



OFFICE OF THE UNDER SECRETARY OF DEFENSE

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ACQUISITION
AND SUSTAINMENT

MEMORANDUM FOR COMMANDER, UNITED STATES CYBER
COMMAND (ATTN: ACQUISITION EXECUTIVE)
COMMANDER, UNITED STATES SPECIAL OPERATIONS
COMMAND (ATTN: ACQUISITION EXECUTIVE)
COMMANDER, UNITED STATES TRANSPORTATION
COMMAND (ATTN: ACQUISITION EXECUTIVE)
DEPUTY ASSISTANT SECRETARY OF THE ARMY
(PROCUREMENT)
DEPUTY ASSISTANT SECRETARY OF THE NAVY
(PROCUREMENT)
DEPUTY ASSISTANT SECRETARY OF THE AIR FORCE
(CONTRACTING)
DEFENSE AGENCY AND DOD FIELD ACTIVITY DIRECTORS

SUBJECT: Achieving Small Business Goals through Category Management Practices

REFERENCES: (a) Office of Management and Budget Memorandum, M-22-03, "Advancing Equity in Federal Procurement," December 2, 2021
(b) Office of Management and Budget Memorandum, "Strategies for Meeting and Exceeding the Small Disadvantaged Business Goal for Fiscal Year 2022," June 29, 2022
(c) Department of Defense Small Business Strategy, January 2023

The purpose of this memorandum is to highlight pertinent information from the Office of Management and Budget (OMB) Memoranda in references (a) and (b) to achieve small business goals through category management practices. Category management maximizes small business participation and provides suppliers with consistent demand signals through procurement offices across the federal government. Through the DoD Component Category Management Leads and Small Business Directors, category management best practices and the application of the Tier 2 Spend Under Management (SUM) credit help increase participation by small disadvantaged businesses (SDBs) and other socioeconomic small businesses in DoD procurement.

Optimizing category management practices will help increase contracting opportunities for SDBs and other socioeconomic small businesses. As stated in reference (a), the achievement of these goals shall be prioritized over attainment of Best in Class (BIC) contract goals if achievement of both goals is not possible. The use of BIC contracts should not impede the ability of the DoD Components to meet or exceed socioeconomic small business goals. BIC contracts should be balanced with other contracting strategies, including the use of set-aside contracts that can help increase diversity within the supplier base. The best tools and data analysis should be utilized to support small business concerns in procurement decisions to increase small business opportunities. Providing forecasted expiring or new DoD requirements would assist in maximizing small business participation in federal government procurements.

As outlined in reference (b), other strategic efforts should be taken, to the maximum extent practicable, to achieve these goals through the utilization of existing and open market contracts to reach a mix of new entrants, seasoned 8(a) companies, and other SDBs, as well as to inform federal agency buyers of the automatic Tier 2 SUM credit to support achieving category management goals. DoD Components can now obtain an automatic Tier 2 SUM credit towards category management goals for all awards made to certified and self-certified socioeconomic small businesses. The credit can be applied towards small business set aside contracts to increase small business participation, which is now tracked under a new Tier 2-Socioeconomic Small Business category. This facilitates pursuit of the best acquisition strategy to maximize awards to socioeconomic small businesses.

Small businesses are critical to our defense mission. As reinforced in reference (c), the DoD Small Business Strategy aims to reduce barriers to entry and strengthen engagement and support of small businesses in the defense industrial base. Therefore, the Department must act to reduce these barriers such as bundling and consolidating contracts that prevents entry to the federal market. DoD Components are encouraged to analyze realized savings and cost avoidance on current contracts in addition to calculating anticipated savings and cost avoidance on future contract actions. Opportunities should be identified to transition from bundled or consolidated contracts without small business participation to ones with small business participation or to utilize small business set-aside competition. Additionally, DoD Components are reminded of the obligation under FAR 7.103(u) to provide procedures for ensuring that acquisition planners, to the maximum extent practicable, structure contract requirements to facilitate competition by and among small business concerns. This will avoid unjustified consolidation or bundling to ensure opportunities exist for awards to socioeconomic small businesses that will both support achieving small business goals and yield Tier 2 SUM credit.

Education on category management is imperative to enable DoD to realize the benefits towards achieving small business goals. DoD Component personnel are encouraged to seek out available educational resources on category management on the Defense Acquisition University website at <https://www.dau.edu/cop/ace/Pages/Category-Management.aspx> and the Acquisition Gateway portal at <https://hallways.cap.gsa.gov/app/>. Further, success stories of category management should be shared in industry engagements to educate and demonstrate the benefits of this requirements-driven business improvement practice. This will foster a collaborative effort, which is required to continue to improve alignment between category management stewardship and attainment of socioeconomic small business contracting goals.

The information in this memorandum is intended to complement the actions set forth in reference (a), (b) and (c). Questions should be directed to DoD Component Category Management Leads or Component OSBP Leads. The OSBP/OUUSD(A&S) point of contact is Dr. Jacqueline Charles, jacqueline.a.charles2.civ@mail.mil and the OUUSD(A&S)/DPC point of contact is Ms. Kelsey Blaskoski, kelsey.l.blaskoski.civ@mail.mil.

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