracting, reduce contract overhead costs, and ensure consistency in achieving quality services to support our operational and institutional Army organizations. In response to the OMB requirement, Installation Management Command (IMCOM) conducted an enterprise-wide opportunity analysis and identified environmental services as one of five spending categories appropriate for further strategic sourcing analysis.

Detailed analysis of IMCOM's environmental services yielded the following findings in 2007:

- IMCOM should leverage its buying power by buying similar services in bulk.
- IMCOM installations procure many similar environmental services such as studies, development of plans, assessments, and audits.
- IMCOM pays very different prices for the same service or product, particularly for staff augmentation, due to the fragmentation and variation in procuring environmental services.
- IMCOM installations use a wide variety of contracting agencies and pay varying fees for contracting services.
- IMCOM has the opportunity to leverage its buying power for environmental services because the industry comprises several thousand companies and it is marked by intense competition.
- IMCOM can improve the quality of contracted services and their value through Performance-Based Acquisition (PBA).

For more information

U.S. Army Environmental Command
Public Affairs Office
410-436-2556, fax 410-436-1693
<http://aec.army.mil>
APGR-USAECPublicAffairsOffice@conus.army.mil

HOW IS THE US ARMY ENVIRONMENTAL COMMAND (USAEC) IMPLEMENTING THESE FINDINGS?

USAEC is developing four new contract mechanisms that will allow IMCOM to improve environmental performance, ensure a consistent approach to environmental requirements, reduce the amount of time to award contracts and reduce contract costs. The new contracts include:

- Environmental Compliance
- Cultural Resources
- Natural Resources
- Management & Professional Services

Each of these national indefinite delivery/indefinite quantity (ID/IQ) contracts will be awarded to multiple contractors to ensure competition at the task order level. These new contracts will be available to all installations, regions, headquarters, and Army Reserve units under IMCOM as well as other Army Commands. The contracts will complement existing contract vehicles available through installation and Corps of Engineers contracting offices and will provide an alternative that promotes competition and performance-based outputs.

HOW DOES CENTRALIZED PROCUREMENT FIT IN?

The new contracts will allow USAEC to combine similar requirements together across IMCOM and compete them as a single task order. This has the potential to improve the consistency and effectiveness of deliverables while yielding a cost savings to the Army. Not all installation requirements will be procured centrally, only those determined to be best suited through coordination with the IMCOM regions and installations. In all cases, installation personnel will be involved in developing the requirements and monitoring the execution of deliverables.

HOW ELSE IS USAEC PLANNING TO IMPLEMENT THE 2007 FINDINGS?

USAEC plans to develop standardized performance work statements (PWSs) for environmental services typically contracted by the installations. These PWS templates will reduce the cycle time for developing contract scopes, improve the accuracy of contractor bids, and provide a more consistent deliverable to IMCOM.

WHAT IS PBA?

Performance Based Acquisition (PBA) is a contracting approach that structures an acquisition around the purpose and outcome desired rather than around the process for performing the work. In PBA, the Army tells the contractor in a very clear way:





- WHAT we want, but not how to do it
- WHAT we want the outcome to be, but not how to get there
- WHAT our performance objectives are; and
- HOW we are going to measure that performance.

WILL STRATEGIC SOURCING REALLY MAKE A DIFFERENCE FOR THE ARMY'S ENVIRONMENTAL PROGRAMS?

Private industry has long understood the importance of optimizing business processes and using best practices in order to achieve lasting improvements. Companies in the Fortune 100 have used strategic sourcing to achieve significant savings on their purchased expenses. Also, previous initiatives to implement strategic sourcing have not only provided cost savings, but in many cases have improved the quality of the deliverables. Significant benefits have already been realized in the areas of Cultural Resources, Environmental Restoration, and the Military Munitions Response Program.

HOW WILL STRATEGIC SOURCING BENEFIT THE INSTALLATION? THE ARMY?

Strategic sourcing will maximize the Army's buying power by increasing the value of each dollar spent, allowing installations to benefit from IMCOM's greater economies of scale. The cost savings and efficiency improvements from the strategic sourcing of environmental services will allow Army installations to accomplish more environmental work with equal or better quality. For example, the environmental cleanup program is realizing 20-30% savings on their PBAs, as compared to traditional acquisitions. The savings are used to get more of the installation restoration program dollars out to installations, addressing real on-the-ground problems.

FREQUENTLY ASKED QUESTIONS ON STRATEGIC SOURCING AND CENTRALIZED PROCUREMENT

- Q** Will installations still be able to effectively manage the contractor's performance?
- A** Installation environmental staff may be designated as Alternate Contracting Officer's Technical Representative (COTRs) on request and will have responsibility for final acceptance of all products. AEC and installation staff will develop Quality Assurance Surveillance Plans for each task order.
- Q** Will installations still have access to their preferred providers?
- A** Projects executed using centralized procurement will be awarded to the most qualified and most

efficient contractors. This may not be the same resource currently being used at the installation. Not all work will be centrally procured by USAEC or by regions. Installations can use many different approaches to meet IMCOM's strategic sourcing goals of lower costs, lower contract management fees, and quality products.

- Q** Will strategic sourcing result in new contractors that are unfamiliar with installation operations, increasing the workload on the installation staff, lengthening the timeline, and resulting in a poorer product?
- A** USAEC will work with installations to ensure a smooth transition.
- Q** Will installations be required to do more contract management than with traditional mechanisms (write scope, cost estimate, monitor execution, approve invoices, etc)?
- A** USAEC will provide expertise to assist in developing scopes and cost estimates and in managing contracts. Installation staff will continue to provide access to records and facilities and will be the final Army accepting authority.
- Q** Will centralized procurement appear to reduce the requirements at the installations and hurt their chances for funding in future Fiscal Years?
- A** USAEC will work with IMCOM and ACSIM to ensure that costs of centrally funded and managed contracts are properly allocated to the receiving installations for budgeting purposes.
- Q** Will all installation requirements be bought centrally without input from the installations?
- A** Central procurement will only be used for those environmental services for which it's appropriate and will be done in coordination with the installations and regions.

LINKS

To read a more detailed discussion on this topic, including details on how strategic sourcing is currently being implemented in IMCOM check out the "Increasing Environmental Services Buying Power through Strategic Sourcing" article in the Summer 2008 edition of the *IMCOM Journal* at <http://www.imcom.army.mil/site/command/journal.asp>

To learn more about the four IMCOM Environmental Services contracts being developed by USAEC check out the USAEC Website at <http://aec.army.mil/usaec/business/index.html>

To learn more about the process used for IMCOM's strategic sourcing analysis check out the Strategic Sourcing Overview module (CLC 108) at Defense Acquisition University (DAU) online. And to learn more about Performance Based Acquisition check out the Performance-Based Services Acquisition module (CLC 013), also at DAU online. <http://clc.dau.mil/>

USAEC provides environmental program management and technical support products in support of Army training, operations, acquisition and sound sustainability practices. As a subordinate command of the new U.S. Army Installation Management Command (IMCOM), USAEC is an integral part of the installation management team. It provides an expanded capability for the IMCOM regions and garrisons to support Soldier readiness today while working to sustain the operational capabilities for a transformed Army of the future.

