

# ***Headquarters U.S. Air Force***

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*Integrity - Service - Excellence*

## **Category Management**



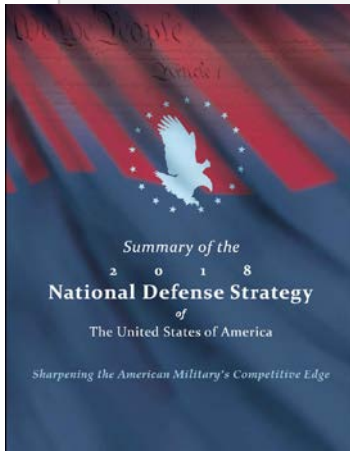
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Deputy Under Secretary of the Air Force, Management  
and  
Deputy Chief Management Officer  
8 May 2019

**U.S. AIR FORCE**

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# National Defense Strategy Driving Business Reform

## National Defense Strategy (NDS)



## National Security Objectives

“Continuously delivering performance with affordability and speed as we change Departmental mindset, culture, and management systems; and...”

## Through 3 Distinct Lines of Effort

*...rebuilding military readiness as we build a more lethal **Joint Force**;*

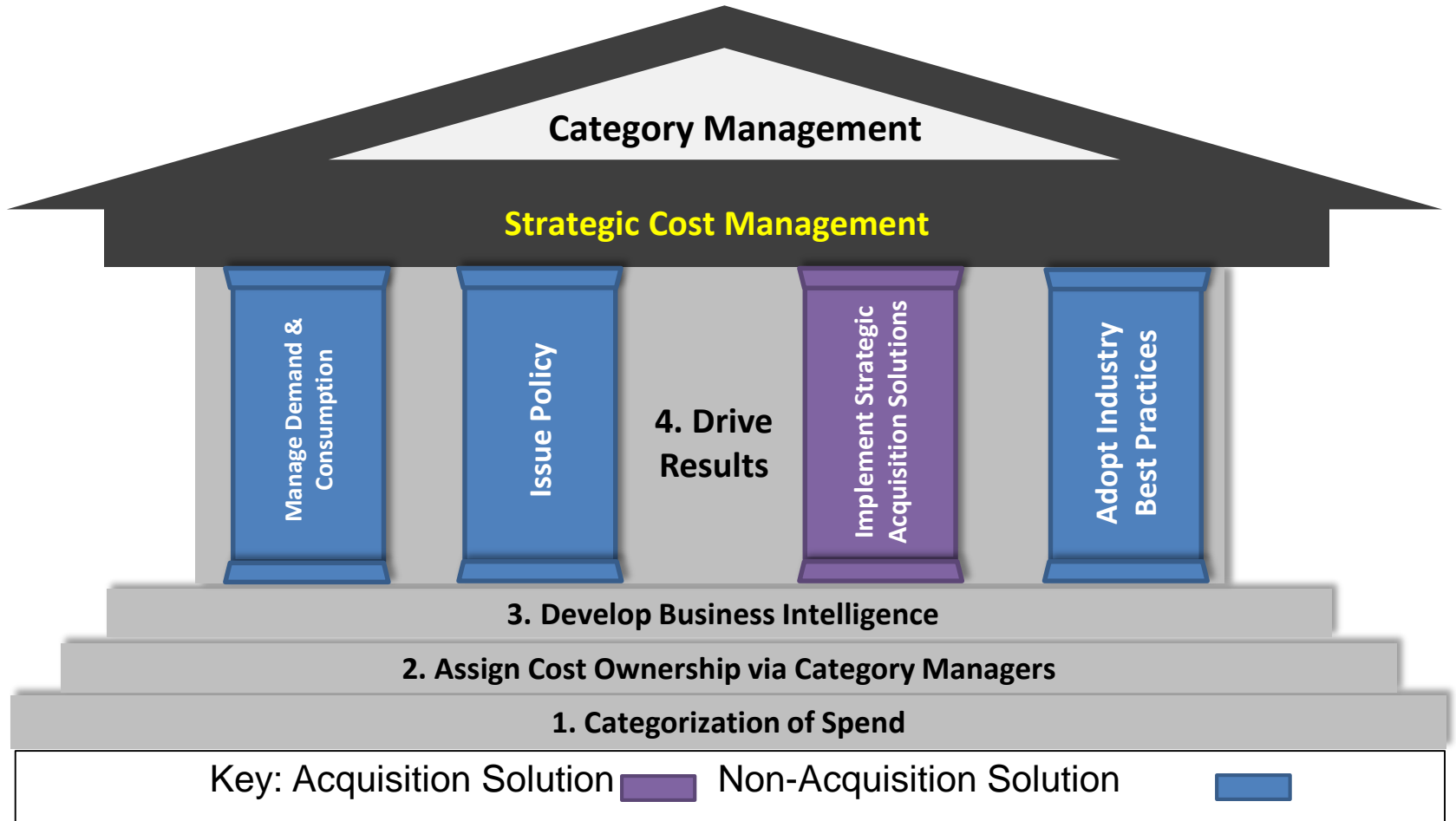
*...strengthening alliances as we attract new partners*

*...reforming the Dept's business practices for greater performance & affordability*

- Ensure effective stewardship of taxpayer dollars
- Transition to a culture of performance where results and accountability matter
- Deliver performance at the speed of relevance
- Gain full value from every taxpayer dollar spent
- Shed outdated mgmt practices & structures while integrating insights from **business innovation**
- Organize for innovation
- Leverage the scale of operations to drive greater efficiency in procurement
- Pursue opportunities to consolidate & streamline contracts

# Category Management

## Key Principles



# Categorization of Spend (OMB Taxonomy)

1.0 Information  
Technology

2.0 Professional  
Services

3.0 Security &  
Protection

4.0 Facilities &  
Construction

5.0 Industrial  
Prod/Services

6.0 Office  
Management

7.0 Transportation  
& Logistics

8.0 Travel &  
Lodging

9.0 Human  
Capital

10.0 Medical

Common Government  
Spend Categories

**10 Level 1 Categories for All Agencies**(e.g. - 4. Facilities & Construction)

Level 1 Categories are roll-ups of Level 2 Categories

**53 Level 2 Categories** (e.g. - 4.4 Facility Related Services)

Level 2 Categories are logical grouping of Product Service Codes (PSCs)

**3000+ PSC/FSCs** (e.g. S208 Groundskeeping)

PSC/FSCs are codes for everything Federal Gov't buys

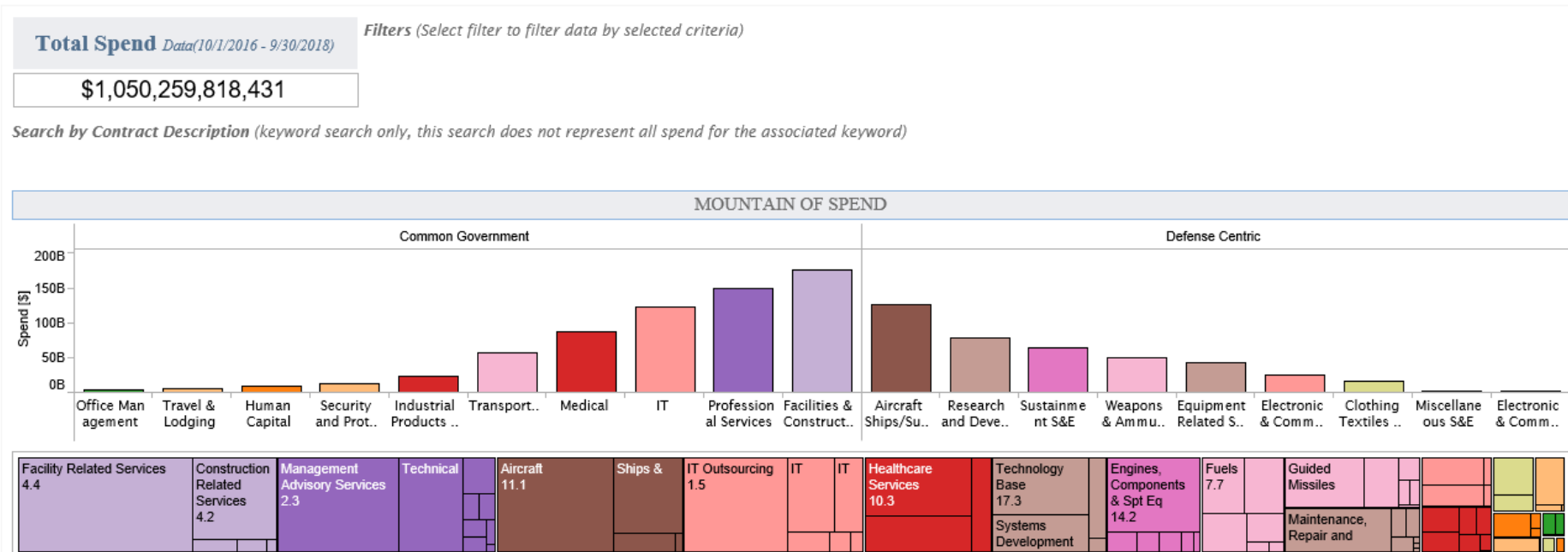
Categories are based on OMB taxonomy which the Air Force uses to report Category  
Management progress and metrics

Link to Federal Category Management Structure:

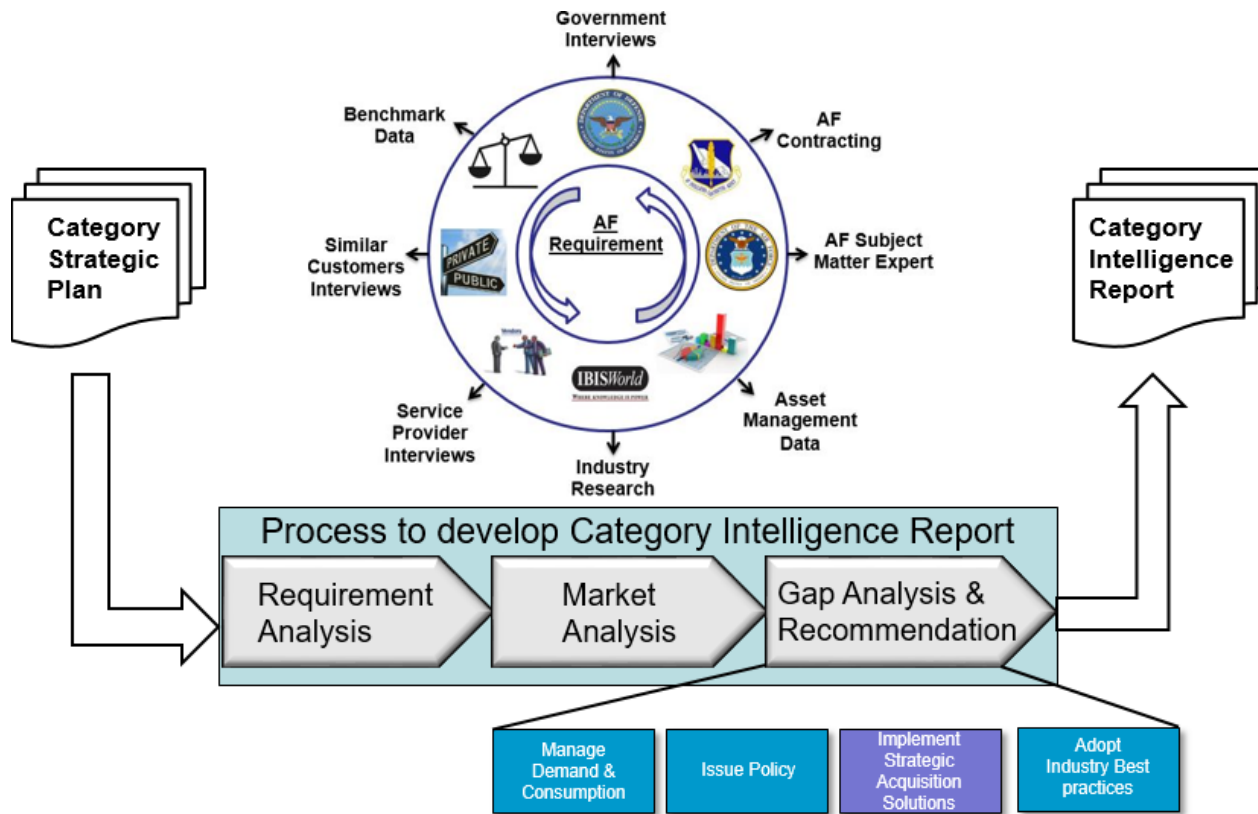
<https://cs2.eis.af.mil/sites/10074/afcc/afica/KA/BICC/default.aspx>

# Categorizing the Mountain of Spend

- **Federal Government spent over \$1T in last 2 years**
  - More than half in common (non weapon systems) good & services
    - Facilities and Construction - \$176B
    - Professional Services - \$148B
    - IT - \$122B



# Develop Business Intelligence



## Key Points:

Initial planning establishes goals and identifies prioritized targets of opportunity

Comprehensive analysis of requirements provides actionable business intelligence

Industry benchmarks are used to identify gaps in cost and performance

Category Mgrs. make data driven decisions to select recommendations to close gaps

# *Research Topics in Category Management*

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## ***Category-Level Research***

- Development of total cost of ownership (TCO) models
- Category cost, performance benchmarking
- Optimization, modeling and simulation, forecasting
- Supply chain risk, disruptions, resilience, security

## ***Firms, Markets and Industries***

- Market structure (e.g., supply chains, power networks)
- Economies of scale, scope
- Alternative sourcing strategies (e.g., auctions, consortiums)

## ***Category Management Policy***

- Federal-wide prgm governance
- Goaling, measures and metrics
- Small business: opportunities, policies, bundling/consolidation
- Spend taxonomies, ontologies

## ***Emerging Technology***

- Business Intelligence (BI) methods, software, applications
- Dashboarding and reporting
- Blockchain: traceability, visibility, smart contracts
- Additive manufacturing
- Applications of machine learning, artificial intelligence

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**“We have a responsibility to gain full value from every taxpayer dollar spent on defense, thereby earning the trust of Congress and the American people.”**

# **National Defense Strategy**

