# Government Business Council

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**BROCADE**®

# The Competitive Landscape of Federal IT Procurement

**A Candid Survey of Federal Managers**

**December 2014**

# Purpose

The federal government has long maintained that a deliberate and impartial procurement process is the most effective means of acquiring the highest value products and services while ensuring public trust. But given the rapidly-evolving nature of commercial and federal information technology markets and the lack of budget flexibility, IT modernization poses a unique challenge for federal procurement offices.

To encourage maximum competition among suppliers, federal legislation and executive mandates prohibit brand-specific sourcing, the practice of issuing contracts with the intent to acquire products or solutions unique to a particular manufacturer, except in a narrow set of circumstances. Nevertheless, it appears that oftentimes federal regulations are poorly followed. Moreover, there are many factors that could artificially narrow a field of potential suppliers or make a solicitation de facto brand-specific.

To better understand the competitive landscape of federal IT procurement, Government Business Council (GBC) conducted a survey of federal managers.

# Methodology

GBC deployed a survey to a sample of *Government Executive*, *Nextgov*, and *Defense One* online and print subscribers in October-November 2014. The pool of 299 respondents includes employees at the GS/GM 11-15 grade levels and members of the Senior Executive Service. Respondents include representatives from at least 31 federal and defense agencies. 63 percent report at least a moderate degree of familiarity with their agency's IT procurement process.

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# Executive Summary

# Executive Summary

**Federal managers lack confidence in their agencies' IT procurement process**

Overall, 60 percent report that they're only "somewhat confident" or "not at all confident" in their agency's IT procurement process, with 45 percent citing regulations that incentivize low-bid over high-value contracting as the leading challenge. Still, a majority see the procurement process as sufficiently competitive. However, most agree that multiple re-sellers supplying a single manufacturer's products constitutes competition, despite this being prohibited in most cases by federal acquisition regulations.

**Brand-specific sourcing, and abuse of brand-specific sourcing, is commonplace**

42 percent of respondents familiar with IT procurement agree that it's commonplace for their agency to contract for a desired brand or manufacturer of IT products or services. The leading cause of brand-specific sourcing is the need to acquire unique, mission-specific capabilities (48 percent), which is permitted by the FAR. However, other common factors that drive brand sourcing, including vendor lock-in (35 percent), are not. 27 percent of respondents say their agency uses brand-specific sourcing inappropriately at least some of the time.

**There is significant room to improve acquisition workforce expertise**

Pluralities say their agencies' acquisition personnel lack market research skills (41 percent), project management skills (38 percent), and technical/engineering expertise (38 percent). A lack of market research skills is particularly concerning when it comes to the market for commercial off-the-shelf (COTS) IT products and services, where 45 percent say acquisition personnel lack the necessary expertise.

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Respondent Profile

# The sample is very senior, with almost three-quarters at the GS/GM-13 level and above

## Job Grade

| | |
|---|---|
| SES | 3% |
| GS/GM-15 | 19% |
| GS/GM-14 | 26% |
| GS/GM-13 | 26% |
| GS/GM-12 | 17% |
| GS/GM-11 | 6% |
| Other | 3% |

**74%** of respondents are GS/GM-13, or military equivalent, and above

## Reports/Oversees

| | |
|---|---|
| Over 200 | 3% |
| 51-200 | 4% |
| 21-50 | 11% |
| 6-20 | 23% |
| 1-5 | 16% |
| None | 43% |

**57%** of respondents oversee at least one direct report
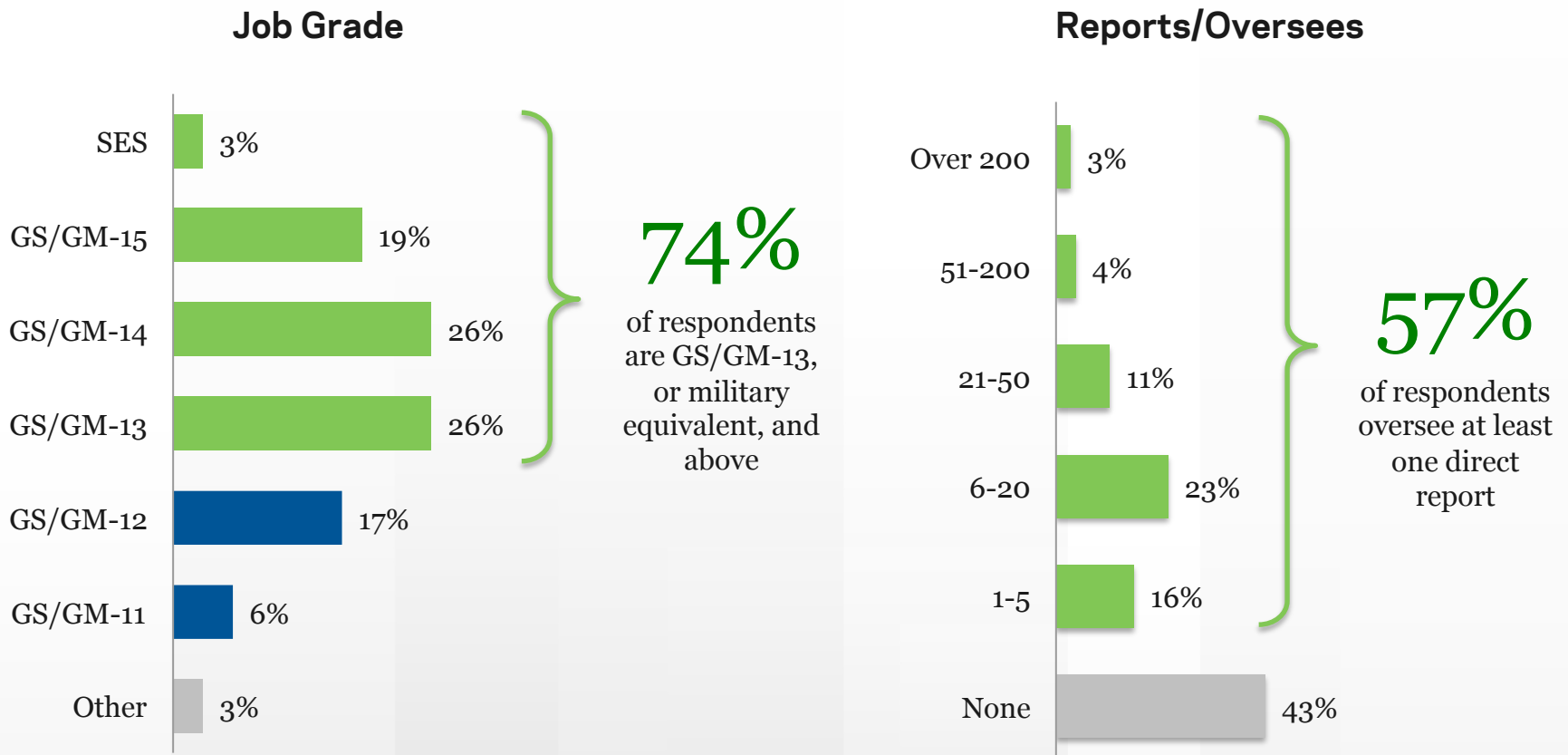
Percentage of respondents, n=298, 298 respectively

# The sample is highly representative of program management, engineering, IT, and acquisitions

## Job Function



| Job Function | Percentage |
|---|---|
| Program/project management | 23% |
| Technical/scientific | 18% |
| Information technology | 16% |
| Acquisition and procurement | 11% |
| Human capital | 5% |
| Agency leadership | 5% |
| Finance | 5% |
| Administrative | 4% |
| Facilities management | 2% |
| Other | 11% |

**"Other"** includes communications, investigation/law enforcement, & logistics functions
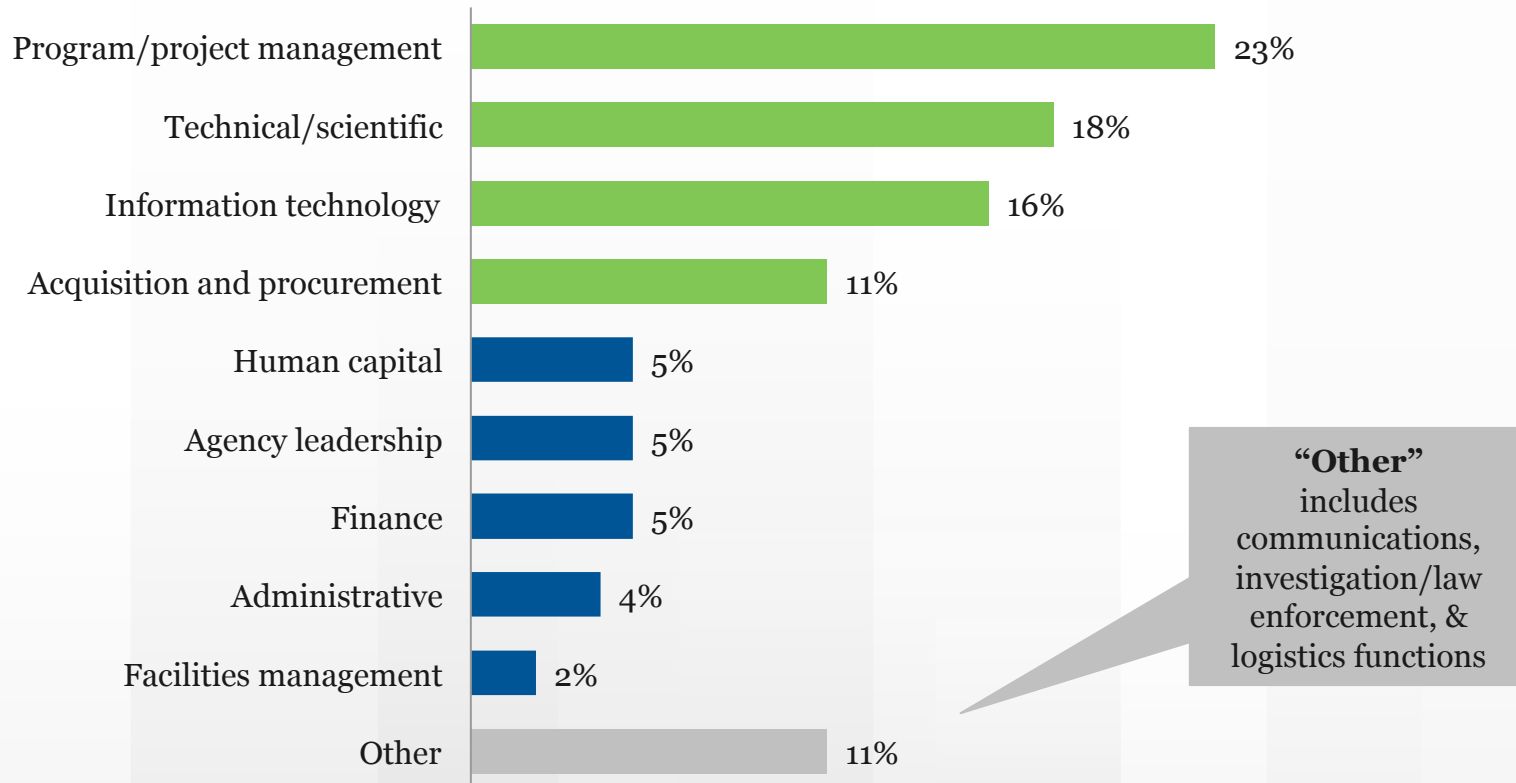
Percentage of respondents, n=298

# Most frequently represented agencies

Department of the Army

Department of Defense

Department of the Air Force

Department of the Treasury

Department of the Navy

Department of Veterans Affairs

Department of Agriculture

General Services Administration

Department of Transportation

Department of Commerce

Department of Health and Human Services

Department of the Interior

Department of Homeland Security

Department of Transportation

National Aeronautics and Space Administration

Environmental Protection Agency

Department of Labor

Social Security Administration

Department of Justice

Department of Housing and Urban Development

Department of State

Congress and Legislative Entities

United States Marine Corps

Department of Energy

Government Accountability Office

Office of the Joint Chiefs of Staff

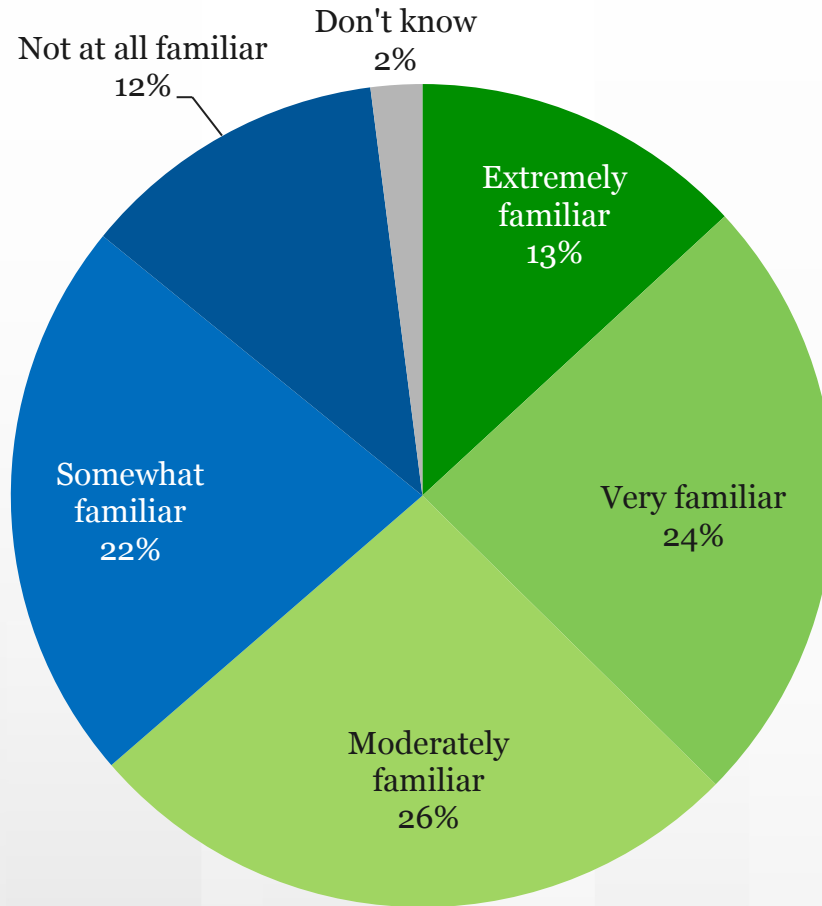U.S. Agency for International Development

Other agencies

Agencies listed in order of frequency. Not all participating agencies listed.

# Almost two-thirds report at least moderate familiarity with the IT procurement process

*Please rate your own degree of familiarity with your department/agency's IT procurement process.*

## 63%

of respondents self-report at least moderate familiarity with **IT procurement**



Pie chart:
- Don't know 2%
- Not at all familiar 12%
- Extremely familiar 13%
- Very familiar 24%
- Moderately familiar 26%
- Somewhat familiar 22%

Percentage of respondents, n=299. 190 respondents self-report at least moderate familiarity with IT procurement.

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# Research Findings

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# i.

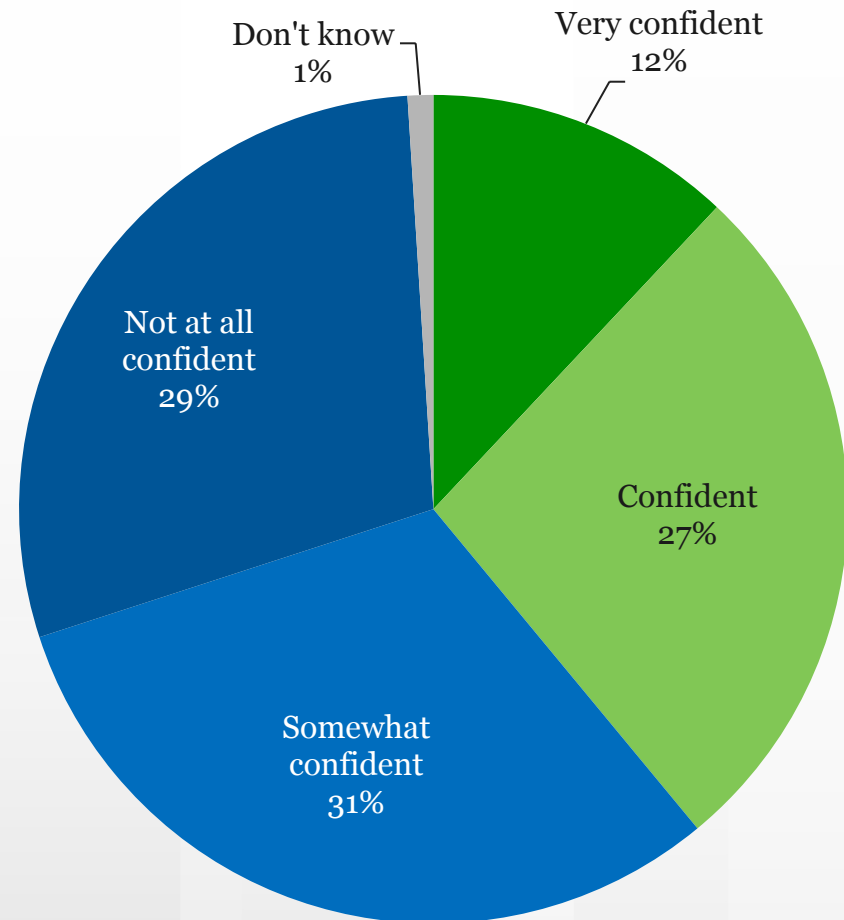# Confidence & Competition in Federal IT Procurement

**Key Findings:**

- Only **39%** have confidence in the IT procurement process

- Respondents believe the procurement process favors low-bid rather than high-value contracting

- **54%** say their agency's procurement process is competitive

- **69%** incorrectly identify a solicitation receiving bids from multiple re-sellers of a single manufacturer's products as competitive

- **39%** say their agency issues non-competitive contracts due to compelling urgency

# Less than 4 in 10 federal managers say they're confident in the IT procurement process

*How confident are you in your department/agency's ability to procure the IT products and services it needs to achieve its mission objectives?*

## 39%
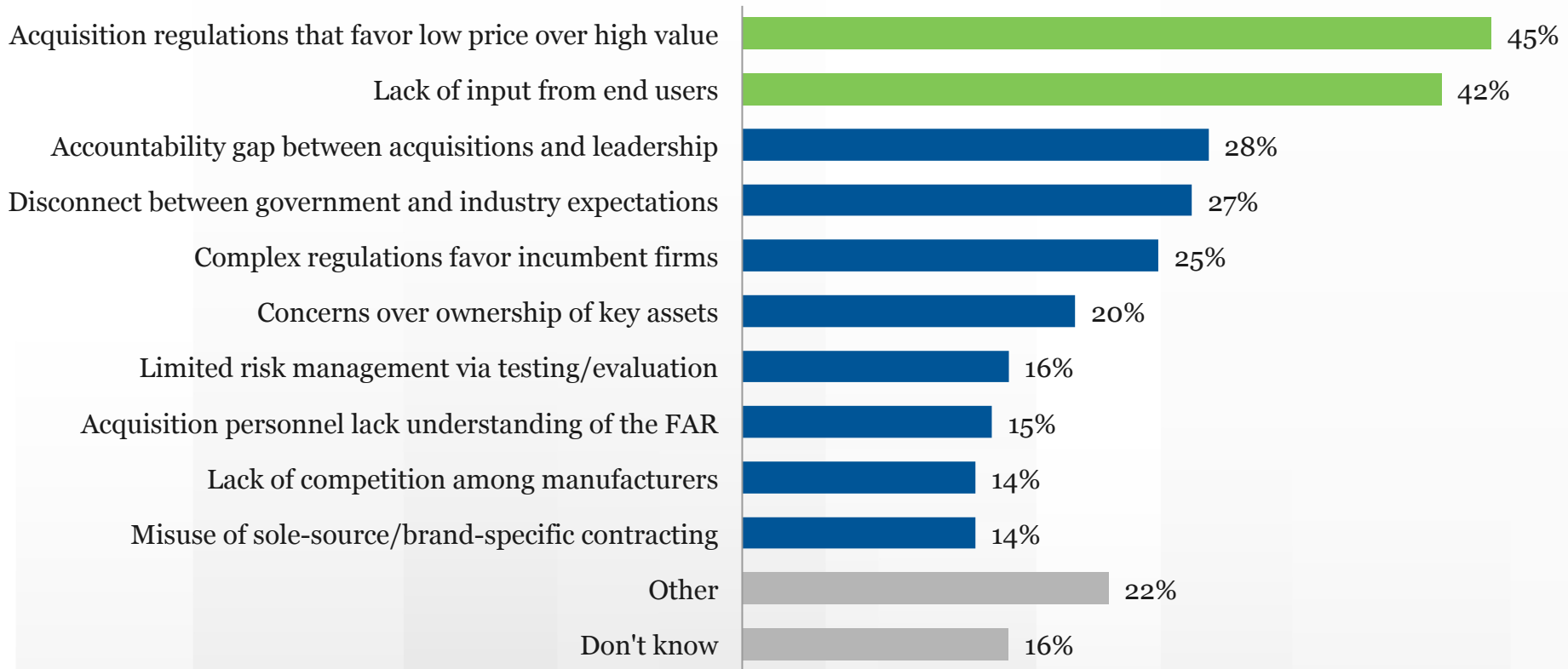
of respondents say they are **confident** or **very confident** in the IT procurement process



Pie chart:
- Don't know 1%
- Very confident 12%
- Confident 27%
- Somewhat confident 31%
- Not at all confident 29%

Percentage of respondents, n=299

# Low-bid contracting and lack of end user input top the list of federal IT procurement challenges

**Top Challenges in Federal IT Procurement**

| Challenge | Percentage |
|---|---|
| Acquisition regulations that favor low price over high value | 45% |
| Lack of input from end users | 42% |
| Accountability gap between acquisitions and leadership | 28% |
| Disconnect between government and industry expectations | 27% |
| Complex regulations favor incumbent firms | 25% |
| Concerns over ownership of key assets | 20% |
| Limited risk management via testing/evaluation | 16% |
| Acquisition personnel lack understanding of the FAR | 15% |
| Lack of competition among manufacturers | 14% |
| Misuse of sole-source/brand-specific contracting | 14% |
| Other | 22% |
| Don't know | 16% |

Percentage of respondents, n=298
Respondents were asked to select all that apply

# Yet, a majority agrees that their agency's IT procurement process is sufficiently competitive

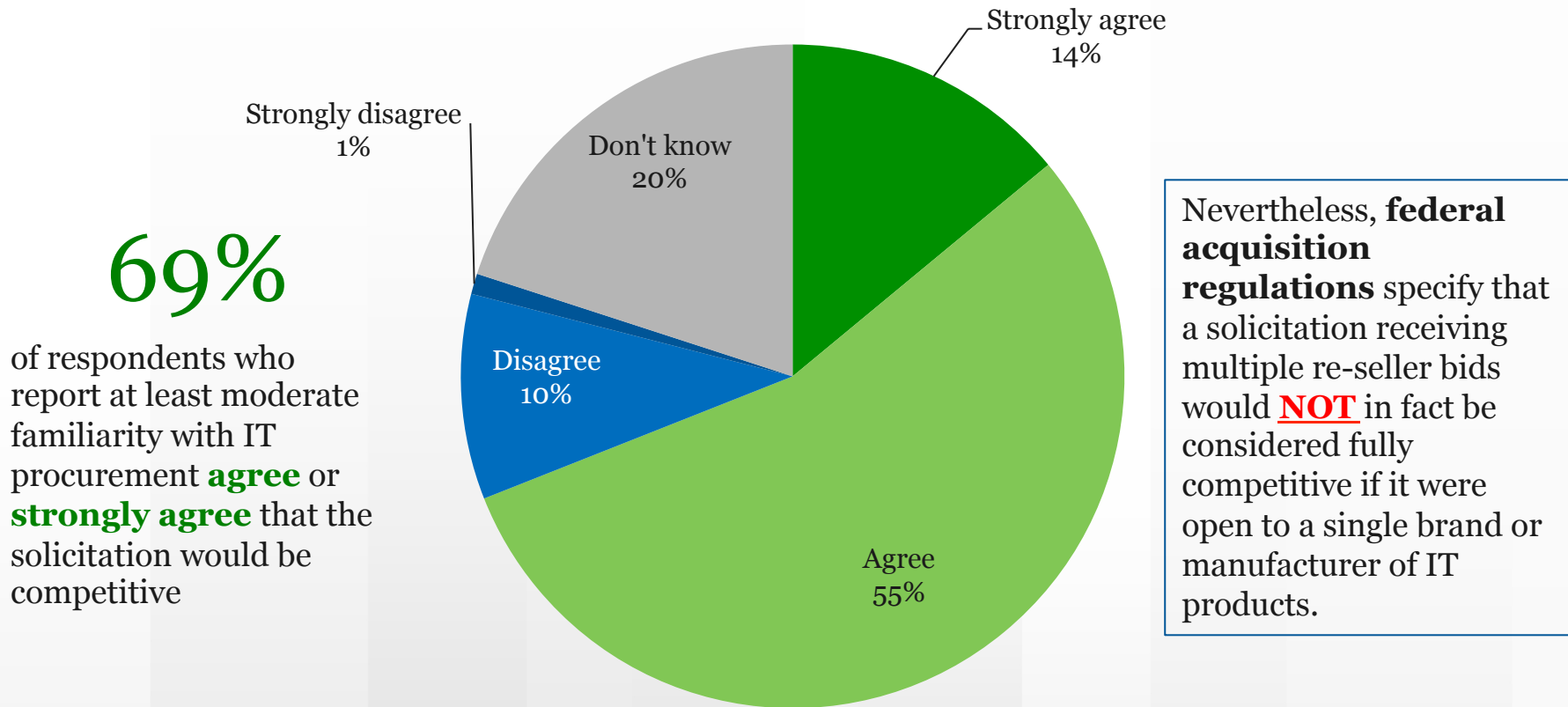*My department/agency's process for procuring IT products and services is sufficiently competitive.*

## 54%

of respondents **agree** or **strongly agree** that their agency's procurement process is competitive



- Strongly agree 10%
- Agree 44%
- Disagree 21%
- Strongly disagree 8%
- Don't know 17%
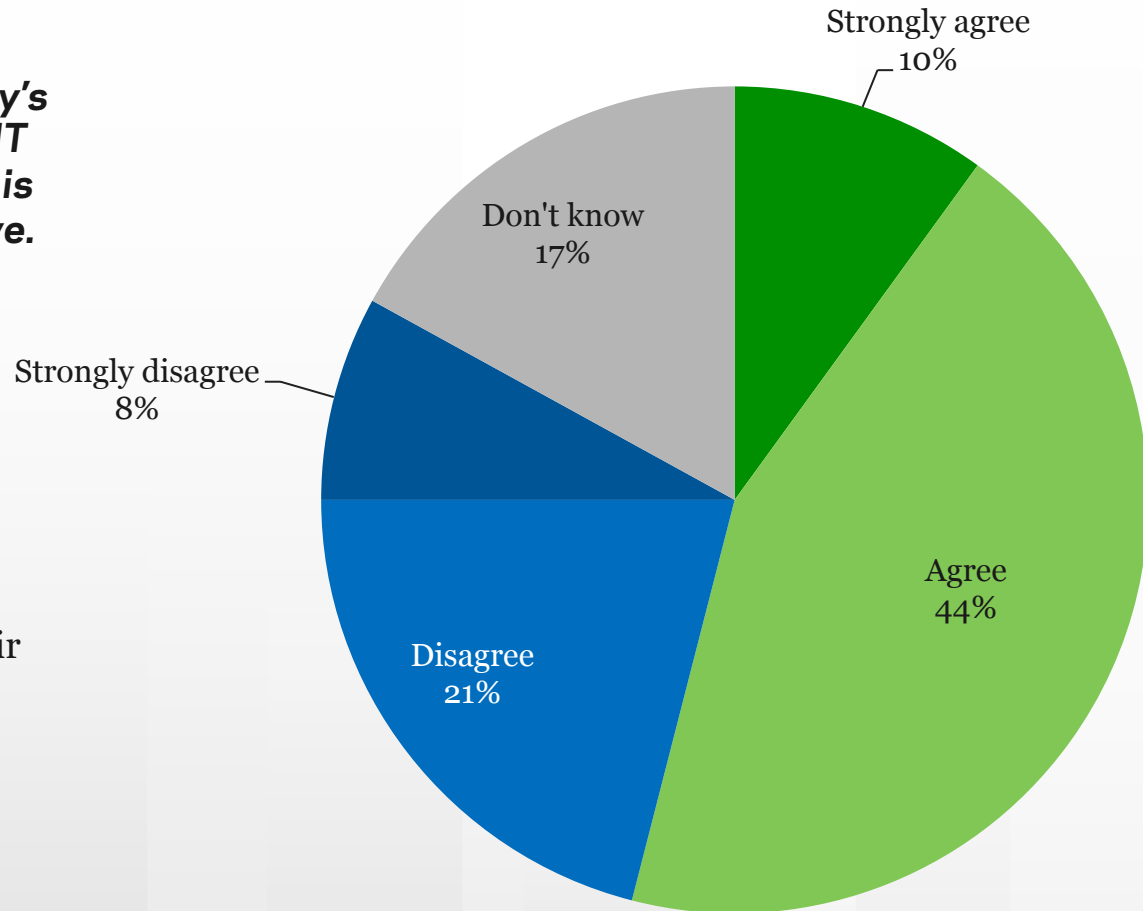
Percentage of respondents, n=296

# Most consider a solicitation competitive if it receives multiple bidders who carry a single brand
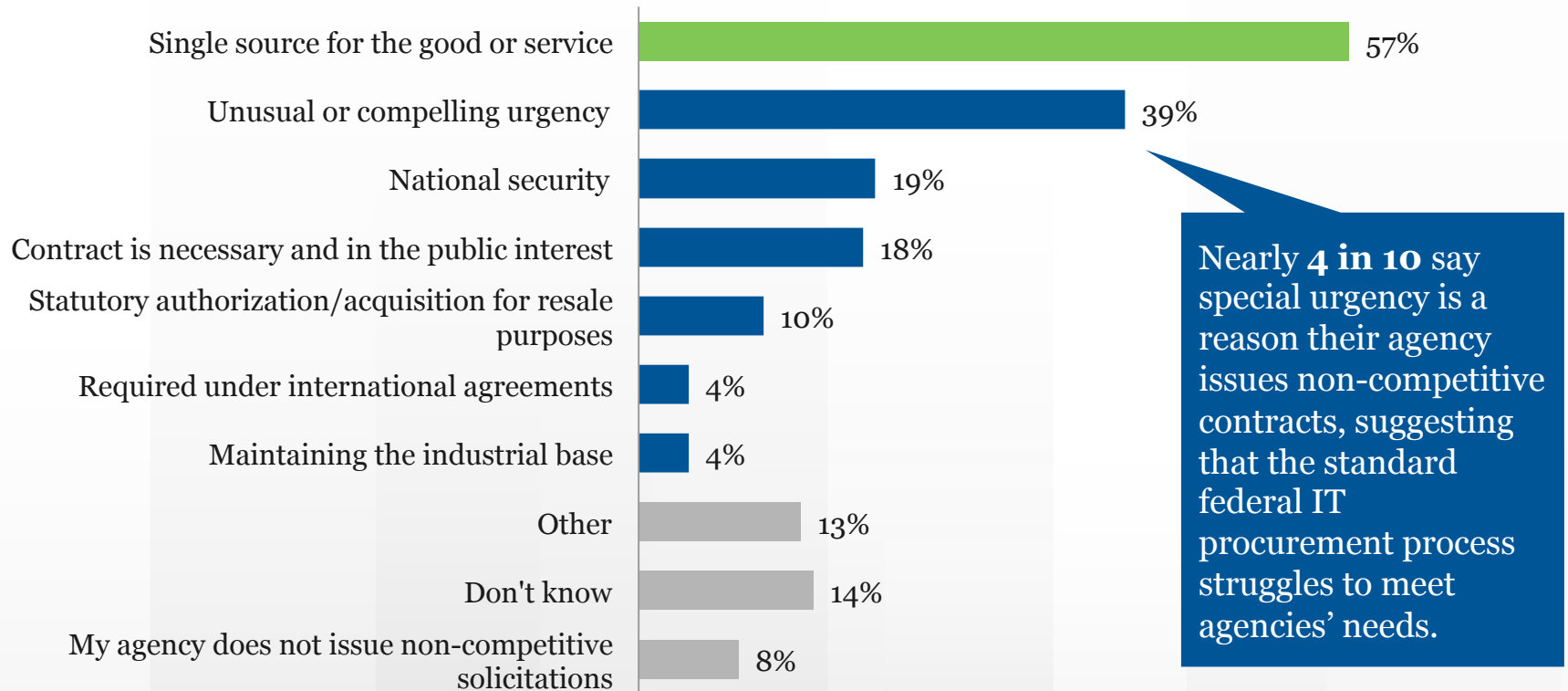
*My department/agency considers a solicitation to be competitive if it receives multiple bids from re-sellers/distributors that supply a single brand of IT products or services.*



**69%** of respondents who report at least moderate familiarity with IT procurement **agree** or **strongly agree** that the solicitation would be competitive

Strongly agree
14%

Strongly disagree
1%

Don't know
20%

Disagree
10%

Agree
55%

Nevertheless, **federal acquisition regulations** specify that a solicitation receiving multiple re-seller bids would **NOT** in fact be considered fully competitive if it were open to a single brand or manufacturer of IT products.

Percentage of respondents who self-report at least moderate familiarity with IT procurement, n=188

# Agencies often turn to non-competitive contracts when there is a sole supplier or urgent need

**To the best of your knowledge, why might your department/agency issue non-competitive solicitations for IT products and services?**

| Category | Percentage |
|---|---|
| Single source for the good or service | 57% |
| Unusual or compelling urgency | 39% |
| National security | 19% |
| Contract is necessary and in the public interest | 18% |
| Statutory authorization/acquisition for resale purposes | 10% |
| Required under international agreements | 4% |
| Maintaining the industrial base | 4% |
| Other | 13% |
| Don't know | 14% |
| My agency does not issue non-competitive solicitations | 8% |

Nearly **4 in 10** say special urgency is a reason their agency issues non-competitive contracts, suggesting that the standard federal IT procurement process struggles to meet agencies' needs.

Percentage of respondents who self-reported at least moderate familiarity with IT procurement, n=189
Respondents were asked to select all that apply.

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# ii.

# Brand-Specific Sourcing

**Key Findings:**

- **42%** say brand or manufacturer-specific sourcing is commonplace in their agency

- **27%** admit that it is used inappropriately at least some of the time

- **58%** say their agency has experienced vendor lock-in in the last five years

- Many respondents admit to using brand sourcing for reasons prohibited by the FAR

- **38%** report that their agency issues IT requirements so specific as to violate vendor neutrality

- **52%** say their agency follows FAR advertising protocols for brand-specific solicitations

# A brief introduction to brand-specific sourcing

**The Federal Acquisition Regulation (FAR)**
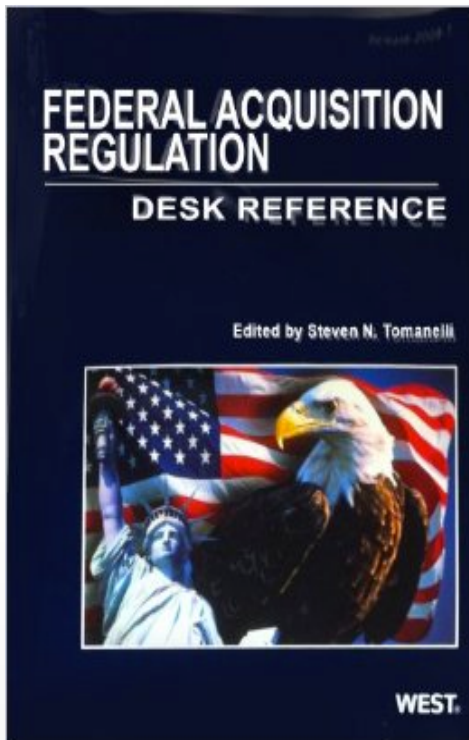


**Are federal agencies allowed to procure specific brands of IT products and services?**

The short answer: **No**.

The long answer: As a result of the 1984 Competition in Contracting Act (CICA) and a series of OMB mandates, brand-specific sourcing is not considered full and open competition. It is allowed, however, in cases where an agency can prove that a "particular brand name, product or feature is essential to the government's requirements, and market research indicates other companies' similar products, or products lacking the particular feature, do not meet, or cannot be modified to meet, the agency's needs." [FAR 11.105(a)(1)]

Thus, to legally issue a brand-specific contract, an agency must demonstrate that a product has **mission-essential capabilities**, conduct **market research** to prove that there is only a **single producer**, and **publicly advertise** the solicitation for industry consideration.

# More than 4 in 10 say it's common for their agency to procure brand-specific IT products

*Using brand-specific sourcing for IT products and services (i.e., soliciting bids for "x number of iPhones" rather than "x number of smartphones") is commonplace in my department/agency.*
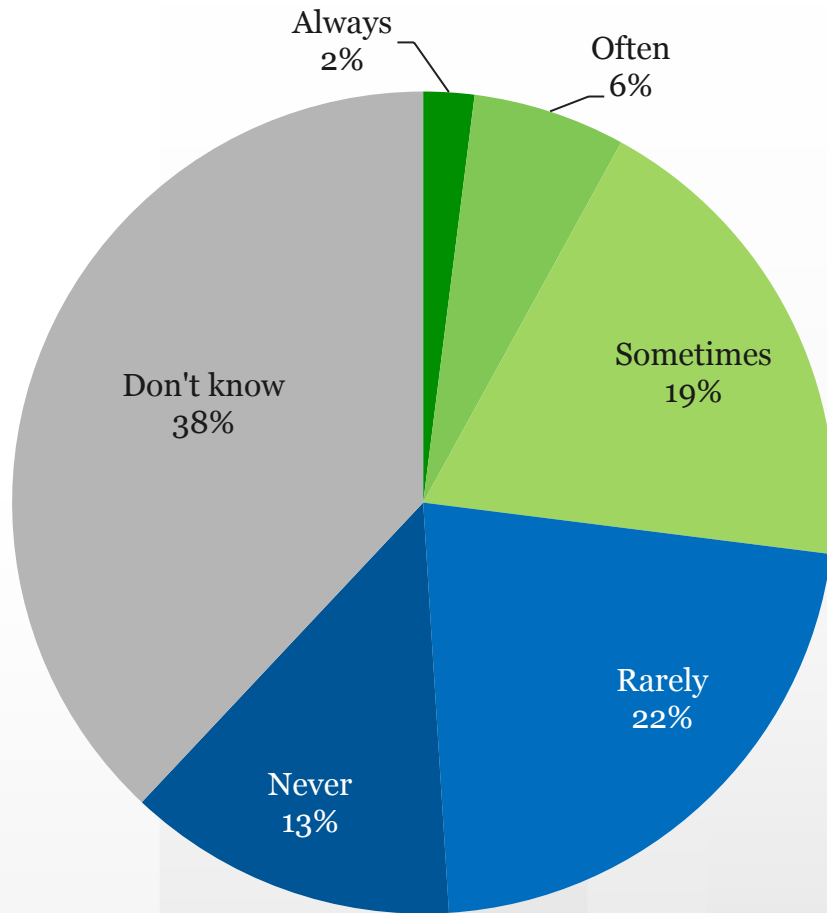
## 42%

of respondents who report at least moderate familiarity with IT procurement **agree** or **strongly agree** that brand-specific sourcing is commonplace
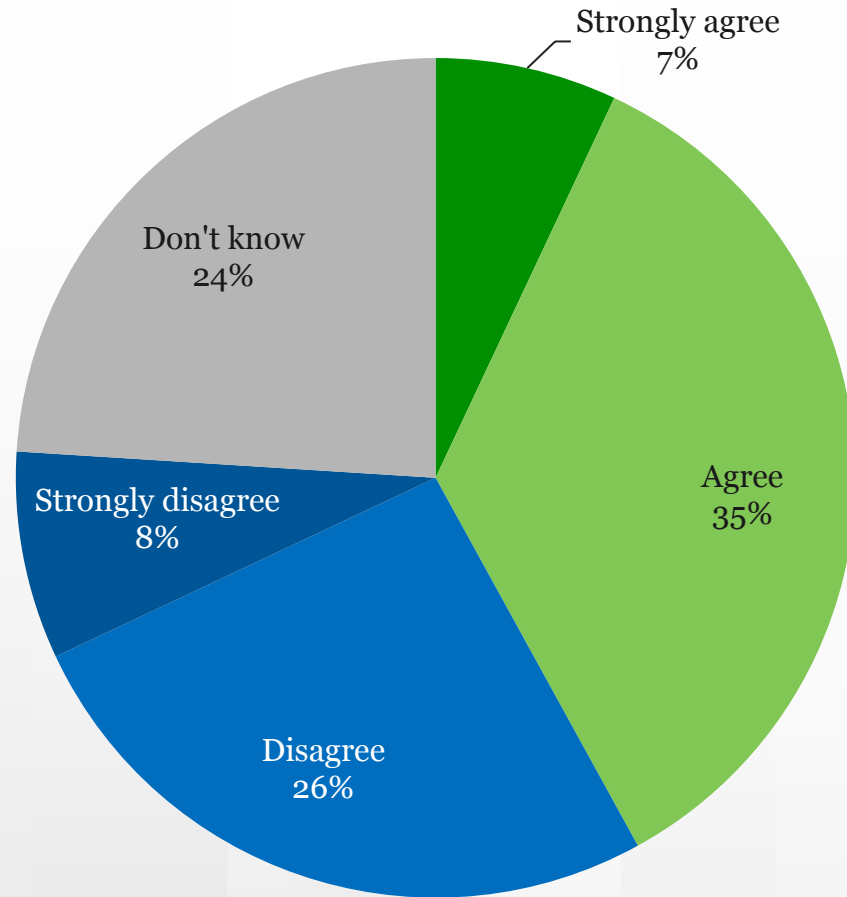


Pie chart:
- Strongly agree 7%
- Agree 35%
- Disagree 26%
- Strongly disagree 8%
- Don't know 24%

Percentage of respondents who self-report at least moderate familiarity with IT procurement, n=190

# More than 1 in 4 admit that their agency abuses brand-specific sourcing at least "sometimes"



**Always** 2%
**Often** 6%
**Sometimes** 19%
**Rarely** 22%
**Never** 13%
**Don't know** 38%

*To the best of your knowledge, how frequently does your department/ agency use brand-specific sourcing inappropriately when procuring IT products and services?*
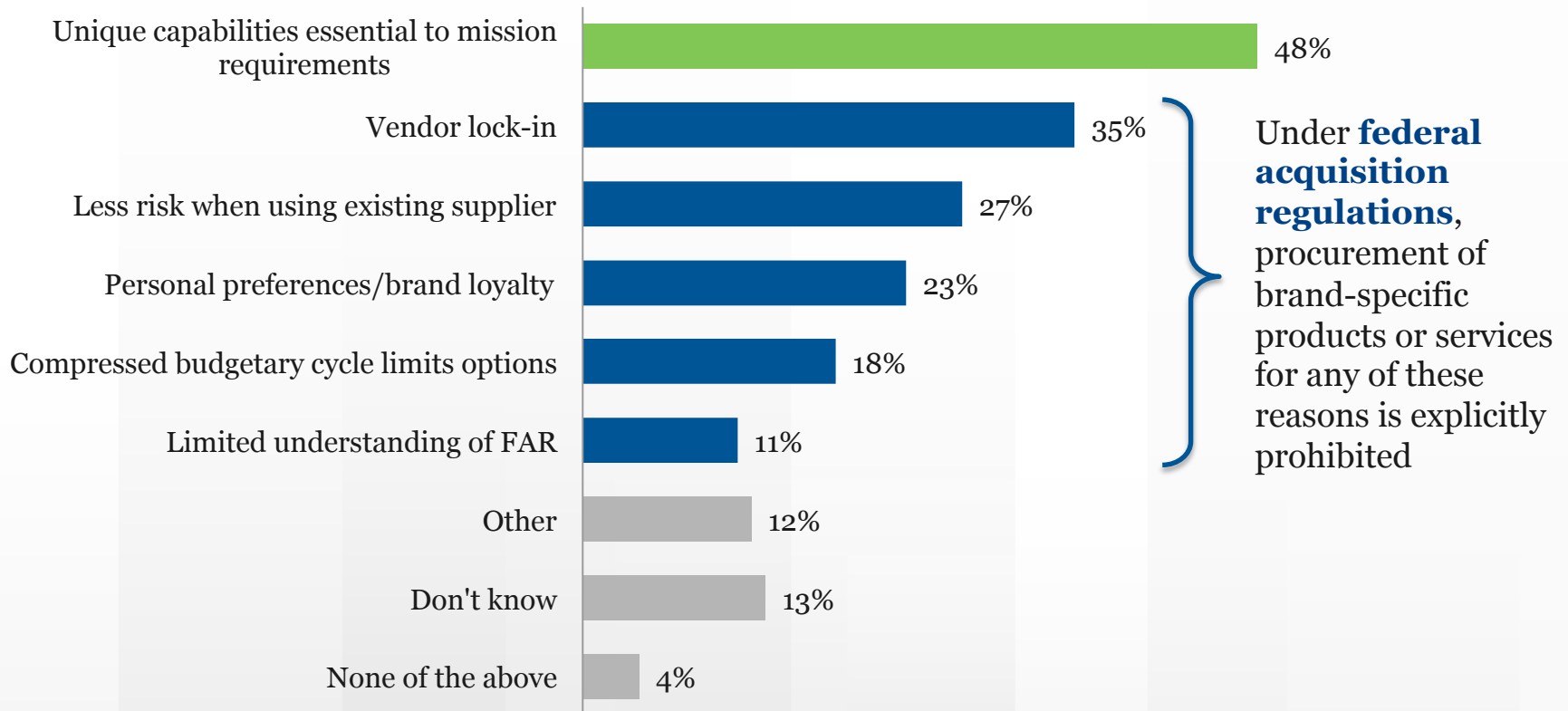
# 27%

of respondents who report at least moderate familiarity with IT procurement report using brand sourcing inappropriately **at least sometimes**

Percentage of respondents who self-report at least moderate familiarity with IT procurement, n=190

# Many say their agencies' use brand sourcing for reasons explicitly prohibited by the FAR
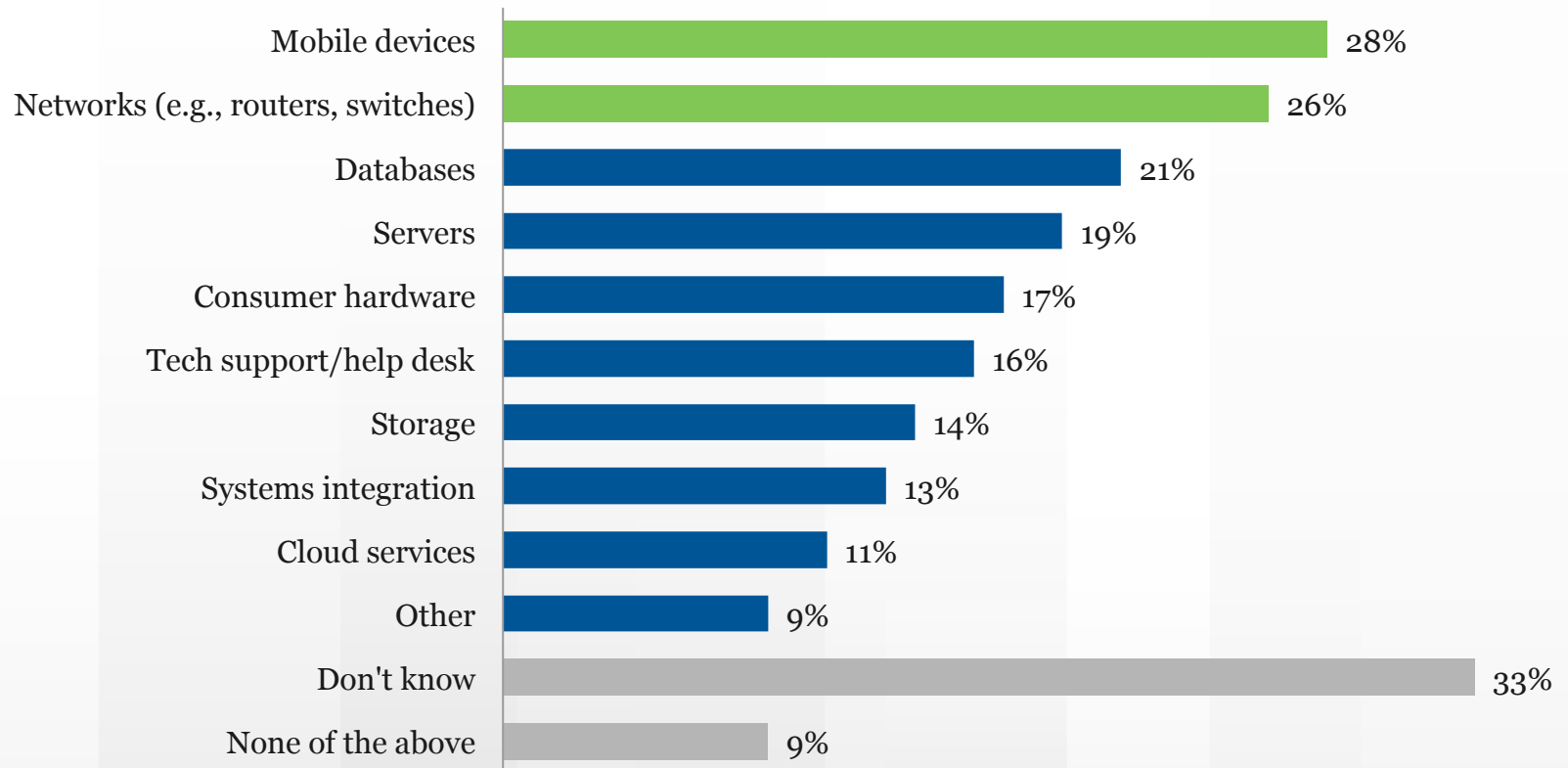
**Top Reasons Agencies Procure Brand-Specific IT Products and Services**

| Reason | Percentage |
|---|---|
| Unique capabilities essential to mission requirements | 48% |
| Vendor lock-in | 35% |
| Less risk when using existing supplier | 27% |
| Personal preferences/brand loyalty | 23% |
| Compressed budgetary cycle limits options | 18% |
| Limited understanding of FAR | 11% |
| Other | 12% |
| Don't know | 13% |
| None of the above | 4% |

Under **federal acquisition regulations**, procurement of brand-specific products or services for any of these reasons is explicitly prohibited

Percentage of respondents who self-report at least moderate familiarity with IT procurement, n=190
Respondents were asked to select all that apply

# Respondents say vendor lock-in is most common with mobile device and network suppliers

**Top Federal IT Domains Experiencing Vendor Lock-in in the Last 5 Years**

| Domain | Percentage |
|---|---|
| Mobile devices | 28% |
| Networks (e.g., routers, switches) | 26% |
| Databases | 21% |
| Servers | 19% |
| Consumer hardware | 17% |
| Tech support/help desk | 16% |
| Storage | 14% |
| Systems integration | 13% |
| Cloud services | 11% |
| Other | 9% |
| Don't know | 33% |
| None of the above | 9% |

Percentage of respondents who self-report at least moderate familiarity with IT procurement, n=189
Respondents were asked to select all that apply

# A plurality agrees that IT requirements are often so specific as to violate vendor neutrality

*The requirements that my department/agency issues for IT products and services are often so specific as to make them brand-specific by default.*

## 38%

of respondents who report at least moderate familiarity with IT procurement **agree** or **strongly agree** that the requirements agencies issue are often so specific as to make them de facto brand-specific
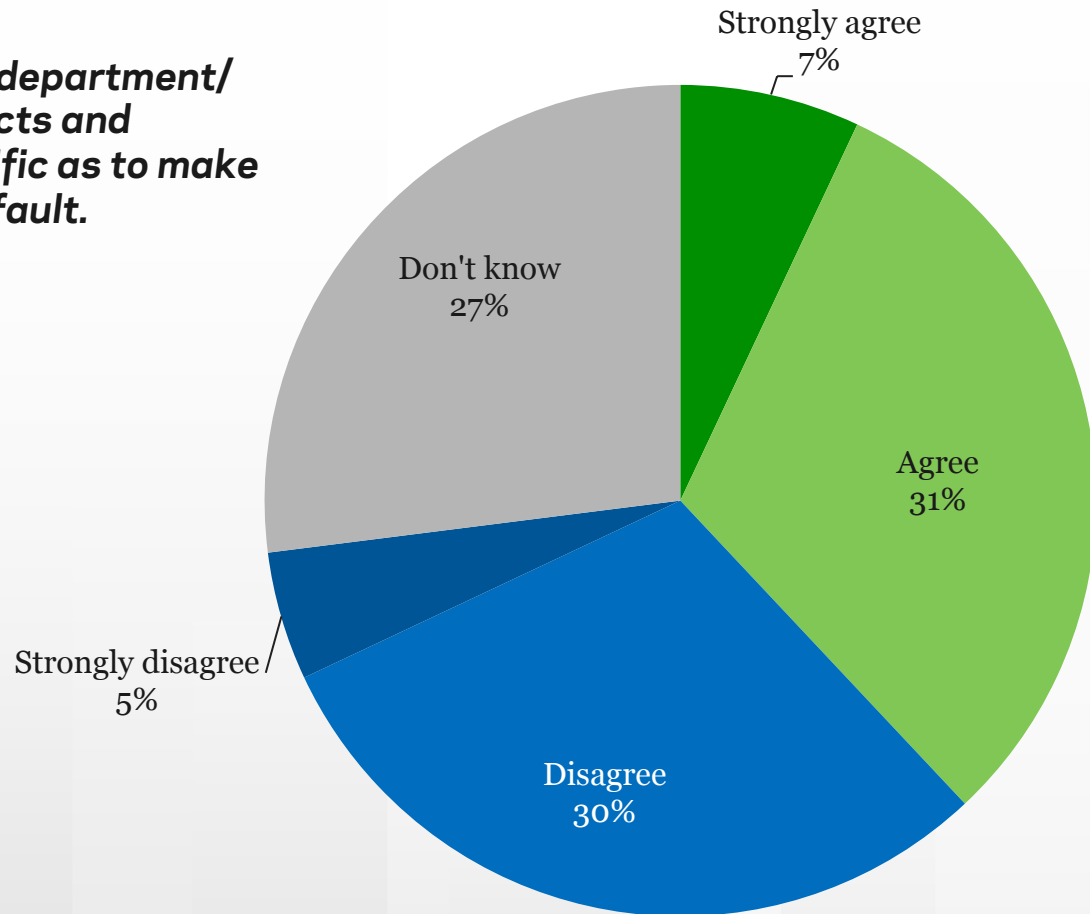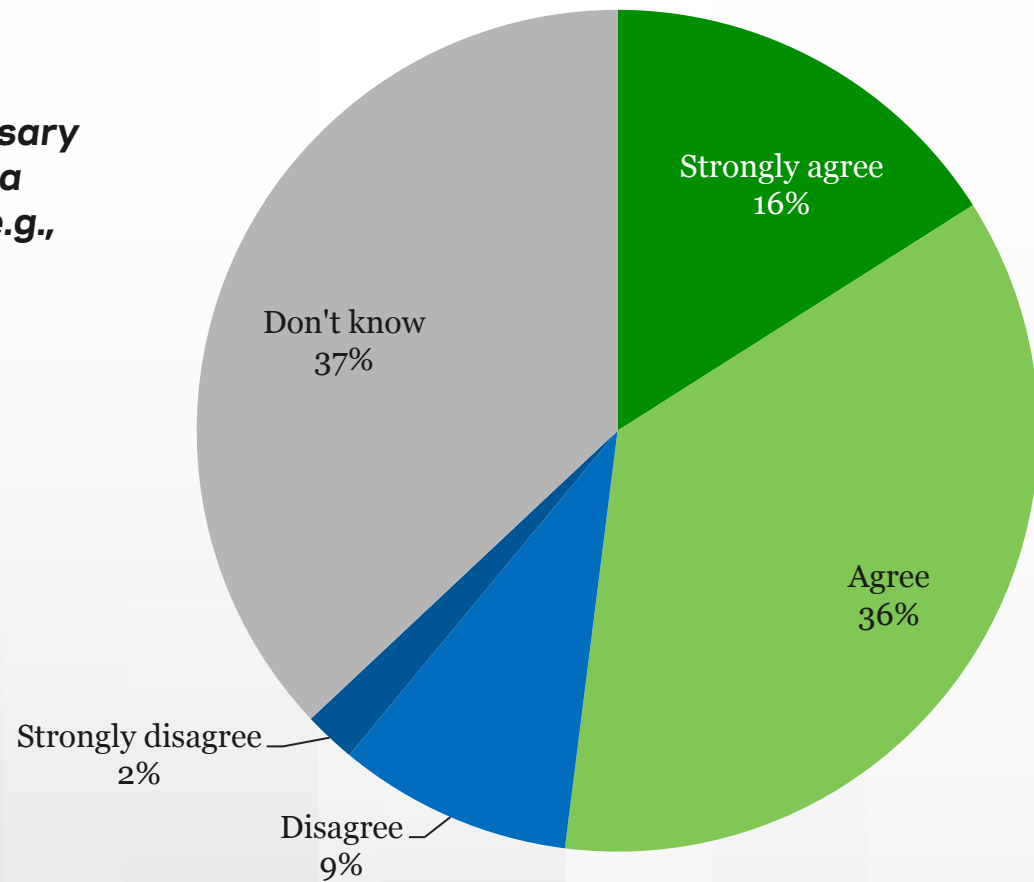


Strongly agree
7%

Agree
31%

Disagree
30%

Strongly disagree
5%

Don't know
27%

Percentage of respondents who self-report at least moderate familiarity with IT procurement, n=190

# A majority agrees that agencies follow FAR advertising requirements for brand sourcing

*When issuing brand-specific solicitations, my department/agency always posts the necessary justification/documentation to a publicly-accessible database (e.g., FedBizOpps.gov) for public and industry consideration.*

## 52%

of respondents who report at least moderate familiarity with IT procurement **agree** or **strongly agree** that their agency always posts the necessary documentation



Strongly agree
16%

Agree
36%

Strongly disagree
2%

Disagree
9%

Don't know
37%

Percentage of respondents who self-report at least moderate familiarity with IT procurement, n=190
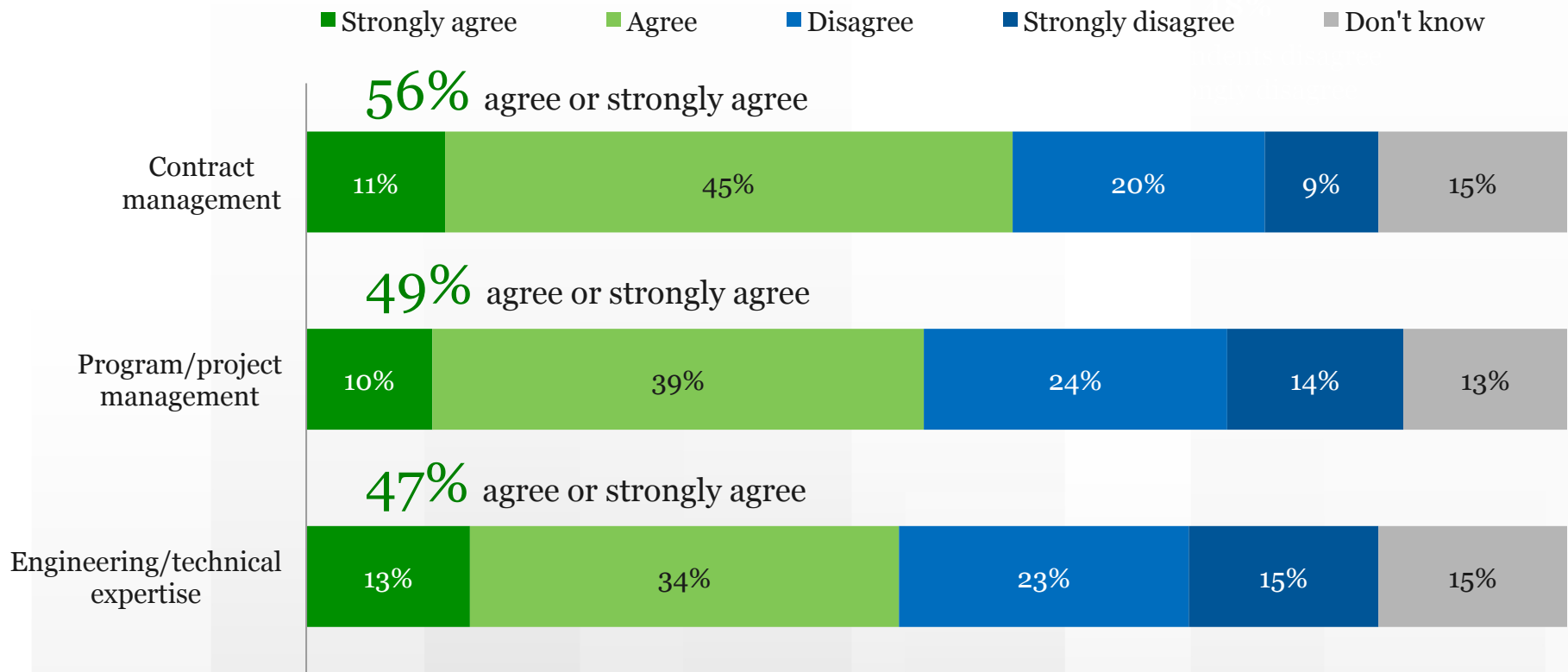
# The IT Acquisition Workforce

**Key Findings:**

- Roughly half agree that acquisition personnel possess adequate management skills and technical expertise

- Only **38%** say they possess adequate market research skills – a prerequisite for vetting brand-specific solicitations

- Only **37%** say they have sufficient expertise evaluating markets for commercial off-the-shelf (COTS) IT products

- Only **30%** say they meet with a wide variety of vendors before making procurement decisions

- Still, **62%** say acquisition personnel possess an adequate understanding of the FAR

# About half agree that acquisition personnel have adequate management skills and expertise

*Please indicate the extent to which you agree or disagree that IT acquisition personnel in your department/agency possess the following skills/competencies.*

■ Strongly agree    ■ Agree    ■ Disagree    ■ Strongly disagree    ■ Don't know

**56%** agree or strongly agree

| Contract management | | | | |
|---|---|---|---|---|
| 11% | 45% | 20% | 9% | 15% |

**49%** agree or strongly agree

| Program/project management | | | | |
|---|---|---|---|---|
| 10% | 39% | 24% | 14% | 13% |

**47%** agree or strongly agree

| Engineering/technical expertise | | | | |
|---|---|---|---|---|
| 13% | 34% | 23% | 15% | 15% |

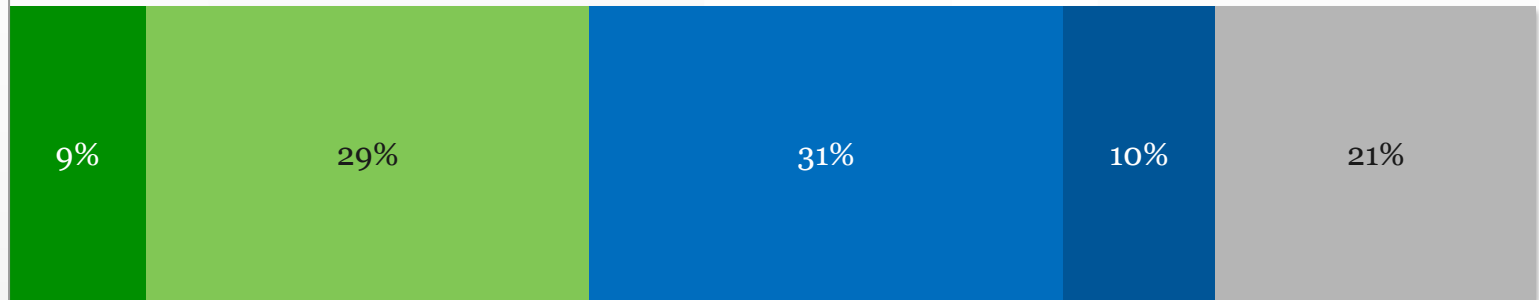Percentage of respondents, n=293, 298, and 297, respectively

# Less than 4 in 10 say acquisition personnel possess adequate market research skills

**38%**

of respondents agree
or strongly agree

*Please indicate the extent to which you agree or disagree that IT acquisition personnel in your department/agency possess the following skills/competencies.*

| Market research | 9% | 29% | 31% | 10% | 21% |
|---|---|---|---|---|---|

■ Strongly agree ■ Agree ■ Disagree ■ Strongly disagree ■ Don't know
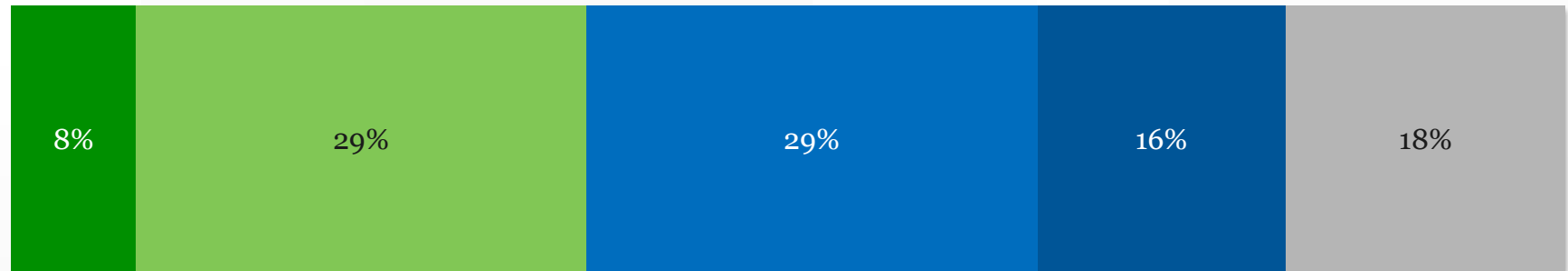
Percentage of respondents, n=293

# Evaluating commercial IT products and services remains an area of particular concern

## 37%
of respondents agree
or strongly agree

*Acquisition personnel in my department/ agency have adequate expertise in evaluating commercial off-the-shelf (COTS) IT products and services.*

| 8% | 29% | 29% | 16% | 18% |

■ Strongly agree  ■ Agree  ■ Disagree  ■ Strongly disagree  ■ Don't know
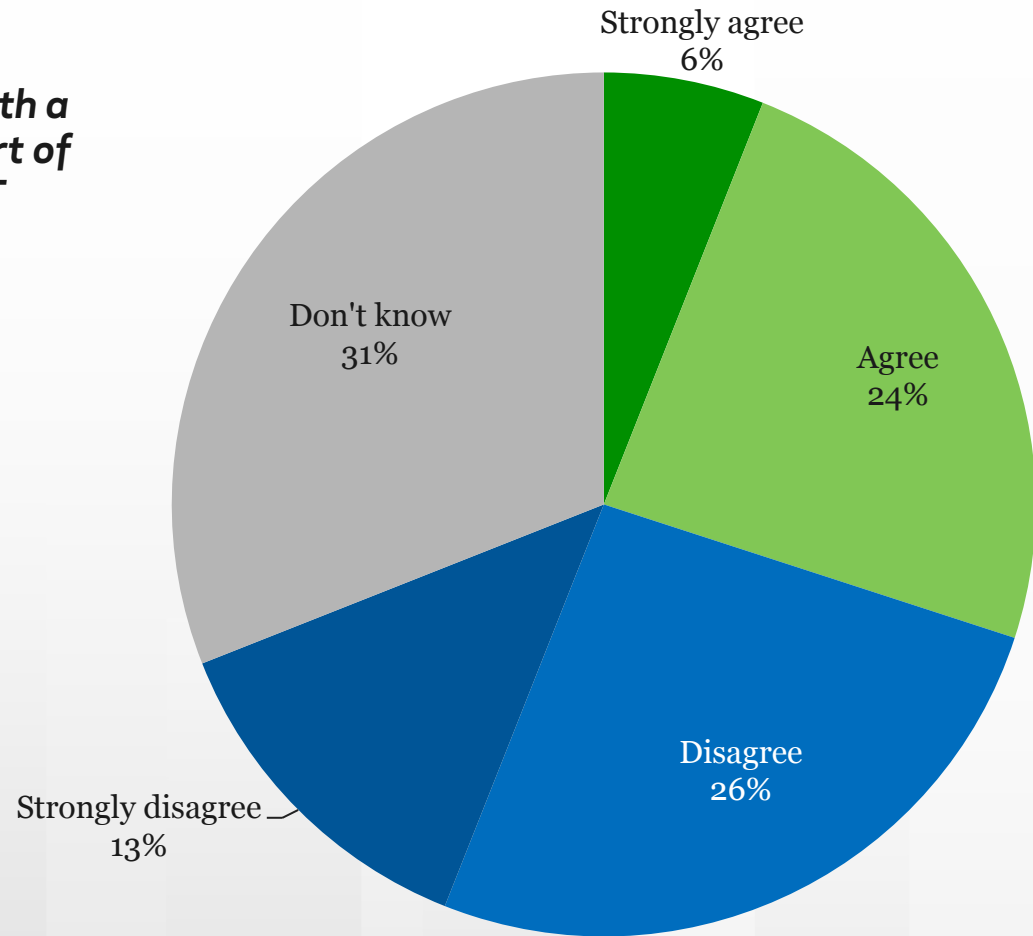
Percentage of respondents, n=296

# Only 3 in 10 say that meeting with a wide range of vendors is part of the market research process

*Acquisition personnel in my department/agency meet with a wide range of vendors as part of the process for evaluating IT products and services.*
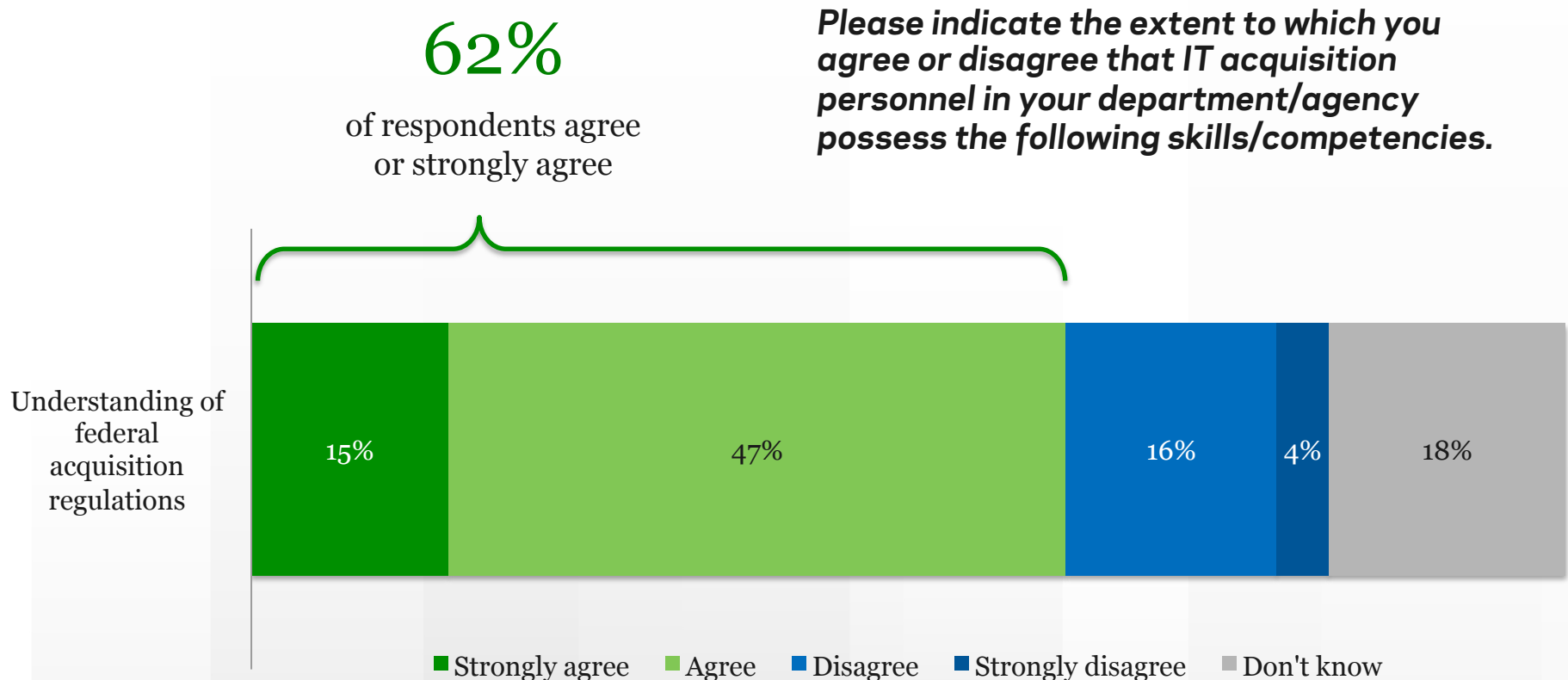
## 30%

of respondents who report at least moderate familiarity with federal IT procurement **agree** or **strongly agree** that acquisition personnel in their agency meet with a wide range of IT vendors



Strongly agree
6%

Agree
24%

Disagree
26%

Strongly disagree
13%

Don't know
31%

Percentage of respondents, n=297

# Yet, more than 6 in 10 say acquisition personnel adequately understand the FAR

**62%**

of respondents agree
or strongly agree

*Please indicate the extent to which you agree or disagree that IT acquisition personnel in your department/agency possess the following skills/competencies.*



Understanding of federal acquisition regulations

| 15% | 47% | 16% | 4% | 18% |

■ Strongly agree  ■ Agree  ■ Disagree  ■ Strongly disagree  ■ Don't know

Percentage of respondents, n=295

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# Final Considerations

# To better ensure full and open competition in your agency's IT procurement process:

**Re-evaluate assumptions of competitiveness in federal IT procurement**

The survey data indicates a disconnect between many federal managers' assumption that the IT procurement process is competitive and the reality given current federal acquisition regulations. Most respondents were even unaware that a solicitation cannot be considered competitive – even if it receives multiple bids – so long as it privileges a single brand or manufacturer's products. Challenging these misperceptions will be the first step in restoring full and open competition in federal IT procurement.

**Recognize inappropriate and de facto brand-specific sourcing in your agency**

As specified in the FAR, there are certain circumstances in which it is justifiable to issue brand-specific solicitations. But brand sourcing is often used inappropriately. Full and open competition suffers any time the field of potential manufacturers is artificially narrowed, either as a result of vendor lock-in or personal preferences for a specific brand, or in cases where overly-specific requirements violate the principle of vendor neutrality. Minimizing abuse of federal acquisition regulations can help agencies acquire the highest value IT products and services possible while strengthening public trust in the process.

**Strengthen market research expertise as a core competency of the acquisition workforce**

Although majorities trust acquisition personnel with interpreting federal acquisition regulations and executing contracts effectively, many have concerns with their ability to analyze information technology markets and select the suppliers that offer the highest-value products for their agencies, rather than defaulting to the lowest bid. Conducting more diligent market research – as is mandated by the FAR – can allow agencies to do more with less. Further, as the federal government increases its reliance on commercial IT, a stronger understanding of the commercial IT market will improve the government's access to cutting-edge technologies and, in turn, the services it provides.

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To help agencies achieve their missions, Brocade offers open, virtual, and efficient products for:

· Storage networking

· Data center and Ethernet fabric routing

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