



MARINE CORPS SYSTEMS COMMAND

EQUIPPING THE WARFIGHTER TO WIN

Creating a Cost-Conscious Culture: From Pre-RFP to Contract Execution

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Cost-Consciousness: At the Forefront

- Challenge high prices!
- Submit money-saving ideas!
- Understand what our true costs are.
- Wring out every drop of warfighter capability from the dollars we invest. – *USD AT&L, 2013*

***Close coordination among requirements,
resourcing, and program managers.***



Cost-Conscious Culture: All Around Us?

- Affordability and cost-growth issues abound in the literature and reports (e.g., GAO)
- Affordable solutions are central to DoD's acquisition management system (Kendall, 2011)
- ...but cost growth continues, stemming from *weak management and poor program definition* (Porter & Gladstone, 2013)



Cost-Conscious Culture: How Is It Different?

- It's not just budget preservation...
- It's not merely saving money...
- It's about ***productivity*** (efficiency/effectiveness, ratio of outputs to inputs)

***Productivity in Government
→ Culture Change!***



Conditions for Change

- Leader as Steward (Senge 1990)
 - Strong vision, agility, adaptability, focused energy
- Better incentives
 - Rewards for sound business management, not for obligation rates
- Fewer bureaucratic barriers
 - Take out impediments to productivity
- Professionalized workforce
 - Progressive-minded problem solvers

American Society of Military Comptrollers (2011)



Getting It Right

- Attentive, supportive oversight authorities
- Autonomy, but not too much...
- Positive relationships with suppliers
- Solid management of contracting
- Deft handling of technology and resources
- Attractive mission
 - Aggressive but achievable; worthy and legitimate
 - Clear, understandable, interesting and important

Rainey & Steinbauer (2007), in “Gallopig Elephants: Developing Elements of a Theory of Effective Government Organizations”



Organization as Organism

- Acquisition organizations can *learn!*
- Contingency Theory: Adaptation to externalities (e.g., fiscal climate) (Cyert & March, 1963)
- Psychology: Enactment Principle (Weick)
 - Collective perception -> shared values
- Information Theory (Hedberg, 1981)
 - Organizational “brain” integrates knowledge
- Learn to control appetite for spending!



Behavior Modification: Pre-RFP through Execution

- Pre-RFP
- Issuing RFP
- Evaluating proposals
- Awarding contract
- Executing contract
- Closing out contract
- Preparing for next contract



Mindful Preparation: Pre-RFP

- Consider need and criticality of requirement
- Leverage realistic Life Cycle Cost Estimate for system or service to be acquired (along with associated infrastructure)
- Craft Independent Government Cost Estimate that reflects solid understanding not only of the procurement, but of the political-economic environment



Issuing RFP

- Aim to shorten pre-award timeframe
- Balance *internal* and *external* costs (and benefits) of competition
- Clearly articulate requirements, schedule, deliverables (Sections B, C and J)
- Provide sound guidance (Sections L and M)
- Select appropriate source selection facility (security, connectivity, habitability)



Evaluating Proposals

- Assess technical, cost and programmatic risks
- Produce evaluations in format needed for Contracting Officer's report
- Document analysis and recommendations in protest-proof manner
- Offer timely, substantive debriefs



Contract Award and Execution

- Capture all cost and price changes triggered during negotiations; this forms baseline.
- Conduct periodic cost assessments
- Actively manage contracts (beyond monitoring)
- Address end dates and notification deadlines
- Continually collect cost data for use in future contract negotiations



Contract Close-Out

- Ensure all deliverables are acceptable
- Engage with settlement of indirect rates (if cost-reimbursable contract)
- Work with DCMA on finalizing fee (pursuant to level-of-effort and other relevant clauses)
- Plan well ahead for next contract in order to increase strength in future negotiations!



Along the Way: Learning Dysfunctions

- **Role-constrained learning** (non-systems thinking)
- **Superstitious learning; opportunistic learning**
 - Broken link between personal and organizational action (March & Olsen, 1975)
- **Learning under ambiguity** (everything in flux)
 - Operational vs. conceptual
- **Situational learning**
 - Not coded for later reuse
- **Fragmented learning – decentralized agencies**
 - Weak link between individual and collective models (Cunningham, 1994; Kim, 1993)



Creating a Cost-Conscious Culture

- Circular feedback
- Accumulation of dialogue → structure
- Learning organizations
 - Mental models (embedded in policies and tools)
 - Team learning (interrelationships and interfaces)
 - Shared vision of positive change
- Productivity as a cultural imperative

“Old habits have a tendency to reappear at the first opportunity, once [their] root causes are neglected.” (Kendall, 2014)

