

Acquisition Strategy Development



Certification Training



Knowledge Sharing



Continuous Learning



Mission Assistance

Date: March 16, 2016
Presenter: Brian Schultz
Email Address: brian.schultz@dau.mil





Agenda

- Background
- What is it?
- How do we do it?
- Key Content Areas
- Integrating the Elements
- Summary



Background

- Acquisition Strategy often regarded as most important task for DoD PMs!
 - Lays the foundation for everything that follows
 - Defines the business, technical, and support strategies to meet program objectives
 - Comprehensive, integrated plan that requires multi-functional inputs
 - Basis for the “critical decision point” (DoDI 5000.02) as part of the Development RFP Release Decision



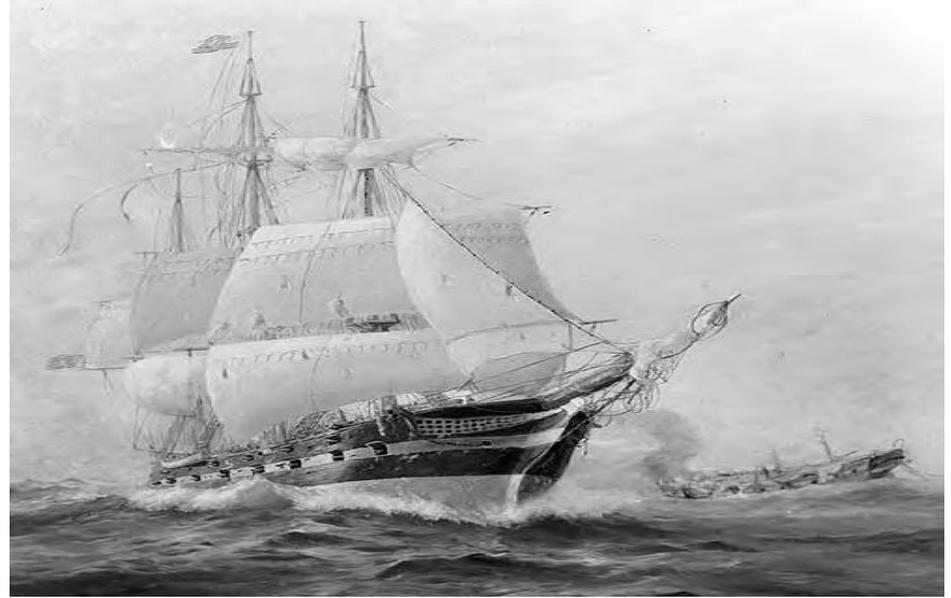
Which Program is it?

- Multi-mission requirement for irregular warfare and high-intensity warfare puts conflicting demands on the design
- Use of exotic materials delays construction and raises costs
- Divided political establishment argues over the need and cost
- Contracts spread around the states to ensure political support
- Cost growth causes schedule slippage and program instability
- Congress, alarmed at the costs and delays, conducts inquiries and rails against waste



USN Six Frigates 1794-1800

- USS *United States*
- USS *President*
- USS *Congress*
- USS *Constitution*
- USS *Constellation*
- USS *Chesapeake*



This 1906 painting by G.T. Margeson depicts the USS *Constitution* sailing past the dismasted HMS *Guerriere* after action on August 19, 1812. Official U.S. Navy Photograph 428-N-1055208 (www.history.navy.mil)

- **Engagements 8 for 11!**

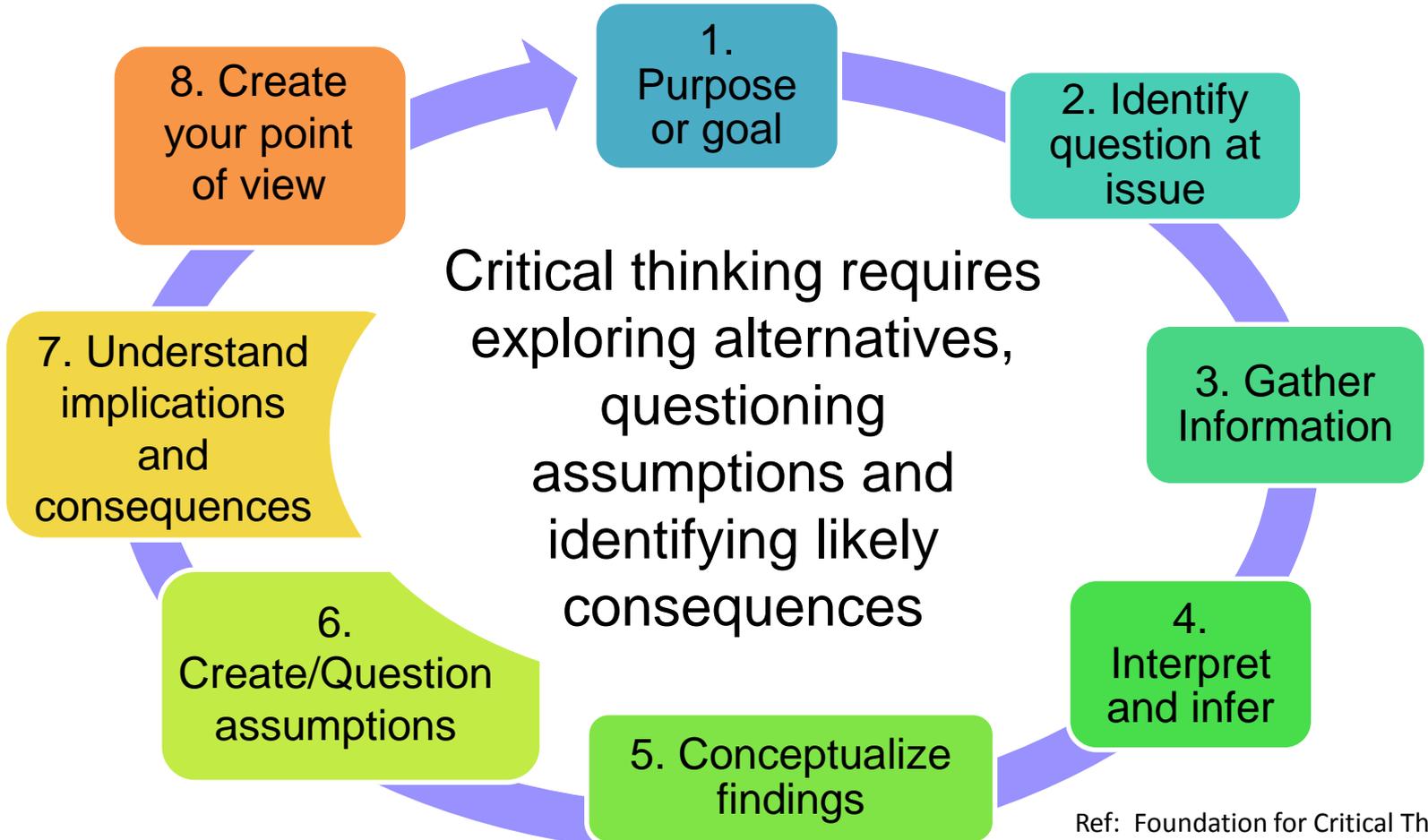
Acquisition Strategy for Six Frigates called for building superior performance



What is an Acquisition Strategy?

- Comprehensive, integrated plan that identifies the acquisition approach, and describes the business, technical, and support strategies to manage risks and meet program objectives
 - Defines the relationship between the acquisition phases and work efforts, and key program events
 - Provides PM's understanding of the business environment, technical alternatives, costs and risks/opportunities in the market, and the plan to support successful delivery of the capability at an affordable life-cycle price on a realistic schedule
 - Business approach, including contracting strategy
 - Plan for realizing and maximizing competition from inception through sustainment

Acquisition Strategy Requires Critical Thinking





Acquisition Strategy Involves Tailoring and Waiving Requirements

- Tailoring - Proposing an alternate means of achieving the same results consistent with meeting all statutory, programmatic/ joint requirements and agreements.
 - “Tailoring is always appropriate when it will produce a more efficient and effective acquisition approach for the specific product” (DoDI 5000.02)
- Waiving – Proposing the elimination of specific requirements.
 - Acquisition Strategy can be used to request a regulatory waiver.

Authorities:

- Regulatory requirements can be tailored/ waived with the consent of the MDA and/or other designated officials.
- Statutory requirements can only be waived by act of law but some statutes also provide waiver language.



Key Content Areas

- Market Research
- *Framing Assumptions**
- *Program Structure and Tailoring**
- *Affordability and Should Cost**
- Technical Strategy
- Risk and Opportunity Assessment
- *International Considerations**
- *Intellectual Property Strategy**
- Industrial Base and Industry Analysis (including suppliers)
- Business Strategy, including *competition**, contract types and Incentives
- Supportability Considerations
- *Source Selection Planning**

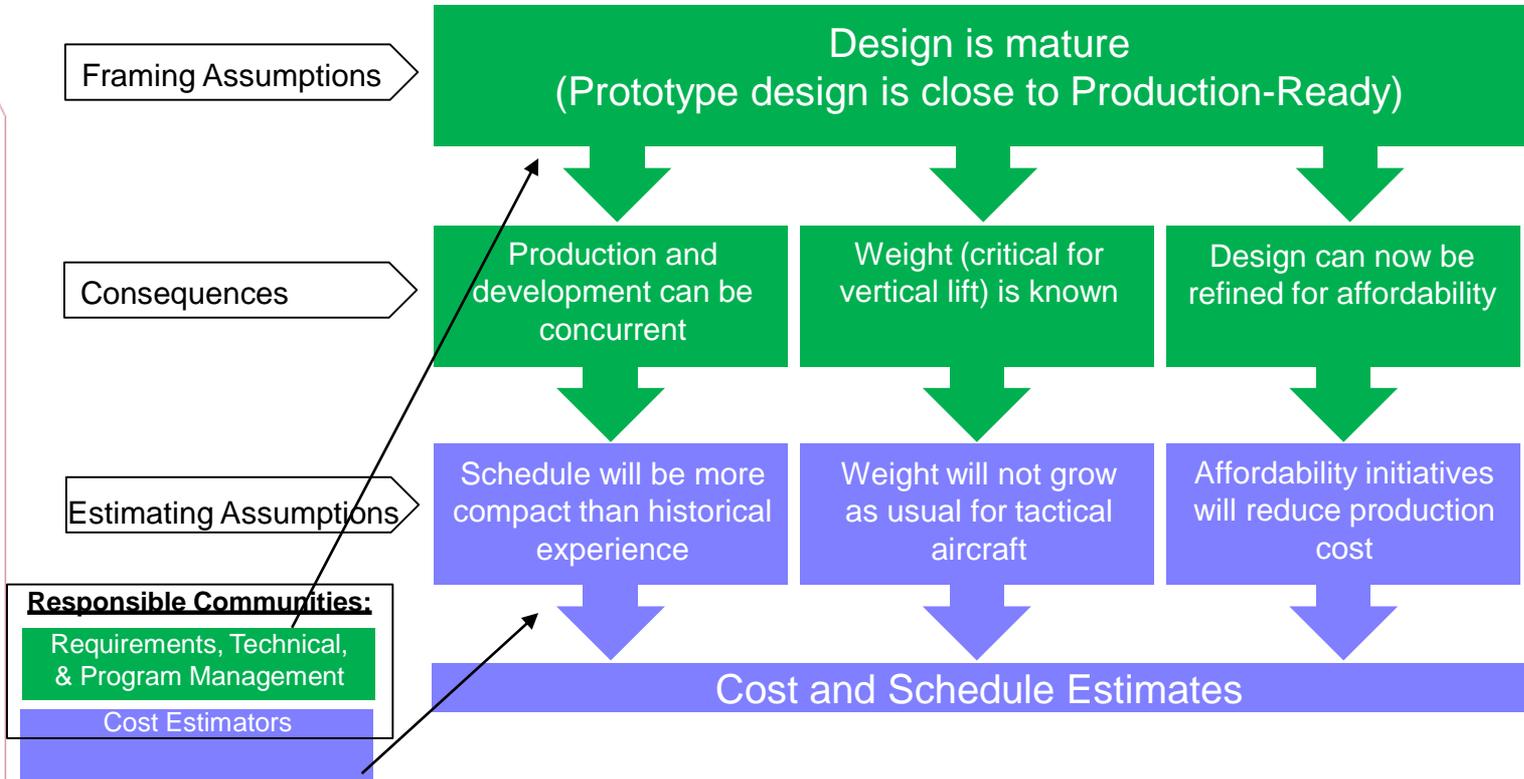
*additional discussion to follow

Framing Assumption Definition

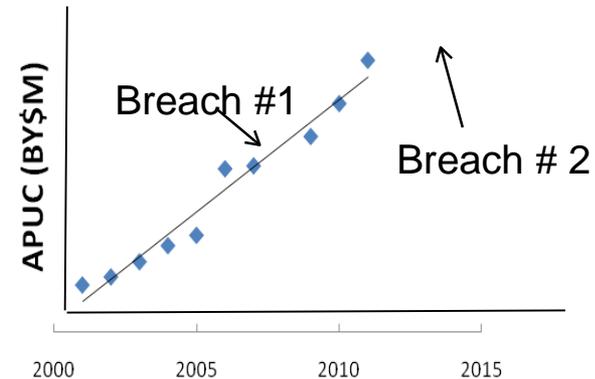
- Any supposition (explicit or implicit) that is central in shaping cost, schedule, or performance expectations of an acquisition program
- Typically should have a small number (3-5) of FAs with the following attributes:
 - *Critical*: Significantly affects program expectations
 - *No work-arounds*: Consequences cannot be easily mitigated
 - *Foundational*: Not derivative of other assumptions
 - *Program specific*: Not generically applicable to all programs
- PM Owns FAs!
 - Should identify, continuously monitor their validity (and adjust as needed), and use them in assessments



Estimating Assumptions Flow from Framing Assumptions



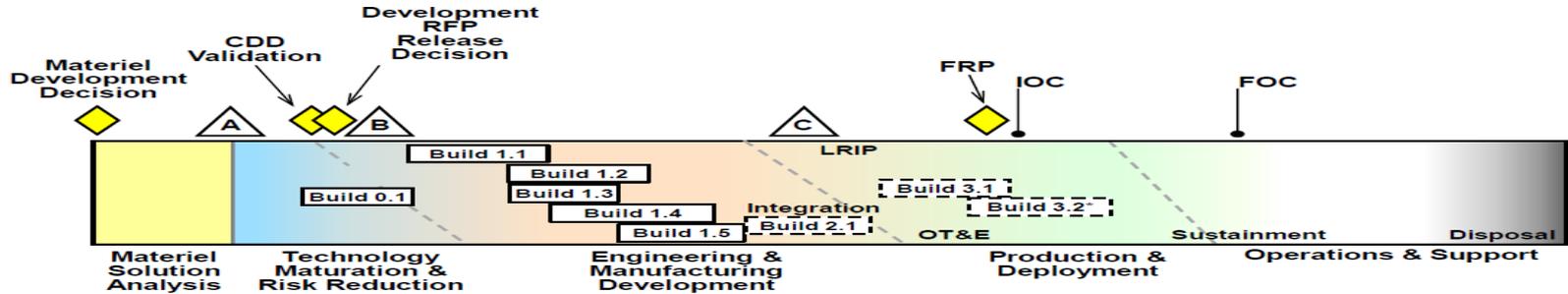
- When an invalid framing assumption is embraced:
 - Evidence of problems will accumulate
 - Cost and schedule estimates will need to be changed
 - But, the amount of growth will depend on
 - How promptly management recognizes the issues
 - How effectively management responds
- Further cost growth if the full implications of the invalid assumption not addressed



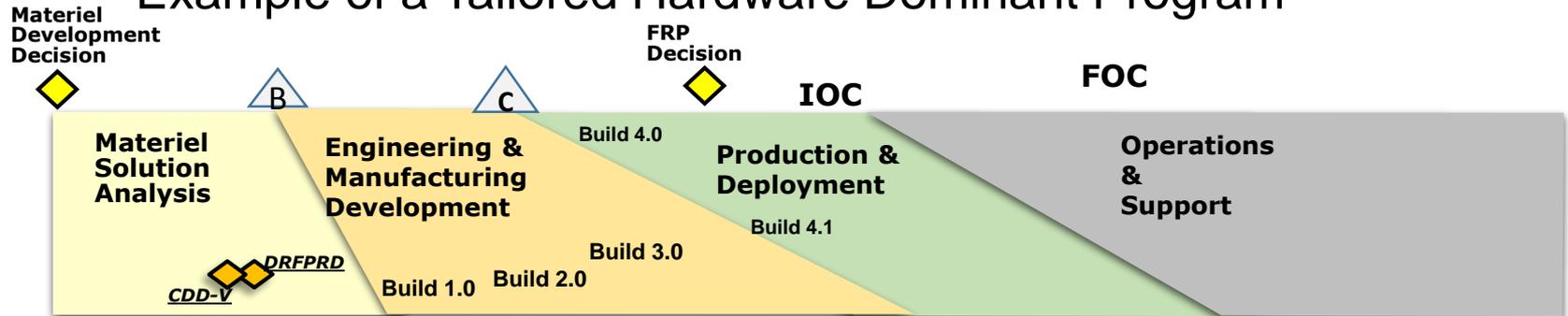


Program Structure and Phasing

DoDI 5000.02 Model 5: Hybrid Program A (Hardware Dominant)

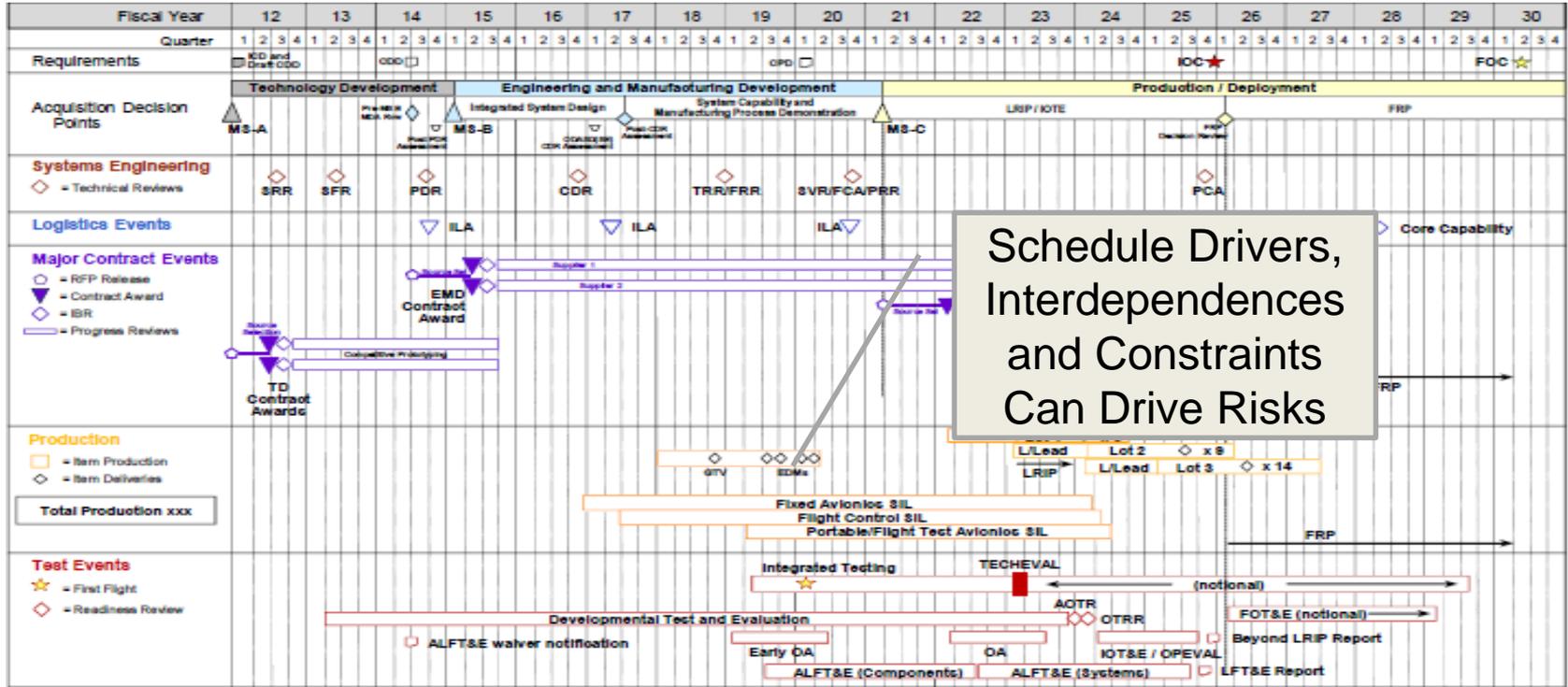


Example of a Tailored Hardware Dominant Program





Schedule Risks and Dependencies



AOTR: Assessment of Operational Test Readiness
 ALFT&E: Alternative Live Fire Test & Evaluation
 CDR: Critical Design Review
 EDM: Engineering Development Model
 EMD: Engineering & Manufacturing Development
 FCA: Functional Configuration Audit
 FOT&E: Follow-On Operational Test & Evaluation
 FRP: Full Rate Production
 FRR: Flight Readiness Review
 GTV: Ground Test Vehicle
 ILA: Integrated Logistics Analysis

IOC&R: Initial Operational Capability Supportability Review
 IOT&E: Initial Operation Test & Evaluation
 LFT&E: Live Fire Test & Evaluation
 LRIP: Low-Rate Initial Production
 MDA: Milestone Decision Authority
 MSD: Material Support Date
 OA: Operational Assessment
 OASD(SE): Office of the Assistant Secretary of Defense (Systems Engineering)
 OPEVAL: Operational Evaluation

OTRR: Operational Test Readiness Review
 PCA: Physical Configuration Audit
 PDR: Preliminary Design Review
 PRR: Production Readiness Review
 SFR: System Functional Review
 SIL: Systems Integration Lab
 SVR: System Verification Review
 TD: Technology Development
 TECHEVAL: Technical Evaluation
 TRR: Test Readiness Review



Affordability or Should Cost?

“Affordability as a requirement” directs that we establish quantified goals for unit production cost and sustainment costs for our products, driven by what the Department or Service can pay. We should set these goals early and use them to drive design trades and choices about affordable priorities...

“Should-cost” asks us consciously to do something different...to continuously fight to lower all our costs, wherever that makes sense. Should-cost is a tool to manage all costs throughout the life cycle and it operates in parallel with the effort to constrain our requirements appetites...Should-cost is focused on controlling the cost of the actual work that we are doing and expect to do.



Will Cost vs Should Cost

Will Cost: Based on IGE and typically what program budgets to

Should Cost: Management tool to target cost reduction





Implement “Should Cost” Based Management

- *Routinely analyze all cost elements* and look at reasonable measures to reduce them with prudent considerations of risks
 - Don't accept the ICE (“will cost”) as a self-fulfilling prophecy
 - Don't just expend the budget – Get all the value we can for the \$...
- How does it work?
 - Should cost targets required for all ACAT I-III (services & products)
 - PMs' evaluation includes cost control and meeting should cost goals
 - ACAT I PMs & PEOs report should cost progress in DAES & DAB reviews
 - Key Implementers
 - Benchmark against similar programs
 - Promote Supply Chain Management to encourage competition and incentivize cost performance at lower tiers
 - Track cost/ schedule/ performance trends and identify ways to improve
 - Integrated team effort to establish goals and track actions to meet them

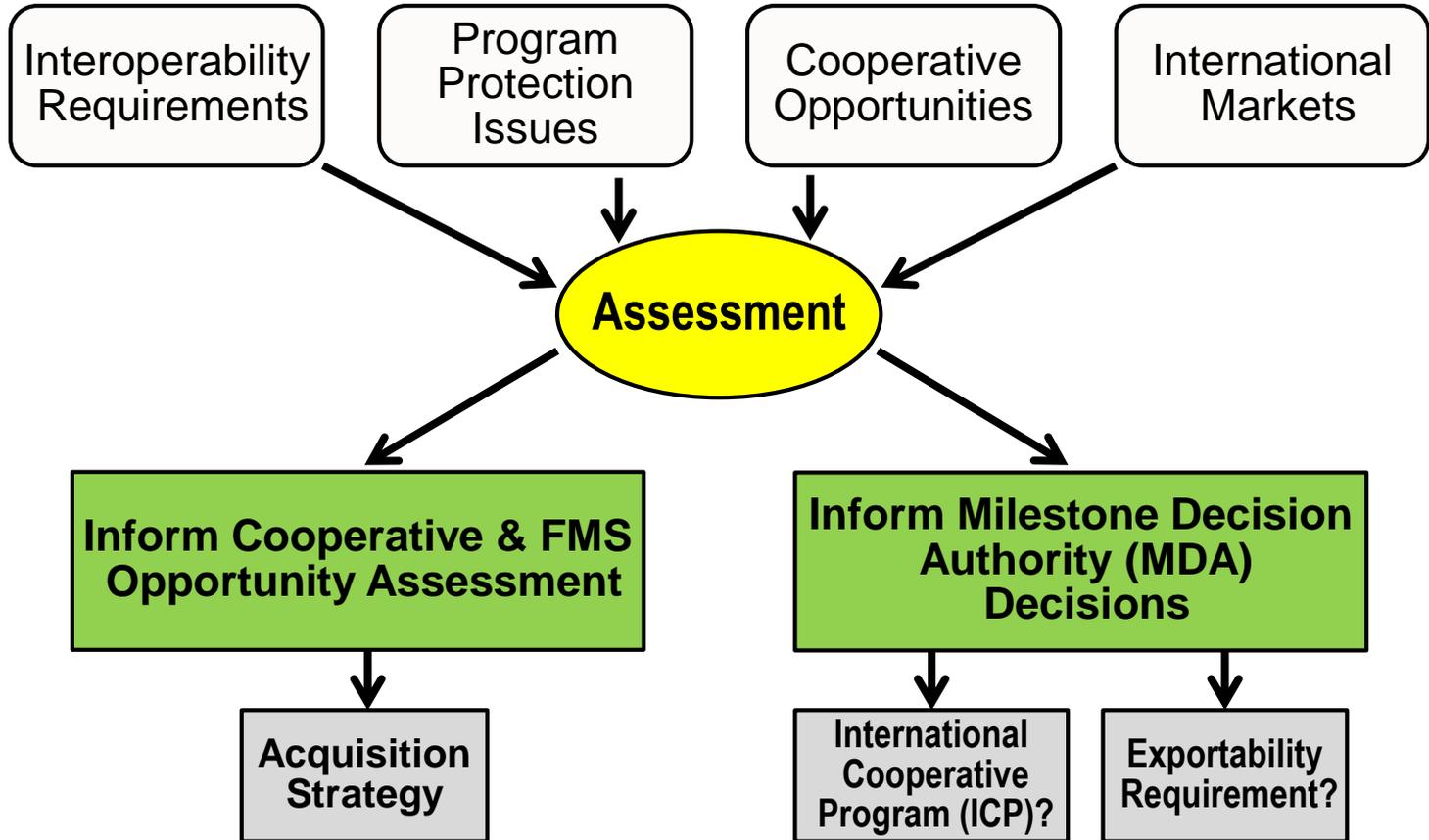


Types of International Programs

	International Cooperative Programs	Foreign Military Sales (FMS)	Direct Commercial Sales (DCS)
Legal Authority	AECA Section 27 & 10 U.S.C. 2350a	AECA Sections 21 and 22	AECA Section 38
DoD Oversight	OUSD(AT&L)	OUSD (Policy); DSCA	OUSD (Policy); DTSA
Primary Regulations	DoDD 5000.01 & DoDI 5000.02	Security Assistance Management Manual (SAMM)	International Traffic and Arms Regulations (ITAR)
Relationship	Partner	Buyer-seller	Buyer-seller
Form of Agreement	International Agreement	Letter of Offer and Acceptance (LOA)	State Department export license & commercial contract
Requirement	Mutual	Foreign customer (Letter of Request – LOR)	Foreign customer
Funding	Equitably shared	Foreign customer	Foreign customer
Program Management	Joint	DoD Implementing Agency (IA)	Foreign customer
Contract Privity	Partner nations and industry	DoD IA and industry	Foreign purchaser and U.S. industry
Risks	Equitably shared	Foreign customer	Foreign customer



International Assessment Drives Strategy





FMS and DCS Potential

Existing Foreign Sales

Country	LOA Date	Quantity	Configuration*	Delivery Period

* Provide top level unclassified description of differences from DoD baseline

Foreign Sales in Pipeline

Country	FMS or DCS	Quantity	Configuration*	Status and Likelihood

Long-Term Foreign Sales Potential

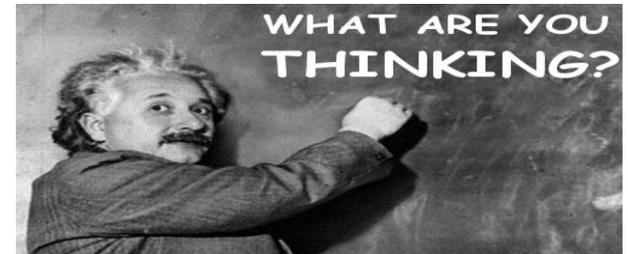
Discuss total potential foreign sales (or range) and a description of the estimating methodology

Exportability Features Cost

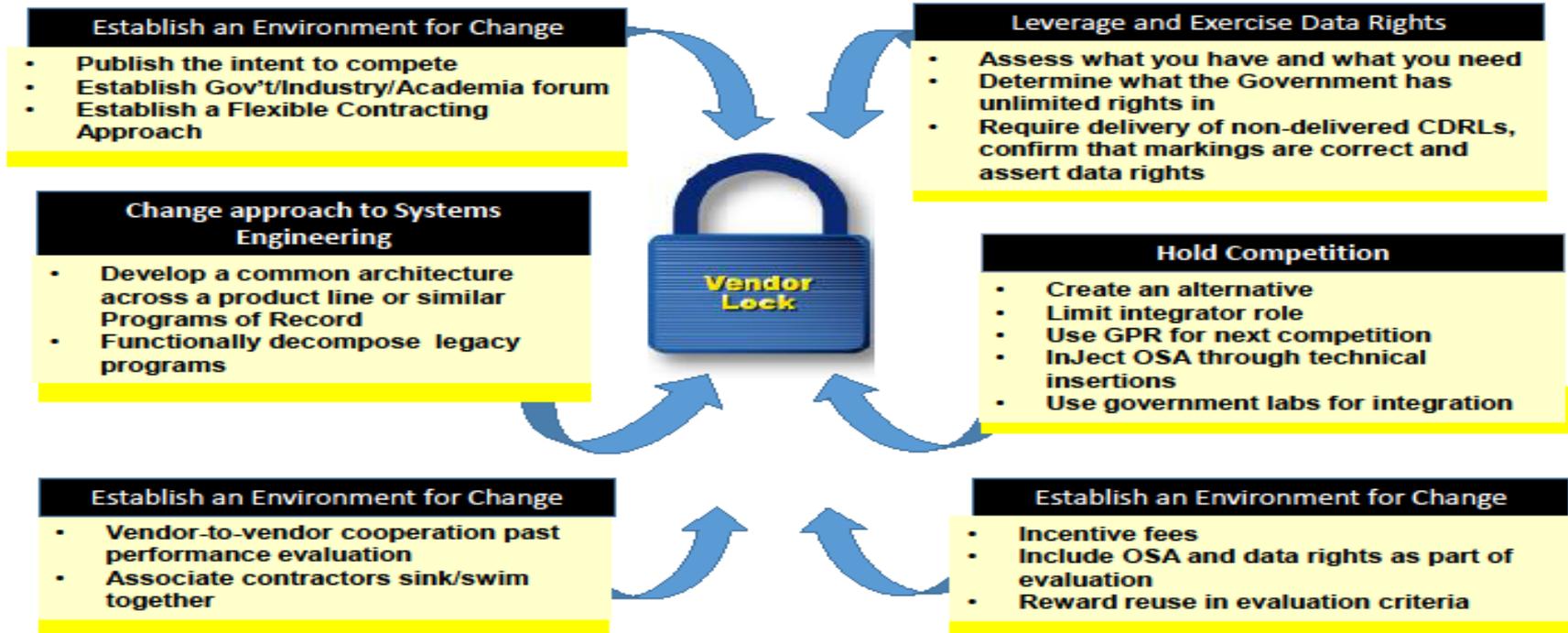
Discuss impact on program cost dues to program protection or exportability features including DEF Pilot Program potential and funding

Recommended information to assess potential in strategy

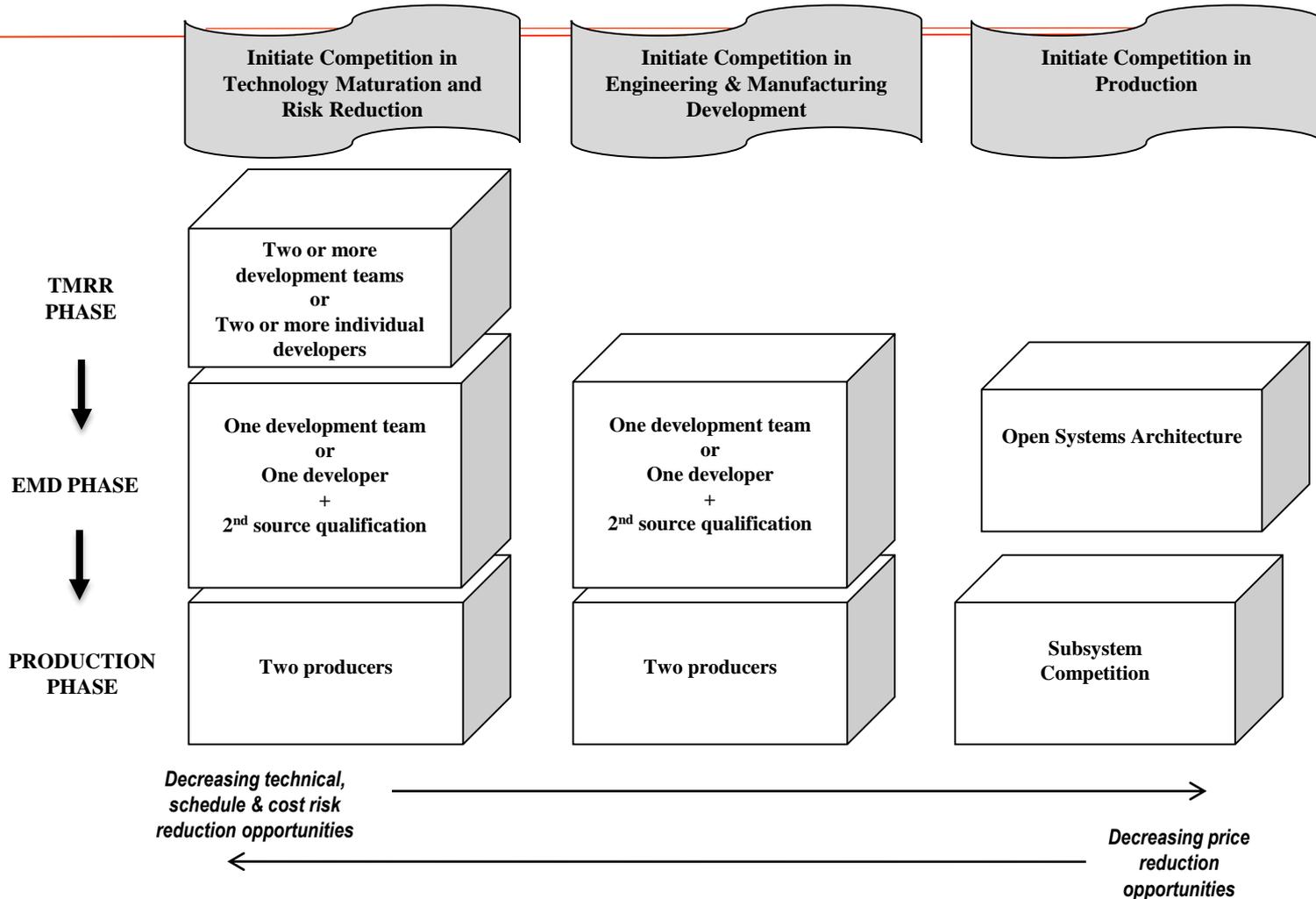
- DoDI 5000.02: “PMs must establish and maintain IP Strategy to identify and manage the full spectrum of IP and related issues (e.g., technical data and computer software deliverables, patented technologies, and appropriate license rights) from the inception of a program and throughout the life cycle. The IP Strategy will describe: How program management will assess program needs for, and acquire competitively whenever possible, the IP deliverables and associated license rights necessary for competitive and affordable acquisition and sustainment over the entire product life cycle”
- Part of acquisition strategy and eventually incorporated into LCSP – updated at all milestones
- Includes Software and Hardware elements



Approach to Breaking Vendor Lock



Competition Options Examples



EXAMPLES OF COMPETITION ACQUISITION STRATEGY OPTIONS BY PROGRAM PHASE

Development	
Competition Technique	Program
Competitive Prototyping	<ul style="list-style-type: none"> • AH-64 Apache Helicopter • F-22 Raptor
Contractor Teaming	<ul style="list-style-type: none"> • Javelin • V-22 Osprey • Comanche Helicopter
Leader/Follower	<ul style="list-style-type: none"> • AMRAAM • Cruise Missile (Tomahawk) • MK-48 ADCAP
Production	
Competition Technique	Program
Technical Data Package	<ul style="list-style-type: none"> • Sparrow AIM-7 G&C • MIDS-LVT
Licensing	<ul style="list-style-type: none"> • Cruise Missile Engine
Form, Fit, Function (F ³)	<ul style="list-style-type: none"> • Javelin components
Breakout	<ul style="list-style-type: none"> • Advanced Concept Ejection Seat • MK-48
Joint Venture	<ul style="list-style-type: none"> • Javelin • EELV



Source Selection Evaluation Factors

Sample Evaluation factors (FAR Subpart 15.3):

- **Price/cost**
- **Quality (e.g.; Technical, Management, Personnel qualifications)**
- **Past performance**
- **Small Business Participation**

Need to address: What is the relative importance of these factors?



Best Value Continuum

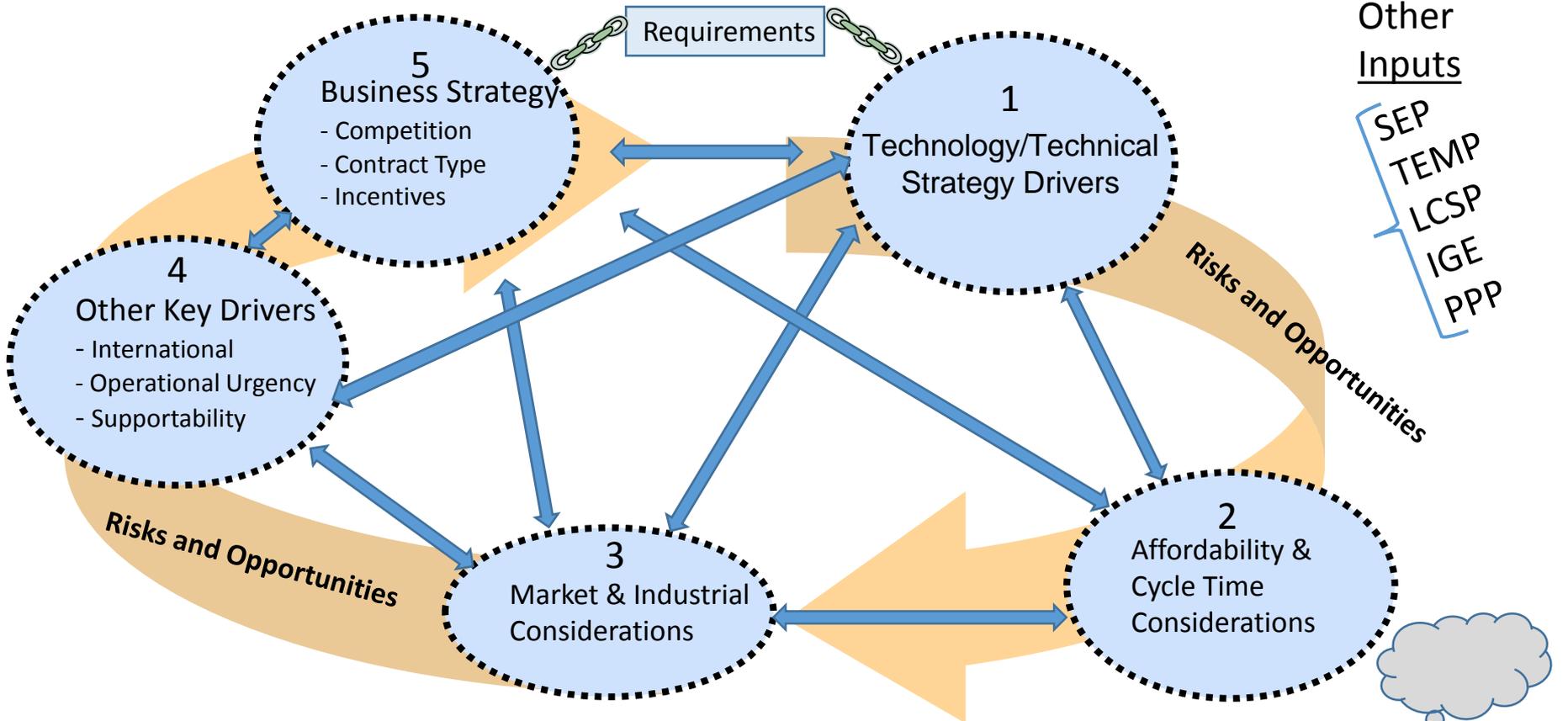
← **Greater** Importance of Price **→** Lesser
Lesser Importance of non-Price or Cost Factors Greater

Other FAR Parts	FAR Part 15		
8: Federal Supply Schedules ¹ (e.g., GSA) 12: Commercial Items ² 13: Simplified Acquisition ¹ 14: Sealed Bid ³ ¹ May use LPTA, Tradeoff, or both ² Must be used with Part 13, 14, or 15 ³ Cannot use either LPTA or Tradeoff. Price is the only factor.	Lowest Price/Technically Acceptable (LPTA) <u>Non-Price Factor(s):</u> Pass/Fail Only <u>Price Factor:</u> Lowest Price	Combination Approach -Some factors pass/fail -Other factors used in tradeoff For example-- <u>Technical:</u> Pass/Fail; Only Tradeoff allowed between <u>Past Perf.</u> and <u>Price</u> only	<u>Tradeoff</u> Can award to offer that is <i>other than</i> lowest price or <i>other than</i> highest rated on non-price factors. Tradeoff is among price and non-price factors.
Basis for Award:	<u>No Tradeoff</u> <i>Lowest Price that is Technically Acceptable [“Pass” on all non-price factors].</i>	<u>Tradeoff</u> <i>Limited to NON-pass/fail factors only. Must document basis for award to other than lowest price or other than highest rated on non-price factors.</i>	<u>Tradeoff</u> <i>All factors in tradeoff. Must document basis for award to other than lowest price or other than highest rated on non-price factors.</i>

“Best value” means the expected outcome of an acquisition that, in the Government’s estimation, provides the greatest overall benefit in response to the requirement.” FAR 2.101

Integrating Acquisition Strategy Elements

Notional Flow*



*Repeat Flow and Feedback Loops to Enable Cohesive Thinking

Synchronizing Acquisition Strategy Elements Requires Iterative and Integrating Effort!

Summary

- Acquisition Strategy is one of most important tasks in any program
 - Lays the foundation for everything that follows
 - Difficult to change course after the strategy is set in motion
- Developing the strategy requires critical thinking, teamwork, and integration of functional elements
 - Not a cookbook recipe or checklist exercise
- Strategy should be designed to manage risks associated with product or service being acquired and allocate risks fairly between DoD and industry





Contact Information

- Brian Schultz (presenter): brian.schultz@dau.mil
 - 703-805-5214
- Matt Bampton (moderator): matthew.bampton@dau.mil
 - 703-805-5414
- James Murray (support): james.murray@dau.mil
- Craig Mallory (International): craig.mallory@dau.mil