



# EXCERPT FROM THE PROCEEDINGS

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# Funding for Life: When to Spend the Acquisition Pot

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## Abstract

The UK Ministry of Defence (MoD) spends £2.6 billion per year (MoD, 2008, Section 1.2; 2007, p. 2) on research and development (R&D) (“Defense Technology,” 2009, p. 22). The figure is technically correct, but it conceals more than it reveals. Of the total, the MoD spends around £500 million (MoD, 2006, p. 8) on laboratory research and on taking what emerges from the lab in its first few steps down the long road that leads eventually to mature technology embedded in military equipment. Analysis based on UK National Audit Office (NAO) data (Stationery Office, 2006, November 24; 2008, p. 5) shows that about half of project timescale overruns are due to technology maturation occurring too late (Jordan & Dowdy, 2007, p. 16). US evidence shows that defence projects that get all their technology mature before the equivalent of Main Gate suffer only very small time and cost overruns thereafter (GAO, 2007, pp. 14-15).



The first hypothesis would be that funding for technology development occurs too late in the acquisition process, when the problems that inevitably occur have a disproportionate effect on project timescales and costs. However, is this construct based on project failings or funding process failures? To improve the outcome, could we simply improve the timing allocation of funds? This research examines the profile of funding as aligned to maturity levels of technology and system and integration readiness, and makes proposals on the improvements that could be made.

**Keywords:** Finance, acquisition, maturity, maturity levels, timescales, system readiness, audit, MoD; ministry of defence; defence, defense, systems engineering, Dstl; Defence Science and Technology Laboratory, National Audit Office, NAO.

## When is the Best Time to Spend—Globally?

Organisations that procure products or services through contracts are routinely involved in costing and estimation efforts. Defence Acquisition is a long-term activity, and the success or failure of the endeavor can, in part, be related to the stability of the aims and contributory components.

Economic growth has been driven by globalisation over the last 30 or more years, generating networks of connections and interdependencies between the major economic powers that are unprecedented in extent and pervasiveness (DCDC, 2009). The economic landscape has evolved rapidly with the demise of centrally planned economies, such as the Soviet Union; the rise of Asian economies, particularly China, which has embraced a market aware philosophy; and the maturation of the European Union as a cohesive economic market. These changes have created a multi-faceted economic landscape that is intimately interconnected and influential.

Over the last 30 years, the global economy has grown at a trend rate<sup>1</sup> of 3-4% (IMF, 2008), and output has seen a greater-than four-fold increase. Economic growth, combined with the continuing rise in the global population, will intensify the demand for natural resources, minerals, and energy. It will continue to be uneven, fluctuating over time and between regions (Goldman Sachs, 2007). This global economic context places more pressure on all dimensions of UK government funding, and with the economic recession being felt in the homeland environment, defence focus shifts from operational reach to border security. Operational reach is the defensive objective of nations in times of affluence; border security is the focus during recession.

The IMF considers there have been five global recessions in the last 30 years (IMF, 2008). Global economic recessions will happen over the next few decades, and governments are likely to respond to them with protectionist policies, designed to shield their own economies and workforces from global competition. The global recession that started in 2008 is illustrative of the likely response to, and effects of, future recessions. One outcome of a global recession is an expected increase in the incidence of poverty, which will promote grievance and dissatisfaction among those who suffer economic hardship, in turn breeding political violence, criminality, societal conflict and the destabilization of states and regions unable to cope. This type of economic crisis will produce pressures on government finances that, considered in isolation, will place downward pressure on global defence spending.

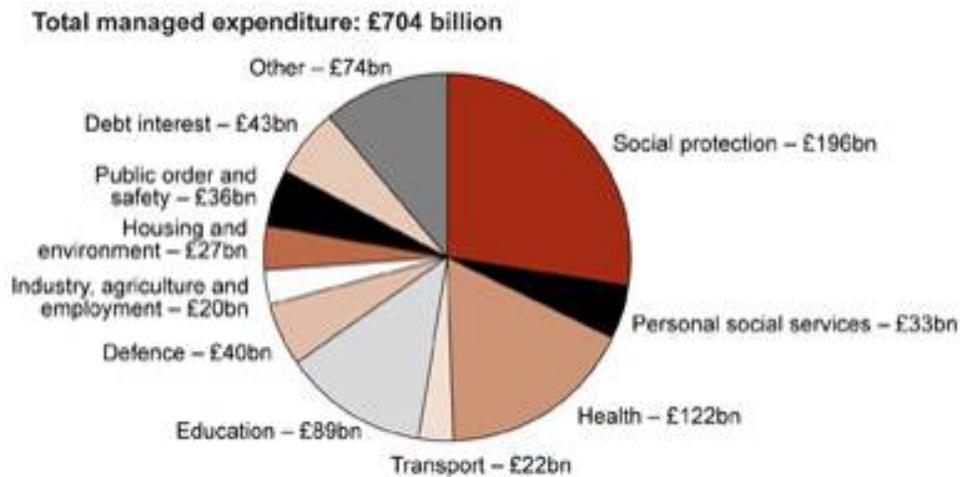
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1 Trend economic growth refers to average growth of an economy over a cycle of expansion and contraction. It is a moving average. Global recession is defined as annual world growth (based on purchasing-power-parity weights) falling below 3%. By that measure, four periods since 1980 qualify: 1980-1984, 1990-1993, 1998, 2001-2002, plus 2008 onwards. The figure of 3% is a rough correlation to negative global GDP per capita growth (IMF, 2008).



In September 2009 (“Britain’s Sharp,” 2009), the UK Chancellor of the Exchequer forecasted that in April 2010 public borrowing would exceed 12% of GDP. This projection would give Britain the biggest debt build-up between 2007 and 2014 in the G7 economies. Gaining credibility will require clear targets to cut the deficit, together with detailed and transparent plans on how to achieve them. A crucial decision will be the mix of spending cuts and tax rises. In the UK, public spending represents close to 50% of GDP, according to the Treasury. In the March 2010 UK Budget, the plan proposed was to halve the level of borrowing, to 5.2% of national income, by 2013-14 (“Economic,” 2010). The chancellor stated that spending plans from 2011 will be “*very tough—the toughest for decades,*” but refused to outline how this will affect public services, except to say that the Government would “*protect spending on those frontline public services on which we all depend.*” The annual funding review affects all government departments and has inter-related impacts on the services and support that can be offered. In the US, the current focus has been on the US health systems and associated reforms. In the UK, balancing the books and the impending election process has raised the level of scrutiny and resulted in long-term plans being put on hold until the political direction and stability have been secured (Arron, Gale & Orszag, 2004).

In March 2010, UK expenditure per government department can be represented as a pie chart showing the key funded government departments (Figure 1) (“HM Treasury,” 2010). The allocation of spending to functions is largely based on the United Nations’ *Classification of the Functions of Government (COFOG)* guidelines. Other expenditures include general public services, including international services, recreation, culture and religion, public service pensions, plus spending yet to be allocated and some accounting adjustments. The Defence spending is £40 billion, which represents 5.6% of the £704 billion total.



**UK Government Spending Allocation 2009/10**



Looking at the global and national data, it could be argued that “no” it is not the time to spend. Any expenditure commitments at this time will disappear into the deficit arrears, and any actual gains will be lost. However, funding streams need to be spent to ensure that the position does not regress, and so investment is required to ensure the maintenance of current position and level of capability and service.

In the current global and national climate, it is not a good time to spend. However, to maintain capability in defence and other sectors, spending has to be sustained to ensure stability and maintenance. In terms of defence projects, some projects are pending approval, some projects are committed by still under development and some projects are further down the in-service and support stage. For committed projects, the global and national situation can be considered as relevant, but not a significant issue. The national situation will determine the size of the overall budget, but how and when it is spent is an issue for the project team. Systems engineers often serve as technical points of contact throughout the entire system lifecycle (Smartt & Ferreira, 2010); as such, they are one of the critical repositories of project life knowledge, technically and financially (Valerdi, Rieff, Roedler, Wheaton & Wang, 2007). Using the natural holistic skills of a systems engineer, and applying those inherent skills to costing, has been the basis of this research.

To date, there has been significant research into through life costing (Haskins, Forsberg & Krueger, 2007; Valerdi & Miller, 2007),<sup>2</sup> and the projection of through life implications is based on existing data, extrapolated to a conclusion. This method is well documented and appealing, as it reinforces the view that we can corporately learn from experience and that costing is achieved within a defined set of rules. It, therefore, follows that if we can define the rules, then we can define the outcome (Stationery Office, 2007; 2008). This research examines the project costing profile, as related to three measures of readiness that are well defined in the systems domain. These three were selected because they represent a global viewpoint and are used in a number of multinational and multilingual programmes.

## Optimum Technology, System and Integration Investment Date

Technology assessment of a complex system requires the assessment of all of its systems, sub-systems and components. Technology Readiness Levels (TRLs) can be used to determine the current component maturity. Although broadly similar, different international agencies use different definitions for TRLs; the most common definitions are those used by the Department of Defense (DoD) (DoD, 2006) and the National Aeronautics and Space Administration (NASA) (Mankins, 1995) (Table 1 and Figure 2). In Europe, the European Space Agency’s (ESA) definitions of TRLs are often used as contractual baseline criteria for project acceptance (ESA, n.d.). A TRL calculator has been developed for the United States Air Force by Nolte et al. (2003). As with all assessments, this TRL calculator provides a snapshot of technology maturity at a given point in time. The Technology Program Management Model (TPMM) was developed by the United States Army by Craver et al. (2006). The TPMM is a TRL-gated high-fidelity activity model that can be used as a management tool to assist in planning, managing, and assessing technologies for successful technology transition. The model provides a core set of activities, including systems engineering and program management tasks, that are tailored to the technology development and management goals.

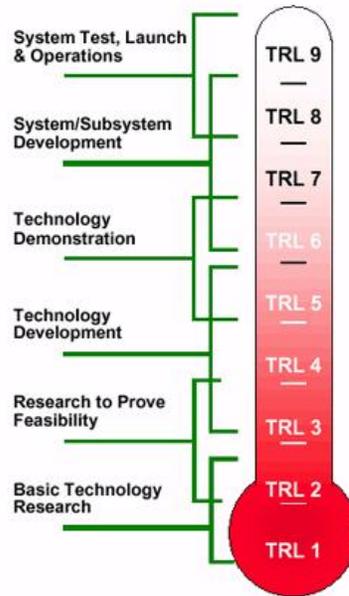
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<sup>2</sup> Through Life Costing is a defined UK Ministry of Defence (MoD) process (*Acquisition*, 2009).



**Table 1. Table of TRL Descriptions**

| National Aeronautics and Space Administration (NASA) Technology Readiness Level                    |
|--|
| 1. Basic principles observed and reported  |
| 2. Technology concept and/or application formulated  |
| 3. Analytical and experimental critical function and/or characteristic proof of concept            |
| 4. Component and/or breadboard validation in laboratory environment                                |
| 5. Component and/or breadboard validation in relevant environment                                  |
| 6. System/subsystem model or prototype demonstration in a relevant environment (ground or space)   |
| 7. System prototype demonstration in a space environment   |
| 8. Actual system completed and 'flight qualified' through test and demonstration (ground or space) |
| 9. Actual system 'flight proven' through successful mission operations                             |

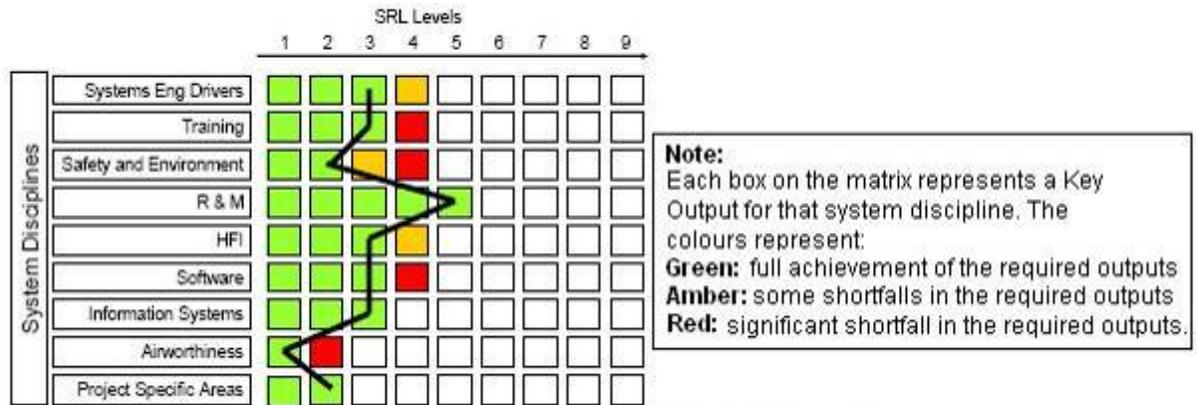


**Figure 1. NASA TRL Diagram**

System Readiness Levels (SRLs) (“What Are,” 2009) have been developed as a project management tool to capture evidence, and assess and communicate system maturity in a consistent manner to stakeholders. In the UK, SRLs define a set of nine maturity steps from concept to in-service across a set of systems engineering disciplines. Each of the SRL steps align to key outputs from systems disciplines such as Training, Safety and Environmental, or Reliability and Maintainability. SRLs aim to take a consolidated view of the essential steps needed to properly mature and deliver a complete supportable system to the end user. SRLs are a means of analysing key outputs of an equipment acquisition project, structured in such a way as to provide an understanding of work required to mature the project. In the UK, a matrix is used to capture these key outputs



and understand how they should mature over time. Projects track their maturity through the nine SRL steps across all relevant system disciplines, and a simple self assessment tool is provided (Figure 3).



**Figure 2. Outline of UK SRL Matrix with a Representative Project SRL Signature Matrix (Applying, n.d.)**

In the generic SRL matrix, each SRL level from 1 to 9 is broken down into key outputs that need to be achieved for each of the systems disciplines, including Systems Engineering Drivers, Training, Safety and Environment, Reliability and Maintainability, Human Factors Integration, Software, Information Systems, Airworthiness, Project Specific Areas. For any project, an SRL assessment produces a “signature” rather than an absolute SRL figure. The signature records the variation of maturity that has been achieved across the systems disciplines, acknowledging that not all projects mature against the systems disciplines at a consistent rate. The signature shown in Figure 3 would be typical of a project in the Assessment phase (i.e., post Initial Gate where the target is to achieve SRL1), but indicates insufficient maturity to proceed to Main Gate (the target being SRL4).

Integration levels are the next step. When brought together with TRLs and SRLs, Integration Readiness Levels (IRLs) provide a means of progressively measuring project maturity at technology, component, sub system and whole system levels. Maturity is measured in terms of cost, schedule and risk and should also take into consideration the impact of the overall system on the systems with which it is to operate, i.e., in a “system of systems” context. IRLs are used at a prime contractors and systems integrator level, and aim to support successful transition of technologies to and between acquisition partners. IRLs are used to support strategic, business and political progression, such as funding considerations (national or private), economic offsets and inter-government partnerships.

We can consider the three (TRL, SRL, IRL) measurements as interrelated but independent sets of assessment, and use these assessments to build up a visual and numerical representation of maturity. Using the Red, Amber, Green (RAG) notation, this representation resembles a wall of bricks (Figure 4) and is, therefore, termed a wall matrix view. The lowest, and foundation levels, are the TRLs, and the number of layers relates to the number of key components. The next tranche are the SRLs that cover the nine key categories. The top, capping, level is the IRL, which can also be referred to as the System of System (SoS) integration level. Any project, of any complexity, can be evaluated using the wall matrix construct. As with any assessment, the wall matrix is linked to a specific time in the life of the project, and so represents a snapshot of maturity. Relating these “time now” wall matrix assessments to the costing lifecycle was the next step of the research.





**Figure 3. TRL, SRL, IRL Wall Matrix Construct**

## Costing Lifecycle

The costing lifecycle is a method of project representation in which all costs arising from owning, operating, maintaining and disposing of a project are considered. Project costs take into account the initial cost, including capital, investment cost, development cost, unit purchase and installation cost, and future costs, including operating cost, energy cost, maintenance cost, capital replacement cost, financing cost and any resale salvage for disposal cost over the life time of a project or technology product. Any new product or project progresses through a sequence of stages (Figure 5). Figure 5 expresses the profile against an axis of sales, but the axis could equally represent investment, effort or cost.

Using the traditional costing profile, and nesting the contribution of each of the stages of the UK Defence Acquisition CADMID<sup>3</sup> lifecycle, a series of contributory peaks and troughs can be mapped. Using Valerdi's results alongside similar project management costing models from Kerzner (2003), a lifecycle costing profile has been constructed (Figure 6) and then roughly aligned to the UK CADMID process. Each contributory cycle has a peak, which represents the achievement of the aim of that stage of the lifecycle.

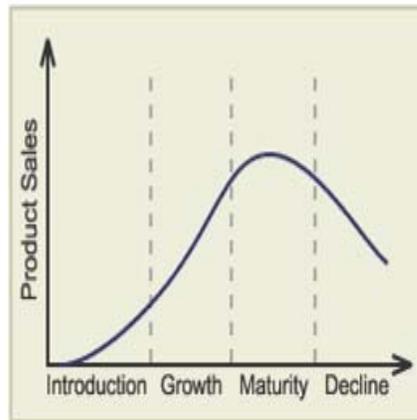
There are a number of reports that relate to early investment, resulting in lower overall project cost. Jorgensen and Sjoberg (2001) examined a portfolio of software projects, and examined error occurrences as related to overrun costs. Their results show early investment was associated with early development of maturity, and, as a result, minimum rework and lower overall project cost (Jorgensen & Molokken-Ostovold, 2004; Jorgensen & Grimstad, 2005; Jorgensen, 2009). Valerdi (2005) and Valerdi et al. (2007) constructed a cost modeling tool that they validated against industrial projects. Using this

<sup>3</sup> CADMID means Concept, Assessment, Demonstration, Manufacture, In-Service and Disposal.

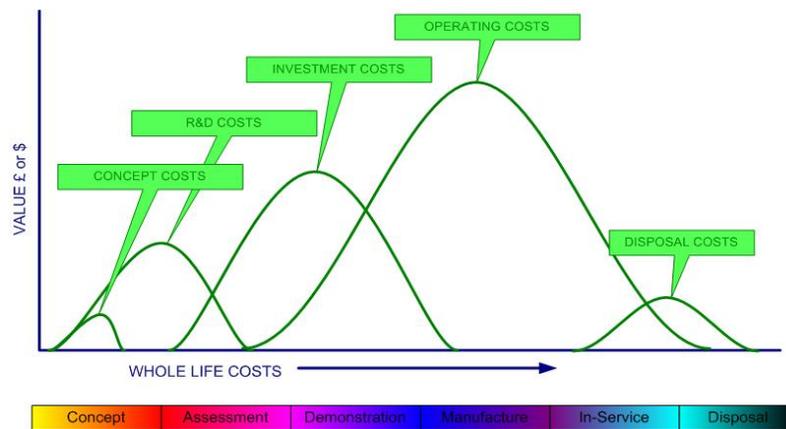


evidence with the nested costing lifecycle, it can be concluded that contribution of funding prior to the peak accelerates that stage of the process; contribution after the peak ensures appropriate closure of that stage and contributes to the start up of the next stage.

The research then focused on assessing when contributory peak was reached, in relation to the maturity levels, with the premise that investment prior to the peak was constructive up to the peak point, at which point it was better to invest in the next ascending stage of the process.



**Figure 4. Product Lifecycle Diagram**  
(Gorhcels, 2000)



**Figure 5. Lifecycle Costing with Key Contributing Stages Mapped Against CADMID**

## Costing Case Studies

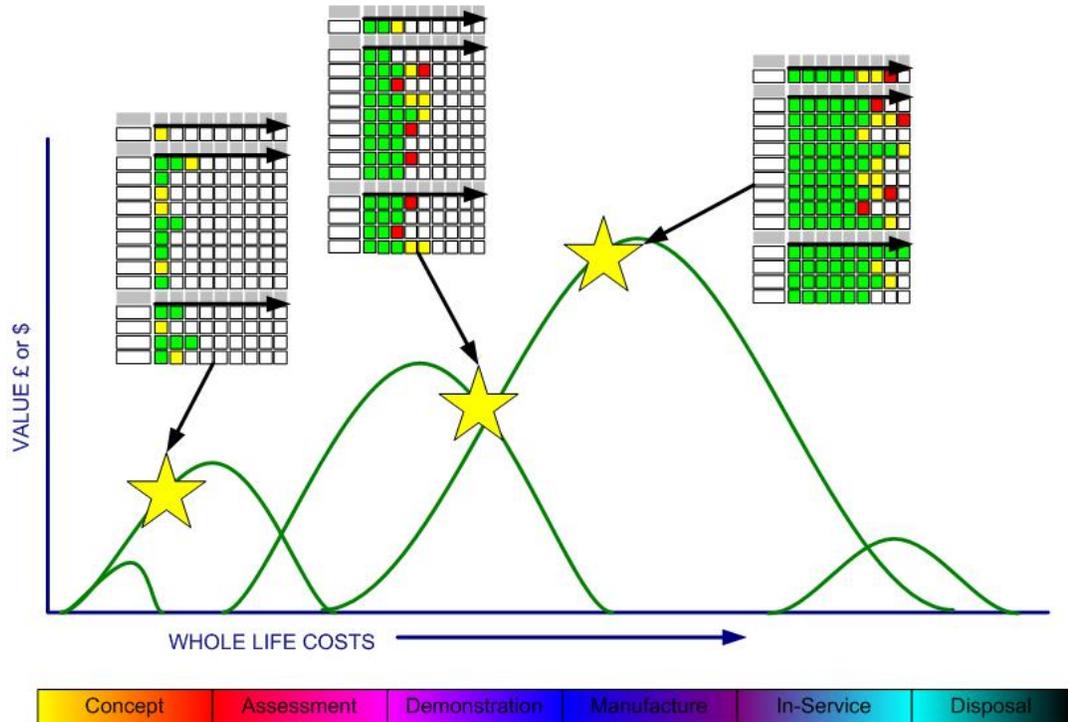
Using historical cost and progress data, a number of projects have been examined. The cost data has been sourced from UK National Audit Office (NAO) reports (Stationery Office, 2006, November 24, p. 14; 2008, p. 5; 2006, p. 57; 2007a, p. 4; 2007b, p. 6,313; 2003) to minimize supplier interpretation, and selective accounting. The project data has also been sourced from NAO reports alongside other open source publications.

Unlike other studies, access to data was not the issue; the data was in abundance. The real issue was in consistent interpretation from the differing types of source document and in the maturity assessments, which were based on technical reports and publications. For the purposes of this openly published paper, the case studies have been deliberately censored. All the source data is available openly, but some has been interpreted in the context of information that is privileged to the UK MoD.

During the period August 2009 and March 2010, twelve projects were researched for source data. The research related to gaining published material that could be assessed against the costing and the three maturity criteria. The aim was to provide source data that could be validated by the authors and by a technical judgment panel of engineers and scientist proficient with the UK acquisition lifecycles and level assessments. The panel was sourced from colleagues with Dstl, who have familiarity with the assessment process and minimal knowledge or involvement in the selected projects. The projects were assessed against their known timeline, the theoretical costing lifecycle, published costs and associated panel TRL, SRL, IRL assessments. Each project was assessed at various points in its lifecycle. The number of assessment points varied from two to twelve. Larger, long-term projects were replete with published data and so were assessed at multiple points; for some smaller projects, data was only available at two points. For each project, a consistent selection of components was assessed for TRL. The TRLs, the nine aspects of SRL and the capping IRL were then discussed using the source data and assessed on a wall matrix by the panel.

Once a timeline position and an associated “RAG” wall matrix had been established, the average TRL, SRL, IRL score was calculated and plotted against the known cost curve of the project. Some plot points were on an ascending line, e.g., prior to peak, and some were on the declining line. In total, twenty eight wall matrix plots were constructed and associated with a costing timeline. Some of the projects were reported on for three consecutive years of NAO assessment so that a robust element of progression could be established. After ratification and review, a consolidated plot was constructed (Figure 7).





**Figure 6. Consolidated Plot of Acquisition Lifecycle Stages versus Readiness Levels Matrices**

### Overview, Conclusions and Further Work

After reviewing and consolidating the data, a table was produced comparing the acquisition lifecycle phases of CADMID against the set of points of significance for the three readiness levels, extracting for the wall matrix (Table 2). From the data, the optimum investment date could not be established, but a limit point was found. Investments in a particular stage added benefit to a TRL, SRL, IRL limit point; investment after that point was required to ensure project progression, but did not represent the peak exchange.

**Table 2. Consolidated Wall Matrix and Timeline Table of Results**

|                      | TRL point of significance | SRL point of significance | IRL point of significance |
|----------------------|---------------------------|---------------------------|---------------------------|
| <b>CONCEPT</b>       | < 3.2                     | < 2.4                     | N/A                       |
| <b>ASSESSMENT</b>    | < 5.6                     | < 6.5                     | < 1.8                     |
| <b>DEMONSTRATION</b> | < 7.6                     | < 7.8                     | < 4.4                     |
| <b>MANUFACTURE</b>   | < 8.1                     | < 8.4                     | < 8.2                     |
| <b>IN-SERVICE</b>    | N/A                       | N/A                       | < 9.0                     |

There was a large variation in the sets of TRL, SRL and IRL data that will be examined in further studies. The source of variation could be related to source data error, interpretation or factors that made the specific project different to its peer group, e.g.,



groundbreaking atomic physics as opposed to next generation vehicle development. Expanding the analysis to a wider pool to projects would refine the technique and increase the robustness of the “points of significance” as well as reduce the statistical effects. The use of one technical judgment panel was convenient for this stage of the research but could introduce experimental errors over time. Familiarity and prior knowledge of previous results started to bias conversations on some of the latter assessments of larger projects.

Looking at the global and national economic situation, the competition for government funding is becoming more intense, and departments such as the MoD are under increasing pressure to deliver optimum results against investment. This investment is not just what to invest in, but also when to invest. The extant UK MoD assessment criteria include TRL, SRL and IRL decision points, so this data is already available. By mapping the optimum investment point against the TRL, SRL, and IRL, a wall matrix could guide the diversion of funds into projects up to key points, which would result overall in maximizing the outcome benefit to UK Defence.

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## Acquisition Management

- Acquiring Combat Capability via Public-Private Partnerships (PPPs)
- BCA: Contractor vs. Organic Growth
- Defense Industry Consolidation
- EU-US Defense Industrial Relationships
- Knowledge Value Added (KVA) + Real Options (RO) Applied to Shipyard Planning Processes
- Managing the Services Supply Chain
- MOSA Contracting Implications
- Portfolio Optimization via KVA + RO
- Private Military Sector
- Software Requirements for OA
- Spiral Development
- Strategy for Defense Acquisition Research
- The Software, Hardware Asset Reuse Enterprise (SHARE) repository

## Contract Management

- Commodity Sourcing Strategies
- Contracting Government Procurement Functions
- Contractors in 21<sup>st</sup>-century Combat Zone
- Joint Contingency Contracting
- Model for Optimizing Contingency Contracting, Planning and Execution
- Navy Contract Writing Guide
- Past Performance in Source Selection
- Strategic Contingency Contracting
- Transforming DoD Contract Closeout
- USAF Energy Savings Performance Contracts
- USAF IT Commodity Council
- USMC Contingency Contracting

## Financial Management

- Acquisitions via Leasing: MPS case
- Budget Scoring
- Budgeting for Capabilities-based Planning



- Capital Budgeting for the DoD
- Energy Saving Contracts/DoD Mobile Assets
- Financing DoD Budget via PPPs
- Lessons from Private Sector Capital Budgeting for DoD Acquisition Budgeting Reform
- PPPs and Government Financing
- ROI of Information Warfare Systems
- Special Termination Liability in MDAPs
- Strategic Sourcing
- Transaction Cost Economics (TCE) to Improve Cost Estimates

## **Human Resources**

- Indefinite Reenlistment
- Individual Augmentation
- Learning Management Systems
- Moral Conduct Waivers and First-tem Attrition
- Retention
- The Navy's Selective Reenlistment Bonus (SRB) Management System
- Tuition Assistance

## **Logistics Management**

- Analysis of LAV Depot Maintenance
- Army LOG MOD
- ASDS Product Support Analysis
- Cold-chain Logistics
- Contractors Supporting Military Operations
- Diffusion/Variability on Vendor Performance Evaluation
- Evolutionary Acquisition
- Lean Six Sigma to Reduce Costs and Improve Readiness
- Naval Aviation Maintenance and Process Improvement (2)
- Optimizing CIWS Lifecycle Support (LCS)
- Outsourcing the Pearl Harbor MK-48 Intermediate Maintenance Activity
- Pallet Management System
- PBL (4)
- Privatization-NOSL/NAWCI
- RFID (6)



- Risk Analysis for Performance-based Logistics
- R-TOC AEGIS Microwave Power Tubes
- Sense-and-Respond Logistics Network
- Strategic Sourcing

## **Program Management**

- Building Collaborative Capacity
- Business Process Reengineering (BPR) for LCS Mission Module Acquisition
- Collaborative IT Tools Leveraging Competence
- Contractor vs. Organic Support
- Knowledge, Responsibilities and Decision Rights in MDAPs
- KVA Applied to AEGIS and SSDS
- Managing the Service Supply Chain
- Measuring Uncertainty in Earned Value
- Organizational Modeling and Simulation
- Public-Private Partnership
- Terminating Your Own Program
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# Funding for Life: When to Spend the Acquisition Pot

Panel # 22 “Systems Engineering for Project Success” 13 May 2010

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# Why does DSTL exist?

- Lead and support the defence science and technology (S&T) community in responding to MOD's current and future needs.
- Act as MOD's S&T agent and provides the single S&T focus.
- Work with industry and academia to increase the S&T impact.
- Work with Other Government Departments to exploit our expertise and knowledge.
- Enhance the safety and security of UK citizens and interests.
- Provide independent and impartial advice.
- Accountable to Government / taxpayer / front line troops



Terrain following in the vicinity of Snowdonia.



The Pentagon, in Washington  
© Getty Images



Working conditions in the High Mojave Desert, at Fort Irwin, California

Maximising the impact of science and technology for the defence and security of the UK



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# The Acquisition Pot

- UK MoD spends £2.6Bn/year on research and development
- £500m on laboratory research
- UK NAO shows ~50% project overruns are due to late technology maturation
- US evidence shows technology matured prior to Main Gate results in small time and cost overruns
- Paper examines funding profiles as aligned to maturity levels of technology, system and integration readiness



Funding for Life: When to Spend the Acquisition Pot?



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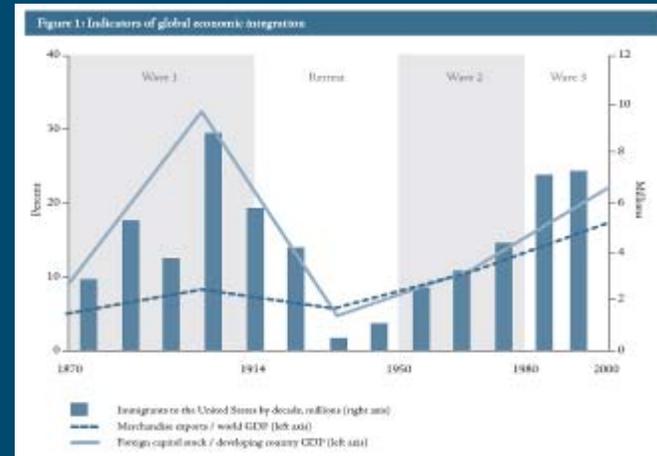
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# When is the best time to spend – globally?

- Global economic growth (trend rate of 3-4%) has been driven by globalisation over the last 30 or more years <sup>1</sup>. We now operate in a multi-faceted economic landscape that is intimately interconnected and influential.
- In Sept 2009 , the UK Chancellor of the Exchequer forecast that in April 2010 public borrowing would exceed 12% of GDP <sup>2</sup>
- UK Spending plans from 2011 will be *“very tough – the toughest for decades”* but refused to outline how this will affect public services, except to say that the Government would *“protect spending on those frontline public services on which we all depend”*.
- In the US, the current focus has been on the US Health systems and associated reforms.
- In the UK, balancing the books and the impending election process has raised the level of scrutiny and resulted in long term plans being put on hold until the political direction and stability have been secured <sup>3</sup>



1. International Monetary Fund (IMF) (2008), “World Economic Outlook (WEO) 2008: Financial Stress, Downturns, and Recoveries”, October 2008, pp 3 – 44. Retrieved October 16, 2008 from <http://www.imf.org/external/pubs/ft/weo/2008/02/pdf/text.pdf>
2. The Economist, “Britain’s sharp budget choices”, published on Sep 24th 2009, From The Economist print edition <http://www.economist.com>
3. Ravlin, A.M. and Swahill, I.V. (2004), “Restoring fiscal sanity: how to balance the budget”, Library of Congress Cataloging-in-Publication, The Brookings Institution, Washington DC. Chapter 6 “Meeting the Revenue Challenge” by Henry J Arron, William G. Gale and Peter R Orszag, Pg 111 - 127 [www.brookings.edu](http://www.brookings.edu) ISBN 0-8157-7781-7

“balancing the books”



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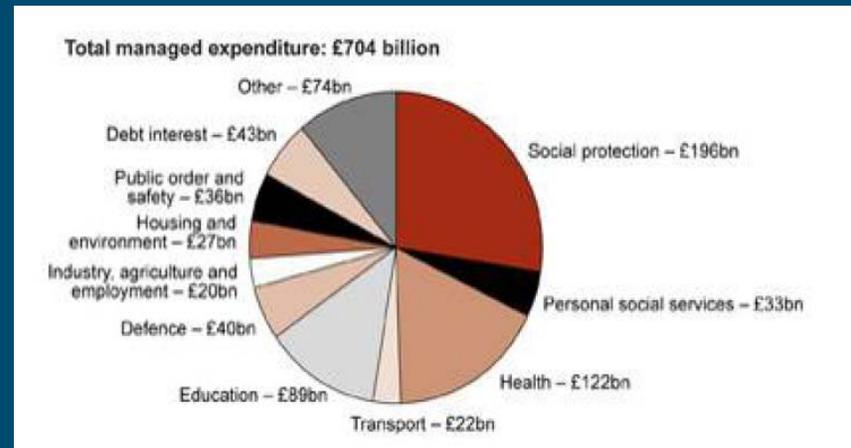
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# When is the best time to spend – nationally?

- Global economic context places more pressure on all dimensions of UK government funding,
- UK Defence spending is £40bn, which represents 5.6% of the £704bn total <sup>1</sup>
- Defence planning is a long term activity
- Success related to the stability of the aims and contributory components
- In the current global and national climate, it is not a good time to spend, however .....
- ... to maintain capability in defence and other sectors, spending has to be sustained to ensure stability and maintenance; some projects are committed by still under development and some projects are further down the in-service and support stage



<sup>1</sup> The Economist, "HM Treasury 2010-11 Near Cash Projections" published on Mar 18th 2010, From The Economist print edition <http://www.economist.com>

**Defence spending has to be sustained to ensure stability and maintenance**



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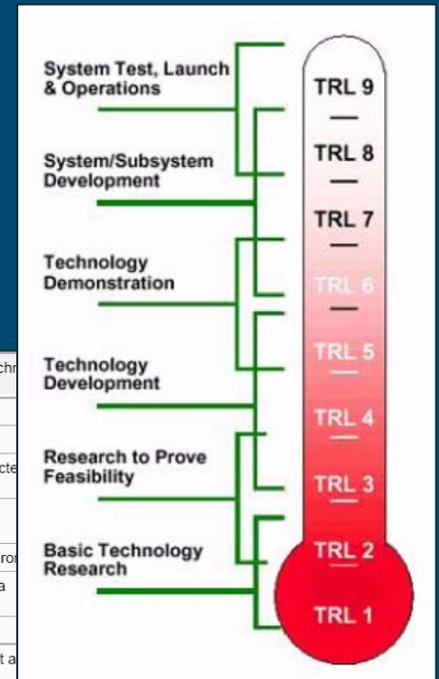


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# Technology, System and Integration Investment

- Examine costing profile as related to three system measures of readiness:
  - **Technology Readiness Levels (TRLs)**
    - can be used to determine the current component maturity
  - **System Readiness Levels (SRLs)**
    - project management tool to capture evidence, and assess and communicate system maturity
  - **Integration Readiness Levels (IRLs)**
    - System of System (SoS) integration level
- Measurements are interrelated but independent sets of assessment <sup>1, 2</sup>

| National Aeronautics and Space Administration (NASA) Tech Readiness Level |   |
|---|---|
| 1.  | Basic principles observed and reported  |
| 2.  | Technology concept and/or application formulated  |
| 3.  | Analytical and experimental critical function and/or character proof of concept               |
| 4.  | Component and/or breadboard validation in laboratory environment                              |
| 5.  | Component and/or breadboard validation in relevant environment                                |
| 6.  | System/subsystem model or prototype demonstration in a relevant environment (ground or space) |
| 7.  | System prototype demonstration in a space environment   |
| 8.  | Actual system completed and 'flight qualified' through test demonstration (ground or space)   |
| 9.  | Actual system 'flight proven' through successful mission operations                           |



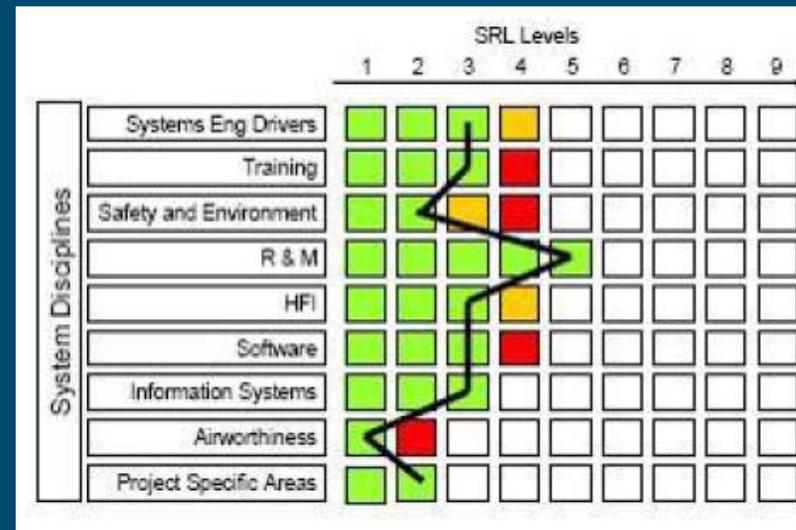
<sup>1</sup> "Systems Engineering Leading Indicators - Enabling Assessment of Acquisition Technical Performance", Paul Montgomery and Ron Carlson, Naval Postgraduate School

<sup>2</sup> "System Capability Satisficing in Defense Acquisition via Element Importance Measures" Brian Sauser, Jose Ramirez-Marquez, David Nowicki, Weipiong Tan, Romulo Magnaye, Matin Sarfaraz, Stevens Institute of Technology; and Abhi Deshmukh, Texas A&M University

Project maturity at technology, component, sub-system and whole system levels

# System Readiness Level (SRL) matrix

- Projects track their maturity through the nine SRL steps
- Across all relevant system disciplines
- Red, Amber, Green (RAG) notation.
- Simple self assessment tool
- Produces a 'signature' rather than an absolute SRL figure.
- Linked to a specific time in the life of the project, and so represents a snapshot of maturity.



**Note:**  
 Each box on the matrix represents a Key Output for that system discipline. The colours represent:  
**Green:** full achievement of the required outputs  
**Amber:** some shortfalls in the required outputs  
**Red:** significant shortfall in the required outputs.

Presents a snapshot of project maturity based on system readiness levels



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# Wall Matrix of Readiness Levels

- Wall matrix view of TRL, SRL, and IRL
- Any project, of any complexity can be evaluated using the wall matrix construct.
- Need to assess “time now“ wall matrix assessments as related to the costing lifecycle

| IRL LEVELS                      | 1      | 2      | 3      | 4 | 5 | 6 | 7 | 8 | 9 |
|---------------------------------|--------|--------|--------|---|---|---|---|---|---|
| SOS INTEGRATION                 | Yellow |        |        |   |   |   |   |   |   |
| SRL LEVELS                      | 1      | 2      | 3      | 4 | 5 | 6 | 7 | 8 | 9 |
| SYSTEMS ENG DRIVERS             | Green  | Green  | Yellow |   |   |   |   |   |   |
| TRAINING                        | Green  |        |        |   |   |   |   |   |   |
| SAFETY AND ENVIRONMENT          | Yellow |        |        |   |   |   |   |   |   |
| RELIABILITY AND MAINTAINABILITY | Yellow |        |        |   |   |   |   |   |   |
| HUMAN FACTORS INTEGRATION       | Green  | Green  |        |   |   |   |   |   |   |
| SOFTWARE                        | Green  |        |        |   |   |   |   |   |   |
| INFORMATION SYSTEMS             | Green  |        |        |   |   |   |   |   |   |
| CERTIFICATION                   | Yellow |        |        |   |   |   |   |   |   |
| PROJECT SPECIFIC AREAS          | Green  |        |        |   |   |   |   |   |   |
| TRL LEVELS                      | 1      | 2      | 3      | 4 | 5 | 6 | 7 | 8 | 9 |
| COMPONENT 1                     | Green  | Green  |        |   |   |   |   |   |   |
| COMPONENT 2                     | Yellow |        |        |   |   |   |   |   |   |
| COMPONENT 3                     | Green  | Green  | Green  |   |   |   |   |   |   |
| COMPONENT 4                     | Green  | Yellow |        |   |   |   |   |   |   |



Presents a snapshot of project maturity based on a combination of readiness levels



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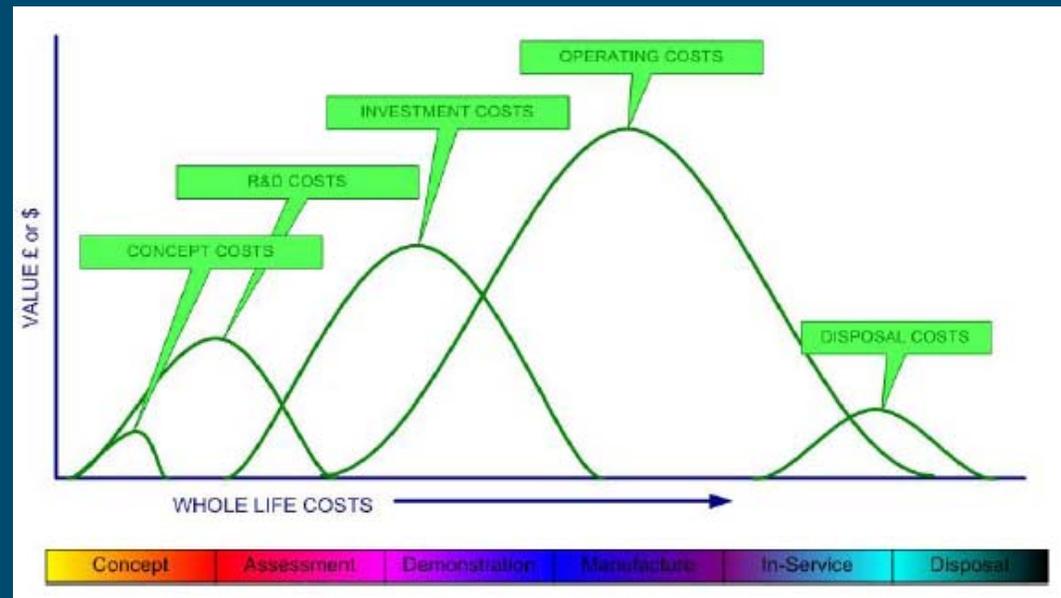
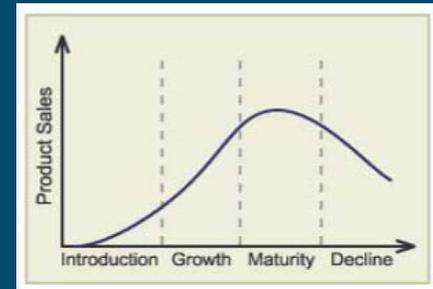
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# Costing Life Cycle

- All costs arising from owning, operating, maintaining and disposing of are considered <sup>1</sup>
- Nested costing lifecycle
- Profiled against UK CADMID<sup>2</sup> acquisition lifecycle stages
- Funding contribution timing with relation to the peak affects stage success outcome



<sup>1</sup> Gorhcels, L. (2000) "The Product Manager's Handbook: The Complete e Management Resource, 2nd Edition, McGraw-Hill, London.  
<sup>2</sup> CADMID - Concept, Assessment, Demonstration, Manufacture, In-Service and Disposal.

Method of project representation, in which all costs arising from a project are considered



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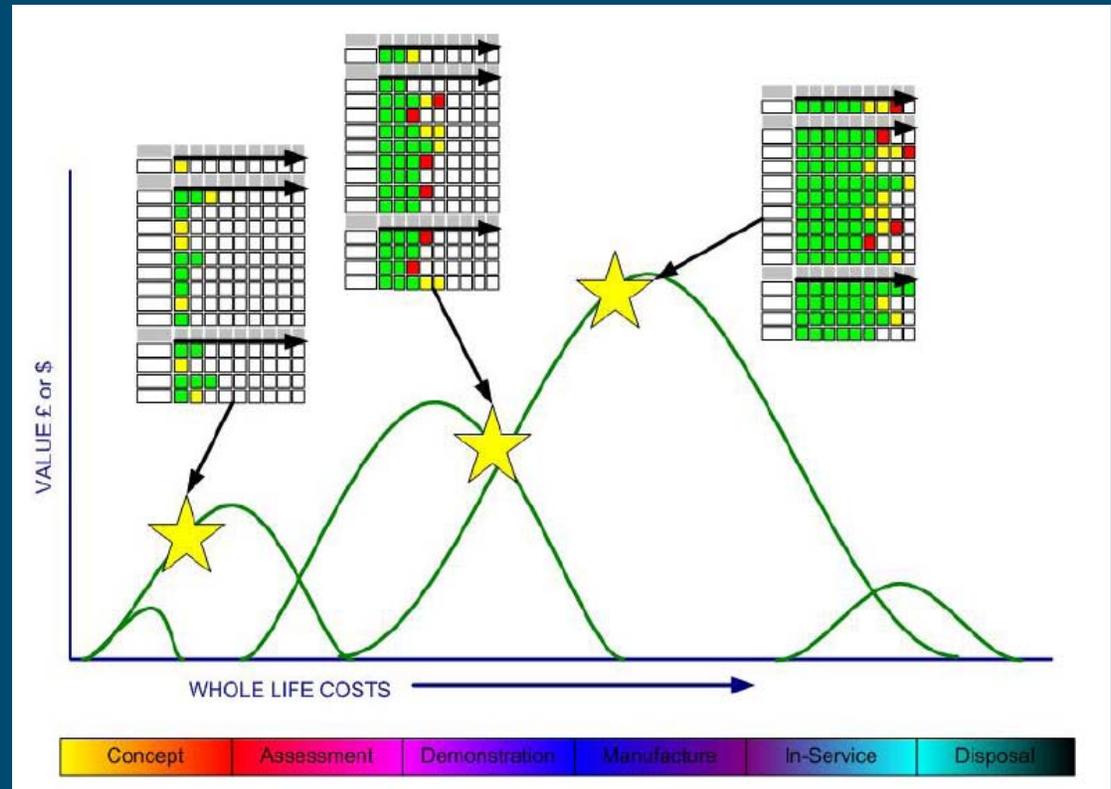
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# Costing Case Studies

- August 2009 and March 2010, twelve projects were researched for source data
- The aim was to provide source data that could be *validated by the authors*, and by a *technical judgment panel* of engineers and scientist proficient with the UK acquisition lifecycles and level assessments
- The projects were assessed against their known timeline, the theoretical costing lifecycle, published costs and associated panel TRL, SRL, IRL assessments
- Each project was assessed at various points in its lifecycle



12 projects were assessed against the costing and the three maturity criteria.

# Overview and Conclusions

- **Systems engineers** often serve as technical points of contact throughout the entire system lifecycle - *they are the single point of “project truth”*
- “**Limit point**“ was established where investments in a particular stage added benefit to a TRL, SRL, IRL
- “**Optimum investment date**“ could not be established using the limited number of studies – *more to follow ...*

|               | TRL point of significance | SRL point of significance | IRL point of significance |
|---------------|---------------------------|---------------------------|---------------------------|
| CONCEPT       | < 3.2                     | < 2.4                     | N/A                       |
| ASSESSMENT    | < 5.6                     | < 6.5                     | < 1.8                     |
| DEMONSTRATION | < 7.6                     | < 7.8                     | < 4.4                     |
| MANUFACTURE   | < 8.1                     | < 8.4                     | < 8.2                     |
| IN-SERVICE    | N/A                       | N/A                       | < 9.0                     |

- **Conclusion** - *mapping the optimum investment point against the TRL, SRL, IRL wall matrix could guide the diversion of funds into projects up to key points.*

Individual CADMID stage investment limit points identified – but not “optimised”



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# Questions?

## Panel #22 - Funding for Life: When to Spend the Acquisition Pot

**Kate Gill**

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