DoD ESI &
The Joint Information Environment (JIE)

Jim Clausen, DoD ESI Co-Chair
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DoD Enterprise Architecture Conference 2012
April 30, 2012

Your Preferred Source for IT Acquisition Across the DoD

www.ESI.mil

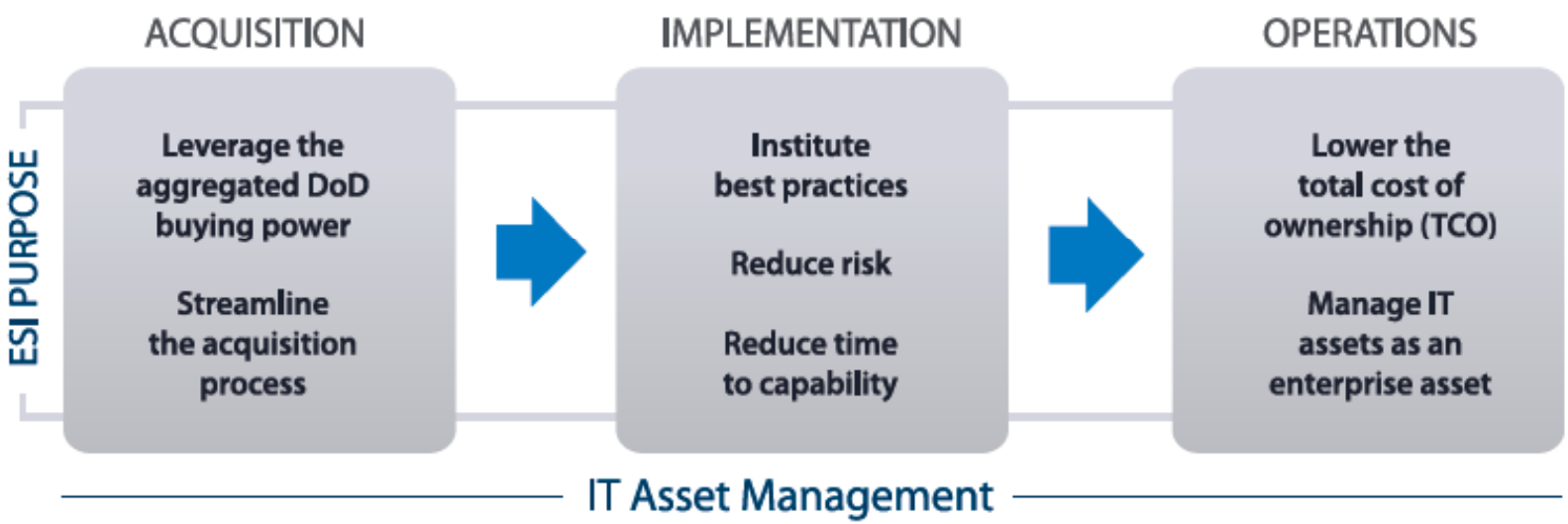
Agenda

- DoD ESI Overview
  - Economies of Scale for COTS IT Acquisition
- Alignment with JIE & DoD IT Enterprise Strategy &Roadmap
  - CIO Vision & Strategy
  - Implementation
  - ESI Commodity Acquisition Initiatives
- DoD ESI Best Value Toolkit for Software Buyers
- Summary

DoD ESI Overview:
Economies of Scale for COTS IT Acquisition

DoD ESI Overview

- Summary: Joint DoD strategic sourcing initiative to save time and money on acquisition of commercial software, IT hardware and services
- Executive Sponsor: DoD CIO
- Goals:
  - Enterprise leverage and efficiencies in COTS IT acquisition
  - IT asset management



DoD ESI Operations

- Team Composition: Army, DON, Air Force, DLA, DISA, NGA, DIA, and OSD

- Operations:
  - Award enterprise agreements for IT products and services
  - Implement unified vendor and contract management strategy

- Results:
  - Over 80 agreements with 48 separate software publishers and research/advisory firms
  - Over $4 billion cost avoidance since inception
  - IT asset visibility of DoD ESI suppliers
  - More efficient acquisition processes for DoD ESI Enterprise Software Agreement (ESA) users

Focus on Customers & Efficiencies

- Implement DoD enterprise agreements for Commercial Off the Shelf Information Technology (COTS IT) - leveraging DoD enterprise scale
- Establish software enterprise licenses for common use software
- Influence Federal and DoD IT acquisition policy to lower the total cost of IT ownership for the DoD enterprise
- Maintain enterprise strategic sourcing relationships with leading IT vendors
- Operate using an agile, low overhead model executed through Software Product Managers (SPMs) in five DoD Components
- Coordinate development of enterprise IT asset management (ITAM) policy, standards, and best practices
- Provide IT acquisition expertise to DoD buyers of all size
- Establish “best value” contract terms and conditions

DoD ESI Model: Lean and Agile

- Lean Enterprise Governance and Management Structure
  - Recognized in FAR/DFARs, DoD 5000, and CIO policy and guidance
  - Aligned under Enterprise Governance Board (EGB)
  - Matrixed team structure, leveraging in-place Component expertise
- Agile Operations
  - Empowered Working Group with minimal decision points
  - Flexible framework for selecting target technologies
- Small team footprint embedded in OSD
  - Minimal dedicated staff
  - Execution through five Components (Army, DON, USAF, DISA, DLA)

DoD ESI and GSA SmartBUY

- GSA SmartBUY
  - Aligned under the Federal Strategic Sourcing Initiative (FSSI)
  - Federal government strategic sourcing program for software
- DoD ESI partnership with SmartBUY
  - SmartBUY is implemented within DoD through DoD ESI
  - DoD manages 21 GSA SmartBUY agreements
  - GSA SmartBUY participates in regular DoD ESI Team meetings
- Requirements for DoD ESI and SmartBUY Use
  - **In Acquisition Planning** – DoD 5000.2 requires maximum use of and coordination with DoD ESI when use of commercial IT is viable
  - **During Procurement** – DFARS mandates use of DoD ESI process when fulfilling requirements for software and related services
  - **DPAP/DCIO Memorandum** mandates use of GSA SmartBUY agreements where requirements match the offerings

ESI Agreements

- Software, Hardware and Commercial IT Services
- Special contract terms and conditions for enterprise needs
- Open to all DoD Components, Intelligence Community (IC), NATO, and Auth. Contractors
- Vehicles for products widely-used across DoD

Using ESI

- Check www.ESI.mil for offerings:
  - Software publishers
  - Product & price lists
  - Contract terms & conditions
  - Reseller ordering guide
- Coordinate orders with contracting officer
- Contact ESI SPM for assistance, if needed

Visit www.ESI.MIL for additional information

Policy: DFARS subpart 208.74--ENTERPRISE SOFTWARE AGREEMENTS

JIE & ITES&R Alignment:
CIO Vision & Strategy

DoD IT Challenges

Hundreds of sub-optimal data centers and networks incur **unnecessary costs**

Limited interoperability reduces information sharing and mission collaboration

Increasing demand for **new technology** on **rapidly** evolving devices

IT Programs average **81 Months*** – cannot rapidly and efficiently field new technology to meet warfighter needs

Cyber security vulnerabilities threaten to exploit classified information and endanger our national security

Current IT delivery process hinders our ability to take advantage of **new commercial technology**

* Source: Defense Science Board

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Source: "DoD CIO's 10 Point Plan for IT Modernization, " Ms. Teri Takai, March 2012, http://dodcio.defense.gov/Portals/0/Documents/ITMod/CIO%2010%20Point%20Plan%20for%20IT%20Modernization.pdf (4/24/2012)

ITES&R Goals

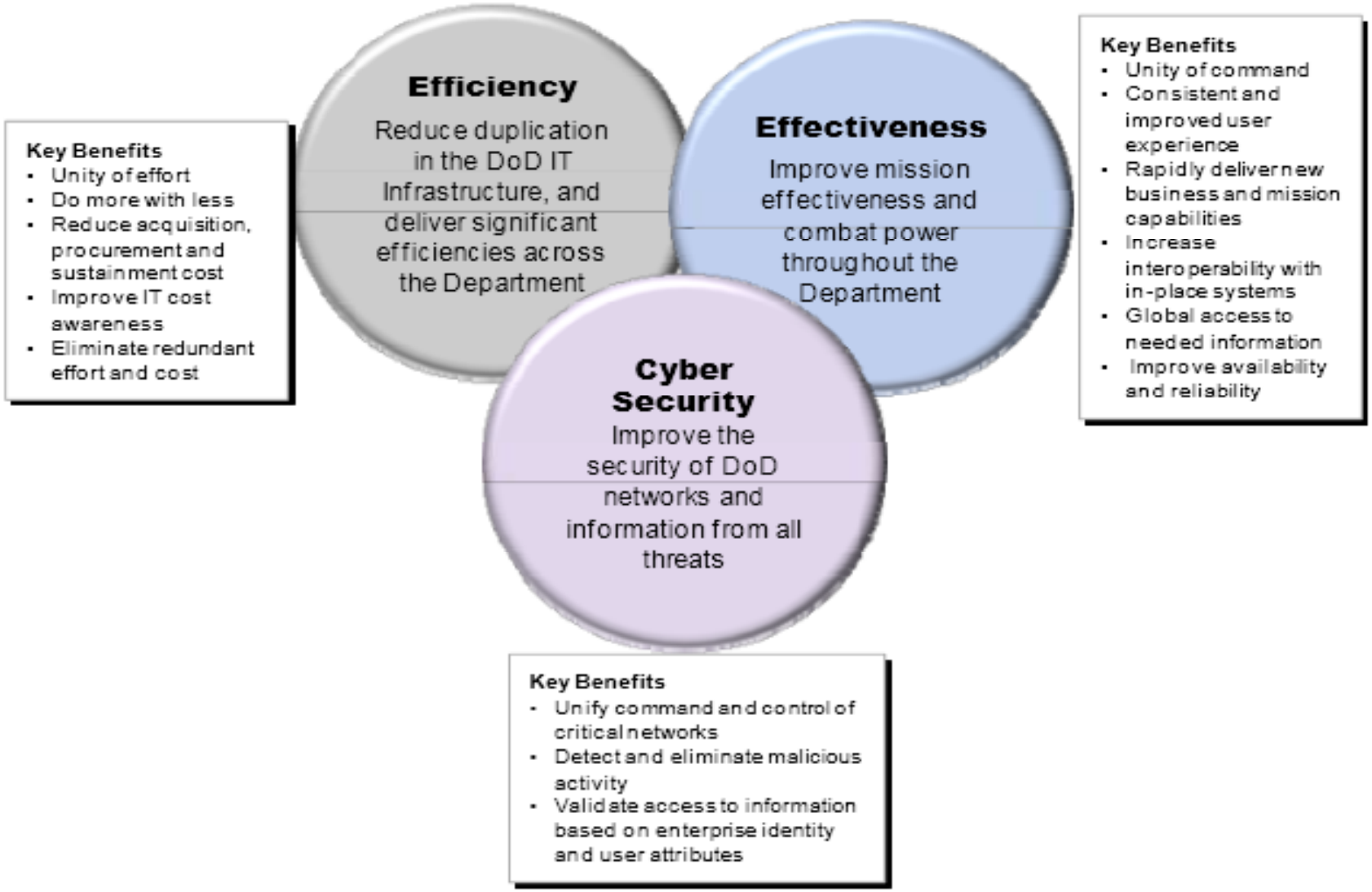
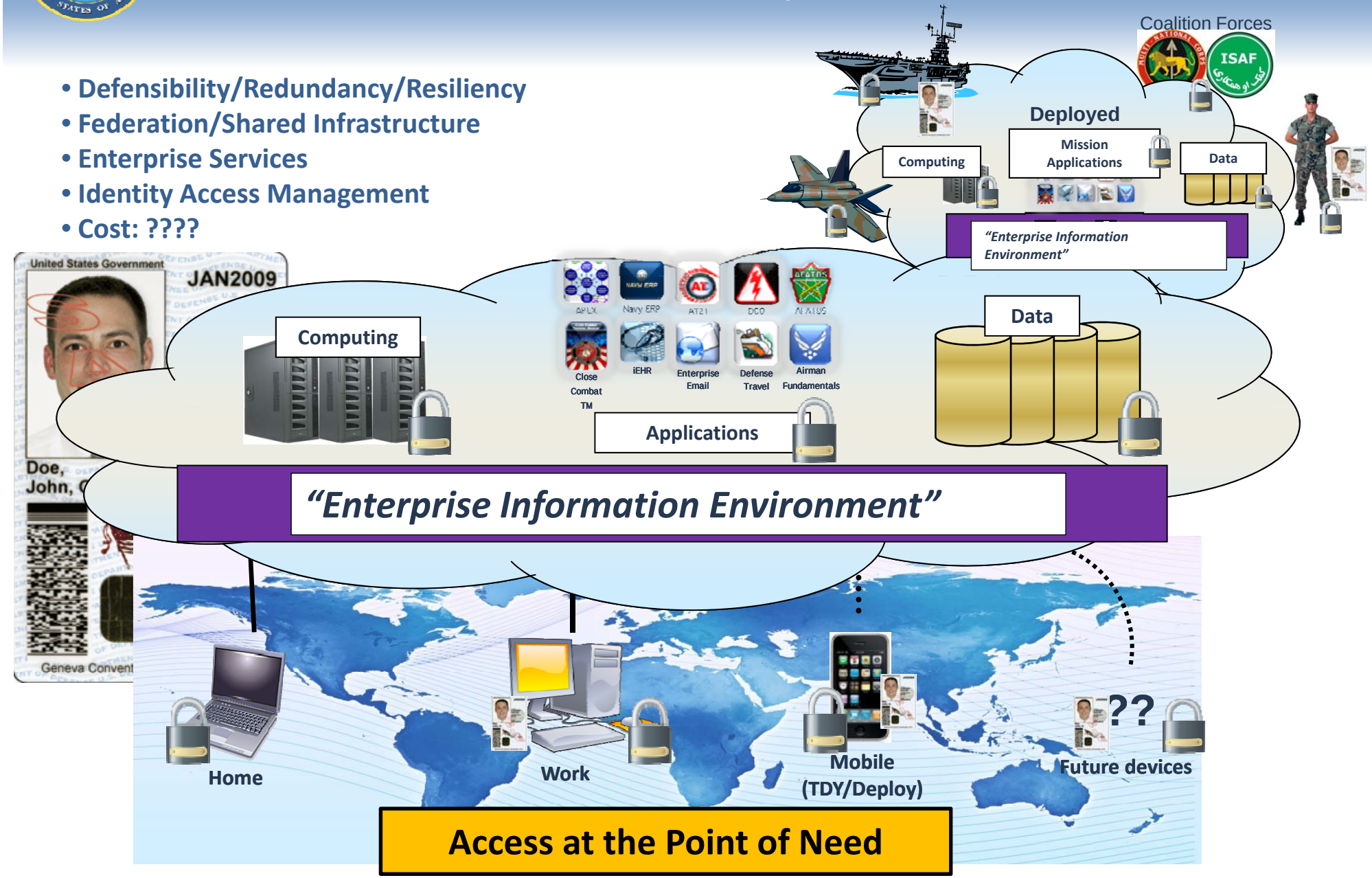


Figure 4-1: IT Infrastructure Enterprise Goals

Source: "DoD IT Enterprise Strategy & Roadmap," Version 1.0, 6 Sep 2011, http://dodcio.defense.gov/Portals/0/Documents/Announcement/Signed_ITESR_6SEP11.pdf, p. 6

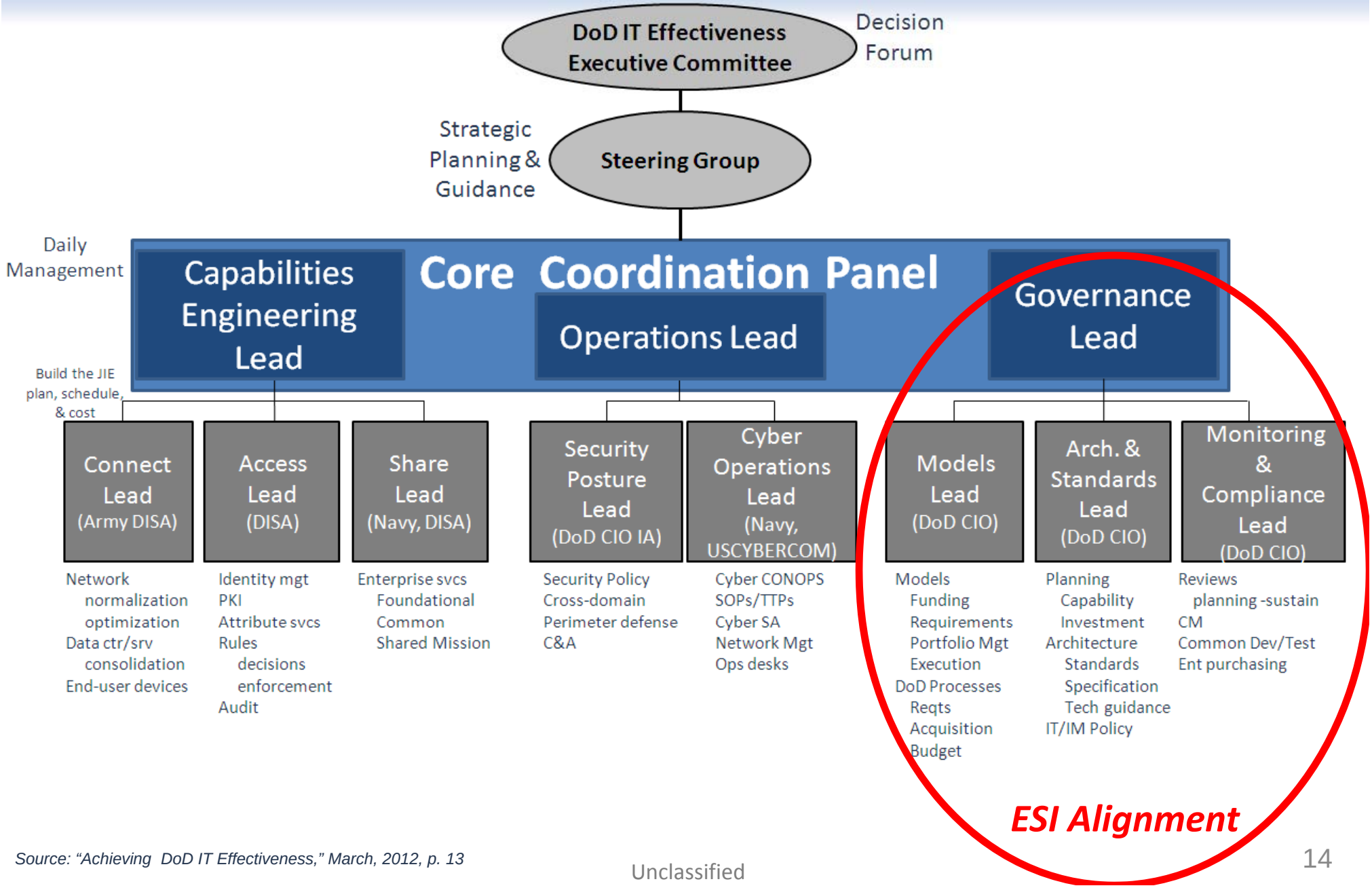
Joint Information Enterprise – End State

- Defensibility/Redundancy/Resiliency
- Federation/Shared Infrastructure
- Enterprise Services
- Identity Access Management
- Cost: ????



Source: "Achieving DoD IT Effectiveness," March, 2012, p. 9

ESI Alignment with JIE Oversight



Source: "Achieving DoD IT Effectiveness," March, 2012, p. 13

JIE Guiding Principals & ESI

- All stakeholders commit to an enduring program
- Mission success is the first priority
- Commonality is the default; uniqueness is allowed, but only when essential for mission success
- DoD IT will operate in an enterprise model
  - We are developing the DoD plan, not separate component plans
- We will maximize utilization of existing efforts
- We will enhance security
- We will leverage the existing statutory framework

ESI Focus

Source: "Achieving DoD IT Effectiveness," March, 2012, p. 10

IT Modernization Benefits

- Mission Effectiveness
  - Rapidly and dynamically respond to and support changing mission information needs for all operational scenarios
  - Users and systems will have timely and secure access to the data and services needed to accomplish their assigned missions, regardless of their location
  - Users and systems can trust their connection from end to end with the assurance that their activity will not be compromised.
  - Capabilities are still available during an event , even if they are degraded.
- Increased Security
  - The DoD can operate, monitor and defend the DoD's IT assets to attain and maintain information dominance.
- IT Efficiencies

ESI Focus

  - Information assets are joint assets to be leveraged for all Department missions.
  - A consistent IT architecture supports effective fielding of Department capabilities.
  - The DoD has visibility into its IT expenditures through increased budget transparency.

Source: "Achieving DoD IT Effectiveness," March, 2012, p. 12

Implementation:
IT Modernization Plan

DoD CIO 10 Point Plan for IT Modernization

- **IT Modernization Strategy**
  - Consolidate Infrastructure
  - Streamline Processes
  - Strengthen Workforce

- **Requires Partnerships Across DoD to achieve**
  - Improved mission effectiveness and user satisfaction
  - Reduced costs
  - Improved cyber security and interoperability
  - Agile, faster, and responsive delivery of IT capabilities

Enabling Agile, Secure, Efficient, and Effective DoD IT

Source: "DoD CIO's 10 Point Plan for IT Modernization, " Ms. Teri Takai, March 2012, http://dodcio.defense.gov/Portals/0/Documents/ITMod/CIO%2010%20Point%20Plan%20for%20IT%20Modernization.pdf (4/24/2012)

IT Modernization: IT Strategic Sourcing

DOD IT MODERNIZATION

CONSOLIDATE INFRASTRUCTURE

1. Consolidate Enterprise Networks
2. Deliver DoD Enterprise Cloud
3. Standardize IT Platforms

STREAMLINE PROCESSES

4. Enable Agile IT
5. Strengthen IT Governance
6. Strategic Sourcing for IT Commodities
7. Strengthen Cyber Security
8. Strengthen IT Investments
9. Improve Enterprise Arch Effectiveness

STRENGTHEN WORKFORCE

10. Modernize IT G

ESI Focus

6. Leverage Strategic Sourcing for IT Commodities

- Implement an enterprise approach for the procurement of common IT H/W & S/W
  - Develop a standard strategic sourcing process template for DoD
  - Review and analyze current IT hardware spending and identify a standard set of hardware for DoD-wide procurement
  - Save a min of 15% at purchase and another 15% over the next two years after purchase
- Establish a DoD Commodity Council
  - Co-chaired by AT&L/DPAP and DoD CIO

Source: "DoD CIO's 10 Point Plan for IT Modernization, " Ms. Teri Takai, March 2012, http://dodcio.defense.gov/Portals/0/Documents/ITMod/CIO%2010%20Point%20Plan%20for%20IT%20Modernization.pdf (4/24/2012)

Secondary Alignment with IT Modernization Plan

CONSOLIDATE INFRASTRUCTURE

1. Consolidate Enterprise Networks
- Consolidate data centers and network operations
- Optimize to a joint enterprise architecture with secure access

2. Deliver DoD Enterprise Cloud
- Develop and execute a strategy and standards for a secure DoD cloud environment.
- Leverage commercial clouds that meet cyber security requirements

3. Standardize IT Platforms
- Minimize program-unique platforms
- Drive DoD use of standard platforms
- Design platforms that ensure a secure cyber environment

STREAMLINE PROCESSES

4. Enable Agile IT
- Lead the development of an Agile IT development methodology
- Provide Guidance to DoD On Agile IT Best Practices

5. Strengthen IT Governance
- Restructure IT governance boards for enterprise view
- Improve DoD IT decisions, strategies, investments
- Streamline compliance processes

6. Leverage Strateg for IT Commod
- Implement an enterprise approach for the procureme commo IT H/
- Establish a DoD Commodity Co

7. Strengthen Cybersecurity
- Develop enterprise cyber situational awareness including authentication
- Leverage automated tools and continual assessments
- Streamline certification and reinforce reciprocity

8. Strengthen IT Investments
- Obtain transparency of IT investments
- Align IT Investments to DoD strategies
- Review performance of major investments

9. Improve Enterpris Architecture Effectiveness
- Transition document based process to decision support model
- Develop EA Implementation Plan and Instruction

STRENGTHEN WORKFORCE

10. Modernize IT Guidance and Training
- Provide guidance to DoD on adoption of Agile IT best practices
- Leverage ongoing workforce initiatives
- Develop a robust IT acquisition community

Cloud Services (e.g., GSA EaaS)

Software Enterprise Licensing; UMGD

Compass SI Agreements

IT Asset Management

IT Acquisition Training & Tools

Source: "IT Modernization One Pager – Talking Points ,"(DoD CIO, March 2012), http://dodcio.defense.mil

ITES&R Consolidation Initiatives

- Working Groups identified specific initiatives in the following functional areas:
  - **Network Services (NS):** Services (including hardware, software, and labor) that provide telecommunications, long-haul networks, installation campus area networks (ICAN), and network management and IA services
  - **Computing Services (CS):** Services that provide the ability to process, store, and access information, including data centers and servers, storage, and other hardware inside of them
  - **Application and Data Services (ADS):** Common shared applications, services, and processes
  - **End-User Services (EUS):** Subset of computing services that enable end users to access information applications and services locally and via the network
  - **IT Business Processes (BP):** Processes used to procure the hardware, software, and services needed to operate and maintain the DoD IT infrastructure

ESI Focus Area

Source: "DoD IT Enterprise Strategy & Roadmap," Version 1.0, 6 Sep 2011 , p 13 (http://dodcio.defense.gov/Portals/0/Documents/Announcement/Signed_ITESR_6SEP11.pdf)

DoD ESI Commodity Acquisition

Modernization Initiatives

Leverage Strategic Sourcing for IT Commodities

Enterprise approach for procuring common IT hardware and software

Establish a DoD Commodity Council

Source: "DoD CIO's 10 Point Plan for IT Modernization, " Ms. Teri Takai, March 2012, http://dodcio.defense.gov/Portals/0/Documents/ITMod/CIO%2010%20Point%20Plan%20for%20IT%20Modernization.pdf (4/24/2012)

10 Point Plan: IT Strategic Sourcing

Objective: The DoD CIO, in collaboration with AT&L and Components, will develop strategic sourcing plans and utilize consolidated contracts for DoD-wide purchasing of common IT software and hardware commodities. This enterprise strategic sourcing initiative for IT will allow DoD to gain economies of scale, improve effectiveness of IT throughout its lifecycle, and reduce total cost to the enterprise.

Background: The DoD Enterprise Software Initiative (ESI) seeks to implement a software enterprise management process within DoD … Additional emphasis, however, needs to be placed upon … supporting Department-wide requirements … Additional benefits include compliance with standards, sustainability, security, energy efficiency, asset tracking, technology refresh, quality and achieving small business or other "good citizen" goals. The initiative will enhance current DoD bulk purchasing efforts by ensuring a focus on the larger set of objectives that can be realized from strategic sourcing.

Approach: The DoD CIO will leverage the existing Strategic Sourcing Board of Directors (BOD) as a DoD Commodity Council co-chaired by senior leadership of AT&L/DPAP and DoD CIO, with representation from each of the Services. This Council will review requirements and analyze current DoD spending data to identify and agree on a DoD-wide strategic sourcing strategy for IT hardware and software

…Lastly, once strategic sourcing has been standardized across DoD, the DoD Commodity Council will implement a process for enterprise-wide strategic sourcing for commodity IT purchases. The Council will review and analyze current IT hardware spending and identify a standard set of hardware for DoD-wide procurement and use.

Source: "DoD CIO's 10 Point Plan for IT Modernization, " Ms. Teri Takai, March 2012, (DoD IT Modernization 10 Point Plan.docx)

IT Business Process (BP) Initiatives - Objectives

- Leverage economies of scale in purchasing
- Identify DoD-wide approaches to common IT business needs and direct IT-related business and operational practices
- Limit COTS hardware and software procurements to enterprise-wide vehicles to reduce lifecycle costs for procurement and contract administration
- Reduce the number of IT hardware configurations to reduce testing, patch management, and software upgrade installation costs

Initiatives	Increase Mission Effectiveness	Improve Cyber Security	Deliver Efficiencies	Technical Risk	Cultural Barriers
BP1: Consolidate COTS Software Purchasing			◆	Low	Medium
BP2: Consolidate COTS Hardware Purchasing	♦	◆	◆	Low	Medium
BP3: Optimize IT Service Purchasing	◆		◆	Low	High
BP4: Common Business Process Foundation	◆		◆	Medium	High
BP5: Promote and Adopt "Green" IT			◆	Low	Medium

◆ Significant Contribution

♦ Some Contribution

Source: "DoD IT Enterprise Strategy & Roadmap," Version 1.0, 6 Sep 2011 , p. 14 & 21, (http://dodcio.defense.gov/Portals/0/Documents/Announcement/Signed_ITESR_6SEP11.pdf)

Consolidate Software Purchasing

- Centralize DoD-wide enterprise licenses for the most widely used commercial software products
- Consolidate existing major Component-level enterprise licenses, or establish new DoD enterprise licenses and manage these licenses at the DoD level
- "Follow-the-Money" and focus on products and services from proven providers already accepted and in use within DoD
- Lower expenditures associated with patching and maintaining heterogeneous software products
- Reduce contract administration overhead

Source: "DoD IT Enterprise Strategy & Roadmap," Version 1.0, 6 Sep 2011 , p. E-1 (http://dodcio.defense.gov/Portals/0/Documents/Announcement/Signed_ITESR_6SEP11.pdf)

Consolidate Hardware Purchasing

- Drive procurement of all DoD commodity IT hardware (desktops, laptops, monitors, servers, printers) through large-scale, proven enterprise-buying processes such as:
  - Air Force Quarterly Enterprise Buy (QEB)
  - Army Consolidated Buy (CB)
  - Marine Corps Hardware Suite (MCHS)
- Modify these processes to ensure capture of other Components' basic configuration requirements
- Adopt other Component IT hardware buying processes or establish new vehicles to ensure coverage of other IT hardware devices, as needed
- Reduce lifecycle costs by reducing procurement expenditures, easing testing and maintenance support tasks, reducing aggregate contract administration overhead, and using "green" specifications to reduce power consumption

Source: "DoD IT Enterprise Strategy & Roadmap," Version 1.0, 6 Sep 2011 , p. E-1 (http://dodcio.defense.gov/Portals/0/Documents/Announcement/Signed_ITESR_6SEP11.pdf)

ESI – Delivering JIE Benefits

Benefits of Successful IT Modernization

Increase mission effectiveness

Strengthen cyber security

Improve outcomes of IT Acquisition

Faster capability deliveries

Improve interoperability

Save billions through cost efficiencies

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Source: "DoD CIO's 10 Point Plan for IT Modernization, " Ms. Teri Takai, March 2012, http://dodcio.defense.gov/Portals/0/Documents/ITMod/CIO%2010%20Point%20Plan%20for%20IT%20Modernization.pdf (4/24/2012)

DoD ESI Best Value Toolkit for Software Buyers

Challenges for Software Buyers

Technology

- Pace of innovation
- Complexity of products
- Risk of “lock-in” – high switching costs

Software Industry

- Intellectual property pricing
- Maintenance & support
- Mergers and acquisitions

Software Products

- Uniqueness of software apps
- Changing pricing models
- Product bundling
- Complex licenses

Transactions

- Buyers’ sales/ordering experience is limited vs. sellers’
- Limited visibility into prices paid by others
- Software costs are a fraction of total investment cost

Best Value for Software

Best value can be achieved when programs:

- Acquire solutions that best fit their requirements
- Receive the best price, all factors considered
- Secure the best terms and conditions

As defined in FAR 2.101, "Best value" means the expected outcome of an acquisition that, in the Government's estimation, provides the greatest overall benefit in response to the requirement.

Dan Gordon, who recently stepped down as OFPP administrator, offers a more tempered view. There are times when the lowest cost is fine, he said. But on more complicated procurements, the best value deserves a close look, too.

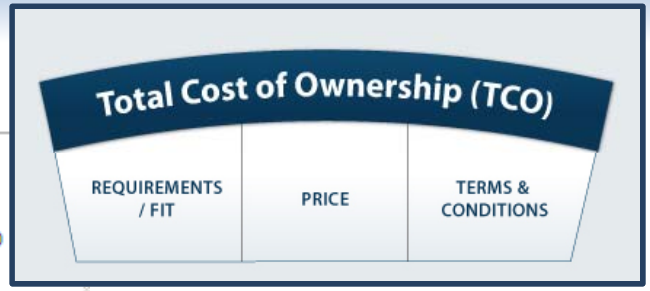
"IT acquisition: Pay less now, more later," Federal Computer Week, by Matthew Weigelt, 1/20/2012 (http://fcw.com/articles/2012/01/15/feat-watch-list-acquisition.aspx)

ESI.mil Best Value Toolkit for Software Buyers

- Tools to estimate total cost of ownership for software
  - Rapid assessment
  - Comprehensive analysis
- Guidance for terms and conditions
- Advice for negotiating best value

http://www.ESI.mil/BestValueToolKit

Total Cost of Ownership (TCO)



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Total cost of ownership

From Wikipedia, the free encyclopedia

Total cost of ownership (TCO) is a financial estimate whose purpose is to help consumers and enterprise managers determine direct and indirect costs of a product or system. It is a management accounting concept that can be used in full cost accounting or even ecological economics where it includes social costs.

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1 Use of concept
1.1 Computer and software industries
1.2 Transportation industry
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TCO: Sum of all expenses for buying, sustaining, and decommissioning an asset or investment over its entire life.

Use of concept

TCO, when incorporated in any financial benefit analysis, provides a cost basis for determining the economic value of an investment. Examples include: return on investment, internal rate of return, economic value added, return on information technology, and rapid economic justification.

A TCO analysis includes total cost of acquisition and operating costs. A TCO analysis is used to gauge the viability of any capital investment. An enterprise may use it as a product/process comparison tool. It is also used by credit markets and financing agencies. TCO directly relates to an enterprise's asset and/or related systems total costs across all projects and processes, thus giving a picture of the profitability over time.

Source: "Total cost of ownership," Wikipedia.org, 4/20/2012

Potential Applications

- Planning
  - Requirements development & analysis
- POM
  - Support for budget formulation
- Acquisition
  - Business case analysis
  - Ind. Govt. Cost Est. (IGCE)
  - Requirements definition
- Source selection
  - Best value determination

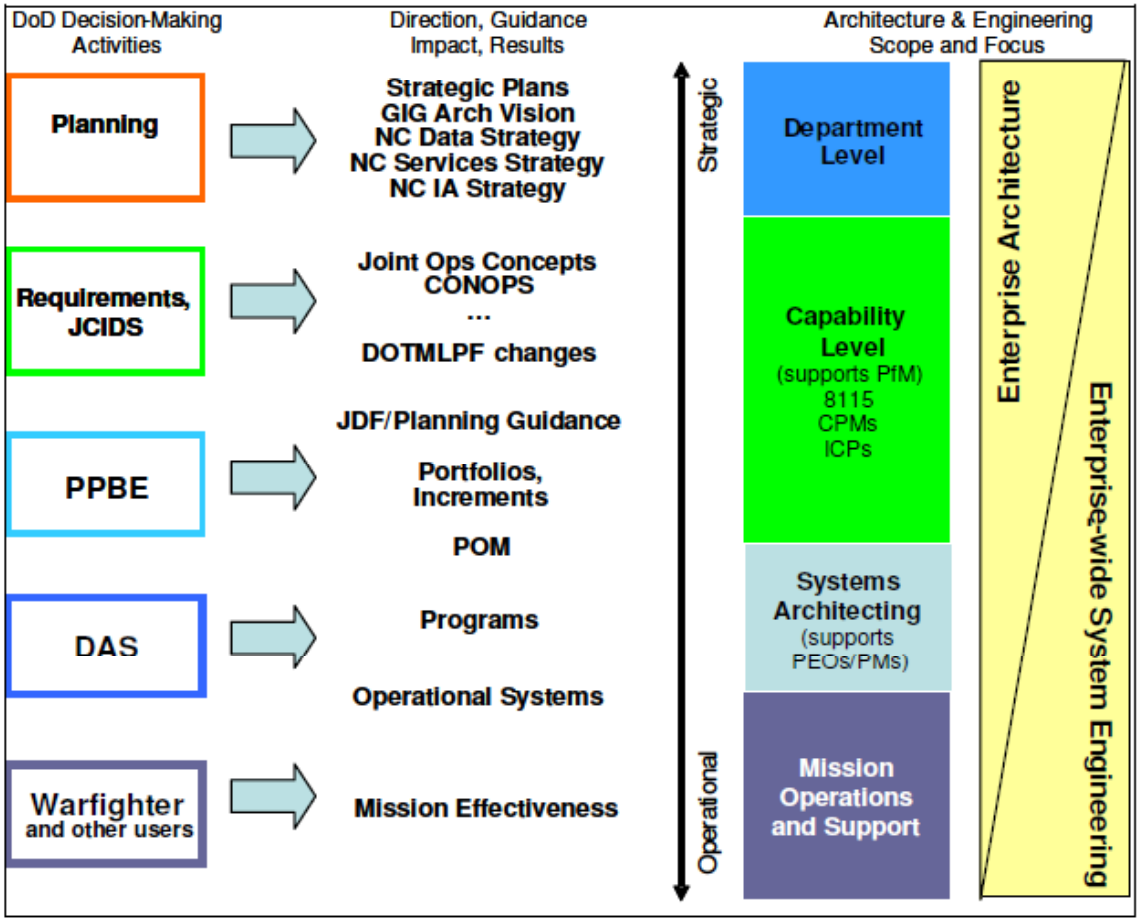


Figure 2-1: Establishing the Scope for Architecture Development

Source: DoD Architecture Framework (DoDAF), Version 2.0, 28 May 2009

DoD ESI Best Value Roadmap

DoD ESI Home

Best Value Toolkit
Commercial Software Acquisition

Home | Overview | How to Use | Rapid Assessment | Best Value Roadmap | Tools Library

Roadmap

The Best Value roadmap has been developed for programs that have the time, tools and resources available to ensure Best value is achieved using the following proactive, methodical, four phased process. Within each phase, there are several steps to the process, discussed by selecting the phase desired.

BEST VALUE PROCESS ROADMAP

GATHER »	ANALYZE »	STRATEGIZE »	NEGOTIATE »
Gather and organize the relevant acquisition documents and data.	Evaluate and analyze the data gathered to become intelligent on software acquisition.	Define the best price, terms and conditions that represent Best value for this transaction.	Execute the negotiation strategy to arrive at Best value for the requirement.

TEAM APPROACH

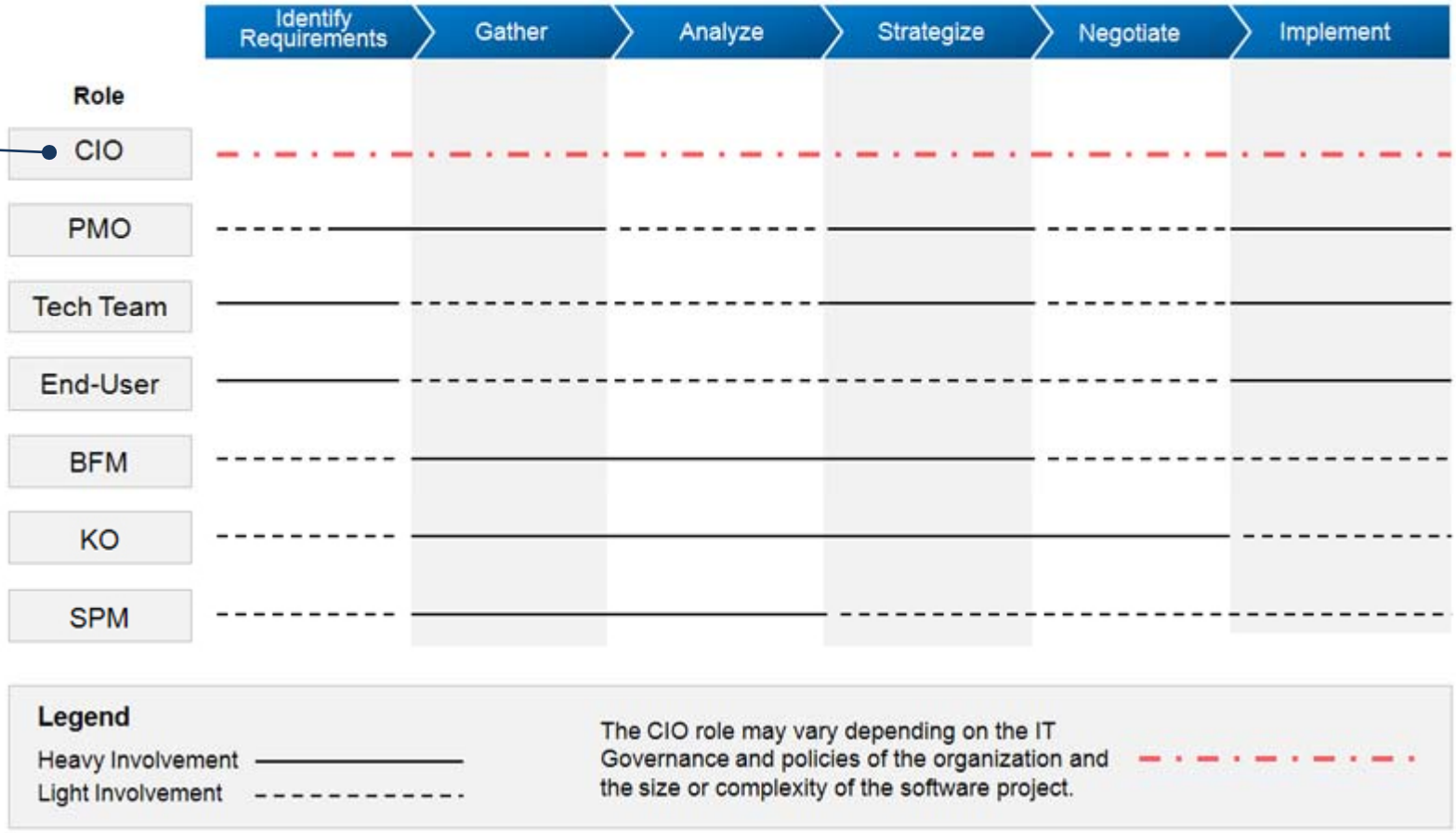
Software Buyer Team

Architecture & Standards

Policy & Guidance:
- CPIC
- DITIL
- ITAM
- POM
- etc.

Standards:
- EA
- Interop.
- IA
- etc.

Resources:
- Ent. Licenses
- SW Inventory
- SCRM
- etc.

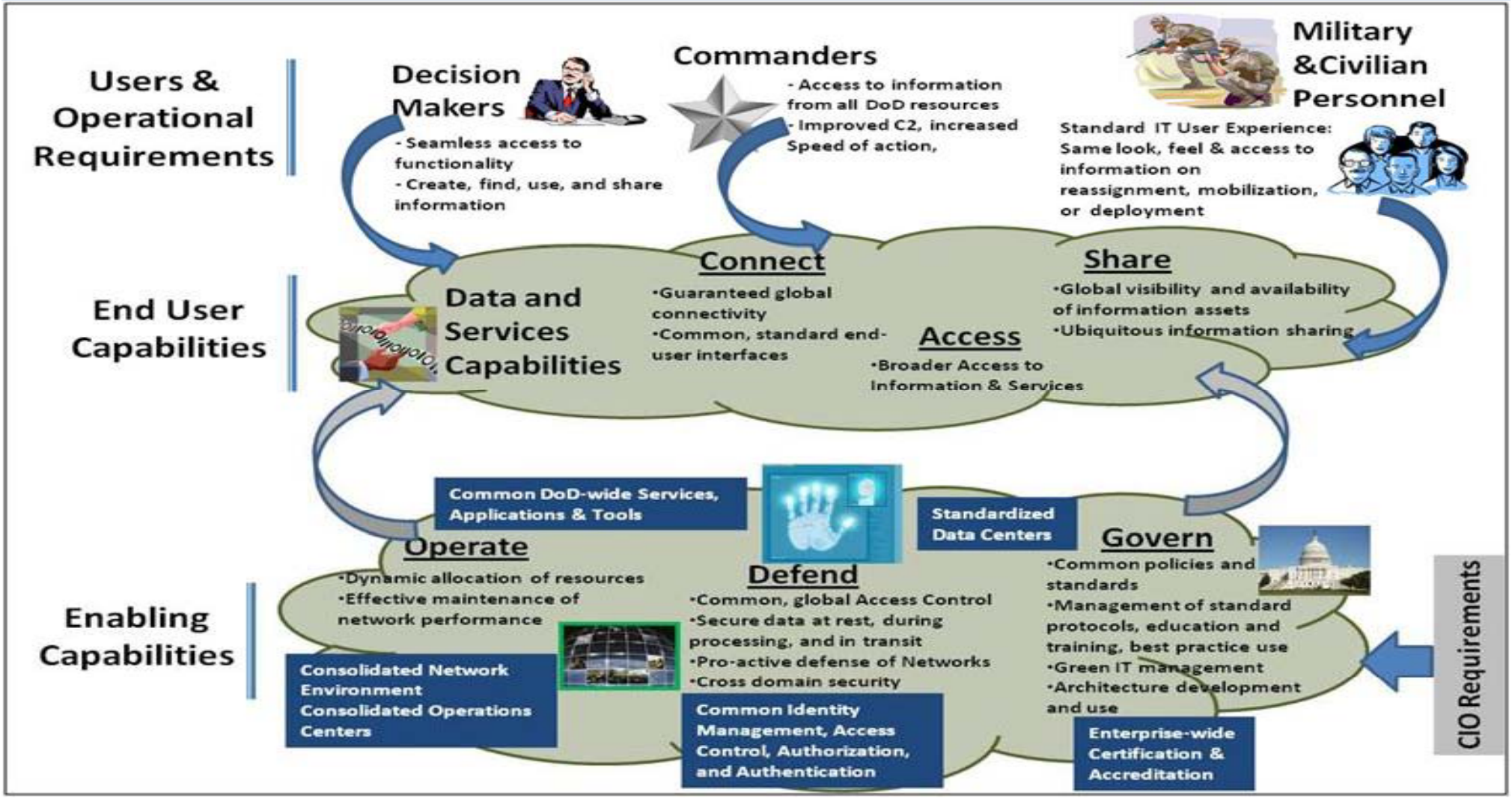


Phase 1: Gather Information

Phase 1 Objective: Determine software performance requirements and the ability of existing COTS software packages to meet the requirements (fit).

Step	How
Define Requirements	Requirements Documentation Statement of Objectives Project Charter Contact Applicable ESI SPM
Conduct Market Research	www.esi.mil – Contract Vehicles & Pricing Portal GSA Schedule
Define % of Requirements Met by COTS	Requirements / Fit Checklist
Estimate cost to fill gaps in COTS	TCO Workbook
Research SW models	www.esi.mil Summary License Terms Checklist
Research Contract Vehicles	Contract Vehicle Utilization Checklist
Is inventory or Enterprise Lic. available?	www.esi.mil
Gather and Organize Docs	Requirements Fit Checklist

Architecture Requirements/Fit: DoD IE Vision



Source: "DoD Information Enterprise Architecture (DoD IEA) Version 2.0" Mr. Mazyck; DoD IEA Lead, DoD CIO, Architecture & Infrastructure Directorate (Contractor), DoD CIO DoDAF Journal, DoDAF Version 2.0 Plenary 5 January 2012 (http://dodcio.defense.gov/Portals/0/Documents/DODAF/1050-1110_DoD%20IEA%20v2%200_Mazyck_01-05-2012_V1.pptx)

Analyzing Total Cost of Ownership

http://en.wikipedia.org/wiki/Total_cost_of_ownership

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Computer and software industries

TCO analysis was popularized by the Gartner Group in 1987.[1] The roots of this concept date at least back to t twentieth century.[2] Many different methodologies and software tools have been developed to analyze TCO. TC financial impact of deploying an information technology product over its life cycle. These technologies include s and training.

Technology deployment can include the following as part of TCO:

- Computer hardware and programs
  - Network hardware and software
  - Server hardware and software
  - Workstation hardware and software
  - Installation and integration of hardware and software
  - Purchasing research
  - Warranties and licenses
  - License tracking - compliance
  - Migration expenses
  - Risks: susceptibility to vulnerabilities, availability of upgrades, patches and future licensing policies, etc.
- Operation expenses
  - Infrastructure (floor space)
  - Electricity (for related equipment, cooling, backup power)
  - Testing costs
  - Downtime, outage and failure expenses
  - Diminished performance (i.e. users having to wait, diminished money-making ability)
  - Security (including breaches, loss of reputation, recovery and prevention)
  - Backup and recovery process
  - Technology training
  - Audit (internal and external)
  - Insurance
  - Information technology personnel
  - Corporate management time
- Long term expenses
  - Replacement
  - Future upgrade or scalability expenses
  - Decommissioning

In the case of comparing TCO of existing versus proposed solutions, consideration should put towards costs re existing solution that may not necessarily be required for a proposed solution. Examples include cost of manua only required to support lack of existing automation, and extended support personnel.

1	Total Cost of Ownership Elements		
2			
3		Potential Costs Incurred	
4		Initial Acquisition Year	Recurring Spending
5	License Acquisition Data		
6	Initial Acquisition Price	X	
7	% Discount Initial Acquisition	X	
8	Future Purchase Discount %		X
9	Future Product Purchases		X
10	Maintenance/Support Data		
11	Annnual Support Initial Acquisition	X	X
12	Annual Support Escalation %		X
13	Annual Support Future Purchases		X
14	Education/Training Spending Data		
15	% Discount	X	
16	Annual Spending	X	X
17	Consulting Services (CS) Data		
18	Initial CS Discount %	X	
19	Initial CS Spending	X	
20	Future CS Discount %		X
21	Future CS Purchases		X
22	Configuration of COTS Product Data		
23	Initial Configuration Spending	X	
24	Recurring Configuration Spending		X
25	Hosting Fees	X	X
26	Hardware Data		
27	Hardware Product Spending	X	X
28	Hardware Maintenance	X	X
29	Other Vendor Services	X	X
30	Other Costs/Spending (Define Below)*	X	X
31			
32	**The above list provides many common elements of TCO. Since each acquisition is unique, you should add additional elements as needed for the specific acquisition.*		

ESI TCO Workbook

Source: "Total cost of ownership," Wikipedia.org, 4/20/2012

Leverage EA Artifacts for Requirements/Fit

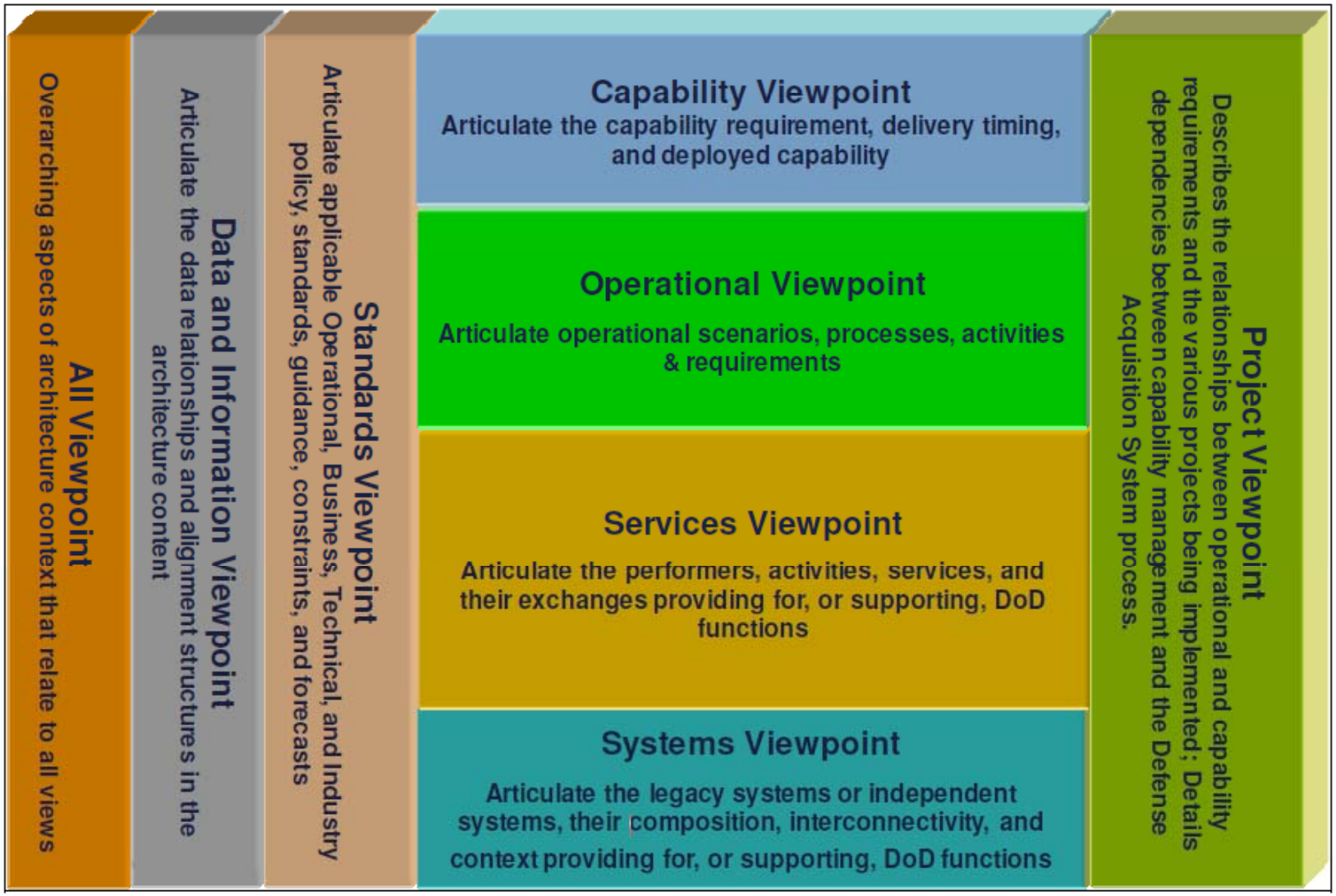

Figure 3.4.2-1: Architecture Viewpoints in DoDAF V2.0

Source: DoD Architecture Framework (DoDAF), Version 2.0, 28 May 2009

Phase 2: Analyze

Phase 2 Objective: Assess the current opportunity in comparison to existing contracts, acceptable terms and conditions, pricing information, and relative value compared to similar transactions.

Step	Tools / Links
Price Factors Overview	Best Value Price Factors Guide
Comparison on Proposed Deal to Contract Vehicles	
Benchmarking	Benchmark Data Gathering Checklist Benchmark Elements Table Proposed Deal Points Checklist TCO Workbook
Terms and Conditions	
TCO	TCO Workbook Price Analysis Checklist

ESI.MIL Price Benchmarks

Product Price Benchmark Reports (Private SPM Site)

Report Type
Product Price Benchmarks

Report Period
Start
1-Jan-2008
End
31-Dec-2011

Service or Agency
All
AFSC
AIR FORCE
AMC
AMCOM
ARMY
ATF
All | None Please use Control-click to select multiple entries

Publishers
Adobe

RESET

Product Price Benchmarks

- Acrobat - WIN Platform (CLP 4.5)
  - Acrobat 10.0 AOO New License
  - Acrobat 10.0 Upgrade License (STD-ST
  - Acrobat 10.0 Media (NACT)
  - Acrobat ALL Gold - PRO MIN REQ - 1Y
  - Acrobat ALL Gold Renewal - PRO MIN R
  - Acrobat ALL New Upgrade Plan - 1Y
  - Acrobat ALL New Upgrade Plan - 1Y
  - Acrobat ALL Renewal Upgrade Plan - 1
  - Acrobat ALL Renewal Upgrade Plan - 1
  - Acrobat 9.0 AOO New License
  - Acrobat 9.0 Upgrade License (STD-STD
  - Acrobat 9.0 Upsell License (ELE-STD, A
  - Acrobat 9.0 Media (NACT)

Product Price Benchmarks

Sales Report Period: 2008-01 to 2011-12 Agencies: ALL

	Price	Quantity	Service or Agency
Min Price	$20.05	1900	AIR FORCE
Max Price	$113.94	1	ARMY
Average Price	$78.38		

A significantly better price was obtained for a significantly larger quantity

Phase 3: Strategize

Phase 3 Objective: Based on vendor data, contract information, and benchmark data, you can construct a target position (actually a range) of the intended acquisition.

Step	How
Establish Best Value Range (Price and Ts & Cs)	Strategy Checklist Transaction Deal Points (TDP) Worksheet Best Value Price Factor Guide Best Value Terms and Conditions Guide Total Cost of Ownership Elements Software Maintenance and Support Guidance TCO Workbook Software Provider's Negotiation Position
Identify "Must Haves"	TCO Workbook
Develop Negotiation Position Plan, including Trade-off Priorities	Strategy Checklist Negotiation Checklist Negotiation Position/Strategy Outline

Transactional Deal Points (TDP) Worksheet

	ITEM	SELLER A	SELLER B	VEHICLE	BENCHMARKS					TARGET RANGES	
					DEAL 1	DEAL 2	DEAL 3	DEAL 4	Avg	LOW	HIGH
Requirements	% of requirements fulfilled										
Seller Info	*Publisher*										
	Reseller (if any)										
	Category										
	Primary Deal Type										
	Date of Award										
	Time to plan & execute the deal										
	Time within the Seller's Fiscal Year and Quarter										
Product	*Products*										
	Modules										
	Unit of Measure										
	Unit price per UOM										
	Quantity of UOM				#						
	Primary License Type										
	Product % of fit to requirements										
	Usage Restrictions										
	License Fee										
	Maintenance Year 1				$	$	$	$			
	BPA ACT Fee										
	Total value of the deal										
	Maintenance % Year 1				%	%	%	%			
	Annual Maintenance Escalation										
	Maintenance Year Two				$	$	$	$			
	Maintenance Year Three				$	$	$	$			
Training	Training Unit of Measure (UOM)										
	Price										
	QTY										

Phase 4: Negotiate

Phase 4 Objective: Ensure you obtain Best value for your customer and the Government at-large.

Step	How
Work to Best Value, Within Range	Software Provider's Negotiating Position document
Use TCO Methodology to Evaluate Life-Cycle Price Value	TCO Workbook
Obtain all "Must Haves"	TCO Workbook TDP Worksheet

TCO Example

	A	B	C	D	E	F	G
1		**Total Cost of Ownership Example**					
2			**Initial Acquisition Year**	**Year 2**	**Year 3**	**Year 4**	**Year 5**
3	License Acquisition Data						
4		Initial Acquisition Price	$7,500,000				
5		% Discount Initial Acquisition	62.0%				
6		Future Purchase Discount %		55.0%	55.0%	55.0%	55.0%
7		Future Product Purchases		$0	$250,000	$350,000	$450,000
8	Maintenance/Support Data						
9		Support % License Fees	22.0%				
10		Annnual Support Initial Acquisition	$1,650,000	$1,699,500	$1,750,485	$1,803,000	$1,857,090
11		Annual Support Escalation %		3.0%	3.0%	3.0%	3.0%
12		Annual Support Future Purchases		$0	$55,000	$133,650	$236,660
13	Education/Training Spending Data						
14		% Discount	5.0%				
15		Annual Spending	$100,000	$50,000	$25,000	$25,000	$25,000
16	Consulting Services (CS) Data						
17		Initial CS Discount %	5.0%				
18		Initial CS Spending	$100,000				
19		Future CS Discount %		3.0%	3.0%	3.0%	3.0%
20		Future CS Purchases		$0	$0	$0	$0
21	Configuration of COTS Product Data						
22		Initial Configuration Spending	$250,000				
23		Recurring Configuration Spending		$0	$0	$50,000	$0
24	Hosting Fees		$0	$0	$0	$0	$0
25	Hardware Data						
26		Hardware Product Spending	$50,000	$25,000	$0	$25,000	$0
27		Hardware Maintenance	$5,000	$7,500	$7,500	$7,500	$7,500
28	Other Vendor Services		$10,000	$10,000	$10,000	$10,000	$10,000
29	Other Costs/Spending (Define Below)*		$0	$0	$0	$0	$0
30		Total Cost/Year	$9,665,000	$1,792,000	$2,097,985	$2,404,150	$2,586,250
31							
32	5.0%	NPV TCO	$17,479,110				
33							
34		**The above list provides many common elements of TCO. Since each acquisition is unique, you should add additional elements as needed for the specific acquisition*					

Best Value Comparison

	A	B	C	D	E	F
1	**Total Cost of Ownership BV Range**					
2						
3					**Best Value Range**	
4			**Current Offer**		**Most Aggressive**	**Least Aggressive**
5	License Acquisition Data					
6		Initial Acquisition Price	$7,500,000		$5,500,000	$7,300,000
7		% Discount Initial Acquisition	62.0%		73.0%	63.0%
8		Future Purchase Discount %	55.0%		73.0%	55.0%
9	Maintenance/Support Data					
10		Support % License Fees	22.0%		18.0%	22.0%
11		Annnual Support Initial Acquisition	$1,650,000		$990,000	$1,650,000
12		Annual Support Escalation %	4.5%		2.0%	4.5%
13	Education/Training Discount		5.0%		10.0%	5.0%
14	Consulting Services (CS) Data					
15		Initial CS Discount %	5.0%		10.0%	5.0%
16		Future CS Discount %	3.0%		10.0%	3.0%
17	Configuration of COTS Product Data					
18		Initial Configuration Spending	$250,000		$150,000	$250,000
19		Recurring Configuration Spending	$0 - $50,000		$0 - $50,000	$0 - $50,000
20	Hosting Fees		$0		$0	$0
21	Hardware Data					
22		Hardware Product Spending	$50,000		$0	$50,000
23		Hardware Maintenance	$5,000		$0	$5,000
24	Other Vendor Services		$10,000		$0	$10,000
25	Other Costs/Spending (Define Below)*		$0		$0	$0
26						
27		**The above list provides many common elements of TCO. Since each acquisition is unique, you should add additional elements as needed for the specific acquisition.*				
28						

Alternative: Rapid Assessment

Gather

- ✓ Collect acquisition information: items, quantities, quoted prices, Ts & Cs, Maintenance practices, configuration required, services needed, etc.
- ✓ Ensure that the Customer/Technical Lead has validated that the software satisfies requirements.
- ✓ Identify available contract vehicles and their terms & conditions
- ✓ Review industry literature or benchmark data to determine standard pricing, Ts & Cs, and average TCO

Analyze

- ✓ Compare quotes and terms to existing contracts.
- ✓ Utilize The Best Value Terms and Conditions Guide to compare Ts & Cs reflect best practices.
- ✓ Compare market research to benchmark prices, TCO, and Ts & Cs.
- ✓ Review the Total Cost of Ownership (TCO) Elements List. Complete the Total Cost of Ownership (TCO) Workbook. Analyze the entire deal, alternative offers, and alternative issues

Strategize

- ✓ Determine the Best Value Range (Price, Ts & Cs, and TCO) that is acceptable to the Government.
- ✓ Establish your target Ts & Cs and develop your trade-off plans.
- ✓ Review the Best Value Price Factors Guide and incorporate this information is establishing your negotiation strategy.
- ✓ Use the Negotiation Position/Strategy Outline as a framework for ensuring all issues are addressed.

Negotiate

- ✓ Negotiate to your Best Value Target.
- ✓ Use the TCO Worksheet to track financial trade-offs for the Life-cycle of the program.
- ✓ Award a contract, knowing that you obtained Best Value.
- ✓ Report deal data if using DoD ESI or GSA SmartBUY vehicle.

EA Application: Financial Data Fusion View

VALIDATED RESULTS

System X BACKGROUND (DITPR System Description)

Scope:

System Capabilities:

ROLES and SUPPORT

MEASUREMENTS

Enterprise System Comparison (Legacy System A vs. DIMHRS)
The legacy system A systems functions were compared against the DIMHRS enterprise system functions, and the resulting metric reflects possible redundancy in functionality in support of HRM Lines of Business.

Capability Comprehensiveness (Legacy System A vs. HRM Architecture)
Capability Comprehensiveness is determined by comparing existing system architecture documentation with the current approved HRM Lines of Business that are documented in the Architecture.

ANALYSIS ASSUMPTIONS

The definitions of the legacy system A SV-4a system functions were not provided. Therefore this study assumes that the legacy system A SV-4a system functions with similar nomenclature to HRM SV-4a system functions are equivalent in definition and scope (e.g. legacy system A SV-4a functions/definitions of Manage Manpower, Manage Education and Training, Manage Labor Cost Assignment are equivalent to the HRM SV-4a functions of Manage Organization, Develop Personnel, Manage Time, Absence, and Labor). If there is a match in SV-4a system functionality, this study assumes that all the common reference set of HRM SV-4a functions are applicable.

This study assumes the information provided in the certification packages (e.g., system interfaces, system functions, scope) has not changed since the delivery of the certification package.

MEASUREMENT RESULTS:

ENTERPRISE SYSTEM COMPARISON: Based on comparison of information provided by the AFEWT Certification packet - % appears to be similar to DIMHRS

HRM CAPABILITY COMPREHENSIVENESS: Based on comparison with HRM Lines of Business (LOB)

Line of Business	Percentage	# Mapped	Total
Manage Organization	N/A		
Personnel Development	N/A		
Compensation/Personnel Sustainment	N/A		
Personnel Separation	N/A		
Recruiting	N/A		
Benefits	N/A		
Military Medical Services	N/A		
Quality of life, MWR	N/A		
Law Enforcement	N/A		
Legal Affairs	N/A		
Personnel Security	N/A		
Interagency Support	N/A		
Travel	N/A		

**Mapped to parent level system function*

COST INFORMATION

Cost per System Function

Overall Cost

Figure 8.5.2-1: Financial Data Fusion View

Source: DoD Architecture Framework (DoDAF), Version 2.0, 28 May 2009

Navigating the Online Toolkit

DoD ESI | Best Value Toolkit - Windows Internet Explorer provided by OSD-CIO

http://www.esi.mil/bestvaluetoolkit/index.html

http://www.ESI.mil/BestValueToolkit

File Edit View Favorites Tools Help

DoD ESI | Best Value Toolkit

DoD ESI Home

DoD ESI

Home | Overview | How to Use | Rapid Assessment | Best Value Roadmap | Tools Library

- Definition
- Commercial Software Applicability

- Summary
- Applicable Scenarios

- Scenario
- Utilization

- Roadmap
- Team Approach
- Gather
  - Requirements/Fit
  - Available Contract Vehicles
  - Vendor Data/Quotes
- Analyze
- Strategize
- Negotiate

Tools Library

A direct link to tools utilized throughout the Best Value toolkit are available below:

Tool	Purpose	Link / Type
Benchmark Data Gathering Checklist	Summary Level Guidance on Benchmarking	W
Benchmarking Elements Table	Key elements to be gathered to compare benchmark data	W
Best Value Price Factors Guide	Review of items that drive the price of commercial software, oriented towards Vendor's flexibility to grant better pricing based on Government's position.	W
Best Value Terms and	In-depth review of critical Ts & Cs,	W

Related DoD ESI Resources on ESI.MIL

- *"Software Licensing: A Deep Dive in these Changing Times"*
  - Session Brief from AFCEA West 2012 Conference
  - http://www.esi.mil/download.aspx?id=2359
- *"Software That Goes 'Bump in the Night': Software Licensing Do's and Don'ts"*
  - Session Brief from AFCEA East 2011 Conference
  - http://www.esi.mil/download.aspx?id=1730
- *"How Strategic Sourcing is Driving Benefits and Efficiencies to DON/DOD IT"*
  - Session Brief from AFCEA West 2011 Conference
  - http://www.esi.mil/download.aspx?id=1350
- DoD ESI Pricing Portal
  - Search selected ESI BPAs for products and pricing
  - http://www.esi.mil/pricing/product/details.ashx?id=1
- DoD ESI Software Buyers Checklist
  - Recommendations for assessing quotes, software licenses, and contract terms
  - http://www.esi.mil/download.aspx?id=577
- *"Cloud Computing and its Impact on Software Licensing"*
  - Session Brief from AFCEA West 2012 Conference
  - http://www.esi.mil/download.aspx?id=2375
- Software as a Service (SaaS) Toolkit
  - Introduction to analysis of alternatives for on-premise licensing vs. SaaS
  - http://www.esi.mil/saas_toolkit/index.html

DoD ESI Educational Series Course:

Commercial Software Licensing

A two-day in-depth course covering industry structure, delivery models, licensing, pricing, licenses, and other topics. Held quarterly at various locations.

Details: http://www.esi.mil/contentview.aspx?id=278&type=1

Summary

DoD ESI Summary

- Promotes cross-Component sharing of IT acquisition “lessons learned”
- Protects enterprise-level IT management interests in IT vendor negotiations
- Leverages economies of scale for IT acquisitions
- Returns significant cost avoidance, improved software use rights for ordering agencies
- Reduces administrative costs by reducing duplicative IT agreements and contracts
- Promotes enterprise-level visibility into IT asset acquisitions
- Enables buyer access to professional licensing expertise
- Ensures that unique DoD enterprise needs are communicated at the Federal level for COTS IT acquisition policy and initiatives

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Your Preferred Source for
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