The CSO GUIDEBOOK

SPEED MODE

DEFENSE INNOVATION UNIT

CONTENTS

INTRODUCTION

The Defense Innovation Unit's mission is to: (1) accelerate adoption of advanced commercial technology to the Department of War (DoW); (2) transform DoW's capabilities; and (3) strengthen the national security innovation base. To accelerate adoption, DIU provides access to commercial vendors, curates problems, and leads rapid prototyping and contracting. DIU has a mandate to identify commercial technology with the potential to transform national security for the Department. It is important to understand this approach works for DIU. However, there are many ways to tailor a Commercial Solutions Opening (CSO) to a specific need or desired outcome, as long as it delivers solutions on an accelerated timeline. Additionally, it is important to note that DIU's CSO satisfies 'competitive procedures to the maximum extent practicable' in accordance with 10 U.S.C. 4022(b)(2). This should not be confused with 'The Defense CSO' authorized by Section 803 of the National Defense Authorization Act (NDAA) for FY 2022, implemented in Defense Federal Acquisition Regulation Supplement (DFARS) 212.70. The content herein is an illustrative depiction of the business processes within DIU, designed for the organization's specific purpose; notwithstanding, the DIU approach may encompass many deviations that are entirely appropriate for a given acquisition scenario.

LEADERSHIP MESSAGE

In today's landscape, technology evolves at an unprecedented pace. Software launches are a daily occurrence, hardware redesigns happen in weeks, and strategies adapt instantly to new data. Venture-backed firms and agile startups measure progress in quarters, not years. Our adversaries already match that tempo, leaving the Department of War with a clear imperative—*to accelerate*. This need drove the creation of the **Defense Innovation Unit (DIU),** built to rapidly harness emerging commercial technology for the Joint Force.

DIU identifies and acquires ready-now technology, pulls it into mission work, and scales the new capability. To achieve this at commercial speed, DIU developed the **Commercial Solutions Opening (CSO),** a streamlined, competitive process for quickly delivering best-of-breed solutions to warfighters. This desk guide serves as a practical tool for the Department of War acquisition community—a roadmap for how DIU executes the CSO process, from initial problem identification and due diligence, through prototyping, to successful transition.

In a world where technology knows no borders, capital is fluid, and advantage belongs to those who field capabilities first, the **CSO is DIU's proven path to that advantage.**

Cherissa Tamayori
Acquisition Director, DIU

CHOOSE YOUR LANE

Pick the ***Fast Lane*** for a high-level overview of how DIU runs the CSO process from first signal to fielded prototype. Or, go to the ***Rigor Lane*** for the rules, documentation, and real-world cases that back it up.

FAST LANE

Commercial Solutions Opening

DIU Overview

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COMMERCIAL SOLUTIONS OPENING

What is the CSO?

DIU Overview

The Defense Innovation Unit (DIU)'s Commercial Solutions Opening (CSO) is a competitive solicitation process designed by DIU to rapidly acquire innovative commercial technologies for defense use. Through a streamlined, flexible three-phase down-select process, the CSO is designed to move commercial products from idea to operational prototype at the speed of commercial business.

Legal Framework and Purpose

DIU built the CSO leveraging **10 U.S.C. § 4022,** which authorizes **Other Transaction Authority** for prototype projects. For purposes of this guidebook, when 'OTA' is referenced, DIU is referring to the resulting Agreement, i.e., Other Transaction Agreement. The aim is to apply "competitive procedures to the maximum extent practicable" to prototype solutions that enhance mission effectiveness or improve DoW systems, as required by the statute. OTAs attract companies that may otherwise avoid the defense market due to Government bureaucracy and inflexibility of the traditional defense acquisition system. Operating outside the traditional acquisition system, i.e., Federal Acquisition Regulation (FAR), lets DIU tailor terms, pricing, and data rights to industry norms while meeting mission needs. When a prototype succeeds, that same authority opens a direct lane to production. No further competition is necessary, just a clear path to scale via a production contract or OTA.

This approach lowers barriers for commercial and nontraditional defense contractors (NDCs, as referenced in 10 U.S.C. § 4022). Market-driven innovation runs on speed and high risk tolerance—conditions that stall inside slow, compliance-bound environments. OTAs protect that pace without sacrificing DoW rigor. Through this model, DIU channels market tempo into Joint-Force capability.

CSO Life Cycle Flow

The CSO process is built on flexibility to meet mission needs, not outdated requirements. Each of three stages to set up the CSO drives forward with purpose, beginning with a clear capability gap and ending with a working solution, ready to field: ***Problem Curation*** defines the problem, ***Diligence*** confirms what's real, The ***Area of Interest (AOI)*** issues the call, bringing the market to the line. Then, the ***CSO*** surges ahead, with a clearly defined problem set in mind and the market primed.

Lock Focus

1. Problem Curation

Problem Curation starts with active listening. DIU gathers mission needs from operators in the field, senior leaders within the Department, and signals from the commercial market. Each need—whether a broad mandate or a single pain point—is refined through targeted questions and work alongside mission partners.

Next, DIU establishes **6** clear parameters:

1. **Project scope:** *Clearly defines the project and the problem being solved*
2. **Delivery deadline:** *Specifies the firm deadline for achieving desired results*
3. **Decision authority:** *Identifies key leaders who are responsible for making decisions related to the project*
4. **Available resources:** *Confirms and details the concrete resources (personnel, equipment, data, etc.) allocated for the project*
5. **Strategic alignment:** *Ensures the project's objectives directly contribute to and support broader strategic goals*
6. **Transition Plan:** *Identifies the path to field the prototype and funding required to transition the solution into operational use*

Forcing these questions early helps senior DoW leaders and mission partners see their commitment in hard numbers and calendar days. DIU is also able to assess how ambitious the effort can be without slipping schedule or budget.

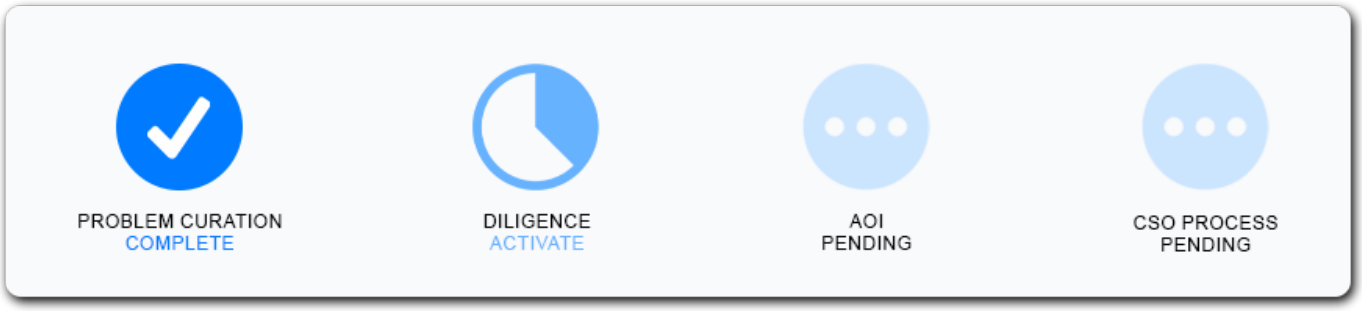
From these reference points emerges a concise, powerful **Problem Statement**—simple, precise, and actionable. This statement locks the project's focus and anchors the entire CSO process. All future down-select criteria (akin to evaluation criteria) and resource decisions tie directly to this reference point.

The problem statement clearly defines the capability gap or mission need, avoiding any pre-determined solutions or preferred approaches. This unlocks the CSO's core advantage: channeling commercial innovation toward a defined mission need, enabling meaningful evaluation, fostering breakthrough discoveries, and accelerating deployment. The CSO establishes a robust framework for success: constraints defined and space for innovation carved out.

Problem Curation Outputs:

Problem Statement: A concise, jargon-free paragraph defining the precise mission gap.

Prove Readiness



2. Project Diligence

Every DIU prototype project undergoes a rigorous Diligence phase—a critical go/no go checkpoint. DIU applies investor-grade scrutiny, tailored for warfighting applications, to thoroughly assess the project's mission urgency, market readiness, financial viability, funding availability, and scalability. This early assessment ensures the CSO remains the fastest path from prototype to fielding and operational deployment by identifying and addressing potential roadblocks or risks proactively.

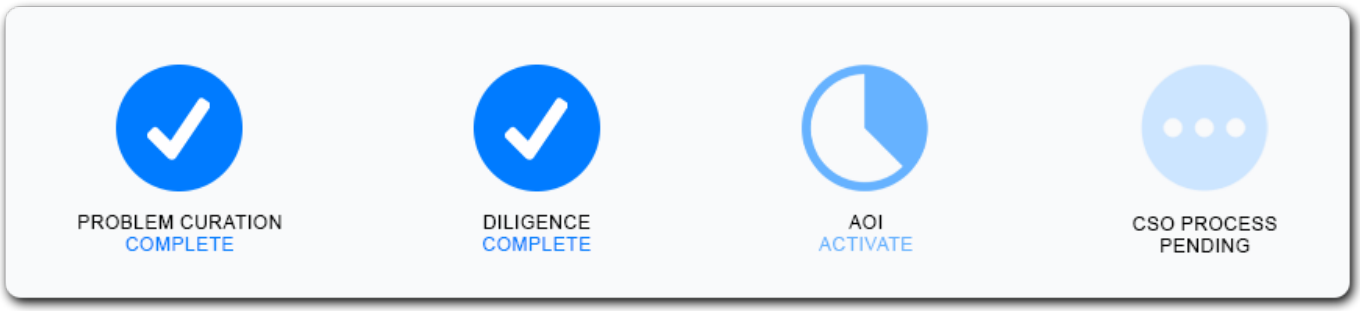
Element	What It Confirms	Downstream Impact
Operational Gap	Problem confirmed by mission users	Solution Briefs stay laser-focused on the real problem
DoW Resources	Sponsors, funding, timelines	Pitches proceed on committed timelines (often end-users present)
Commercial Proof	Market-proven solutions verified	Evaluations focus on proven outcomes, not claims
Transition Path	Active fielding route + follow-on funding	OTA has a direct path to scale

By establishing these key elements early, ***Project Diligence creates the conditions for velocity*** – providing clarity on core parameters while allowing for flexibility drives innovation. This deliberate assessment focuses efforts on calculated risks that enhance solutions, rather than add oversight. Core decisions are rarely reopened, so the framework can flex and maintain momentum under pressure.

The **Project Decision Board (PDB)**, DIU's director-level review panel, provides final approval to release the Area of Interest (AOI). This approval confirms that all the necessary elements are in place to rapidly move a commercial solution through the defense ecosystem, closing a current capability gap.

With approval secured DIU teams lengthen their stride—execution is now theirs to drive.

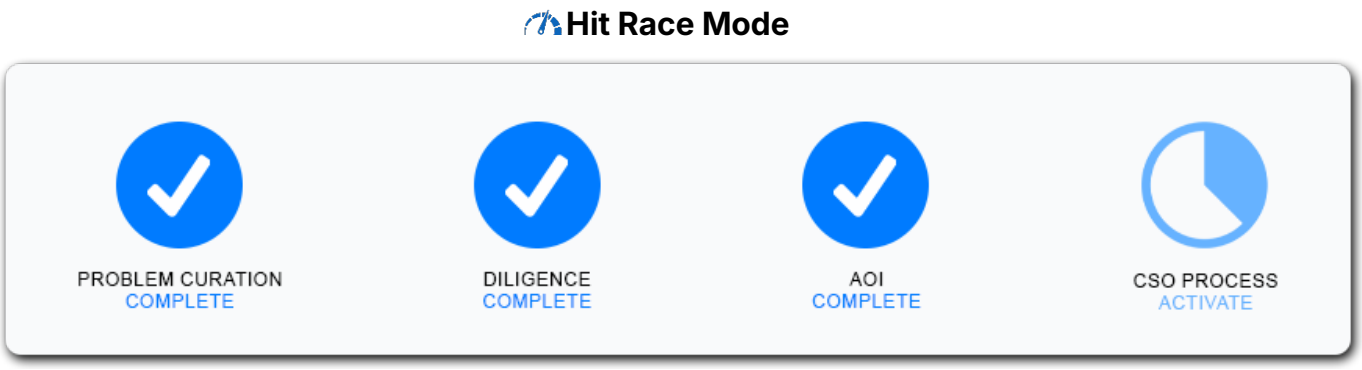
Fire the Starting Gun



3. Area of Interest (AOI)

The AOI is DIU's solicitation, built directly around the validated problem statement. It defines the mission gap in simple, easy to understand terms and opens the door for commercial solutions. AOIs are broader than traditional Government solicitations and focused on real need, not requirements. The AOI is generally no longer than a page and is live on DIU's website (diu.mil) for about 14 days. AOIs are proactively pushed out to industry—companies, social media, and other channels—by DIU's communications and commercial engagement teams.

The moment the AOI goes live, the race to solve begins.



4. CSO Process

CSO vs AOI? Before proceeding, it is important to understand the difference between an AOI and the CSO.

(1) The Commercial Solutions Opening (CSO) is an ongoing, documented solicitation and evaluation process, similar to sections L & M of a traditional FAR solicitation. It outlines Phases 1, 2, and 3 of the process, along with evaluation criteria at each phase.

(2) An Area of Interest (AOI) is the specific problem statement or capability gap for which DIU seeks a commercial solution. Think of it this way: the CSO provides the "how"—the process. The AOI specifies the "what"—the specific problem to be solved.

Now the system runs. With the problem statement defining the boundaries and the diligence locking them in place, the CSO provides a clear and accelerated lane. Mirroring market efficiency, it filters out irrelevant proposals, applies rigorous real-world scrutiny, and finalizes terms designed for rapid fielding. The process never stalls on hypothetical solutions; each phase demonstrates a solution's immediate and practical performance.

The phases, at a glance:

Phase 1 – Solution Brief: *The Fast Filter*

Limited to 5 pages or 15 slides, vendors must provide a concise overview that clearly addresses a defined capability gap and demonstrates potential for rapid delivery. Each brief undergoes a strict pass/ fail evaluation based on relevance, innovation, and technical merit. Proposals lacking alignment are eliminated.

Phase 2 – Pitches: *Rigorous Evaluation*

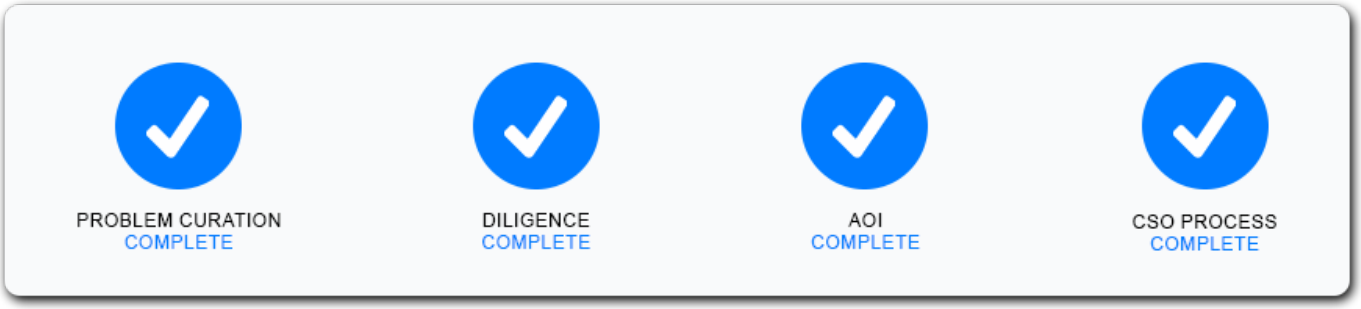
During a 60-minute live Q&A session with DIU and mission experts, vendors must demonstrate commercial viability, realistic schedules, and present a rough order of magnitude (ROM) price. Under pressure, weakness surfaces immediately while strength survives.

Phase 3 – Request for Prototype Proposal (RPP): *The Rapid Build*

Scope, funding, and terms lock in fast. DIU and the vendor shape the agreement using standard commercial terms, anchored to mission needs and tight statutory checks. Alignment is fast and final. Prototypes move straight into execution without delay or friction.

Across every phase, the CSO moves the same way. It doesn't burn energy on complexity; it hits its stride through simplicity. Mission rigor locks tight, market rhythms hold, and distractions fall away. No wasted moves or extra rules—only clarity and well-timed pressure. Each phase elicits an answer to one question: **Does it fit?** If yes, accelerate. If no, cut.

Award Prototype OTA



Inside the CSO Engine

The next section breaks down each phase of the CSO using a repeatable structure. Every phase follows the same order: first, the ***evaluation framework*** (the lens, possible decisions, and criteria); next, ***team and rhythm*** (who does what and how fast); and finally, ***execution mechanics*** (the steps DIU follows). This setup is intentionally modular. Any organization can adapt it. ***Swap in your own criteria, assign your team, and set your tempo.*** The frame flexes; the logic holds.

PHASE 1

Solution Brief
The Fast Filter

Phase 1 is DIU's fast filter. Each submission is evaluated through three criteria that aim to filter for mission relevance, uniqueness of submission, and technical feasibility. As a paper review, the evaluation team captures these through clear, concise written analyses, which result in a yes-or-no decision in order to advance the submission to live pitches, or Phase 2.

1. Evaluation Framework

Lens: Yes | No
Decisions: Pass | Stop
Criteria: *Relevance, Innovative, Technical Merit*

Every submission hits a single binary lens—yes or no, pass or cut. That lens guards speed, clarity, and rigor. The following bullets show how evaluators think. They are examples, not scripts

Criteria at a glance:

Relevance to AOI

Does it meet the mission needs exactly as written in the AOI?

Pass:	❌ **Instant Kill Triggers:**
Direct AOI strike—no stretch required	Generic tech searching for a problem
End-users can point to the pain it fixes today	User/value unclear or speculative
Mission impact quantified up front	Solves a different issue than the one asked

Innovative & Uniqueness

Does it leap the mission forward, not shuffle it sideways?

Pass:	❌ **Instant Kill Triggers:**
Novel tech or method not yet in govt use	Cosmetic tweak to legacy tech
Step-change performance (10×, not 10%)	Single-digit improvement at best
Clear differentiator—patent, dataset, or approach no rival offers	Buzzwords with no proof

Technical Merit & Feasibility

Is the tech already proven and able to scale at commercial speed?

Pass:	❌ **Instant Kill Triggers:**
Working prototype or live pilot data	Theory slides, no demo or data
Modern, modular architecture ready to plug in and grow	Integration hurdles ignored
Team has track record of rapid deliveries	Timelines can't meet rapid fielding pace

2. Team & Rhythm

Phase 1 is conducted by a small, focused evaluation team. Each member's role has distinct responsibilities. Subject matter experts (SMEs) evaluate; the program manager (PM) drives decisions; the agreements officer (AO) ensures process integrity.

Role
PM – Sets 10-day sprint; directs pass/cut calls
SME(s) – Tests maturity and mission match; flags any unverified claim
AO – Guards process; signs the down-select to next Phase

Timeline: 10 days

Solution Brief Alignment:
Before the first AOI submission, or solution brief, is opened, the evaluation team, made up of DoW partners and the roles outlined above, focuses on the AOI's exact intent. This anchors evaluator discipline, driving a steady sprint regardless of submission volume.

3. Evaluation Mechanics

Step 1: Solution Brief Submission

- Vendors deliver a crisp, 5-page document or up to 15 slides.
- Each brief must stand entirely on its own merits—no cross-references, no assumed context—and tie explicitly to the AOI-defined gap.

Step 2: Binary Evaluation

- Evaluators apply the three yes/no factors to each brief in strict order.
  Relevance → *Innovation* → *Technical Merit*

Step 3: Decision & Signal Capture

- PM compiles findings into a concise down-select memo.
- AO applies an objective lens for rigor and applies scrutiny to ensure evaluation consistency.
- Vendors receive rapid notification on select/non-select decisions.

Example Documentation:

✓ Acceptable	✕ Unacceptable
"Solution A is relevant because it lands directly on the AOI gap: Project XYZ. Its architecture is already field-proven with three PDQ [IT software company] partners giving it a two-year maturity lead. Lab data show 4× resilience over current systems. Vendor's modular stack lets DIU integrate within 90 days."	"Solution A is relevant and fits the AOI. Vendor claims solid tech and fast deployment. Move to Phase 2."

PHASE 2

Live Pitch
The Pressure Test

Phase 2 is the pressure test: 60-minute live pitches by vendors. Commercial companies bring working tech and ambition; DIU arrives with two non-negotiables—mission fit and commercial scale. The live pitches allow the Government evaluation team to decide whether to advance the vendor to Phase 3, a request for proposal; to portal until a later date; or drop the vendor from the CSO process.

1. Evaluation Framework

Lenses: Mission | Commercial
Decisions: Advance | Portal | Non-Select
Criteria: *Relevance, Technical Merit, Company Viability, Innovative, Rough Order of Magnitude (ROM), Schedule, Data Rights*

This framework should be interactive, allowing the Government team to evaluate in a live setting a variety of criteria through both mission and commercial lenses. The framework below lays out example questions or prompts the evaluators can raise ("Pitch Dialogue") followed by strong versus weak responses by the vendor.

Framework at a glance:

Mission Lens

Pitch Dialogue	Criteria	Strong Response	❌ Weak Response
"Feature to AOI: how does it hit the threat & who's felt the strain?"	Relevance, Technical	*"AOI calls out Threat X. Feature Y handles this. We built it for our Series A pilot with a major retailer. 10K events per day so far, architecture proven to 100x."*	*"Our platform is flexible – we'd tailor it for this use case."*
"Bandwidth just fell 80%—what dies first?"	Technical	**Engineer cuts bandwidth live,** *"Spike hits; analytics flip to edge cache, core comms/targeting keep running. This failover is active in live installs and in our latest scale validation runs—logs available."*	*"We haven't simulated that drop yet."*
"Hand me the tablet—delete one full mission step live."	Innovation, Relevance	**Operator walks through User Interface,** *"Manual step is gone: 6 hours to under 1 minute. Three beta customers running it now – our seed investors saw this exact demo close them."*	*"We could demo a click-through, but full workflow isn't ready."*
"Day 30—what do I actually touch & what flows to the field?"	Schedule	*"Standard deployment is 3 weeks for our pilot partners. Playbook is ready; onboarding just swaps in your auth requirements."*	*"We'll finalize scope; integration may shift timeline."*
"Scope pivots mid-project—what code stays yours, what code stays ours?"	Data Rights	*"Integration layers revert to govt. Core engine stays protected in our commercial stack. Clean separation built in."*	*"We'd sort out code ownership during negotiation."*

Commercial Lens

Pitch Dialogue	Criteria	Strong Response	❌ Weak Response
"Users triple overnight—what breaks first: your margins or your model?"	Rough Order of Magnitude (ROM), Viability	*"Margins dip 10%, bounce back in 30 days. We've already absorbed 3x load—both in production and recent scale pilots. Performance and uptime hold."*	*"We'd have to model that."*
"Funding slips six months—what feature do you kill, and who's still paying you when you do?"	Viability	*"We pause Tier 2 modules, reroute resources to core. Energy A and FinTech B keep funding delivery; 14-month runway remains."*	*"We'd likely delay enhancements but keep momentum. We're optimistic funding lands."*
"Spin up 5,000 new seats—show live cost per user and latency."	Viability, ROM	**Operator scales cluster, dashboard updates.** *"Cost holds at $41/user, latency +22 ms* [milliseconds]*—mirrors last month's spike log."*	*"We'd need to provision first; numbers after testing."*
"Clone to Europe now—first login under 15 min or tell me why not."	Schedule, ROM	**Script fires; European Union cluster online in 11 min.** *"Latency +30 ms, cost +8%; same SLA* [Service Level Agreement]. *Audit trail here."*	*"We haven't deployed outside the U.S. yet – would require planning."*
"Competitor duplicates this in 6 months—what's your moat?"	Innovation, Uniqueness	*"Two-year lead on proprietary data and feedback loops from real deployments and pilots—plus core IP* [intellectual property] *in process."*	*"We'll innovate faster; culture is our edge."*

2. Team & Rhythm

Phase 2 deploys a diverse, 360-degree review squad. Each specialist analyzes the pitch from a unique angle. Their combined scrutiny uncovers hidden gaps and sharpens understanding through rigorous questioning.

Role
PM – Drives 60-minute sessions; maintains intensity; captures decisions on the spot
Portfolio Team – Probes technical merit and market fit live
Commercial Engagement – Verifies vendor solvency, margins, and defense suitability
Business Intelligence – Prescreens vendor's ownership and capital for foreign influence
DoW Partner – Confirms mission relevance and field path
AO – Guards process; signs the down-select to next Phase

Timeline: 30 days

3. Evaluation Mechanics

Step 1: Pre-Pitch Viability Check

DIU's Business Intelligence team clears foundational uncertainties early, vetting ownership, runway, leadership, and security for every vendor invited to pitch.

Step 2: Live Pitch (60 minutes)

- Strictly timed live interaction
- 20-minute pitch and 40-minute rapid-fire questioning
- Precision, speed of response, and evidence matter—every minute counts

Step 3: Immediate Capture & Decision

Evaluators record decisions and insights immediately post-pitch and synthesize into three possible paths:

1. **Advance to Request for Prototype Proposal (RPP)**: Clear strength in mission and commercial fit
   Portal Hold (180 days): Concept of interest, resources constrained; DIU may request RPP later
   Nonselection: Core criteria unmet or unresolved critical risks

PHASE 3

Request for Prototype Proposal
The Rapid Build

Phase 3 locks down the deal. Down-selection (i.e., evaluations) ends. Following a Request for Prototype Proposal (RPP), the OTA gets built quickly: scope, pricing, terms, all defined at speed.

1. Execution Framework

Lens: Commercial Execution
Decisions: Award | Exit

Evaluation flips to execution. Statement of Work (SOW), pricing, and terms move at commercial speed. DIU only adjusts for mission-critical needs.

Core Elements	Method	Purpose
Statement of Work (SOW)	DoW & Vendor collaboration	Vendor defines the ***how***; DoW locks down the ***what***
Pricing	Commercial baseline	Maintain market alignment; eliminate government-imposed drag.
Terms & Intellectual Property (IP)	Vendor terms, lightly tailored	Protect commercial speed; insert negotiable, commercial-friendly terms for prototyping purposes.

2. Team & Rhythm

Lean, empowered, and immediately responsive:

Role
AO – Shapes final agreement structure (milestones, pricing, terms)
PM – Aligns SOW with mission outcomes and ensures it is set up for transition with planned funding
DoW Partner – Confirms field conditions, test criteria, funding, and readiness for transition
Vendor – Drafts SOW with DoW Partner; sets market-aligned pricing and terms

Timeline: 30 – 60 days

3. Execution Mechanics

1: Step 1. Immediate Alignment (Kickoff)

The AO leads a targeted kickoff the moment the RPP is released. The conversation targets:

- OTA Framework: Deliverables, milestones, payment logic
- Vendor Constraints: Commercial practices up front
- Mission Boundaries: Test schedules, operational success criteria

Any question that could stall **Step** progress later is cleared up front, setting a collaborative, decisive tone from minute one.

Step 2: Rapid Agreement Build

Collaborative SOW

The vendor works shoulder-to-shoulder with the PM and DoW partner to shape the SOW. Boundaries—testable outcomes, mission schedules, tangible results—lock in at kickoff. Within that framework, the vendor flexes the ***how*** while DIU guards the ***what***. The SOW is finalized and deliverables and milestones snap into focus.

Commercial Pricing

Vendors price as close to a fair and reasonable price, as they do in the commercial market. AOs only request data required to determine price reasonableness and substantiate the offerors' standard commercial pricing. No extra templates or forced structures. The AO checks two crucial points:

- **Does the price match the required work?**
- **Does it align with the vendor's commercial pricing?**

If both align, the process flows without pause. If gaps appear, the AO flags them quickly, resetting pricing logic during live discussions. Price reasonableness emerges from commercial norms—not from lengthy Government cost models.

Commercial Terms (IP & Licensing)

DIU starts with a set of standard terms and conditions. Vendors are able to propose changes to the baseline terms and conditions and vendor-specific End User License Agreements (EULAs). EULAs represent the vendor's commercial terms, and DIU adjusts those terms only when mission-critical or required by law. It is important to note that EULAs may contain verbiage that conflicts with federal law, DoW policy and/or regulation.

In anticipation of this, DIU has a standard article in its Terms and Conditions (T&Cs), which supersedes any EULA verbiage that is contrary to doing business with the Federal Government. This reduces the need to revise a vendor's EULA. A suggested reference for developing such material is the General Services Administration (GSA)'s General Services Administration Acquisition Regulation (GSAR) class deviation for business supplier agreements, which was designed to address inconsistencies between standard commercial supplier agreements and federal law, streamlining the acquisition process. Specifically, this deviation clarifies the order of precedence over Commercial Supplier Agreement (CSA) terms deemed inconsistent with federal law and declares them unenforceable. Caveats and court rulings to this deviation may apply; however, in most cases they will help streamline the speed to contract and allow the Government and vendor to protect both parties' legal and financial risks. DIU controls risk without slowing innovation, ensuring commercial tempo thrives while meeting mission needs. The final OTA preserves vendor responsiveness and delivers swiftly.

Step 3: Build Milestone Flexibility

Prototypes mean risk. DIU meets it head-on. Every milestone built into the OTA is a deliberate pivot point, protecting DIU's freedom to move, adapt, or exit as quickly as a commercial firm would.

Pay Only for Proven Results: Milestones are structured as fixed-price payments tied directly to clear, tangible outcomes. DIU's obligation extends only to the current milestone. Future milestones remain contingent until explicitly triggered.

Instant Off-Ramps: If a test fails, a market shifts, or the mission evolves, DIU pivots immediately. Decisions and adjustments mirror the agility of commercial ventures—fast, efficient, and precise.

Deliberate Flexibility: Risk stays localized, controlled, and actionable. Every milestone is intentionally structured as an off-ramp, empowering rapid decisions to scale, adjust, or stop without disruption. DIU maintains the agility to confidently take bold risks, always with a clear exit strategy in hand.

This approach keeps vendors aligned with mission urgency and DIU ready to pivot at market speed.

Step 4: Rapid Finalization

Phase 3 closes with an award justification document or Business Clearance Memorandum (BCM) that documents the following:

- *Statutory authority (10 U.S.C. § 4022) Prototype qualification – an explanation of how the project meets the statutory prototype definition, per 10 U.S.C. § 4022 (e)(5)*
- *Price reasonableness determination (this is not a statutory requirement but 'a key consideration prior to award', per the 2023 Other Transactions Guide)*
- *Tailored terms and conditions*

Leadership signs swiftly. Award of the prototype agreement and project execution immediately follow.

Rigor Lane: Backbone, Structure, & Case Studies

The **Rigor Lane** is where speed stands up to scrutiny. **Here's the backbone:** competitive procedures, funding logic, documentation, real-world vetting, and the transition to fielded power. **This lane is the framework beneath the speed**—the **rules, records, and cases** that keep the system solid, credible, and ready for pressure. Every section brings detail, structure, and the stories behind DIU's edge.

Competition
& the CSO Process

Although the Competition in Contracting Act (CICA) does not apply to Other Transactions (OTs) like it does to Federal Acquisition Regulation (FAR)-based contracting actions, **competition is the cornerstone** of the Commercial Solutions Opening (CSO) process and should be factored into all phases of the solicitation and award process.

OTs, as directed by 10 U.S.C. § 4022, must use competitive procedures to the maximum extent practicable, but no specific form of competition is required. Competition drives innovation and is a key aspect of making the CSO process successful. Competition should be part of the discussion at every phase of the process and should also be viewed holistically for the entire project. The CSO process is a **merit-based competitive procedure** that is both transparent and fair. Solutions are evaluated on their individual merit by a team of Government experts.

Minimizing Barrier to Entry

The overall goal of the CSO process is to provide a fast, flexible, and collaborative mechanism that lowers barriers to entry and incentivizes nontraditional defense contractors to do business with the Government. Careful attention must be paid to content in the Area of Interest (AOI) and resulting agreement, especially any terms and conditions (T&Cs) that may inadvertently hinder competition. Including conditions like requiring a Facility Clearance at time of award, approved accounting systems, or lengthy initial document submissions can hinder competition and, ultimately, reduce the likelihood of a successful prototype.

BEST PRACTICE

Keep all submissions unclassified, and keep resulting agreement requirements as broad and nonrestrictive as possible to allow for the maximum level of competition.

The CSO Three-Phase Approach

CSO procedures are similar to those for Broad Agency Announcements (BAAs), except that a CSO can be used to acquire innovative commercial items, technologies, or services that directly meet program requirements, whereas BAAs are restricted to basic and applied research.

The CSO is posted on Sam.gov, and can be amended to provide updated information, as needed. This approach, which outlines the competitive procedures on how a vendor can submit a response to a particular Area of Interest (AOI), consists of three phases: Solution Brief, Pitch, and full written proposal. AOIs are focused topic(s) categories that are published separately from the CSO on the Defense Innovation Unit (DIU) website. AOIs are intentionally broad to encourage creative solutions and increase participation from commercial vendors unfamiliar with traditional Government contracting. The main driver of competition for the CSO process is the three-phase process for selecting potential awardees:

1. **Phase 1 Solution briefs:** Solution briefs are submitted in response to an AOI. Briefs are evaluated against the criteria stated in the CSO. Solution briefs are generally white papers or briefing slides, which should not exceed 5 pages or 15 slides.
2. **Phase 2 Pitch Session**: Companies whose solution briefs are evaluated to be of merit may be invited to provide a pitch and/or demonstration of the solution.
3. **Phase 3 Proposa**l: Those companies whose solution brief and pitch are evaluated to be of merit and are selected for potential award of a Prototype OTA may, if funding is available, be invited to submit a full written proposal.

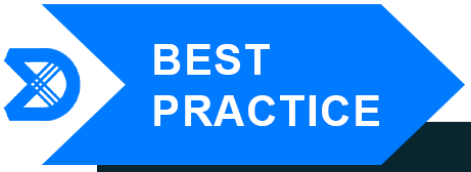
Phase 1 is the first step in soliciting competition from the commercial marketplace. The Government should keep the barrier to entry for submissions as low as possible. Limiting a proposed solution brief, usually a white paper, to about five pages, with no requirement for submission of extensive administrative information, can boost competition and interest in the AOI. Keeping the barrier to entry as low as possible encourages companies to submit solutions and also limits workload for both the companies as well as for the Government.

BEST PRACTICE

Use relevance of the solution brief in addressing the AOI as one of the Phase 1 evaluation factors. This allows the elimination of solutions from competition that are not related or are extraneous to the AOI quickly and efficiently without the Government team needing to spend much time in evaluating. Also, allow companies to submit multiple solutions to an AOI. This can increase the number of possible innovative ideas and solutions and increase the likelihood of project success.

Phase 2 of the CSO process allows for selected companies to present an in-person or virtual pitch to demonstrate and provide further details on their proposed concept, technology, or solution. Phase 2 pitches are evaluated against the criteria stated in the CSO but are not compared to other companies' solutions; instead, each solution stands on its own merit. During Phase 2, the Government may use external market research to evaluate a company's viability. External market research can include determining a company's financial viability, checking ownership control of the company, and checking the company's supply chain and subcontractors.

Phase 2 provides the Government with more detailed information to help with determining what solution(s) best solve the problem stated in the AOI. Many solutions may have merit, but due to limited Government resources, not all can be asked to submit a full proposal. Vendors whose solutions most effectively and uniquely address the problem set articulated in the AOI will be asked to submit a proposal. Other viable solutions of merit will be put into a virtual portal to be drawn from in the event additional Government resources become available. If applicable, the Government will ask the portaled company to submit a full proposal within 180 days from the Phase 2 pitch date.

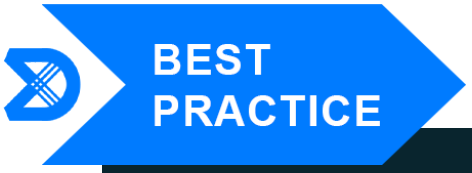


Creating a virtual portal for solutions that are of merit, but not eligible for a request for proposal due to availability of Government resources allows for continued competition if/when resources become available.

The final phase of the CSO process is the Request for Prototype Proposal (RPP). Based on the evaluation of Phases 1 and 2, a company is asked to submit a full proposal and negotiate appropriate terms and conditions (T&Cs) governing the prototype project. Competition can continue through this phase in the form of a "bake-off" concept. A bake-off would consist of the Government requesting several companies to submit proposals and then making multiple awards for the project. During performance, various milestone decisions may be made to continue with all, some, or none of the awardees depending on the progress being made for each solution. The bake-off concept continues competition all the way through the CSO process, until a successful prototype is selected and moved to production.

Maintaining Competition through Bake-offs

The bake-off offers multiple companies an opportunity to compete for production-level scaling of their solution(s) but also allows the Government to maximize the chances of selecting a successful prototype(s) at the end of the project. Having multiple companies working on a prototype project also allows the Government to benefit from partial successes, i.e., a company may be successful with a partial solution but not the entire prototype. The Government may then be able to leverage this partial success.



Making multiple awards and having companies compete for the final production prototype allows the Government to select the best prototype or elements of each respective prototype to maximize chances of success and capability for the project.

Iterative Prototyping & Scope Considerations

Iterative prototyping is a post-award concept that allows for the Government and vendor to modify, by mutual agreement, the work in the prototype project to allow adaptation and modification of the technology being prototyped to meet additional, within-scope purposes/mission sets. Iterative prototyping allows for additional, within-scope milestones and/or funding to be added to continue development or add capabilities to the prototype without needing to issue a new award or re-solicit under a new AOI. The final objective of DIU projects is not simply a successful prototype. It is to fully prepare the prototype to transition to a production contract or agreement to be fielded and sustained by a program of record. For the prototype to 'step' into production, vice 'take a leap of faith' into production, entails iterative testing, refinement, and enhancement for field-ready deployment. This is best done through iteratively augmenting an agreement, perhaps de-scoping an agreement, or adding within-scope elements to an agreement to achieve this objective while maintaining schedule and continuity.

AOs should ensure any modifications remain aligned with the original technical intent of the prototype and avoid fundamentally changing the nature of the effort. If an agency intends to award a follow-on Production OT or a procurement contract from a successfully completed Prototype OT without further competition, the solicitation process and the Prototype OT award *must* have used competitive procedures.

Funding Types
& Other Transactions

Research, development, test and evaluation (RDT&E) funding is typically the primary funding source for prototype OT efforts. However, all agreement stakeholders, including the Agreements Officer (AO), may, on occasion, need to consider the use of other types of funding for their prototype agreements.

When determining if the use of a specific funding type is appropriate or not, consider that the 10 U.S.C. § 4022 statute does not prohibit the use of funding types other than RDT&E funding. The 2023 DoW Other Transactions Guide states that "**OTs for prototype projects are not necessarily limited to one type of funding.** The appropriate funding type, including RDT&E, procurement, operations and maintenance (O&M) appropriations, or even military construction, depends on the scope of the requirement and stage of the prototype."

AO Guidelines

The AO generally should:

- ➔ Do a thorough, fact-specific fiscal analysis to determine the appropriate use of funds.
- ➔ Consult financial manager or Comptroller and legal counsel to ensure the contemplated use of funding is appropriate.
- ➔ Consider whether the agreement includes a mechanism to ensure funding is being applied, as intended, to the correct deliverable.
- ➔ Ensure the use of different appropriations aligns with how similar deliverables have been funded previously on the agreement.

> Each agreement stakeholder is responsible for understanding the current Statement of Work (SOW) and funding profile to date, as well as any contemplated modifications to the SOW and funding profile to determine what funding type is appropriate. **The Agreements Officer (AO) relies on this collective input to decide what is appropriate for the prototype agreement.**

Enumerated in this decision logic is the crossroads where the RDT&E and O&M appropriations intersect—Volume 2A, Chapter 1 of the Defense Financial Management Regulation (FMR) (DoD) 7000.14-R policy, which delineates the cost definition and appropriation utilization. It is important to note for the practitioners of 10 U.S.C. 4022 that the FMR connotes a 'prototype' as an item from an R&D program and also connotes RDT&E financing. Clearly, the FMR utilizes a much narrower interpretation of a 'prototype' that predates the 'prototype project' definition found in the 2023 DoW Other Transactions Guide. As a best practice, DIU recommends the concept of *'pick it and stick it'*. Pick the appropriation most suitable and carry that through to successful conclusion. What should not be assumed in this concept is that multiple appropriations cannot separately fund individual elements (i.e., milestones/deliverables) in a single agreement or prototype project.

Award Documentation
& Price Reasonableness

Business Clearance Memorandum

The Business Clearance Memorandum (BCM) serves as the internal justification for awarding a prototype OTA. The memo documents the CSO process, price analysis, and legal or statutory compliance to support the AO's decision to award the prototype project to the selected vendor. DIU acknowledges that the term *Business Clearance Memorandum* is widely used in the traditional acquisition system. For purposes of this guide, the term BCM simply means the award justification for a DIU OTA.

Standard BCM Content Includes:

Project Overview
Summarizes the operational problem set, capability gap, or emerging requirement that the prototype seeks to address. Clearly outlines the prototype goals and expected deliverables

Funding
Description of the available funding and list of negotiated milestones.

Summary of Evaluation Findings
A brief summary of the evaluation process follows:

- Number of vendors submitting a solution brief for Phase 1 in response to the AOI (Area of Interest)
- Number of vendors participating in Phase 2 Pitches
- Number of vendors selected to receive a Request for Prototype Proposal (RPP) and those vendors that are being 'portaled'

Price Reasonableness Determination
Establishes price reasonableness using appropriate techniques. (Read more on this topic in the Price Reasonableness Determination Section below.)

Risk Mitigation and Compliance Statements
Addresses key risks to performance, budget, or schedule, and outlines planned mitigation strategies. This section also confirms legal sufficiency, proper use of OT authority, and alignment with internal approval thresholds.

Terms & Conditions
Discussion of agreed-to terms and conditions.

Intellectual Property & Data Rights
Discussion of IP and data rights.

Statutory Compliance and Prototype Justification
Ensures the agreement complies with 10 U.S.C. § 4022 by addressing:

- **Prototype Determination:** Documents how the effort meets the statutory definition of a prototype, such as applying new commercial technology, process improvements, system integration, or iterative development.
- **Mission Effectiveness:** Explains how the prototype improves DoW mission outcomes, addresses gaps, or supports Joint Force priorities.
- **Appropriate Use of Authority (10 U.S.C. 4022(d)):** Describes compliance with satisfying one of the following in accordance with the statute:

  (A) There is at least one nontraditional defense contractor or nonprofit research institution participating to a significant extent in the prototype project.

  (B) All significant participants in the transaction other than the Federal Government are small businesses (including small businesses participating in a program described under section 9 of the Small Business Act (15 U.S.C. § 638)) or nontraditional defense contractors.

  (C) At least one-third of the total cost of the prototype project is to be paid out of funds provided by sources other than the Federal Government.

  (D) The senior procurement executive for the agency determines in writing that exceptional circumstances justify the use of a transaction that provides for innovative business arrangements or structures that would not be feasible or appropriate under a contract, or would provide an opportunity to expand the defense supply base in a manner that would not be practical or feasible under a contract.

Price Reasonableness Determination

While OTAs are designed to offer greater flexibility than FAR-based contracts, ensuring price reasonableness remains a fundamental aspect of acquisition integrity and fiscal stewardship. A variety of traditional and nontraditional methods may be applied and/or adapted to the nature of each prototype effort.

Common Techniques Include:

Competition as the Primary Determinant

While a range of analytical tools are available, competition remains the most effective and preferred method for establishing price reasonableness under the OTA framework. The CSO process is deliberately structured to introduce and preserve competition throughout the life cycle—from the initial solution briefs through to the final prototype proposals. This merit-based down-select allows the Government to evaluate price reasonableness in a comparative context, leveraging market pressure and multiple data points to inform the AO's judgment.

As referenced in the Defense Contract Management Agency (DCMA) OTA Pricing Guide, the majority of OT awards involve multiple offerors submitting solutions in response to a common Area of Interest (AOI), often with an implicit expectation of competition. These inherent market dynamics incentivize vendors to submit competitively priced proposals from the outset. Even when solutions vary in scope or approach, competitive forces apply downward pressure on pricing and drive offerors to present cost-effective options to remain viable. While these forces help establish an initial pricing baseline, the AO may still pursue further negotiations to ensure the final award reflects a fair and reasonable price, which represents an appropriate value to the Government and the taxpayer.

Market Research

Even when the solution is innovative, comparable pricing can often be identified for specific components (e.g., hardware sensors, cloud storage, UI/UX (User Interface/User Experience) support). For example, in one DIU award, commercial rates for edge computing devices were used to validate a proposed hardware cost that exceeded typical pricing.

Technical Expert Validation

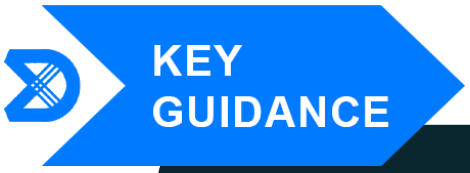
When proposed costs relate directly to technical complexity, engaging technical subject matter experts (SMEs) can be critical. For example, if a vendor proposes $1.2 million for integrating a real-time targeting algorithm, a Government technical advisor may assess the reasonableness of the algorithm development effort, compute time, or software licensing needs.

> The key is to use these tools thoughtfully and flexibly, balancing rigor with the OTA's purpose of enabling rapid access to emerging technologies. The AO should document the rationale behind the selected price analysis methods, especially when conventional comparisons are unavailable or limited

The key is to use these tools thoughtfully and flexibly, balancing rigor with the OTA's purpose of enabling rapid access to emerging technologies. The AO should document the rationale behind the selected price analysis methods, especially when conventional comparisons are unavailable or limited.

In line with the OTA's flexible framework, AOs should also consider novel techniques featured in the DCMA OTA Pricing Guide, such as ROM estimates, risk-adjusted labor parametrics, and the use of historical actuals from adjacent technologies. These are particularly valuable when data are limited or traditional baselines are not fully applicable. Competition itself often serves as a primary price validation tool—the CSO process is inherently selective and market-driven, enabling the Government to assess the value proposition across multiple innovative solutions.

Additionally, when full life-cycle pricing is not feasible at time of award, the Government can price funded milestones initially and defer pricing future efforts until the technical path is clearer. This approach—sometimes called "pricing the airplane as we fly it"—avoids speculation and aligns pricing with solution maturity.



Consistent with the principles emphasized in OTA guidance, especially the DCMA OTA Pricing Guide, AOs should be mindful that Nontraditional Defense Contractors (NDCs) often do not maintain formal cost accounting systems and may view detailed cost data requests as a deterrent to participation. Remember that the Truthful Cost or Pricing Data Act does not apply to OTA and that vendors are not required to maintain cost accounting standards-compliant accounting systems. Accordingly, AOs should exhaust alternative methods to establish price reasonableness—including market-based techniques, value comparisons, risk-adjusted parametrics, and SME validation—before seeking cost or quasi-cost data from any performer. The goal is to maintain the OTA environment as a business-friendly on-ramp for innovation. When traditional cost analysis is not feasible or risks discouraging participation, the AO is encouraged to embrace creative but defensible approaches like "price related to value," scaled comparables, or outcome-based benchmarking to preserve both acquisition integrity and contractor interest.

Contents of the OTA

Terms and Conditions (T&Cs)
The OT Authority establishes the legal and operational framework for prototype execution under 10 U.S.C. § 4022. It differs from FAR-based contracts in structure and flexibility while maintaining essential protections.

While DIU encourages flexibility to attract commercial vendors, certain agreement provisions are nonnegotiable due to statutory, regulatory, or policy requirements. These mandatory "articles" ensure compliance with DoW and federal directives—such as national security, cybersecurity (e.g., National Institute of Standards and Technology [NIST] SP 800-171; operational security [OpSec]; foreign ownership, control, or influence [FOCI] restrictions; and International Traffic in Arms Regulations [ITARs] and Export Administration Regulations [EARs]). These are just a few to consider but do not represent an exhaustive list. AOs must include these articles without substantive modification to maintain legal sufficiency and mission assurance.

Cybersecurity, OpSec, & Foreign Access
Prototype agreements include articles to ensure compliance with applicable cybersecurity standards (e.g., NIST SP 800-171), OpSec protocols, and safeguards against FOCI. These articles reinforce national security protections while enabling participation from a diverse commercial base.

Dispute Resolution & Termination Procedures
The Terms and Conditions (T&Cs) define processes for resolving disagreements, including escalation paths and potential termination scenarios, ensuring both parties have a clear exit framework. Bottom line up front: Find and institute procedures that solve a dispute at the lowest level possible.

Scope of Work & Deliverables
Defines the technical objectives, desired outcomes, and the vendor's responsibilities throughout the prototype period. Scope and deliverables will likely be contained in a SOW, or similar document.

Milestone-Based Payment Schedule
DIU structures payments around discrete, completion-based milestones, which serve as contractual checkpoints tied to specific technical or programmatic accomplishments. A milestone/payment schedule will likely be contained in a SOW, or similar document. The schedule should make clear the funding status of individual milestones.

Definition
A milestone is a measurable outcome or event that signifies progress toward the overall prototype objective.

Use
Milestones are negotiated and documented in the agreement to reflect meaningful increments of work (e.g., delivery of a functional module, completion of testing, interim capability demonstration).

Purpose
This structure enables progress monitoring, risk management, and payment based on achievement rather than time, promoting accountability and performance.

Validation
The Government must validate that a milestone has been met before releasing payment. This may include technical reports, live demonstration, or product inspections.

Additional milestones may be added to support iterative development or expanded capability, pending successful technical progress and continued mission alignment.

Intellectual Property (IP) & Data Rights
DIU leverages flexible IP and data rights negotiations to attract commercial innovators while safeguarding DoW access. Unlike traditional contracts, OT agreements do not rely on universally defined rights such as Government Purpose Rights (GPR) or Limited Rights (data rights categories defined in the DFARS, which are not applicable to OTA). Instead, each agreement requires tailored definitions and terms that reflect the specific scope, funding, and objectives of the prototype effort. AOs operate from a blank canvas, structuring IP rights to align with the unique technical and financial landscape of each award.

When developing the IP schema, DIU follows the funding. If a vendor contributes a fully developed, privately funded solution, the Government negotiates only for a license to use the existing IP. However, if the Government funds enhancements to that baseline capability, the resulting agreement may reflect a bifurcated rights structure—preserving the vendor's ownership of the original IP while securing additional rights to enhancements developed under the agreement. This approach balances commercial incentives with the DoW's need for continued access, integration, and sustainment options. Again, it is important to focus an IP schema on what will derive the best 'win-win' for sustaining a production contract/agreement, not specifically for prototyping.

Follow-on Production Eligibility
The agreement outlines the statutory pathway to a follow-on production award without further competition, as authorized under 10 U.S.C. § 4022(f), contingent on successful prototype completion and meeting the required criteria. While this verbiage is no longer required for the successful prototype to be transitioned to production, DIU continues to outline what constitutes a successful prototype. Additionally, this verbiage supports our end goal: transitioning the successfully prototyped capability to a program of record for fielding and sustainment.

DIU's OTA reflects a flexible, modular approach that prioritizes commercial adaptability and iterative development. While the structure allows for negotiation of IP rights and streamlined execution, it retains rigor through milestone validation, cybersecurity compliance, and production readiness planning.

Nontraditional Defense Contractor (NDC) Verification

To qualify for a prototype award under **10 U.S.C. § 4022(f)(2)**, the AO must verify that the performer meets one of the eligibility criteria. Most commonly, this means confirming the entity qualifies as an NDC, defined as an entity not currently performing and not having performed, for at least the one-year period preceding the solicitation, any contract or subcontract subject to full coverage under the Cost Accounting Standards (CAS).

If a vendor does not qualify as an NDC, the award may still proceed if at least one of the following alternative thresholds is met:

- At least one NDC participates to a significant extent in the prototype project.
- All significant participants are small businesses or NDCs.
- At least one-third of the total cost of the prototype project is paid by non-Government sources (cost-sharing).
- Portfolio Acquisition Executive (PAE) approval is granted for exceptional circumstances.

The AO must validate the basis for eligibility prior to award and document efforts and results in the award decision document or file. Note that the statutory definition for NDC considers performance as either a prime or a subcontractor and that no federal business system will allow interrogation of performance as a subcontractor on a contract subject to full CAS coverage. It is a best practice to ensure the agreement incorporates a clause stating that the awardee certifies that "team member(s) X," part of the performing team in this agreement, is(are) an NDC and is(are) participating to a significant extent in the prototype project.

Validation Process (DoW OT Guide v2.0, 2023)

To confirm NDC eligibility, the AO should conduct and document a verification process prior to award:

1. Retain documentation (e.g., SAM.gov registration, Federal Procurement Data System-Next Generation (FPDS-NG) search results, and any related correspondence) in the award file as formal support for the eligibility determination.
2. Search the FPDS-NG for the 12 months preceding the AOI to identify any recent contract activity.
3. Review for CAS-covered contracts within that timeframe. If a CAS-covered contract is found, do not assume the vendor is disqualified—verify its accuracy by consulting the awarding Contracting Officer to rule out any erroneous data.
4. The Warfighting Acquisition University has guides on the OT Community of Practice to support both the SAM.gov and the FPDS-NG approach.

"AOs should validate and document an NDC's status prior to OT award to ensure the conditions of 10 U.S.C. § 3014 are met; an AO may run a Federal Procurement Data System (FPDS) report against the Cost Accounting Standards (CAS) clause code to validate it has no CAS-covered contracts."

–DoW Other Transactions Guide v2.0 (2023)

Example Statement for BCM:

For Vendor Z, the AO ran an FPDS report dated January 30, 2024, confirming that Vendor Z had no CAS-covered DoW contracts in the previous 12 months.

Cost Sharing as an Alternative to NDC Status

If a selected vendor does not meet the definition of an NDC, an agreement may still be executed under **10 U.S.C. § 4022(d)(1)(C)** if the vendor agrees to provide at least one-third of the total cost of the prototype project as a cost share. This statutory pathway preserves access to innovative performers who may not otherwise qualify.

Cost sharing may include:

Cash Contributions
Direct expenditures the vendor commits specifically to the prototype effort (e.g., labor, materials, facilities, or equipment purchases). In these cases, price reasonableness determinations become critical—the AO must ensure these costs are fair, justified, and reflective of market value, even if they are not funded by the Government.

In-Kind Contributions
Noncash resources such as existing personnel, equipment usage, intellectual property, or software licenses. These contributions must be allocable, measurable, and verifiable. They often require a detailed cost breakdown or valuation methodology to support acceptance.

The AO is responsible for reviewing the proposed cost share to ensure it meets or exceeds the one-third threshold, is properly documented, and is firmly committed at the time of award. Once validated, the cost share should be documented in the BCM or through a standalone justification memorandum. The AO must ensure that the one-third cost share is sustained under performance of the resultant agreement, inclusive of any modifications and changes to performing team structure.

Example Statement for BCM:
"Vendor X does not qualify as a nontraditional defense contractor; however, it has proposed to cost share 34% of the total prototype value, including $500,000 in direct labor and $200,000 in in-kind equipment usage. The AO reviewed the proposed cost share package and determined that it meets the statutory requirement under 10 U.S.C. § 4022 and provides sufficient commitment of resources to support successful execution."

Appropriate Use of Authority, 10 U.S.C. 4022 (d)(1)(A)

"(A)There is at least one nontraditional defense contractor or nonprofit research institution participating to a significant extent in the prototype project."

Guidance for Agreements Officers

When a traditional defense contractor is the proposed prime awardee, eligibility to use OTA under this statutory pathway depends on meaningful participation by at least one NDC or nonprofit research institution. In such cases, the AO must exercise diligence in assessing the significance of that participation.

Per the 2023 DoW Other Transactions Guide, the AO is expected to consider input from relevant advisors (e.g., legal, engineering, program management, pricing, logistics) and evaluate the totality of the circumstances before making an independent judgement. Significance should not be reduced to a numeric threshold or blanket rule. Instead, the AO should document a reasoned determination, informed by, but not limited to, whether or not the NDC or nonprofit meets the following illustrative factors:

- NDC or nonprofit provides a new key technology, product, or process
- Introduces novel application of existing technology, or otherwise enhances performance, efficiency, or versatility
- Performs a significant portion of the prototype effort (e.g., major workshare, integration responsibilities, or technical lead roles)
- Participation materially reduces cost or schedule risk
- Provides a material performance increase relative to what a traditional contractor alone could achieve.

To the extent that a traditional vendor is proposing to satisfy its eligibility to receive an OTA under the referenced citation, the following are best practices for the AO to implement due diligence:

- Document the rationale for why the NDC/nonprofit's role meets the statutory requirement.
- Avoid arbitrary thresholds (e.g., a fixed percentage of cost or labor) that infringe on AO discretion.
- Incorporate relevant technical and program office perspectives into the file to substantiate the determination.
- Ensure the agreement text reflects and preserves the identified significant role (e.g., explicit tasks in the SOW, defined deliverables, or required teaming).

This approach balances statutory compliance with DIU's innovation mission—preserving flexibility while ensuring a defensible record that the NDC/nonprofit role is material and not perfunctory.

Summary

The Defense Innovation Unit (DIU) employs a disciplined yet flexible acquisition strategy under 10 U.S.C. § 4022 to rapidly prototype emerging technologies while maintaining full alignment with statutory requirements and sound acquisition practices. This process is designed to promote competition, ensure price reasonableness, and enable streamlined engagement with both traditional and nontraditional defense contractors (NDCs).

Key elements of DIU's process include:

- **Competitive Selection:** DIU utilizes a multi-phased Commercial Solutions Opening (CSO) framework that meets the statutory requirement for the use of "competitive procedures" to the maximum extent practicable. This phased approach enables broad industry engagement and rigorous technical and value-based evaluations, ensuring awardees represent the best available solutions.
- **Business Clearance Memorandum (BCM):** The BCM serves as the central internal award approval document, articulating the project scope, vendor selection rationale, evaluation methodology, risk mitigation strategies, and compliance with statutory requirements, including justification for prototype designation.
- **Price Reasonableness:** While OTs are inherently flexible, DIU maintains fiscal stewardship by applying market-based techniques, such as commercial pricing and technical validation, prior to requesting any cost data, particularly from NDCs.
- **Tailored Terms & Conditions:** DIU crafts custom terms and conditions that preserve essential government rights and protections while accommodating the unique nature of each prototype project.
- **Nontraditional Contractor Participation & Cost Share:** DIU awards agreements to both NDCs and traditional defense contractors. If a traditional contractor is selected, the agreement includes significant participation by an NDC or a minimum one-third cost share to satisfy statutory compliance under 10 U.S.C. § 4022(d).

Through this strategically designed process, DIU accelerates access to commercial innovation while upholding core acquisition tenets of competition, fairness, and accountability.

Business Intelligence & Due Diligence

Contracting officers use tools and resources like SAM.gov to identify certain risks during the acquisition process. These risks include sanctioned or restricted entities, business integrity issues, and other business responsibility concerns. SAM.gov also provides some visibility into an entity's registered ownership structure. Additionally, supplier risk data resources like the Supplier Performance Risk System provide insight into certain aspects of historical contractor delivery and performance quality.

These resources are critical components of responsible acquisition; however, they do not provide a comprehensive analysis of the business risks that address the industrial and national security concerns that are common throughout the technology areas in which DIU operates. This limitation is especially critical given that many vendors with which DIU engages have limited or no prior federal contracting experience.

This information gap and the risks that it generates in the acquisition of innovative technologies have driven DIU to develop an in-house capability to conduct comprehensive business intelligence (BI) and due diligence (DD) analyses. Through this effort, DIU can accelerate, adopt, and leverage commercially available, dual-use technologies to solve operational challenges at speed and scale. DIU awards agreements to both domestic and foreign companies offering solutions addressing challenges across a variety of technology areas, which ensures that the United States retains a secure and resilient national security innovation base.

DIU conducts BI & DD at various phases of DIU-facilitated projects to help illuminate a range of risk signals from vendors competing for DIU Commercial Solutions Openings (CSOs) that may negatively impact national security. This support is particularly important before the Request for Prototype Proposal (RPP) issuance and negotiation. Signals of risk exposures, as well as undetermined risk signals, should be shared with the DIU project partners as additional data that help inform stakeholders. DIU BI may provide suggestions that could aid in mitigating risk exposures. During Phase 2 of the CSO process, a list of companies invited to pitch is provided to DIU BI to perform a scan for information that would be of concern to DIU before issuing RPPs.

Some of the risk factors the DD team looks for are supply chain vulnerabilities; geopolitical and counterintelligence considerations; foreign ownership, control, or influence; and technology transfer risk. Among the risk factors the BI team looks for are macroeconomic and trade, commercial viability, marketplace resilience, and enterprise structure. However, a broad range of risk factors is dependent on the entity, technology, and current state of global affairs.

Lessons Learned & Best Practices

1 **Differentiate risk management from compliance.**
An effective BI and DD process should help the acquisition team make informed decisions by identifying and addressing risks, rather than creating unnecessary friction in the acquisition process. Recognizing that not all risks are equal, some risks may be accepted because they are not impactful to the acquisition, some risks may be concerning but mitigable by working with the company, and some risks will be unacceptable and result in the agreement award not moving forward.

2 **Use multiple sources of information.**
When it comes to supply chain illumination and vendor vetting, no single commercial solution is capable of providing the fulsome and detailed levels of due diligence needed to effectively assess risk.

3 **Open-source and commercially available data.**
Pursue detailed DD efforts with an amalgamation of data, using various open source intelligence tradecraft methodologies, combined with research using free and purchased data from commercial providers involved in analyzing market and financial landscapes.

4 **Self-attestation forms.**
Implementing detailed self-attestation forms within the solicitation and proposal process can have the unintended consequence of discouraging company participation. If the process becomes an onerous Government requirement or an administrative burden that far exceeds what is typical practice in the commercial world, then this may influence potential participants' willingness to participate in the CSO. This can be of particular concern for the venture capital community, which oftentimes provides financial backing to the companies that possess the dual-use technologies DIU is seeking.

Core BI and DD Risk Categories

DIU's BI, DD, and processes focus on addressing and supporting the following areas: foreign ownership, control, and influence (FOCI) assessments; adversarial capital resolution; beneficial ownership analysis; supply chain illumination and supply chain risk management; geopolitical risk considerations surrounding vendors; brand and reputational risk protection; and the identification of counterintelligence and counterproliferation concerns.

FOCI Assessments

What it means	Does a foreign individual, company, or government own, control, or have influence over the company seeking an award?
Why it matters	Potential security risks may emerge if a foreign entity has significant control over a domestic company, especially one that works with sensitive technologies or government contracts.
Example risk	A company being evaluated for an agreement award is partly owned by a company based in a rival nation. That foreign company could potentially influence business decisions or access classified information.

Adversarial Capital Resolution

What it means	This is the process of identifying and addressing money coming from potentially hostile sources—like governments or investors that might use the investment to gain access to sensitive technologies or influence company decisions on behalf of their own country's strategic goals and initiatives.
Why it matters	It's not just about where the money comes from, but what the investor might want in return. Some countries might invest in a company just to get access to technologies, data, or intellectual property they cannot otherwise acquire.
Example risk	A Chinese venture capital firm invests in a domestic biotechnology start-up working on military-grade medical technology. This venture capital firm might transfer the company's knowledge and technology back to China.

Beneficial Ownership Analysis

What it means	Who really owns the company—not just the public-facing owners, but the people behind the scenes making decisions?
Why it matters	Criminals, hostile nations, or corrupt actors might hide their identities by using shell companies. Knowing the real owners helps prevent illegal or risky partnerships.
Example risk	A small business technology supplier looks legitimate, but deeper analysis ultimately reveals its ownership by an entity sanctioned for its ties to a terrorist organization.

Supply Chain Illumination & Supply Chain Risk Management

What it means	This means mapping out and understanding every company and component involved in delivering a product or service—from raw materials to the final assembly—and identifying risks in that supply chain.
Why it matters	This is especially impactful if a key part of the product comes from a risky supplier that can disrupt production or lead to security issues. In short, *you can't secure what you can't see*.
Example risk	A domestic company manufacturing unmanned aerial vehicles discovers that a crucial sensor is made by a company in a country under trade restrictions—creating legal and national security problems.

Geopolitical Risk Considerations Surrounding Vendors

What it means	How might world politics affect a business partner or its suppliers? There are material risks if a company operates in a region vulnerable to political instability (e.g. one likely to face sanctions or conflict).
Why it matters	Supplies might be cut off unexpectedly, prices might spike, or CSO risk evaluator might be exposed to legal or ethical issues if a vendor becomes part of a conflict.
Example risk	A company relies on a semiconductor component manufacturer in Taiwan. If tensions with China escalate, that vendor might become inaccessible overnight.

Commercial Viability

What it means	DIU accepts an inherently high amount of risk by design; however, it is important that DIU partners with and invests in companies with a clear roadmap to success and a viable commercial channel or business.
Why it matters	Companies that only sell a single product or are embedded in a congested market need to have demonstrated commercial viability to ensure DIU is a good steward of taxpayer money.
Example risk	A small business develops a novel technology that has yet to be adopted by the market, receives DIU funding, and then goes out of business shortly thereafter.

Macroeconomic & Trade

What it means	Companies face a wide range of variability in production costs. Sometimes this variability can be forecasted or mapped to help reduce or mitigate costs to the government.
Why it matters	External factors such as price of energy, labor, shipping, raw materials as well as trade policies meaningfully impact the commercial viability of both products and companies.
Example risk	A company produces a battery with an element that is restricted by China; however, buying from domestic suppliers cost 30-50% more. Risk evaluators must then accept or reject the risk, understanding that a forecasted spike in cost helps DIU better project costs for future development or production.

Brand & Reputational Risk Protection

What it means	This is about protecting a company or organization's image and public trust. If either entity is associated with or even unaware of unethical, illegal, or illicit business activities, that brand can suffer.
Why it matters	Public backlash, negative media coverage, or boycotts can damage a brand if it is perceived as unethical or irresponsible.
Example risk	A retail company unknowingly sources products from a factory using forced labor. When the story breaks, the company faces public outrage, loss of customers and partnerships, as well as the confidence entrusted to it by the private sector and government stakeholders.

Identification of Counterintelligence & Counterproliferation Concerns

What it means	This refers to spotting threats related to spying (counterintelligence) and stopping the spread of sensitive technology or information to adversaries (counterproliferation).
Why it matters	Some companies or foreign agents might try to steal sensitive information or spread dangerous technologies—such as nuclear, biological, chemical, or advanced military technologies—to countries or groups where the United States imposes sanctions or enforces strict denial of access.
Example risk	A foreign student working at a university laboratory sends research data back to a military institution in their home country. That could be a counterintelligence threat.

Example: Foreign Companies

A telecommunications project is being solicited and evaluated via the CSO process. Multiple companies were chosen to move on to Phase 2 pitches, and a BI and DD analysis was performed on these companies. Of these companies, Company A and Company B are both based in foreign countries. The BI and DD analysis revealed the following:

Element	Company A	Company B
Country	The company is based in a country that is partnering closely with telecommunications companies based in an adversarial nation	The company is based in a country with which the U.S. has a defense treaty and is closely aligned with U.S. telecommunications security initiatives
Ownership Structure	State-owned enterprise	Publicly traded corporation
Company Executives and Board of Directors	Multiple executives and members of the board of directors have close ties to the country's National Technology Research Agency	A member of the board of directors was formerly a director of a government agency in the country
Other	The company has jointly published multiple research papers with a leading technical university in an adversarial nation	The company has a patent issued in an adversarial nation and has a subsidiary sales office in that nation

Although Company A's technology may be compelling, the CSO evaluators consider the risks identified too significant because of a high potential for influence from the foreign country's government and close ties to an adversarial nation. Further, mitigating these risks is not practical, so Company A does not proceed to Phase 3 of the CSO. While certain risks were identified for Company B, their technology is compelling and the risks identified are not significant enough to stop considering the company for Phase 3 of the CSO. Having a diversified group of the most highly qualified Phase 2 companies gives the CSO evaluators the flexibility to balance merits of the companies' technical solutions with security risks.

Additional Resources

DoW Instruction 5000.83, Technology and Program Protection to Maintain Technological Advantage. This DoW Instruction requires DoW components to conduct due diligence on commercial entities to protect technology and programs that give the United States a technological advantage.

Defense SBIR-STTR Due Diligence Program Policy Memo and Implementation Guidance, May 2024. This document establishes policy that provides implementation guidance for the Defense Small Business Innovation Research (SBIR) and Small Business Technology Transfer (STTR) Due Diligence (DD) program, which helps mitigate security risks when small business concerns with ties to any foreign country of concern seek SBIR/STTR funding. Some DD concepts outlined can be adopted more generally.

The White House – America First Investment Policy Memorandum dated February 21, 2025. This document identifies the need to "reduce the exploitation of public and private sector capital, technology, and technical knowledge by foreign adversaries such as the PRC [People's Republic of China]" and initiatives to address this concern. This includes using legal instruments such as the Committee on Foreign Investment in the United States (CFIUS) to restrict PRC-affiliated persons from investing in U.S. technology, critical infrastructure, healthcare, agriculture, energy, raw materials, or other strategic sectors.

Teaming & Production

Real-world Teaming Cases

This section explores the use of teaming arrangements by the Defense Innovation Unit (DIU) within Other Transaction (OT) Prototype agreements to meet emerging mission needs. Specifically, it highlights how the DIU has leveraged teaming under 10 U.S.C. § 4022 to integrate best-in-class capabilities across multiple performers. Two representative initiatives—one focused on enhancing digital protection and another aimed at modernizing user access to defense services—**serve as cornerstone case studies.** These efforts demonstrate how proactively facilitated teaming can yield more scalable, interoperable solutions.

Teaming arrangements are not a one-size-fits-all strategy but are often encouraged when mission complexity, interoperability needs, or multi-domain requirements exceed the capability of any single vendor. When drafting the Area of Interest (AOI), the Government may intentionally signal that teaming is both permissible and advisable by including language such as “teaming arrangements are highly encouraged.” This decision is guided by an early assessment of whether cross-functional integration or technical specialization is required. Notably, the inclusion of such language is a deliberate design choice and should be tailored to the specific project need—recognizing that not all prototype efforts benefit from or require teaming.

Types of Teaming Models

DIU has observed two primary models of teaming under its OT Prototype acquisitions, each offering different structural and operational dynamics:

1. **Co-Prime Teaming** (Multiple awardees collaborating across linked OT agreements):
   In this model, multiple vendors receive separate OT awards under a single AOI and collaborate toward interoperable deliverables. These are effectively "peer-level" performers whose success is co-dependent, but each retains its own contractual relationship with the Government. Examples include a project where separate awardees develop integrated technical, analytical, and training components that require close coordination but operate under distinct OT agreements.

2. **Prime-Sub Teaming** (A lead vendor manages subcontractor partners under a single OT):

   In this model, a single OT award is made to a lead vendor (the "prime"), which may subcontract elements of performance to one or more partners. Teaming is managed internally by the lead, who selects and oversees subcontractors in accordance with the agreement. The Government does not direct these relationships but does require that key terms and performance obligations flow down to all subcontractors.

   While this approach consolidates teaming under a single agreement, multiple OT awards remain permissible under a single AOI when it is practical to award distinct efforts to separate performers. The choice between a single prime substructure and multiple coordinated awards depends on the technical architecture, risk allocation, and programmatic needs of the project.

Both models enable flexibility and integration. The teaming model utilized depends on project complexity, performance risk, business-to-business relationships, and how responsibilities are best distributed across the ecosystem of performers.

Why Teaming Matters in OT Prototypes

The OT authority allows DoW to structure prototype agreements outside the traditional FAR construct, providing greater flexibility in acquisition strategy, award structure, and execution oversight. Teaming arrangements—cooperative relationships between multiple entities delivering on a shared scope of work—are uniquely suited for this environment. They enable rapid integration of specialized commercial solutions, distributed execution across areas like software, training, and analytics, and greater competition without sacrificing collaboration. This approach is especially critical when no single vendor can deliver an end-to-end solution or when interoperability across different capabilities is a mission imperative.

Case Study

Integrating Technical, Training, & Analytical Solutions

DIU initiated a prototype project seeking commercial solutions to safeguard personnel from digital surveillance and profiling. DIU structured the AOI to solicit three lines of effort (LOEs): secure technical platforms, risk analysis tools, and specialized training programs. The AOI stated:

> *"The DoW may facilitate teaming arrangements among submissions offering complementary capabilities … Companies are also welcome to present their own teaming arrangements in their solution briefs."*

From the outset, DIU encouraged vendors to team based on complementary skill sets. In practice, this meant:

Phase 1: Standalone solution briefs identified core capabilities.

Phase 2: Pitches discussed potential teaming opportunities.

Phase 3: Full proposals recognized and articulated the teaming partnerships.

The project was designed for interoperability. As such, the Statement of Work (SOW) emphasized modular objectives and outlined the expectation of coordination with other awardees. This ensured deliverables could be integrated with the technical and analytical components developed by other performers.

In this example, two vendors co-developed a prototype to meet the technical LOE. Vendor 1 addressed data workflows and user interface components of an applicant portal, while Vendor 2 provided a secure hosting environment that protected the applicant's data. Each company scoped a set of co-dependent and cross-referenced milestones in their respective SOWs. This enabled each company to map their deliverables onto an integrated master schedule to meet key project timelines. Together, both companies delivered a software application that was compliant with security authorization and assessment requirements.

Lessons Learned & Recommendations

1 **Embed Teaming Language in AOIs**
Early and explicit language about teaming encourages participation and alignment.

2 **Support Team Formation Post-Phase 1**
DIU's approach of facilitating vendor teaming after initial pitches proved effective in reducing overlap and increasing synergy. If DIU observes through Phase 2 pitches an opportunity for two or more offerors to 'team', each offeror is typically asked if they are willing to entertain a teaming arrangement and if DIU can share their contact with the complementary offeror(s). At that point, DIU will let the business-to-business relationship bear the solution/proposal/coordination for execution of subsequent phases.

3 **Use Modular SOWs to Enable Collaboration**
Designing SOWs around modular, interoperable objectives, rather than vendor-specific tasks supports organic integration.

4 **Tailor the Approach to the Project**
Teams drafting AOIs and structuring OT efforts should carefully assess whether the mission scope, timeline, technologies, market norms, and integration complexity justify facilitated teaming. In some cases, a single-vendor solution may be more effective. The key is thoughtful alignment between mission need and acquisition strategy.

Success Memos

This section outlines the process and benefits of Success Memos. Success memos are designed to facilitate follow-on production awards for successfully completed prototype projects executed under Other Transaction (OT) Authority **(10 U.S.C. § 4022).**

Competitively awarded DIU OT prototype projects that satisfy the requirements and success metrics outlined in the Statement of Work (SOW) are issued a Success Memo. A Success Memo documents that the requirements under 10 U.S.C. § 4022(f) have been satisfied, thus enabling Government agencies covered under the statute to enter into production without further competition. Any DoW entity can award the follow-on production agreement or contract. The follow-on production awards can be either a Federal Acquisition Regulation (FAR)-based contract or Other Transaction Agreement (OTA). Multiple DoW organizations can independently issue their own follow-on production awards based on a successful prototype.

10 U.S.C. 4022 (f) specifically authorizes follow-on production contracts or transactions without further competition, even if the original solicitation did not explicitly notify participants. **This authority applies provided that competitive procedures were used to select prototype participants and the participants successfully completed the prototype project.**

Requirements and Completion Criteria

A prototype is successfully completed upon written determination by the appropriate approving official (not prescriptive but generally the program manager, Agreements Officer, and/or Agreements Officer Representative) confirming that the Prototype OT:

- Met the key technical goals
- Satisfied the success metrics established in the SOW
- Achieved a particularly favorable or unexpected result justifying transition to production

The Government may use objective and subjective success metrics. A best practice (though not mandatory) is to document these metrics clearly in the SOW. Successful completion can also be declared for specific portions of the prototype, allowing early transition of validated portions while remaining elements continue prototyping.

BEST PRACTICE

Document success metrics clearly in the Statement of Work, even though not mandatory. For multi-phase prototypes, update metrics as phases progress to reflect evolving requirements.

The following Success Memo provides a template for a Prototype Completion Notice.

[Letterhead]

[DAY MONTH YEAR]

SUBJECT: Prototype Completion Notice for [Project name]

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1. Purpose

This memorandum for record is prepared to document the completion of a prototype project in accordance with 10 U.S.C. § 4022.

10 U.S.C. § 4022, "Authority of the Department of Defense (DoW) to carry out certain prototype projects," authorizes the award of a follow-on contract or agreement for production.

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2. Background

The following section provides a background on the Commercial Solutions Opening (CSO) and the steps taken in the execution of this prototype project necessary to support a Follow-on Production Agreement.

- [Provide background information on the agency issuing the CSO and other pertinent information such as where and when the CSO was posted, the CSO number, etc.]
- [Capture the successful completion criteria.]
- [Outline the date the Area of Interest (AOI) was issued (if applicable), the number of solution briefs received, the number of companies invited to pitch, the date and location of the pitches, etc.]

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3. Agreement Details and Completion

Under Agreement XXXXXX-XX-9-XXX, (include brief description of project).

The agreement for the [effort name] included a provision that sets forth the conditions under which the prototype agreement must be successfully completed. Successful completion required (insert success metrics here).

The Agreements Officer Representative (AOR) verified that [contractor name] demonstrated successful completion of the prototype project and met the requirements of OTA agreement number XXXXXX-XX-9-XXX per the following:

- [Insert line by line explanation of what was accomplished and how the contractor successfully completed each element of the prototype project.]

4. Agreement References for Follow-On Production

The Agreement included the following references to follow-on production:

Article 2, Paragraph 2.3, Potential for Follow-On Production states the following:
2.3.1. 10 U.S.C. § 4022(f) authorizes DoW to structure OT agreements with potential to award a follow-on, sole source production contract or transaction to the OT agreement participants. Two criteria must be met to use this authority:

1. Competitive procedures were used to select the COMPANY, and
2. The participants must have successfully completed the prototype project provided for in the transaction.

This award leveraged competitive procedures outlined in accordance with the Area of Interest under the solicitation vehicle represented in Article 2.1. This meets the first criterion needed to use the follow-on authority provided under title 10 U.S.C. § 4022(f)(2)(A).

2.3.2. In accordance with 10 U.S.C. § 4022(f), the parties will consider this agreement or portions thereof successfully completed upon acceptance of specific milestones, objectives, outcomes, or accomplishments as outlined in the SOW. In accordance with OSD policy, successful completion may occur prior to the completion of the entire prototype project. Additionally, completion can occur prior to the conclusion of a prototype project to allow the Government to transition any aspect of the prototype project determined to provide utility into production while other aspects of the prototype project have yet to be completed.

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5. OSD Memorandum Reference

On November 20, 2018, the Office of the Secretary of Defense (OSD) issued a memorandum titled "Definitions and Requirements for Other Transaction under Title 10, United States Code Section § 2371b" defining the prerequisite requirements needed to enter into a follow-on production. The memo requires all Prototype OTs to contain a "provision that sets forth the conditions under which that prototype agreement must be successfully completed." The OSD Memo defines "a transaction for a prototype project is complete upon the written determination" that the project met one of three objectives: met the key technical goals of a project, satisfied success metrics incorporated in the Prototype OT, or accomplished a particularly favorable or unexpected result that justifies the transition to production. The memo also states that "solicitation documents and the prototype OT agreement shall include notice that a follow-on production OT is possible." Based on the above information in this memo, these conditions have been met.

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6. Completion Statement

As a result of the information provided above, the [insert project name] was successfully completed and meets the criteria for the award of a follow-on production contract or transaction.

7. Points of Contact

The points of contact for this action are [insert points of contact here].

X_____

Follow-on Production & Scaling

Follow-On Production Considerations

The follow-on effort may only transition the elements of the prototype that have been determined successfully completed. Documenting the determination to enter into a follow-on production OTA can be done via a Determination and Finding (D&F). The follow-on production effort may be structured as either a production OTA or a FAR-based contract. A production OTA provides greater flexibility, while a FAR contract must comply with all award/post-award FAR requirements.

Multiple DoW organizations can issue follow-on production awards based on a single successful prototype OTA. The 2023 DoW Other Transactions Guide confirms that "any competitively awarded OT for Prototype agreement can result in one or more follow-on production awards without further competition," and that "multiple DoW organizations can award their own follow-on production awards or contracts based on an individual successful Prototype OT." Statutory changes to 10 U.S.C. § 4022(f) also support multiple separate follow-on awards.

The structure of each follow-on agreement or contract is determined by the awarding agency and should comply with all applicable statutes and policies. The specific approach can and should be tailored to fit project needs.

Coordination with Key Stakeholders

Widespread technology adoption is necessary to transform military capabilities and capacity. DIU prioritizes projects that can address Department-wide operational needs and recognizes that companies and investors view production contracts as a critical indicator of whether the Department is serious about modernizing with commercial technology and its potential for recurring revenue. This is why DIU conducts early coordination with mission and commercial partners and only takes on projects that will have an outsized impact and ability to scale across the whole-of-government.

As a joint organization, DIU works with defense partners across the Services and Combatant Commands—and sometimes with civilian and intelligence agencies—to identify and scope projects that could have the largest potential impact on national security. By coordinating with key stakeholders, DIU aims to ensure successful transitions from prototypes to fielded capabilities through follow-on, multi-year contracts, such as Production OTs, Indefinite Delivery/Indefinite Quantity (IDIQs), Blanket Purchase Agreements, and listings on the General Services Administration (GSA) schedule. We also look for written support from Combatant Commands and the requisite Portfolio Acquisition Executives for given prototypes. This ensures that demand signal, requirements, and a main stakeholder are responsible for cost, schedule, and performance of a given program. Additionally, when Services program for the specific prototype, by way of their Program Objective Memorandum (POM), it signals serious intent to lift and shift the prototype into a Service. Tactically, program managers should be aware of specific program elements for POM funding indicating exactly the offices responsible for transition inside the Services.

About the Authors

The CSO Desk guide was developed by the third cohort of the Defense Innovation Unit—Warfighting Acquisition University Immersive Commercial Acquisition Program (ICAP) FY24–25 Fellowship. The Capstone project serves as a training tool based on their experiences and lessons learned during the program.

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