

INNOVATIVE PROCUREMENT STRATEGIES

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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 PROCURED VIA CREDIT CARD AS MICRO-PURCHASES
 - MULTIPLE BUYS \leq \$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