



Department of Homeland Security
Office of the Chief Procurement Officer

Acquisition Innovations in Motion
2016 REVERSE INDUSTRY DAY

May 26, 2016

Plenary Session I

DEMYSTIFICATION OF THE PRIVATE SECTOR

Industry Panelists



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Plenary I Focus Areas

Federal BD Lifecycle and Impacts – Acquisition Program

Government Buying Cycle	Need Phase Define the Need	Analyze/Select Phase Identify the alternatives and resource requirements			Obtain Phase Identify supporting projects and contracts, plan to obtain, evaluate capabilities, resolve issues			Obtain, develop, test solution	Implement Produce, deploy and support				
Government Acquisition Documents	Mission Needs Statement (MNS), Capability Development Plan (CDP)	Analysis of Alternative (AoA), Acquisition Program Baseline (APB), Life Cycle Cost Estimate (LCCE), Operational Requirements Document (ORD), Integrated Logistics Plan (ILSP), Acquisition Plan (AP)			APB, LCCE, ILSP, AP, Systems Engineering Life Cycle Tailoring Plan (SELC TP), T&E Master Plan (TEMP)			APB, LCCE, ILSP, AP					
Government Milestones	Identify Need	Define Rqmts	RFI	Industry Day	Draft RFP Issued	RFP Issued	Bidders Conf.	Q&A	Proposals Received	Q&As/FPR	Contract Award	Debriefing	Oversee/monitor contract execution
Industry Bidding Cycle	1 Market Positioning	2 Opportunity Assessment	3 Capture Strategy Development	4 Solution Development	5 Proposal Development	6 Post - Submittal	7 Execution						
Industry Schedule	12 – 18 months before RFP	9 – 12 months before RFP	6 – 9 months before RFP	3 – 6 months before RFP	RFP Release 30-60 days for response	1-60 days from Proposal due date	Post Award						
Industry Acquisition Documents and Milestones	Capability Presentations, White Papers, Account Plan, Teaming Arrangements, Market Research	Opportunity Review, B&P Request, 3 rd Party Review if re-compete	Competitive Analysis, Price to Win Analysis, B&P Charge #s Request, SME recruitment, PM hired if large bid, RFI response	Solution Reviews, Q&A/feedback to Government	Proposal Outline, Q&A, Grading Criteria Review, Graphics, Pricing Reviews, Pink Team, Red Team	Final Proposal Revisions (FPR), orals, contract negotiations, new hire process begins	Loss: Protest/no protest, teaming with winner Win: Transition plan execution, Teaming Agreements, new hires processed Both: Internal Win/Loss Review						
	Overhead BD Funding			Bid & Proposal Funding (B&P)						Government Funding			

Variation in timing and approach from acquisition to acquisition and office to office

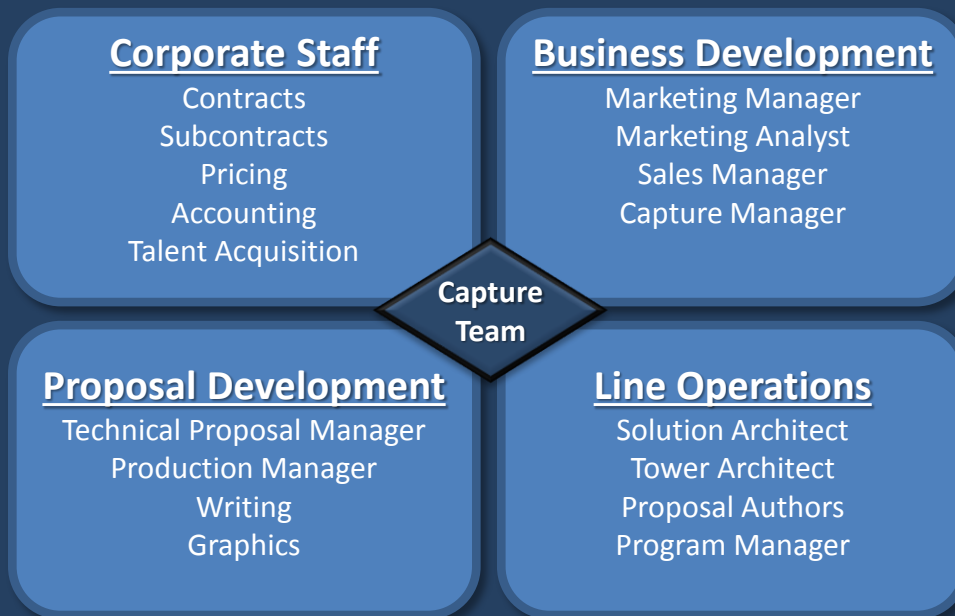
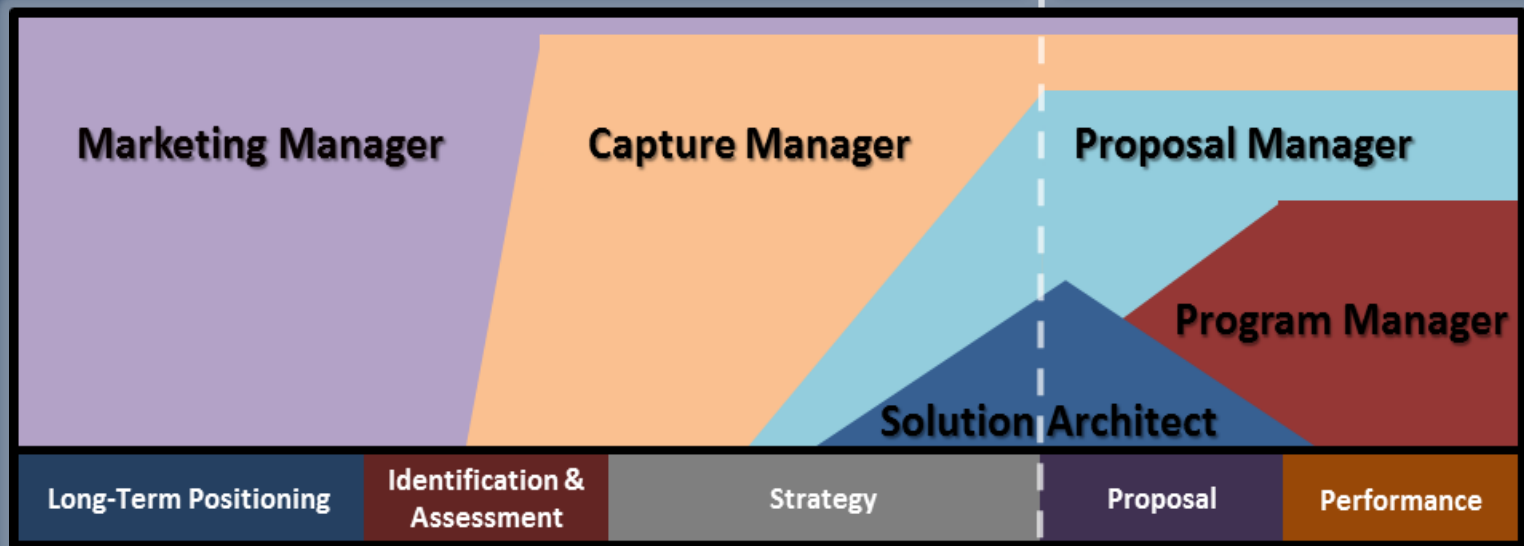
*ADE-2C – LRIP only if required

Barriers to Entry

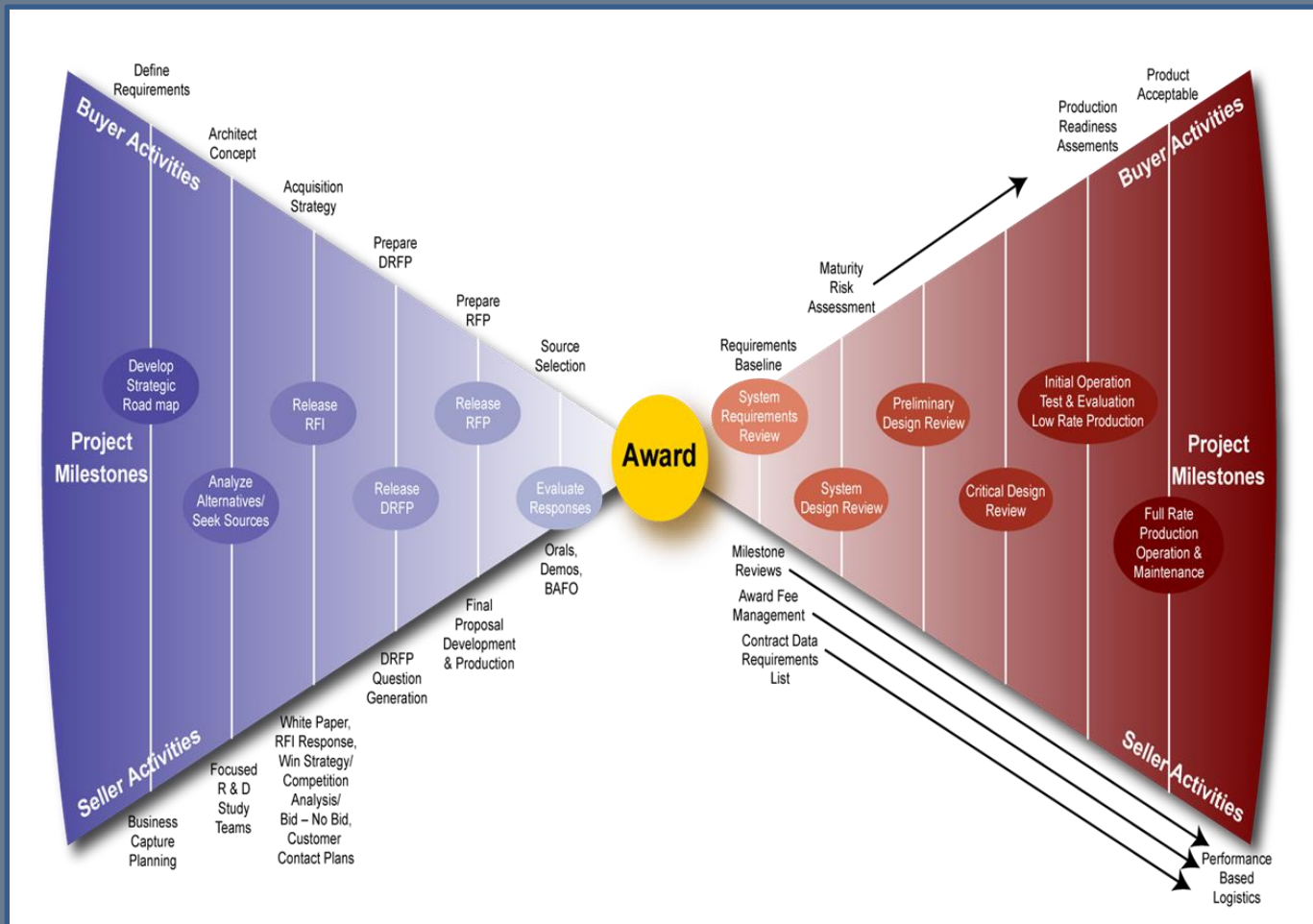


- Competition
- Contract Vehicles
- Set Asides / SB Goals
- Past Performance
- Financial Considerations
- LPTA
- Contract Type
- Executive Orders
- Communication
- More...

Capture Team Concept



Rick Across Program Lifecycle



Priorities

- Partnerships
- Joint Ventures
- Teaming
- Mergers
- Acquisitions



Risk



Opportunity

Planning

Working. Together.



**Department of
Homeland Security**

Plenary Session II

HOW INDUSTRY DECIDES TO BID (OR NOT): INDUSTRY'S VIEW OF THE PROCUREMENT LIFECYCLE

Panelist Background -- Highlights

- **Carol Miller** - Session Moderator, Trowbridge & Trowbridge LLC
- **Lynn Ann Casey** - Panel Member, Arc Aspicio
- **Marlin Edwards** - Panel Member, ManTech International
- **Suzanne Petrie Piscouski** - Panel Member, NCI, Inc.
- **Ed Yost** - Panel Member, Citizen Services, Serco, Inc.

Introduction

- **Serco plc is a \$10B UK-based Services company comprised of 4 geographic units**
- **Serco NA is a \$1B company headquartered in Reston, VA comprised of 4 Business Units; Citizen Services, Defense, Transportation & infrastructure, and Canada**
- **Vice President of Citizen Services Business Development**
- **Bid/No-Bid Factors vary with Business Size, Maturity , and recent history**
- **Bid/No-Bid decision @ Serco NA driven by 5 factors**
 - Corporate Business Development Process (Serco WINS)
 - Strategic Prioritization of Pipeline Opportunities – *Objective Criteria*
 - Successful Pipeline Management: Gate 1- Identification, Gate 2 – Qualification, Gate 3 – Bid / No-Bid
 - Resource Availability; BD, Capture, Proposal, Technical SME's, & Funds
 - Risk Exposure

Pipeline Priority

Opportunity prioritization typically includes subjective criteria inclusive of biases and inconsistent decision-making

Objective prioritization process needed based on Strategic Alignment (SA) and Ability to Win (ATW) – 5 attributes scored 1-5 with each factor. Scoring similar to RFP Evaluation Criteria e.g. significant, expectation, likelihood

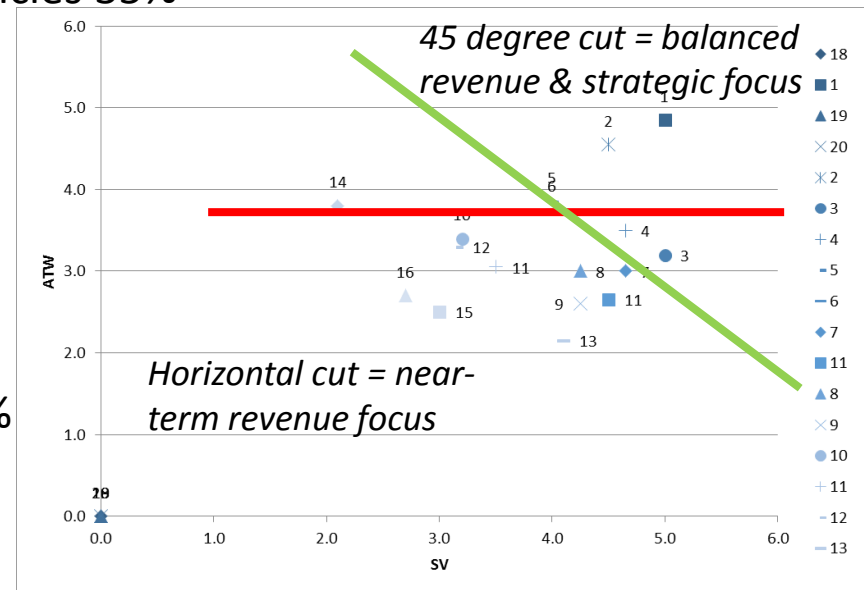
Weighting factors representative of corporate (SA) and client (ATW) focus

SA attributes;

1. Alignment to corporate competencies 35%
2. Annual Value 25%
3. Client Focus 15%
4. Probability of funding 15%
5. Serco role 10%

ATW attributes;

1. Solution 30%
2. Requirements Understanding 20%
3. Client Intimacy 20%
4. Past Performance 15%
5. Price 15%



Gate 3: Bid Decision

- Serco's Gate 3 is typical of Large & Medium-sized Businesses. Serco WINS Template for all Gate Reviews
- Formal presentation to leadership concluding with Bid/No-Bid Decision
- Gate Review Details;
 - Client Intimacy
 - Win Strategy & Discriminators - Why Serco will win
 - Technical Solution
 - Management Solution including Key Personnel
 - WBS – How will the work be accomplished
 - Teaming Strategy
 - Competitive Assessment
 - Pricing Strategy, Price-to-Win, Pricing Analysis (DLC, Mat'l, ODC, NM)
 - Evaluation Criteria
 - Risks, Issues, & Opportunities
 - Resource Requirements (Staff, B&P funds)

Summary

- Serco utilizes a disciplined process to make Bid decisions – Serco WINS
- Objective vs. Subjective Criteria used to prioritize which opportunities we pursue aligned to corporate strategy and Serco ability to win
- Pro-active vs. reactive opportunity pipeline management - Gate Process
- Limited resources forces tough No-Bid decisions
- Execution, Financial, and Image Risk quantified and embedded in Bid decision

Industry Considerations: The Real Deal

- Opportunity Name:
- Buying Agency/Contracting Office:
- Scope / Clear Requirements
- Contract Type
- *Contract Vehicle
- Compelling Event/Business Need:
(i.e. expiration of contract or no ceiling left)
 - Can/will gov keep extending?
- Prime/Sub?
- Chance it will go small business?
- # of Awards
- **Total Dollar Value/POP
- Who is Incumbent
 - Are they beatable?
- *Expected RFP Date:
 - Reliability of RFP Date
- Expected Award Date
 - Likelihood of protest
 - Record of this office dealing with protests
- NAICS code:
- Budgetary Reliability of Office
- How long have we been following this in our pipeline? (Public companies Boards review this)

These questions are asked 9-12 months pre-RFP

** three most important things to know

“Gate” Reviews – Where would you put your money?

Agency A

- Program Office will take meetings
- Contracts office will take appropriate meetings
- Vendor Past Performance in this agency
- Badged personnel in this agency
- Few unknowns will lower cost
- Schedule confidence
- Withstands protests

Agency B

- Not taking meetings, often no response to phone calls
- Only CO identified, not taking meetings.
- Unknown program/mission POCs
- Multiple, different EOD processes and/or no badges
- Unknowns add risk & cost
- Known for not adhering to dates
- Cancels procurements, seen as “weak” in protest preparedness

Government Desires & Contractor Reality

What some agencies may want:	The reality for contractors:
Give us your best and brightest but...	we expect discounted rates & use of existing LC's
We want innovation and "new blood"	See RFP's with lots of key resumes, specific agency clearances preferred, in-agency past performance rated higher than outside
We are open to new vendors but....	There will be no reading room
We want to modernize our systems	You only know the systems and their issues if inside agency already
We don't have time to meet with some vendors, because then we'd have to meet with all vendors but....	If you're an incumbent with a badge, you can talk to who you want by popping in or attending functions.
We want to get it right (so we don't want to release anything)	Schedule delays with no updates, reasons, or new schedule
We'll change it in the final draft	We've just spent a ton of money on a requirement or solution that was changed! (Please make changes known)

Breakout Sessions I

FACTORS AFFECTING INNOVATION AND THE PARTICIPATION OF NON-TRADITIONAL VENDORS

Panelist Background -- Highlights

- **Jonathan Aberman** – Chairman and Managing Director, TandemNSI; Managing Director, Amplifier Ventures; Lecturer, University of Maryland; Chair FounderCorps; Host, Forward Thinking Radio
- **Richard Beutel** – Principal, Cyrrus Analytics; formerly Senior Advisor and Counsel for Acquisition Policy, Committee on Oversight and Government Reform, US House of Representatives; formerly Senior Director, Dell
- **Mary Clare Gumbleton** – President and CEO, the Wolverine Group; formerly CEO and Owner Constrat, formerly Senior Communications Advisor, DOD Joint Staff, Pentagon
- **Dan Chenok (moderator)** – Executive Director, IBM Center for The Business of Government; Chair, DHS Cybersecurity Advisory Subcommittee; formerly Chief of Information Policy and Technology Branch, OMB

Key Topics for Today's Discussion:

General Views, Reaction to Recent Efforts, Partnerships, Culture Change

General Views on Innovation:

- Is innovation a regional activity or a national activity?
- Is innovation purely to be found in small businesses? What role do the larger companies have to play?
- Why is the government often perceived as an unattractive customer to entrepreneurs?

Reactions to Recent Government Efforts:

- What are some of the lessons to be learned from two recent specific actions:
- DOD's "DIUX" outreach efforts to attract new companies?
- OFPP's recent memo on Innovation Labs for Acquisition?
- Will effective use of "Other Transaction Authority" (OTA) enable access to R&D given that OTs do not have to comply with most procurement rules?
- How can a shift to services-based acquisition models, particularly cloud service based capabilities, attract outside interest?

Key Topics for Today's Discussion

Accessing Innovation Through Partnerships:

- How can government incentivize access to new innovators through industry teaming arrangements?
- How do primes identify innovative partners, and how do new entrants approach primes?
- What are challenges to bringing in new entrepreneurial partners (aka, past performance, compliance, etc)?

Changing Culture to Attract New Entrants:

- How will innovators and new entrants respond to the acquisition community taking more risks, including more use of devops and agile, innovative contracting tools, and nontraditional market research?
- How can culture change be encouraged among program managers and leadership that would allow them to invite small innovators to the table to help solve their challenges?

Closing Question: What would success look like from our perspectives vis-à-vis connecting DHS with the innovator community?

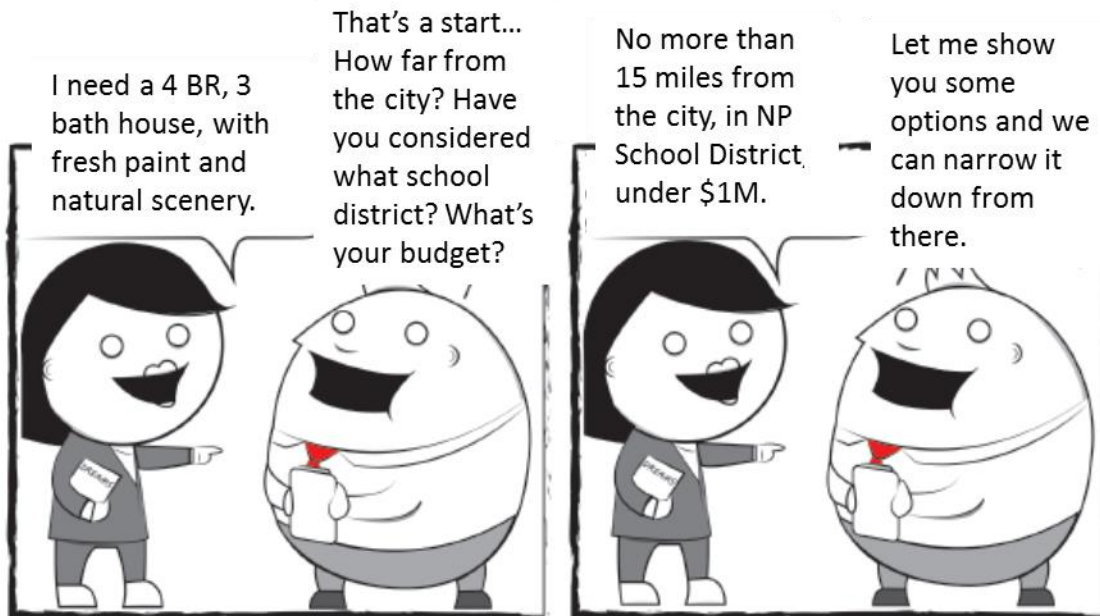
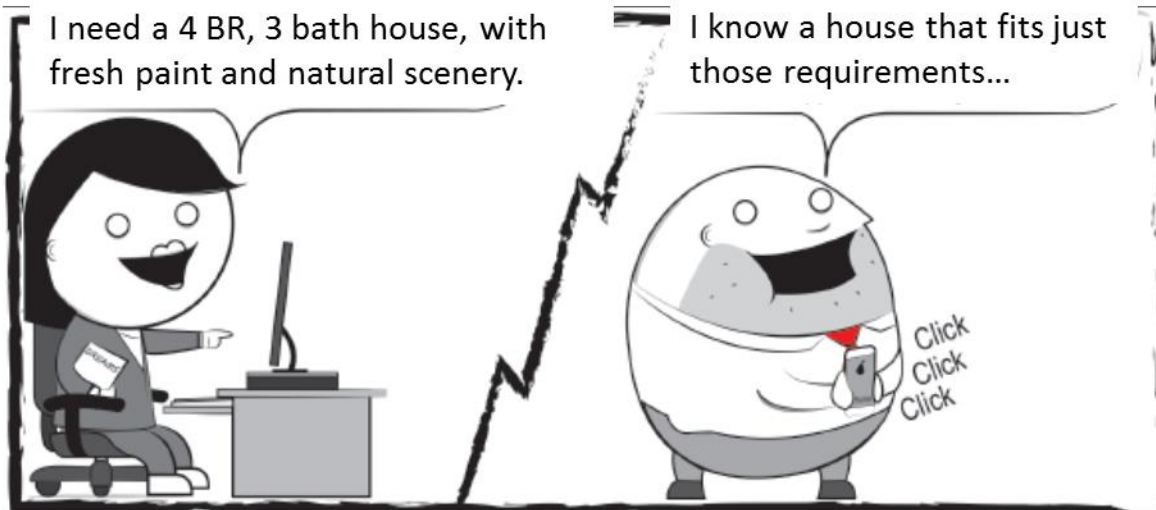
Breakout Sessions II

FACTORS AFFECTING A PROPOSED SOLUTION

Panelist Background -- Highlights

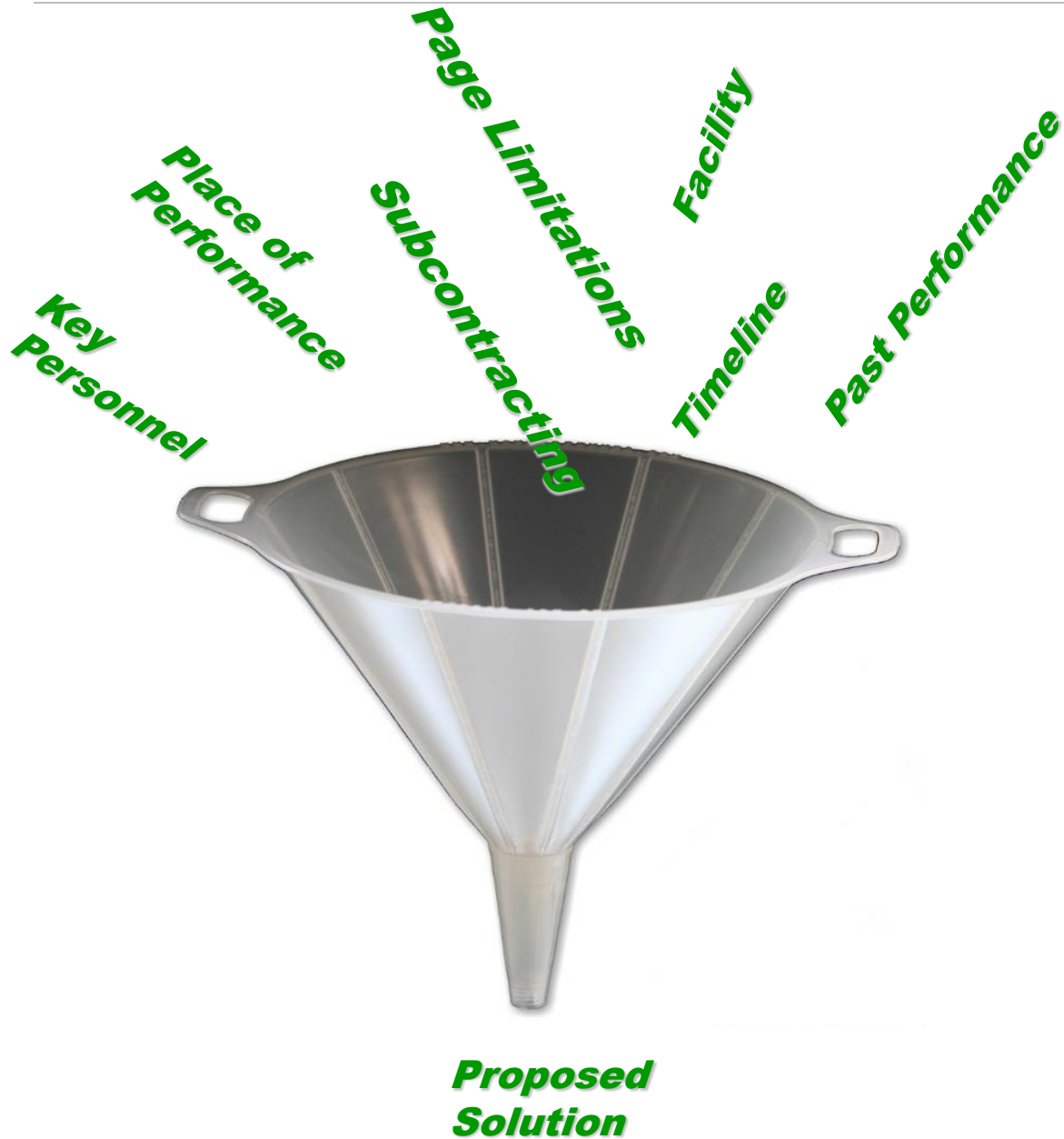
- **John Kreger**- Session Moderator, Mitre Corporation
- **Michael Bruce** - Panel Member, General Dynamics Mission Systems
- **Douglas Cheek** - Panel Member, CSRA
- **Amanda Sramek**- Panel Member, DELTA Resources, Inc.

Importance of Open Dialog Between Government and Industry When Developing Requirements:



The more interaction industry is offered with government, the better defined requirements are.

Factors of Proposing a Solution



Industry Risk Tolerance

Potential Solicitation Respondents Determine their Level of “Risk” by Assessing:

- Level of Investment Dollars (e.g., Internal R&D, Bid & Proposal Expense, etc.) required
- Resources (technical, management, pricing, contracts, procurement, etc.) required to market and bid
- Ability to Meet and Discuss Needs with Appropriate Federal Program Management and Acquisitions officials

The following helps Industry to assess Risk and author better RFP/RFQ responses:

- Be clear to industry that you desire a Solution vs An Approach/Method
- Enable industry to begin work early on solutions via conferences, RFIs, market research and other outreach processes
- Enable Industry Access to Program and Support organizations to Test and Refine Solutions
- Respond to RFI, BAA responses, etc. received from Industry
- Enable discussions with “promising” vendors in advance of solicitations or as part of down select processes

Industry Risk Tolerance

- **The more Industry knows, the better proposed solutions will be**
- **Organizations** - who see that their proposed solutions are risky or do not meet the mission need - will drop out of competitions early or look to partner/team
- **This is a WIN-WIN:**
 - Government receives fewer and better proposals
 - Organizations who determine that their solutions have Risk will drop out early and focus Investment and B&P spend elsewhere

Law of the Instrument – Problem Statement

The first recorded statement of the concept was [Abraham Kaplan](#)'s, in 1964: "I call it *the law of the instrument*, and it may be formulated as follows: Give a small boy a hammer, and he will find that everything he encounters needs pounding." *Abraham Kaplan (1964). [The Conduct of Inquiry: Methodology for Behavioral Science](#). San Francisco: Chandler Publishing Co. p. 28.*

Maslow's hammer, popularly phrased as "[if all you have is a hammer, everything looks like a nail](#)" and variants thereof, is from Abraham Maslow's *The Psychology of Science*, published in 1966. *Abraham H. Maslow (1966). [The Psychology of Science](#). p. 15.*



Law of the Instrument – Art of the Possible



Law of the Instrument – Innovative Solutions



Breakout Sessions II

INDUSTRY PRICING MODELS AND FACTORS THAT DETERMINE BID PRICE

Panelist Background -- Highlights

- **Tony Constable**, Session Moderator and President & Founder of CAI/SISCo, Frederick, MD
- **Bob Martin**, Panel Member & Executive Vice President of Aveshka, Inc., an Arlington, VA-based WOSB
- **Pamela Rothka**, Panel Member and CFO of Buchanan & Edwards, Inc., an Arlington, VA-based Other Than SB
- **Mark Bonatucci**, Panel Member and Director, Strategic Program Capture at FLIR Systems, Inc., an LB, out of Wilsonville, OR
- **Sudha Venkateswaran**, Panel Member and Senior Director of Inersso Corporation, an SDB, out of Vienna, VA

CAI/SISco: Our Services are Mostly Price Focused

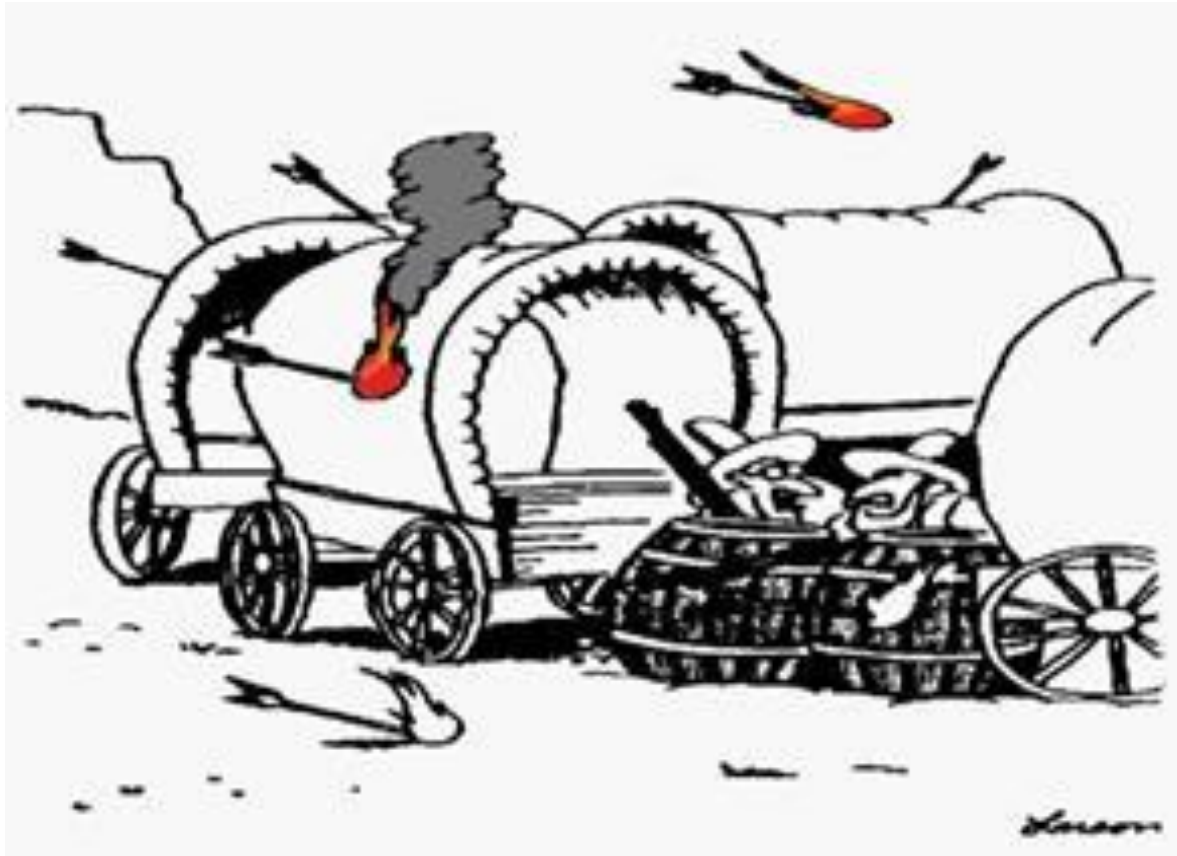
- These days opportunities are most often won with a good solution and proposal & a great price
 - A great solution and proposal & a good price is rarely a winning formula anymore
 - Developing a winning Price, the focus of everything CAI/SISCo does, is therefore, undeniably the most important ingredient of a successful capture campaign
1. Competitive Analysis to identify the competition and stack rank their relative positioning against a weighted non-cost and price evaluation set to identify the fiercest competitors
 2. Price To Win (PTW) Studies in support of government contract and IDIQ task order opportunities – PTW determines the price that needs to be bid to win
 - **PTW provides the “other hand against which to clap” a Capture Team’s view of the world**
 - **Needed to support Management Gate reviews that govern: course corrections; bid/no bid decisions; and shape ultimate pricing**
 3. Pricing Strategy Development – crafts a winning, yet profitable, approach to pricing an opportunity to meet and beat PTW-derived price bogeys
 4. Strategic Pricing – uses the Pricing Strategy and a section of appropriate pricing strategies and tactics to develop the PTW-derived bid price that, all things considered, can win
 - **Needs to be supported by a Contract Execution blueprint**

CAI/SISco: What is Price to Win (PTW)

- PTW Definition: The highest price a bidder can offer and still win
 - The PTW is shaped entirely by external factors such as the customer and the competition
 - The winning price is not always the lowest price
- From a bidder's point of view an effective PTW process applied *early* can be the single most important factor in securing new business
 - Customer's key decision makers should know us, like us, and be positively inclined toward our solution or approach
 - Our pricing must be in line with both our competitors and our proposal evaluation scoring/weighting
 - The best and most successful companies use mature PTW processes that incrementally support the capture process
- Remember: PTW is a *process* not an event

Competitive Pricing: Expect the Unexpected!

© 1997 Gary Larson



“Hey they’re lighting their arrows!
Can they do that?”

Five Revitalization Recommendations

1. Refocus acquisition mainly on supporting DHS' requiring activities not mainly on PRICE
 - Today incumbents (who have the institutional knowledge) rarely win recompetes – this perpetuates the low-priced insurgent revolving door
2. Since time is money, be more realistic about acquisition schedules and be mindful of the costs of mounting pursuits of all sizes
 - 5 bidders = 1 winner + 4 losers; remember all 5 have to burn investment funds and B&P
 - Possible solution: more and earlier down-selects?
3. Develop stratified multiple award IDIQ contracts that segregate low skill, generic, highly available labor categories from highly skilled and relatively scarce ones
4. Require all DHS acquisition functions to attend seminars that detail the steps and processes that industry uses to target, solution, team, and price bids to DHS elements
5. Develop requirements to be more precise yet still accommodative of disruptive approaches and emerging technologies...

Requirement: "I need lodging near water..."



Pricing Considerations

- What is the requirement?
- Detail of specifications
- Type of work
- Performance risks
- Client buying habits and source selection
- Strategic value to company
- Structural requirements
- Cost to perform

Client Buying Habits and Source Selection

- Evaluation criteria
- Amount and level of competition
- Pure LPTA vs best value
- Is “best value” viewed as the lowest price, technical acceptable?
- Who is the decision authority?
- Role of end-user in selection process
- What is it going to take to win?
- Is there a viable work-out plan (e.g. add new rates, modification)
- Buying agency consistency and sophistication

Strategic Value to Company

- Re-compete of existing work (preserve the base)
- New client or new market penetration
- Cash flow
- Synergy with other work
- Internal desire/need to win something
- Company financial position – can they absorb a loss
- Outside investor influence to build contract backlog (e.g. acquisition potential)

Structural Requirements

- Applicability of Cost Accounting Standards (CAS)
- Forward Pricing Rate Agreements (FPRA)
- Estimating System Manual
- Procurement System Manual
- DCAA audit oversight
- Different cost centers or subsidiaries
- QA/Certification requirements (e.g. ISO, CMMI, etc.)
 - Applies to large and small businesses
- Are you a real company or a staffing firm

Costs to Perform

- Direct Labor – minimum stated requirement vs actual “want”
- Fringe Rate – approximately 35% +/- of direct labor cost
 - Statutory costs (FICA, FUTA, etc,) – 10% to 12% +/-
 - Paid Time Off/Leave – 10% - 12% +/-
 - Health/welfare/401(k) – 12% to 20% +/-
- Overhead – Applied to sum of direct labor and fringe \$
 - Client site – 8% to 20%
 - Contractor site – 18% to 30%
- G&A – applied to direct labor, fringe, and overhead costs
 - Ranges 8% to 30% +/- depending on nature of the business
- Profit/Fee – Subject to statutory limit on cost-type contracts (only)
- Wrap rates (loads on direct labor) range from 1.6x to 2.2x exclusive of fee/profit

Cost to Perform – the “Wild Card”

The ability to use independent contactors/consultants or part-time staff avoids the incurrence of fringe and overhead costs resulting in a cost reduction of 35% to 60%.

HOWEVER, TO COMPLY WITH IRS REGULATIONS:

- The general rule is that an individual is an independent contractor if the payer has the right to control or direct only the result of the work and not what will be done and how it will be done.
- You are not an independent contractor if you perform services that can be controlled by an employer (what will be done and how it will be done). This applies even if you are given freedom of action. What matters is that the employer has the legal right to control the details of how the services are performed.
- Are expenses reimbursed or tools/supplies provided?
- Is an independent entity and has no employment relationship with the company
- The independent contractor is not solely dependent on one client

Cost to Perform – the “Wild Card” (cont.)

Take-aways:

- If you classify an employee as an independent contractor and you have no reasonable basis for doing so, you may be held liable for employment taxes for that worker
- Could be an unforeseen or unbudgeted expense on the contract or fine to the company
- Could lead to sweeping reclassification of contract staff
- Big cost advantage leads to abuse for competitive (bidding) purposes

Rates – Big Company vs. Small Company

- Forward Pricing Rates
- Provisional Rates
- No Provisional Rates
- Win Rates
- Factors that Influence Rates
- Risk Factors

Panelist: Mark Bonatucci

- Mr. Bonatucci is the business development lead for FLIR's efforts with
- U.S. Border Patrol Land/Mobile Solutions. These efforts include FLIR Systems, Inc. Mobile Surveillance Capability (MSC) Program.
- Mark has 30+ years of experience in the Aerospace & Defense Industry in Engineering, Operations and Business Development leadership roles.
- He is a graduate of the U.S. Merchant Marine Academy at Kings Point, NY. He is located at FLIR's Arlington, Va. Offices.



Linking Section M to Desired Results

- Government: Must Substantiate What You want in Section M
- Not likely to get anything other than a very direct response to Section C and the Performance Specification's Threshold Requirements Unless Section M Enables Respondents to Differentiate Themselves From Each Other
 - Industry-Wide Focus Today is on winning in a shrinking environment
 - Increased competition and decreased budgets have both industry and government conditioned and in tune with
 - "As other factors become more equal, price becomes a more important evaluation factor"
 - Even when the acquisition is NOT LPTA
 - Industry focus then becomes on presenting the "Low Risk" solution at the best price they can, even when the RFP is "Best Value"

Linking Section M to Desired Results (cont.)

Desired Result	Section M
• Innovative Solution	• The Government will evaluate the offeror's capability and approach for achieving the Program <ul style="list-style-type: none">– Statement of Objectives against the following evaluation factors: Factor 1: Technical Solution– Detection Capability– Identification Capability– System Availability– System Openness
• Cost Effective Alternatives	• The Government will evaluate the offeror's capability and approach for achieving the Program <ul style="list-style-type: none">– Statement of Objectives against the following evaluation factors: Factor 2: System Maturity and Deployment Capability– System Availability– System Openness– Ability of Operators to Utilize System for Multiple Mission Profiles and Applications
• Flexible, Extensible Solutions	• The Government will evaluate the offeror's capability and approach for achieving the Program <ul style="list-style-type: none">– Statement of Objectives against the following evaluation factors: Factor 1: Operational Utility:– Vulnerability to Environment and Threat– Mission Relevance– Ability of Proposed Solution to Be Utilized To Identify and Counter Evolving Threats– Ability of Proposed Solution To Be Utilized to Provide the Government “Force Multipliers” Across a Range of Anticipated Applications and Uses

Risk Factoring in Pricing Models

- Client (Existing vs New)
- Vehicle Type (For e.g.IT70 vs EAGLE II)
- Contract Type (For e.g. FFP vs T&M)
- LPTA and Best Value tradeoffs
- Existing vs New Areas of work

Conclusion

- Anticipated costs plus fee does not equal price
- The bid price reflects the thinking of a moment in time incorporating many factors