

Carla: Good morning, and welcome to the live SBA web conference. With that, I'll turn the call over to Dwight Johnson. Dwight, please go ahead.

Dwight: Thank you Carla, and thank you everybody for joining us again. Before we go into this I wanted to mention a couple of things. One is SBA customer service. I want you to know we try to accommodate you the very best we can. We're somewhat of a low budget program often subject to technical issues as like today. If you send us an email asking for something, we get back to you, our response depends upon your subject. If you're asking us a question about our topic today, we try to be back with you pronto. If you ask about something, a past presentation that may not be as hopeful but, if you don't hear from us, guess what? Ask again. Give us about a week, because we want to answer your questions, that's very important.

We end at 30 minutes past the hour punctually. If there's some questions still out there that you have asked, we have not answered, then ask us again later. The good old email below, SBAlearning@SBA.gov is the best one for forwarding any sorts of inquiries. The 2nd thing today, Tom Krusemark, is going to be speaking about strategic sourcing. This may not be something in particular that you're going to run into very often. As we're presenting it today, you may more likely use it as a user of a contract rather than a developer of a strategic sourcing contract. Bear with us today, we're going into uncharted waters, uncharted territory. Listen closely to this program which is based on the far, but it's not particularly in the far.

Tom is our presenter, I'm Dwight, and Jan Kiser in Chicago is here with us as well. This is a reminder about area directors, area offices, what goes where. We always say that, because we always have questions about it, be sure to use the right nix code below it. Women on small business program, we're making an announcement on that today. That program is changing, and it will be changing this week, so it will be more applicable to more things for you.

Again, welcome. The contact email for this program is SBAlearning@SBA.gov and we have a quick reference at the end. We don't anticipate going through this. Now we are on slide 4. This is new, I have it up there as a beta. This is a new library, where actually you're going to be able to take these classes later. That's the intent, and that's where housing for these programs is located, there's also a link with the association for partnering with federal agencies and procurement technical assistance centers.

Slide 5, this is something that we want to caution you about, and we'll have this in here for a while. Do not mention any private companies in your solicitations. Private companies that assist in registration and Sam. Apparently this happens quite a bit. We're not naming companies, but the service is provided free by the Procurement Technical Assistance Program, so one should not be recommending a private company in any circumstance.

Moving on to slide 7, we are how time flies. Next month we're talking about market research. Valarie Coleman will be joining us on April 6th. We're going to be tweaking

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that program a little bit, but you will learn more soon. What we do here on, what we do of course is we have our one continuous learning point. This is where we need you to email SBAlearning@SBA.gov if you're on the phone only. Otherwise, if you logged in, we have your email address, so that's how we contact you. If you are listening in groups, please send us an excel document with email names in it so you can receive our post program email with the recording and all that good stuff. Now let me see, going to slide 9, here's the certificates for your bearing with us today.

Slide 10. I'm going to turn this over to Tom, and again, bear with us, listen closely, and we're going over a whole lot of material in a very short time. This is a new one and a different one for us. Tom, how about if you take it away?

Tom: Thank you! My name is Tom Krusemark, I'm a PCR out of Wright-Patterson AFB, OH and I additionally cover federal activities in Cincinnati, Columbus, Youngstown, and Cleveland, OH. It's an honor to be here today. My purpose in presenting this briefing today is not to either advocate for or against strategic sourcing, but, rather, provide you with a flavor for what strategic sourcing is as a process. Slide 2 please.

Dwight: This is actually slide 11.

Tom: Okay, it's slide 11. The why behind strategic sourcing. It's a reality that every federal activity will face with fluctuating budgets in ensuing years. It is also a fiscal reality that agencies will have to look for alternative acquisition processes. Alternative acquisition processes may include centralizing contracting decisions, or using government wide strategic sourcing vehicles in an attempt to lower prices and reduce administrative costs.

Slide 12. As you can see, there have been several policy directives that have occurred over the years. Basically, those have been over a period of 2005 through 2013. In March of 2013 the strategic sourcing leadership committee (SSLC) sent a recommendation for putting forth 5 recommendations from each agency as candidates for strategic sourcing.

Slide 13. In 2014 the OFPP memo on transforming the marketplace centered on category management. Category management is one aspect of strategic sourcing that places like commodities into specialization pools. In utilizing strategic sourcing, I would like to emphasize, as a process it cannot be labeled as a contracting solution only. It's a sourcing strategy, not just a contracting strategy. It is a strategy for obtaining data driven products and services from an established process. Next slide please.

[crosstalk 00:09:55].

Dwight: That's slide 14 right?

Tom: Strategic Sourcing is a collaborative process- which means that organizations must work together at all levels to produce data fields to include the number of transactions and variances in how they buy goods and services. Next slide please.

All right, strategic sourcing steps. As I indicated before, this is a collaborative approach. It's collaborative between the program management office and the sourcing team. I'd like to point out at this juncture, that small business is going to be an integral part of this entire process. Next slide please.

What you need to do is approach your sourcing strategy from a business case analysis perspective. As you begin looking at different acquisition approaches, you need to make sure that you are working with the small business offices, and include them in the strategy. Next slide please.

Dwight: 17.

Tom: Strategic sourcing solutions are group processes. In strategic sourcing, You are taking demand management from your program management office, and standardizing acquisition cost estimates. You are putting it into a process improvement program. As I reiterated earlier, case analysis is essential in strategic sourcing. As you proceed there must be constant communication with the small business office and the PCR to establish a strong strategic sourcing team. Next slide please.

Dwight: 18.

Tom: When you are talking about implementing strategic sourcing, one is looking at how buying power is leveraged; how quality improvements can be made by standardizing buying methodology across many sources—how to reduce the number of transactions. How do you reduce workload? Are there areas within contracting processes where greater standardization can occur? Next slide please.

Dwight: 19.

Tom: This slide is really there to show an associational relationship between the activities on the left and the product results on the right. I'd like to hone in on the 3rd one. When we are talking about a contracting activity, we are talking about the functional lead in contracting who is implementing the strategic sourcing process. The appropriate management office that is communicating with the small business office must look at strategic sourcing smartly. Are you involving small business at every step in the process? Are you utilizing market research to determine the most optimum sources that can justify a small business approach for strategic sourcing? Next slide please.

Dwight: 20.

Tom: This slide really deals with savings drivers. I'd like you to take a look at the bottom of the page-- the last 5 elements where we talk about supplier integration, marketing intelligence, optimization of consumption, multi-functional effort, and requirement vetting. As you can see, when we are talking about strategic sourcing, we are looking for those savings trackers that will allow us to buy things quicker, and buy them more efficiently. I would say, as a small business specialist, and a procurement center

representative, reviewing these acquisition strategies and working with various offices, it has been my experience that the most important task is to determine how well the activity is performing marketing intelligence. Are they doing everything they can to utilize marketing tools to encourage small business participation. Next slide.

Dwight: 21.

Tom: In order, let's talk about the strategic sourcing teaming arrangements. When you are talking about utilizing strategic sourcing, the discussion centers around multi-functional work teams. Normally you have a contract officer, project manager, contracting specialist who engage in the source selection process. I can't emphasize enough that small business needs to get involved early on in the process. Next slide please.

Dwight: Okay, 22.

Tom: When you're talking about stakeholders-- this particular step involves identifying key stake holders in the process-- rallying subject matter experts to participate in the market research intelligence gathering process. The stakeholder announces his process of identifying the individuals or groups that are likely to be affected by a decision to strategically source.-a stakeholder analysis has to be performed whenever an organization is deciding whether or not to pursue strategic sourcing as an acquisition alternative. Next slide please.

The stakeholders need to take ownership of the process. They need to realize that they are involved in the process. The end user of the service or commodity must realize that the small business office plays an integral part in this process. Next slide please.

Dwight: 23.

Tom: The key is to communicate your strategy early in the acquisition process. The proper training tools must be made available to ensure your customers understand the process. Next slide please.

Dwight: 24.

Tom: The key of course is to engage in regular conference calls and meetings. Take a look at the block at the very left of this slide. In the state of Ohio, I'm always cognitive of the need to keep leadership informed at the top levels of the SBA when activities are anticipating strategically sourcing services-- the potential impacts on the small business industrial base must be looked at. If your activity is anticipating strategic sourcing, make sure you involve your Procurement Center Representative early on in the process. Make sure that you are speaking with the appropriate small business officials so no one is surprised. Next slide please.

On this slide, there are basically 4 steps. I would say the most important step here is to make sure that you look at historical data. That historical data includes not only pricing, but also what has been done in the past relative to the acquisition patterns for that

service. Next slide please.

If you had taken management courses in the past, I'm sure you have all heard about conducting a SWOT analysis, which stands for strengths, weaknesses, opportunities, and threats. I am a big advocate of when you are considering strategic sourcing as an option, that you go through each level of SWOT analysis—this allows one to determine where the strengths, weaknesses, opportunities, and threats are in improving follow-on acquisitions as well. We talked about the opportunities earlier in the briefing, and I think it's important that you take all of your findings and put them into your project schedules, and concurrently update your risk analysis. Next slide please.

Dwight: 28.

Tom: Marketing analysis, I cannot emphasize enough the importance of performing accurate market research. That's the basis for establishing the presence and capability of small business to perform. Next slide please.

Dwight: 29.

Tom: Here is the information that needs to be included in an actual market survey. You need to include the executive summary of the acquisition, the background, and the spend analysis. Next slide.

Dwight: 30.

Tom: This is a roll-up for steps 1 and 2. At this point, you have analyzed the scope of the initiative, you've identified the stake holder interest and concerns, and you are now ready to initiate risk documentation. Next slide please.

Dwight: 31.

Tom: The bottom line is your requirements must be strong. They must be strong based on the validity of your market research. As you move forward with your requirements as a PCR, the first thing I look at when I look at an acquisition strategy is: how good is your marketing intelligence? Next slide.

Dwight: 33.

Tom: In your analysis of the finished market intelligence product, you need to ensure that the NAICS is justified and documented. NAICS code selection can be very tricky. You need to make sure that it represents the largest description of the preponderance of work that you are putting on contract. The SBA uses NAICS to establish small business size standards--NAICS selection is very important. Ensure your NAICS Code selection is well documented in your Determination and Findings (D&F) in the contract. Next slide please.

Dwight: 34.

Tom: I want to go to step 4. We've talked about risk; we also talked about the earlier assessments of how you put together your requirements documentation. Next slide please.

Dwight: 34.

Tom: Once your market research is completed, then your risk documentation sets the stage for determining your acquisition schedule. Next slide please.

Dwight: 35.

Tom: Step 5 involves creation of the action plan and draft RFP. The draft RFP stage is important because it allows industry to comment on what is right and what is wrong with the solicitation. Next slide.

Dwight: 36.

Tom: These are sourcing strategy products that occur mostly in the systems contracting world. We have acronyms for everything. ESIS is early strategy and issues session. That is common for services contracting. You also have MIRTs that are multi-functional independent review teams. These of course are approval gates for large contracts. Just be aware of what they are, the purpose of them, and what they do for your sourcing strategy. Next slide please.

Dwight: 37.

Tom: Again, you need to involve small business directors and SBA PCRs early in the process. Activities should consider hosting virtual small business events. Outreach functions enhance vendor communication. Next slide please.

Dwight: 38.

Tom: You need to go through these steps before you host events. These steps are somewhat intuitive, but I mention them here to make sure that you realize that these are the steps you need to go through to plan for virtual small business events. Next slide please.

Dwight: 39.

Tom: Strategy execution on the day of the event. Everything you are doing in outreach, of course, leads up to the release of the final RFP. Performance management--now it is time to conduct training for stakeholders.

Carla: Are you on slide 40 now?

Dwight: That was slide 39.

Carla: Did you go to step 7 Tom?

Tom: I am on step 7.

Dwight: Oh sorry, okay. Thank you.

Tom: You conduct training for the stakeholders, you evaluate and report on performance. You will identify the type of supplier relationship needed. That helps in building and maintaining the earlier relationships. The next slide please talks about tools.

Dwight: 41.

Tom: You have your market research completed. You have the SSA approval, If you are using centralized ordering vehicles, it's going to be a mini competition for each task. Depending upon the composition of your multiple award contracting vehicles, you are going to have many competitions for each task or level. The next slide please, we're almost at the end.

Dwight: 42.

Tom: The goal of the entire briefing and the information I've given you is to be able to walk away with some tools that enable you as contracting officials and small business officials to make fact based acquisition decisions. You are going to be doing that with a multi-functional team—you will be providing business and marketing intelligence to acquisition teams and management at all levels—you should also be able to characterize best practices. Going through this process is going to help further identify the capability of small business to participate in the process.

Last slide.

Dwight: [inaudible 00:36:11] 42.

Tom: Again, you need to involve the small business office and the SBA early on in the acquisition planning process. Be particularly sensitive to rules pertaining to consolidation. For potential Bundling, make sure you've gone through the 7 guidelines that determine what is considered bundling. Make sure you document your contracting files, and that the proper approvals have been obtained.

I just made a couple of final notes here. Do not dismiss the value of small business teaming arrangements to accomplish larger requirements. Of course remain vigilant to SBA approvals in the Code of Federal Regulations with respect to affiliation and what constitutes acceptable joint venture relationships. Thank you all--it's been an honor for me to conduct this training this morning on a very important topic. I wish you all the best!

Dwight: Thank you Tom. We have our quick reference, who to contact for what. We pretty much have this in every presentation.

Jan: We have questions.

Dwight: Let me ... Wait just a minute Jan. This time, before we get into the questions, then I'll go back. One of the key things, we kind of catch our breath here, is that in this section we go into all of our small business programs, and resources, and links, and [inaudible 00:39:02] veterans on this mat. That's what FDA focus is on. With what we talked about in strategic sourcing today, all of those things still apply. We have a far based program that's not in the far. That is one of the peculiarities about it. If you look at your work, I happen to hear of people using Net Sense a lot. Pathway, items 2 3 whatever. I think we're talking contracts about a billionish in size. We're talking huge contracts. We're talking long term contracts. For many of you as I said when we started this, your life is, "Oh, I'm getting such and such a purchase", but the required source for Pathway or Net Sense or whatever.

A whole lot of the market research, and that sort of thing, has basically been completed in the enormous process that Tom was describing. We still have to follow our small business regulations. You follow all the far stuff, but we are very zealous in looking at our small business participation, strategic sourcing. Personally this makes me a little bit editorially speaking, because small business goals are usually still made, but we have fewer small businesses.

Several sessions ago we talked about consolidation. In all probability these strategic sources and projects had a consolidation component. We go through that and there has to be a savings aspect to that. Of course all this is based on heavy duty market research. We use some acronyms which you might not be familiar with, so we've had some questions about that. Jan, take it away with the questions.

Jan: Sure. Tom, could you explain, on slide 32 of the slide deck, there's a reference to the max track tool. Can you explain what that is?

Tom: My understanding is Max Tracks is a tool that is used by the ... I know the Air Force [inaudible 00:41:55]. The tool they use for small business performance metrics, they look at aspects of: how do you relate NAICS codes to a specific activities. I'll have to get you more information on that.

Dwight: You can Google that, and it could be probably a defense program. I don't know if it comes up, if it's limited to the Department of Defense, but that's where it originates.

Tom: I can send out some additional information on that.

Jan: Okay. There's also a reference to ESIS, and ... I know I saw that out in the slide deck as well. It's on slide 36, where it talks about repairs, brief, and obtain approval of ESIS. Can you just explain what ESIS is? Also, on the same slide, there's an acronym MIRT, can you define that?

Tom: ESIS applies primarily to services contracting. That's the acronym for Early Strategy and

Issues Sessions. Basically, that's where the acquisition team gets together and they talk about: what are the reviewing parties of that particular service acquisition? Are there unique aspects of it that is going to take us down a path and direction of pursuing a specific contract type? It deals with contract type, it deals with ... It may deal with a link from the acquisition. It may possibly talk about unique funding aspects. There are a lot of components that are involved in an ESIS strategy.

A MIRT, which MIRT is Multi-functional Independent Review Team. That is really, it's along the same lines as an ESIS, except they get more into the contract details. What's going to be included in the actual solicitation? Does that answer your question?

Jan: I believe so. We were also, there were a couple of comments about how some of the strategic sourcing might be applied in a real world scenario. Can you give an example or 2 of strategic sourcing?

Tom: Well I can. For instance, there is one that is very familiar to the SPA, and it was for the Air Force did it through the Air Force installation contracting activity. That is a grouping contract. When Ann first had her desk, which was about 4 years ago, my first response was to make sure that I involved the top levels of the SPA's leadership. I made sure that we had a discussion about how we we're going to protect the small business phase, while at the same time responding to the budget emergencies that the Air Force is undergoing at the time. I don't really have enough time to go into detail about the specifics of the procurement, but we ended up doing it by region. We ended up having grade A components, as well as small business components within each of those region [inaudible 00:46:53] of contracting.

It turned out that they were very successful. We have huge daily involvement on this contract. The critical point to make here is we received agreements from not only the FDA, but the top levels of the Air Force, and of course at FICA to make sure that we had a teaming approach toward this acquisition.

Dwight: One little comment about that is that, because with a whole lot of things were consolidated to do that with that roofing project. With the numbers of small businesses reduced, but because it was small business could still participate, it was not bundling. If it had been done in such a way that small business could not compete by virtue of geography or size of contracts, it would have been bundling. That's the distinction between the 2.

Tom: All right?

Jan: Tom, there was a question about: is a MIRT or an M I R T, and IPT or Integrated Producted Team?

Tom: Say it again please?

Jan: Is the acronym MIRT, the Multi-functional Independent Review Team ...

Tom: Right.

Jan: My question was, is that the same thing as an IPT, or an Integrated Producted Team?

Tom: When you're talking about ... A MIRT really applies to ... My understanding is it applies more on the level of service of the contractor. When you're talking about an IPT, which is an Integrated Producted Team, you're talking about 5 specific types of commodities or services. Yes, it's really synonymous with that terminology, it's just a matter of how you apply it.

Jan: Okay. Another question is, it seems like when these agreements are on a national basis and not regional, there's a limit to the number of small businesses that can participate.

Tom: That's very true. It comes back to the point that I made in one of the slides, that these strategic sourcing decisions need to be made on a case by case basis. You need to take a look at the overall effect that it's going to have on a particular industrial base. I have been in discussion in the past where I call headquarters, and it worked very well with me on making sure that industrial base is not affected in certain regions of the United States. We recently had one for transient work. [inaudible 00:50:43]. We we're able to work around that and we were able to solve that problem.

Jan: Tom? Okay.

Tom: Go ahead. I was going to say as per procurement center representatives, it's our job to try and maximize utilization of small business as much as possible. One of our considerations is, we have to work within a [inaudible 00:51:23] policy of strategic sourcing, but at the same time we must protect small business.

Jan: We have another question about, if the strategic source agreement slash award uses an inappropriate NAICS code, can it be changed at the task release phase?

Tom: I'll be quiet honest with you, I don't believe so.

Dwight: The answer is no.

Tom: Yeah.

Dwight: What you do with this, is we have ... It boggles my simple mind, but when we work with this, and I don't know how we do this. This is the way it is with [inaudible 00:52:17]. You have one NAICS code, maybe you have a couple I don't know. Usually we key 1 code. With the way it's written, it lists in a very comprehensive fashion what's included in that NAICS code. If we had a problem with the NAICS code up front, then we would work that out iron that out. That's examined really closely up front, because we have to be sure this market research is based on the right PSI standard.

Tom: Currently in a very beginning, a NAICS code is really going to drive your market research. You're identifying the preponderance of the work. The Air Force important, that NAICS

code has been selected based on your acknowledge of what service is being offered, or what product is being offered. [crosstalk 00:53:30]. The answer to your question is, it's the single NAICS code is going to drive the acquisition.

Jan: Okay, along the lines of the NAICS codes, there's a question that just came in about: sometimes the strategic source award uses a NAICS code that starts with 42 44 or 45. [crosstalk 00:53:59]

Tom: Current ...

Jan: Or a prime contractor. Could the NAICS be changed at release?

Tom: Currently as you know, we are not supposed to use whole sale codes in title [inaudible 00:54:16]. On NAICS code 42, it multiplies as a no sell NAICS code. At some point that has to be changed.

Dwight: We have an exception to this rule for reasons I don't quite understand is, with some of the GSA contracts. I've never understood why that happened, how that happens, it's my understanding that is being reduced. Having been through strategic sourcing from SBA side, I really can't imagine us, at this particular juncture now, moving forward with those.

Tom: Certainly if I see somebody that is trying to utilize 42 whole sale NAICS code, I do not allow for my activities.

Jan: I would say that you need to brainstorm that with your PCR. Whoever assigned your, it's at the 25 79 or a 22 68 or whatever your small business review document is for your agency. I would coordinate that. We don't have any other questions.

Dwight: We are almost out of time here. Let's go back to the beginning. Woops, let me see here. Let's go back to ... What we need you to do now is to be sure to email us if you're on phone only, and that's at SBAlearning@SBA.gov. Email that, send your email with your ... well you'll have your email address if you're in groups, send an excel document with the emails. We will be back with the post program email, I hope within about 10 days or less. If you have any other questions, email us and we will answer you. Sometimes it takes us a little while to do that.

The certificates are out and you can get credit for that for your participation today. It looks like we are doing well on time. If there are any other questions let us know. I wanted to add that within the next 90 minutes or so, we're going to be, many of you will receive an announcement about the women owned small business program. We are expanding the NAICS codes, and the women owned small business program. Lots of times people don't remember that's a NAICS code driven program, meaning not every acquisition is eligible for the women owned small business program. We see that causes high anxiety when we see FBO postings with the wrong NAICS codes. We want to caution you to use the right NAICS code in order to use the program. Now we really want you to take a close look at the new codes that are coming out that will allow for

expanded use.

It's just about 10:30, or 10:30 central, or 30 minutes after the hour wherever we are. I think we're going to adjourn. We've had some good questions on a complicated subject, we're very happy you tuned in. We'll look forward to our re-convening on April 6th, and we'll be talking about markup research with somewhat of a twist. Thank you for participating, thank you for your support, thank you Jan, Carla, and Tom. I guess we will be signing off.