

Changing Times Mean New Capture Challenges

by Bob Buckner, President, RWB Aerospace Professionals

As Bob Dylan once sang, “Times, they are a changing;” as an ancient Chinese curse once said, “May you live in interesting times.” The times today are both interesting and changing – rapidly. There’s lots to learn and lots to be wary of as recent changes play out over the next few months. Recently I participated in several meetings with industry and Government acquisition colleagues who shed some light on recent DoDI 5000.02 changes and the impact to their processes and programs. I’ve also tried to pay close attention to statements from President Obama, Secretary Gates, the Ashton Carter hearings, and recent GAO reports that have an impact on what we are doing and how it may be done in the future. For what it’s worth, here are some thoughts from a student of acquisition for the past 38 or so years.

Background

In FY09 weapons account for about 36% of the \$515B Pentagon budget. In its annual assessment of the military's 96 biggest defense contracts worth a total of \$1.6 trillion, the GAO found that the cost of buying those weapons was 25%, or \$296B, higher in 2008 than their initial budgets. Today, in the midst of massive bailouts and federal spending priorities other than defense, the FY10 DoD budget is about 20% of Federal spending and tremendous pressure is now being applied to lower budgets and keep acquisition programs on track. The current FY10 DoD budget was already cut from DoD’s initial request for \$584B to \$527B before getting to Congress, representing a 25% cut. Looking to the future, we can expect cuts to major systems as well as other whole systems rather than across the board cuts; there will be no “nice-to-haves” and no duplicative programs. Secretary of Defense Gates has said that “while the typical military approach has been to seek the 95% exquisite weapons that take years to build, we will pursue greater quantities of systems that represent the 75% solution.” Gates has also commented that the only way to get weapons quickly to warfighters is to circumvent the traditional buyers and create ad hoc rapid procurement teams, as done with MRAP armored vehicles. JDAM is also frequently used as a model acquisition program. Buying off-the-shelf hardware and adapting it to military needs will become the norm. The idea is that modular, scalable, and reconfigurable systems that can be adapted to a range of threats will make programs cheaper and faster.

The revised DoDI 5000.02, which came out late last year, at first blush looks like only name changes and a return to the previous acquisition policy of “fly before you buy” and “competitive prototyping.” However, it is actually filled with subtle changes that, when implemented, should do two things: make for more risk free programs and, unfortunately, delay fielding hardware for years. At a recent Air Force Air Armament Center Industry Day and Precision Strike Association meetings in March, Government officials stressed low risk programs, fewer new starts, and more reviews of programs before committing big bucks. They also suggested we would see more fixed price contracts, more competitive prototyping, and lots of pre-acquisition planning and technical development to make sure that the technology is mature before starting weapons development programs. All this represents a real dichotomy of thinking that will challenge acquisition professionals for years as they try to meet warfighter needs quickly while living with all the demands

of low risk, executable programs.

What It Means to Us

As with most changes, recent vectors to defense acquisition will provide challenges for most, but opportunities for the astute, capable and agile enterprises. As consultants and industry new business developers we have to understand the changes and be ready to adapt our business processes quickly if we are to succeed. Here are some precepts to consider while developing and winning new business:

- More attention to capture before proposal. With up front planning at a premium, there will be more capture planning opportunities and time to shape the business before the final RFPs are released. “Capture” will become the dominant effort in the “Capture and Proposal” Process.
- More business with more competition tempered by less money available. Competition will increase with fewer program opportunities, but with more competitive prototyping. There will be less money overall available for contracting, but those programs that are funded will be funded adequately so there will be fewer overruns.
- More fixed price contracts. Risk is being shifted from the Government to industry as more contracts will be expected to be fixed price and not cost reimbursable. One sure way to avoid an overrun is to make the contract firm fixed price. Pricing will still be detailed, but not as likely to require massive cost proposal as when development contracts were cost types.
- Increased emphasis on Risk Management. The Government is highly risk adverse and will be demanding risk plans that show risk mitigation plans within the IMP/IMS and in cost proposals. Good tracking schemes to integrate IMP/IMS, risk management, and cost packages will be mandatory.
- More creative business deals – What do you get for that fixed price? Competitive forces will cause very creative business deals that offer more than just risk free development. Competent business developers will find special intangible offerings to “sweeten” the deal. Risk may be king, but never underestimate the value of a well crafted “business deal.”

Finally, there is one other thought to consider for those of us who are consultants: We have an obligation to help our clients make the best use of their company’s money. Along with reduced funding and more keen competition comes our fiduciary responsibility to help clients use limited B&P budgets wisely. We always try to be responsible stewards, but now it will be even more important as capture efforts take longer and proposal efforts are more creative. Good consultants have a responsibility to use the funding wisely in order to win.

Bob Buckner is the President of RWB Aerospace Professionals and a long-time colleague and friend. A retired USAF officer, Bob has extensive experience with the acquisition, development, and implementation of advanced armament systems. Today, this experience—coupled with over 20 years as an acquisition and proposal consultant—gives him a solid foundation from which to observe and comment on our Government’s procurement practices.

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