

Fact Sheet | June 2018

# Category Management Through Best-In-Class Negative Impacts on Small Business

As the federal government rapidly pushes forward to implement the President’s Management Agenda to transform the process for federal acquisition to use Category Management through Best-In-Class solutions, we must ensure that the Small Business Act’s guarantee — that small business suppliers are provided with the “maximum practicable opportunity” before any and all contracts are awarded — is upheld.



## Office of Federal Procurement Policy (OFPP) Defines Category Management

“Category management (CM) is a business practice focused on information sharing and collaboration between agencies where:

- Cross-agency teams of experts in the acquisition of particular types of common goods and services study the federal market for those goods or services and share market intelligence with agencies through the Acquisition Gateway, such as:
  - Terms and conditions that have produced good results;
  - Standardized requirements that can meet most agency needs and avoid costly and unnecessary customization;
  - Competitive pricing strategies informed by past prices paid; and
  - Existing contracts that are (i) well-managed, (ii) reflect the characteristics above, (iii) have small business participation that meets or exceeds the government-wide average, and (iv) have the capacity to support use by other agencies.
- Agency buying activities and OSDDBU offices use this market intelligence to review their current spend for opportunities to achieve better contract results while continuing to meet small business goals.”

## Small Businesses Are Guaranteed: “Maximum Practicable Opportunity”

The Small Business Act requires each agency to have an “annual goal that presents, for the agency, the maximum practicable opportunity for small business concerns. . .”

As the number of small business federal suppliers has dropped 27% over the last ten years, how can the federal government justify excluding small businesses from even more supplier opportunities?

It is vitally important that small business be recognized as “Best-In-Class Tier Three” regardless of the contract vehicle so that we may fully participate in the federal acquisition marketplace.

# Myth vs. Fact

## Office of Federal Procurement Policy (OFPP) – On the Record, Slide 7

At the May 24, 2018 NASBC / USWCC Small Business Meets Category Management Forum, OFPP provided this information as an assurance that they were committed to small business inclusion.

<p><b>MYTH</b></p> <p>Agencies will be forced to give up all, or most, local, bureau, and agency-wide contracts for common goods and services and rely instead on government-wide solutions whenever they exist.</p>	<p><b>FACT</b></p> <p>Agencies will continue to rely on a healthy mix of local, bureau-wide, agency-wide, and government-wide contracts to help the agency (i) save money, (ii) reduce unnecessary contract duplication, (iii) meet small business goals, (iv) including socio-economic goals, and (v) support a robust small business industrial base.</p> <p>Agency buying offices and OSDBUs will consider market intelligence gathered by category management teams to meet the objectives above.</p>
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## However, Category Management Continues to Threaten Small Business Opportunities

The anti-competitive contracting practice known as Category Management through Best-in-Class acquisition vehicles has been quickly, summarily – and without thorough consideration and regulatory authority – inserted in front of the federal acquisition process – seemingly as a predicate to the existing Federal Acquisition Regulations (FAR) and the requirements of the Small Business Act.

- Best-in-Class acquisition process picks winners and losers without assuring full and fair competition locking out thousands of small businesses from contract opportunities
- Best-in-Class decreases competition (lowering the number of businesses able to compete while increasing the size of the contract) and the incentive to lower prices which can drive up the cost of government.
- Agency leadership is rushing into Category Management without regard to small business inclusion.
- Hundreds of good, viable small businesses are being totally shut out from competing, impacting their businesses and their local economies.
- Consolidating requirements for a select few, while insisting on having vendors with a wide swath of services, locks out thousands of qualified small businesses.

# Category Management Misses the Mark

## While Category Management / Best-in-Class is Touted to Provide Cost Savings, It Misses the Mark

- The lack of competition drives up costs.
- Small Business exclusion leaves out the best of the best for solutions to the government and what their contributions bring: agility, innovation, service, etc.
- The nuanced needs of agencies and regions are ignored, which leads to challenges and extra costs.
- Local Economies will suffer: Small businesses that are locked out will start on a downward spiral; layoffs and closed doors will result in the loss of consumers that drive the local economy.
- Undermining active participation by small business in the industrial base will have long-term negative consequences overall.

## Current Issues & Solutions

<p><b>ISSUE</b></p> <p>Members are reporting that, even though they are the incumbent on a contract and their customers have been happy, contracts that have been moved to Best-In-Class have locked them out from recompeting because they are not considered Best-In-Class.</p>	<p><b>SOLUTION</b></p> <p>Recognize ALL Small Business spending as Best-In-Class Tier Three regardless of the contract vehicle. Further, agencies should pick a contracting strategy where the small business incumbent can recompetite, and dollars are counted to Best-In-Class.</p>
<p><b>ISSUE</b></p> <p>Agency Leadership is rushing into Category Management without regard to small business inclusion, locking out thousands of small businesses participation and pushing small businesses to ostensibly ignore the law that small business suppliers are provided with the "maximum practicable opportunity" before any and all contracts are awarded.</p>	<p><b>SOLUTION</b></p> <p>Ask Congress to require the Category Management / Best-in-Class agenda item be put through the regulatory process. Require Agency Leadership and Acquisition Staff to receive training on the Category Management / Best-in-Class initiative that ensures small business inclusion.</p>
<p><b>ISSUE</b></p> <p>It has already been proven that Multiple Award Schedule provide agencies with lower pricing.</p>	<p><b>SOLUTION</b></p> <p>The emphasis should be placed on Multiple Award Schedules as more companies are able to participate.</p>

**ISSUE**

Best-in-Class acquisition vehicles have been quickly, summarily inserted in front of the federal acquisition process to the detriment of the requirements of the Small Business Act.

**SOLUTION**

Contracting Personnel making exceptions to upholding “maximum practicable opportunity” before any and all contracts are awarded should document why they are not using Small Businesses to fulfill the contract.

**ISSUE**

The federal government is rushing to purchase at the lowest possible price, hailing the reduction of costs to the government without consideration of agency missions and other factors that provide government cost savings.

**SOLUTION**

Support all agency missions through: putting agency mission first, requiring small business inclusion through expanded competition and supporting and growing the industry.

# Small Business Act

§ 15 (g) (1) (A) (v) (B)

**ACHIEVEMENT OF GOVERNMENTWIDE GOALS.**

— Each agency shall have an annual goal that presents, for that agency, the maximum practicable opportunity for small business concerns, small business concerns owned and controlled by service-disabled veterans, qualified HUBZone small business concerns, small business concerns owned and controlled by socially and economically disadvantaged individuals, and small business concerns owned and controlled by women to participate in the performance of contracts let by such agency. The Small Business Administration and the Administrator for Federal Procurement Policy shall, when exercising their authority pursuant to paragraph (2), insure that the cumulative annual prime contract goals for all agencies meet or exceed the annual Governmentwide prime contract goal established by the President pursuant to this paragraph.

[https://www.sba.gov/sites/default/files/Small%20Business%20Act\\_0.pdf](https://www.sba.gov/sites/default/files/Small%20Business%20Act_0.pdf)  
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