

Application of Portfolio Management Theory: Managing the US Air Force Acquisition Portfolio

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Motivation / Problem

To manage risk in the USAF Acquisitions enterprise by using portfolio management theory to objectively identify the elements of value

Area	FY08 Appropriation	FY09 President's Budget
RDT&E	\$17.80	\$19.60
Procurement:		
Aircraft	\$11.90	\$12.70
Missiles	\$3.90	\$4.70
Other	\$3.10	\$3.10
Ammunition	\$0.70	\$0.90
Total	\$37.4B	\$41.0B

Specific Research Questions

- Which aspects of portfolio management theory are applicable in managing USAF programs?
- How can the value of a portfolio of programs be systematically determined?

Methodology

- Audit procedural mechanics of AF acquisition process
- Establish relational baseline with classic value theory
- Incorporate Portfolio Management Theory ontology
- Utilize Air Force acquisition program databases
- Construct and validate value equation

The Research

The USAF Acquisition enterprise supports hundreds of air, space, and cyberspace programs which compete for critical resources. The decision to support or terminate a program represents a significant investment and requires a suitable framework upon which these difficult choices can be based.



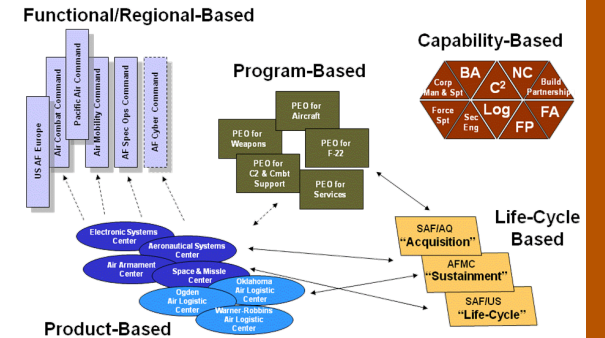
Such a framework must identify the elements of value to which all programs must be evaluated against.

Overall
Overall Program Requirements
Program Parameter Status
Overall Program Resources
Budget
Manning
Contractor Health
Overall Program Execution
Cost/Schedule Performance
Contractor Price Performance
Program Risk
Sustain-
Te

R	G	G	G	G	G	G	R	R	NA	R	R	R	G	G
G	G	G	G	G	G	G	G	NA	G	G	G	G	G	G
R	R	R	G	G	G	G	Y	NA	G	G	Y	G	Y	
R	R	R	Y	G	G	G	Y	G	Y	NA	Y	G	R	
G	G	G	G	G	G	G	G	NA	G	G	G	G	G	G

A New Approach

- We tend to evaluate risk program by program
- A better approach: Consider the health of groups of strategically aligned programs...a portfolio approach
- The goal is to manage risk



Impact on Practice

- The results of this research will be the first step in developing risk assessment tool for the USAF acquisition portfolio
- The tool will provide the means to objectively and consistently evaluate the performance of a group of programs
- Enhanced value delivery to the enterprise stakeholders: the decision makers, war fighters, and the tax payers

