Office of Program Support
Procurement and Contracts Management Directorate

Business Strategy Groups Lessons Learned

MASTER

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Office of Program Support
Procurement and Contracts Management Directorate
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Business Strategy Group
Lessons Learned

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I. BUSINESS STRATEGY GROUP UTILIZATION.

ISSUES.

- A. Are an adequate number of Business Strategy Groups (BSGs) sessions being conducted each year?
- B. Are BSGs being utilized throughout the various programs?
- C. Are BSGs being effectively utilized as part of existing DOE program review systems?

DISCUSSION.

A. Since Fiscal Year 77, 29 BSG sessions are known to have been conducted. This consisted of 4 sessions - FY 77, 8 in FY 78, 11 in FY 79 and to date in FY 80, 6 have been conducted. Of these sessions, 27 have been on DOE Prime contracts with 2 additional sessions on Fossil Energy Sub-contracts. Under the management Directives and subsequent DOE Order, application of the BSG sessions has been left up to individual program and procurement management. The decisions to have such sessions were based upon the complexity, dollar amounts and special interest in various programs and projects. Much of the decision to have the BSG has been left up to the enthusiasm and interest by the various individual procurement advisors and others to utilize BSG formality in contrast to the informality of the day to day advisory assistance. In other words, no absolute requirement or dollar threshold has been observed to require the documentation of major programs and projects under the BSG procedure. Of the 29 sessions held, they have ranged in dollar amounts from \$14M to a half billion dollars. Business issues for those procurements not covered by such sessions have been discussed in a combination of informal and subsequent review forums such as the solicitation review panel.

B. Of the 29 sessions held to date, the breakdown has been 4 in Nuclear, 3 in Resource Applications, 9 in Fossil Energy, 11 in Conservation Solar and 2 in EIA. This breakdown will suggest a fairly even distribution with the percentages of total prime contract activity for those particular program areas. However, in comparison to other Department statistics, the number of BSG sessions is far short of what it should be for this period of time. For example, there are approximately 70 major systems or major projects covered in the Department's activity for FY 80. This is a sharp contrast to the number of BSG sessions in the recent past when these 70 activities would have been initiated. And, typically, a major program or system should require one or more BSG sessions prior to the initiation of the procurement source evaluation board process. Accordingly, the number of BSG sessions is far short of that required to successfully accomplish this function. However, the Department now has in place the Planning,

Programming and Budgeting System (PPBS) which is available to Program Support to reveal future major acquisition activity. In the past, the staff has not utilized PPBS information adequately to formulate BSG opportunities.

C. The DOE major acquisition directives in Series 5700 (5700.3 in particular) provide a means for identification and utilization of BSGs in the major system acquisition process. As previously mentioned the PPBS is utilized to recognize large expenditures and identify candidates for major systems and project identification under 5700.3. A system or project which is thus identified requires preparation of a mission needs statement and specifies utilization of the BSG session to complete such acquisition strategy documentation (see attached chart of MSA milestones). In reviewing the case files to date, none of the BSG sessions has been concerned with mission need statement documentation for major systems or projects. Later in the major acquisition process each major systems or project develops an Advance Procurement Plan usually well ahead of the SEB and the SRP activities. This documentation is a further conceptualization of the procurement requirements where a BSG session can be appropriately utilized. The finalization of the advanced procurement plan is the time when BSGs have usually been utilized in the past. In many instances, BSGs have been utilized much later than that involving themselves in the pre-solicitation review panel activities. Or, in worse cases, the SRP has been concerned with business strategy issues prior to being able to consider the solicitation documentation.

RECOMMENDATIONS.

DOE management needs to re-emphasize with the program management and the Controller's Office the importance of the provisions of 5700.3 (see page 18-1(b) and attachment 2, page 2, last paragraph of the Order) now in place which provides for the use of BSGs in the mission needs and advanced procurement plan stages of major acquisition. This direct link with the major system acquisition process can form the basis of identification and effective utilization of the BSGs at a time when most effect on a particular procurement can occur prior to critical procurement decisions being finalized. An additional management move to enforce the current provisions of 5700.3 seems necessary to initiate this role for BSG utilization.

II. BUSINESS STRATEGY GROUP BRIEFINGS.

ISSUE.

A. The extent of briefings in the BSGs is inconsistent and not adequate for future file purposes.

DISCUSSION.

A. A survey of 18 case files to review handout material revealed that: 5 of these sessions utilized advance procurement plans, 5 utilized technical or project papers, 3 utilized pre-solicitation/work statement documents and 5 had no handouts at all. However, virtually all BSG sessions have verbal overviews by the project managers to introduce the meetings. At issue is the availability of written material for pre-BSG review by the meeting participants as well as the availability of such material for incorporation in the resulting BSG file. In order to develop official working sanction with the existing project review activities, business strategy groups must build their activity around the recognized major systems and project documentation. Such documentation at meetings would eliminate the possible rambling over issues with lack of apparent conclusions. The inclusion of such documentation in the sessions together with the requirement for comprehensive minutes will maintain a constructive purpose in the BSG process. For those BSGs which are conducted on procurements below the major systems and project thresholds, the SEB requirements for procurement planning documentation would appear to provide a similar review requirement. Approximately 2/3 of the BSG sessions conducted in the past resulted in an SEB being formed within a few months after the meetings had taken place. Therefore a draft procurement plan for any size project should normally be available for the advance BSG review and comment.

RECOMMENDATION.

A. In accordance with the major systems projects procedure BSG participants should generally have available preliminary documentation for the development of mission need acquisition strategy or an advanced procurement plan depending on the stage of the project for review prior to the session and for finalization as part of the recommendations and conclusions of the meeting. This will enable the BSGs to focus their efforts and leave a clear record for the basis of the recommendations in the file as such documentation is finalized and available for retention.

III. BUSINESS STRATEGY GROUP REPORT FINDINGS.

ISSUE.

- A. Are Business Strategy Group Reports being issued in a timely manner?

DISCUSSION.

A. In a survey of the available BSG files, it was found that in a third of those instances, the BSG reports were issued within one week after meeting date; and within 2 weeks for half of the sessions held, and of the balance only one case extended beyond 1 month from the time of the session had been completed to report issuance. As in the case of the Solicitation Review Panel, to be effective, the BSG report minutes need to be available as soon as possible for maximum impact on the attention of the participants. Consistent with other recommendations in this report the introduction of specific completion documents, mission need statements and procurement plans for the meetings will re-emphasize the need for timely completion of the BSG report activities.

RECOMMENDATION.

A. A time constraint similar to that used in the Solicitation Review Panel of typically 10 working days from completion of the session seems reasonable and obtainable for introduction into the BSG process.

ISSUE.

B. Are there inappropriate variations in the BSG report format that would suggest the need for a standardization where appropriate of report outlines for BSGs?

DISCUSSION.

B. Thirteen BSG case files were reviewed for completeness of report documentation. In these files, four of the reports included extensive background documentation for the session conducted. Nine of the files included a listing of issues that were discussed and four of them included concise recommendations for the SEBs. Only one of the files included a summary of proceedings at the conclusion of the memo. Six of the files were filled with extensive solicitation and procurement package type detail more appropriately associated with the SRP and other such procurement documentation. In reviewing such files at a later date, it is apparent the need for completeness and clarity in the reports to describe; program background, the session that was conducted and a summary of future recommendations. A collection of the best features from the various memos would seem to include a format consisting

of: (1) an identification of the program under review, (2) a summary of the meeting time and participants, (3) a short background of the program under review complete with incorporation of attachments, (4) the purpose of the session being conducted, (5) a summary of the various options and alternatives for the procurement, (6) a brief list of discussion topics followed by a more comprehensive summary of specific issues which were discussed, (7) a summary of the BSG conclusions for the particular program including specific recommendations or next steps to be pursued. A sample outline of such memorandum is included as an attachment to this report.

RECOMMENDATION.

B. As described in the attachment, adopt a uniform outline for consideration in completing all BSG reports with the flexibility to add and delete as appropriate various sections as necessary (see attached sample BSG Memo).

ISSUE.

C. Are BSG report findings being adequately retained for future reference by the participants as well as outside observers and future staff involved with such systems and projects?

DISCUSSION.

C. Of the 29 BSG sessions which were conducted over the last 4 Fiscal Years, only 18 BSG files could be located in FY 80. Within these files, only 13 complete report minutes were available for this review. The BSG concept is expected to develop into a multi-phased process whereby various BSG sessions will build upon previous sessions for same or similar projects. Similarly, it is also expected that Program Support has been developing program and project files for major acquisition activities in the various outlay offices. These files are currently being updated. The BSG reports should be a necessary inclusion in such program and project files which would be centrally available.

RECOMMENDATION.

C. Program Support should immediately expand upon the present library activities with the collection and inclusion of BSG materials in the program/project reference files for use during the extended duration of such program and projects.

IV. REALIZED IMPACT OF BSG.

ISSUE.

A. What has been the relationship between BSG and solicitation review panel sessions in the past? and, What should it be in the future?

DISCUSSION.

A. The vast majority of BSG have been conducted within a few months of the resulting SEB and Solicitation Review Panel Activities. On one occasion for a particular project, the BSG was held in the morning and the SRP in the afternoon of the same day. As a result of this closeness, of the 13 files reviewed, 6 appeared to be dominated with extensive procurement package and solicitation detail more appropriately associated with Solicitation Review Panel Activities. Similarly, SRP sessions may experience delays due to pre-occupation with basic BSG group type issues which should have been resolved prior to the establishment of the SRP. The major system project time table as envisioned by the normal budget process would suggest that the BSG activities prior to solicitation would occur in most cases at least a year before the procurement is initiated followed by perhaps a second BSG session probably at least 6 months before the SRP is appropriate. On legislative programs of emergency nature the time lapse between BSG and SRP will be shorter. However, the nature of the report findings for BSG and SRP should be sharply contrasted in extent of detail associated with the procurement.

RECOMMENDATION.

A. Consistent with the other recommendations of this report, the re-emphasis of the BSG to focus on acquisition strategy and advance procurement plans in contrast to procurement packages and solicitation/contracting issues should be pursued to draw a sharp distinction between BSG and SRP work and report activities.

ISSUE.

B. Is it necessary to update BSG activities for more than one occasion for a particular system or project acquisition?

DISCUSSION.

B. The major acquisition process envisions multiple instances when BSG sessions should be utilized. Initially, as part of the development of the acquisition strategy for mission need statements in the very early stages and later to finalize such strategy for the advance procurement plans. (see attached flow chart) An additional BSG activity should be considered appropriate when major re-directions occur

on existing systems/projects already under award. In the past there have been a number of examples of DOE programs where such redirection has occurred. For example, major funding changes have occurred in such programs as the Fossil Energy fluidized atmosphere Bed Boiler Project. Secondly, in such programs as the Regional Petroleum Reserves and the Gasoline Rationing Programs when BSG sessions were conducted the program information has been so preliminary that it was nearly impossible to finalize any recommendations in an initial session. Thirdly, in such large programs as the OTEC major acquisition, because of the complexity the phased development has been subject to change during the middle of the progress of the program. Fourthly, there has been at least one instance, in the case of the Idaho National Energy Lab Chemical Processing Plant where a BSG session had to be reconvened, to include additional participants back at HQs beyond those who had participated in the field. And, fifthly on very large programs where eventual major sub-contracts are envisioned, separate BSG sessions have been appropriate as in the case of the SRC 1 and 2 construction projects to consider the special progress of the programs or major sub-contracts. However, of the BSG sessions conducted in the past, very few have re-initiated sessions for the same program or projects on more than one occasion.

RECOMMENDATION.

B. The BSG concept should now be considered in an multi-phased process where more than one session is typical for particular systems or projects. Specifically, the major acquisition process now envisions a BSG session for the Mission acquisition strategy development to be followed by the finalization of an advanced procurement plan documentation a number of months later. Where major re-direction does occur as in the examples above, the BSG participants at the direction of the program manager should expect a follow up session despite the existence of an already completed procurement award to consider necessary strategies for the completion of the project. With such extensive periods of time involved for a particular program or project under review, it is particularly important that documentation files be available as participants in such successive meetings would most likely change over a period of time.

ISSUE.

C. What has been the actual realized value of the BSG process?

DISCUSSION.

C. A comparison has been made of the case files reviewed between the principle recommendations made by the BSG and the subsequent actual procurement results for these major acquisitions. With the exception of those funding and other technical re-directions which occurred as exemplified above which are beyond the control or relation to the BSG efforts, few if any of the procurements reviewed differed in actual execution from the original strategy outline by the BSG meetings.

This phenomena means that either BSGs have performed with amazing accuracy or they have been placed in operation at times sufficiently late in the process that little influence could occur on the actual strategy of the program or project. Assuming some measure of the latter rationale, the introduction of the BSG process earlier into the acquisition cycle will increase the likelihood of changes in acquisition strategy prior to actual procurement execution.

RECOMMENDATION.

C. Consistent with the other recommendations of this report calling for further management sanctions and emphasis of the BSG functions, toward earlier more frequent involvement, the potential BSG participant should now be oriented toward the position of more influence in the acquisition strategy development and revision as covered in the new 5700 series directives.

List of Business Strategy Groups

Nuclear

Oct 78	Advanced Selenide Isotope Power System for NASA Solar Polar Mission.
Mar 80	Formerly Utilized Sites Remedial Action Program
Nov 77	ORO On-Site Service Contracts.
Aug 78	Idaho Chemical Processing Plant.

Resource Application

Mar 79	Elk Hills Management.
Mar 80	Regional Petroleum Reserves.
Feb 80	Gas Rationing.

Fossil

Feb 79	Surface Mine Test Facility.
Mar 79	Hot Gas Cleanup R&D.
Mar 79	Low/Medium BTU Underground Coal Gasification.
Nov 78	Industrial Demonstrations of Atmospheric Fluidized Bed Boilers.
Oct 78	Molten Carbonate Fuel Cell Power Plant Development.
Jan 78	MERDI/CDIF
Oct 78	Molten Carbonate Fuel Cell.
Mar 80	Construction Mgt Under SRC I.
Apr 80	Construction Mgt Under SRC II.

Solar/Geothermal

Dec 78	Testing Geopressured Reservoirs in Existing Wells.
Nov 78	Acquifer Thermal Energy Storage.
Oct 79	Ocean Thermal Energy Conversion.
Oct 77	Storage Battery Electric Energy Demonstration (SBEED) Plant.
Dec 77	Super Conducting Generator.
Dec 77	Ocean Thermal Energy Conversion - Power System II Development.
Sep 77	Solar Collector Subsystem for 10MWe Pilot Plant.
Aug 77	Solar PON Business Strategy Group.
Jun 77	OTEC 1.
Oct 76	Solar OTEC System Acquisition.

Conservation

Dec 78	Schools and Hospitals Grants Program.
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EIA

Mar 78	Systems Operations and Support Services.
Jan 78	Programming Services.

U.S. DEPARTMENT OF ENERGY
memorandum

DATE:

REPLY TO
ATTN OF:

SUBJECT: Business Strategy Group for _____ (Title)

TO: Program/Project Manager

A Business Strategy Group was convened _____ (time and place).
The BSG consisted of:

_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

(names and
organization
codes)

- The purpose of the BSG for this program was to consider (e.g., Mission Needs Statement Advance Procurement Plan overall business strategy).
- This program/project is (Background information to include description, funding performance period, phases and reference to handouts).
- Various Options (if appropriate) or alternatives for accomplishing this mission are
- The BSG discussions included the following general and detailed topics:

(Listing

without

narratives)

- The following specific issues were discussed:

1. _____ (Title)

(narrative of problem and BSG
discussion and conclusion)

- Summary and Recommendations:

From a business standpoint it appears that this program/project is (general summary of the condition of the program and where it is heading).

- The BSG has the following recommendations for the project title management:

1. (a list of next steps
for program management
2. that encompass, but not
restate the conclusions
3. of the specific issues
discussed) etc.

John Doe
BSG Chairman
Procurement and Contracts
Management Directorate

Attachments

- Presentation Charts
- Mission Needs Statement
- Advance Procurement Plan
- _____
- _____

**PROCUREMENT SUPPORT OF
DOE MANAGEMENT PROCESS FOR OUTLAY PROGRAMS**

U.S. Department of Energy
Washington, D.C.

ORDER

DOE 4210.2

4-10-79

SUBJECT: BUSINESS STRATEGY GROUPS

-
1. PURPOSE. This directive prescribes the policy on convening Business Strategy Groups (BSG's) and describes their functions and responsibilities.
 2. CANCELLATION. Interim Management Directive No. 0708, BUSINESS STRATEGY GROUPS, of 2-14-78, as extended by DOE N 1321.21 of 11-8-78.
 3. SCOPE. The provisions of this Order apply to all elements of the Department of Energy, including the Federal Energy Regulatory Commission (FERC).
 4. REFERENCE. DOE Order 5700.1, "Major System Acquisitions," of 9-11-78, which delineates the requirements, objectives, authorities and responsibilities necessary to the acquisition of major systems.
 5. POLICY. Planning for complex projects involving major expenditures necessitates that the Department of Energy (DOE) program offices receive sound contractual, business, and procurement advice. BSG's will be one of the mechanisms by which such advice and recommendations are provided to program offices. The BSG is an appropriate tool for development of major systems-acquisition strategy.
 6. RESPONSIBILITIES AND AUTHORITIES.
 - a. The Under Secretary or the Director, Procurement and Contracts Management Directorate convenes a BSG session for a program initiative with high interest or complexity or when otherwise deemed appropriate.
 - b. The Director, Procurement and Contracts Management Directorate (Office of Program Support) convenes a BSG at the request of assistant secretaries or program and project managers for Headquarters-initiated projects.
 - c. Directors of Procurement, Field Offices, convene a BSG at the request of managers or directors for field-initiated projects.

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4-10-79

d. Senior Procurement Advisors and Directors of Field Procurement Offices normally serve as chairpersons of Headquarters and field BSG's, respectively, unless the cognizant assistant secretary requests a senior management official serve as chairperson in connection with major Headquarters-initiated projects.

e. BSG Chairperson.

(1) Convenes the BSG.

(2) Designates group members.

(3) Consolidates BSG recommendations in the form of an advisory report to the program or project manager.

7. PROCEDURAL AND OPERATING GUIDANCE.

- a. Program and project managers are encouraged to alert the Headquarters Office of Program Support, PR, as early as possible in the planning process when proposed activities are likely to require the establishment of BSG's. The program or project manager will provide the BSG chairperson with background information concerning the project for distribution to the members prior to the meeting and will present an overview briefing of project objectives, project status, and tentative plans for program or project implementation.
- b. The BSG chairperson will designate the group members in writing and make necessary arrangements for convening the BSG. Group membership should be tailored to the nature and complexity of the project and should consist of a small number of individuals with expertise in their respective areas of responsibility. BSG membership should normally include representatives from the Office of Program Support, PR, the Source Evaluation Board Secretariat, Counsel, the procuring office which will process resulting procurements, the responsible program office, the Controller, and others as appropriate. In cases where interactions with other programs are likely, personnel from such organizational components should also be designated as members to facilitate subsequent coordination. Where environmental issues have been identified, representation from the Assistant Secretary for Environment should be requested.
- c. In its deliberations, the BSG will consider the overall business strategy for the program or projects, the management plan, procurement, contractual, and related business approaches which are appropriate to the proposed program or project in light of factors such as new procurement techniques and procedures, special contractual circumstances related to the program or project, the state of

development of the technology, the program or project objectives, schedule considerations, source selection plans, and the projected environment in which the program or project will operate. A key objective of the Group will be the identification of risks which might be attendant to various possible approaches.

- d. The advisory recommendations of the Group will be consolidated by the chairperson and furnished to the program or project manager for use in developing an acquisition strategy. Minutes of BSG meetings will be prepared but will be limited to documentation of major points and issues discussed by the Group.

FOR THE SECRETARY OF ENERGY:

William S. Heffelfinger
Director of Administration

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Department of Energy
Washington, DC 20585**

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