

Navigating the Course for Acquisition Reform



Year in Review 2000





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Navigating the Course for Acquisition Reform

The Department of the Navy's (DON) Acquisition Reform Office (ARO) is navigating the course for Acquisition Reform. In keeping with the *Strategic Plan 1999-2004*

of the Assistant Secretary of the Navy for Research, Development, and Acquisition, we initiated ways in FY00 that will enable DON to work better, smarter, cheaper, and faster.

DON is working **better** as a result of our efforts to reduce the demand on internal resources:

- Responding to the requests of 16 Program Managers for Assist Visits to resolve acquisition issues.
- Analyzing over 20 reports required by Congress, DOD, and DON and identifying sections that could be eliminated or consolidated.
- Soliciting feedback through a Web survey to find acquisition policy areas in need of reform; and modifying, eliminating, or clarifying these policy areas.

DON is working **smarter** as we share knowledge and seek to streamline standards:

- Developing a Knowledge Management System that enables its users (the Knowledge Community) to share knowledge from anywhere at any time through technology (the Knowledge Share Space).
- Communicating the Acquisition Reform message throughout DON by upgrading the award-winning ARO Web site, publishing 11 Info-Alerts, and coordinating management forums in which to share best practices.
- Supporting the conversion of military specifications and standards to their commercial equivalents and coordinating

DON's participation in the Single Process Initiative effort, which reduces the number of government-unique processes used by industry.

DON is working **cheaper** through our efforts to help control weapon systems costs:

- Developing an ABCM implementation plan and testing it in our own Acquisition Center of Excellence. We also assisted an ACAT (Acquisition Category) program in implementing Earned Value Management contractual language in three Requests for Proposals (RFPs).
- Establishing the Total Ownership Cost Knowledge Share Space, a collaborative workspace for acquisition workers, that enables access to best practices and lessons learned and its implementation in their programs.
- Supporting the DOD-wide Program Manager Oversight of Life Cycle Support Working Group by acting as a liaison between the Office of the Secretary of Defense and the Program Managers of the Navy's ten Pilot Programs.

DON is working **faster** through the promotion of weapon systems schedule reduction:

- Conducting site visits and breakout sessions in response to organization requests, and providing acquisition tools that give workers access to the entire Acquisition body of knowledge.
- Educating Program Managers on the relationship between cycle time and program cost, developing Cycle Time Reduction Guidelines, and sharing them with the acquisition community.
- Beginning to harmonize over 30 Simulation Based Acquisition-related initiatives throughout government and industry.

I am extremely proud of the Acquisition Reform Office team's accomplishments and the progress we made in FY00. Reform and change are never easy, but ARO has risen to the challenge. We will continue our progress in FY01 and beyond.



Eileen Roberson
Acquisition Reform Executive

Our History & Mission

The Department of the Navy's (DON) Acquisition Reform Office (ARO) leads the Navy and the Marine Corps in embracing Acquisition Reform (AR) changes. At the root of the Department of Defense's (DOD) Acquisition Reform efforts is a focus on meeting *warfighter requirements and needs*. In the early 1990s, DOD began to place additional emphasis on cost reduction in response to sharply decreasing funding.

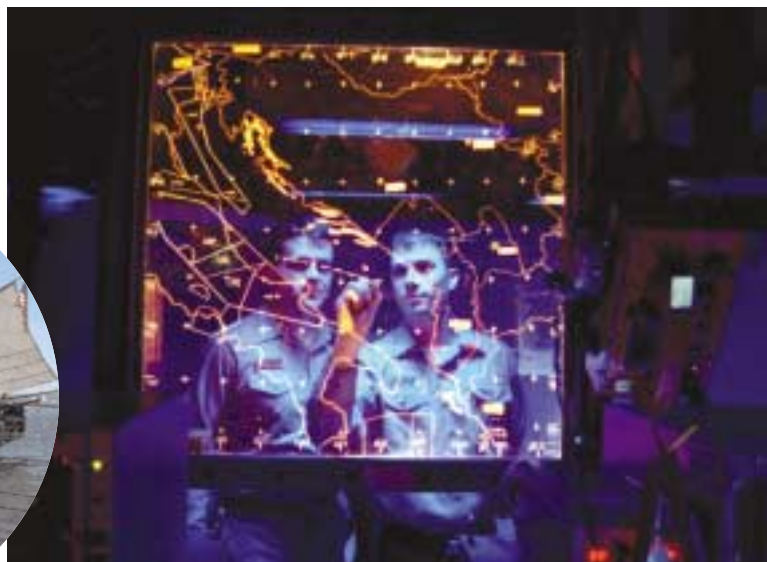
DOD's new emphasis on cost is based on several factors, including the Secretary of Defense's "Mandate for Change," issued in February 1994. DON's first step was to charter the Navy Acquisition Reform Senior Oversight Council (NARSOC), a 70-member forum comprising senior-level representatives from the Department's acquisition, requirements, and financial communities. This Council, chaired by the Assistant Secretary of the Navy for Research, Development, and Acquisition [ASN(RDA)] reviewed Acquisition Reform initiatives and disseminated information.

The NARSOC provided a solid beginning, but a full-time leader was necessary to fully implement a strategic Acquisition Reform plan.

A full-time Acquisition Reform leader, the Acquisition Reform Executive (ARE), was selected to oversee DON's Acquisition Reform activities. When it became apparent that the ARE would require a dedicated supporting office, the **Department of the Navy Acquisition Reform Office** was chartered. On January 13, 1995, DON became the first military department to establish an Acquisition Reform Office.

Our mission is to team with DON acquisition programs to reduce total ownership cost and cycle time. We lead and manage the DON Specifications and Standards program, champion improvement of business processes, and implement a holistic outreach, communications, and education program.

ARO serves as a catalyst for DON Acquisition Reform initiatives by identifying, implementing, and monitoring critical Acquisition Reform strategies. The following section describes the main acquisition challenges that ARO is helping DON to resolve.



Understanding DON's Challenges

In keeping with the goals of the National Partnership for Reinventing Government and consistent with the Government Performance and Results Act and the Revolution in Business Affairs, the ASN(RDA) developed the *Strategic Plan 1999-2004*. The Plan focused the ASN(RDA)'s efforts on four primary challenges. The DON Acquisition Reform Office aligns its efforts to these challenges:

1. Working **BETTER**: Reducing Demand on Internal Resources

DON's workforce has been reduced by 50% over the past ten years. As a result, our remaining workforce continues to take on new responsibilities. Working better involves assisting Program Managers in reducing reporting requirements, reducing paperwork, and removing regulatory barriers to effective acquisition.

2. Working **SMARTER**: Managing Knowledge and Streamlining Standards

Businesses everywhere are grappling with information overload. DON also struggles to manage knowledge and information. Working smarter involves training an efficient and effective cadre of acquisition professionals to share, update, and retain corporate knowledge. Working smarter also means reducing military unique requirements and promoting commercial standards.

3. Working **CHEAPER**: Controlling Weapon Systems Costs

Budget reductions, as well as good stewardship, compel DON to control weapon systems costs. Working cheaper involves implementing cost management initiatives, reducing the total ownership cost of systems, and giving Program Managers more insight into the costs of their programs.

4. Working **FASTER**: Shortening Weapon Systems Schedules

Unduly long acquisition schedules threaten the effectiveness of weapon systems and dramatically increase program cost. Working faster involves accelerating Acquisition Reform, promoting initiatives to reduce cycle time, improving the efficiency of internal processes, and incorporating government and industry best practices.



ARO aligns its efforts with the ASN(RDA)'s Strategic Plan.

ARO's **Goal Managers, Initiative Leaders, and Director of Communication & Outreach** work together to help DON navigate a course to meet each challenge. Our four Goal Managers direct our **Program Assist Visits, Reports, Policies, and Activity-Based Cost Management** efforts. Our six Initiative leaders guide progress in **Acquisition Knowledge Management, Standardization, Total Ownership Cost Reduction, DON RTOC Pilot Programs, Cycle Time Reduction, and Simulation Based Acquisition**. Our Director of Communication & Outreach communicates the Acquisition Reform message to DON's acquisition community.

The following section outlines the progress ARO made in FY00 to help the Navy and Marine Corps resolve these acquisition challenges.

Better

Helping DON Work Better by Lessening Demand on the Acquisition Workforce

Working better emphasizes the improvement of acquisition workforce satisfaction by lessening the overwhelming demand, and associated workloads, placed on them. In the face of force reductions and anticipated retirement rates, DON must find ways to keep the remaining staff from being overwhelmed. ARO helped DON in this regard by providing direct acquisition assistance to Program Managers, by working to reduce reporting requirements, and by identifying regulatory barriers to effective acquisition.

Assisting Program Managers

Program Assist Visit (PAV) is an ARO outreach strategy based on partnering with acquisition program teams on a non-attribution basis to implement key Acquisition Reform initiatives and provide assistance through Subject Matter Experts (SMEs). ARO's **Communication & Outreach Team** and "**Program Assist Visit**" **Goal Manager** work together to conduct full-service PAVs.

PAVs benefit DON and individual programs in many ways. PAVs identify individual program acquisition areas where assistance is needed, provide technical expertise to acquisition programs, accelerate the implementation of Acquisition Reform, facilitate communication across warfare areas, encourage teamwork, and identify best acquisition practices. All PAVs are conducted on a non-attribution basis.

ARO's role in PAVs includes:

- Identifying best practices and initiatives for Program Manager consideration
- Identifying management tools which may assist in the implementation of best practices
- Providing Acquisition Reform knowledge, tools and aids
- Providing Acquisition Reform implementation and collaboration services

- Providing on-site assistance by SMEs

In FY00, ARO's goal was to conduct three full-service PAVs. We completed four full-service PAVs and twelve smaller PAVs. The full-service PAVs include:



ARO partners with acquisition program teams to implement key Acquisition Reform initiatives.

1. Assisted in the Design of Computer Display Screens Focusing on Human-Machine Interface Considerations

A PAV provided assistance in the design of computer display screens used to operate and maintain shipboard systems, with a focus on the human-machine interface aspects of the design. This PAV laid the groundwork to establish more common computer screen designs and information content across ship type and class. The effort contributed to improved effectiveness of shipboard systems.

2. Created Best Value Analysis Model To Define Full-Service Contractor Logistics Support Approaches

A PAV was conducted in support of a program team tasked to develop a decision model to assist Program Managers in making best value decisions regarding

logistics support of deployed systems. This approach, called Full Service Contracting, is an Acquisition Reform strategy designed to reduce government and industry infrastructure and total ownership costs. The model considers alternative sources for logistics support.

ARO assigned SMEs to assist the Best Value Analysis Team and provided guidance regarding Best Value Analysis techniques, methods to identify alternative government/industry support approaches, and methods to quantify the best value solution. The Best Value model's development is complete and other programs may use it to make critical program support decisions.

3. Analysis of Alternatives

Planning

A PAV was conducted to help plan and conduct an Analysis of Alternatives (AOA) for a major weapon system acquisition. During early acquisition phases, the program focuses on determining the system's requirements and potential material solutions. The AOA Process provides a mechanism for transition from the operational requirements to the initiation of the systems design.

The AOA Process includes:

- Conducting market research and performing technology reviews



- Making system performance estimates and comparing them to system requirements
- Estimating the system's cost and affordability

ARO's SMEs assisted the program team by providing examples of AOAs, describing criteria to define the AOA's scope, helping the Program Manager (PM) identify his roles and responsibilities, and identifying the relationship of the

AOA to other program initiation planning requirements.

4. Facilitated the Use of Partnering Agreements

Partnering Agreements, used between government and industry program teams, provide a flexible framework for team members to work cooperatively to identify and

resolve acquisition problems, facilitate contract performance, and achieve common goals. ARO established a PAV team to assess the content and consistency of Partnering Agreements, and assist in removing barriers that prohibited their approval. SMEs reviewed draft agreements and provided proposed changes. Issues raised by the Program Manager and legal counsel were resolved.

In addition to helping acquisition Program Managers solve specific problems, ARO has also helped DON work better by identifying redundant reporting requirements.

[We are] extremely pleased with the Program Assist support we have received in the Best Value Analysis effort and the overall Life Cycle Support Planning effort. We are especially pleased with the personnel assigned to us for Program Assist.

PAV Client



Reducing Reporting Requirements

ARO's surveys of the Acquisition Community revealed that the workforce was overworked, primarily due to force reductions of more than 50% over the past ten years, though reporting requirements were not adjusted accordingly.

Our **"Reports" Goal Manager** worked to reduce reporting requirements, helping to lessen the burden on the workforce and improving worker satisfaction. We found that reports and sections of reports are added over time, but that requirements are rarely reviewed and purged and reporting timeframes are often unrealistic. Program Managers often have multiple reports due only weeks apart that request similar information in different formats.



The continuing work of ARO's "Reports" Goal Manager will help reduce workload on DON's Acquisition workforce.

A two-phase plan reduced reporting requirements:

1. Identify duplicative and non-value-added reports, or parts of reports, in order to recommend their elimination or consolidation.
2. Recommend an approach for consolidating and streamlining the remaining reporting requirements, including the use of software to help extract report data.

ARO completed Phase 1 in FY00 accomplishing:

- Scoped the problem by discovering and listing over 20 reports required by Congress, DOD, and DON.
- Analyzed reporting requirements to identify specifying activity, highest level of receipt, frequency of reporting, delivery format, reporting instructions, and supporting software for each report.
- Assessed reporting overlaps by creating a matrix to classify the various types of information collected.

- Examined reporting overlaps and duplication and identifying the most comprehensive reports or sections of reports for each type of required information.

In FY01, ARO plans the following approach for Phase 2:

- Recommend elimination/consolidation of report duplication.
- Draft instructions for the implementation of approved recommendations.
- Research and recommend use of software products to extract report data.
- Continue efforts to streamline the reporting process.

The continuing work of ARO's "Reports" Manager will help reduce workload on DON's acquisition workforce. ARO also helped DON work better by examining policy and regulatory barriers to the acquisition process.

Identifying Policy and Regulatory Barriers to Effective Acquisition

ARO's **"Policies" Goal Manager** works to remedy policies that impede efficient business practices. As we learn new ways of doing business, we find ways of implementing top-level policies with fewer restrictions and unnecessary burdens. Early Acquisition Reform focused our efforts on legislative reform; current efforts focus on our internal policies and regulations to further enhance the quality of our acquisition processes.

Our recent activity in policy and regulatory improvement includes three action areas:

- Resolve policy issues discovered via a Web-based survey
- Review draft policies and regulations coordinated by DON
- Research internal issues referred from ARO members



Resolving policy issues for the Acquisition Workforce

ARO conducts an ongoing Web-based survey to identify policy issues in the Acquisition Workforce. We solicit reports of policies that workers feel inhibit their ability to do their jobs. Submissions are investigated and submitters are given feedback and an opportunity for further comment. Through discussions with the workforce and policymakers, we explore the purpose and impact of these policies to form the basis for their modification, clarification, or elimination.

Some policy changes require legislative proposals; in FY00, survey submissions were received, researched, and referred for incorporation into ongoing legislative proposals. Other changes involve examining internal interpretation and implementation. In these cases, when policies cannot be changed, ARO clarifies the meaning behind the requirements. A clearer understanding of the requirement often improves efficiency without changes in policy.

Review draft policies being coordinated by DON

ARO continuously reviews draft policies being coordinated by DON. The ARO review team, working with the SYSCOMs and the Navy's 5000 panel, recommended significant changes that were successfully negotiated into the new DOD 5000 documents (the major directives and instructions for defense acquisition policies and procedures). We also participated in generating a draft revision of the procurement policy and are working to improve and clarify the draft language.

Research internal issues referred from ARO members to find other potential improvement projects

The "Policies" Goal Manager seeks out new areas for policy improvement by researching internal referrals from other ARO staff. In our regular briefings and assist visits throughout DON, ARO team members listen for complaints and suggestions and translate these comments into potential improvement projects. These

projects can address top-level - policies and procedures as well as SYSCOM and local policies, interpretations and implementation procedures.

Future activity in policy reform is continued vigilance for barriers and obstacles to effective and efficient acquisition.

ARO's "Policies" Goal Manager works to remedy policies that impede efficient business practices.

To help DON work better, ARO solved acquisition problems, reduced reporting requirements, and identified policy and regulatory barriers. Excessive reports and policies are not the only barriers to effective acquisition, however. Force reductions and retirements can cause valuable knowledge to be lost, while military-specific standards can impede acquisition progress. To avoid this, DON must not only work better, but also work smarter.

Smarter

Helping DON Work Smarter by Managing Knowledge and Streamlining Standards

To work smarter, DON must build systems to share and manage information, promote a culture that shares and retains corporate knowledge despite workforce reductions, and maximize the use of applicable commercial specifications and standards.

Managing Knowledge

Because more than half of DOD's workforce will be eligible for retirement in the next five years, it is imperative that DOD capture the knowledge and experience of these people prior to their departure. In order to begin to address this, OSD tasked each military department with the creation of a **Knowledge Management System Pilot Program**. Each military service has initiated a Knowledge Management System in functional areas. DON's pilot program is Total Ownership Cost (TOC).

A Knowledge Management System enables an enterprise to "know what it knows" by bringing information, tools, lessons learned, and best practices together in a **Knowledge Share Space** (KSS). The Knowledge Share Space allows users to build a **Knowledge Community**, with the ability to collaborate even if geographically dispersed. The Knowledge Community uses the technological framework of the KSS, contributing to and maintaining its content. Thus, a complete Knowledge Management System includes both the enabling technology (share space) and the community of users who contribute their knowledge to the system.

The benefits of a Knowledge Management System include:

- Establishing mechanisms for knowledge creation, capture and re-use in a real-time, non-intrusive manner.
- Raising worker proficiency through availability of best practices and lessons learned, access to Subject Matter Experts, and collaboration with other acquisition professionals.
- Allowing "virtual" collaboration of geographically

dispersed teams via such tools as chat rooms, electronic bulletin boards, and Video Teleconferencing.

In FY00, ARO's **Acquisition Knowledge Management (AKM) Initiative Team** researched, developed, and rolled out a Knowledge Management system. This involved three main goals and accomplishments:

1. Completed Market Analysis of Knowledge Management Best Practices and Enabling Technology



ARO's Acquisition Knowledge Management Initiative Team helped develop the TOC Knowledge Share Space that was showcased at DON's Knowledge Fair.

The AKM team studied Knowledge Management issues, implementations, best practices, and enabling technologies from nearly 500 companies and organizations worldwide. From this information we created a Knowledge Share Space and Knowledge solutions capability.

2. Built a Knowledge Share Space

The AKM team acquired commercial KM software products and development tools, tested and integrated them into an open systems KM architecture. The resulting TOC Knowledge Share Space (KSS) was developed with ARO's TOC Initiative Team. The TOC team provided the "look and feel" requirements and filled the KSS framework with TOC process and content, creating a tool for DON acquisition workers to use to collaborate on TOC issues. The KSS is a template that can be used in any functional area by mapping the area's processes and filling the KSS with relevant content.



3. Developed a Knowledge Community Guide

In conjunction with the development of the KSS, the AKM team is finalizing a Knowledge Community Guide to provide the techniques, processes, and goals to be considered by acquisition leadership in the implementation of the KSS and the building of a Knowledge Community. The first release of the Guide is complete. It will be published the first quarter of FY01 with lessons learned from its use by the TOC community.

The **TOC Knowledge Share Space (TKSS)** prototype was showcased at DON's Knowledge Fair in Washington, DC, on August 1, 2000. The TKSS has been designated a Knowledge Pilot for DOD's TOC reduction efforts by OSD. TKSS has been designated the "DOD TOC Portal." Additionally, the TKSS Team received a DON eGov Award for "Linking Knowledge and eBusiness." The lessons learned from TKSS will aid the development of Knowledge Management Systems throughout DOD.

In addition to building a Knowledge Management System, DON must promote a culture that values information sharing and communicates best practices and lessons learned. ARO contributes to this effort by fostering collaboration and communication at the executive and staff levels throughout the DOD and DON acquisition community.



Communicating with the Acquisition Community

ARO's **Communication & Outreach Team** enhances the acquisition workforce's knowledge by sharing information on all of the department's reform initiatives and by publishing commercial and government best practices and lessons learned.

In FY00, Communication & Outreach helped DON:

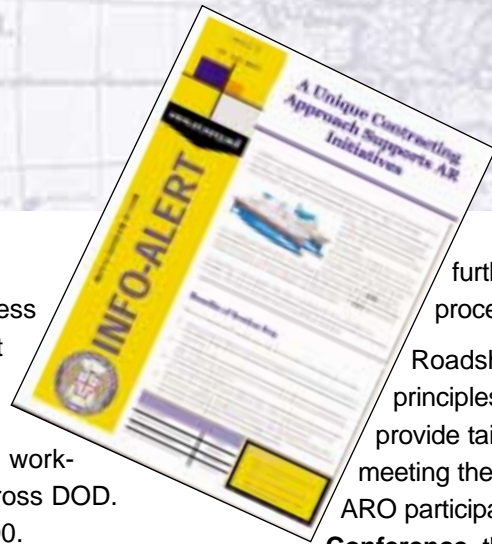
- Communicate the Acquisition Reform message to the acquisition community
- Share best practices in AR through forums for government and industry
- Increase AR awareness and gain feedback from the acquisition workforce

Communicating the AR Message

To communicate the AR message to the entire acquisition community, we increased services on the ARO Web site, we published Info-Alerts, and we recognized successes with AR Awards.

AcqCenter.com gave the ARO Web site a four star rating, saying, "The Navy's comprehensive Acquisition Reform site includes an excellent library of up-to-date acquisition policy as well as a guide to training resources including an online market research tutorial."

The **ARO Web Site** provides a forum for communicating with every acquisition worker. In FY00 the site was upgraded with a searchable database of success stories and best practices. A Guestbook to route questions to Subject Matter Experts (eventually leading to an automatic display of Frequently Asked Questions) was also added. Future plans include a new database-driven design for the Total Ownership Cost Webpage.



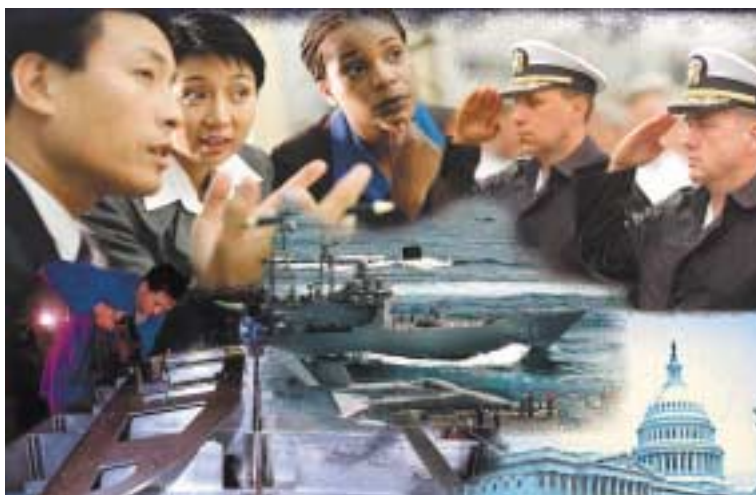
Info-Alerts provide timely, relevant information on policy changes, success stories, upcoming satellite broadcast information, and the release of new tools and services. Info-Alerts are distributed to the Acquisition Reform workforce and to senior management across DOD. ARO published 11 Info-Alerts in FY00.

AR Awards recognize and reward teams and individuals for successfully implementing AR innovations into their daily work. In FY00, we recognized 88 teams and almost 2,000 members of our acquisition workforce. DON is particularly proud that our USMC-DON Advanced Amphibious Assault Vehicle MARK 46 Weapon System Development Team was one of three winners of the FY00 David Packard Excellence in Acquisition Award, DOD's highest award for acquisition.

Sharing Best Practices

Conferences, roadshows, and other forums provide a frank and informal atmosphere in which to share ideas and best practices at the executive level and build consensus on the planning and implementation of AR initiatives among the Services.

DON's Sixth **Annual CEO Conference** utilized small focus groups to increase interaction between government and industry senior acquisition leaders. The conference provides DON's acquisition leadership and executive-level industry personnel a unique opportunity to engage in frank, open, and informal discussions on the critical issues to



further improve the weapon systems acquisition process and achieve mutually beneficial results.

Roadshows are communication tools to share AR principles with government and industry. Roadshows provide tailored tutorials and panel discussions on meeting the acquisition community's needs. In FY00, ARO participated in the **Network and Opportunities Conference**, the **AR/SAP Fair** in Jacksonville, FL, and the **DON Knowledge Fair**.

AR Management Forums are useful for widely communicating expectations, successes and lessons learned to the workforce. ARO promoted the following management forums in FY00:

- **Acquisition Reform Team Working Group (ARTWG)** brings together AR representatives at the working level from the Systems Commands, Direct Reporting Program Managers, Program Executive Officers, and other Navy organizations to share lessons learned, tools, training materials, and to discuss future needs for the AR community.
- **Navy Acquisition Reform Senior Oversight Council (NARSOC)** brings together the senior leadership of the Systems Commands, Direct Reporting Program Managers, Program Executive Officers, and other Navy organizations. In FY00, the NARSOC was refocused to

address specific relevant topics. Program Manager NARSOCs are also held when appropriate, to address issues of specific concern to Program Managers.

ARO also coordinated DON's participation in the OSD-sponsored **PEO/SYSCOM Commanders Workshop and Conference**.

Increasing Awareness and Getting Feedback from the Acquisition Workforce

ARO conducted **Acquisition & Logistics Reform Week** to

highlight successes, increase awareness of AR, and obtain feedback from the workforce on AR initiatives and implementation. The main feedback tool is the **Acquisition Reform Survey**. This year, both electronic and paper versions were available to encourage participation. Trend data and specific responses guide ARO in establishing annual goals and initiatives. The survey summary is posted on the ARO Web site, www.ar.navy.mil.

While managing knowledge and communicating lessons learned will help DON's staff work smarter, streamlining specifications and standards will improve the overall acquisition process.

Streamlining Specifications and Standards

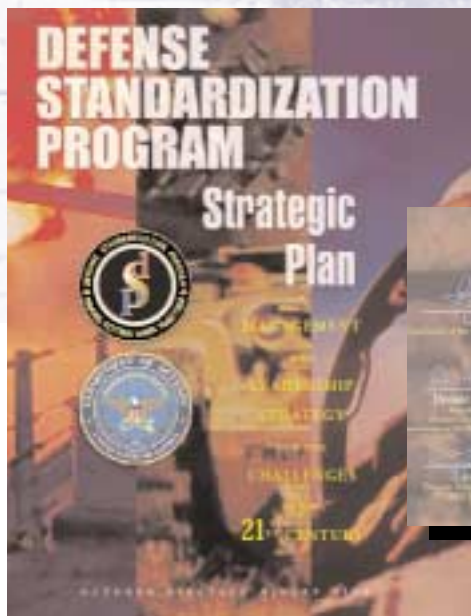
The goal of Standardization is to reduce the use of unique military specifications and standards in favor of performance and commercial specifications and standards. This allows flexibility to use the most current commercial processes, saving time and money.

ARO's Standardization Initiative Team coordinates the efforts of the Systems Commands (SYSCOMs) to convert military specifications and standards to performance and commercial equivalents. Our accomplishments in FY00:

1. Worked in cooperation with SYSCOMs to complete the conversion of military specifications and standards.

Since 1994, DON has converted, eliminated, or transferred 7084 of the 7297 MILSPECs and MILSTDs identified for reform. This effort is essentially complete.

2. Promoted and coordinated DON's participation in



Defense Standardization Program Strategic Plan. www.dsp.dla.mil

the Single Process Initiative (SPI) effort.

The Single Process Initiative (SPI) is a DOD Acquisition Reform initiative that permits contractors to replace government-unique business and manufacturing processes with commercial equivalents. Since DOD is no longer industry's driving customer, we cannot expect to impose restrictive process requirements without paying a premium price. Conversely, industry now realizes that it must find new ways to satisfy DOD's mission requirements at a much cheaper cost. SPI reduces the number of unique processes industry must use to support government products.

Cumulative figures through FY00 show negotiated SPI contract savings to the Navy estimated at \$8,806,872, with an estimated cost avoidance projection on future Navy contracts of \$387,789,872. Thus, SPI is a significant cost-saving tool. More importantly, DOD has recently identified SPI as a mechanism to achieve the long-term goal of Civil/Military Integration (CMI), which will lessen the distinction between DOD and commercial sector customers. In expediting the goal of CMI, SPI enabled DOD to capitalize on state of the art commercial processes without the costs associated with development and testing.

3. Implemented the Defense Standardization Program Strategic Plan.

Each military department has the lead in coordinating action areas of the Defense Standardization Program Strategic Plan. DON has the lead in Interoperability and Logistics Readiness. ARO has begun to explore the role of standardization with regard to these areas by forming a Multi-Service Executive Steering Group. Efforts to implement the Plan will continue throughout FY01.

Cheaper

Helping DON Work Cheaper by Controlling Weapon Systems Costs

ARO helped the DON work cheaper by implementing cost reduction initiatives, educating Program Managers in reduction of total ownership cost, and helping Program Managers reduce program life cycle cost.

Implementing Cost Management Programs

ARO's "Activity-Based Cost Management" (ABCM) Goal Manager worked with various acquisition programs to implement ABCM in their programs. ABCM is a methodology that will provide a decision support tool and information to rapidly question, discover, and learn about resource consumption, leading to increased overall efficiency and cost reduction.

Program Managers derive several benefits from implementation of ABCM techniques:

- Provides financial visibility into organizational processes
- Enables management to maximize the utilization of their limited resources
- Provides information to support decision making

For ABCM to be effective, programs must take ownership of the process. ARO supports ABCM implementation by educating program offices, training designated "ABCM Champions" within the programs, assisting in the development of ABCM Plans, and providing support and help through Subject Matter Experts.

In FY00, ARO accomplished the following:

1. Implemented ABCM in our own **Acquisition Center of Excellence (ACE)**, using it as a testing ground for ABCM implementation (ACE has since been reassigned to NAVSEA).
2. Updated our ABCM Implementation Assist Plan, using the lessons learned from the ACE implementation. The plan guides ARO when helping other organizations implement ABCM programs.
3. Began ABCM implementation with four program offices by briefing the PEOs and training the programs' designated "ABCM Champions." ABCM implementation is ongoing in these programs.

The ABCM Goal Manager also supported implementation of **Earned Value Management (EVM)**. EVM is a tool that gives Program Managers visibility into technical, cost, and schedule progress on their contracts.



ARO works with acquisition programs to implement cost management tools such as Activity-Based Cost Management and Earned Value Management.

It provides insight into cost and schedule performance by establishing a cost baseline and requiring contractors to submit reports against this baseline throughout the contract period of performance.

ARO's EVM accomplishments for FY00 include:

1. Assisted a program to incorporate EVM contractual language in three RFPs.
2. Refined ARO's EVM Implementation Assist Plan based on lessons learned from these implementations.
3. Submitted Plan to DON SMEs to ensure proper alignment of program office EVM efforts with ongoing DON EVM efforts.

ABCM and EVM are valuable tools for helping programs manage costs. These tools are used, along with others, in ARO's effort to educate Program Managers in Reduction of Total Ownership Cost.

Educating Managers in Reduction of Total Ownership Cost

Total Ownership Cost (TOC) is the sum of all direct and indirect costs necessary to organize, equip, sustain, and operate military forces sufficient to meet national goals in compliance with all official measures of performance. The objective of Reduction of Total Ownership Cost (RTOC) efforts is to ensure that future year defense plans experience growth in capital investment funds and reduction in operating and support costs in an environment of zero to low real budget growth.

ARO's **TOC Initiative Team** worked to establish a common framework within DON that allows every manager and worker to become TOC conscious and continuously



ARO's TKSS team received a DON eGov Award for "Linking Knowledge and eBusiness."

work to reduce costs while improving quality, efficiency, and performance.

In FY00, the TOC team's three main accomplishments toward this vision were:

1. Established the TOC Knowledge Share Space

TOC used the technological framework provided by the Acquisition Knowledge Management Initiative to create a tool for use by DON acquisition workers known as the TOC Knowledge Share Space (TKSS). This collaborative workspace portal gives users access to information, services, tools, and each other. It provides an interactive tool for TOC decision-making; increases work proficiency by establishing a repository of best practices and lessons learned; and saves time by establishing a mechanism for knowledge creation, capture, re-use, and update.

Major features of the TKSS include:

- Knowledge Base: Information related to the development, implementation, and execution of RTOC programs and cost management methods and techniques
- Collaboration Tools: Discussion forums, chat capabilities, and interactive community calendar
- Expert Assistance: Real-time access to Subject Matter Experts; Frequently Asked Questions on TOC Reduction, ABCM, EVM, and Cost As an Independent Variable (CAIV)

The TKSS was designated a DOD Knowledge Pilot, to be a model for future Knowledge Management Systems. Additionally, TKSS has been designated the "DOD TOC Portal" and the TKSS Team received a DON eGov Award for "Linking Knowledge and eBusiness."



TKSS will continue to mature into a more comprehensive performance support system through user feedback and response to TOC community needs.

2. Supported implementation of business reform initiatives

ARO helped reduce Total Ownership Cost among programs by supporting implementation of a variety of business reform initiatives that help reduce Total Ownership Cost and Cycle Time. Initiatives such as ABCM, EVM, CAIV, and Target Costing help acquisition workers provide technologically superior yet financially affordable systems for DON.

3. Mapped the TOC process

ARO's TOC Process Mapping Working Group sought to improve DON's RTOC efforts by mapping RTOC processes in Secretariat, CNO Organization, SYSCOMs, and the Naval Center for Cost Analysis. The working group was the first forum for sharing DON RTOC processes. The mapping effort documented key RTOC activities and events, eliminated redundancies, established a calendar to align and harmonize these

activities and events, and defined roles and responsibilities.

The TOC Process Mapping Working Group's accomplishments in FY00 include:

- Focused attention on the need for a common format for reporting and requesting investment funding to reduce the Program Manager's burden of submitting the same information in multiple formats.
- Provided a forum for PM, PEO, and SYSCOM representatives to share techniques used to evaluate and select RTOC initiatives for funding.
- Provided impetus for the development of definitive roles and responsibilities for the major TOC reduction investment programs and key TOC stakeholders.

ARO helped DON reduce Total Ownership Cost in a variety of ways. In addition to supporting implementation of innovative business reform processes and mapping RTOC efforts, ARO also supported Program Managers in experimental efforts to influence program life cycle cost.



ARO's Total Ownership Cost (TOC) Initiative Team established the TOC Knowledge Share Space, which has been designated a Knowledge Pilot for DOD's Reduction of TOC efforts.



Helping Program Managers Influence Program Life Cycle Cost

In 1998, the Office of the Secretary of Defense (OSD) established the **Program Manager Oversight of Life Cycle Support (PMOLCS) Working Group** to examine and recommend changes to the Program Managers' authority, responsibility, and control, with the objective of improving the PMs ability to positively affect product support costs and improve warfighter support. ARO's **Pilots Initiative Team** supports this DOD-wide effort, in which each service selected ten programs to serve as pilots for the PMOLCS concepts.

Program Managers (PMs) of the Pilots worked toward changes in the following areas: Reduction of Total Ownership Cost investment funding, legislative relief, financial management relief/flexibility, and program stability. Actual reform initiatives are specific to the individual Pilots. The hope is to reduce costs and cycle-time for the individual programs and to gain insight into the pros and cons of vertical vs. horizontal program support.

In the first three quarters of FY00, ARO supported DON's RTOC Pilot Programs by consulting with OSD and the PMs to determine the feasibility of suggested reform initiatives. ARO also assisted some of the Pilot Programs via Program Assist Visit.

In the fourth quarter of FY00, ARO shifted its focus to provide guidance to the DON and DOD logistics organizations, as they responded to challenges raised by a General Accounting Office (GAO) audit examining the integration of the Pilots with the Product Support Reengineering vision. The GAO report, issued in June 2000, particularly noted the lack of any overarching DOD/Service logistics architecture within which the pilots might operate. In FY01, the Service acquisition and logistics community will start to resolve some of the issues raised and clarify the logistics architecture needed for the 21st century.

ARO helped DON work cheaper by promoting business reform initiatives, working to reduce Total Ownership Cost, and helping PMs influence program life cycle cost. While cost is a crucial factor in the development of weapon systems, cycle time is also important. In this way, ARO also helps DON work faster.



ARO supported DON's Reduction of Total Ownership Cost Pilot Programs to help reduce costs and cycle time.

Faster

Helping DON Work Faster by Shortening Weapon Systems Schedules

To help DON work faster, ARO provides assistance and tools to accelerate Acquisition Reform, reduce cycle time, and streamline acquisition.

Accelerating Acquisition Reform

ARO's **Communication & Outreach Team** helps DON work faster by providing outreach mechanisms to assist the acquisition workforce. This year ARO

focused their efforts on developing and implementing more effective ways of reaching out to acquisition workers.



FY99's Acquisition Reform Survey indicated a strong need for hands-on focused support of the workforce. ARO responded with:

- Site Visits
- Breakout Sessions
- Acquisition Tools

Site Visits

Our first Site Visit, to the Space and Naval Warfare Systems Command, provided an opportunity for senior managers to learn more about our AR Goals and Initiatives, discuss the Navy's perspective to the revision of DOD 5000 documents, and to gain awareness of tools available online via the ARO Web site. Additional site visits were held at the Naval Supply Systems Command and the Naval Air Systems Command, and other Navy field activities.

Breakout Sessions

Breakout Sessions were another new concept developed and coordinated by ARO. The current set of training/discussion topics are: Knowledge Management, Total Ownership Cost, Risk Management, Logistics Reform, DOD 5000 Rewrite, and Incorporating AR Into Your Daily Work. In FY00, ARO held 28 Breakout Sessions attended by 1874 people at locations across the US, including NAVSEA Headquarters, SPAWAR Headquarters, NSWC, Port Hueneme, NWS Corona, FISC Norfolk Det Philadelphia, Supervisor of Shipbuilding, Newport News, VA, SCN SPAWAR Chesapeake, VA, and Patuxent Naval Base, MD.

ARO's Communication & Outreach Team developed and coordinated 28 Breakout Sessions in FY00.

Acquisition Tools

We developed and distributed Acquisition Tools to provide the DON acquisition workforce just-in-time access to an exhaustive repository of knowledge on the application of AR initiatives, strategies, and practices.



The Acquisition Reform Legacy Tool Set currently consists of one CD-ROM and five Internet-accessible tools: *TurboStreamliner* (for RFP Development), *Turbo SpecRight* (for Specification Development), *Market Research Tutorial*, *Virtual Integrated Project Team (IPT) Learning Campus* (to explain and simulate an IPT), *Industry-Government Partnering Guide*, and *Performance-Based Services Contracting Guide*.

In FY00, *Turbo Streamliner* was reformatted and updated, a Web version of the 1999 *Performance-Based Services Contracting Guide* was released, an Acquisition Strategy Development Tutorial was drafted, and 2500 copies of the *IPT Learning Campus* CD-ROM were distributed. Server statistics show steady use of the AR Tools. In FY00, the *TurboStreamliner*, *IPT*, *Market Research*, and *Turbo SpecRight* tools had 66,

The establishment of the **Tools IPT** in FY00 will allow us to broaden our tool kit. The *Acquisition Strategy Development Guide* continues to be developed, and *establishment of an Acquisition Tool Kit* is planned. Five new tools are proposed for FY01: *Total Ownership Cost*, *Cycle Time Reduction*, *Scheduling*, *Requirements Generation*, and *Technical Risk Management*. The Tools IPT will look at the use of groupware and the development of a portal approach. We are also planning to add "Tools" as a topic in our future Breakout Sessions.

AcqCenter.com gave Turbo Streamliner a five star rating and stated that it was "the best place to start in your search for information and training on Acquisition Reform topics. This extremely user-friendly site offers concise tutorials on topics ranging from Affordability to Warranties and everything in between."

While the Office of Communication & Outreach provides support and tools to accelerate Acquisition Reform efforts, ARO's Cycle Time Initiative works to meet specific cycle time reduction goals set by Defense leadership.



Reducing Cycle-Time

DOD analysis indicates cycle time for moving a major acquisition program from initiation to Initial Operating Capability (IOC) has grown to an average of 132 months. Lengthy cycle times to place new weapons in the hands of our warfighters lead to many problems including significant cost growth, greater risk that the capability will not meet the current threat, and use of outdated technology (obsolescence). Additionally,

Administration and Defense leadership changes may result in changes to defense strategy, objectives, and priorities, leaving lengthy acquisition programs vulnerable to change or cancellation.

In response to this problem, defense leadership set aggressive goals to reduce cycle time. In 1997, under the National Partnership for Reinventing Government (NPR), DOD established a goal of reducing acquisition cycle time by 25% by 2000 for all Acquisition Category I Programs which began after 1991 (in other words, reduce cycle time from 132 months to 99 months). In 2000, the Office of the Under Secretary for Defense for Acquisition, Technology, & Logistics OUSD(AT&L) adjusted the goal to 97 months by 2001.

ARO's **Cycle Time Reduction (CTR) Initiative Team** worked to ensure that Program Managers understood the relationship between cycle time and program cost,



ARO's Cycle Time Reduction Initiative Team develops tools and techniques to help program managers meet OSD goals for cycle time reduction.

and to develop tools and techniques to allow Program Managers to meet OSD goals for cycle time reduction. The team also provided a scorecard to OSD for DON Programs.

ARO's accomplishments for FY00 were:

1. Participated with OUSD(AT&L) to define the process for assessing ACAT I program new starts cycle times during Program Objective Memorandum development and program approval.
2. Participated with OUSD(AT&L) to explore ways to modify the operation of the Defense Acquisition System to reduce acquisition cycle time.
3. Developed Cycle Time Reduction Guidelines for Program Managers and posted them on the ARO Web site.
4. Defined guidelines for incorporating Cycle Time Reduction objectives into solicitations, and included these guidelines in ARO's Turbo Streamliner (a Web-based tool for RFP development).

Cycle time reduction successes have significantly shortened weapon systems schedules. Other efforts to help DON work faster include the use of cutting-edge technology such as simulation based acquisition.



— across work groups, program phases, programs, and organizations

Enabling Simulation Based Acquisition

Simulation Based Acquisition (SBA) is an acquisition initiative in which DOD and Industry are enabled by the use of robust, collaborative simulation technology that is integrated across acquisition phases and programs. ARO strategies to accomplish this include:

- More accurate and comprehensive modeling and simulation (M&S) based assessments earlier in the product development cycle, allowing a system to be designed, built, tested, and operated in the computer before critical decisions are locked-in and manufacturing begins
- Elimination of activities that can be more cost-effectively performed in M&S, such as drawings, mock-ups, prototypes, and some live testing
- Early and continuing collaborative exploration of the largest possible trade space
- Faster decision cycles/transactions through increased concurrency, digital information sharing, and electronic interactions among dispersed stakeholders
- Maximum reuse of all acquisition resources — information, software, expertise, facilities, processes, etc.

As the ASN(RDA) designated lead office for SBA, ARO recognized that various aspects of these strategies are shared by other acquisition improvement/reform initiatives, such as DOD's Integrated Digital Environment (IDE) initiative. ARO's **SBA Initiative Team** therefore began a planning effort to realize the goals of SBA and related initiatives in a harmonized way. Thus far over 30 SBA-related initiatives have been identified and investigated. ARO developed a preliminary list of the enabling capabilities they collectively require. We proposed the concept of a distributed, collaborative effort among the various government and commercial initiatives to achieve integration of these enablers. By sharing the work, the resources and time required to achieve the advanced acquisition environments envisioned by each initiative can be reduced and made much more afford-

With the aid of several white papers, briefings, and a preliminary work breakdown structure that we produced, ARO effectively advocated for this approach in various government and industry forums, including DOD's Acquisition Council. As a result, at the close of FY00 it appears increasingly likely that DOD as a whole will embrace this implementation strategy.



ARO's Simulation-Based Acquisition (SBA) Initiative Team helps DOD realize its SBA goals.

Assessing Our Progress

In FY00, ARO made great strides toward accomplishing our mission. We teamed with DON acquisition programs to facilitate reduction of Total Ownership Cost and Cycle Time; streamline reporting, standards, and policies; implement business reform initiatives; and educate Program Managers through outreach efforts.

Assessing Our Progress

Throughout FY00, ARO led DON in Acquisition Reform, navigating a course for change to help DON work better, smarter, cheaper, and faster than ever before.

To help DON work better, we:

- Teamed with Program Managers to resolve acquisition issues through Program Assist Visits
- Identified duplicate reporting requirements and recommended their consolidation
- Identified policy and regulatory barriers to effective acquisition and evaluated the possibility of changing them

To help DON work smarter, we:

- Developed a complete Knowledge Management System
- Communicated best practices with the Acquisition Community through media, awards, forums, and surveys
- Streamlined standards through the MILSPEC Reform action and the Single Process Initiative

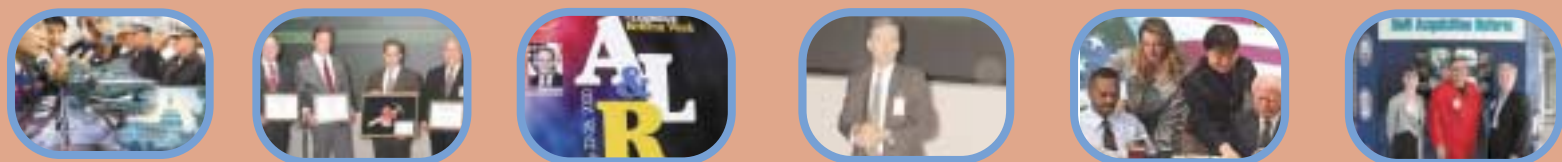
To help DON work cheaper, we:

- Implemented business reforms such as Activity-Based Cost Management and Earned Value Management
- Educated Program Managers in Reduction of Total Ownership Cost and built a TOC Knowledge Share Space
- Helped Pilot Program Managers influence their program life cycle cost

To help DON work faster, we:

- Accelerated Acquisition Reform through site visits, breakout sessions, and acquisition tools
- Developed Cycle Time Reduction Guidelines for Program Managers
- Began to harmonize government and industry efforts to realize Simulation Based Acquisition goals

ARO's FY00 efforts to help DON work **better**, **smarter**, **cheaper**, and **faster** included the use of *cutting-edge technology, improved processes, and education*. Most importantly, progress toward each of these goals has been possible only through the dedicated efforts of DON's superb team of acquisition professionals. Without a capable and motivated acquisition workforce, the best new technologies and processes can accomplish nothing. ARO is proud to play a key role in enabling this team to accomplish Acquisition Reform.



In FY00, ARO led DON in Acquisition Reform, charting a course for change to help DON work better, smarter, cheaper, and faster than ever before.



Continuing Our Journey

ARO will continue to help DON streamline and improve the acquisition process. Efforts planned for FY01 include:

- Continue support of **DON RTOC Pilot Programs**. The pilot programs have identified significant cost reductions (seven out of the ten programs project a >20% reduction in O&S costs by FY05). Their best practices and lessons learned will be shared with other program offices to help reduce the O&S costs.
- Continue to create a common framework for implementing **Reduction of Total Ownership Cost (RTOC)** within DON, including: continuing rollout of TOC Knowledge Community and **TOC Knowledge Share Space (TKSS)**, expansion of TKSS functionality and capabilities, development of Web-based TOC Training.
- Foster the creation and sustainment of **Technology Enabled Acquisition Knowledge Communities** across the Department utilizing NMCI to accelerate and lower the cost of Acquisition Reform for the acquisition workforce.
- Develop an **ARO Communications Program** to continue to increase the awareness and understanding of ARO processes, procedures and plans for FY01 among internal and external audiences.
- Develop a plan to re-energize the **Management Forums** to facilitate our commitment to the AR initiatives and communication with the AR workforce at all levels.
- Continue to conduct **Breakout Sessions** and **Site Visits** to major sites or regions focused on FY01 AR initiatives and best practices.
- Continue to improve the award-winning **ARO Web site**.
- Develop **Acquisition Tools** in high interest areas. Potential areas include Total Ownership Cost, Critical Acquisition Processes, Cycle Time Reduction, and Technical Risk Management.
- Continue to expand **Program Assist Visits**, continue development of PAV Subject Matter Expert support, and establish links with other Services regarding PAV.
- Produce several point papers on techniques for implementing **Cycle Time Reduction** in the DON acquisition environment, research case studies on programs that have successfully reduced Cycle Time, and share this information with programs throughout DON.
- Complete our campaign plan for advanced acquisition environments and work closely with the Navy's Chief Engineer to coordinate the achievement of **Simulation Based Acquisition** and Integrated Digital Environment capabilities to support "system of systems" development and interoperability certification. One focal point for this will be The Technical Cooperation Program (TTCP) panel on Systems Engineering for Defense Modernization.
- Through partnerships across DOD, Services, DON, and commercial enterprise, harvest and publish acquisition and business best practices, lessons learned, and successes to assist the acquisition workforce to achieve higher proficiency.
- Through partnerships with DOD, Services, DON, and commercial enterprise, integrate and introduce best Knowledge Management principles, practices, and enabling technology to the acquisition leadership and workforce to create a more efficient and effective "program execution landscape."
- In partnership with DAU establish a **DOD Program Manager and Executive Staff Community of Practice (PMCOP)** to support peer-to-peer sharing, collaboration and learning.

Success in these endeavors results in faster and cheaper technology, systems, and processes, and depends on an acquisition workforce that understands and embraces the changes of Acquisition Reform. The Department of the Navy's Acquisition Reform Office promoted innovative ways to improve the acquisition process in FY00. By building on the successes of the past year, ARO will continue to navigate the course for DON in Acquisition Reform.



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