Three Ways Federal Acquisitions Can Achieve Greater Government Efficiency
Transforming Procurement into a Lean, Mean, Well-oiled Machine
For the lowest price technically acceptable (LPTA) contracting. Forget statements of work. The highly-regulated, hierarchical federal acquisitions model needs to evolve. Changing workforce demographics, rapidly developing technology and other disruptive cultural factors are converging, moving the acquisition function from traditional siloed approaches toward a service delivery model.

Forward-looking federal agencies are not simply improving the acquisitions function. They are strategically aligning acquisitions with the entire organization, creating holistic business units focused on a highly engaged workforce, total cost of ownership (TCO) and positive outcomes. Taking three major steps can help agencies fundamentally transform federal acquisitions:

1. Align processes to desired results
2. Engage and inform the acquisitions workforce for the long term
3. Improve accountability through TCO

Aligning acquisitions with outcomes

Simply saving costs is not a desirable outcome if, in the process, agencies are not achieving real value. For example, LPTA can sometimes actually skew cost-to-value ratios. An overwhelming majority of contractors in a survey—79 percent—said they do not even respond to LPTA bids because they do not afford the opportunity to offer value-added solutions. Additionally, a majority of federal employees—71 percent—said LPTA contracts can lead to hiring companies that have fewer qualifications.¹

Agencies that fundamentally achieve acquisition prowess understand and document the outcomes they want to attain and prioritize their buying criteria to meet those targets. Less concerned with LPTA, which can ultimately be more costly, they align their acquisition targets with bottom-line goals.

Some government agencies have learned hard and potentially expensive lessons. A large federal agency, with locations in global hotspots, was mandated to use LPTA to award certain contracts. Under a 2007 contract awarded following this mandate, the Commission on Wartime Contracting filed a special report stating, “The Commission heard testimony that [the contractor’s] management had failed to live up to their contractual responsibilities for both contract performance and workforce behavior. The LPTA methodology may have significantly contributed to these failures.” The report found that, “Knowing that their chances of winning an award are low, the most highly qualified contractors often decide not to expend their limited resources on responding to LPTA solicitations—a de facto restriction of competition.”² The Commission’s report ultimately recommended that the agency be allowed to issue contracts under Best-Value methodology.

Conversely, agencies have an opportunity to implement smart buying practices that emphasize long-term value. For instance, RFP-EZ, a platform designed and implemented by the Presidential Innovation Fellows program, enables agencies to make purchases that fall under the simplified acquisition threshold. Small Business

Administration analysis found that bids received through RFP-EZ were, on average, 30 percent lower than those received for the same projects on the FedBizOpps procurement portal and attracted new businesses to federal IT procurement through its easier, streamlined process.\(^1\) While this program is geared for smaller procurements, an approach leveraging its best practices could help transform more complex IT acquisitions, reducing cost-to-acquire while simplifying the overall process and delivering long-term program value.

### Improving the procurement workforce

Acquisition workforces in both defense and civilian agencies face significant challenges surrounding longevity in role, career development opportunities and attainment of knowledge depth in specific requirement areas as well as in the cross-functional impact of acquisition process decisions. At a congressional hearing, Dr. Ronald Fox, former Assistant Secretary of the Army who was responsible for procurement and contracting, said, “As long as defense acquisition is largely in the hands of managers for whom it is merely one step in a career path directed elsewhere, we will continue to see the same quality, cost and scheduling problems.”\(^4\)

There are steps government organizations can take, however, to remediate attrition and encourage greater teamwork and commitment, such as providing acquisition managers with broad exposure to the entire organization. The Transportation Security Administration appointed its head of acquisitions to acting chief of human resources, providing valuable hands-on insight into how that function operates as well as its procurement needs.

Similarly, as part of its Acquisition Human Capital Strategic Plan, the U.S. Coast Guard offers the Acquisition Professional Career Program (APCP) and Acquisition Career Path for Military Personnel. Under these programs, dedicated professionals—including uniformed personnel, civil servants and contractors—are assigned to a three- or four-year tour to support “near-term staffing needs and long-term acquisition capability development goals.”\(^5\) The Coast Guard says this rotation cycle is just one element of its overall strategy to develop a robust pool of certified and experienced acquisition professionals.

Another resource to improve procurement workforce retention and education is knowledge management. Prevalent among many high-performing federal agencies, knowledge management enables leadership competency, continuity, organization-wide sharing of skills and an environment of continuous learning. Implementing tools such as max.gov, the Office of Management and Budget’s cloud-based collaboration site, groups such as the MAX Federal Community of Knowledge Management Professionals and various other systems can help reduce ramp-up time for employees new to particular roles or those who need more knowledge in a specific area.

### Building a better business case for Total Cost of Ownership (TCO)

“Strategic acquisitions” means focusing on all costs, not just functional costs, on a project-by-project or one-off basis. Smart agency leaders are instituting checks and balances to hold people accountable for TCO. They also educate their procurement professionals about the range of options available so they can make more informed decisions.

Accenture research indicates that when agencies optimize their acquisition processes to strengthen their purchasing power, they can achieve savings of 10 percent to 20 percent. The Commonwealth of Pennsylvania saved millions using a strategic sourcing program that centered on TCO. Without cutting any programs or sacrificing level of service, the state saved more than $140 million—21 percent of its annual $700 million spend on items ranging from office and cleaning supplies and tires to information technology services.\(^6\)

Shared services also show great potential for driving efficiencies in the acquisition process while minimizing costs. In the private sector, some companies’ first step when planning a merger is combining their purchasing power to increase procurement savings by up to 15 percent, with average cost reductions of 10 percent.\(^7\)

### Transform the federal acquisitions machine

Although it is by no means an easy feat, with the right approach, agencies across the federal sector can save costs, strengthen their workforce, improve productivity, increase government efficiency and develop a rigorous focus on outcomes.

The time is right to rethink federal acquisitions, particularly as we move into a new era of governing—one that is focused on delivering public service for the future. There is a groundswell of energy around making procurement a more efficient and outcomes-driven process. It starts with recognizing that federal procurement professionals are more sophisticated and creative than LPTA contracts would suggest. Forward-thinking acquisition leaders understand that there is a wide and varying degree of results, risks and levels of control that must be considered. Creative contracting begins with being thoughtful and flexible about procurement vehicles, and by looking at the broad variety of options available.

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\(^1\) FCW: RFP-EZ delivers early value; [http://fcw.com/articles/2013/05/29/ez-rfp-value.asp](http://fcw.com/articles/2013/05/29/ez-rfp-value.asp)


\(^6\) FCW: Merger brings savings to IT after strategic sourcing; [http://www.fcw.com/articles/2013/05/29/merger-brings-savings-it-after-strategic-sourcing.asp](http://www.fcw.com/articles/2013/05/29/merger-brings-savings-it-after-strategic-sourcing.asp)

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