



MARINE CORPS SYSTEMS COMMAND

EQUIPPING THE WARFIGHTER TO WIN

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

Presented at the
Acquisition Research Symposium

Kathlyn Hopkins
Cost & Analysis Branch

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Report Documentation Page				Form Approved OMB No. 0704-0188	
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1. REPORT DATE MAY 2014		2. REPORT TYPE		3. DATES COVERED 00-00-2014 to 00-00-2014	
4. TITLE AND SUBTITLE Creating a Cost&#8208;Conscious Culture: From Pre&#8208;RFP to Contract Execution				5a. CONTRACT NUMBER	
				5b. GRANT NUMBER	
				5c. PROGRAM ELEMENT NUMBER	
6. AUTHOR(S)				5d. PROJECT NUMBER	
				5e. TASK NUMBER	
				5f. WORK UNIT NUMBER	
7. PERFORMING ORGANIZATION NAME(S) AND ADDRESS(ES) Marine Corps Systems Command, Cost & Analysis Branch, 2200 Lester Street , Quantico, VA, 22134-6050				8. PERFORMING ORGANIZATION REPORT NUMBER	
9. SPONSORING/MONITORING AGENCY NAME(S) AND ADDRESS(ES)				10. SPONSOR/MONITOR'S ACRONYM(S)	
				11. SPONSOR/MONITOR'S REPORT NUMBER(S)	
12. DISTRIBUTION/AVAILABILITY STATEMENT Approved for public release; distribution unlimited					
13. SUPPLEMENTARY NOTES AFCEA 11th Annual Acquisition Research Symposium, 14-15 May 2014, Monterey, CA.					
14. ABSTRACT					
15. SUBJECT TERMS					
16. SECURITY CLASSIFICATION OF:			17. LIMITATION OF ABSTRACT Same as Report (SAR)	18. NUMBER OF PAGES 15	19a. NAME OF RESPONSIBLE PERSON
a. REPORT unclassified	b. ABSTRACT unclassified	c. THIS PAGE unclassified			

Cost-Consciousness: At the Forefront

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

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



Cost-Conscious Culture: All Around Us?

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



Cost-Conscious Culture: How Is It Different?

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

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



Conditions for Change

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

American Society of Military Comptrollers (2011)



Getting It Right

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

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



Organization as Organism

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



Behavior Modification: Pre-RFP through Execution

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



Mindful Preparation: Pre-RFP

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



Issuing RFP

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



Evaluating Proposals

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



Contract Award and Execution

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



Contract Close-Out

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



Along the Way: Learning Dysfunctions

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



Creating a Cost-Conscious Culture

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

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

