

Simplifying Federal Acquisition: A Conversation with Anne Rung, Administrator, Office of Federal Procurement Policy, Office of Management and Budget

By Michael J. Keegan

The federal government spends almost \$450 billion annually to buy basic goods and services. Today more than ever, the government must ensure that it spends money wisely and eliminates waste and abuse of taxpayer dollars.

With more than one out of every six dollars of federal government spending going to contractors, it is imperative that the federal government leverages its buying power, drives more consistent practices across federal agencies, shares information, and reduces duplication while providing better results for the American taxpayers.

The Office of Federal Procurement Policy (OFPP) in the Office of Management and Budget plays a central role in shaping the policies and practices federal agencies use to acquire the goods and services they need to carry out their responsibilities. Anne Rung, Administrator, Office of Federal Procurement Policy, OMB, joined me on *The Business of Government Hour* to discuss federal acquisition: why it is so complex, category management and its promise, driving innovation in acquisition, and efforts to strengthen government-industry relationships. The following is an edited excerpt of our discussion, complemented with additional research.

On the Mission of the Office of Federal Procurement Policy

OFPP was created by Congress in 1974 to provide overall direction for government-wide procurement policies, regulations, and procedures and to promote economy, efficiency, and effectiveness in acquisition processes. OFPP is headed by an administrator who is appointed by the president and confirmed by the Senate. Just for fun, I decided to read the floor debate in the run up to its creation. Former Senator Lawton Childs talked about the need to curb duplicative agency spending practices that have kept the taxpayer from getting his dollars' worth. I think that mission is still relevant today; it ties back to actions that we're taking now in the office.



The overall goal of the office is to increase the economy, efficiency, and effectiveness of federal acquisitions. The statute outlines some specific areas where the administrator plays a leading role such as helping to promote and advance small business participation. The administrator oversees the federal procurement data. The administrator chairs several government-wide councils, including the Chief Acquisition Officer's Council and the Category Management Leadership Council, which is something I created that is not in statute but an important council that I run. The administrator chairs something called the Federal Acquisition Regulatory Council. Each time the president issues an executive order or a law is passed, there is normally a regulation that follows, so the council works toward implementing that consistently across government.

On Challenges

The serious challenge involves keeping up with the pace of technology. We need to work with both the private sector and government to identify the best ways to use technology to better serve the citizens. The next challenge for any administrator is simply being faced with the sheer size and scope of the federal acquisition space. We spend \$440 billion annually spread across 37,000 contracting offices around the globe—so just the sheer size and scope of it is pretty significant. My third challenge is dealing with the culture of federal acquisition. It is generally a rules based, very risk averse culture. It's very much a "check the box" mentality. Going back to my first challenge, taking advantage of the rapidly changing world of technology, a rules-based and risk averse culture makes it much harder to seize these opportunities, which can in turn be very challenging.

On Federal Acquisition and Its Complexity

The acquisition process starts with a federal agency identifying a need to buy something, a good or service, in order to deliver on its mission. This is the very earliest phase of an acquisition. It goes through various stages including identifying the need, defining the need, asking the market to provide you with that good or service, awarding the contract, and then managing that contract to the completion of the transaction. What I am speaking about doesn't include grants. It is just contracts for goods and services across the government.

I began this job by meeting with colleagues in the agencies, industry stakeholders, and others to get their thoughts on this marketplace. They all underscored the complexity of the federal acquisition space. The overwhelming feedback from industry and other stakeholders is that the complexity of the federal contracting space leads to higher costs, slower procurements, and less innovation. Stakeholders cited as problems, among other things, 100-page request for proposals with overly prescriptive, government-unique requirements; significant contract duplication across government; and very little sharing of pricing and other contract information between agencies and industry. Simplifying the federal contracting space is critical to driving greater innovation and creativity and improved performance.

With this firsthand information, we initiated a series of actions described in a memorandum to the agencies to simplify this acquisition process. It was built around three areas—category management, driving innovation, and building better vendor relationships—all with the goal of simplifying this space.



These efforts complement a number of important steps taken to strengthen federal acquisition practices to improve efficiency, reduce red tape, and provide greater benefit for taxpayer dollars. Executive departments and agencies have cut contracts that are no longer necessary or affordable, launched new efforts to pool the government's buying power through strategic sourcing, and implemented other smart buying strategies to deliver better value for the American people.

On Category Management

There is a critical need for a new paradigm for purchasing that moves from managing purchases and price individually across thousands of procurement units to managing entire categories of common spend and total cost through category management. Marie Kondo, organizational design consultant and *New York Times* best-selling author, talks about how to organize your house. She says rather than organizing by room, organize by category. For example, take clothes. Instead of organizing by your bedroom, go to every room of your house and start pulling out all the clothes. You have clothes in every room. You gather all the clothes and see what and how many pieces of clothing you have. It is at this time you ask whether you need it or not. For our purposes, category management is a similar process.

Since 2010, and with the support of the Strategic Sourcing Leadership Council (SSLC), agencies have reduced contract duplication by up to 40 percent in some areas, and they have saved over \$417 million when government-wide

strategic sourcing has been utilized. Despite this progress, a significant amount of contract duplication remains.

Category management, used extensively in industry and by other countries, can best be accomplished by managing commonly purchased goods and services—approximately half of the federal government’s overall spend—through common categories like information technology (IT) hardware and IT software. This approach includes strategic sourcing, but also a broader set of strategies to drive performance, like developing common standards in practices and contracts, driving greater transparency in acquisition performance, improving data analysis, and more frequently using private sector (as well as government) best practices.



OFPP and the General Services Administration (GSA) have mapped the more than \$275 billion of common spend into 10 super categories—such as IT, transportation, and professional services—and they are doing our deepest dive in IT. Each category is led by a senior government executive who is a true expert in the category and charged with developing a government-wide strategy to drive improved performance.

We have a very clear set of outcomes around category management. As part of a more significant effort, we want to first drive savings, so we’ve set a goal to achieve \$5.8 billion in savings in the IT space by the end of this calendar year. Now that will encompass other IT reform efforts we’re taking across government, including data center consolidation. We want to reduce contracts, so we’ve set a goal to

reduce duplication. In the area of PCs for example, we know we don’t need 10,000 contracts, so we issued a directive to agencies use the existing three contracts.

Another outcome that we’re driving toward is just bringing more spend under management. It’s not that complicated of an idea. We want to make sure that all these categories have a CEO leading the category, that we have good data analytics and good metrics, and that we’re really managing these by categories. By bringing common spend under management (SUM) through the collection and analysis of prices paid and other key performance information, agencies are better positioned to get the same competitive prices and performance quality that their colleagues in other agencies are getting.

Since its inception, we’ve already realized nearly \$2 billion, to date, in annual savings as a result of category management—adopting smarter, more strategic buy practices across government. Here are some related achievements to date: GSA’s Acquisition Gateway hit 6,500 users toward our goal of 10,000 member users by the end of this year; a team of dedicated senior government executives was identified to oversee our 10 categories, which represent more than \$270 billion a year in spending; and we continue to drive greater efficiencies in the \$10 billion spent each year on PCs, software, and mobile devices.

The future state of category management requires stronger specialization of our workforce—a contracting workforce, a team dedicated to category management, and a team dedicated to business engagement. It requires a strong supplier relationship management program within each category.

On Driving Innovation

It always comes back to the people. I am pleased to say that we have a very technically competent acquisition workforce. I’m focusing my energy on making our folks more innovative, so we can be better at buying IT and capitalizing on technology. As I noted earlier, we have an acquisition culture that’s very rules-based and compliance oriented. I want to help that workforce become more agile, flexible, and less risk averse.

Working with OMB’s Office of E-Government and Information Technology, the U.S. Digital Service, and the Office of Science and Technology Policy, we have taken bold steps in the last year to drive innovation in the workforce. There is a need to strengthen the core capacity of the acquisition workforce to use innovation strategies that deliver real results. The acquisition workforce is trained for the most

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— Anne Rung



part to be generalists, but IT procurement requires a deeper expertise. Therefore, we launched the Digital IT Acquisition Program (DITAP). It is essentially the acquisition equivalent of the U.S. Digital Service except that we recruited career contracting officers from the agencies. This was done intentionally because we want this to last and we want the program to be embedded within the agencies. That’s just one example of how we’re trying to help the workforce think differently and try new approaches to acquiring goods and services.

We’ve also developed tools to help the acquisition workforce. We issued the *TechFAR Handbook* to help agencies leverage existing regulatory flexibilities to acquire development services using strategies in the *Digital Services Playbook*. The *Playbook* is quite simply a series of digital plays that one could play in the acquisition workspace to better procure digital IT services. The *TechFAR* is taking those plays and explaining how you could use existing authorities in the federal acquisition regulations to do those plays so you have the authority.

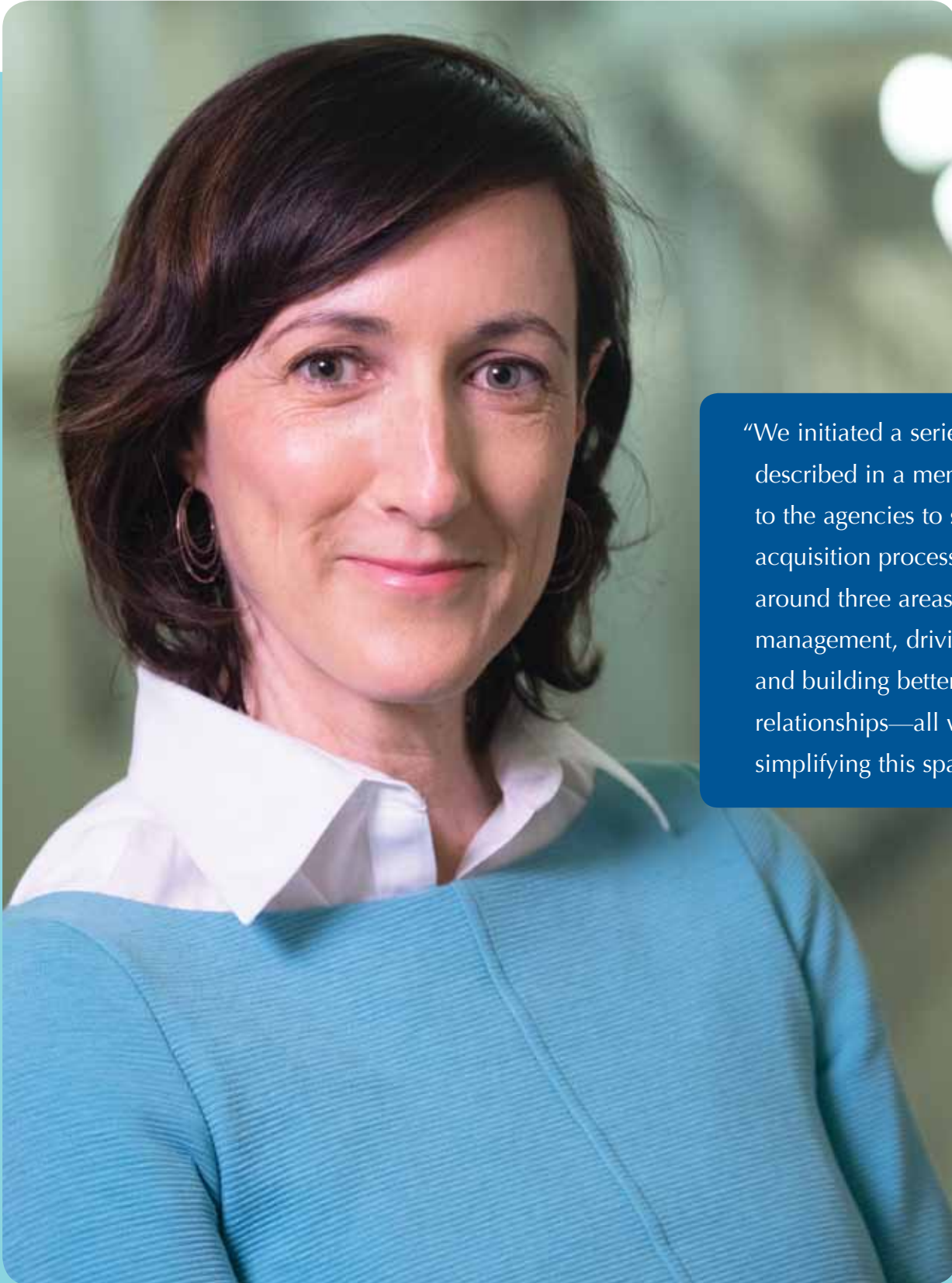
We also need to create a pathway for our innovators to experiment. We issued a policy calling for the 24 CFO Act agencies to create an acquisition innovation lab, or a similar mechanism, to encourage testing of innovative ideas and support the adoption of new ways of doing business. We don’t want to mandate innovation per se, because it seems a little bit counterintuitive. We didn’t want to be overly prescriptive to the agencies, so we set up principles. Agencies will appoint advocates, who will participate in a council where they will discuss their challenges, exchange best practices with government and industry experts, and be empowered to encourage testing of new ideas at their agencies. Agencies will be encouraged to participate in a pilot in which six to seven forward-thinking agencies will construct their labs with support from the U.S. Digital Service and GSA’s 18F. Funding was approved for 18F to provide coaching for integrated lab teams of program, technical, and legal experts. Experience from these priority acquisitions will be recorded in case studies. There are labs already underway, including the HHS Buyers Club and an innovation lab at DHS.

Standing up acquisition labs won’t, by itself, drive innovation; but the more signals our agency leaders give to the workforce that creativity matters, the more opportunities we offer them to become meaningfully engaged in process improvement. And the more we recognize and share their contributions, the better positioned we will be to produce even better results for taxpayers.

On Building Stronger Vendor Relationships

Early, frequent, and constructive engagement with industry leads to better outcomes. I think there’s a lot of fear in talking to industry, and the reality is you can have lots of communication, and you should. We’ve partnered with ACT-IAC on a series of events called “Lifting the Curtain” to shed light on how both industry and government view federal procurement. We’ve held a session on industry bid/no-bid decisions (which I attended), one on market research versus market intelligence, and one here at this conference on technical evaluation committees.





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In addition to lifting the curtain, we're also providing more formal channels for industry to provide us with more meaningful feedback on federal acquisition performance. Since last March, OFPP launched Acquisition 360, the government's first ever transaction-based survey tool that collects comprehensive data across government from vendor, program, and contracting offices on specific IT acquisitions. To date, OFPP has collected data from 1,100 contractors who competed for complex IT acquisitions, representing 5 percent of all agency IT acquisitions awarded this fiscal year. By the end of 2016, our goal is to gather data from all IT acquisitions over \$500,000, which represents 40 percent, or \$20 billion, of all IT acquisitions. Smarter use of IT is another key component to improving supplier relationships and federal acquisition; it can reduce the cost of doing business for contractors, make it easier for contractors to navigate the complex world of federal contracting, make it easier for agency managers to do their jobs and access the information they need, and improve transparency for taxpayers.

Based on this year's response rate, we anticipate 6,500 vendors will provide us with their insight. That insight will inform our policy making and actions moving forward. Our preliminary set of data highlights areas where the government needs to improve, including the quality of post-award debriefings. Companies want to know what they can do to improve.

On Leadership

Those of us in leadership positions constantly think about how we can be better leaders. I look to other leaders who exhibit specific characteristics that I would like to emulate. OMB Director Sean Donovan is an incredible leader. I look at how he handles tough situations with total grace. He's really focused on the people and making the organization better. Those to me are characteristics of a great leader.

As a leader you have to bring together diverse groups to drive change. A good leader possesses the power to convene and collaborate to drive change. It is also important to have clear metrics and outcomes, so people understand what it is they're working toward and the value of working toward those goals.

On the Future

How do we become nimble, fast enough, and flexible to keep pace with technology so we can better serve our citizens? The question that we must ask ourselves is: Have we simplified our own federal acquisition marketplace to keep pace with the incredible opportunities provided by technology? Because fixing technology means fixing, in large part, IT acquisitions. Are we fast enough and nimble enough to adjust? I would concede that the answer is that we are not yet there, but we're planting the seeds and seeing positive signs of growth. ■

To learn more about OMB's Office of Federal Procurement Policy (OFPP), go to www.whitehouse.gov/omb/procurement_default/.



To hear *The Business of Government Hour* interview with Anne Rung, go to the Center's website at www.businessofgovernment.org.



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To read the full transcript of *The Business of Government Hour* interview with Anne Rung, visit the Center's website at www.businessofgovernment.org.