



ACQUISITION,  
TECHNOLOGY,  
AND LOGISTICS

## 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 3.0 – Achieving Dominant Capabilities through Technical Excellence and Innovation

Almost five years ago, then-Under Secretary Carter and I launched the first iteration of what we called Better Buying Power. Today I am issuing the attached implementing instructions for Better Buying Power 3.0. This iteration of Better Buying Power is the next step in our continuing effort to increase the productivity, efficiency, and effectiveness of the Department of Defense's many acquisition, technology, and logistics efforts.

There is more continuity than change in Better Buying Power 3.0. Core initiatives focus on: ensuring that the programs we pursue are affordable, mandating that our managers identify and pursue "should cost" savings opportunities, providing effective incentives to industry, emphasizing competition, reducing bureaucracy, improving our acquisition of contracted services, and building our professionalism. We will continue all of these efforts.

New in Better Buying Power 3.0 is a stronger emphasis on innovation, technical excellence, and the quality of our products. The technological superiority of the United States is now being challenged by potential adversaries in ways not seen since the Cold War. Efficiency and productivity are always important, but the military capability that we provide to our Warfighters is paramount. Our operational effectiveness is based on the quality of our people and the quality of our products. The former is not in doubt; the latter depends on our efforts and on those of the industrial base. We will continue our work to improve productivity and efficiency, but we must also turn our attention increasingly to our ability to innovate, achieve technical excellence, and field dominant military capabilities.

A handwritten signature in black ink, appearing to read "Frank Kendall", is positioned above the printed name.

Frank Kendall

Attachment:  
As stated



# Better Buying Power 3.0

## Achieving Dominant Capabilities through Technical Excellence and Innovation

### Achieve Affordable Programs

- Continue to set and enforce affordability caps

### Achieve Dominant Capabilities While Controlling Lifecycle Costs

- Strengthen and expand “should cost” based cost management
- Anticipate and plan for responsive and emerging threats by building stronger partnerships of acquisition, requirements and intelligence communities
- Institutionalize stronger DoD level Long Range R&D Program Plans
- Strengthen cybersecurity throughout the product lifecycle

### Incentivize Productivity in Industry and Government

- Align profitability more tightly with Department goals
- Employ appropriate contract types, but increase the use of incentive type contracts
- Expand the superior supplier incentive program
- Ensure effective use of Performance-Based Logistics
- Remove barriers to commercial technology utilization
- Improve the return on investment in DoD laboratories
- Increase the productivity of corporate IRAD

### Incentivize Innovation in Industry and Government

- Increase the use of prototyping and experimentation
- Emphasize technology insertion and refresh in program planning
- Use Modular Open Systems Architecture to stimulate innovation
- Increase the return on and access to small business research and development
- Provide draft technical requirements to industry early and involve industry in funded concept definition
- Provide clear and objective “best value” definitions to industry

### Eliminate Unproductive Processes and Bureaucracy

- Emphasize acquisition chain of command responsibility, authority and accountability
- Reduce cycle times while ensuring sound investments
- Streamline documentation requirements and staff reviews
- Remove unproductive requirements imposed on industry

### Promote Effective Competition

- Create and maintain competitive environments
- Improve DoD outreach for technology and products from global markets
- Increase small business participation, including more effective use of market research

### Improve Tradecraft in Acquisition of Services

- Strengthen contract management outside the normal acquisition chain – installations, etc.
- Improve requirements definition for services
- Improve the effectiveness and productivity of contracted engineering and technical services

### Improve the Professionalism of the Total Acquisition Workforce

- Establish higher standards for key leadership positions
- Establish stronger professional qualification requirements for all acquisition specialties
- Strengthen organic engineering capabilities
- Ensure development program leadership is technically qualified to manage R&D activities
- Improve our leaders’ ability to understand and mitigate technical risk
- Increase DoD support for STEM education

**Continue Strengthening Our Culture of:  
Cost Consciousness, Professionalism, and Technical Excellence**

## **BETTER BUYING POWER 3.0 IMPLEMENTATION GUIDANCE**

### **OVERVIEW**

In Better Buying Power (BBP) 3.0, under the overarching theme, *Achieving Dominant Capabilities through Technical Excellence and Innovation*, we are strengthening our efforts in innovation and technical excellence while also continuing the Department's efforts to improve efficiency and productivity. There is more continuity than change in this set of Better Buying Power initiatives, but there is a new emphasis on our products and their ability to provide military technological superiority.

The theme that ties the content of BBP 3.0 together is an overriding concern that our technological superiority is at risk. Potential adversaries are challenging the U.S lead in conventional military capability in ways not seen since the Cold War. Our technological superiority is based on the effectiveness of our research and development efforts. These efforts span science and technology, component development, early prototyping, full-scale development, and technology insertion into fielded products. The Department's research and development efforts are conducted by government laboratories, non-profit research institutions, and defense companies both large and small. Innovation comes from all of these sources, but increasingly, it also comes from the commercial sector and from overseas. Our ability to utilize all of these sources of innovation and technology effectively rests on the professionalism of our work force. The BBP 3.0 initiatives are designed to improve the Department's performance in all of these dimensions.

As the attached BBP 3.0 slide shows, we are retaining many of the BBP 1.0 and 2.0 initiatives, particularly "core" initiatives to include affordability caps, should cost targets, competition, effective contractual incentives, and professionalism in the acquisition work force. Some earlier initiatives that may not be included here are still in the process of being implemented, while others are either complete or well underway and not specifically emphasized in BBP 3.0.

The remainder of this document provides the implementing directives for BBP 3.0, with specific actions, for each initiative. In order to have one authoritative reference, significant ongoing and incomplete actions from BBP 1.0 and 2.0 are included. The Business Senior Integration Group (BSIG), which was established to implement BBP 1.0 and which includes all the DoD's relevant acquisition and related leadership, will continue to meet approximately once a month to oversee BBP implementation.

## **ACHIEVE AFFORDABLE PROGRAMS**

### ***Continue to set and enforce affordability caps***

#### **GENERAL GUIDANCE:**

This is a continuing core BBP initiative originally implemented under BBP 1.0. Affordability caps require Office of the Secretary of Defense (OSD) and Service leadership (including leaders of the operational, requirements, programming, and acquisition communities) to ensure that a desired weapon system can be afforded in future budgets *before* the program is initiated. An affordability analysis is conducted to establish both production and sustainment affordability caps. Policy requiring the establishment of affordability caps has been included in the recent update to the Department of Defense Instruction (DoDI) 5000.02 on *Operation of the Defense Acquisition System*. Affordability is now being reviewed as part of all milestone decisions.

Under BBP 3.0, we will continue our emphasis on Service affordability analysis, improve our oversight of established affordability caps, and continue to assess program performance against these caps.

#### **SPECIFIC ACTIONS:**

Acquisition Category (ACAT) 1 programs projected to exceed approved caps will undergo a Defense Acquisition Executive (DAE) review to determine appropriate corrective action.

## **ACHIEVE DOMINANT CAPABILITIES WHILE CONTROLLING LIFECYCLE COSTS**

### ***Strengthen and expand “should cost” based cost management***

#### **GENERAL GUIDANCE:**

This continuing core BBP initiative requires programs to actively manage costs through the careful assessment of the contributing drivers of cost across a program, identification of goals for cost reduction (should cost goals), and implementation of specific efforts designed to achieve those cost reductions. Should cost goals and actionable plans to achieve these goals are to be established for all activities throughout the program lifecycle. Component Acquisition Executives (CAEs) and Program Executive Officers (PEOs) will review and approve should cost targets, monitor progress, and direct or recommend allocation of realized cost savings as appropriate. Nearly 100 percent of ACAT I programs, approximately 90 percent of ACAT IIs, and 80 percent of ACAT IIIs now have should cost targets and are managing to them, generating significant savings across the Department. We will continue to expand this practice until 100 percent compliance on all ACAT programs is achieved.

## SPECIFIC ACTIONS:

Should cost implementation and performance will be reviewed by the DAE and the BSIG on a quarterly basis.

By July 2015, the Assistant Secretary of Defense for Acquisition (ASD(A)) will institute an annual Should Cost and Innovation Award program recognizing organizations, groups, and teams who have displayed outstanding should cost commitment, innovation, and results for acquisition programs. Best practices from these programs will be forwarded to the Defense Acquisition University (DAU) for incorporation into acquisition education programs.

***Anticipate and plan for responsive and emerging threats by building stronger partnerships of acquisition, intelligence and requirements communities***

## GENERAL GUIDANCE:

The need for early and close cooperation between the requirements and acquisition communities was highlighted in BBP 2.0. BBP 3.0 extends this focused collaboration to include the intelligence community. The acquisition and requirements communities must be aware of and responsive to changes in the threat as the Department acquires future weapons systems. This acquisition, intelligence, and requirements (AIR) integration must be present throughout the lifecycle. Integration of the three areas should inform portfolio planning, technology development, system design, product improvement and technical refresh, and decisions on obsolescence and retirement. To support these efforts, the AIR communities must work together to ensure that needed threat information is identified and provided throughout the product lifecycle.

A key aspect of linking these three communities is the use of Critical Intelligence Parameters (CIPs). CIP thresholds, if breached, indicate an adversary's potential to substantially reduce the programs performance or even to defeat a programs designed capability. CIPs are one important means of tracking the ability of a program to remain viable against evolving threats. The acquisition chain of command needs to work with the requirements and intelligence communities, early and throughout the lifecycle, to identify appropriate CIPs. Notification that a CIP threshold has been exceeded or changed may lead to a change in requirement and a subsequent design change, or to other actions.

## SPECIFIC ACTIONS:

ASD(A), in partnership with Assistant Secretary of Defense for Research and Engineering (ASD(R&E)), Under Secretary of Defense for Intelligence (USD(I)), Joint Staff, and Services, will review and, as necessary, recommend changes to Defense Intelligence Agency (DIA) Instruction on the identification, monitoring, and reporting of CIPs no later than June 1, 2015.

As appropriate, CAEs, PEOs, and Program Managers (PMs), with requirements sponsors, will establish initial CIPs for their programs. The CIP will be continuously monitored by the Intelligence Community (IC), and the PM will present the program CIPs at the annual

Configuration Steering Boards (CSBs). CSBs will include IC representation. If a CIP is breached, an out-of-cycle CSB should be convened by the CAE to resolve or otherwise mitigate the CIP breach collaboratively with the requirements and intelligence communities. CAEs will provide to the DAE their Service process for review of ongoing system performance against established CIPs and the process to be used to determine appropriate mitigations by August 2015.

Overarching Integrated Product Team (OIPT) leads and PEOs will ensure that all Defense Acquisition Board (DAB) reviews include an evaluation of program plans based on threat projections, operational intelligence mission data requirements, including review of program CIPs, and whether or not the program requirements and assumptions remain valid.

ASD(A), in partnership with Comptroller, Director of Cost Assessment and Program Evaluation Office (CAPE), and USD(I), will review and recommend relevant changes to the financial management policies for funding mission data to ensure they are consistent with DoDI 5000.02 and other intelligence acquisition support initiatives by July 2015.

ASD(A) will work with OUSD(I) to review DoD Directive 5250.01 on *Management of Intelligence Mission Data (IMD) in DoD Acquisition* to ensure processes are in place to enhance flexibility, integration, risk assessment, and prioritization of mission data supply and demand for acquisition programs. This update will be presented to USD(AT&L) and USD(I) by June 2015.

ASD(A) in partnership with DIA, Services, and USD(I), will develop a plan for reducing latency and improving intelligence data integration through transition to the Validated Online Lifecycle Threat (VOLT) and Threat Library. DIA will complete on-going pilots to a dynamic threat assessment and present findings and a plan for transition to VOLT to the BSIG by August 2015.

ASD(A), in partnership with DIA and the Services, will evaluate options for integrating intelligence and acquisition modeling and simulation capabilities to support requirements trades and life-cycle risk management associate with threat baselines. ASD(A) will present recommendations to the BSIG by August 2015.

DAU will increase AIR focus in revised curriculum specifically in the program management and requirements areas. DIA will work with the National Intelligence University (NIU) and Professional Analyst Career Education (PACE) to revise intelligence professional training that supports the Acquisition Community. The curricula revisions will be briefed to the BSIG by September 2015.

ASD(A), in partnership with the SAEs, Director of Human Capital Initiative (HCI), and DIA, will jointly lead an evaluation of options for establishing Key Leader Positions (KLPs) for Intelligence Support at the PEO level or elsewhere in the acquisition chain. Recommendations will be provided to USD(AT&L) by August 2015.

## ***Institutionalize stronger DoD level Long Range R&D Program Plans***

### **GENERAL GUIDANCE:**

With reference to the October 29, 2014, USD(AT&L) memorandum, “Long Range Research and Development Program Plan (LRRDPP) Direction and Tasking,” this initiative seeks to identify current and emerging technologies and/or projections of technology-enabled concepts that could provide significant military advantage to the United States and its partners and allies in the 2020 to 2030 time frame.

This initiative focuses on the study and prioritization of various applications of technology, to include novel and unconventional technologies, in ways that would provide significant, enduring advantage to future U.S. warfighting capabilities in conducting operations against a peer or near-peer competitor. We anticipate using this information to aid in the internal analysis and prioritization of DoD research and development investments. An LRRDPP objective is to identify a suite of technologies that would form the nexus of a “third offset strategy” providing a decade and longer major technological advantage to the United States.

As part of the broader Defense Innovation Initiative, the LRRDPP seeks to explore and develop new technologies and approaches to warfighting. Our superiority has never been guaranteed, and today it is being increasingly challenged. Technologies and weapons that were once the exclusive province of the United States and its partner nations have become available to a broad range of militaries and non-state actors. The LRRDPP seeks to draw on the lessons of previous offset strategies and ensure that America’s power-projection capabilities continue to sustain our competitive advantage over the coming decades.

### **SPECIFIC ACTIONS:**

The Deputy Assistant Secretary of Defense for Systems Engineering (DASD(SE)) is leading the development of the LRRDPP as per the referenced memorandum. The report will be provided to the Deputy Secretary of Defense (DSD) and USD(AT&L) by July 2015.

## ***Strengthen cybersecurity throughout the product lifecycle***

### **GENERAL GUIDANCE:**

A vital aspect of maintaining U.S. technological superiority is ensuring cybersecurity of our networks and systems. Systems today, as well as all of their external interfaces, must be resilient from cyber adversaries. The Department has initiated a series of actions to improve military system cybersecurity from concept development to disposal, but much more needs to be done. This initiative will help to focus and accelerate DoD’s efforts to address planning, designing, developing, testing, manufacturing, and sustaining activities with cyber security constantly in mind. This initiative addresses both classified and unclassified information as well as potential access to DoD products in the field and through the supply chain.

Unclassified controlled technical information (CTI), potentially accessible through commercial interfaces, is particularly vulnerable to traditional and nontraditional foreign intelligence collection. When compromised, this information can significantly degrade U.S. technological superiority by saving an adversary time and effort in developing similar

capabilities or countermeasures. In addition to addressing classified system information, this initiative's objective is to improve CTI protection in both the government and the industrial base, including the supply chain. In FY 2014, the Department amended the Defense Federal Acquisition Regulation Supplement (DFARS) to safeguard unclassified CTI; we must now ensure this provision is effectively applied to all new DoD contracts.

We will also identify the acquisition and technology programs most critical to enabling U.S. technological superiority in order to focus our cybersecurity and protection resources. To facilitate this, we will integrate efforts from acquisition, law enforcement, counterintelligence, and intelligence communities toward a common goal of protecting our programs.

This initiative includes efforts to educate our workforce on the value and best practices for system security and efforts to communicate the importance of cybersecurity across the Department and to the Defense Industrial Base. All our efforts to improve technological superiority will be in vain if we do not provide effective cybersecurity throughout the product lifecycle.

#### SPECIFIC ACTIONS:

ASD(A) and ASD(R&E), with the DoD Chief Information Officer (CIO), will lead the development of a new Enclosure for DoDI 5000.02 addressing all aspects of the program manager's and other's responsibilities for cybersecurity throughout the product lifecycle. A draft will be provided to the USD(AT&L) by July 2015.

DASD(SE), with Deputy Assistant Secretary of Defense for Command, Control, Communications and Cyber and Business Systems DASD(C3CB), and the Services, in partnership with CIO, will review current system security engineering design processes and methods and recommend standardization or other approaches to improve cybersecurity of system designs, including all outside interfaces, to the USD(AT&L) and the SAEs by October 2015.

The SAEs, with DASD(SE), will identify critical acquisition and technology programs requiring higher levels of information protection and will propose appropriate methods of implementing higher level protection of unclassified technical information on these efforts. The SAEs will complete these efforts and brief USD(AT&L) by September 2015.

ASD(R&E) and the Services, with USD(I), Defense Security Service (DSS), CIO, and DIA, will develop and demonstrate a process to link intelligence, counterintelligence, law enforcement, and acquisition activities by establishing a joint analysis capability to improve enterprise protection of classified and unclassified technical information and report to the USD(AT&L) and the BSIG by September 2015.

ASD(R&E), with CIO and the Director of Defense Procurement and Acquisition Policy (DPAP), will conduct an assessment of the effectiveness of the implementation of DFARS required CTI protection standards and make a recommendation as to any changes or additions to current requirements by December 2015.



DAU, in coordination with education counterparts in the IC and DSS, will work with ASD(R&E), USD(I), and the Services to develop education and training to increase workforce understanding of the value and best practices for system cybersecurity and CTI protection by December 2015.

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

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

#### **GENERAL GUIDANCE:**

DoD data shows that the Department can still improve its performance in aligning profit incentives with contract performance. Profit is a fundamental driver of private enterprise, and industry should expect to earn an appropriate profit for the products and services it provides. Profit should be reasonable, and higher profit levels should be tied to better performance and lower profit to poorer performance. Our analysis shows that industrial performance responds to the incentive structure that the Department designs into our business arrangements.

The Department will continue to refine its guidance on the use of incentives in contracting to align profit with performance that ensures a defense industry that is competitive and innovative.

#### **SPECIFIC ACTIONS:**

The Acquisition Policy Analysis Center (APAC) will continue to track and analyze the use of various contract types and incentives to determine if additional measures can be taken to further improve cost and schedule performance. APAC will report the results of its analysis annually to the USD(AT&L).

### ***Employ appropriate contract types, but increase the use of incentive type contracts***

#### **GENERAL GUIDANCE:**

In BBP 3.0, we modify earlier guidance based on our subsequent analysis (as documented in the *2014 Annual Report on the Performance of the Defense Acquisition System*.) This analysis demonstrated that the use of Cost Plus Incentive Fee (CPIF) and Fixed Price Incentive Fee (FPIF) contracts was highly correlated with better cost and schedule performance. In these “formulaic incentives” contracts, the impact of overruns and underruns are shared between the industry and government based on a formula (established in the contract) that explicitly ties the contractor’s cost or benefit to performance. We are not directing a wholesale conversion to these types of contracts. We also do not want to set incentive structures that substantially eliminate contractor incentives to reduce cost. We do want to reinforce our preference for these types of contracts when they are appropriate.

#### SPECIFIC ACTIONS:

Director DPAP will propose updated guidance for employing CPIF and FPIF contracts for USD(AT&L) and BSIG review by August 2015.

#### *Expand the superior supplier incentive program*

#### GENERAL GUIDANCE:

The Superior Supplier Incentive Program (SSIP) is designed to recognize higher-performing industry partners based on past performance evaluations, with the intent of incentivizing superior performers and creating healthy competition among industry. We do not intend to implement a DoD-level SSIP, but rather will implement Service-specific SSIPs. The focus of these efforts will continue to be on the performance of major business units. In addition, we will continue to use a weighting function (3,2,1 multipliers over the past three years) that significantly weights the most recent year of performance.

In BBP 2.0, we announced the results of the Navy's pilot SSIP in June 2014 and announced the initial results of the Army and Air Force programs for 2011 through 2013 in February 2015.

#### SPECIFIC ACTIONS:

The Services will continue to manage their SSIP programs and jointly announce the results for 2012 through 2014 by June 2015, and annually thereafter.

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

#### GENERAL GUIDANCE:

This initiative was started in BBP 2.0 and continues under BBP 3.0. When properly established and executed, Performance-Based Logistics (PBL) is an effective way to balance cost and performance regardless of whether industry or the Government is providing the logistics service. PBL also provides explicit productivity incentives and ensures the best value for the DoD, particularly for service contracts such as maintenance and support contracts.

As part of BBP 2.0, the Assistant Secretary of Defense for Logistics and Materiel Readiness (ASD(L&MR)) issued comprehensive guidance on PBL arrangements and published a Guidebook that includes a use case to illustrate the building block approach to an effective PBL business arrangement.

Other accomplishments under BBP 2.0 include the incorporation by DAU of PBL learning assets in two classroom courses and 10 distance learning and online courses within the Lifecycle Logistician curricula and the establishment of a dedicated team of skilled PBL experts to assist and train the Components' program offices and sustainment organizations in developing and managing PBL arrangements.

Under BBP 3.0, we will be placing additional management emphasis and attention on PBL to ensure the effective use of this business approach.

#### SPECIFIC ACTIONS:

ASD(L&MR) will continue to work with the Services and other DoD Components to develop common ways to measure PBL effectiveness, including benefits and savings, and to use those measures to track results. Results of this effort will be reported to USD(AT&L) and the BSIG on a quarterly basis.

As under BBP 2.0, and using these effectiveness measures as they are developed and implemented, the CAEs will provide updates by July 2015 to the BSIG on the implementation of PBL arrangements, including determining the accessible market by Component, the ongoing use of PBL arrangements, plans for additional PBL arrangements, and progress toward those plans. Additional updates will be provided on a quarterly basis thereafter.

ASD(L&MR) will assess the business case analyses for selected current and ongoing PBL arrangements and will provide the results of those assessments to USD(AT&L) as they become available. In addition, ASD(L&MR) will update the PBL Guidebook by October 2015, incorporating lessons learned and best practices from industry and across DoD. As part of that update, ASD(L&MR), with DPAP and the DoD Components, will assess improvements for developing, reviewing, approving, and contracting for PBL arrangements.

DAU will update PBL learning assets to reflect the above assessments and lessons learned, including case studies, by February 2016, following the update of the Guidebook.

#### ***Remove barriers to commercial technology utilization***

#### GENERAL GUIDANCE:

BBP 3.0 has a primary goal to incentivize greater and more timely innovation in the products DoD uses. DoD's military products are developed and fielded on time scales that are much longer than some commercial development timelines, particularly those associated with electronics, information technology, and related technologies. These commercial technologies have a technology refresh cycle that is a small fraction of a major weapon system's development or recapitalization cycles. The complexity and uniqueness of advanced weapons systems designs is a major factor driving this. Nevertheless, the Department can do a much more effective job of accessing and employing commercial technologies. Our potential adversaries are already doing so. Achieving this objective will require identification and elimination of specific barriers to the use of commercial technology and products. This initiative will assess the need for both policy and regulatory changes, as well as train the workforce on how to access commercial technology and products with existing authorities. This initiative is also closely tied into the small business research and development initiative and those associated with modular open systems and reducing cycle time.

## SPECIFIC ACTIONS:

The Deputy Assistant Secretary of Defense for Manufacturing and Industrial Base Policy (DASD(MIBP)), with Director DPAP and ASD(R&E), will develop a handbook of methods and best practices by July 2015 that inform DoD managers on how to engage more effectively with commercial technology companies using existing authorities. The handbook will emphasize Other Transaction Authority (OTA), Cooperative Research and Development Agreements (CRADAs), Federal Acquisition Regulation (FAR) Part 12, public-private partnership, use of 10 USC 2373, and applicable FAR clauses to enable DoD to more quickly access companies that provide commercial technologies of interest and incentivize them to do business with DoD.

ASD(R&E) will evaluate the potential benefits of greater participation in innovation focused consortium arrangements by September 2015. This will include one or more independent organizations that have direct access to companies that are able to provide emerging commercial innovative solutions to address DoD technology needs.

DAU will establish a Community of Practice for rapidly acquiring Commercial Off-the-Shelf products and Commercial Services by October 2015.

DASD(MIBP), with DPAP, will evaluate the potential for legislative or policy changes that would provide greater opportunity for access to commercial technology and report results by October 2015. This action will include an assessment of intellectual property, liability implications, and other commercial industry concerns.

### *Improve the return on investment in DoD laboratories*

## GENERAL GUIDANCE:

A recent Defense Science Board study gave the DoD laboratories high marks for technical excellence. The laboratories represent a major DoD research and development investment, however, and their productivity is as subject to the need for continuous improvement as any other acquisition enterprise. This initiative to improve the investment in DoD laboratories will examine the mission, organization, cost structure, and productivity of the DoD laboratories with the goal of increasing the return on this investment for both science labs as well as engineering laboratories. The fact that each Service has a fundamentally different operating model for their laboratories complicates the assessment. As a result, the assessment will start by understanding the way each Service operates their lab structure and accounts for cost categories, such as overhead and support personnel, and for productivity metrics. The review will encompass organizational and funding constructs, customer perceptions, previous study results, and benchmarking against other government and non-profit entities. The goal will be to produce a viable set of metrics to track performance trends and other recommendations to improve the return on investment in DoD laboratories.

## SPECIFIC ACTIONS:

ASD(R&E), with the SAEs, will develop a Service-agnostic customer assessment survey to understand the strengths and weaknesses of all major DoD laboratories; the surveys will be

sent to PEOs/PMs and other users of the DoD laboratories. ASD(R&E) will work with the SAEs to analyze the surveys, synthesize results, and develop recommendations to present to USD(AT&L) by October 2015.

ASD(R&E), with Service S&T Executives will ensure that each laboratory director develops “should cost” targets to reduce indirect and overhead expenses. Any realized savings (like program should cost savings) will be retained by the Service S&T enterprise and reallocated to research or needed mission related capital investments. Individual laboratory should cost targets for 2016 will be developed and presented to the SAEs and USD(AT&L) by November 2015.

ASD(R&E) will work with the S&T Executives to develop transition metrics to track trends in the productivity of the laboratories for producing technologies or products that make it into the hands of the Warfighter (directly or through commercial products) and will brief the BSIG by November 2015.

Services’ S&T Executives will work with the Technology Communities of Interest (CoIs) to reduce duplication between the laboratories and measure investment changes from year to year, and report changes to the actual funding profile, by technical area, annually. The first assessment will be completed and presented to USD(AT&L) by January 2016 for FY 2015.

ASD(R&E) will conduct a benchmarking analysis of DoD laboratories comparing their business models and performance against those of other government, commercial, and academic laboratories. This analysis will be conducted by independent consultants and completed and briefed to the BSIG by January 2016.

### ***Increase the productivity of corporate Independent Research and Development***

#### **GENERAL GUIDANCE:**

Independent Research and Development (IRAD) conducted by defense companies as an allowable overhead expense is an important source of innovation for both defense corporations and DoD. It represents over \$4 billion in annual Research and Development (R&D) spending. Changes in legislative guidance and authorities in the early 1990s removed almost all DoD supervision of corporate IRAD. Until that time, IRAD had been tightly regulated and heavily supervised by DoD. This initiative will improve communication between DoD and industry and restore a higher degree of government oversight of this technology investment, while avoiding the burdensome regulatory environment that existed prior to the early 1990s.

Reviews of IRAD spending indicate that a high fraction of IRAD is being spent on near-term competitive opportunities and on de minimis investments primarily intended to create intellectual property. A problematic form of this use of IRAD is in cases where promised future IRAD expenditures are used to substantially reduce the bid price on competitive procurements. In these cases, development price proposals are reduced by using a separate source of government funding (allowable IRAD overhead expenses spread across the total business) to

gain a price advantage in a specific competitive bid. This is not the intended purpose of making IRAD an allowable cost.

The intent of the actions below is to ensure that IRAD meets the complementary goals of providing defense companies an opportunity to exercise independent judgement on investments in promising technologies that will provide a competitive advantage, including the creation of intellectual property, while at the same time pursuing technologies that may improve the military capability of the United States. The laissez faire approach of the last few decades has allowed defense companies to emphasize the former much more than the later. The goal of this initiative is to restore the balance between these goals. The actions below approach this problem in an incremental way and their effectiveness will be evaluated once they are in place.

#### **SPECIFIC ACTIONS:**

ASD(R&E), beginning in 2015, will organize and initiate the execution of a continuing series of annual joint Technology Interchange Meetings (TIMs) with industry, organized by the existing S&T CoIs. Through virtual exchange of data and in person reviews, the S&T CoIs will provide industry with more detailed information about future program plans and gain enhanced DoD understanding and visibility into relevant IRAD.

Director DPAP, with ASD(R&E), will recommend to USD(AT&L) new guidelines for allowable of IRAD expenses by May 2015. The new guidelines will include: identification and endorsement of an appropriate technical DoD sponsor from the DoD acquisition and technology community prior to project initiation; and provision of a written report of results obtained following the completion of the project, or annually if the project spans multiple years. Following USD(AT&L)'s approval, the new guidelines will be implemented through a standard rule making notice and comment process.

Director DPAP, with ASD(A), will develop a proposed regulatory or statutory change that would preclude use of substantial future IRAD expenses as a means to reduce evaluated bid prices in competitive source selections and provide it to USD(AT&L) by July 2015.

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

##### ***Increase the use of prototyping and experimentation***

#### **GENERAL GUIDANCE:**

The intent of this initiative is to reinvigorate the use of prototyping and experimentation for the purposes of rapid fielding of technologically advanced weapons systems, providing Warfighters with the opportunity to explore novel operational concepts, supporting key elements of the industrial base, and hedging against threat developments or surprises by advancing technology and reducing the lead time to develop and field new capabilities.

Prototypes are preliminary versions of a system or major sub-system assembled to resolve some area of risk and/or to explore operational potential. In this context, prototyping

occurs prior to making a substantial commitment of resources for engineering and manufacturing and development or production and does not require programming or budgeting for follow-on activities. Importantly, during tight budgets these projects are low cost compared to full scale development and production.

Experimentation puts prototypes into the Warfighter's hands for assessment in an operational context. Experimentation capabilities span use in the field by military personnel, wargaming, simulation, Service/Combatant Command exercises, and government/industry live, virtual, and constructive environments. Prototyping and experimentation activities contribute to the requirements definition process; aid reducing technical, schedule and cost risk; help refine the manufacturing processes; introduce new tactics, techniques, and procedures; help reveal unanticipated vulnerabilities; and aid retention of critical defense-related skills in the industrial base.

#### SPECIFIC ACTIONS:

Effective in 2015, USD(AT&L) with the Vice Chairman of the Joint Chiefs of Staff (VCJCS) will conduct an annual review with each Service Chief or Vice and SAE of their major 6.3/6.4 prototyping and experimentation efforts (to include late S&T demonstrations) for the current and following year. These reviews will be conducted annually and will begin no later than 30 days after the Services POM Submissions.

Effective in 2015, ASD(R&E) will work with the Services and Agencies to develop, maintain, and publish a database of existing government/industry experimentation capabilities and events and make recommendations to the Services and USD(AT&L) for additional prototyping no later than July 30th of each year.

#### ***Emphasize technology insertion and refresh in program planning***

#### GENERAL GUIDANCE:

Because of the pace of technology maturation in some sectors, the Department is challenged to maintain its technical edge using traditional acquisition approaches. This initiative focuses on designing acquisition programs to support technology insertion and establishing the practices to use technology refresh or replacement cycles on a more frequent time scale. This will be achieved by enhancing "developmental planning," which includes understanding the appropriate refresh/replacement cycle timelines for systems (i.e., IT refresh occurs every 18 months; sensor technology every 2-4 years), understanding life-cycle opportunities for technology insertion, and establishing closer collaboration and communication between the S&T and acquisition programs. This initiative will consider fiscal constraints to technology insertion and will be closely aligned with related BBP initiatives to reduce barriers to use of commercial technologies and adopt modular systems open architecture design approaches to enable opportunities for technology insertion.

## SPECIFIC ACTIONS:

Each SAE will brief USD(AT&L) on their processes for Development Planning associated with technology insertion and refresh, highlighting any remaining challenges and impediments, by June 2015.

ASD(A) will work with Comptroller, Services, and others, as appropriate, to review fiscal rules and identify potential changes that would allow funding to be used more effectively for technology refresh or technology insertion and submit findings and recommended actions, including any policy changes or legislative proposals, to USD(AT&L) by June 2015.

Effective immediately, all program Acquisition Strategies will include a discussion of planned technology insertion or refresh opportunities.

Effective immediately, ASD(A), ASD(R&E), OIPT leaders, and DASD(SE) will include consideration of technology refresh plans in milestone and decision point reviews.

### ***Use Modular Open Systems Architecture to stimulate innovation***

## GENERAL GUIDANCE:

The objective of this initiative is to continue DoD efforts to ensure that our designs are modular and that the government is in a position to control all the relevant interfaces so that competitors with superior technology have the opportunity to win their way onto our programs. Often, this design feature has been either traded away because of competing requirements or lost because the government has failed to secure technical control and ownership of all the needed interfaces, including those required for software integration.

In BBP 2.0, the Department re-published the DoD Open Systems Architecture Contract Guidebook for Program Managers v.1.1.1, which defines a Modular Open Systems Architecture (MOSA) in terms of adherence to the following five principles:

- Establish an Enabling Environment
- Employ Modular Design
- Designate Key Interfaces
- Use Open Standards
- Certify Conformance

DoD also re-published a Data Rights brochure to reflect changes to the DFARs, updated DoD 5010.12M on *Procedures for the Acquisition and Management of Technical Data*, and developed an Intellectual Property Strategy Guidance brochure to support data rights planning.

BBP 3.0 continues the emphasis on open systems architectures and modularity, focusing on providing technical enablers and tools that can be employed by the acquisition workforce and industry to enhance technology insertion, particularly in the most rapidly advancing areas of commercial technology (e.g. microelectronics, sensors, and software). Implementing MOSA architectures will accelerate and simplify the delivery of advanced capability into systems without replacing entire systems. Incorporating modularity principles should result in systems



with highly cohesive, loosely coupled, and severable modules that can be openly competed. This approach would enable both pre-planned and opportunistic technology based upgrades in the areas of technology that are most subject to change. It enables the independent acquisition of systems, subsystems, and components, to include software.

In accordance with DoDI 5000.02, PMs are responsible for applying open systems approaches in product designs wherever feasible and cost-effective. Such approaches should be considered for enabling competition for upgrades, facilitating reuse across the joint force, easing technology insertion, and aiding adoption of incrementally upgraded software.

#### SPECIFIC ACTIONS:

The MOSA initiative team led by Executive Director, Army System of Systems Engineering and Integration, will submit to the DAE and SAEs by June 2015 the results of their ongoing efforts to gain insights from acquisition professionals (PEOs/PMs) across all Services and industry on the effectiveness of the DoD's efforts to implement MOSA. Specifically, the results will highlight the level of understanding of MOSA, the ongoing efforts to apply Open Systems approaches to programs, barriers to implementation, and identification of any needed assistance (guidance, tools, training) the PEOs and PMs need in improving the implementation of MOSA. The MOSA initiative team will develop a set of additional modularity technical enablers and recommend items for inclusion in MOSA guidance.

The MOSA initiative team will identify relevant standards and gaps in those standards, identify modularity features (e.g. well defined interfaces, reference architectures) and enabling tools for life-cycle implementation (e.g. third party development kit, MOSA conformance tool suite, product reuse inventory), and will suggest draft metrics for measuring modularity and openness to the USD(AT&L) and the BSIG by October 2015.

The MOSA initiative team will review and assess DoD's practices in Intellectual Property (IP) acquisition over the last several years. The team will report on trends and the impact of steps taken for source selection and management of IP in both industry and Government. The MOSA initiative team will brief the assessment results and recommendations to the BSIG by October 2015.

ASD(R&E) will collaborate with DPAP, ASD(A), and the SAEs to finalize, coordinate, and disseminate the approved final MOSA guidance, with service-specific amplification and implementation details, to their program managers by December 2015.

#### ***Increase the return on and access to small business research and development***

#### GENERAL GUIDANCE:

Several actions will be taken to enhance access to and utilization of small business R&D by DoD. The Small Business Innovation Research (SBIR) program has been very successful in helping small creative businesses make progress in early stage technology development. It has been moderately successful in helping businesses transition from development to production. Other programs, such as the Rapid Innovation Fund (RIF) and DARPA's small business outreach

programs, have also been successful. The focus of this initiative will be to ensure DoD makes it as easy as possible for small businesses with creative and innovative technologies to work with DoD and have their technologies included in the products that DoD acquires.

DoD will create stronger incentives for industry primes and DoD program managers to ‘pull’ technology solutions from DoD’s SBIR and Small Business Technology Transfer (STTR) investments, non-traditional suppliers, and entrepreneurs, and for inventors to ‘push’ innovative ideas to program offices and other acquisition organizations.

DoD will also leverage commercial developments in market research related information systems technology to create robust and dynamic information sharing systems to improve the transition of DoD small business technology development into Department programs and also to scan the commercial sector to identify and capture emerging disruptive technologies for DoD.

The Department will make it easier for small businesses to work with DoD. The “Direct to Phase II” SBIR pilot will explore how DoD can accelerate technology maturation and adoption. Direct to Phase II will allow for DoD to go directly to a Phase II contract in certain cases. The Department will take advantage of investments made by industry in areas DoD has identified as urgent, critical, and disruptive. This will reduce cycle times and accelerate the contracting process.

#### **SPECIFIC ACTIONS:**

The Director, Office of Small Business Programs (OSBP) will work with the SAEs, ASD(A), and Director DPAP to develop goals and incentives applicable to Government and industry for transition of SBIR programs to fielded systems and/or programs of record, in accordance with applicable policy, and provide recommendations to USD(AT&L) by July 2015. Examples of potential industry incentives that could be increased include: Small Business (SB) participation as a factor during source selection, credit in the Contractor Performance Assessment Reports System for SB subcontracting performance, credit on Cost Plus Award Fee (CPAF)/CPIF contracts that have subcontracting as factor, and SB consideration in weighted guidelines.

Director OSBP, in collaboration with DASD(MIBP), ASD(A), ASD(R&E), and Director DARPA, will develop recommendations to increase access to innovation within the national security environment through engaging non-traditional suppliers, entrepreneurs, and inventors. Recommendations will be provided to USD(AT&L) on increased use of avenues such as Other Transaction Authorities (OTA) and open Broad Agency Announcements (BAA) as a tool by June 2015. This effort will be coordinated closely with the tasks associated with improving access to commercial technologies.

Director OSBP will develop a reporting system for documenting successful transition of small business R&D technologies into fielded systems and programs of record. This system will be in place by October 2015 and will be based on the existing Market Research Center of Excellent (MARCO) tool.

ASD(R&E) will complete his assessment of the RIF program and make a recommendation to USD(AT&L) as to whether to include funding for a RIF in the FY 2017 budget submission by June 2015.

OSBP will work with DAU to identify additional or modified training necessary on the SBIR program and other small business R&D programs for the use by the acquisition workforce and provide recommendations to USD(AT&L) by July 2015.

OSBP will complete the “Direct to Phase II” pilot and make a recommendation to USD(AT&L) on extending and expanding this initiative by October 2015.

***Provide draft technical requirements to industry early and involve industry in funded concept definition***

**GENERAL GUIDANCE:**

In general, DoD needs to communicate with industry as much as possible up until the time a final Request for Proposals is released, after which communications have to follow the formal contracting process. Everyone benefits from as open an exchange of information and ideas with industry as possible.

In order to exploit industry creativity and innovation, the Department will work more closely with industry in the earliest stages of the product lifecycle, before requirements are firm and before design concepts are determined. The sooner industry learns of DoD’s interest in a new capability need, the sooner industry can begin to explore or invest in applicable technologies and formulate ideas for DoD consideration. Industry will be asked to provide feedback and recommendations on early stage draft requirements. In addition, DoD will routinely fund competitive concept definition studies (e.g. early design trade studies and operations research) to inform decisions about requirements and as inputs to the formal Analyses of Alternatives (AoAs) conducted after the Material Development Decision. This initiative will spur innovation by industry, better inform requirements, and lead to better products.

**SPECIFIC ACTIONS:**

SAEs will make competitive industry concept definition studies a standard part of program plans whenever feasible. Concept definition results should be timed so they can be used to inform requirements trades and AoAs.

SAEs will work with Service requirements counterparts to ensure that draft requirements documents are provided to industry as early as possible and will make provisions for industry feedback to be accepted and provided to the requirements community.

ASD(A) will review DoDI 5000.02 to determine what changes, if any, may be required to implement this initiative and recommend these changes to USD(AT&L) by May 2015.

### ***Provide clear “best value” definitions to industry***

#### **GENERAL GUIDANCE:**

This BBP 3.0 initiative builds on the work started in BBP 2.0 to provide industry with information on the value, in monetary terms, of higher levels of performance than minimally acceptable or threshold levels. Without this information, the default position will be to bid to the lowest acceptable level of performance. With this information, industry will know what the competitive effect of offering higher performance will be and can bid accordingly. Equally importantly, this practice creates appropriate incentives to encourage industry to innovate.

In 2.0, we developed a Best Value process manual that we are adding to the Source Selection Guide. In 3.0, we will focus on how to more effectively monetize best value and publicize relevant case studies.

#### **SPECIFIC ACTIONS:**

DPAP will publish the updated Source Selection Guide containing the Best Value process manual by May 2015.

MDAs will ensure that “best value” definitions for above threshold performance levels are transparent and objective and stated in monetary terms as much as possible.

### **ELIMINATE UNPRODUCTIVE PROCESSES AND BUREAUCRACY**

This BBP 3.0 initiative builds on the BBP 2.0 efforts to reduce the frequency of reviews and unproductive processes and bureaucracy for both industry and government, and to emphasize the role of the acquisition chain of command. This work is far from completed.

### ***Emphasize acquisition chain of command responsibility, authority and accountability***

#### **GENERAL GUIDANCE:**

This initiative is a continuing effort from BBP 2.0. The chain of command for acquisition programs runs upward from the PM through the PEO to the CAE and, for ACAT I, ACAT IA, and other programs so designated, to the DAE. The responsibility and authority for program management, to include program planning and execution, is vested only in these individuals. Staff and other organizations provide support to this chain of command.

Acquisition Executives (AEs), PEOs, and PMs have to exercise full responsibility and authority commensurate with their position and will be accountable for the results of the execution of the program. We need to continue to emphasize and support the central criticality of the acquisition chain of command and align responsibility, authority, and accountability within this chain. We need to emphasize the important but supporting role of staff oversight.

As part of the BBP 3.0 effort, we will continue to review and adjust policy, practices, and organizational relationships to ensure AEs, PEOs, and PMs exercise full responsibility and authority commensurate with their position and are accountable for the results of the execution of the programs.

#### SPECIFIC ACTIONS:

SAEs will conduct a review of the accountability and responsibility of all individuals throughout their Service who review acquisition documents prepared for MDA or OSD approval. The results of this review will be provided to the Service leadership and to USD(AT&L) by July 2015. The Service leadership will be requested to consider the accountability of the reviewers and the contribution these reviews elicit for the purpose of identifying potential streamlining to the current process and emphasizing PM, PEO, and CAE authority.

PDUSD(AT&L) will conduct a similar review of the accountability and responsibility of individuals within OSD. The review will identify all the touch points an acquisition document experiences enroute to the MDA for approval. PDUSD(AT&L) will provide the results of the review to USD(AT&L) by July 2015. The review will consider the accountability of the reviewers and the contribution these reviews elicit for the purpose of identifying potential streamlining to the current review process and emphasizing PM/PEO/CAE authority.

USD(AT&L) recently requested that each ACAT I PM provide a personal assessment of the status of his or her program to the PEO, CAE, and DAE. This pilot was highly successful, and it will be continued on an annual basis.

#### *Reduce cycle times while ensuring sound investments*

#### GENERAL GUIDANCE:

Under BBP 2.0, we introduced the concept of a “Skunk Works” approach to be implemented on a pilot basis. To date, this has not been implemented for any ACAT ID programs, but as concerns about loss of technological superiority grow, DoD will continue the effort to identify programs suitable for this and other forms of accelerated or rapid acquisition. In addition, some of the successful rapid acquisition initiatives that were introduced to support the wars in Iraq and Afghanistan will be sustained and integrated into our standard practices.

The Defense Acquisition System has the flexibility to improve the “speed to market” of our weapons systems development and fielding. The Accelerated Acquisition Program, or Model 4, found in the latest DoDI 5000.02 provides the basis for a high degree of program tailoring with the explicit goal of accepting risk and reducing “time to market.” As DoD begins to implement the Defense Innovation Initiative, the LRRDPP- and Advanced Capability and Deterrence Panel (ACDP)-identified projects, this will be the preferred approach.

## SPECIFIC ACTIONS:

USD(AT&L) will request VCJCS and the Joint Requirements Oversight Council to review early stage development programs and new starts and to make a recommendation as to whether the urgency of the need would justify a higher risk program approach based on DoDI 5000.02's accelerated acquisition model.

SAEs and OIPT leads will review all Major Defense Acquisition Programs (MDAPs) and Major Automated Information Systems (MAIS) programs under their control or oversight by July 2015 and recommend whether use of some form of accelerated acquisition as outlined in the recently approved final DoDI 5000.02 should be considered.

By June 2015, each SAE will recommend at least one candidate ACAT 1 program for a pilot skunk works approach that would eliminate the current document based approach to program milestone review and substitute a hands-on onsite review process in the 2-3 week period preceding a milestone decision by the MDA. These programs should be cost plus development programs that have not already passed the Development Request for Proposal Release decision point. SAEs are encouraged to conduct pilot "skunk works" programs for lower ACAT and delegated programs.

ASD(A), with DAU and APAC support, will analyze case studies of previous accelerated acquisition programs, especially those conducted in support of operations in Iraq and Afghanistan, to glean lessons learned that can be applied to future efforts. The analysis will study the trends and risks associated with program factors (e.g., complexity, software content, concurrency, prior technology maturation, delegation), functions (e.g., testing, quality assurance) and review/oversight approaches (e.g., rapid acquisition, skunk works). Initial results will be briefed to the BSIG by September 2015.

### *Streamline documentation requirements and staff reviews*

## GENERAL GUIDANCE:

In BBP 2.0, we tracked how much time is logged to prepare for staffed document reviews and decision review briefings. The Government Accountability Office has also recently released a study on document lead times and value. Our data indicates that excessive program management time is spent supporting staff reviews and preparing documents primarily for review, instead of focusing on program execution. The Department will continue and increase the effort to reduce documentation and reviews. Program managers are expected to suggest tailoring throughout the program lifecycle. Options to condense the staffing process, reduce document content, or completely eliminate a document are available. The PM, the acquisition chain of command, the OIPT lead, and staff principals all have a responsibility to make recommendations to the MDA and to take actions that will facilitate an effective but less burdensome review process.

## SPECIFIC ACTIONS:

Effective immediately for all MDAP and MAIS programs in the acquisition process, Services will make recommendations for streamlined documentation and present these recommendations to the OIPT lead and DAE in time for consideration at the next scheduled DAB planning meeting.

For lower level ACAT programs and delegated programs, the MDA will consider appropriate tailoring and streamlining early in program planning.

CAEs will establish and enforce standardized Component-level review timelines by May 2015.

CAEs will conduct a review of Component-issued acquisition regulations and policies to determine value-added and brief USD(AT&L) on the results by September 2015.

In lieu of separate Service or Component implementing regulations, CAEs will publish Component-specific addendums to DoDI 5000.02 by January 2016.

ASD(A) will draft a policy memo for USD(AT&L) approval by July 2015 that streamlines the procedures that will be employed by staff for the review of documents required by the defense acquisition system.

ASD(A), with assistance from the SAEs, will conduct a review of the Defense Acquisition Guidebook (DAG) with a goal of simplifying the guidance, eliminating duplication and unnecessary content, and clarifying the substantive program specific information that is needed to support MDA decisions. A brief on preliminary findings and recommendations will be provided to USD(AT&L) and the BSIG by August 2015. Revised DAG guidance will be finalized by January 2016.

### ***Remove unproductive requirements imposed on industry***

## GENERAL GUIDANCE:

In BBP 3.0, we will continue to work with industry to identify unproductive or non-value added regulatory activities. Examples include updating statutes, regulations, and policies and removing inappropriate or inconsistent DoD practices and applications of statutes and regulations. The goal is to increase value by reducing costs and cycle times and eliminating industry uncertainty over regulatory compliance.

Industry has had longstanding concerns about statutory requirements to submit and resubmit cost and pricing data. The Department has identified some pilot approaches that we will test to reduce the need for unnecessary cost and pricing data submissions.

Another key area that we will focus on is Commercial Item Determination. Industry has indicated uncertainty in their transactions with the Department on commercial item acquisitions.

The Office of Defense Pricing has initiated several actions to streamline and accelerate the Commercial Item Determination process, including issuing policy guidance, increasing training, and implementing analytical support tools. We will continue to recommend additional actions under BBP 3.0.

Similarly, in the area of Earned Value Management (EVM), industry has raised concerns that Earned Value (EV) is sometimes applied to inappropriate contract types. They also ask to increase the dollar threshold for compliance reviews. Within this area, we will establish a single threshold for both EVMS compliance reviews and ongoing system surveillance at \$100 million. In doing so, we anticipate a savings of up to \$5 million annually from industry and a number of full time equivalents from the Defense Contract Management Agency (DCMA), which could be repurposed to support other essential priorities and missions.

#### SPECIFIC ACTIONS:

DPAP will initiate pilot programs to demonstrate and quantify impacts of reducing repeated submissions of cost or pricing data by October 2015.

DPAP will submit a revision to FAR 15.407-1(c) that eliminates the requirement that a contracting officer shall request an audit if a contractor voluntarily discloses defective pricing post-award by May 2015.

DPAP will develop a draft legislative proposal to revise the definition of the term “commercial item” to eliminate items and services merely offered for sale, lease, or license by September 2015.

DCMA, in coordination with DPAP, will provide an actionable plan to establish Cost and Pricing Centers of Expertise to facilitate Commercial Item Determinations, and DPAP will prepare updated guidance on Commercial Item Determinations by September 2015.

PARCA will submit revisions to the DoD FAR Supplement that (1) adds work scope as a criteria to whether a contract should have EVM reporting, and (2) establishes a single threshold of \$100 million for DCMA compliance and surveillance reviews of EVM systems by May 2015.

DCMA will expand “Data-Driven EVM Systems Streamlining Pilot” to conduct streamlined compliance reviews and system surveillance at three additional contractor facilities by October 2015.

DCMA will provide an actionable plan to assess the benefits of streamlining its EVMS operations and centralizing its EVMS competency to improve consistency of EVMS implementation by September 2015.



## **PROMOTE EFFECTIVE COMPETITION**

### ***Create and maintain competitive environments***

#### **GENERAL GUIDANCE:**

Competition is the most effective tool we have to control cost. In the absence of direct competition, anything that creates a “competitive environment” (where the incumbent is concerned about maintaining his or her position relative to an alternative product or service provider) has value to the Department. When direct competition at the product level is not economically viable, then alternative means of introducing competitive pressure or direct competition at lower levels should be pursued.

In BBP 2.0, we published guidelines for creating and maintaining a competitive environment. Going forward, we are going to continue the emphasis on competition and continually assess our performance and progress. This will include understanding any differences between the Services and Agencies in terms of the degree of competition for both products and services of various types.

#### **SPECIFIC ACTIONS:**

The SAEs will continue to provide quarterly competition reports to include targets and projections and their proposed plans to meet competition targets at the BSIG.

### ***Improve DoD outreach for technology and products from global markets***

#### **GENERAL GUIDANCE:**

The sources of a great deal of today’s technical innovation are not located in the United States. We have global allies, friends, and trading partners who share our values and can assist us in pursuing innovation and technological superiority. Increased investments in cooperative research, co-development, and co-production may also provide better products for our warfighters at reduced cost.

DoD – across OSD, the Military Departments, Combatant Commands, and Defense Agencies – is extensively engaged in international cooperative engagement activities. These activities range from the cooperative development of the F-35 program to the Coalition Warfare Program to the Engineer and Scientist Exchange Program. This broad engagement, however, presents challenges in optimizing opportunities and managing the flow of information relating to foreign technologies. The current process through which the Department manages acquisition programs does not draw out the full potential for international solutions.

This initiative will establish a centralized process that integrates and provides awareness of global technology for potential application in Acquisition and S&T programs, engagements, and expand opportunities across the Services, Defense Agencies, and OSD for co-development of leading edge technology. The creation of this connective tissue for the Department’s

expansive international activities will increase the utility of information resident within disparate DoD programs and organizations and increase opportunities for international cooperation.

BBP 3.0 seeks to improve the knowledge base of acquisition professionals, enabling greater awareness of foreign solutions and the processes by which the Department can maximize its investments. In addition to promoting effective competition, the actions taken below will complement the “Remove barriers to commercial technology utilization” initiative, which is accomplishing related actions.

#### SPECIFIC ACTIONS:

The Defense Technical Information Center (DTIC) will expand the existing web-based International Agreements Database, initially rolled out in 2014 to make available a catalogue of applicable technologies identified by the acquisition and S&T personnel in our embassies and overseas locations. DTIC will work with AT&L and Service International Cooperation Offices to develop a format and process for input and search. This database will be available to all DoD acquisition and technology and requirements personnel. DTIC will release a spiral of the data base on September 30th each year.

Based on the current functionality of the international programs data base, DTIC will work with the International Cooperation program office to prepare a Directive-Type Memorandum (DTM) for USD(AT&L) issuance outlining data input procedures, roles, and responsibilities and policy guidance by September 2015.

ASD(R&E), with assistance from ASD(LM&R), will assess the opportunities for a pilot program to identify opportunities for foreign technology solutions to solve sustainment and obsolescence management needs. The assessment will be completed by September 30, 2015.

DAU, with the Services/SAEs and Director, International Cooperation, will lead an assessment of the current career field training curriculum to identify opportunities to include international acquisition and exportability training for personnel not in international acquisition coded positions by February 2016. Target communities for enhanced training include acquisition PMs and U.S. Embassy personnel assigned to Security Cooperation Organizations.

Following the curriculum review, DAU will suggest appropriate training modules for inclusion in the Defense Institute of Security Assistance Management course offerings for personnel assigned to U.S. Embassy Security Cooperation Organizations worldwide.

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

#### GENERAL GUIDANCE:

Market research is the cornerstone of determining supplier capabilities in DoD acquisitions. 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. BBP 2.0 focused on the use of effective market

research to identify sweet spots for small business utilization, including the development of procurement forecasts captured in the Maximum Practicable (MaxPrac) Opportunity Analysis Model, and underscored the implementation of Simplified Acquisition Threshold (SAT) guidance. Still, acquisition personnel lack easy access to the decision making information required at each instance where market research is required.

In BBP 3.0, we will build on BBP 2.0 outcomes to broaden the use of effective market research, develop the necessary tools for all stakeholders, and ultimately establish the processes necessary to reinforce effective market research as part of the culture of producing innovative solutions for the Department.

#### SPECIFIC ACTIONS:

Director OSBP will establish and deploy an improved suite of market research tools that will empower the workforce in market research execution, analysis, goal management, future needs forecasting, and industry engagement by October 2015.

Using the Air Force customer support model as a best practice, Director OSBP will work with DASD(MIBP) and ASD(R&E) to perform an assessment of the feasibility of a regionalized or matrix approach to providing market research capability. The results of the assessment will be presented to the BSIG by December 2015.

Director OSBP, with Director DPAP and DASD(MIBP), will complete a study on the feasibility of establishing a superior supplier program for small business using best practices gained from the existing program targeted to other than small businesses. This study will review services as well as products and equipment. The deliverables of the study will also include the metrics to determine success, requirements to be included in the program, as well as the policies for when companies are removed from such a program. The study will be complete by September 2015.

USD(AT&L) and the SAEs will each complete at least two small business outreach events by January 2016. Other CAEs will complete at least one SB-focused outreach event each fiscal year. The focus of the events will be to inform the SB industrial base on policy updates within the Department, provide training on how to better market the DoD and the Component, and provide an opportunity for matchmaking with various Department organizations.

Director OSBP, in coordination with Director DPAP and DCMA, will establish specific guidance outlining the enforcement of subcontracting/subcontracting surveillance by September 2015.

Director OSBP, on behalf of the Department, will work with the Small Business Administration (SBA) and the General Services Administration (GSA) to improve Electronic Subcontracting Reporting System functionality focusing on implementation in FY 2015 and FY 2016. The goal is to improve reportable statistics, add ability to automate reconciliation, validation of contractor input data, and add comprehensive Subcontracting Test Program

Tracking and validation capabilities. This will be tracked and reported through the USD(AT&L) SB monthly progress meetings.

## **IMPROVE TRADECRAFT IN ACQUISITION OF SERVICES**

This area builds on efforts in BBP 1.0 and 2.0 to improve the management of contracted services, which now accounts for over 50 percent of our contracted dollars. Earlier BBP initiatives included the new appointment of Senior Services Managers (SSMs) and Functional Domain Executives for the acquisition of services; the adoption of a uniform taxonomy; the issuance of policy regarding (a) treatment of one-bid contracts, (b) time-and-materials and award fee contracts, and (c) cost efficiency language in services contracts; expanding the use of review boards and tripwires; and increased market research. Despite these actions, there is opportunity for significant continued improvement, reflected in the BBP 3.0 initiatives below that continue, build on, and expand the efforts to date.

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

### **GENERAL GUIDANCE:**

As noted in BBP 2.0, the preponderance of the Department's contracted services support missions that are executed 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 will continue. BBP 1.0 and 2.0 efforts on improving services acquisition identified an on-going need to ensure that personnel who are not part of the traditional defense acquisition workforce are properly executing services acquisition tradecraft. PDUSD(AT&L), with the Components, has developed proposed policy and oversight structure for contracted services acquisition in the new draft Instruction on *Defense Acquisition of Services* (DoDI 5000.ac). Areas of improvement include standard processes, appropriate training, and appropriate oversight.

### **SPECIFIC ACTIONS:**

PDUSD(AT&L) will finalize staffing of the new draft Instruction on *Defense Acquisition of Services* for USD(AT&L) signature and issuance by June 2015.

PDUSD(AT&L) and the Component SSMs shall develop and fully execute a communications and implementation plan for DoDI 5000.ac for completion within 12 months of the Instruction's issuance.

PDUSD(AT&L), through the Services Acquisition Functional Leads, DAU, and other training providers, as appropriate, will provide guidance by September 2015 to the Components regarding Contracted Services management training requirements and opportunities and begin executing training as soon as is practicable for non-acquisition personnel.

Each Services Acquisition Functional Lead, will ensure the Services Acquisition Functional Integrated Process Team (SA FIPT) and Component leads execute implementation of appropriate training supporting use of DoDI 5000.ac. Results will be reported to the PDUSD(AT&L) and the BSIG by January 2016.

The Components, supported by the Services Acquisition Functional Leads and with relevant management chains outside of the defense acquisition workforce, will identify additional non-acquisition workforce Contracted Services training requirements by October 2015 and update annually thereafter.

PDUSD(AT&L), with DPAP's Deputy Director for Services Acquisition and the SSMs, will monitor implementation of DoDI 5000.ac to assess and address any shortcomings. Presentation of the assessment(s) will include a corrective action plan for any significant shortcomings or issues and be presented to the BSIG within one year of the DoDI 5000.ac issuance.

Contracted services Functional Domain Experts will, by August 2015, develop and publish appropriate portfolio metrics and goals for use during FY 2016 to monitor and improve portfolio productivity and performance. It is expected that these metrics and goals will be updated annually.

### ***Improve requirements definition for services***

#### **GENERAL GUIDANCE:**

Improving services contracting requirements definition is a continuing BBP initiative. Defining requirements well is a challenging but essential prerequisite in achieving desired services acquisition outcomes. As most services are integrated into the performance of a mission, it is critical to get the mission owner (often an operational commander) involved in the requirement definition, as well as the acquisition and execution phases. Continuous involvement through the services acquisition phases will lead to improving requirements definition for future acquisitions.

New BBP 3.0 efforts will focus on identifying successful requirements definition processes employed across the Department and communicating those processes effectively as best practices.

#### **SPECIFIC ACTIONS:**

SSMs will identify within each existing functional domain area processes for defining requirements, including the organization structure and conditions that make those processes effective. Best practices will also be identified from each organization and results will be briefed to the PDUSD(AT&L) by July 2015.

DPAP's Deputy Director for Services Acquisition, in conjunction with the SA FIPT, will prepare to the PDUSD(AT&L) and the BSIG an integrated assessment describing existing processes and identifying best practices by September 2015.

SSMs, SA FIPT, and DAU will examine and identify gaps in the associated services acquisition training by June 2015 and identify and publish currently available training capabilities (i.e. PWS Handbook, Services Acquisition Workshop, Acquisition Requirements Roadmap Tool, etc.) using appropriate communication channels, including but not limited to online channels, by July 2015.

DPAP's Deputy Director for Services Acquisition, in conjunction with the Components and SA FIPT, will develop and execute a Services Contracting Best Practices Communications Plan beginning in August 2015.

***Improve the effectiveness and productivity of contracted engineering and technical services***

**GENERAL GUIDANCE:**

DoD relies extensively on contracted services for technical management, systems engineering, and engineering services, including program associated Systems Engineering and Technical Assistance contracts. Enterprise approaches for acquiring these engineering and technical (ETS) services should be used to increase effectiveness of engineering-related outcomes, improve technical information management, identify cost efficiencies for engineering-related studies, and promote innovation and maintaining technical superiority.

**SPECIFIC ACTIONS:**

DASD(SE), in partnership with the Component ETS leads and in coordination with DPAP and the Single Manager for Services for each Component, will lead an effort to characterize the ETS portfolio and identify recommended practices for allocating work and responsibility between in-house government workforce and ETS, and metrics or techniques for assessing the effectiveness of ETS. DASD(SE) will deliver a portfolio assessment to the USD(AT&L) and the BSIG by August 2015 and deliver recommended practices by October 2015.

USAF PEO (Services), in partnership with DASD(SE) and Component leads, will lead an effort to assess applicability and effectiveness of known service acquisition and source selection practices on the ETS portfolio. This effort will include engagement with external organizations. The review will include consideration of practices for requirements definition, contract type selection, incentive structures, appropriate and inappropriate use of Lowest Priced Technically Acceptable source selection criteria, and make/buy decisions. PEO (Services) will deliver an assessment to the BSIG by August 2015.

Deputy Director DPAP for Services Acquisition, in partnership with DASD(SE) and Component leads, will identify data input and management mechanisms and guidance to

improve the Department's ability to monitor and track engineering and technical services and brief the BSIG by August 2015.

## **IMPROVE THE PROFESSIONALISM OF THE TOTAL ACQUISITION WORKFORCE**

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

#### **GENERAL GUIDANCE:**

This initiative builds on BBP 2.0 efforts to pilot key leadership position qualification referenced in USD(AT&L's) Key Leadership Position and Qualifications Criteria memorandum dated November 8, 2013. The memorandum established mandatory KLPs associated with MDAP and MAIS Programs, as well as increased the qualification standards for each position resulting in better defined and more experience-based standards. Additionally, the memorandum directed the establishment of Joint KLP Qualification Boards to prescreen Acquisition Workforce personnel to qualify a pool of candidates to fill these positions. The Test and Evaluation (T&E) functional community successfully piloted the first joint qualification board pilot in December 2014. The acquisition functional community leaders are assessing the pilot results to inform potential expansion of qualification boards to other Defense Acquisition Workforce Improvement Act (DAWIA) functional areas.

#### **SPECIFIC ACTIONS:**

Director HCI, the Services, and Agencies will monitor implementation of KLPs on a continual basis.

By May 2015, the Functional leads will identify which career field leads plan to hold KLP Qualification Boards (or determine alternatives), leveraging the success of the T&E KLP Board, and deploy the Boards by the end of December 2015.

### ***Establish stronger professional qualification requirements for all acquisition specialties***

#### **GENERAL GUIDANCE:**

This continues the BBP 2.0 effort in this area. The DAWIA experience requirements must be supplemented to establish a stronger basis for levels of professionalism across all acquisition career fields. The Department started the Acquisition Workforce Qualification Initiative (AWQI) in BBP 2.0 to better define qualification standards. The Department is close to completing the development of experiential/proficiency standards and tasks for each of the Acquisition Career Fields by competency and competency element. This career development tool focuses on the quality versus the quantity of the experience attribute of certification and provides a higher level of measureable demonstration of experience specific to a position. AWQI demonstrated experience standards will be distributed to the Acquisition Workforce (via the Components) as a guide to assist in Talent Management with an emphasis on career

development and succession planning. It will aid in developing fully qualified acquisition professionals. The Components will be responsible for their implementation methodologies.

#### SPECIFIC ACTIONS:

DAU/AWQI will incrementally roll out completed standards sets in e-workbook format to each of the Services between April to August 2015, and complete remaining standards development (PM and SB) by June 2015.

Services will define their implementation methodology and brief USD(AT&L) on their plans by August 2015.

Director HCI will assess results of Service implementations and recommend a process for sustainment and update of standards to USD(AT&L) by June 2016.

#### *Strengthen organic engineering capabilities*

#### GENERAL GUIDANCE:

DoD cannot effectively support the Warfighter nor retain its technological superiority without a competent and innovative organic engineering workforce, both military and civilian. The goal of this initiative is to strengthen our organic engineering capabilities by equipping our technical workforce with essential education, training, and job experiences, along with the right physics-based tools, models, data and engineering facilities to efficiently and effectively manage the technical content of our complex products throughout their lifecycle. The Department also needs to take active steps to strengthen organic engineering capabilities to better understand the technical risks associated with program execution for its development programs, and this requires a strong engineering workforce.

Development programs for cutting edge weapons systems always carry technical risks. Because of these risks, most development programs are contracted for using cost plus vehicles that require technical supervision by the Government. DoD cannot execute this responsibility without technically qualified program management and a strong supporting workforce. This initiative will focus on identifying and managing the specific technical areas where the Department requires enhanced engineering skill/expertise in order to effectively manage its portfolio. Any uncovered technical area gaps or shortfalls will be prioritized, and mitigation strategies will be developed to meaningfully improve the DoD's organic engineering capability. Potential strategies may include: ensuring that technical qualifications are a primary consideration in assigning individuals to key leadership positions in programs; removing organizational inhibitors to the development of technical expertise; providing added training, experience, and education to retain and grow competency/technical expertise; obtaining required analytic capability including necessary physics-based tools, models, data, and engineering facilities; and identifying/developing and implementing innovative methods to retain qualified technical experts, including outside expertise that has not "grown up" within the military or civil service structure.



## SPECIFIC ACTIONS:

The Services will proactively manage their organic engineering workforce. SAEs will develop metrics to monitor the health of their engineering capabilities and resources (competencies, tools, infrastructure, and data) by July 2015. Engineering workforce health metrics will be reported on an annual basis to USD(AT&L) and the BSIG beginning in August 2015.

The Services will conduct a self-assessment by October 2015 of their in-house engineering capabilities and resources (competencies, tools, infrastructure) and develop data to identify specific organic engineering technical gaps that are creating risk in managing their portfolio of products and services.

The Services will assess their organic technical gaps to determine the cause and impact, prioritize the gaps, and develop mitigation strategies to close the gaps by January 2016.

***Ensure development program leadership is technically qualified to manage R&D activities***

## GENERAL GUIDANCE:

Development is an engineering activity which is usually conducted in a cost plus contracting environment. In that environment, government managers must have a thorough understanding of the relevant technical fields and be able to provide effective direction to the Department's contractors. The Department must ensure that technically qualified leaders are available and assigned to managing our development programs.

## SPECIFIC ACTIONS:

PDASD(A) will collect and evaluate data on current ACAT I/IA Program manager and PEO training, education, and experience to determine their technical qualifications to manage R&D activities, and will provide this information to USD(AT&L), Service leadership, and the CAEs by May 2015.

Based on the data received, USD(AT&L) will work with Service leadership and CAEs to develop and execute implementation plans designed to improve the technical qualifications of developmental program leadership.

***Improve our leaders' ability to understand and mitigate technical risk***

## GENERAL GUIDANCE:

Successful product development requires understanding and actively managing program risks. Risk management is an endeavor that begins with requirements formulation and assessment, includes the planning and conducting of a technical risk reduction phase if needed, and strongly influences the structure of the development and test activities. Active risk management requires investment based on identification of where to best deploy scarce resources for the greatest impact on the program's risk profile. PMs and staff should shape and control

risk, not just observe progress and react to risks that are realized. Anticipating possible adverse events, evaluating probabilities of occurrence, understanding cost and schedule impacts, and deciding to take cost effective steps ahead of time to limit their impact if they occur is the essence of effective risk management. Risk management should occur throughout the lifecycle of the program and strategies should be adjusted as the risk profile changes. Among activities to implement this initiative are the development of pilot programs, hands-on training, and briefings to educate acquisition leaders about proactive risk management. The Department will also expand the available repository of risk-related case studies and lessons learned.

In 3.0, we will continue to refine BBP implementation plans through designated supporting organizations, make recommendations to evaluate a set of acquisition programs to assess/evaluate active risk planning, and coordinate updates to program review guidance to incorporate refinements in the technical risk information needed to support major decisions.

#### **SPECIFIC ACTIONS:**

DASD(SE) will work with the CAEs and DAU to collect risk management case studies and lessons learned and report results to the USD(AT&L) and the BSIG by October 2015.

DASD(SE) will re-issue the DoD Risk Management Guide by June 2015 to ensure understanding, implementation, and reporting of risk identification, management, and mitigation across the Department.

SAEs will commission a review of current risk management curricula and recommend updates by November 2015.

DASD(SE) will work with the Components to pilot technical risk peer reviews and provide independent feedback to programs prior to major milestones or decision points.

Program Managers will emphasize remaining risks and ongoing or planned mitigation actions in annual program assessments for the DAE, CAE, and PEO.

#### ***Increase DoD support for STEM education***

#### **GENERAL GUIDANCE:**

This initiative addresses both direct and indirect DoD support to Science, Technology, Engineering and Mathematics (STEM) education and outreach efforts focused on developing the next generation of STEM professionals, including improving diversity through outreach to underrepresented communities. It will encourage and promote DoD and component outreach to foster STEM education and interest in careers in STEM areas.

This initiative also supports the U.S. Government STEM education from Kindergarten (K)-12 and college to increase the pool of U.S.-eligible STEM personnel available for and participating in national security work. Additionally, it will strengthen the relationship between DoD labs and the civilian technical community, especially within the university system. In order

to recruit the best candidates for the RDT&E community, DoD needs to make its labs and engineering centers more highly desirable workplaces that are competitive for technical talent.

**SPECIFIC ACTIONS:**

ASD(R&E) will formulate and publish an annual “campaign plan” for voluntary STEM support activities by the DoD acquisition community during the following year. The first campaign plan will be complete and begin execution in October 2015.

ASD(R&E) will expand the scope of the STEM Board of Directors (BoD) to include more emphasis on engineers by May 2015.

The STEM BoD will provide a strategic STEM education and outreach communication plan for DoD senior leaders by June 2015.

STEM BoD will establish a quarterly STEM support award program and criteria for local STEM support recognition by May 2015.

ASD(R&E), in concert with the STEM BoD, will develop and conduct a STEM activity survey and analyze the results to understand the scope of all DoD K-12 STEM efforts (both direct and indirect funded activity) by December 2015.