INNOVATIVE PROCUREMENT STRATEGIES

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6767 OLD MADISON PIKE, BUILDING 7
HUNTSVILLE, AL 35806
OVERVIEW

• FIRST PROCUREMENT FOR PRINTED WIRING BOARDS (PWB)
  – $2 MILLION CEILING
  – 2 YEAR TERM

• SECOND PROCUREMENT FOR ENTIRE CLASSES OF ITEMS FROM COMPONENTS TO COMPLEX ASSEMBLIES
  – $45 MILLION CEILING
  – 5 YEAR TERM
FIRST PROCUREMENT APPROACH

• PWBs HISTORICALLY PROCURRED VIA CREDIT CARD AS MICRO-PURCHASES

  – MULTIPLE BUYS ≤ $2,500

  – PERCEIVED AS “SPLITTING”
  • PENALTIES ARE $10,000 FINE AND/OR 5 YEAR IMPRISONMENT
FIRST APPROACH (CONT)

• SOLUTION

  – USE FEDERAL ACQUISITION REGULATION (FAR) TEST PROGRAM AUTHORITY
    • RAISED SIMPLIFIED ACQUISITION PROCEDURES (SAP) LIMIT FROM $100,000 TO $5 MILLION

  – PROCURE PWBs AS A SUPPLY RATHER THAN A SERVICE
    • REQUIRED TO MEET SAP DICTATES
FIRST APPROACH (CONT)

– USE TWO YEAR CONTRACT
  • LOCK-IN PRICES
  • DECREASE ADMINISTRATIVE COSTS AND PROCESSING TIME DELAYS

– WARRANT ORDERING OFFICER IN TECHNICAL OFFICE
  • AVOIDED USING CONTRACTING SHOP FOR EACH BUY
FIRST APPROACH (CONT)

– USE PURCHASE CARD FOR PAYMENT

• CONTRACTOR PAID IN TWO DAYS WITHOUT DFAS INVOLVEMENT

• NEGOTIATED BETTER OVERALL PRICES
FIRST APPROACH (CONT)

• RESULTS
  – AWARDED A $1.2 MILLION PROCUREMENT IN 70 DAYS RATHER THAN 260 DAYS USING NORMAL CONTRACTING BY NEGOTIATION PROCEDURES
  – NEGOTIATED LOWER PRICES
  – SIGNIFICANTLY IMPROVED PROCUREMENT TURN AROUND TIME
  – BROUGHT ORDERING CAPABILITY INTO TECHNICAL OFFICE
SECOND PROCUREMENT APPROACH

- PURCHASED MYRIAD ITEMS RANGING FROM ELECTRONIC COMPONENTS TO COMPLEX SYSTEMS
  - $5 MILLION PER YEAR
  - TIME CONSUMING
  - PROCUREMENTS OFTEN COMPLICATED
  - OFTEN LESS THAN TIMELY
SECOND APPROACH (CONT)

- PROCUREMENT STRATEGY
  - BUY EVERYTHING, EXCEPT COMPUTERS, FROM A SINGLE VENDOR
  - STRUCTURE A FIVE YEAR CONTRACT
  - RETAIN BASIC FEATURES OF THE FIRST PROCUREMENT APPROACH
SECOND APPROACH (CONT)

• PROBLEMS
  
  – APPEARANCE OF “BUNDLING” AND RESTRICTING SMALL BUSINESS
  
  – FORCED TO INCLUDE ANOTHER ORGANIZATION RAISING CONTRACT TO $45 MILLION
    
    • UNABLE TO USE SAP
    
    • FAR REQUIRED CONTRACTING BY NEGOTIATION PROCEDURES
SECOND APPROACH (CONT)

• SOLUTION
  – USED FAR SOURCES SOUGHT REQUEST TO ADDRESS BUNDLING
    • AVAILABLE ONLY TO R&D PROGRAMS
    • EVALUATED 113 SUBMITTALS--ONLY TWO VENDORS WERE “QUALIFIED”
    • NEITHER MET THE REQUIREMENT TO PROVIDE 100% SMALL BUSINESS MATERIALS
SECOND APPROACH (CONT)

– NEGOTIATED APPROACH WITH SMALL BUSINESS ADMINISTRATION (SBA)

• 5% PRICE ADVANTAGE TO SMALL BUSINESS SUPPLIER

• TWO VENDORS, ONE PURELY SMALL BUSINESS AND ONE UNRESTRICTED BUSINESS

• COMPETE OFFERS USING SBA AGREEMENT TO SELECT BUYS
SECOND APPROACH (CONT)

– WARRANTED ORDERING OFFICER IN TECHNICAL OFFICE FOR PROCUREMENTS

– UTILIZED PURCHASE CARD FOR PAYMENT
SECOND APPROACH (CONT)

• RESULTS

– 90 DAYS TO ACCOMPLISH SOURCES SOUGHT AND SBA NEGOTIATIONS

– APPROACH HIGHLY POLITICAL
  • PROCUREMENT EXPENDED 17 MONTHS FROM START TO SOURCE SELECTION COMPLETION
CONCLUSIONS

• FAR CAN BE USED TO MAXIMIZE PROGRAM SUCCESS

• COMPETENT, OPEN-MINDED TEAMS OPTIMIZE RESULTS
  – TECHNICAL OFFICE
  – PROCUREMENT AND SMALL BUSINESS OFFICE