

# memorandum

DATE: January 25, 2012

REPLY TO

ATTN OF: EMCBC:HOLLAND

EMCBC-00236-12

SUBJECT: **NATIONAL NUCLEAR SECURITY ADMINISTRATION AND OFFICE OF ENVIRONMENTAL MANAGEMENT STRATEGIC SOURCING PARTNERSHIP**

TO: Distribution

As directed in the attached Office of the Under Secretary for Nuclear Security memorandum, dated January 20, 2012, the National Nuclear Security Administration (NNSA) and the Office of Environmental Management (EM) have developed a Strategic Sourcing Partnership. Under this new partnership, major EM Site contractors will work with the NNSA Supply Chain Management Center (SCMC) to yield a synergistic strategic sourcing solution that achieves efficiencies and economies of scale, increased productivity, and cost savings.

The Environmental Management Consolidated Business Center (EMCBC) and the SCMC have developed an implementation plan to make a smooth transition to an enterprise-wide strategic sourcing program that will leverage purchasing power of both program elements to gain pricing, processing, and reporting efficiencies.

Successful implementation of the NNSA/EM SCMC partnership is critical to moving forward in transforming business processes and operating practices across the EM complex. As stated in Under Secretary D'Agostino's letter, the NNSA/EM SCMC should be operating and achieving enterprise-wide cost savings by the end of September 2012.

EM recognizes the great work of individual EM contractors in the area of supply chain management and looks forward to realizing greater efficiencies and collaboration across the major EM sites under this strategic sourcing partnership. A video teleconference (VTC) has been scheduled for January 27, 2012 to provide EM Sites more information about this exciting new partnership. Below are the details and the primary objectives of the VTC:

Date: Friday, January 27, 2012

Time: 1:00 – 2:00 EST

Requested Attendees: Site Managers and Federal Procurement Directors

Access Information: Separate meeting request will be sent electronically

- Describe purpose, goals and benefits of NNSA/EM Strategic Sourcing Partnership
- Identify roles and responsibilities (EMCBC, EM Sites and SCMC)
- Outline implementation plan
- Answer questions

In addition to the above VTC, an information exchange with major EM Site contractors to orient them to this new partnership is planned for February 2, 2012 from 9:00 a.m. to 5:00 p.m. EST in Cincinnati, Ohio. Please share this information with your contractors and direct them to the following EM Strategic Sourcing Program website for more information, including instructions to register for the program orientation meeting:

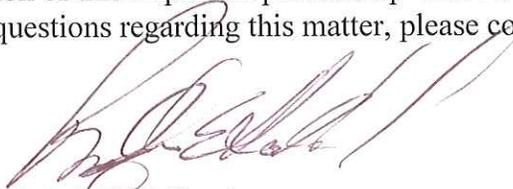
[www.emcbc.doe.gov/em\\_strategic\\_sourcing](http://www.emcbc.doe.gov/em_strategic_sourcing)

In accordance with Under Secretary D'Agostino's letter, it is requested that each site designate one EM site office point of contact (POC) and one contractor POC for each of the major EM site contracts. In addition to providing the POC names to Jack Craig, EMCBC Director, please provide the names to the following mailbox not later than January 31, 2012:

[EMStrategicSourcing@emcbc.doe.gov](mailto:EMStrategicSourcing@emcbc.doe.gov)

Lastly, the draft NNSA/EM SCMC Memorandum of Understanding (MOU), which outlines the strategic framework of the NNSA/EM SCMC, is attached for your information. It is anticipated that the MOU will be signed by the Contractor Procurement Directors for each of the major EM Site contracts.

Your assistance with the implementation of this important partnership with NNSA is greatly appreciated. If you have any questions regarding this matter, please contact me at (513) 246-0550.



Ralph E. Holland  
Deputy Director

Attachments: As Stated

Distribution:

Matthew S. McCormick, Manager, Richland Operations Office (RL)  
Scott L. Samuelson, Manager, Office of River Protection (ORP)  
David C. Moody, Manager, Savannah River Operations Office (SR)  
Jose Franco, Manager, Carlsbad Field Office (CBFO)  
William E. Murphie, Manager, Portsmouth/Paducah Project Office (PPPO)  
Tania Smith, Acting Director, Office of Small Site Completion  
Jay Rhoderick, Director, Office of Large Site Support  
John Sattler, Federal Project Director, Brookhaven Federal Project Office (BNL)  
Steven Feinberg, Manager, Separations Process Research Unit (SPRU)  
Bryan Bower, Director, West Valley Demonstration Project Office (WVDP)  
Donald Metzler, Director, Moab Federal Project Office (MOAB)  
James Cooper, Deputy Manager for Idaho Cleanup Project (ID)  
Sue Cange, Acting Assistant Manager for Environmental Management, Oak Ridge (OR)  
John Jones, Federal Project Director, Energy Technology Engineering Center (ETEC)

cc w/attachments:

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S. Clemons, MA-622  
J. Davis, MA-622  
J. Craig, EMCBC  
D. Hess, EMCBC



## Under Secretary for Nuclear Security

Washington, DC 20585

January 20, 2012

### MEMORANDUM FOR DISTRIBUTION

FROM: THOMAS P. D'AGOSTINO 

SUBJECT: National Nuclear Security Administration and Office of Environmental Management Strategic Sourcing Partnership

In an environment defined by budget cuts and increasing emphasis on efficiency in contracting, Government agencies are under pressure to purchase goods and services in a more strategic and transparent manner. In an August 2010 memorandum, Deputy Secretary Daniel Poneman directed expansion of strategic sourcing across the Department of Energy and recognized the National Nuclear Security Administration (NNSA) Supply Chain Management Center (SCMC) as a model for success. The recent reorganization that aligned the Office of Environmental Management (EM) and NNSA, with both reporting to my office as the Under Secretary for Nuclear Security, has presented an opportunity for EM to leverage existing capability in strategic sourcing. EM has developed a partnership with NNSA to integrate with its strategic sourcing solution at the SCMC. Integrating major EM contractor sites with the existing SCMC infrastructure and processes will enable a synergistic strategic sourcing solution to achieve efficiency of scale, increased productivity, and cost savings.

In September 2011, SCMC was provided the authority to proceed with the necessary steps to facilitate the NNSA/EM SCMC. In this regard, SCMC is to coordinate with the NNSA and EM site contractors and the appropriate NNSA and EM acquisition officials to make a smooth transition to an enterprise-wide strategic sourcing solution that will leverage purchasing power to gain pricing, processing, and reporting efficiencies.

The NNSA/EM SCMC should be operating and achieving enterprise-wide cost savings by the end of September 2012. By that date, the following milestones should be achieved:

- EM access to the NNSA portal for SCMC to host eProcurement tools for EM site use
  - eSourcing tool access for EM sites to conduct electric procurement bid events
  - eStore tool access for EM sites to utilize eCatalogs
- Completion of beta test of spend analysis and strategic sourcing commodity programs at the Savannah River Site.

Successful implementation of the NNSA/EM SCMC partnership is critical to moving forward in transforming business processes and operating practices across the EM complex. In order to achieve the aggressive milestones, each site will designate one EM site office point of contact (POC) and one contractor POC for each of the major EM site contracts to work with the EM Consolidated Business Center, NNSA Office of Acquisition and Project Management and SCMC on this effort. Provide your POCs to Jack Craig by January 31, 2012. Please share this information with your major site contractors.



A face to face information exchange in Cincinnati, Ohio, with the impacted EM contractor community regarding this new partnership is planned in the near future. More information on this event will be provided separately. Your continued leadership and support of this initiative is greatly appreciated.

Distribution

Matthew S. McCormick, Manager, Richland Operations Office (RL)  
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James Cooper, Deputy Manager for Idaho Cleanup Project (ID)  
Susan M. Cange, Assistant Manager for Environmental Management, Oak Ridge Office (OR)  
John Jones, Federal Project Director, Stanford Linear Accelerator Center (SLAC)

cc: J. Waddell, NA-17  
D. Huizenga, EM-1 (Acting)  
T. Mustin, EM-2

# Memorandum of Understanding

## National Nuclear Security Office of Environmental Management

# Supply Chain Management Center

### I. Background

In an environment defined by budget cuts and increasing emphasis on efficiency in contracting, Government agencies are under pressure to purchase goods and services in a more strategic and transparent manner. In August 2010, Deputy Secretary Daniel Poneman directed expansion of strategic sourcing across the Department of Energy (DOE) and recognized the National Nuclear Security Administration (NNSA) Supply Chain Management Center (SCMC) as a model for success. The July 2011 reorganization that aligned the Office of Environmental Management (EM) and NNSA under the Office of the Under Secretary for Nuclear Security, presented an opportunity for EM to leverage existing capabilities in strategic sourcing at the NNSA SCMC. During the summer of 2011, the EM Consolidated Business Center (EMCBC) performed a cost/benefit analysis of EM integrating into the NNSA SCMC. EMCBC's analysis concluded that the NNSA SCMC presented a synergistic "NNSA/EM" enterprise-wide strategic sourcing solution that will leverage purchasing power of both program elements to gain pricing, processing and reporting efficiencies.

In a January 2012 letter, the Office of the Under Secretary for Nuclear Security directed NNSA and EM to develop a Strategic Sourcing Partnership. This new partnership will enable the integration of major EM Site contractors and the NNSA's National Security Enterprise (NSE) – which comprises the NNSA's eight Management & Operating (M&O) Contractors -- into the "NSE/EM strategic sourcing enterprise" to achieve economies of scale, increased productivity and cost savings.

## II. Introduction

This planning document defines the SCMC, its purpose, features, functions, and objectives, and the steps necessary to institutionalize the SCMC within the EM community. The SCMC will build on the existing capabilities, activities, and organizations already existent within the NSE community and within DOE to foster the success of the NNSA/EM Strategic Sourcing Partnership.

The SCMC was originally established by the NNSA NA-10 memorandum of August 7, 2006, to ensure improved efficiencies and economies in NSE acquisitions. The long-term objective of the SCMC is to transform the M&O community and, now EM community, acquisition processes from a tactical and reactive function to a strategically driven integrated function that ensures maximum value for every acquisition dollar spent. The SCMC will accomplish this goal by implementing strategic sourcing processes on a NSE/EM-wide basis, driven by strategic planning, an in-depth understanding of internal purchasing needs, and insight and knowledge of supply markets.

The SCMC will coordinate with NSE and EM contractors, as well as the appropriate NNSA and EM acquisition officials, to make a smooth transition to an NSE/EM enterprise-wide strategic sourcing solution that applies an integrated, cross-functional/cross-business unit strategic sourcing approach to the entire NSE/EM enterprise as further identified below.

The SCMC will implement its strategic sourcing processes with the following major EM contractor sites: Savannah River, Hanford, Office of River Protection, Idaho, West Valley, Carlsbad Field Office, Portsmouth and Paducah, Oak Ridge and any sites subsequently added. In doing so, the NSE and EM can begin to look for opportunities to create efficiencies and enhance the total cost of acquisition across the NSE/EM enterprise. Such opportunities include:

- Enhanced purchasing coordination with --- the NSE's eight M&O procurement organizations and major EM contractor sites ---- to maximize value from supplier relationships and ensure supplier price uniformity for comparable goods and services while reducing total cost of acquisition;
- Greater standardization of total cost of acquisition processes to deliver supplies/services more quickly to end users; retaining or enhancing other supplier provided services; and, reduce the total cost of acquisition;
- Improve knowledge-sharing mechanisms across the NSE/EM enterprise to exchange supplier intelligence, market analysis, and total cost of acquisition best practices; and,
- Optimally leverage small business capabilities to meet the NSE and major EM contractor socio-economic based acquisition goals, while being mindful of regional socio-economic concerns.

### **III. Purpose of Plan**

The purpose of the strategic sourcing plan is to define the steps necessary to institutionalize the SCMC within the EM community including leveraging existing capabilities at major EM contractor sites. This plan provides guidance for the structure, management and operations of the SCMC, taking into consideration the unique structures and inherent complexities of the diverse acquisition environments at the major EM contractor sites.

This plan is a working document that will be updated periodically over the life of the SCMC as new priorities, policies and requirements emerge.

### **IV. SCMC EM Status**

With the issuance of the January 20, 2012, memorandum from the Under Secretary for Nuclear Security, the NNSA's Kansas City Plant (KCP), managed and operated by Honeywell Federal Manufacturing & Technologies (FM&T), was directed to integrate major EM contractors into its SCMC organization and deploy an enterprise-wide system and infrastructure. Implementation of this enterprise system is required to achieve integration, increased major EM contractor site collaboration, leverage spend and lower total cost of acquisition within the selected major contractor sites while leveraging the existing SCMC software applications and processes.

The applications that comprise the enterprise system are:

1. NNSA and EM Portal
2. eSourcing
3. "eStore", a repository of electronic catalogs (eCatalogs) based on leveraged pricing obtained via SCMC strategic sourcing agreements and ICPT pricing agreements
4. Spend Analysis
5. Supplier Performance Management
6. eProject

The overarching plan for implementation of SCMC software applications and processes at the major EM contractor sites is provided under, "Attachment A," Rev. 0.

## V. SCMC Vision

The vision for the SCMC is to improve EM mission responsiveness by transforming individual contractor acquisition processes from tactical and reactive functions to a single, strategically driven function which utilizes integrated software applications and processes that ensure maximum value for every EM acquisition dollar. The SCMC is critical to achieving this broader transformation of the acquisition function.

## VI. SCMC Objectives for EM

In order to achieve this EM transformation, the SCMC has five core objectives:

- **Objective 1: Establish NSE/EM, cross-functional acquisition strategies.** SCMC will assist EM in evolving from a traditional, localized purchasing orientation and, where appropriate, facilitate the collaborative development of major EM contractor sourcing strategies for targeted commodities.
- **Objective 2: Reduce the Total Cost of Ownership for acquired goods and services.** Through collaboration with NSE/EM stakeholders to understand all costs related to the acquisition, use and disposal of acquired goods or services, SCMC will assist EM in minimizing the Total Cost of Ownership utilizing its strategic sourcing process and software applications. Costs may be internal to the major EM contractors or external costs associated with working with suppliers.
- **Objective 3: Improve fulfillment of socio-economic acquisition goals.** SCMC will ensure the utilization of small and disadvantaged businesses and fulfillment of socio-economic goals by matching small business capabilities to the EM requirements to the greatest extent possible. Regional suppliers will be leveraged wherever possible.
- **Objective 4: Standardize total cost of acquisition business processes.** SCMC will assist EM to improve the efficiency and consistency of its major contractor procurements by implementing standardized total cost of acquisition business processes throughout the major EM contractor sites for targeted commodities.
- **Objective 5: Improve strategic sourcing skills of the EM major contractor acquisition community.** Core competencies will be identified and training provided to improve skills of the major EM contractor acquisition community in strategic sourcing and the related software applications.

## VII. SCMC Strategic Sourcing Process

The SCMC utilizes a strategic sourcing process characterized by a Pre-step and five high level steps - illustrated in the figure below:

Figure 1



The process consists of an Opportunity Assessment or Pre-step, a periodic (or continuous) analysis, which leads to identification of targeted commodities for strategic sourcing. Steps 1-5 represent the repeatable strategic sourcing process applied to each commodity targeted for strategic sourcing.

- **Pre-step: Opportunity Assessment** – Conduct a global opportunity assessment; rank the opportunities by savings potential and implementation risk; present to the SCMC EM Advisory Committee (EMSAC); develop initial assessment for each opportunity; EMSAC provides a point-of-contact (POC) for each opportunity; present the initial assessment to the EMSAC for approval/disapproval; EMSAC identifies team members; and, SCMC leads team kick-off.
- **Step 1: Profile Commodity** – Develop a detailed commodity profile by defining the commodity; conduct commodity spend analysis; assess customer requirements; develop a Total Cost of Ownership (TCO); develop sourcing opportunity hypothesis; and, submit sourcing hypothesis to the major EM contractor SCMC “EM Site Coordinators” for approval.
- **Step 2: Conduct Supply Market Analysis** – Define supply market segments; develop view of basic market data; understand value chain and cost drivers; identify supply market competitive dynamics; and, review Federal Sources of Supply.
- **Step 3: Develop Commodity Strategy** – Identify sourcing objectives; develop sourcing strategies and tactics; develop business case; and, submit business case to SCMC/EMSAC for approval.
- **Step 4: Request for Proposal (RFP) process and Award** – Follow the team leader’s site policies, procedures and processes governing the RFP and award process.

- **Step 5: Implement Sourcing and Communication Plan** – Survey target customers; analyze survey; develop control plan; and, implement improvement agreement processes and policy changes necessary to ensure the successful implementation of the commodity sourcing strategy. Continually measure, track and manage performance.

## VIII. SCMC Performance Metrics

Performance measurement, both at the SCMC level and at the commodity level, is critical to ensuring success of the SCMC. While SCMC level metrics are at a strategic level, commodity level metrics will be customized to fit the commodity.

Strategic level metrics will be reported through an “EM SCMC Performance” Scorecard (hereafter referred to as “Scorecard”). Commodity level metrics, when required, will be incorporated into SCMC Agreements and managed by the SCMC Commodity Managers in collaboration with EM individual contractor site representatives.

The primary metrics to be used by EM to measure performance at the SCMC level will include such metrics as:

Examples of Potential SCMC Metrics	
Metric	Description
<b>% of Spend Utilization</b>	<ul style="list-style-type: none"> <li>• Total spend volume being sourced through commodity teams as a percentage of total addressable NSE spend</li> <li>• Number of contract catalogs developed</li> <li>• Amount of spend performed via e-sourcing</li> </ul>
<b>eSourcing Cost savings</b>	<ul style="list-style-type: none"> <li>• #Total Current FY eSourcing events completed</li> <li>• # Total Current eSourcing events in-progress</li> <li>• # Total Current eAuctions/Sealed Bid by Rank complete</li> <li>• # Total Current eAuctions/Sealed Bid by Rank in-progress</li> <li>• \$ Total Current FY completed events through eSourcing</li> <li>• \$ Total Current FY in-progress events in eSourcing</li> <li>• \$ Total Current FY savings in eSourcing</li> <li>• %Total Current FY savings for eSourcing events</li> <li>• \$ Net Savings for current FY eSourcing events</li> <li>• \$ Total Savings for all FY's</li> </ul>
<b>Achieved Cost Savings</b>	<ul style="list-style-type: none"> <li>• Amount of savings identified for those commodities that are being strategically sourced by commodity team</li> </ul>
<b>Small Business % Change for Strategic Sourced Commodities</b>	<ul style="list-style-type: none"> <li>• For commodities being strategically sourced, what is the net change in small business spend?</li> </ul>
<b>eStore Usage</b>	<ul style="list-style-type: none"> <li>• Number of eStore transactions by site and in total</li> </ul>
<b>SCMC Contract Utilization</b>	<ul style="list-style-type: none"> <li>• % utilization by \$ of each sites use of SCMC agreement</li> <li>• % on/off Agreement spend by Agreement supplier</li> </ul>

NOTE: Metrics provided in this section are "examples." Metrics will be determined in collaboration with SCMC Director, EMSAC; and, the individual site's Contracting Officer (when the metrics are to be included in the site's Contract "Performance Evaluation Plan," Performance Objectives, Performance Based Incentives, Multi-site Objectives or any other criteria established by the Contracting Officer or EM senior leaders)

Savings for commodity agreements (strategic sourcing agreements) will be determined based on the cost savings methodology agreed to by EM and SCMC. Typically, these savings will be determined on the bases of the "Total Estimated Value" of the SCMC Strategic Sourcing Agreement.

For the purpose of documenting, tracking and reporting of cost savings, procurement spend through the SCMC tools, eSourcing events, and strategic sourcing agreements the following calculation methods shall apply:

### **Cost Savings Methodologies**

Cost Savings are determined using the following defined methods:

1. Reduction from the previous price paid
2. Reduction from independent cost estimate
3. Reduction from preliminary market estimate
  - a. Preliminary quote
  - b. Budget amount on the requisition
4. Reduction from award price to a proposal

Determination of a savings method is performed from the top down. The most advantageous cost savings cannot be selected based on the characteristics defined above. If the first method applies it must be used to the exclusion of the rest. If the first method does not apply then a determination must be made if the second method applies, and so forth.

- Reduction from the previous price paid

This method requires a comparison of the proposed price with the previous price paid. This has often been described as a "price over price" comparison. Cost savings are represented by the difference between the proposed purchase price and a base price. Base price represents the previous price paid. This base may be the weighted average of the prior year's receipts, or the prior year's billings. While this method is applied to direct material with identified part numbers, it can be applied to indirect product purchased by description. All that is required is to establish a base price for comparison. This method should be used if you have purchased the product or service previously.

- Reduction for independent cost estimate

This method requires a comparison of the proposed price with a documented independent cost estimate. Cost savings are represented by the difference between the independent cost estimate and the proposed purchase price. This method is generally associated with construction, facility services or general services, but certainly could be employed with the availability of an independent cost estimate. The independent estimate may take many forms as long as it meets the minimum requirement of an estimate that was performed by someone other than the Buyer or the Seller.

- Reduction from preliminary market estimate – Preliminary quote, or Budgeted amount on the authorizing requisition.

If the purchase transaction can not be analyzed using previous price method, or by a comparison to an independent cost estimate, a comparison may be made to a preliminary quote, or the amount budgeted for the ensuing procurement and reflected on the requisition. Pricing provided through a Request for Information (RFI), request of a Seller to provide budgetary estimate, or a requisition with a stated amount meets the requirement of this method as a base price used for comparison. A cost savings is calculated as the difference between the Market estimate and the proposed price. Attempts to manipulate cost savings by manipulating the requisition amount are unacceptable. Documentation should be available to support the requisition amounts.

- Reduction from award price to a proposal

Cost savings resulting from comparison of a current award price received in response to a current solicitation. For example, negotiations with selected offerors.

- Cost Savings - Tracking and Reporting

Estimated cost savings will be tracked on a monthly basis when a site has executed an eSourcing event. The site will report the event to the SCMC point-of-contact and the point-of-contact will track the savings using the "SCMC Scorecard" as the reporting document. The estimated savings will be shown until the event has been officially converted to a contractual instrument. Once the event has converted to a contractual instrument the actual cost savings will be determined by the issuing site, reported to the SCMC point-of-contact and that savings will constitute the official cost savings that will be reported against all SCMC and EM goals. The savings will be reported using the "SCMC Scorecard." In the instance that an event is started in a Fiscal Year but awarded in a subsequent Fiscal Year the savings will be reported in the year in which the contractual instrument was awarded.

- Procurement Spend through eSourcing, eCatalogs and Strategic Sourcing Contracts – Tracking and Reporting.

Each site will report each Monday its potential events, events in progress and events completed to the SCMC point-of-contact. These events will be documented, tracked and reported using the "SCMC Scorecard." The Scorecard will be updated on a weekly basis. Once the event has been converted to a contractual instrument and reported to the SCMC point-of-contact as "completed" this will constitute the official counting against all SCMC and EM goals for these categories. In the instance that an event is started in a Fiscal Year but awarded in a subsequent Fiscal Year the event will reported as completed in the year in which the contractual instrument was awarded.

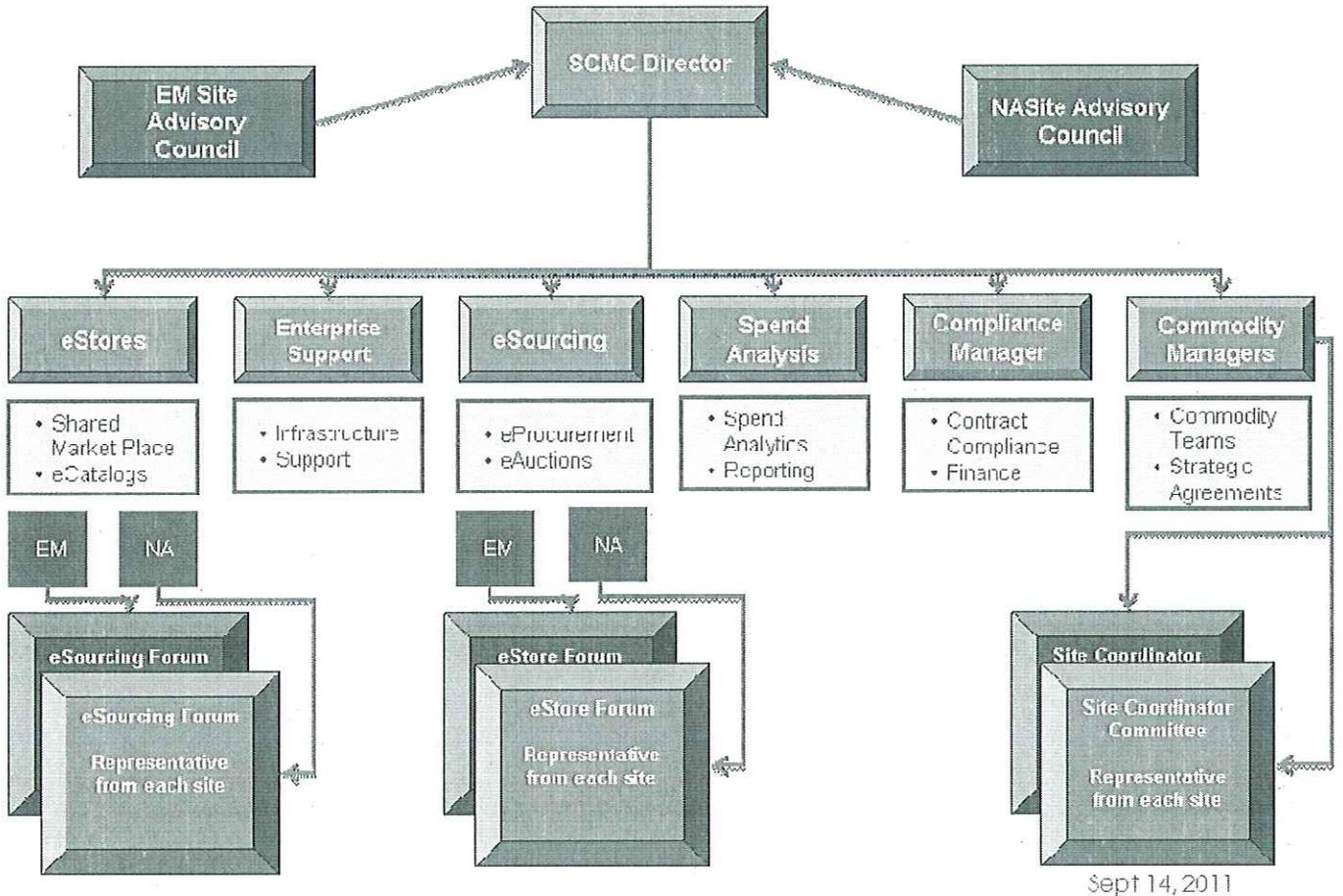
## **IX. SCMC Governance and Operation**

### **IX.1 SCMC Governance Overview**

Based on the considerations in the previous section, the SCMC Governance Structure is depicted in Figure 3, below. This model emphasizes the collaboration between major EM contractor sites, in the identification of potential commodities for sourcing through the actual execution of orders. The day-to-day management of the Enterprise Systems and Strategic Sourcing Support groups as well as the SCMC Strategic Commodities Manager is performed by the SCMC Leader. At the same time, execution of the strategic sourcing process occurs at the Commodity Team level, which is closest to the ultimate customers of a specific commodity and includes participation from relevant major EM contractor stakeholders.

Figure 3: SCMC Governance Structure

# SCMC Governance Model



Specific elements of SCMC Governance Structure include:

- SCMC Director** is the senior SCMC employee who has overall responsibility and accountability for the leadership, strategic direction and success of the SCMC. Leads SCMC deployment strategy for NNSA and EM sourcing, oversees creation and execution of commodity agreements and infrastructure; and continuous improvement for NSE/EM-wide procurement and supply chain solutions. Also leads collaboration among the NSE and major EM contractor sites to achieve NNSA and EM/Agency overarching goals. Directs SCMC strategies for the NSE and EM spend analysis, commodity development, contract management, software platforms; eBusiness solutions; and, agreement compliance. Assigns commodity managers as necessary (will transition to Manager, Commodities when appropriate); collaborates with NNSA and its NSE; and, EM and its major contractor sites to establish

performance based measures to support NNSA, EM, DOE, PO, PBI, Multi-site Incentives and other unique contract measures as may be defined.

- **SCMC EM Site Advisory Committee (EMSAC)** is comprised of the senior acquisition manager from each major EM contractor site. The EMSAC provides advice to the SCMC Leader.
- **SCMC Compliance. (Sr Manager, Contracts)** is the SCMC employee with overall responsibility and oversight to lead collaboration across sites for agreement and business process compliance, tracking metrics, small business performance, and training and development in strategic sourcing.
- **SCMC Strategic Commodities Manager (SCM) (Analyst Principal Buying)** is the SCMC employee with overall responsibility for leading collaboration across the major EM contractor sites to identify target commodities for strategic sourcing, the development and utilization of SCMC strategic sourcing agreements and commodity strategies for EM. Also performs the same leadership functions for selected collaborative commodities that include both the NSE and the major EM contractor sites.
- **Commodity Teams (CTs)** are cross-functional, cross-EM teams led by Commodity Managers reporting to the SCMC Strategic Commodities Manager or SCMC Director that execute the entire strategic sourcing process for a commodity or group of commodities. Current advisory groups, such as the ICPT and the Contractor Supply Chain Council (CSCC) will also be included, as appropriate. The Teams also perform the same functions for selected collaborative commodities that include both the NSE and the major EM contractor sites.
- **Integrated Contractor Purchasing Team (ICPT)** is an existing organization comprised of procurement professionals from the individual sites. The ICPT was established to pursue consortium buying opportunities and develop long term sourcing strategies for DOE Sites, NNSA Sites and Facility Contractors. This team is a resource to the SCMC staff for sharing best practices, leveraging of ICPT strategic sourcing efforts, and to ensure coordination of effort between the SCMC and ICPT for joint strategic sourcing opportunities.
- **Contractor Supply Chain Council (CSCC)** is an existing organization comprised of senior contractor acquisition managers at NNSA and DOE sites. This team is a resource to the SCMC staff for sharing best practices and will collaborate with SCMC Director. The CSCC members may also serve as site advocates for the SCMC.

## **IX.2 SCMC Operation**

### **IX.2.1 SCMC Leader (Director)**

The SCMC Leader (Director) has the ultimate primary responsibility for the leadership and success of the SCMC in meeting performance criteria as established EM. The SCMC Leader's EM responsibilities center on vetting and approving sourcing strategies, as well as implementing and monitoring performance of the SCMC systems, processes and standards

#### **SCMC Leader Primary EM Responsibilities:**

- Establishes and oversees SCMC systems, standards, business processes, and policies;
- Provides direction and oversight to SCMC staff;
- Oversees the establishment of commodity teams and assigns commodity managers as necessary (will transition to Manager, Commodities as appropriate);
- Ensures requirements gathering from across EM and its major contractor sites;
- Oversees the coordination of initiatives across commodity teams;
- Facilitates the submittal of sourcing strategies to SCMC Site Coordination Committee (SCC) and EMSAC for Pre-step approval to form a commodity team and approval of Step 3 for Commodity Team roll-out of RFP and agreement award and also performs the same leadership functions for selected collaborative commodities that include both the NSE and the major EM contractor sites;
- Monitors overall SCMC progress;
- Leads development of calculation methodology and tracking methodology for cost savings and other metrics developed for/by the SCMC;
- Promotes and coordinates strategic buying initiatives with the ICPT;
- Coordinates with the EMSAC and its major EM contractor sites to establish performance based measures;
- Leads collaboration among major EM contractor sites to achieve EM/DOE goals;
- Directs the execution of EM spend analysis;
- Leads EM commodity strategy; and,
- Oversees EM agreement management and ensures agreement compliance

## **IX.2.2 SCMC EM Advisory Committee – (EMSAC)**

The SCMC EM Advisory Committee (EMSAC) is led by an EM Contractor Site Procurement/Supply Chain Management Director on an annual rotational basis and has membership consisting of the Procurement/Supply Chain Management Director from each major EM contractor site. The SCMC Leader as the representative for the SCMC; the EMCBC Deputy Director as the EM representative; and, ICPT Leader as the ICPT representative also serve as members of the EM SAC. The Committee functions in an advisory capacity to the SCMC.

### **SCMC Advisory Committee Primary Responsibilities:**

- Participate as a member of the EMSAC;
- Provide senior level guidance and advice to the SCMC Leader and staff as requested/required ;
- Approve the SCMC Commodity Manager “Executive Summary/Business Case” prior to issuance of a RFP;
- Participate with the major EM Contractor Procurement Directors, SCMC, and EMCBC to drive success;
- Provide a Site Coordinator as a member of the SCMC Site Coordination Committee (SCC);
- Provide Commodity team members when deemed appropriate for specific commodities and, in unique situations provide a commodity manager, when a commodity is specific to a particular site or a particular site is in a unique position to lead a commodity team;
- Ensure their individual site supports collaborative system implementation and utilization;
- Champion DOE and EM goal attainment for SCMC at the major EM contractor sites; and,
- Oversee execution of the individual contractor site procurements to drive utilization of SCMC strategic sourcing agreements, eStore and eSourcing.

### **Prospective Members:**

- Selected major EM Contractor Procurement Directors

## **IX.2.3 SCMC Compliance Manager (Manager Sr Contracts)**

The SCMC Compliance Manager will have the responsibility for compliance with the processes, systems and standards developed by the SCMC to ensure standardization and consistency of the agreements established by the SCMC. The actual execution and maintenance of the calculation, tracking and reporting of cost savings will be conducted by

commodity managers and eSourcing Specialists. Process compliance and training will be another responsibility of the Compliance Manager.

**Compliance Manager Primary Responsibilities:**

- Ensures agreement compliance for NSE/EM-wide agreements issued by the SCMC through a defined self-assessment process;
- Oversees and coordinates SCMC activities to support attainment of small business goals;
- Manages the SCMC budget;
- Oversees administration support and record keeping for SCMC;
- Ensures standardization of terms and conditions used in SCMC agreements;
- Monitors compliance of business processes with those set by SCMC;
- Monitors changes to the KCP Purchasing Organization Command Media and authors revisions to the Command Media to fit the requirements of the SCMC; and,
- Establishes and manages personnel training and development in strategic sourcing; and, the training required/requested by the major EM contractor sites.

**Prospective Member**

- Honeywell FM&T resource

**IX.2.4 SCMC Strategic Commodities Manager (SCM)**

The Strategic Commodity Manager (SCM) is responsible for the management and oversight of strategic sourcing of EM commodities and EM Commodity Team(s).

**SCM Primary Responsibilities:**

- Responsible for compliance with SCMC standards, business processes, and policies for developing and implementing EM commodity strategy and also has same responsibilities for selected collaborative commodities that include both the NSE and the major EM contractor sites;
- Collaborate with SCMC Leader in establishing and overseeing commodity teams;
- Ensure effective requirements gathering from across the major EM contractors;
- Submit sourcing strategies to SCC via Strategic Sourcing Process Pre-step for approval to initiate a Commodity Team roll-out and subsequent issuance of a RFP and agreement award and also performs the same functions for selected

collaborative commodities that include both the NSE and the major EM contractor sites;

- Monitor overall utilization of SCMC strategic sourcing agreements for commodities;
- Promote and coordinate strategic buying initiatives for commodities with the ICPT;
- Perform EM spend analysis, eSourcing, and Supplier Performance Management activities using SCMC enterprise system or existing systems which have been integrated with the SCMC tools;
- Perform program management functions in rolling out commodity strategy including developing and implementing a communication plan, providing for business change management across sites to drive utilization of commodity strategy, oversee collection of data to identify spend opportunities and lead the Commodity Team(s) to carry out the SCMC strategic sourcing process for assigned commodities;
- Provide core resources for business requirements, market analysis, data analysis, and other identified positions for commodity teams; and,
- Responsible for delivering savings and meeting goals set for the commodity teams.

#### **IX.2.5 SCMC Site Coordination Committee (SCC)**

The SCC consists of members selected by the Procurement/Supply Chain Management Director from each major EM contractor site. Members for this committee will be selected based on their strategic sourcing experience level and commodity knowledge. They will have demonstrated leadership skills to impact functional operations in support of meeting DOE, EM and SCMC goals. They will act as the primary site contact to coordinate SCMC day-to-day strategic sourcing activities and drive implementation and utilization of the SCMC systems, standards, processes and policies at their site. The committee will be led by a SCMC Commodity Manager.

##### **SCMC Site Coordination Committee Primary Responsibilities:**

- Collaborate with EMSAC and other SCMC Site Coordination Committee members to identify and target commodities for EM strategic sourcing and also collaborate with the NSE SCC to identify and target commodities for NSE/EM strategic sourcing;
- Approve Step1, "Profile Commodity, Sourcing Hypothesis " of the SCMC Strategic Sourcing Process;
- Provide Commodity team members when deemed appropriate for specific commodities or in unique situations, or a Commodity Manager, when a

commodity is specific to a particular site or a particular site is in a unique position to lead a commodity team;

- Work with site Procurement/Supply Chain Directors to identify site representatives for commodity teams and Commodity Managers, when appropriate;
- Provide site contract information for possible leverage for EM commodity strategy;
- Champion collection of procurement packages at the site for EM eSourcing events;
- Coordinate SCMC enterprise system implementation with major EM contractor site's technical and business staff and drive utilization at sites;
- Assist in development of EM supply base optimization;
- Ensure sites submit monthly data extractions to support EM spend analysis; and,
- Collaborate with SCMC and EM selected individual contractor sites to meet performance based goals to drive utilization through the processes and systems implemented by the SCMC.

#### **IX.2.6 SCMC Commodity Managers (CM)**

The Commodity Manager (CM) is responsible for the development and oversight of individual commodities.

##### **SCMC Commodity Manager Primary Responsibilities:**

- Lead commodity team(s) for assigned commodities, following the "SCMC Strategic Sourcing Process" (Attachment "B") and the "Supply Chain Management Center (SCMC) Strategic Sourcing Agreement Approval Process Map" (Attachment 'C');
- Responsible for compliance with SCMC standards, business processes, and policies for developing and implementing EM commodity strategy for assigned commodities;
- Ensure effective requirements gathering from across major EM contractor sites;
- Submit sourcing strategies to SCC via Strategic Sourcing Process Pre-step for approval to initiate a Commodity Team roll-out and subsequent issuance of a RFP and agreement award and also with the NSE SCC for collaborative commodities for NSE/EM strategic sourcing;
- Submit sourcing strategies to SACEM and the SCMC Leader for final approval for roll out of RFP (RFP preparation, RFP format, administration of the RFP

process, and retention of RFP documentation shall be in accordance with the KCP Procurement Process Descriptions and Work Instructions - as required by the commodity team and approved by the SCMC, modifications to the RFP are permitted);

- Collaborate with SCC throughout the SCMC strategic sourcing process;
- Prepare Agreement file (with assistance from commodity team members), submit Agreement for award, administer the Agreement, retain commodity Agreement files and serve as point of contact for commodity strategy and execution (file preparation, Agreement award, administration and retention of Agreement files shall be in accordance with the FM&T Procurement Process Descriptions and Work Instructions);
- Monitor overall utilization of SCMC strategic sourcing agreements for assigned commodities;
- Ensure that consideration is given and strategy developed to optimize spend through socioeconomic businesses whenever possible;
- Promote and coordinate DOE/EM strategic buying initiatives for commodities with the ICPT teams;
- Perform EM spend analysis, eSourcing, and Supplier Performance Management activities using SCMC enterprise system;
- Perform program management functions in rolling out EM commodity strategy including developing and implementing a communication plan, providing for business change management across sites to drive utilization of commodity strategy, oversee collection of data to identify spend opportunities and lead the Commodity Team(s) to carry out the SCMC strategic sourcing process for assigned commodities; and,
- Oversees deployment of agreement strategy while working in conjunction with the EMSAC to champion utilization of the agreement at each site.

## **IX.2.7 SCMC eSourcing Specialist (Analyst, Sr Buying)**

### **SCMC eSourcing Specialist Primary Responsibilities**

- Serve as an administrator in the development and maintenance of catalog content and supplier enablement for eProcurement systems, eSourcing websites and spend analysis applications;
- Provide catalog administration and development for web procurement systems (create supplier product catalogs for marketplace, update and maintain data). Coordinate the requirements and needs with Commodity Managers;

- Contact new suppliers to establish readiness for eCommerce: Catalog in electronic form and receipt of internet orders;
- Develop and deploy catalog strategy that will enable the majority of purchases across major EM contractors to have "one touch" purchase capability;
- Provide enabling tools and guidelines for catalog audits;
- Provide support to users and suppliers of eProcurement systems, including activities such as catalog setup, reporting etc.;
- Drive deployment and successful utilization of a common web based spend management system for direct and indirect products and services across selected EM contractor sites;
- Collect and manage data for reporting of progress against DOE/EM goals;
- Provide training, support and event execution for electronic sourcing applications;
- Serve as an auction and RFx subject matter expert and manage EM applications relative to on-line events; and,
- Maintain EM Sourcing website for current applicability. Ensuring linkages are current and applicable to EM.

### **IX.2.8 Commodity Team Structure**

Commodity Teams are the key component for developing and executing sourcing strategies. Commodity Teams will execute a majority of the work and present the resulting outputs as determined by the SCMC. Commodity Teams (CT) are responsible for the EM or collaborative NSE/EM strategic sourcing process in its entirety, from commodity profiling and spend analysis to continuous commodity management. CTs are comprised of various multi-functional personnel and headed by a Commodity Manager which provides day-to-day direction to the team. Various analyses are performed by Data Analysts (which may be part of the Commodity Team or shared across multiple commodity teams). The commodity teams are responsible for assessing requirements for the commodity across the major EM contractor sites or collaboratively NSE/EM through contact with customers, functional representatives and stakeholders. The commodity teams also have team member(s) with delegated contracting authority which provide sourcing services, agreement preparation, and acquisition expertise.

#### **. Commodity Team Primary Responsibilities**

- Follow the “SCMC Strategic Sourcing Process” (Attachment “B”) and the “Supply Chain Management Center (SCMC) Strategic Sourcing Agreement Approval Process Map” (Attachment “C”);
- Conduct commodity-specific communications and outreach across the major EM Contractor sites, identify and engage key stakeholders throughout the strategic sourcing process (when sourcing is collaborative with NSE and the major EM contractors involve both NSE and EM SCC and SAC throughout the Commodity Team strategic sourcing process);
- Conduct an Opportunity Assessment for the commodity and gain approval of the EM SCC
- Develop detailed commodity profiles including spend profile, specifications, requirements and sourcing hypothesis and gain approval of the SCC (Step 1 of the SCMC Process). Proceed to proceed to Step 2
- Conduct market/industry analysis (Step 2 of SCMC process)
- Develop and gain EMSAC approval (EMCBC Deputy Director and SCMC Leader are not signatories to the approval process) for sourcing strategies based on results from the commodity profile and the market analysis (Step 3 of the SCMC Process)
- Develop and issue RFP, analyze proposal, develop documentation of agreement award decision and provide EMSAC opportunity to review and comment and submit for award approval to the appropriate approval entities (Step 4 of the SCMC Process)
- Manage/support “proof of concept” implementation of approved sourcing strategies
- Recommend plan for major EM contractor site roll out (Step 5 of the SCMC Process)
- Develop commodity-specific metrics for tracking progress and success of commodity strategies, as required
- Continually monitor commodity strategy progress
- Oversee deployment of agreement strategy while working in conjunction with the EMSAC to champion utilization of the Agreement at each site.

### **Prospective Members**

- Acquisition/procurement experts from each major EM contractor site
- Small Business Specialists
- Data Analysts
- Market Research/Industry Specialists

- Change Management Specialist
- Requirements Specialist.

## **X. Communications and Training Strategies**

### **X.1 Communications Strategy**

Developing proactive and targeted communications that anticipate and address stakeholder needs and issues is a critical element of the SCMC. The SCMC communications strategy will create awareness and knowledge of the SCMC and its benefits across all stakeholders and facilitate “buy in.” A strong communications plan will also ensure SCMC transparency and accountability. Furthermore, it will support cultural and behavioral changes required within the DOE/EM Procurement Community, resulting in a more rapid adoption of strategic sourcing best practices throughout EM.

#### **Communication Plan Objectives**

- Identify stakeholders that are directly or indirectly impacted by SCMC and understand their needs/issues
- Outline a “campaign-based” plan for communicating with both internal and external stakeholders, including messaging and tools to be used
- Offer major EM contractor Procurement Directors a common framework they can refer to in developing communications to support SCMC initiatives
- Prioritize communications based on unique stakeholder profiles and SCMC phases
- Prevent communications from becoming a SCMC “afterthought” – which can result in stakeholder confusion and frustration and potentially hurt adoption

EM and the SCMC leadership will enact multiple campaigns to manage stakeholder communications. Each campaign will incorporate both SCMC-level and commodity-specific components. The timing of each campaign will vary based on the phase of the SCMC and the timeline for each commodity. Campaigns will be executed through various communication tools, with many communications managed by the individual Commodity Teams.

#### **Communications Campaign Types**

- **Awareness** – Generate widespread awareness by communicating high-level SCMC objectives, expectations and benefits

- **SCMC Performance** – Keep all interested stakeholders informed of SCMC status and milestones; document SCMC governance structure, major decisions and issues
- **Change Management** – Communicate types of changes and impact on each stakeholder group; detail new business processes and policies and explain their implications; identify linkages between SCMC and other programs
- **Knowledge Transfer** – Develop tools and processes for capturing and communicating best practices and lessons learned; ensure opportunities for stakeholders to gain knowledge through hands-on training

## **X.2 Training Strategy**

A key component of the SCMC, the training strategy will ensure that personnel who support the SCMC possess or obtain the requisite training to develop core competencies in strategic sourcing activities. The SCMC training strategy will also ensure that the organization is aligned to successfully address new requirements associated with strategic sourcing.

### **Training Strategy Goals and Objectives**

- Develop a deep understanding of required skills for implementing strategic sourcing
- Create a process for assessing current capabilities of existing EM and major EM contractor personnel against the required skill-set to identify gaps
- Build a comprehensive training plan to address individual training needs during strategic sourcing implementation
- Develop training tools and processes for educating major EM contractor personnel; leverage existing training materials.

# Memorandum of Understanding - Concurrence

\_\_\_\_\_  
Procurement Director,

\_\_\_\_\_  
Date

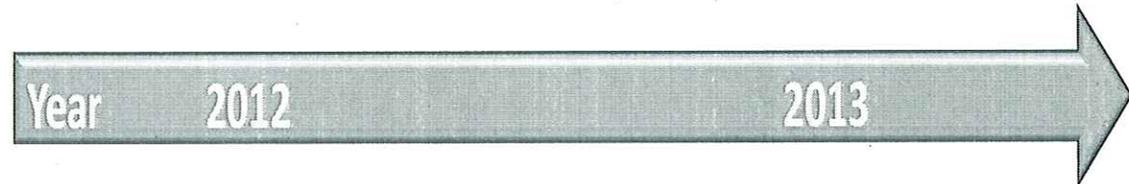
\_\_\_\_\_  
Procurement Director

\_\_\_\_\_  
Date

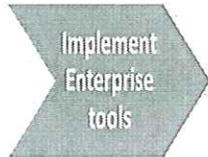
\_\_\_\_\_  
Procurement Director,

\_\_\_\_\_  
Date

# EM-CBC SCMC Implementation



EM-CBC provides authorization and funding to the SCMC  
 EM-CBC/SCMC Communicate the Vision



EM-CBC Portal development & Site Access  
 eSourcing implementation, training & execution

eSourcing implementation, training & execution

eStores implementation, training & execution

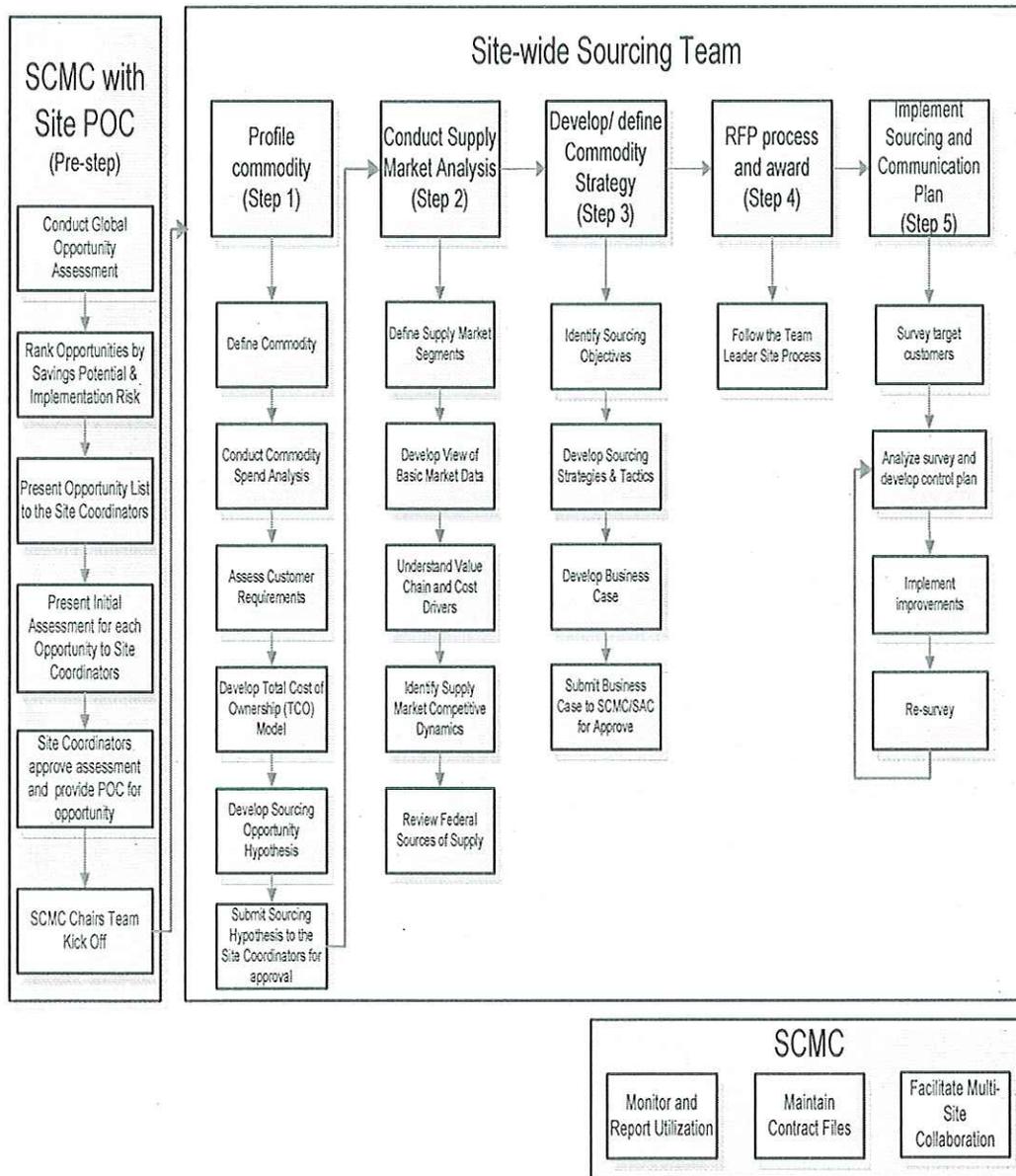


Implement Spend Analysis at SRS

Begin modification of SCMC Agreements for site access

Implement Spend Analysis at other EM site

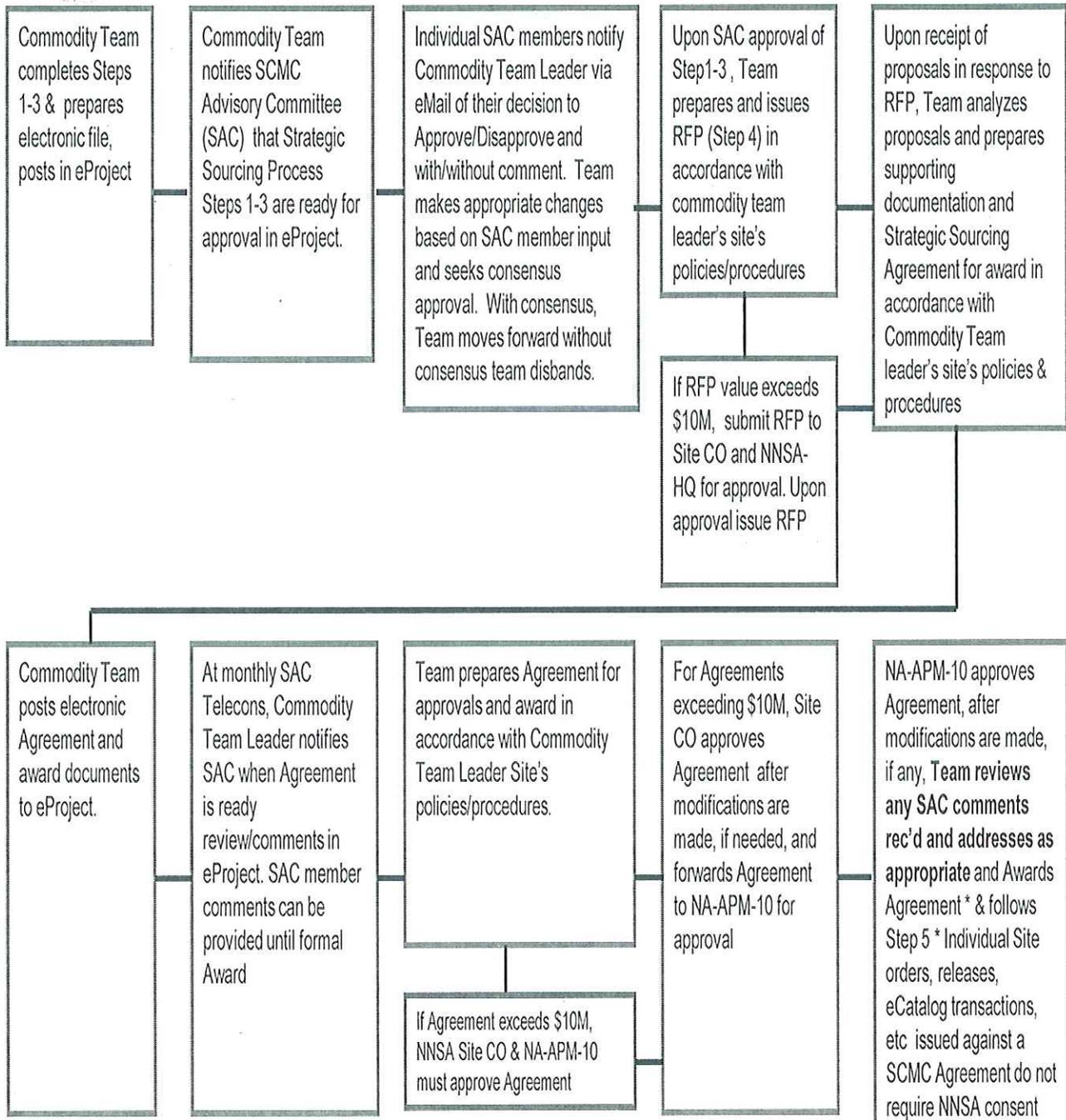
## SCMC Strategic Sourcing Process





## Supply Chain Management Center (SCMC) Strategic Sourcing Agreement Approval Process Map

Rev. 0  
November, 2011  
Attachment C  
DRAFT



**END OF DOCUMENT**