### **AFCEA**

# Panel 21: Exploring Managerial Implications of Current DoD Contracting Trends





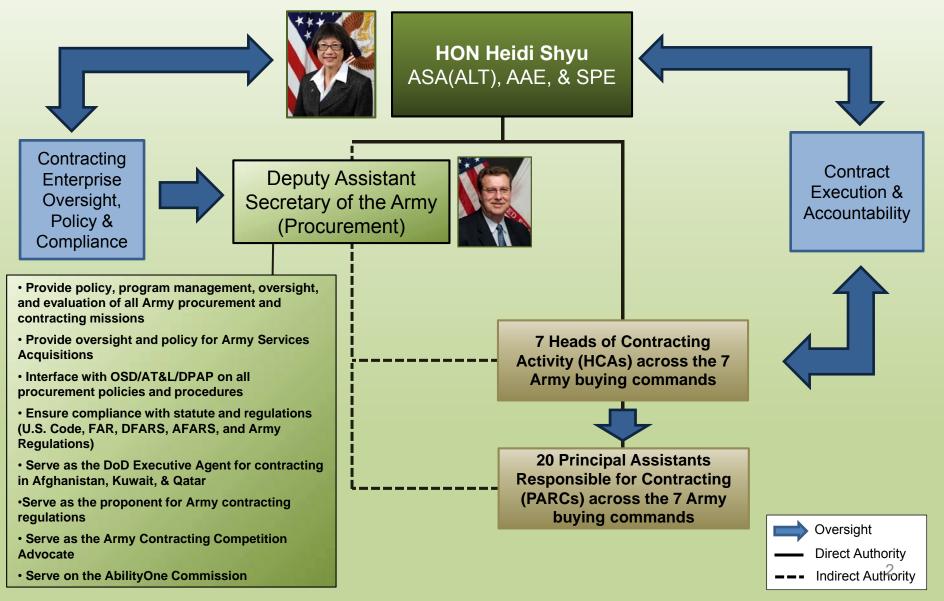
**Mr. Harry P. Hallock**Deputy Assistant Secretary of the Army (Procurement)

15 May 2014



### DASA(P) Responsibilities







## **Army Campaign Plan Strategy Map**



Army End State: A Versatile and Agile mix of Capabilities and Formations that is rapidly Deployable and Sustainable in order to Prevent, Shape, and Win										
Imperative Outcomes	An All-Volunteer Force of High Quality Soldiers, Civilians, and Leaders		Developed leaders who are able to meet the challenges of the 21 <sup>st</sup> century		Modernized, ready meeting CCDR's ri m		A force that more effectively provides land power for National Security Decision Makers			
Campaign Objectives	Man the Army & Enhance the All-Volunteer Force ASA (MARA)	Deliver Services and Provide Infrastructure to Enable Global Operations ASA (IE&E)	Train the Army	Support Global Operations with Ready Land Power	Equip the Army	Sustain the Force ABA (ALT)	Shape the Army	Achieve Energy Security & Sustainability Objectives ABA (IE&E)	Sustain and Enhance Business Operations	
Major Objectives	1-1 Acquire & Retain Best Qualified Soldiers G-1	2-1 Deliver Services that Support the Total Force and protect installations, people, and the environment ACSIM	3-1 Provide Institutional Training TRADOC	4-1 Provide Ready Forces ISO Operational Requirements FORSCOM	5-1 Provide Validated and Approved Materiel Requirements G-3/5/7	6-1 Improve Contract Execution and Oversight ASA (ALT)	7-1 Develop Concepts and Design the Future Army TRADOC	8-1 Enhance Energy and Water Security and Sustainability Strategies ACSIM	9-1 Monitor and Report on Implementation of Army Efficiencies G-8	
	1-2 Synchronize Distribution of Soldiers ISO Army Priorities G-1	2-2 Sustain the Army Family Covenant ACSIM	3-2 Educate, Train, and Develop Military Leaders TRADOC	4-2 Adapt Army Force Generation ISO Changing Operations Requirements FORSCOM	5-2 Modernize and Equip the Army ASA (ALT)	6-2 Assess and Sustain the Industrial Base ASA (ALT)	2 Allocate Force sture/Best Army thin End 9 th/TOA 17	8-2 Achieve Energy-Informed Operations G-4	9-2 Strengthen Financial Management ASA (FM&C)	
	1-3 Develop and Maintain a Sustainable and Affordable Force G-1	2-3 Provide Infrastructure to Support the Total Force ACSIM	3-3 Train and Develop Civilian Leaders G-3/5/7	4-3 Train Units fo Unified Lan Operation G-3	5-3 Maintain a Leading Edge in Technology ASA (ALT)	6-3 Sustain Units for Operations AMC	7-3 Empo America's Through LandWarNet CIO/G-6	8-3 Integrate and Advance Sustainability across the Entire Lifecycle of the USACE/Civil Works Portfolio SA (CW)	9-3 Improve Business Processes OBT	
	1-4 Establish a Capabilities-Based Civilian Workforce G-1	2-4 Ensure Medical Systems Support the Total Force MEDCOM	3-4 Provide Training Support G-3/5/7	rovide Jonal Support O Operational Reg 1s G-3/5/7	5-4 Achieve an Agile and Efficient T&E Enterprise DUSA-TE	6-4 Deploy the Single Army Logistics Enterprise (SALE) G-4	4 Operate actively in prepare 15/7	6.1 Improv	ution	
	1-5 Develop Ready and Resilient (R2) Soldiers, Families and Civilians G-1	2-5 Institutionalize Contingency Basing	3-5 Pro Individue do Or	4-5 Provide For and Provide Gl Responsi Sustainn TBI	5-5 Execute Materiel Integration AMC	6-5 Improve Sustainment Life Cycle Cost Estimation Processes (SALE) G-4		& Oversight ASA(ALT)	nt	
	1-6 Prevent and Respond to Sexual Harassment and Assault G-1		the Army A(ALT)		gn Objectives	-2	6.2 Assess & Sustain the Industrial Base ASA(ALT)			
	1-7 Transition Soldiers and Families		Leading Tech	g Edge in nology	# Difference from FRAGO 2 Potential consolidation Name Change					
	1-8 Implement Solider 2020 TBD		ASA	A(ALI)	egy Map 02 Sep 13				New MO Move under Another CO 3	



### DASA(P) Strategy Map



#### Goal 1 Stakeholder Relations

Develop partnerships and relationships with stakeholders in order to anticipate their requirements.

#### Goal 2 Workforce

Attract, train, develop, motivate, equip, empower, and retain a highly-skilled professional workforce.

#### Goal 3a Products & Services

Optimize Army services acquisition.

#### Goal 3b Products & Services

Develop real-time acquisition solutions that meet or exceed field requirements.

#### Goal 4 Transparency

Establish a foundation of processes, procedures and infrastructure that improves productivity and morale and fosters transparency and communication.

- Develop a stakeholder communications strategy
- 2. Establish DASA(P) situational
- 3. Develop the DASA(P) brand
- 4. Develop stakeholder satisfaction surveys
- 5. Establish a network of subject matter experts
- 6. Establish Forums for Stakeholder Collaboration
- 7. Establish "Face of DASA(P)" web-based site

- 1. Develop and implement a resource concept to appropriately staff the organization
- 2. Develop an Army Contracting Human Capital Strategy
- 3. Develop a DASA(P) Human Resources Strategy
- 4. Develop DASA(P) recruiting and retention plans
- 5. Develop methods and techniques to improve Army Contracting recruiting and retention

- . Update the Army Service Strategy Panel approach
- 2. Develop a Services Strategic Communications Plan
- 3. Refine the forecast and cost savings updates process
- 4. Deploy a data analysis capability
- 5. Develop a services business intelligence system
- 6. Define the services acquisition process for operational commands
- 7. Establish the Annual Requirement Execution Review (ARER) process

- Define a plan to update regulation/policy and expedite distribution
- 2. Develop a Contracting Lifecycle Approval and Support System (CLASS) and Dashboard
- 3. Develop a Procurement Business System requirements review process
- 4. Establish methods to optimize oversight
- 5. Define a strategic sourcing governance process
- 6. Establish a framework to Improve data integrity

Develop DASA(P)

- organizational design 2. Establish a culture of continuous improvement
- 3. Establish and publish DASA(P) battle rhythms
- 4. Define DASA(P) core capabilities

#### 95% of stakeholders are satisfied with DASA(P) performance

- 2. % of customer satisfaction surveys completed
- 3. % of employee satisfaction surveys completed
- 1. Army contracting voluntary attrition is 15% or less
- 2. Percent of employees with required certifications is 95%
- 3. % of workforce utilizing telework/flexiplace
- % of workforce completing courses

#### 1. Track Army Commands' progress in achieving their cost savings

- Publish Revised AR70-13.
- 3. Conduct 3 Annual Requirements and Execution Reviews
- Number of submissions requiring rework is reduced by 20% year over year
- 2. Number of procedures transferred to the field increases by 20% year over
- Number of PMRs increase by 20% a year until all PARC and Army Contracting Headquarters elements are reviewed each year
- 1. Average processing time is reduced by 20% year over
- 2. Support pipeline threshold increases year overyear
- 3. Low-threshold support pipeline decreases year over vear

# METRICS



### **Hot Topics**



### **Trends**

### Smaller Army

- Average 20% reduction in contract dollars in last 3 consecutive years trend continuing
- Oversight & Quality
   Products
  - Peer Reviews
  - Contract Administration
- "Back to Basics" for Workforce
  - Over 4 % attrition rate
  - Continuous training

### **Projections**

- FY14 Dollars: approximately \$65B
- FY14 Actions: approximately 280K

### **Priorities**

- Better Buying Power 2.0
  - Strategic Sourcing
- Using Appropriate
   Evaluation Approach
- Using Appropriate Contract Type
- FY14 Goals
- 1-N List
- Army Contract Writing System

### **Initiatives**

- AFARS Rewrite
- Enterprise Optimization
  - Army Contracting Study Recommendations
- Accountability
  - Procurement Management Reviews (PMRs)
  - Contracting Enterprise Reviews (CERs)
- Continued Focus on Efficiencies











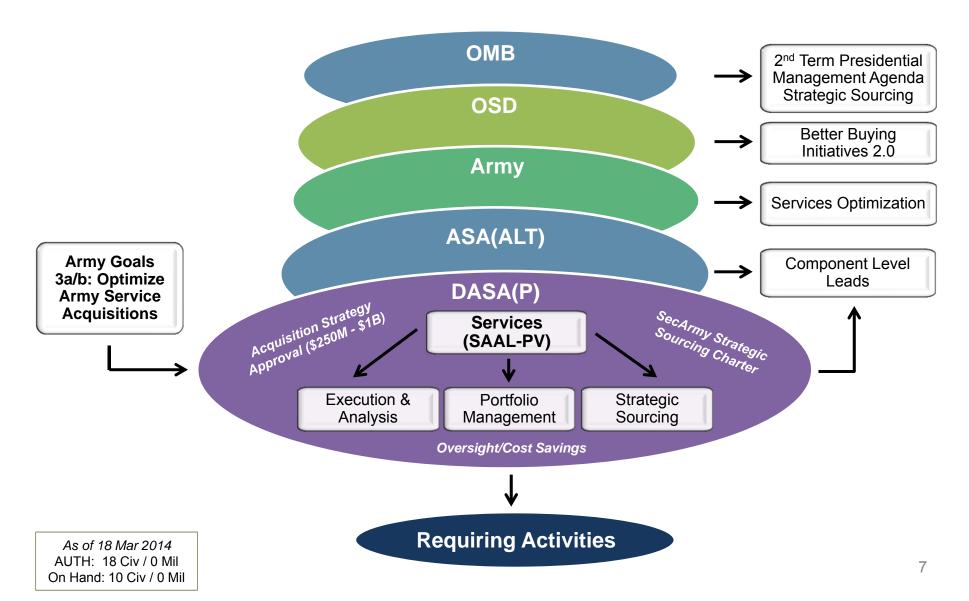


## **Comments**



### Senior Services Manager Portfolio







### Senior Services Manager Alignment with Strategic Priorities



### **ALS**

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- OMB Strategic Sourcing Leadership Council
- OSD Functional Domain Experts
- OSD Senior Services Managers Roundtable
- OSD Strategic Sourcing Directors Board
- HQDA (ASA(MR&A) & FMC
- Army Component Level Leads
- Army Command Service Executives
- Army Federal Acquisition Regulation Supplement (AFARS) Committee (input)
- Army/OSD Small Business
- Army Portfolio Coordinators/Managers



- Better Buying Power
- Portfolio Governance
- Forecasting & Reporting
- Strategic Sourcing
- Management Controls & Visibility
- Better Buying Power



- AR 70-13/FAR/AFARS Part 37
- Policy Alerts and Taskers
- Army Regulation 70-13



### **Services Acquisition Governance**



U.S.ARMY											
0.0		COMM	IAND SERVICE	S EXECUTIV	VES		TY SERVING				
ASA(ALT) DASA(P) Senior Services Manager Portfolio Coordinators	AMC Mr. John Nerger Exec Deputy to CG	MEDCOM Mr. Lamont Kapec Dpty CofS, Procurement	ARCYBER Mr. Dan Bradford Dep to Cdr, Sr Tech Dir	IMCOM Mr. Joe Capp Executive Direc	ps Caldw	oyd Mr. Matth Dep 0	ew Scully ASA(ALT), ACOMS, CofS, ASCCs, DRUs				
10 Portfolio Managers / Portfolio Coordinators - Army-wide view											
Knowled	dge Based Serv	ices - Bill Merc	er (Acting) @ A	SA(ALT) / Bil	II Mercer	<del></del>					
	Ψ										
	Equipment	Related - Glori	a Harper @ TA	COM / Bill Me	ercer	$\rightarrow$					
	<u> </u>										
<b>←</b>	Trai	nsportation - De	on Morrow @ S	DDC / Oliver	Grant	$\rightarrow$					
	Ψ										
*		eering & Tech	nical – Mary Fitz	gerald @ RI	DECOM / Bill	Mercer	<b>→</b>				
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Logistics Management - Craig Behne @ ASC / Bill Mercer											
Medical - Helen Edwards @ MEDCOM /Oliver Grant											
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Electronics & Communications – Ricky Fletcher @ NETCOM / Oliver Grant											
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	**	*Arc	hitect/Engineer	ng – Herbert	t Eichler @ U	SACE / Oliver	Grant				
			Edward av	T!		@ TDADOC / S	W Managa				
	* *	*	Education and	i raining – Pe	enny Walker	@ TRADOC/E	siii Mercer				

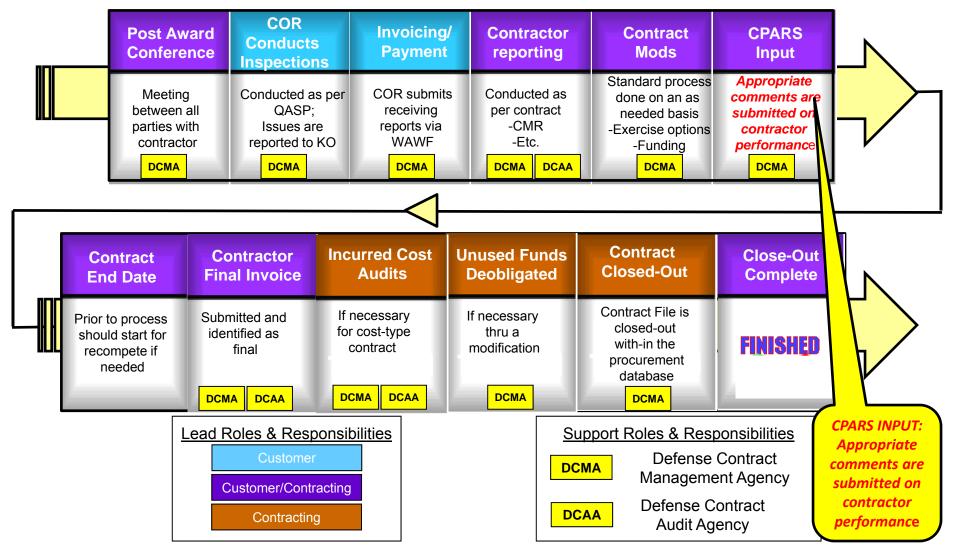
<sup>★</sup> Part of KBS portfolio group

<sup>\*\*</sup> Part of Facilities portfolio group



## Contract Administration & Closeout Post-Award









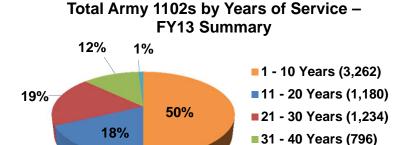
# Back Up



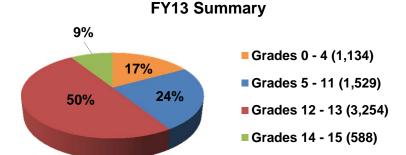
### **Army Contracting Workforce**



Occupational Series 1102 civilians are the core of Army contracting and make up 85% of the Acquisition Career Field "C" Contracting civilian workforce.



■41 - 50 Years (33)



Total Army 1102s by Pay Grades -



In FY13, 50% of 1102s had 10 years or less of experience, meaning half of the workforce has operated only in an accelerated contracting environment during a time of war.

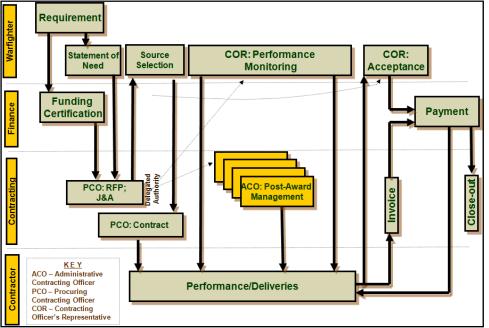
Source: DCPDS, 30 Sep 13



### **Contracting Is More Than Writing Contracts**







#### **Friction Point 1:**

- Unstable Requirements
- Incomplete SOW/ PWS
- Limited Time & Lack Automation

#### **Friction Point 2:**

- Appointment and Training of CORs
- Maintaining CORs in Theater
- Effective continual oversight Initiatives: VCSA COR EXORD: Defined COR Requirements Before, During, and After Deployment (Qty, Training, BHO, etc.); Trained & Developed **3C ASI**

#### **Friction Point 3:**

- Invoice Certification
- Property Accountability
   Initiative: GFEBS and other business accounting measures



Leadership Involvement Required
Throughout the Lifecycle of the Contract



### **Better Buying Power**



Better Buying Power (BBP)
delivers warfighting
capabilities needed within the
constraints of a declining
defense budget
by achieving "better buying
power" for the Warfighter and
the taxpayer



Achieve Affordable Programs Eliminate Unproductive Processes and Bureaucracy

Productivity and Innovation in Industry and Government

Incentivize

Promote Effective Competition Improve Tradecraft In Acquisition of Services



Control

Improve the Professionalism of the Total Acquisition Workforce



**BBP 1.0:** on June 28, 2010, USD(AT&L) issued "Better Buying Power: Mandate for Restoring Affordability and Productivity in Defense Spending" which outlined the core objectives and direction of BBP to deliver better value to the taxpayer and improve the way the Department does business.

**BBP 2.0**: marks the next step in the Department of Defense's process of continuous improvement. BBP 2.0 will help improve the Department's effectiveness in the tradecraft of acquisition.



### A Decade of Change

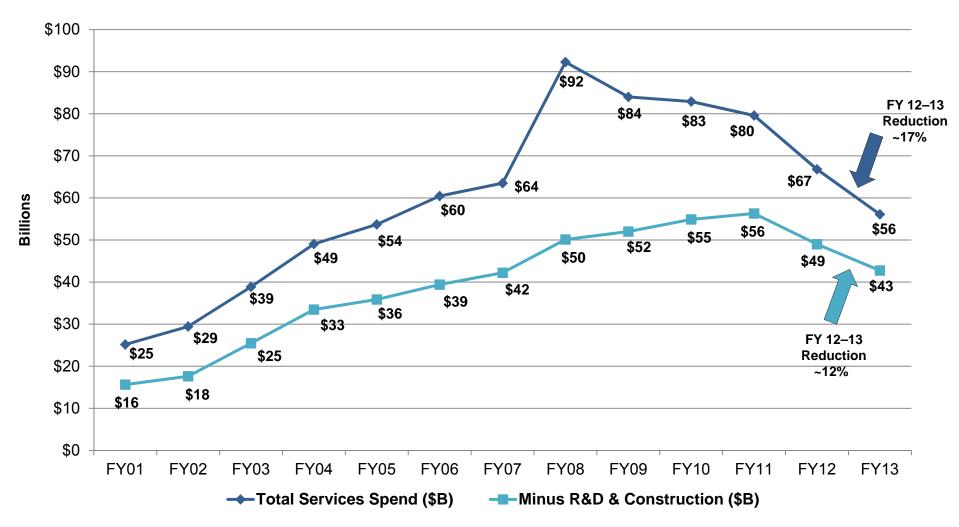


- Increased FAR and DFARS changes significantly complicated the contracting process with additional changes forthcoming
- Congressional and audit agency oversight and interest exploding
- Inexperienced workforce faced complex workload and greater dependence on contractor support
- In FY13, 50.1% of 1102s had 10 years or less of experience, meaning that half of the workforce has operated only in an accelerated contracting environment during a time of war
  - For more than 10 years, the Army focused on *effective* contracting first in order to get the product to the Warfighter; *efficiency* came after
- Historical focus on execution at the expense of adequate oversight further compounded by fiscal uncertainties



### **Army Services Spend (FY01-13)**







### **Services Acquisition**



SECARMY GUIDANCE

May 2011

Garner significant savings and greater effectiveness by providing oversight through active management of service requirements and execution

ASA(ALT) GUIDANCE December 2011 Comply with the management and governance concepts described in the Optimization of Services Acquisition Implementation Plan

DASA(P) EXPECTED OUTCOME

Gain efficiencies while maintaining Army's effectiveness in the acquisition of services

Under Secretary of Defense for Acquisition, Technology and Logistics "Better Buying Power" Memorandums

- 1) Target Affordability and Control Cost Growth
- 2) Incentivize Productivity and Innovation in Industry
- 3) Promote Real Competition
- 4) Improve Tradecraft in Services Acquisition
- 5) Reduce Non-Productive Processes and Bureaucracy

#### **SERVICES POLICY**

- STREAMLINE POLICY
   & PROCEDURES
- AFARS Update
- AR 70-13 Revision
- ASSP Approvals (Closer to Execution)
- Maximize use of Incentives & competition to drive productivity & innovation

#### **GOVERNANCE**

- VERTICAL &
  HORIZONTAL
  INTEGRATION –
  ACCOUNTABILITY
- CSE single Command
- PFM all Commands
- SSM Army Enterprise
- HQDA Component Level Leads for Services Portfolios
- OSD Functional Domain Experts

#### MANAGEMENT CONTROLS & VISIBILITY

- ARERs
- Command Level
- Portfolio Mgr Level
- Army Level
- ARMY INTERNAL MGT CONTROL PROGRAM
- ACQUISITION STRATEGY APPROVAL HIERARCHY

DIRECT ENABLERS OF SERVICES PORTFOLIO MANAGEMENT

• VIRTUAL CONTRACTING ENTERPRISE

### FORECASTING & REPORTING

- SEMI-ANNUAL REQUIREMENTS FORECASTS
- QUARTERLY COST SAVINGS UPDATES
- PPBBOS BUSINESS SYSTEM REPOSITORY
- STRATEGIC SOURCING INITIATIVES & INNOVATIONS

### STAKEHOLDER RELATIONS

- COMMUNICATION
- Transparent
- Information Sharing
- Publish Best Practices & Strategic Sourcing Methods
- INDUSTRY
- Outreach
- Economic Impacts by Tradecraft
- ARMY/DOD
- Requiring Activities
- Contracting Activities
- coc/gosc

#### **WORKFORCE**

- STAFFING
- Properly Resourced
- Capability Level
- TRAINING
- Qualified
- DAU SAW, Tools and Templates
- MULTIFUNCTIONAL TEAMING



### **Services Portfolio Groups**



#### **Knowledge Based Services**

- \* Engineering & Technical Services
- Program Management Services
- Management Support Services
- Administrative & Other Services
- Professional Services
- **★** Education & Training Services

#### **Medical Services**

- General Medical Services
- Dentistry Services
- Specialty Medical Services

### Logistics Management Services

- Logistics Support Services
- Logistics Civil Augmentation Program

#### **Equipment Related Services**

- Maintenance, Repair and Overhaul
- Equipment Modification
- Installation of Equipment
- Quality Control
- Technical Representative Services
- Purchases & Leases
- Salvage Services

### Electronics & Communications Services

- IT Services
- Telecom Services
- Equipment Maintenance
- Equipment Leases

#### Facility Related Services

- \* Architect/Engineering Services
- Operation of Govt Facilities
- Building & Plant Maintenance
- Natural Resource Management
- Utilities
- Housekeeping & Social Services
- Purchases & Leases

### Transportation Services

- Transportation of Things
- Transportation of People
- Other Travel & Relocation Services



### **Services Strategic Sourcing**



**Strategic Sourcing:** drive change to improve operational efficiencies and socio-economic performance, minimize duplication of efforts, and reduce consumption/volume and cost by acquiring goods and services strategically to maximize value for every acquisition dollar spent to support the Warfighter

### Strategic Sourcing IS NOT Just...

- > The resulting contract
- > Leveraged buying
- > Contract consolidation
- > Contracting and procurement
- > About saving money

### Strategic Sourcing IS...

- A PROCESS for systematically analyzing and developing optimal strategies for buying goods and services
- DATA DRIVEN fact-based analysis to drive decision making rather than just "hunches"
- A HOLISTIC process that addresses customer needs, market conditions, organizational goals and objectives, and other environmental factors
- Based on MARKET INTELLIGENCE and takes into account small business capabilities
- A COLLABORATIVE, CROSS-FUNCTIONAL approach
- About SUPPORTING AN ORGANIZATION'S MISSION through procured goods and services



### **Strategic Sourcing Misconceptions**



## #1) It is Bundling/ Contract Consolidation... NO!

Strategic Sourcing is a process that is followed, not a predetermined, specific outcome to be used in an acquisition/commodity strategy. Is contract consolidation sometimes a result of strategic sourcing? Yes. Is contract consolidation sometimes not an appropriate strategy? Yes. As part of the process of strategic sourcing, and the analysis included in that process, the best strategies are chosen for each specific initiative.

## #2) It Eliminates Small Business... NO!

There are legislative statutes and specific Army goals regarding small business. The sourcing team will not ignore these as part of strategic sourcing. During each strategic sourcing initiative, the team looks at the current environment and suppliers, which allows them to understand what is provided by small business today. They also conduct market research which provides answers to questions such as: Are there other small business suppliers? Could this be a small

business set aside?

## #3) It is A-76 Competitive Sourcing... NO!

Strategic Sourcing is a process that is unrelated to the public-private sector competition using OMB Circular A-76 and it assumes the decision to source a good/service from outside the government organization has already been made.



### **Strategic Sourcing Quick Reference**



### Leverage Army's Resources to Spend Efficiently

## Reduction in Cost Per Unit

#### **Pricing Improvements**

- Lower unit price
- Volume rebates
- · Payment term discounts

#### **Supply Chain Savings**

- Cost of capital
- Warehousing costs
- Shipping costs

#### **Reduced Lifecycle Costs**

- Maintenance costs
- Operating costs
- Disposition costs

# Change in Consumption/Volume

#### **Demand Management**

- Eliminate demand
- Reduce consumption
- Encourage substitution
- Change product mix

#### **Specification Review**

- Eliminate "gold-plating"
- Simplify specifications
- Alternative products

# Improved Operating Efficiency

#### Reduced Procurement-Related Operating Expense

- PO Processing
- Accounts Payable
- Receipt/Warehousing
- Standardized procurement process

### Reduced Non-Procurement Related Operating Expense

Other operating efficiencies

#### **Performance Monitoring**

 Structured metrics and periodic review of contractor performance

## Improved Supply Management

#### **Socio-economic Goals**

 Structured analysis of small/disadvantaged business opportunities

### Optimized Supplier Relationships

- Improved joint understanding of needs and capabilities
- Increased efficiencies across the entire supply chain



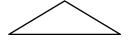
### **Strategic Sourcing Governance**



Deputy Assistant Secretary Army – Procurement

The Senior Service Manager is the

HQDA focal point for Strategic Sourcing



### **Army Strategic Sourcing Governance Structure**

### **SSEC**

- Executive championship
- Set strategic vision, direction, and priorities
- Drive commonality & standardization
- Eliminate duplication

### **SSSG**

- Plan & orchestrates Army-wide communications
- Recommend Policies to DASA-P/SECARMY
- Assist working groups
- Tracks and reports progress to the SSEC
- Monitor DoD/Federal initiatives

### **SSWG**

- Establish commodities teams
- Functional area prioritization
- Developing demand/forecast
- Tactical planning, scheduling & resource management
- Execute strategic sourcing strategies (Model)



### **Strategic Sourcing Governance**



**Strategic Sourcing Executive Committee** (SSEC)

SES/GO level

Chair: DASA(P)

Advisors:

Members: DASA(P) Deputy (Alternate-Chair)

> Senior Services Manager **HCAs & PARCs / Alternates**

**Small Business** Legal Counsel **Requiring Activities** 

Meets semi-annually CIO/G6 / G8 SMEs (as necessary)

(or as needed)

**Strategic Sourcing Steering Group (SSSG)** 

GS15/COL

Co-Chairs: SSM (Strategic Sourcing Directorate) / Requiring Activity

Members: Small Business

**Legal Counsel Requiring Activities** 

CIO/G-6 G8

PARCs / Alternate **SAAL-PB Director** SAAL-PP Director

Advisors: SMEs (as necessary)

Meets quarterly (or as needed)

**Strategic Sourcing Working Groups (SSWG)** 

**Appropriate Levels** 

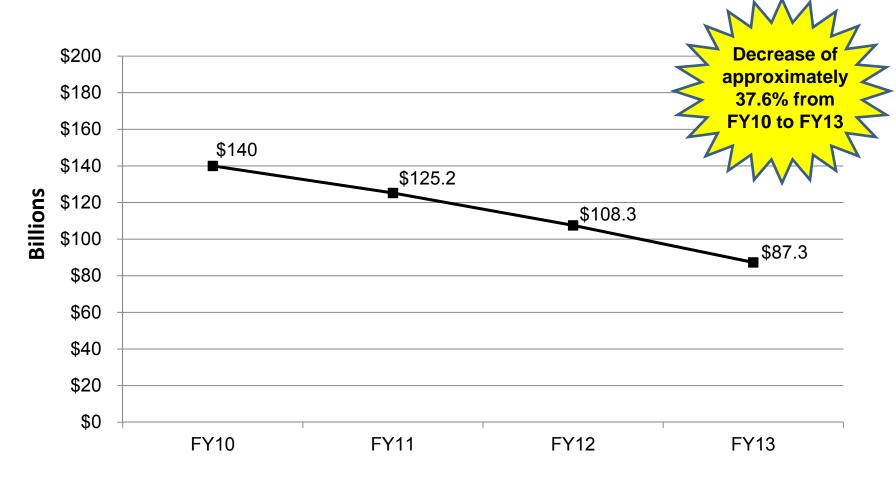
**TBD – Portfolio Managers / Alternates** Chairs: Members: TBD - Based on commodity / portfolio Advisors: TBD – Based on commodity / portfolio

> Meets monthly (or as needed)



# **FY13 Statistics Decreasing Obligations**





### Contract obligations following downward trend

