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BUILDING AN IT ACQUISITION MANAGER COMMUNITY

**Recommendations for building an “IT
Acquisition Cadre” based on a private
sector best practices study**

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June 2011

About this Paper

This paper was prepared by the FAIR Institute. The issues highlighted in this paper are based on interviews with commercial IT procurement subject matter experts and procurement professionals from a variety of industries, including pharmaceutical, insurance, and consumer goods. Additionally, the research team reviewed best-in-class IT procurement practices to identify key elements of workforce structure that drive operational excellence and business value. Recommendations are based on commercial and Federal best practices gathered through this research and the collective expertise of the FAIR Board.

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I. INTRODUCTION AND SUMMARY

The fact that over \$600 billion in information technology investments by the Federal government have produced few results is well documented. The Obama Administration, to its credit, recognizes the problem and has laid out an ambitious “25 Point Plan to Reform Federal Information Technology Management.” Importantly, this plan recognizes that the Federal acquisition¹ process (more commonly referred to as “procurement” in the private sector) is a critical part of fixing Federal IT.

Today, rather than being an enabler for successful IT deployment, the IT acquisition process “moves intolerably slow” and works in silos where requirements are developed without adequate input from industry or sufficient communication between key parties.² Additionally, acquisition workforce programs exacerbate the above issues by training people in functional silos and placing an unbalanced focus on regulations and process compliance as opposed to critical general management skills.³

The Obama Administration’s IT reform plan recognizes that fixing IT also requires fixing the IT acquisition workforce. Point 13 of the plan directs the Office of Management and Budget (OMB) to “design and develop a cadre of specialized IT acquisition professionals”.

This paper, based on a short private sector best practices study conducted by the FAIR Institute, provides recommendations relative to Point 13 of the plan (developing IT acquisition professionals) and broader recommendations for creating “Acquisition Managers” across all agencies within the government. During the course of the study, FAIR spoke with more than 20 commercial IT acquisition executives and subject matter experts from a variety of industries, including manufacturing, insurance and consumer goods. We also interviewed FAIR board members and reviewed best-in-class practices in both the government and commercial sectors.

The goal of this paper is both to inform the administration’s plan and to spur dialogue for creating an Acquisition Manager position that addresses all categories of goods and services.

¹ The term “acquisition” is more commonly referred to as “procurement” within the private sector. Acquisition is defined as the management of the entire procurement lifecycle from needs identification to solicitation and ongoing contract/supplier management.

² 25 Point Implementation Plan to Reform Federal Information Technology Management, Page 17, December 9, 2010

³ General Session Main Presentation, FAIR Acquisition Workforce Conference, May 2009

So what can be done to “fix” the acquisition process and make it work better for Federal IT?

One point, above all, comes through loud and clear through the study: IT Acquisition Managers (ITAMs)⁴ in the private sector act as objective facilitators and relationship and business managers, bringing together customers and suppliers to meet business objectives. This is in sharp contrast to the role that federal contracting officers play in the acquisition process, acting primarily as process and compliance managers as opposed to facilitators.

ITAMs in the private sector manage the entire acquisition lifecycle, bring strong business and financial analysis skills and are savvy at building relationships. They have the ability to “influence” (a term we heard in almost every interview) key decisions and are seen as partners to customers.

While the focus of our study was on IT acquisition, interviewees repeatedly pointed out that the same principles covered in this study apply to any category managed by acquisition.

Other key findings, while presented within the context of IT but applicable to any category, include:

- Companies typically seek out experienced individuals to become ITAMs, progressing them from positions of IT Acquisition Specialists and turning them into Acquisition Managers over time.
- ITAMs come from a variety of backgrounds including IT program management, finance and procurement and have had cross-functional experience prior to becoming ITAMs.
- ITAMs build credibility and a position of influence by bringing a deep understanding of customer needs, supplier capabilities and “deal economics”.⁵
- Only a few critical business and relationship skills are required for becoming a successful ITAM. Familiarity with the acquisition process is considered important but not to the degree of a certified contracting officer in the government.
- ITAMs understand IT and the IT marketplace but are not required to become IT experts.
- Most companies do not have formal training programs for ITAMs. Instead they rely on screening for critical skills and emphasize on-the-job learning and knowledge sharing.

⁴ The private sector commonly uses “Category Managers” to refer to individuals who manage the entire acquisition lifecycle. We used the term “Acquisition Managers” to adapt it to federal terminology.

⁵ “Deal economics” refers to a deep understanding of cost and pricing drivers, which can then be used to affect negotiation strategy.

How is private sector different from government?

The private sector practices summarized above differ significantly from many current government practices. For one, the role of acquisition in the federal sector is primarily viewed as one of a “process manager” with the primary goal of “ensuring performance of all necessary actions for effective contracting, ensuring compliance with the terms of the contract.”⁶ This is a critical difference relative to the private sector in that the focus is primarily on compliance versus nurturing relationships.

Second, the role of ITAMs and Acquisition Managers in general is largely absent in the government. While contracting officers and program managers may partly fill the hole on occasion, no single person is responsible for managing the end-to-end acquisition process and serving as a bridge between customers and suppliers.

Third, Federal training for acquisition emphasizes contracting principles and strengthening dozens of competencies versus focusing sharply on a few key prerequisites as required in the private sector. The assumption in the private sector is that if you screen for key business and relationship skills, people can learn the acquisition process.

Finally, current government training takes place mainly in the classroom and uses pre-developed courses. It often fails to take advantage of the research and dynamic training and development opportunities resident in academic institutions and through conferences and seminars.

RECOMMENDATIONS

The private sector, because of its goal to maximize profits, is strongly motivated to get the best deal possible without sacrificing performance or outcomes. To this end, Acquisition Managers, whether in the context of IT or other categories, have proven to be a standard practice for productively managing complex programs and large amounts of spending. While there are limited applications of the Acquisition Manager roles in the Federal government, it is time for the entire Federal government to follow this example and build on the momentum of agencies that are already moving in this direction.⁷

Based on our findings and accounting for current practices in place in the Federal government, we propose the following:

- 1. Create an IT Acquisition Manager (ITAM) position as part of a broader Acquisition Manager job series** – FAIR recommends creating IT Acquisition Managers (ITAM) who serve as a bridge between customers and suppliers to guide complex IT programs and

⁶ Federal Acquisition Regulations Subpart 1.6

⁷ As an example, the United States Postal Service established portfolios with Executive Managers leading each portfolio, essentially in a role similar to that proposed for Acquisition Managers.

department-wide IT spending. The ITAM position should be used as a pilot to create an Acquisition Manager (AM) series, which could lead to specialization in any type of product or service purchased by the government (e.g. IT, Construction and Facilities Management, Health Care, Environment and Energy, etc.).

- 2. Use the ITAM position as a springboard to form an ITAM Community to serve as a government-wide asset** – Similar to the recommendations in the 25 Point Plan for creating and enabling IT Program Manager mobility, FAIR recommends creating an ITAM community that sets standards, promotes knowledge sharing, and facilitates cross-agency rotations. The ITAM community should be led by an experienced executive, potentially out of the Office of the Federal Procurement Policy, with matrix reporting to the Federal CIO.
- 3. Establish a standard job description and recruiting standards** – To ensure a level of consistency across the community, the ITAM community should develop standard position descriptions while leaving flexibility for agency specific requirements. Recruiting and interview processes should ensure core analytical, financial analysis and interpersonal skills are resident within any individual deemed qualified to become an ITAM. ITAMs may come from a variety of backgrounds including program management (in IT preferred), IT, contracting or other related fields.
- 4. Deliver professional development through on-the-job learning and knowledge sharing leading to Acquisition Manager (AM) certification** – FAIR recommends creating a certification for the Acquisition Manager series, starting with a certification for ITAMs. The certification should establish minimum prerequisites and stress the following development themes:
 - Acquisition and Supply Chain Strategy
 - Market Engagement and Supply Chain Collaboration
 - Cost Management
 - Sustainability and Risk Management
 - Strategic Change

The remainder of the paper addresses each recommendation in more detail, provides insights from the private sector research effort and speaks to the implications for the Federal government.

II. Recommendation 1: Create an IT Acquisition Manager (ITAM) position, as part of a broader Acquisition Manager job series

Research Highlights

One point, above all, that stands out in our research is acquisition's focus on customers and relationships. Position descriptions for ITAMs frequently feature the terms "partner" and "relationship."⁸ But ITAMs do not work alone – they are part of a team. We will examine first the role of the team, then the individual position.

Role of IT Acquisition Team. The IT acquisition team is typically led by an executive and supported by seasoned ITAMs with significant experience. The teams are expected to be highly customer focused and exhibit a strong understanding of customer needs. The team's primary roles, executed by the ITAMs, are to:

- Bring knowledge of supplier capabilities and market economics based on a deep understanding of customer needs
- Manage risk and total cost - While meeting customer needs is critical, IT acquisition also acts in the best interest of the organization and ensures that costs and risks are managed
- Facilitate an independent and objective process – IT acquisition works to be viewed as independent and objective while facilitating the acquisition process, leaving behind biases for vendors or solutions

By focusing on these roles and not acting as gatekeepers or oversight, IT acquisition is viewed as a value-added partner by customers, as opposed to a function that gets in the way.

One interviewee, a Director of IT Acquisition at a Fortune 500 firm, stated that most issues are worked through collaboratively with customers: only 3% of cases present issues that may need to be escalated outside acquisition. In all other cases, customers and ITAMs work together to solve problems.

Role of IT Acquisition Managers (ITAMs). ITAMs, often referred to as "Category Managers" in the private sector, are the key personnel who carry forward the role of the IT acquisition function. They are ultimately responsible for facilitating and managing the end-to-end acquisition process.

ITAMs ensure objectivity during the process by asking the right questions and avoiding pre-conceived solutions/answers. Proactive communication is viewed as a key responsibility of ITAMs. They "set, maintain and clearly communicate" strategies, timelines and issues proactively, ensuring the entire team is aligned and moving in the same direction.

⁸ Position announcement for Director, Global IT Sourcing, PierceGray executive search firm, February 2011.

The most successful ITAMs establish credibility and trust with customers by bringing substantial knowledge of their customers' business as well as of relevant suppliers/markets.

- *Understanding of customer needs* – ITAMs work closely with ultimate users and the CIO office to nurture relationships and develop a strong understanding of business needs as well as knowledge of IT. Every company described the ability to work with customers as a critical skill. In fact, one interviewee said "working with customers is 70% of the job."
- *Understanding of suppliers/markets* – Another critical part of the ITAM role is to keep pulse of markets and suppliers on an ongoing basis. ITAMs do so by attending conferences and seminars, visiting suppliers, and validating capabilities. The resulting deep knowledge of suppliers allows ITAMs to add high value for customers, providing insight and knowledge that can be used to plan and drive requirements as well as ensure effective negotiations.
- *Understanding of deal economics* – ITAMs also understand various pricing models and deal structures prevalent in a given market and use that knowledge to drive pricing and negotiation strategies. They have the financial acumen to analyze and dissect proposals and identify critical negotiation levers.

Place in Organization. As expected, IT acquisition is part of the acquisition organization and not part of the IT function. ITAMs bring a track record of leveraging world-class acquisition processes to deliver distinctive value. They have typically worked as part of IT acquisition teams before taking on the role of ITAM. They report to the IT acquisition executive.

Though separate, IT acquisition teams work very closely with the IT function which operates out of the CIOs office. While the CIOs office brings most of the technical expertise, ITAMs are expected to develop a strong understanding of IT and apply it within the acquisition context.

Recommendations for the Federal Government

The role of Acquisition Managers has been well tested and applied universally across the private sector. By building a bridge between customers and industry and focusing on managing the end-to-end acquisition process, it addresses some of the key issues prevalent within government acquisition. It can also be argued that this approach yields the best value because private sector, more than government, is driven to get the best deal from both a cost and performance perspective.

FAIR recommends that the Office of Federal Procurement Policy (OFPP), in collaboration with the Office of Personnel Management (OPM) and U.S. Chief Information Officer, create a new job series titled Acquisition Manager (AM). Akin to the Category Managers within the private sectors, Acquisition Managers should serve as a bridge between customers and suppliers to guide complex programs and enterprise-wide sourcing. As part of this series, AMs should be organized around different portfolios of goods and services (e.g. IT, Construction and Facilities

Management, Health Care, Environment and Energy, etc.) with ability to rotate and move across portfolios.

The IT Acquisition Manager (ITAM) position should be established as a pilot for implementing the AM job series. The primary role of ITAMs should be to understand customer IT needs and help align market/supplier capabilities against those needs in a manner that achieves intended outcomes and minimizes total lifecycle costs. The ITAMs should reside within departments, with solid line reporting to CAO/SPE and dotted line reporting to CIO.

ITAMs should be screened for core analytical, financial analysis and interpersonal skills. They should also be required to bring some level of cross-functional experience. If IT and/or cross-functional expertise is not resident, then individuals should be brought in as IT Acquisition Specialists (see below) and progress to the position of ITAM. Familiarity with the acquisition process should be a requirement but 1102 contracting officer certification should not be a prerequisite. ITAMs may come from a variety of backgrounds including program management (in IT preferred), IT or contracting. AMs, more broadly, may also come from logistics, finance, operations and other backgrounds.

In addition to ITAMs, a more junior position of IT Acquisition Specialists (ITAS) should be established to bring in high potential future ITAMs. ITAS should work as part of IT acquisition teams prior to progressing to the position of ITAM.

Ultimately, this approach is more efficient than training all contracting officers to become IT acquisition specialists. First, it pulls the best of the best from various backgrounds by screening for pre-defined skills. Second, it overcomes some of the preconceived biases and cultural silos that have been built over time between contracting and other functions.

III. Use the ITAM position as a springboard to form an ITAM Community to serve as a government-wide asset

ITAMs should be part of a larger government-wide ITAM community, led by a senior executive that sets standards, promotes knowledge sharing, and facilitates cross-agency rotations. The ITAM community leadership position should reside within OMB and report through OFPP with matrix relationship to the U.S. CIO. The primary responsibilities of the position would be to build a governance structure for the ITAM community and build strong linkages with CIOs and CAOs.

While ITAMs should reside within agencies, the ITAM Community should establish job standards, promote strategic recruiting initiatives, identify learning and development opportunities, and develop potential performance assessment metrics. It should also enable knowledge sharing and movement of ITAMs across the government.

IV. Establish a standard job description and recruiting standards

Research Highlights

Only a few critical business and relationship skills are required to be a successful ITAM. Research confirmed what we stated at FAIR's conference on the acquisition workforce in 2009: key problem solving and relationship skills are more critical for acquisition managers, as opposed to many of the process skills (e.g. bid evaluation) currently required in government.

Key skills/competencies cited as most critical for ITAMs, as cited by interviewees, include:

- *Business Acumen:* Understanding of business principles, in order to both understand customer needs and assess market capabilities. *"We look for people who are able to serve our customers by providing them business information and value."*⁹
- *Financial Analysis:* Ability to understand basics of finance in order to analyze supplier costs and deal structures and develop negotiation strategies. *"IT buyers should be able to look at services agreements and understand the underlying business proposition."*¹⁰
- *Influencing and Persuasion Skills:* Ability to use facts as well as personal savvy to work with others, become a trusted member of teams, and gain the credibility to influence others. *"IT Procurement people sometimes don't have the knowledge and credibility to be the internal arbiter. They must develop credibility first and foremost with their customers."*¹¹

Additionally, relationship skills are deemed as critical to working with both customers and suppliers. All IT acquisition executives we interviewed indicated that building knowledge of customer needs and supplier capabilities is not possible without communicating effectively and building trusting relationships where people are willing to share information.

Likewise, while knowledge of the acquisition process is important, it is not required to the extent of a contracting officer in the government, for example. ITAMs are expected to be well versed in all aspects of the acquisition process and work with the legal department to execute contracts.

Similarly, it is not necessary to be an IT expert to be a successful ITAM. Instead, they are sufficiently familiar with IT issues to be effective and value-adding members of teams. They bring unique knowledge of IT markets and suppliers which allows them to advise on deal structure and negotiations as well as requirements.

Finally, some companies indicated that they assess competencies for each ITAM annually separate from the performance management process to promote individual growth and development.

⁹ Director of IT Acquisition at a Fortune 500 firm

¹⁰ Ibid.

¹¹ Ibid.

Where do companies find their ITAMs? ITAMs or Acquisition Managers in general come from many backgrounds including program management, IT, logistics, finance, and contracting. People who do not have significant IT acquisition experience usually work on IT acquisition teams prior to becoming an ITAM. . Most position descriptions we reviewed preferred an MBA along with at least 5 years' experience.

Recommendations for Government

The ITAM community executive should develop standard job descriptions, identifying core requirements while leaving flexibility for situation-specific requirements. ITAMs should be screened for core analytical, financial analysis, and interpersonal skills with IT expertise being preferred but not required. Familiarity with the acquisition process should be a requirement but 1102 contracting officer certification should not be a prerequisite. ITAMs may come from a variety of backgrounds including program management (in IT preferred), IT or contracting. AMs, more broadly, may also come from logistics, finance, operations, engineering and other backgrounds.

Recruiting and interview processes should be established and consistently implemented across the government. While ITAMs will reside within an agency, the ITAM senior executive should establish an interview board with multiple agency representatives to participate in interviewing ITAM candidates. A competency and assessment framework for individual ITAM's should also be established that focuses on the few key AM core skills.

V. Deliver professional development through on-the-job learning and knowledge sharing leading to AM certification

Research Highlights

Most companies do not have formal ITAM training programs. Instead, they instill knowledge of IT and acquisition best practices through:

- *Cross-functional Knowledge Sharing* – IT teams and IT acquisition teams, along with customers, share knowledge through structured sessions. These sessions generally emphasize sharing information related to current issues, markets, etc. For example, one leading practice assigns senior buyers the responsibility to develop and share knowledge around a critical or emerging topic (e.g., managed services, cloud, etc.).
- *Seminars/Conferences* – IT acquisition teams attend focused seminars and conferences where they learn about cutting edge practices and new developments (e.g. Institute of Supply Management annual conference).
- *Supplier Visits* – ITAMs visit their suppliers and learn about new developments. The focus is to work collaboratively to learn as much as possible about products and capabilities as well as business models of suppliers.

- *Classroom Training* – formal training is used sparingly for specific subjects/topics. Certifications such as Certified Professional in Supply Management (CPSM) are sought out by some individuals, but are not required.

Recommendations for Government

FAIR recommends creating an Acquisition Manager (AM) certification, starting with a pilot for IT AMs. The AM certification should establish minimum prerequisites as well as core and continuing education requirements.

Assuming that anyone qualifying as an Acquisition Manager has already been filtered for core skills such as problem solving, business analysis, financial analysis and relationship management, training should address key themes including:

- Acquisition and Supply Chain Strategy
- Market Engagement and Supply Chain Collaboration
- Cost Management
- Sustainability and Risk Management
- Strategic Change

These themes could be covered through a combination of training/seminars and could be developed in conjunction with academic partners and should be complementary to current curriculums.

Additionally, continuing education in the form of supplier visits, best practice conferences, and other forums should be an ongoing requirement. Regular competency assessments should be part of developing and promoting managers.

CONCLUSION

As stated at the outset of this paper, FAIR believes that improving the Federal acquisition process with specific attention to the IT acquisition workforce is critical to transforming Federal IT, as identified in the “25 Point Plan to Reform Federal Information Technology Management.” The private sector approach to building IT Acquisition Managers is proven and adopted universally.

By building a bridge between customers and industry and having senior acquisition managers manage the end-to-end acquisition lifecycle, government can truly make acquisition a partner in driving successful outcomes. The IT acquisition lifecycle is a perfect place to start by creating the position of IT Acquisition Managers and building into a community of like-minded professionals that can share knowledge and build consensus.

FAIR believes that an open dialogue and exchange of ideas will lead to consensus, action and significant improvement in how the Federal government acquires IT. To that end, FAIR intends

to further develop the recommendations in this paper by emphasizing collaboration and communication across the Federal community.

Further information related to this report:

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