



ACQUISITION,  
TECHNOLOGY  
AND LOGISTICS

THE UNDER SECRETARY OF DEFENSE

3010 DEFENSE PENTAGON  
WASHINGTON, DC 20301-3010

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MEMORANDUM FOR SECRETARIES OF THE MILITARY DEPARTMENTS  
DEPUTY CHIEF MANAGEMENT OFFICER  
DEPARTMENT OF DEFENSE CHIEF INFORMATION OFFICER  
DIRECTORS OF THE DEFENSE AGENCIES  
AT&L DIRECT REPORTS

SUBJECT: Implementation Directive for Better Buying Power 2.0 – Achieving Greater Efficiency and Productivity in Defense Spending

As detailed in my November 13, 2012, memorandum to acquisition professionals introducing Better Buying Power (BBP) 2.0, and as listed in Attachment 1, we are continuing our efforts in the following seven areas to achieve greater efficiency and productivity in defense spending:

1. Achieve affordable programs;
2. Control costs throughout the product lifecycle;
3. Incentivize productivity and innovation in industry and Government;
4. Eliminate unproductive processes and bureaucracy;
5. Promote effective competition;
6. Improve tradecraft in acquisition of services; and
7. Improve the professionalism of the total acquisition workforce.

The number of topics covered within these areas reflects the breadth and complexity of acquisition; many are targeted to particular parts of the acquisition community or specific aspects of how we do business. The Component Acquisition Executives (CAEs) and I too would like to emphasize the importance of key enduring acquisition principles, even as we provide guidance on evolving best practices and new approaches toward continuous improvement in the ways we do business across all the many activities associated with both product and services acquisition.

Here are some key overarching principles that underlie BBP and all that we do. Any guidance to the workforce, including BBP 2.0, should be approached with these principles in mind:

1. Think. The first responsibility of the acquisition workforce is to think. We need to be true professionals who apply our education, training, and experience through analysis and creative, informed thought to address our daily decisions. Our workforce should be encouraged by leaders to think and not to automatically default to a perceived “school solution” just because it is expected to be approved more easily. BBP 2.0, like BBP 1.0, is not rigid dogma – it is guidance subject to professional judgment.
2. People. Thinking does not do much good if we do not have the professional preparation to think well. Policies and processes are of little use without acquisition

professionals who are experienced, trained and empowered to apply them effectively. At the end of the day, qualified people are essential to successful outcomes and professionalism, particularly in acquisition leaders, drives results more than any policy change.

3. Start with the basics. While they can be improved in practice on the margins, while we can always learn from our experience, and while we can find more creative ways to improve outcomes – the acquisition fundamentals work. We need to apply them effectively. Any list of basics would include these items: (1) effective incentives to industry, especially competitive pressures; (2) thorough understanding and active management of technical risk; (3) insistence on demonstrated progress before major commitments; (4) getting the big early decisions, particularly requirements trade-offs, right; and (5) using the right contract type for the job. Some of these appear directly in BBP 2.0, others are there by implication. These basics should always drive our thought processes and judgments.
4. Streamline decisions. Finally, we must streamline our processes and oversight to provide value added. This includes promptly acquiring relevant data and directing differences of opinion to *appropriate* decision makers. Our managers cannot be effective if process consumes all of their most precious resource – time.

Attachment 2 provides the implementing guidance for BBP 2.0, with specific actions, in each focus area and accompanying initiatives that I expect you to execute in order to implement the November 13, 2012, memorandum. The Business Senior Integration Group will continue to oversee BBP implementation. BBP 2.0 reinforces much of the content from BBP 1.0, but it also includes new initiatives and modifies some of the guidance found in BBP 1.0.

DoD Regulatory System: This directive and guidance are effective immediately. All applicable DoD Directives and other related issuances shall be updated to implement this direction and guidance within 180 days.



Frank Kendall

Attachments:  
As stated.



# Better Buying Power 2.0

## A Guide to Help You Think

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### Achieve Affordable Programs

- Mandate affordability as a requirement
- Institute a system of investment planning to derive affordability
- Enforce affordability caps

### Control Costs Throughout the Product Lifecycle

- Implement "should cost" based management
- Eliminate redundancy within Warfighter portfolios
- Institute a system to measure the cost performance of programs and institutions and to assess the effectiveness of acquisition policies
- Build stronger partnerships with the requirements community to control costs
- Increase the incorporation of defense exportability features in initial designs

### Incentivize Productivity & Innovation in Industry and Government

- Align profitability more tightly with Department goals
- Employ appropriate contract types
- Increase use of Fixed Price Incentive contracts in Low Rate Initial Production
- Better define value in "best value" competitions
- When Lowest Price Technically Acceptable is used, define Technically Acceptable to ensure needed quality
- Institute a superior supplier incentive program
- Increase effective use of Performance-Based Logistics
- Reduce backlog of DCAA Audits without compromising effectiveness
- Expand programs to leverage industry's IR&D

### Eliminate Unproductive Processes and Bureaucracy

- Reduce frequency of higher headquarters level reviews
- Re-emphasize Acquisition Executive, PEO and PM responsibility, authority, and accountability
- Reduce cycle times while ensuring sound investment decisions

### Promote Effective Competition

- Emphasize competition strategies and create and maintain competitive environments
- Enforce open system architectures and effectively manage technical data rights
- Increase small business roles and opportunities
- Use the Technology Development phase for true risk reduction

### Improve Tradecraft in Acquisition of Services

- Assign senior managers for acquisition of services
- Measure productivity using the uniform services market segmentation
- Improve requirements definition/prevent requirements creep
- Increase small business participation, including through more effective use of market research
- Strengthen contract management outside the normal acquisition chain – installations, etc.
- Expand use of requirements review boards and tripwires

### Improve the Professionalism of the Total Acquisition Workforce

- Establish higher standards for key leadership positions
- Establish increased professional qualification requirements for all acquisition specialties
- Increase the recognition and support of excellence in acquisition management
- Continue to increase the cost consciousness of the acquisition workforce – change the culture

For additional information: <http://bbp.dau.mil>

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## BETTER BUYING POWER (BBP) 2.0 GUIDANCE AND ACTIONS

### ACHIEVE AFFORDABLE PROGRAMS

*Mandate affordability as a requirement; Institute a system of investment analysis to derive affordability; and Enforce affordability caps*

#### GENERAL GUIDANCE:

The initiative to provide affordability constraints that was put into practice over 2 years ago under BBP 1.0 will continue and will be enforced. Affordability analysis guidance and the process to establish affordability goals (formerly called “affordability targets”) at Materiel Development Decision (MDD) and Milestone (MS) A and affordability caps (formerly called “affordability requirements”) at the Pre-Engineering and Manufacturing Development (Pre-EMD) and MS B Review and beyond are included in the Department of Defense Instruction (DoDI) 5000.02 revision currently in the coordination process. Component Acquisition Executives (CAEs) are required to establish affordability goals and caps for lower Acquisition Category (ACAT) level programs as they are considered for MDD, MS A and B, or the equivalent, and beyond. Affordability constraints should be based on the anticipated available level of future budgets that will be available to procure and support the product being acquired within a relevant portfolio of products. In general, affordability constraints are the product of budget, inventory, and product life-cycle analysis within a portfolio context. They are not the product of cost analysis but a constraint on costs. Affordability constraints force prioritization of requirements, drive performance and cost trades, and ensure that unaffordable programs do not enter the acquisition process. If affordability caps are breached, costs must be reduced or else program cancelation can be expected. Constraints stem from long-term affordability planning and analysis, which is a Component leadership responsibility that should involve the Component’s programming, resource planning, requirements, and acquisition communities.

Affordability analysis will examine competing Component fiscal demands for production and sustainment within a relevant portfolio of products over enough years to reveal the life-cycle cost and inventory implications of the proposed new products within the portfolio – nominally 30 to 40 years. Example portfolios include tactical aircraft for the Air Force, shipbuilding for the Navy, and ground combat vehicles for the Army. This analysis should be relatively stable and useful for multiple programs until an update is required. A program is defined to be affordable if the driving cost elements – usually production and sustainment – can be accommodated within the modernization and recapitalization plan for the portfolio. If not, then either a lower cost product or identifiable reductions in another component portfolio (trading shipbuilding for tactical aviation within the Navy, for example) must be pursued.

Affordability analysis and recommended constraints will be presented to the Milestone Decision Authority (MDA) before major acquisition decisions to demonstrate the affordability of the program.

Each MDA will then establish affordability constraints in the form of goals and caps. Affordability goals are set at the MDD or MS A to inform early requirements and design tradeoffs. Affordability caps are set at the Pre-EMD Review or MS B, for unit procurement and sustainment costs and will be considered equivalent to Key Performance Parameters (KPPs) within the Acquisition community. Implementation during the program's life cycle will require Program Manager (PM) diligence and support from Configuration Steering Boards to meet affordability constraints set by the MDA, and the PM will promptly notify the MDA if a constraint will be exceeded.

#### SPECIFIC ACTIONS:

The Assistant Secretary of Defense for Acquisition (ASD(A)) will provide additional details on requirements, formats, and supporting data submissions in the revised DoDI 5000.02, "Operation of the Defense Acquisition System," as well as updates to the Defense Acquisition Guidebook (DAG) and the Defense Acquisition Board (DAB) templates by June 1, 2013.

ASD(A), with support from the Service Acquisition Executives (SAEs), will define a standard list of portfolios for my approval by June 1, 2013.

Director, Acquisition Resource and Analysis (ARA), will update its program data repository, the Defense Acquisition Management Information Retrieval system, to track affordability constraints, effective immediately.

CAEs and all other MDAs who have not already done so will develop and issue similar guidance to apply affordability constraints to ACAT II-IV programs by July 1, 2013.

MDAs are responsible for enforcing affordability caps effective immediately.

## **CONTROL COSTS THROUGHOUT THE PRODUCT LIFECYCLE**

### ***Implement "should cost" based management***

#### GENERAL GUIDANCE:

The concept of defining and managing to "Should Cost" targets instead of program budgets was introduced in BBP 1.0. Should cost based management is becoming more widely implemented, but without continuous attention, the gains we have made could be reversed. This concept is fundamental to proactive cost control throughout the acquisition lifecycle. Will Cost estimates (Cost Assessment and Program Evaluation (CAPE) Independent Cost Estimates for ACAT 1 programs) will remain the basis for President's Budget positions; however, we cannot accept these estimates as self-fulfilling. Our goal should be to identify opportunities to do better and to manage toward that goal. Managers should scrutinize each element of cost under their control and assess how it can be reduced without unacceptable reductions in value received. Should cost applies to all acquisition activities and it spans product and service acquisitions. The key is to seek out and eliminate, through discrete actions, low-value-added ingredients of

program cost and to appropriately reward those who succeed in doing this, both in Government and in industry. For Government managers, this could mean additional resources to enhance their programs (for example, by freeing up funds to buy more warfighting capability) and professional recognition. For each Component, this could free up funds for other pressing needs. For industry, it is a matter of tying financial incentives to overall cost reduction.

DoD Components have made significant strides implementing should cost management and developing an enterprise-wide culture of reducing acquisition costs. Building on these initial successes requires expanded participation, additional training, better tracking and analysis, as well as sharing successes across the enterprise, and most of all continuous management attention.

#### SPECIFIC ACTIONS:

Effective immediately, every acquisition manager's performance evaluation should consider effective cost control including implementation of should cost management. CAEs are expected to complete this action by the end of CY 2013.

All ACAT I – III programs should have should cost targets in place by August 1, 2013, or the next milestone decision, whichever comes first. CAEs action, as stated.

The Principal Deputy Under Secretary of Defense for Acquisition, Technology, and Logistics (PDUSD(AT&L)) will refine, clarify, and re-issue guidance from BBP 1.0 by June 1, 2013, to ensure understanding, implementation, and reporting of should cost management. Guidance will cover acquisition of both products and services. The Components will re-issue and update their guidance by July 1, 2013, following PDUSD(AT&L) guidance issuance.

Effective immediately, for ACAT 1 programs, PMs and Program Executive Officers (PEOs) will report should cost targets and progress in achieving them at all Defense Acquisition Executive Summaries (DAES) and DAB program reviews.

The Defense Acquisition University (DAU) will develop a repository for best practices and create rapid deployment training for the acquisition workforce by August 1, 2013. DAU will work with the CAEs to collect successful should cost case studies and lessons-learned. Additionally, DAU will improve and better integrate should cost management principles across all DAU curricula by November 1, 2013.

The Defense Contract Management Agency (DCMA), in collaboration with the CAEs, will implement an annual planning process to maximize the use of the DCMA Cost and Pricing Center capability for assisting program offices and PEO organizations with should cost activities by June 1, 2013. The planning process and the FY 2014 plan will be briefed by DCMA to the Business Senior Integration Group (BSIG) by August 1, 2013.

***Eliminate redundancy within Warfighter portfolios***

GENERAL GUIDANCE:

We cannot afford to develop duplicate or redundant products at the program level solely due to the Components' independent requirements processes. ASD(A) will continue to review product portfolios to identify synergies for existing and planned programs both within each Service and across the Services during acquisition process reviews, starting at MDD, in support of Requirements Decision Points required under the revised 5000.02, during Program Budget Reviews, and at other program reviews.

SPECIFIC ACTIONS:

ASD(A) will assess potential redundancy within Warfighter portfolios in support of all acquisition and program decisions and during annual program and budget review processes, effective immediately.

CAEs will work together as a group to consider redundancy across Service and Component portfolios as they review ACAT II and III programs for acquisition decisions, effective immediately.

***Institute a system to measure the cost performance of programs and institutions and to assess the effectiveness of acquisition policies***

GENERAL GUIDANCE:

This is a new initiative to establish an improved ability within DoD to measure and report on trends in the productivity and performance of the defense acquisition system's institutions and programs and to correlate those trends with policy choices and best practices. This year I am publishing the first annual "Report on the Performance of the Defense Acquisition System." The overarching goal is to enhance our ability to make sound policies and decisions about defense acquisition best practices and to understand the root causes of variations in the performance of the organizations, in industry and Government, that are responsible for developing and delivering our products and services. The initial report will focus on Major Defense Acquisition Programs (MDAPs), the programs for which we have the most data. Subsequent annual reports will expand upon the initial analysis.

SPECIFIC ACTIONS:

ASD(A)'s Acquisition Policy Analysis Center (APAC) will publish the initial "Report on the Performance of the Defense Acquisition System" in 2013, followed by annual updates to be published in conjunction with the defense budget submission.

ASD(A), with ARA and APAC, will determine if additional data should be reported to ARA to support the annual update to the Report on the Performance of the Defense Acquisition System and brief their findings and recommendations to me by June 1, 2013.

PDUSD(AT&L) will evaluate the potential to expand the annual reporting on acquisition system performance to include service contracting and provide results to the BSIG by August 1, 2013.

CAEs will determine how to best measure non-ACAT I performance trends and brief the results to the BSIG by November 1, 2013.

***Build stronger partnerships with the requirements community to control costs***

GENERAL GUIDANCE:

Service requirements authorities are a critical participant in the acquisition system and acquisition leaders must work with requirements leaders early and effectively throughout the lifecycle of a product. Poor requirements definition at inception, requirements rigidity, and instability invariably lead to inefficiencies and sometimes to program failure. Acquisition leaders need to understand user priorities, and requirements leaders need to understand cost performance trade-offs and technical risk implications. This can only happen if there is a strong continued communication between requirements and acquisition communities. I have instituted a practice of attending Joint Requirements Oversight Council (JROC) meetings and will continue to do so. The revision of DoDI 5000.02 currently in coordination will introduce a Requirements Decision Point that will require JROC approval with AT&L coordination for affordability and technical feasibility at an appropriate point between MS A and the Pre-EMD review. All the Services and the JROC are working to introduce better cost and affordability considerations into their military needs definition process and acquisition solutions. These steps and JROC efforts to streamline requirements documents and approval processes and in particular to respond quickly to requests for KPP or Key System Attributes (KSA) changes are important steps in the right direction.

Within the Services, Configuration Steering Boards (CSB) provide a forum whereby senior officials from Service, Joint Staff, and Office of the Secretary of Defense (OSD) Requirements and Acquisition officials can monitor, review, and, if necessary, modify requirements expeditiously to control cost and schedule and maintain a program's affordability throughout the lifecycle. To be effective, however, CSBs should be held as often as needed to support timely acquisition decisions rather than be driven by the calendar. Additionally, deliberations of CSBs should be highly visible to and coordinated with the JROC, particularly when required changes to KPPs or KSAs could jeopardize a program's military utility or affordability. The Navy "Provider Forum" supported by the integrated "Gate" process is one successful formal model for synchronizing military needs and acquisition solution communities and represents a "best practice."

#### SPECIFIC ACTIONS:

CAEs will work with Component Requirements Leadership to assess the effectiveness of CSBs and conduct CSBs or the equivalent as required (e.g. in lieu of annual meetings) to respond to the need to re-evaluate program requirements priorities and trade-offs. CAEs will brief the BSIG on Requirements and Acquisition interaction by August 1, 2013.

The Army and Air Force will review the Navy's "Provider Forum" model and consider the need to modify requirements review processes by August 1, 2013.

PDUSD(AT&L) will ensure that JROC members and advisors and DAB members and advisors meet every 6 months or oftener to conduct an After Action Review and lessons-learned on major decisions completed during the past 6 months and to discuss upcoming items pending JROC and DAB review.

#### *Increase the incorporation of defense exportability features in initial designs*

#### GENERAL GUIDANCE:

The export of defense products to our friends and allies provides for economies of scale that reduce costs for all customers (including US customers), greater commonality and interoperability with our global partners, and strengthened relationships. In the past, our general practice has been to provide for exportability features, anti-tamper, and exportable capability levels after a product has been designed, tested, and put into production for U.S. customers. The Defense Exportability Features (DEF) initiative focuses on the opportunity for DoD program management and contractor teams to work together to assess, design, develop, and incorporate defense exportability features in their systems during the early development phases – building in potential exportability “up front.” Congress has authorized a pilot program in this area and this initiative both capitalizes and expands upon that program.

#### SPECIFIC ACTIONS:

CAEs, PEOs, and PMs will consider Defense Exportability (DE) in the acquisition process and to incorporate those considerations in their acquisition planning efforts, effective immediately. MDAs will consider DE at early acquisition milestone reviews including MDD, MS A, and the Pre-EMD Review.

ASD(A), with International Cooperation (IC), Defense Procurement and Acquisition Policy (DPAP), CAEs, and with the Under Secretary of Defense for Policy (USD(P)) will develop recommended business approaches (including those that may require legislation) for incorporation of DE features in initial designs and brief the BSIG by July 1, 2013 on recommended actions.

Director, IC will develop recommended procedures and guidance to be incorporated in the DAG regarding incorporating DE business case analyses into contract and acquisition

strategies, as well as procedures to cost share DEF implementation with industry and recoupment of these costs through foreign sales. Director, IC will present recommendations to the BSIG for review by November 1, 2013.

Director, IC will prepare a DEF implementation policy for my signature outlining the use of various DoD funding sources and matching contractor cost sharing using title 10, U.S.C. DEF pilot and other authorities by November 1, 2013. If additional statutory authorities are required, develop and submit to the BSIG a legislative proposal by August 1, 2013, to provide DoD authority to fund DEF implementation and recover those costs through foreign sales.

CAEs will propose additional MDAPs for the FY 2014 DEF pilot program by July 1, 2013 with Program Objective Memorandum (POM) submissions and annually thereafter.

The Deputy Assistant Secretary of Defense for Systems Engineering (DASD(SE)) will provide updated Anti-Tamper policy guidance, as well as DoDI 5200.39, "Critical Program Information (CPI) Protection Within the Department of Defense," to the BSIG for review by October 1, 2013.

## **INCENTIVIZE PRODUCTIVITY & INNOVATION IN INDUSTRY AND GOVERNMENT**

### ***Align profitability more tightly with Department goals***

#### **GENERAL GUIDANCE:**

Profit is the key lever in motivating contractors to perform in alignment with DoD goals. The defense industrial base must be profitable or there will not be a defense industrial base, but the profits DoD provides should be consistent with the risks industry takes and the return needed to attract the required capital to defense companies. Current profit levels in the aggregate are reasonable and sustainable, but they are not tied tightly enough to successful performance in meeting DoD goals. Traditionally, the Government's objective position for contract profitability has been a function of perceived risk and the anticipated value to be achieved by successful contract performance. DoD profit policy and our acquisition strategies should provide effective incentives to industry to deliver cost-effective solutions in which realized profitability is aligned and consistent with contract outcomes.

Section 804 of the National Defense Authorization Act for Fiscal Year 2013 directed the Secretary of Defense conduct a review and modify the Department's profit regulations. The Department will focus the review on modifications that are necessary to ensure an appropriate link between contractor profit and performance. The product of the effort will consist of practical guidelines that facilitate a strategic approach to developing an objective position on contractor profit that is tailored to the individual acquisition scenario. A revised record of weighted guidelines will be a key aspect of anticipated changes in order to align profitability with DoD goals. Another aspect will be a revised and reissued guidance document on the use of incentives in defense acquisition strategies. The Defense Federal Acquisition Regulation

Supplement (DFARS) weighted guidelines set a basis for reasonableness in expected profit levels. Incentive structures also provide opportunities for companies to realize profits above or below the levels defined in the weighted guidelines based on their performance at achieving specific goals of importance to the Department. Both are important to giving industry a fair and reasonable profit while motivating behaviors of value to the Government.

**SPECIFIC ACTIONS:**

Director, Defense Pricing (DP) will lead the effort on weighted guidelines and brief the BSIG on a recommended approach by July 1, 2013.

Director, DP will provide a draft policy guidance document on the use of incentives in contracting to the BSIG for review by July 1, 2013. The starting point for this document will be the DoD and NASA Guide, "Incentive Training Guide," originally published in 1969.

***Employ appropriate contract types***

**GENERAL GUIDANCE:**

The contract type employed must be tailored to each particular product or service acquisition. The guidance included in BBP 1.0 suggested to some that Fixed Price Incentive contract types should be used much more broadly and to the exclusion of other contract types. It was not our intent to preclude or discourage consideration of other contract types. This guidance modifies BBP 1.0 to encourage acquisition officials to consider the full range of contract types before deciding on an acquisition approach. As indicated below, we still believe that the use of Fixed Price Incentive contracts should be emphasized in certain situations, but not exclusively. The use of a specific contract type should be governed by the nature of the work and deliverables being placed on contract. An appropriate allocation of risk between Government and industry is one major factor and must take into account industry's ability to absorb risk.

**SPECIFIC ACTION:**

Director, DP will review existing guidance and provide a proposed short guidance document to explain considerations for selecting appropriate contract types to the BSIG for review by July 1, 2013. This task may be combined with the incentive task above.

***Increase use of Fixed Price Incentive contracts in Low Rate Initial Production***

**GENERAL GUIDANCE:**

We revised our regulations to implement the original Better Buying Power initiative to require contracting officers give particular consideration to the use of Fixed-Price Incentive Firm Target (FPIF) contracts, especially in programs transitioning from development to production. The guidance called for the use of a 120-percent ceiling and a 50/50 share ratio as the *points of departure*. It is important to note that the regulation is not prescriptive as to contract type and

does not contradict guidance provided in FAR Part 16 for selecting the proper contract type for a particular acquisition. In fact, the emphasis on FPIF contracts was largely intended to prevent the premature use of Firm-Fixed-Price (FFP) contracts too early in the acquisition process, when reliable estimates of manufacturing costs are not yet available. Before FPIF contracts are used, acquisition managers must first perform an objective analysis and quantify the cost risk before deciding on the most appropriate contract type and incentive terms. While the 120-percent ceiling and 50/50 share ratios provide a useful point of departure, tighter terms are appropriate if manufacturing cost risk is limited.

**SPECIFIC ACTION:**

Director, DP and ASD(A) will review existing guidance documents promulgated as part of BBP 1.0 and instruction materials currently in use to determine if modified guidance is required. FPIF policy guidance will be included in the document Director, DP will present to the BSIG by July 1, 2013.

***Better define value in “best value” competitions***

**GENERAL GUIDANCE:**

The term “best value” in a competitive source selection should generally indicate that the Government is assessing all evaluation factors – not just cost – in relation to one another in its source selection and is open to paying more (up to some amount) than the minimum price bid in return for a product that provides more than the minimum needed performance to the Government. The Department routinely sets “threshold” and “objective” level requirements for the products it acquires and also routinely defaults to threshold performance as the basis for selecting a product. This initiative directs the Components, where possible, to quantify the value, in terms of an increased premium they will pay, for proposals above the threshold level of performance and to include this information in solicitations to industry. Value in this sense is defined by the amount the Component is willing to pay for greater performance. If industry knows that the Department is willing to pay up to a certain amount for better performance, then industry can make an informed decision as to whether to offer higher performance or not and the Government has a sound basis to make a best value source selection.

The Air Force has led a joint-service team to develop a “Process Manual.” It aims to improve understanding of requirements, to effectively convey requirements in the Request for Proposal (RFP), and how to capture best value in source selections using objective versus subjective means. It includes examples of effective incorporation of “best value” into source selections and discusses the value placed above minimum thresholds, as well as how to define thresholds in acquisition of services type contracts.

SPECIFIC ACTION:

Director, DP will review the "Process Manual" developed by the joint Service team led by the Air Force and present a recommendation for adoption with any recommended changes to the BSIG by July 1, 2013.

***When Lowest Price Technically Acceptable is used, define Technically Acceptable to ensure needed quality***

GENERAL GUIDANCE:

Industry is entitled to expect that the Government will express its requirements as clearly as possible and use the competitive source selection technique that is consistent with providing the best use of taxpayer dollars. When using the Lowest Price Technically Acceptable (LPTA) source selection method, the Government makes the contract award to the offering party who proposes the lowest evaluated price and whose proposal meets or exceeds the acceptability standards for non-cost factors. LPTA should be used in situations where the Department would not realize any value from a proposal exceeding its minimum technical or performance requirements. When LPTA is used as a source selection technique, Section M of the RFP and the Source Selection Plan must clearly describe the minimum requirements that will be used to determine the acceptability of the proposal. LPTA should not be used when the contractor's proposed technical approach requires a subjective judgment by the source selection authority as to the desirability of one offeror's proposal versus a competing proposal. Well-defined standards of performance and quality of services should be available to support the use of LPTA. When standards of performance and quality are subjective, another approach should be used. Professional services are often in this latter category.

SPECIFIC ACTIONS:

Director, DPAP will revise the DoD Source Selection Guide procedures to require Section M of the RFP and the Source Selection Plan to describe the characteristics of a technically acceptable solution by July 1, 2013. The characteristics will be expressed in terms of performance objectives, measures, and standards that map to the procurement's Statement of Work.

Director, DPAP will incorporate appropriate guidance on use of LPTA into the guidance documents directed above on contract type and incentive structures by July 1, 2013.

***Institute a superior supplier incentive program***

GENERAL GUIDANCE:

This initiative was introduced in BBP 1.0, but it was not completed. The intent of a DoD-wide superior supplier incentive program (SSIP) is to publically acknowledge and reward top-performing defense companies.

The Navy SAE has been leading the development of a superior supplier pilot program. The Navy will implement this pilot in 2013, and, if successful, it will be expanded to a DoD-wide program in 2014. Under the SSIP, contractors that have demonstrated exemplary performance at the business unit level in the areas of cost, schedule, performance, quality, and business relations would be granted Superior Supplier Status (SSS). Contractors that achieve SSS could receive more favorable contract terms and conditions in contracts. In addition to recognition of SSS at the business unit level, multi-business unit corporations that have several business units that attain SSS may receive additional recognition at the corporate level.

The SSIP Pilot Program will use the Contractor Performance Assessment Reporting System (CPARS) as the baseline data. In the course of the pilot phase, we may also identify other sources of data, including information available to program offices and Government contract administration organizations that the Department may use to supplement CPARS data in implementing the SSIP. During the pilot phase, contractors will be assessed in the following CPARS areas: technical (quality of product); schedule; cost control; management responsiveness; management of key personnel; utilization of small business; other CPARS factors as appropriate.

#### SPECIFIC ACTIONS:

The Assistant Secretary of the Navy for Research, Development and Acquisition will implement the Navy pilot SSIP by June 1, 2013. The Navy will prepare a notice for the Federal Register that describes the proposed SSIP approach and plan and solicit comment from industry and the general public. They will incorporate (as feasible) public comments. In parallel, the Navy will develop a benefits package along with any possible regulatory changes. The Navy will announce the first recipients of the Superior Supplier designation by July 1, 2013.

ASD(A) will work with the SAEs and DPAP to evaluate the pilot program and provide a recommended DoD wide program to the BSIG by January 1, 2014.

#### *Increase effective use of Performance-Based Logistics*

#### GENERAL GUIDANCE:

Performance Based Logistics (PBL) refers to a business arrangement that provides financial incentives to industry to delivery needed reliability and availability to DoD customers at reduced total cost by encouraging and rewarding innovative cost reduction initiatives. The history of PBL contracting approaches demonstrates that the Department can achieve improved readiness at significant savings if PBL business arrangements are properly structured and executed. The Department will broadly implement effective PBL strategies. PBL's success, however, is dependent on ensuring the workforce has the expertise and support to properly develop and implement PBL arrangements.

SPECIFIC ACTIONS:

The Assistant Secretary of Defense for Logistics and Materiel Readiness (ASD(L&MR)) will provide a comprehensive guidance document designed to assist the Services to adopt and expand PBL, as applicable, for all weapon system programs and present the guidance document to the BSIG for review by July 1, 2013. The guidance will cover three areas: cultivating an enabling environment; developing documented processes and tools; and creating a cadre of PBL professionals.

ASD(L&MR) will develop and finalize the "PBL Best Practices Guidebook," which should be utilized as the source (tenets, analytics, metrics, and draft RFP information) for PBL processes by December 1, 2013.

DAU will incorporate PBL learning assets into curricula for the Life Cycle Logistics, PM, Contracting, and Systems Engineering career fields by December 1, 2013.

CAEs will provide a baseline status brief on the implementation of PBL (current use, future opportunities, plan to implement, progress against the plan, savings anticipated, and achieved) to the BSIG by October 1, 2013, and continuing on an annual basis starting in 2014.

***Reduce backlog of DCAA audits without compromising effectiveness***

GENERAL GUIDANCE:

The Defense Contract Audit Agency (DCAA) is working to identify opportunities to improve efficiencies within the Agency to ensure the most appropriate use of resources while protecting the taxpayer's interest. To support this effort, DCAA, with the cooperation of the DCMA and DPAP, developed a risk-based process for reducing the inventory of final incurred cost rate proposals. The initiative is based on the application of a sampling methodology for low-risk proposals to allow resources to be redirected to high-risk audits with the potential for greater return on investment.

In addition to the low-risk sampling initiative, the Agency has undertaken additional steps to improve the effectiveness of incurred cost audits. These include the use of dedicated audit teams to perform incurred cost audits, revisions to audit guidance, and the use of multi-year audit techniques. I have worked with DCAA and we agreed upon goals for the Agency to reduce the current incurred cost backlog by the end of FY 2014 and achieve a steady state on all incurred cost audits (defined as 2 years' worth of incurred cost inventory) by the end of FY 2016.

SPECIFIC ACTIONS:

DCAA has agreed to issue a memorandum describing the incurred cost backlog initiatives undertaken by the Agency by June 1, 2013.

DCAA has agreed to coordinate the results of the low-risk sampling initiative as a potential incentive element of DoD plans to implement a SSIP. DCAA has agreed to work with the Navy to incorporate low-risk sampling into the SSIP and will provide a recommendation on incorporating low-risk sampling into the DoD SSIP incentives for presentation to the BSIG by October 1, 2013.

### ***Expand programs to leverage industry's IR&D***

#### **GENERAL GUIDANCE:**

Independent Research and Development (IR&D) is a key source of technology innovation for DoD. Prior to the BBP 1.0 initiative, the Department's processes to promote innovation in IR&D or effectively leverage IR&D to support Department priorities were basically *laissez faire*. In BBP 1.0, the Assistant Secretary of Defense (Research & Engineering) (ASD(R&E)) and the Deputy of Assistant Secretary of Defense for Manufacturing and Industry Base Policy (DASD(MIBP)) within AT&L engaged with DoD's largest IR&D performers to collect data on their IR&D investments and to discuss ideas on what DoD could do to improve IR&D effectiveness. AT&L also engaged with DoD personnel to learn how they leveraged IR&D in acquisition program planning. The key challenge identified was communication – industry wanted information about DoD investment priorities to help them improve their IR&D project planning, and DoD planning was hampered by limited insight into industry IR&D projects. The Department implemented two initiatives to strengthen industry-DoD communication: 1) the creation of the Defense Innovation Marketplace website (<http://www.defenseinnovationmarketplace.mil/>) to provide industry with information on DoD priorities; and 2) the addition of a rule to the DFARS requiring major contractors to submit data on their IR&D projects as a condition for allowability. While we have made significant progress on this initiative, there is more that we can do to improve the effectiveness and the utility of IR&D to enhance the defense industrial base's technical strength to support future acquisition programs.

#### **SPECIFIC ACTIONS:**

ASD(R&E) will continue to develop and improve the Defense Innovation Marketplace as a resource to both industry and DoD and disseminate best practices and the requisite procedures to post information in the marketplace by June 1, 2013.

CAEs will identify points of contact to take ownership of the content for their respective resource pages on the Marketplace by June 1, 2013.

ASD(R&E) will brief the BSIG on the activities needed to sustain open communication with industry by July 1, 2013.

ASD(R&E), in conjunction with the DASD(MIBP) and DAU, will develop and disseminate materials to educate science and technology, acquisition, and developmental planning professionals on ways to leverage industry IR&D in research and development

programs by August 1, 2013. This product will include a plan to address industry's concern regarding the submission of company proprietary IR&D projects to the Defense Innovation Marketplace.

ASD(R&E) will update DoD Directive 3204.1, "Independent Research and Development (IR&D) and Bid and Proposal (B&P) Program," to reflect the BBP IR&D initiative actions by January 1, 2014.

## **ELIMINATE UNPRODUCTIVE PROCESSES AND BUREAUCRACY**

### ***Reduce frequency of higher headquarters level reviews***

#### **GENERAL GUIDANCE:**

The Department still needs to reduce unnecessary and low-value added processes and document requirements that are a significant overhead burden on the Department's acquisition leadership. Outside demands are placed on the Department's acquisition managers by Service or Component and OSD level reviews, document demands, briefings, and meetings. The next step in reducing this overhead to the level needed to meet legitimate higher headquarters needs (program health tracking, major investment decisions, adjustments due to program disruptions or difficulties, budgetary changes, etc.) is to collect data from Programs on the frequency and source of higher headquarters interactions.

A number of observers of the DoD acquisition process have advocated a lean and less burdensome approach to managing programs and to making major acquisition decisions. One approach is the "skunk works" approach, which dates to the 1960s. This approach involves small, highly competent Government and industry teams working together on a new product development. This approach can have merit, but only if the necessary preconditions are met. The Department will look for opportunities to conduct pilot programs using this methodology.

#### **SPECIFIC ACTIONS:**

CAEs will require their MDAP PMs to log all higher headquarters staff briefings and reviews, including both Component and OSD level reviews, and mandate tracking and assessing timelines of key acquisition documents within their Components and Services, effective immediately. Logs will be provided to ARA starting November 1, 2013, and every 6 months thereafter. ARA will analyze the content and brief the BSIG on the results within 30 days of log submission.

ASD(A) will approve all Overarching Integrated Product Team reviews in advance with the goal of minimizing reviews that are not associated with a major program decision point, effective immediately.

ASD(A) will request and compile Component requests for delegation of programs from DoD to service level oversight and make a recommendation to me as to which programs should be delegated by December 1 of each year.

ASD(A) and Director, ARA will draft a pilot “skunk works” based management and decision making guidance document to brief to the BSIG by July 1, 2013.

SAEs will each recommend one program for a pilot “skunk works” approach to acquisition management and decision making to me by July 1, 2013. Programs should be: (1) early in their development cycle; (2) planned for a cost plus development approach with strong government and industry interaction; and (3) include highly qualified technical management teams from both industry and Government for development.

ASD(A) will institute an e-business solution to ensure review of documentation is by approved personnel only and will initiate a pilot by June 1, 2013.

***Re-emphasize Acquisition Executive, PEO, and PM responsibility, authority, and accountability***

GENERAL GUIDANCE:

As will be highlighted and reemphasized in the revised DoDI 5000.02 currently in coordination, the chain of command for acquisition programs runs upward from the PM through the PEO to the CAE and, for ACAT I and IA and other programs so designated, to the Defense Acquisition Executive. The responsibility and authority for program management, to include program planning and execution, is vested in these individuals. Staff and other organizations provide support to this chain of command. This policy is not new, but in practice it has been eroded over time and this tendency should be reversed.

Unless I grant a waiver for a particular program, CAEs will assign acquisition program responsibilities to a PEO for all ACAT I and IA and sensitive classified programs or for any other program they determine requires dedicated executive management. They will make this assignment no later than program initiation or within 3 months of program cost estimates reaching the dollar threshold for an ACAT I or IA program. The CAE may determine that a specific PM will report directly, without being assigned to a PEO, whenever such direct reporting is appropriate due to program size or criticality. CAEs will notify me of the decision to have a PM report directly to them.

A PM will be designated for each acquisition program by the appropriate DoD CAE. This designation will be prior to MS A or the milestone associated with the entry phase specified by the MDA at the MDD. It is essential that PMs be defense acquisition professionals who have experience managing relevant engineering development or technology efforts, an understanding of contracting, industry/business perspectives, and of user needs. A PM of an ACAT I or IA program should be assigned to the position during the planning and preparation leading up to a milestone or decision point initiating a phase of the acquisition process, lead the final effort to

have that phase approved, and manage the execution of that phase. PMs will be empowered to manage the program and accountable for its execution. A measure of a PM's performance should be the successful execution of a phase of the program he or she planned and the MDA has approved.

**SPECIFIC ACTION:**

ASD(A) with CAEs will review current organizational structures and assignments for consistency with the guidance above and brief the results to the BSIG by August 1, 2013.

***Reduce cycle times while ensuring sound investment decisions:***

**GENERAL GUIDANCE:**

At this time, the data is not clear as to the effect of the acquisition process itself on cycle time. Most decision support activities overlap with program progress, so in general the decision making processes add overhead more than direct schedule slips. Nevertheless, reducing the burden of this overhead is a worthwhile goal in its own right. On average programs are taking about 1 year longer to complete development than they did 20 years ago, but the root causes of longer program cycle times are not obvious and the data includes wide variations. Time is money, and slowness in acquiring major systems does mean greater expense and fewer capabilities in the field. There have been attempts to use arbitrary cycle times to constrain programs; however, these constraints have often been unrealistic and done more harm than good by leading to high risk schedules and acquisition approaches. During 2013, we will conduct additional analysis of the time it takes from conception to introduce a product to the field. Under BBP 2.0, we will focus on reducing the decision making cycle time and overhead costs while those studies are being conducted.

**SPECIFIC ACTIONS:**

ASD(A) with the SAEs will conduct a study of the time associated with the decision making process for MDAP and MAIS programs to identify the amount of program schedule consumed by the decision-making process in both Services and OSD and to identify specific areas for improvement. They will provide the results to the BSIG by December 1, 2013.

Director, ARA will enforce the requirement that Acquisition Strategies be in staff review for no more than 2 weeks after receipt before being presented to the MDA for issue disposition and final decision. This action is effective immediately.

Director, ARA will ensure that Acquisition Decision Memorandums are staffed within 5 business days following draft approval by the MDA or his/her designee. This action is effective immediately.

Director, ARA will establish an e-business tracking system by June 1, 2013, to facilitate tracking and improving the timeliness and quality of DAB document review and decision making.

ASD(A) will complete separate assessments of acquisition cycle times, whether and where they are lengthening their potential causes, priorities for mitigation, and potential approaches to pursue and brief the results to the BSIG by December 1, 2013.

## **PROMOTE EFFECTIVE COMPETITION**

### *Emphasizing competition strategies and creating and maintaining competitive environments*

#### GENERAL GUIDANCE:

This initiative continues to emphasize the original BBP 1.0 guidance regarding how vital it is that we create and maintain competitive environments in acquiring both products and services. A competitive environment is DoD's most effective tool to motivate industry to deliver cost effective solutions for the Department. A competitive environment can be created and maintained through both direct and indirect means.

For products, acquisition strategies must address how program managers will realize and maximize competition from program inception through sustainment. Strategies to be considered include: competitive prototyping, dual sourcing, leader-follower arrangements, open systems architecture that enables competition for upgrades, acquisition of technical data packages, and competition at the subsystem level. At the Component level, the prospect of a development program for a substitute or follow-on product can create indirect competitive pressure.

In acquiring services, thorough market research is essential to inform how requirements may be logically broken out into segments to maximize competition. The guidance from BBP 1.0 to re-compete service contracts every 3 years is modified to provide for the indirect competitive effect of using options for additional years of work as an alternative means of creating competitive incentives to better performance.

#### SPECIFIC ACTIONS:

ASD(A) with the SAEs and DPAP will publish guidelines for buying organizations, program managers, and contracting officers to consider creating and maintaining a competitive environment for the suppliers of the products and services DoD acquires by October 1, 2013. These guidelines will include examples of how such techniques have been successfully employed in the past. They will include guidance for acquisition of both products and services.

CAEs will ensure that competition, direct and indirect, is considered in formulating acquisition strategies and in each acquisition decision, effective immediately.

***Enforce open system architectures and effectively manage technical data rights:***

**GENERAL GUIDANCE:**

The intent with this initiative is to more effectively apply open system architectures (OSA) and manage intellectual property rights. We must improve the Department's early planning for obtaining technology through an open business model concept with emphasis on having open, modular system architectures that can be supported through multiple competitive alternatives. This includes open systems architecture as part of design methodology supported by an intellectual property (IP) strategy that can be implemented over the lifecycle of a product.

In order to achieve these benefits, Components will describe how they have considered OSA during their milestone reviews, effective immediately. Relevant Justification and Approval waivers required for sole source contracts will include a discussion on how the program will take advantage of Open Business Model practices to break vendor-lock to minimize future sole-source requests.

**SPECIFIC ACTIONS:**

Re-publish OSA Contract Guidebook for PMs version 1.1, to reflect the Department's Open Systems Architecture and Data Rights by June 1, 2013, assigned to DPAP with coordination from DASN(RDT&E).

Re-publish a Data Rights Brochure to update changes to the DFARS by October 1, 2013, assigned to DPAP with coordination from DASN(RDT&E).

Publish a replacement for DoD 5010.12M "Procedures for the Acquisition and Management of Technical Data" and coordinate to reestablish authorization for its use by January 1, 2014, assigned to DPAP with coordination from DASN(RDT&E)

Develop IP Strategy Guidance to support data rights planning by October 1, 2013, assigned to DPAP with coordination from DASN(RDT&E)

Continue developing new training and updated course curriculum, assigned to DAU with coordination from DASN(RDT&E)

***Increase small business roles and opportunities***

**GENERAL GUIDANCE:**

BBP 2.0 continues the emphasis on small businesses with an increased focus on acquisition professionals identifying more opportunities for small businesses to participate and compete in defense acquisitions. The roles of small business professionals have been further aligned with the readiness and preparedness of the Department, and small business professionals are currently being trained to become more effective participants in the acquisition process.

## SPECIFIC ACTIONS:

Director, Small Business Programs (SBP) with DAU will establish a certification curriculum for small business professionals to maintain core skills and ensure freshness of skills by October 1, 2013. The courses developed as part of this curriculum will be made available to other acquisition professionals who utilize small business capabilities.

Director, SBP will participate in the review of all acquisition strategy and technology development strategy documents for MDAPs, effective immediately.

Director, SBP will identify deficiencies in the Department's subcontracting program, Government systems, and data and develop recommendations for improvements to be presented to the BSIG by October 1, 2013.

Director, SBP will develop comprehensive procurement forecasts to be used as a basis for establishing small business performance goals and dissemination to the defense industrial base by October 1, 2013 and annually thereafter. The forecasts provided by SBP will identify small business opportunities by industry, as well as identify contracting, teaming, and subcontracting opportunities. SBP will coordinate with major contracting organizations in the Department to establish a common format for these procurement forecasts.

CAEs, as required by the Small Business Innovation Research (SBIR) Reauthorization Act of 2011, will establish goals in transitioning SBIR technology plans and will apply incentives in contracts over \$100 million.

### *Use the Technology Development phase for true risk reduction*

## GENERAL GUIDANCE:

Prototyping during the Technology Development (TD) Phase can be a valuable tool to reducing risk prior to entering Engineering and Manufacturing Development (EMD), but only if the prototyping is focused on reducing the specific technical risks in the design for the actual product that will be designed and tested in EMD. Prototype attributes and components should be directly traceable to and reflective of the risks inherent in the products to be designed for production and tested during EMD. The data of the last several years of TD phase prototyping programs demonstrates that in many cases, the Government failed to require meaningful risk reduction during the TD phase. Industry is motivated primarily to win the follow-on EMD phase, and the Government has been permitting industry to conduct prototype TD programs designed to meet nominal Technology Readiness Level (TRL) 6 criteria, but without the needed connection to the risks in the product that will actually be built. TRL criteria are useful shorthand for defining the relative maturity of technologies, but they are only a starting point in the assessment of actual risk associated with a specific product. Our acquisition professionals must have a deeper understanding of the risk inherent in products under consideration and of the

steps needed to reduce that risk, and they must insist that industry reduce those risks during the TD Phase.

**SPECIFIC ACTIONS:**

ASD(R&E) will provide draft guidance for technology readiness assessments and pre-milestone engineering and integration risk reviews that reflects the need for specific product linked risk reduction prior to entering EMD to be presented at the BSIG by July 1, 2013.

ASD(A) with ASD(R&E) will codify in the DAG best practices for TD phase risk reduction that highlights the life-cycle benefits of competitive prototyping, but reinforces the need for meaningful linkage between prototyping and other risk reduction activities and the product to be developed in EMD by July 1, 2013.

**IMPROVE TRADECRAFT IN ACQUISITION OF SERVICES**

Contracted services continue to represent approximately 50 percent of the Department's total contract spending. Under BBP 1.0, the Department increased its emphasis on management of contracted services. While we have made good progress, there is opportunity for significant continuing improvement. BBP 2.0 builds on and expands the efforts undertaken in BBP 1.0.

*Assign senior managers for acquisition of services*

**GENERAL GUIDANCE:**

Each component was directed in BBP 1.0 to establish a senior manager for services acquisitions. These Senior Services Managers (SSMs) play a critical role in improving the acquisition of services tradecraft. They are responsible for governance in planning, execution, strategic sourcing, and management of services contracts, and they exercise Decision Authority for services acquisitions as delegated by Senior Officials. To elevate the DoD level of contracted services management, I am assigning the PDUSD(AT&L) to be the Senior DoD Manager for the Acquisition of Services. The PDUSD(AT&L) will be responsible for policy, training, and oversight of the acquisition of services across DoD. One objective for the PDUSD(AT&L) will be to leverage the Acquisition of Services Functional Integrated Product Team and develop training solutions that address the needs of those responsible for managing service acquisitions, including those who are not members of the Defense Acquisition Workforce.

**SPECIFIC ACTIONS:**

PDUSD(AT&L) will serve as the Senior DoD Manager for Services Acquisition, effective immediately.

Director, DPAP will develop a new DoDI to govern the acquisition of services and provide a draft to the BSIG for review by June 1, 2013.

### ***Measure productivity using the uniform services market segmentation***

Services are identified at the first level by the highest tier Product Service Codes (PSCs) within the Department's acquisition of services taxonomy. The Department has grouped PSCs into the following portfolio groups: Research and Development, Knowledge-Based, Logistics Management, Equipment-Related, Electronic and Communication, Medical, Transportation, Facility-Related, and Construction Services. In order to effectively acquire and execute contracted services, the Department must manage at least to this level of indenture within the taxonomy by establishing, or acknowledging existing, functional expertise and distinct best practices at this level. In addition to managing services acquisitions through this structure, the Department must improve the degree of sophistication to which relevant data is collected, analyzed, and employed if the Department is to reap benefits from adopting uniform services market segmentations. Typically, services acquisitions satisfy a recurring and often predictable need. This should allow services acquisition professionals to work with requiring officials to forecast future requirements for the size, amount, and types of services needed. At a minimum, SSMs will identify, track, and strategically plan for these pending requirements. As our management of services acquisition improves, we should be able to measure performance, track productivity trends, and establish consistent best practices across the Department.

#### **SPECIFIC ACTIONS:**

PDUSD(AT&L) will appoint DoD level leads for Services Acquisition Management in the defined service sectors designated under BBP 1.0: knowledge-based services, transportation services, logistics management services, equipment-related services, electronic and communication, medical services, and facility-related services by July 1, 2013.

SSMs will appoint Service leads for each of the major portfolio groups by July 1, 2013.

PDUSD(AT&L) with SSMs will develop the ability to track performance in services acquisition by sector by January 1, 2014.

### ***Improve requirements definition/prevent requirements creep***

#### **GENERAL GUIDANCE:**

Defining requirements well is a challenging but essential prerequisite in achieving desired services acquisition outcomes.

In December 2012, the Director, DPAP issued policy requiring that the Multi-Functional Teams (MFTs) who are leading services acquisitions valued at \$1 billion or more to participate in a DAU Service Acquisition Workshop (SAW), or an equivalent program that fulfills the same purpose, prior to seeking acquisition strategy approval. The SAW is an interactive course that helps MFTs apply performance-based techniques to develop Performance Work Statements. This process will be completed in order to significantly improve the quality of requirements

documents, reduce costs, increase the likelihood of effective competition, and shorten acquisition lead times.

**SPECIFIC ACTIONS:**

DAU with SSMs will continue the initiative to enhance and improve the DoD service contracting requirements training tool.

Director, DPAP with SSMs will assess the effectiveness of SAWs, summarize lessons-learned and best practices, and brief the results of this assessment to the BSIG by October 1, 2013.

***Increase small business participation, including through more effective use of market research***

**GENERAL GUIDANCE:**

BBP 1.0 emphasized the need to increase small business participation in services acquisition, including Multiple Award Contracts, Indefinite Delivery Indefinite Quantity, and Government Wide Acquisition Contracts. To further enable small business participation, the following strategies will be emphasized:

Increasing opportunities for small businesses means effectively using market research to look at areas where there is a healthy small business industrial base and where competition can lead to efficiencies and productivity. BBP 2.0 will build on the March 13, 2012, USD(AT&L) memorandum that directed a 10-point increase in Knowledge-Based Services, Electronics and Communication Services, and Facility-Related Services. Specific strategies involving use of procurement forecasts, market research tools such as MaxPrac, and other initiatives should be utilized to ensure continued emphasis.

The July 11, 2012, joint DPAP/SBP memorandum, "Increasing Opportunities for Small Businesses Through Small Business Set-Asides Under the Simplified Acquisition Threshold (SAT)," reinforced a need to improve SAT small business performance. It also reminded the contracting and small business workforce of the requirements associated with SAT and the contract efficiencies it brings.

**SPECIFIC ACTIONS:**

Components will develop strategies to expand small business utilization in target sectors for review by the USD(AT&L) and the Director, SBP by June 1, 2013, and implement these strategies at the Command level.

CAEs will present progress at executing their strategies to improve small business utilization in target sectors at USD(AT&L) monthly small business meetings beginning in July 2013.

Components will develop and implement specific strategies to implement SAT-related guidance at each contracting organization. Beginning in May 2013, achievements will be reviewed during the monthly USD(AT&L) small business meetings with the SAEs.

***Strengthen contract management outside the normal acquisition chain – installations, etc.***

GENERAL GUIDANCE:

As Generals Petraeus and Allen recognized, “contracting is the commander’s business.” The preponderance of the Department’s contracted services support missions outside the normal acquisition chain. Installation commanders, for example, are ultimately accountable for the success or failure of the mission requirements under their purview, including the contributions of service contractors to those missions. The reliance on contractors to support operational deployments is not going to end with the return of most of our forces from Afghanistan.

SPECIFIC ACTIONS:

PDUSD(AT&L) with Components will develop a proposed policy and oversight structure for contracted services acquisition in various categories outside the normal acquisition chain for presentation to the BSIG by August 1, 2013. The proposed policy should build on existing structures to the maximum extent possible and include recommendations for program management requirements and reporting chains.

CAEs with their respective SSMs and the PDUSD(AT&L) will establish by January 1, 2014, a structured management framework that defines review criteria to be used by the PM or the Functional Service Manager, as applicable. This will enable senior leaders outside the acquisition chain (to include installations) to assess the health and productivity of contracted services delivered and goes beyond the existing statutory requirement for post-award reviews.

***Expand use of requirements review boards and tripwires***

GENERAL GUIDANCE:

The guidance is for contracted services acquiring organizations to employ a comprehensive review process through requirements review boards at the acquiring command level with appropriate metrics (called “tripwires”) to enable effective management of requirements for the acquisition of services, as well as to monitor implementation of statutory and regulatory mandates. The objective is to instill accountability by elevating issues that had previously not risen to senior leader attention given the decentralized nature of services acquisition. At the core of such a requirements review process is a basic assessment as to what services are being procured, their relative value to the mission, their costs, and the methodology used to acquire the services.

Tripwires are the designated threshold metrics that signal areas of potential vulnerability to the acquiring command. Components and acquiring commands have the flexibility to develop and utilize tripwires that are appropriate for their missions.

**SPECIFIC ACTONS:**

PDUSD(AT&L) with DPAP and Components will document current processes and make recommendations for improvement to aid in the expansion of the use of requirements review boards and tripwires by July 1, 2013.

CAEs with their respective SSMs will define the elements of the comprehensive review process tailored to the needs of a given organization by October 1, 2013.

**IMPROVE THE PROFESSIONALISM OF THE TOTAL ACQUISITON WORKFORCE**

This new BBP 2.0 category emphasizes the most important factor in the performance of the Defense Acquisition System: the capability of the professionals in our acquisition workforce, which includes program management, engineering, contracting, and product support disciplines engaged in a wide range of activities throughout the product lifecycle. In the end, it is the quality of our people that matter the most, more so than any policy or regulation anyone can put in place. As such, we will focus on further improving the capability of our workforce and provide them with the tools and skill sets they need to do their job of obtaining the best possible value for the Government. Specifically, we will focus on initiatives to improve standards for those in key leadership positions, moving beyond certification in a functional area to being fully qualified to perform in a specific job, recognizing and rewarding our best performers.

***Establish higher standards for key leadership positions***

**GENERAL GUIDANCE:**

To foster a fully qualified, more prestigious, and professional acquisition workforce, an emphasis will be placed on having the appropriate qualification standards for Key Leadership Positions (KLPs) and instituting more effective requirements for personnel assigned to these critical positions. In support of this initiative, Joint KLP Qualification Boards will be established to certify Acquisition Workforce (AWF) personnel as qualified for key leadership positions in their functional area: program management, engineering, testing, contracting, and life-cycle support. These Boards will not be a precursor to normal promotion or command boards; they will simply certify individuals as professionally qualified for KLPs. Board certification is expected to be a factor in service promotion and specific position selection processes.

**SPECIFIC ACTIONS:**

ASD(A), with Director, Human Capital Initiatives (HCI) and CAEs will provide a recommended policy memorandum that defines mandatory KLPs; establishes core position requirements, qualifications, and attributes; and details the KLP Boards' processes, which the

Boards will then use to review candidates proposed by the Components. They will present this effort to the BSIG by July 1, 2013.

ASD(A) with Director, HCI and CAEs will establish Joint KLP Qualification Boards that will certify AWF personnel as qualified for key leadership positions in their functional area: program management, engineering, testing, contracting, and life-cycle support by the end of CY 2013.

***Establish increased professional qualification requirements for all acquisition specialties***

GENERAL GUIDANCE:

The current Defense Acquisition Workforce Improvement Act certification process, which establishes minimum requirements for each acquisition functional area, does not by itself adequately ensure that members of our acquisition workforce are fully qualified to perform their missions. As such, we need to go beyond certification based on course attendance and presence in acquisition-related organizations to new standards for our workforce that include qualification through hands-on experience in roles of increasing responsibility.

SPECIFIC ACTIONS:

Functional leads, with Director, HCI and the Components, will define and finalize the competencies (skill sets) for each functional area (systems engineering, logistics, contracting, etc.) by July 1, 2013.

DAU will initiate by September 1, 2013, the action to translate the competencies described above into on-the-job tools and processes to develop individual qualification plans for all members of the workforce, at every level, and tie their performance to these plans. DAU will complete this by July 1, 2014.

Components will develop and execute a plan to implement the qualification tracking and planning tools.

***Increase the recognition and support of excellence in acquisition management***

GENERAL GUIDANCE:

We need to recognize our top performers and actively manage their professional development. Leadership at all levels must oversee and be involved in the processes to provide the workforce with relevant and realistic incentives, as well as professional distinction and recognition opportunities.

SPECIFIC ACTIONS:

Director, HCI with the Components will review the current recognition and reward programs and recommend improvements to the BSIG by August 1, 2013.

Director, HCI with Components will develop a strategic communication plan that describes the system of acquisition workforce awards and recognition methods that highlight team and individual professional excellence and brief to the BSIG by August 1, 2013.

Components with support from HCI will establish of a process to identify and develop the most promising military and civilian acquisition professionals in the Component's acquisition workforce. This process will ensure that promising professionals have the opportunities to develop and prepare for increased responsibility. Components will brief their talent management processes to the BSIG by August 1, 2013.

*Continue to increase the cost consciousness of the acquisition workforce – change the culture*

GENERAL GUIDANCE:

A commitment to controlling costs, increasing productivity, and providing greater value to the Warfighter and the taxpayer animates everything about BBP 1.0 and 2.0. This commitment has to animate all of us if we are to make any progress toward improving acquisition performance. If we allow ourselves to think of spending the budget as our goal, or fixate on meeting obligation rates over value received, or worry more about protecting "our funding" whether we can spend it efficiently or not, then we will not succeed.

SPECIFIC ACTION:

Component chains of command and acquisition leaders will practice and reward behaviors that benefit the taxpayer and the Warfighter by obtaining the best value possible for the dollars entrusted to us.