

GAO Highlights

Highlights of [GAO-13-765T](#), a testimony before the Committee on Homeland Security and Governmental Affairs, U.S. Senate

Why GAO Did This Study

GAO has reported that the government is not fully leveraging its aggregate buying power. Strategic sourcing, a process that moves an organization away from numerous individual procurements to a broader aggregate approach, has allowed leading companies to achieve savings of 10 percent or more. A savings rate of 10 percent of total federal procurement spending would represent more than \$50 billion annually. While strategic sourcing makes good sense and holds the potential to achieve significant savings, federal agencies have been slow to embrace it, even in a time of great fiscal pressure.

This statement highlights GAO's recent findings related to the use of strategic sourcing across government, best practices leading companies are adopting to increase savings when acquiring services, and recent actions that could facilitate greater use of strategic sourcing. GAO's testimony is based largely on GAO's September 2012 report on strategic sourcing and GAO's April 2013 report on leading practices for acquiring services, as well as other GAO reports on contracting and acquisition.

What GAO Recommends

GAO is not making any new recommendations in this testimony. GAO has made recommendations to OMB, DOD, VA, and other agencies on key aspects of strategic sourcing and acquisition of products and services in the past. These recommendations addressed such matters as setting goals and establishing metrics. OMB and the agencies concurred with the recommendations, and are in the process of implementing them.

View [GAO-13-765T](#). For more information, contact Cristina Chaplain at (202) 512-4148 or chaplainc@gao.gov.

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STRATEGIC SOURCING

Improved and Expanded Use Could Provide Significant Procurement Savings

What GAO Found

Most of the agencies GAO reviewed for its September 2012 report leveraged a fraction of their buying power. More specifically, in fiscal year 2011, the Departments of Defense (DOD), Homeland Security, Energy, and Veterans Affairs (VA) accounted for 80 percent of the \$537 billion in federal procurement spending, but reported managing about 5 percent of that spending, or \$25.8 billion, through strategic sourcing efforts. Similarly, GAO found that the Federal Strategic Sourcing Initiative had only managed a small amount of spending through its four government-wide strategic sourcing initiatives in fiscal year 2011, although it reported achieving significant savings on those efforts. Further, we found that most selected agencies' efforts did not address their highest spending areas, such as services, which may provide opportunities for significant savings.

Companies' keen analysis of spending is key to their savings, coupled with central management and knowledge sharing about the services they buy. Their analysis of spending patterns comprises two essential variables: the complexity of the service and the number of suppliers for that service. Knowing these variables for any given service, companies tailor their tactics to fit the situation, and do not treat all services the same. Leading companies generally agreed that foundational principles—maintaining spend visibility, centralizing procurement, developing category strategies, focusing on total cost of ownership, and regularly reviewing strategies and tactics—are all important to achieving successful services acquisition outcomes. Taken together, these principles enable companies to better identify and share information on spending and increase market knowledge about suppliers to gain situational awareness of their procurement environment and make more informed contracting decisions. Like the federal government, leading companies have experienced growth in spending on services, and over the last 5 to 7 years have been examining ways to better manage spending. Officials from seven leading companies GAO spoke with reported saving 4 to 15 percent over prior year spending through strategically sourcing the full range of services they buy, including those very similar to what the federal government buys—for example, facilities management, engineering, and information technology.

Agencies have not fully adopted a strategic sourcing approach but some have actions under way. For example, in April 2013, DOD was assessing the need for additional resources to support strategic sourcing efforts, and noted a more focused targeting of top procurement spending categories for supplies, equipment, and services. VA reported that it had taken steps to better measure spending through strategic sourcing contracts and was in the process of reviewing business cases for new strategic sourcing initiatives. In 2012, the Office of Management and Budget (OMB) released a Cross-Agency Priority Goal Statement, which called for agencies to strategically source at least two new products or services in both 2013 and 2014 that yield at least 10 percent savings. In December 2012, OMB further directed agencies to reinforce senior leadership commitment by designating an official responsible for coordinating the agency's strategic sourcing activities. In addition, OMB identified agencies that should take a leadership role on strategic sourcing. OMB directed these agencies to promote strategic sourcing practices inside their agencies by taking actions including collecting data on procurement spending