



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

DEPUTY DIRECTOR
FOR MANAGEMENT

July 11, 2008

MEMORANDUM FOR THE PRESIDENT'S MANAGEMENT COUNCIL

FROM: Clay Johnson III
Deputy Director for Management

SUBJECT: Plans for Commercial Services Management

This spring, we renamed the Competitive Sourcing initiative "Commercial Services Management" (CSM) to recognize that agencies improve the operation of their commercial functions using a variety of techniques. This memorandum provides guidance to help agencies as they prepare plans under this initiative.

In addition to competitive sourcing, the CSM initiative will track agencies' business process reengineering (BPR) efforts that rely on disciplined management practices -- such as the baselining of performance and costs, and the establishment of performance agreements -- but do not ordinarily involve public-private competition or the potential conversion of work from the government to the private sector.

CSM plans should identify functions for BPR using the criteria in the attachment. CSM plans should also identify where the agency intends to consider public-private competition, including for the potential insourcing of contracted activities.

Agencies should submit CSM plans for activities through FY 2009 to their Resource Management Offices (RMOs) by August 29, 2008. Many agencies have already worked with OMB to identify specific BPR projects as part of their competitive sourcing green plans or proud-to-be plans. These agencies should continue to pursue such projects and consult with their RMOs and the Office of Federal Procurement Policy (OFPP) to determine if additional submissions under this guidance are necessary.

In addition to the projects pursued under the CSM initiative, we expect your Chief Acquisition Officers (CAOs) to continue strengthening the acquisition workforce and improving the management and oversight of federal contractors. Over the past several years, OFPP has worked in close collaboration with your CAOs and other agency stakeholders on aggressive policy initiatives to enhance the capabilities and professionalism of the acquisition workforce, strengthen acquisition planning, increase the use of competition among private contractors, improve contract administration and management reviews of the acquisition function, strengthen contractor ethics, improve interagency acquisitions, enhance opportunities for small businesses,

and broaden the use of e-procurement tools. For additional information on OFPP's initiatives, see <http://www.whitehouse.gov/omb/procurement/index.html>. Strong CAO leadership in the implementation of these initiatives is critical to achieving the best results possible from our federal contractors. OFPP intends to continue working with agencies on improving the accuracy and timeliness of procurement data to ensure there is effective transparency of contract activity and full accountability to our taxpayers for results.

Questions regarding this memorandum may be referred to Mathew Blum in OFPP at 202-395-4953.

Attachment

cc:

Performance Improvement Officers
Chief Acquisition Officers
Competitive Sourcing Officials
Chief Human Capital Officers
Chief Financial Officers
Chief Information Officers

**General Criteria for Identifying Functions for Business Process Reengineering
in the Commercial Services Management Plan**

Under the Commercial Services Management (CSM) initiative, OMB will track business process reengineering efforts, including those intended to lead to the creation of high performing organizations that meet the following general criteria:

1. Agency management has identified the function for reengineering, consistent with the agency's human capital plan and workforce planning initiatives and based on a completed feasibility review (or a potential reengineering subject to the outcome of a feasibility review) showing a performance gap or opportunity to improve organizational efficiency.
2. The agency intends to use a reengineering process, consistent with applicable personnel and other management policy and regulations, that includes the following general components:
 - a. Measurement of current workload and current level of service;
 - b. A baseline reflecting the full cost of current government performance;
 - c. Benchmarking and/or market analysis;
 - d. A performance work statement;
 - e. A reorganization plan to achieve efficient service delivery developed by technical, functional, and human capital experts;
 - f. A transition plan;
 - g. Reasonable milestone dates for completing the development and implementation of the reorganization plan;
 - h. A performance agreement for the reorganized (new) organization identifying workload requirements, the level of performance, cost of performance, and projected savings;
 - i. The identification of an appropriate agency official or officials to manage the new organization in accordance with the performance agreement; and
 - j. A commitment to track performance and actual cost, document variances, ensure corrective action is taken, when required, by the responsible official, and independently validate results.

For the CSM initiative, agencies should generally begin with functions that are identified as reason code "B" on their Federal Activities Inventory Reform (FAIR) Act workforce inventory. Agencies may consider functions for reengineering that were analyzed as part of the

competitive sourcing initiative if competition was not pursued and a performance gap was identified that has not been addressed. Agencies may also wish to consider reason code "A" functions that are appropriately reengineered along with code "B" functions as part of a business unit to optimize efficiency and organizational effectiveness.

CSM plans may include functions that are currently undergoing reengineering, or were the subject of a reengineering completed on or after January 1, 2007, provided the reengineering process met the criteria described above, the function is made subject to a performance agreement, and performance is tracked, as described above.