



**Guidance Changes to Improve Diminishing
Manufacturing Sources and Material
Shortages (DMSMS) Management for Foreign
Military Sales (FMS) Cases**

**Presented to the DMSMS and Parts, Materials, and Processes Management
Consortium**

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What Is the Common Value Proposition for Performing Proactive DMSMS Management on FMS Equipment?



DoD program offices should perform proactive DMSMS management on FMS equipment in accordance with the terms and conditions in the FMS case and its extensions to achieve the common value proposition

DoD DMSMS Management Strategic Objective Formulated to Address Barriers to Achieving the Value Proposition

Purpose

- Identify and suggest DoD program office practices to avoid barriers inhibiting proactive DMSMS management for FMS cases (not to overcome barriers, since that may be too situationally dependent)

Scope

- Focus on barriers that can be impacted by the DoD program office DMSMS management community (i.e., the SD-22 audience)



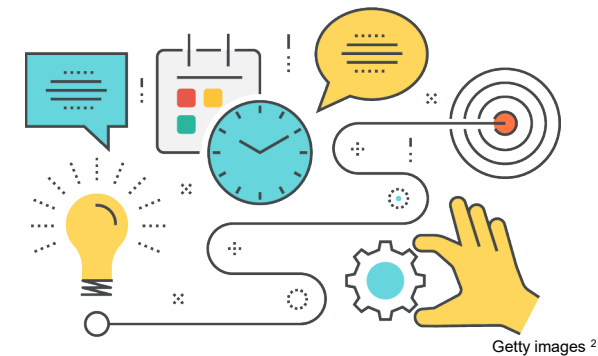
SD-22, *DMSMS Management Guidance*
March 2024¹

- Best practices for implementing a robust DMSMS management program

335-page guidance document

Approach

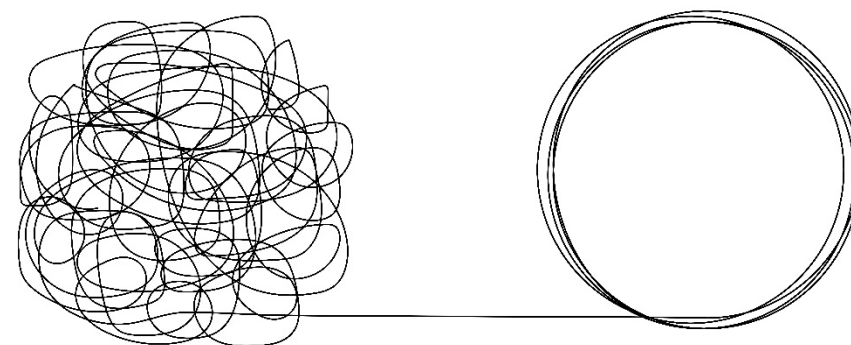
- Conducted interviews with ~20 program offices and security cooperation organizations to identify barriers that have been (or are being) encountered and ideas on how they could have been avoided



ACTION PLAN

Simplified FMS Basics

- Foreign partner determines its defense requirements and discusses them with DoD security cooperation personnel and others, including defense industry
 - Decision made to pursue the FMS route
 - Understanding of cost needed to make a decision
- Foreign partner works with security cooperation personnel to draft a letter of request (LOR) (could be 40–100 pages)
 - Hardware and *support* needs (taking prices into account)
 - Information on how the partner will pay
- DoD drafts a Letter of Offer and Acceptance (LOA) (100s of pages)
 - Defines the terms and conditions of the FMS case
 - Identifies what will be provided and associated costs
 - May be for initial procurement or follow-on support
- Entire process can take 6 months to 2.5+ years



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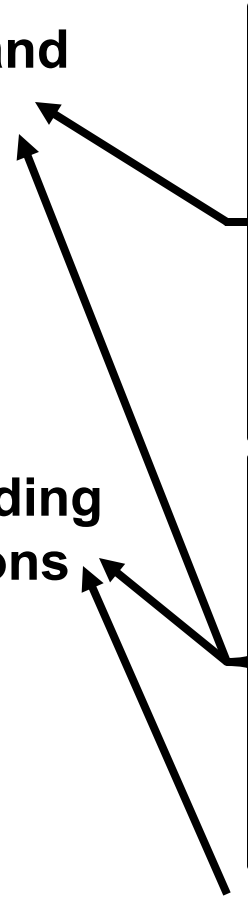
Barriers to DMSMS Management on FMS Equipment and Their Root Causes

Barriers

- Inadequate identification of issues and determination of resolution options
- Insufficient funding/unexpected funding demands for implementing resolutions

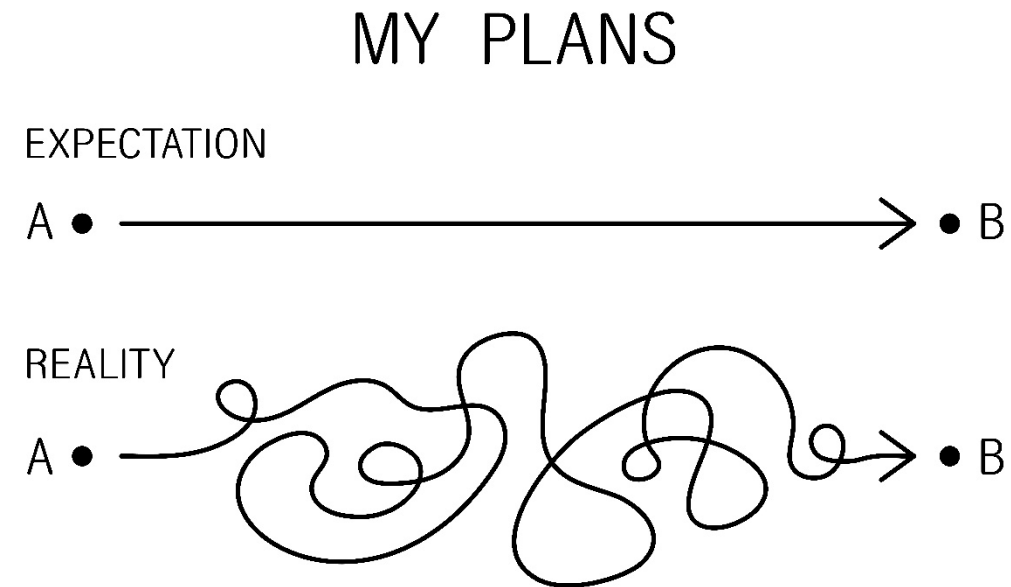
Root causes

- Delays in notifying foreign partner of DMSMS issues
- Lack of technical data or logistics data needed to formulate resolutions
- Imperfect communications among DoD program offices involved in an FMS case
- Expectation mismatches between DoD and foreign partner
- Foreign partner requirements not being fully considered in life-of-need buys
- Partner versions of equipment lagging DoD versions
- Cost estimates for DMSMS management not being provided to foreign partner



An Example of an Expectation Mismatch

- DoD and its foreign partner may have different expectations about who is responsible for certain aspects of DMSMS management when the LOA is not explicit
- Specifically, the foreign partner's LOA may not address DMSMS sustainment options, leading to inaccurate expectations concerning an immediate need for resources to resolve a DMSMS issue
 - FMS equipment may be delivered with ongoing DMSMS issues that are not applicable to DoD assets when
 - A current LOA for the production of FMS equipment was initiated after a life-of-need buy was made for some combination of prior FMS cases and DoD needs
 - The prime contractor/original equipment manufacturer has sufficient inventory of the obsolete items to fulfill the FMS production deliveries but not the sustainment of that equipment



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SD-22 Proposed Changes Designed to Address the Barriers and Root Causes

- Proposed changes linked to the steps for conducting proactive, risk-based DMSMS management



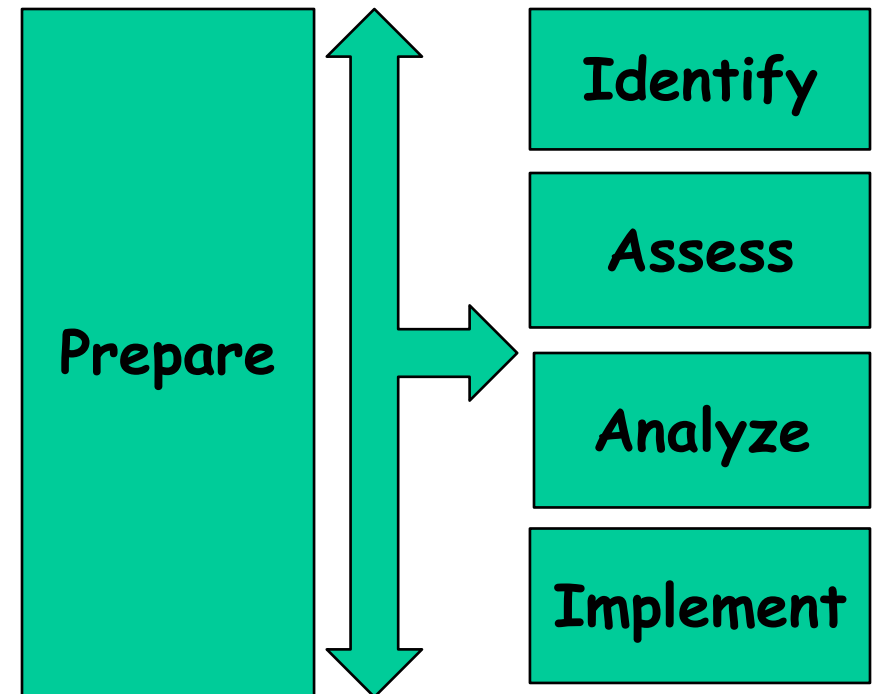
Source: SD-22

SD-22 Changes

Prepare Step (1 of 2)

- The **Prepare** step establishes a strong infrastructure—data, people, processes, management reports, and financial resources—for successful DMSMS management
- Objectives of the FMS-related changes
 - Enable communication with key stakeholders in order to
 - Maintain a high degree of awareness
 - Establish common expectations for all aspects of the FMS case
 - Ensure key roles are understood and key responsibilities carried out

Processes established in the Prepare step mostly address expectation-related barriers and better enable Identify, Assess, Analyze, and Implement step process changes more associated with execution-related barriers



SD-22 Changes

Prepare Step (2 of 2)

- **Good practices**
 - **Establish communication channels with LOR influencers and LOA drafters, using the product support manager as a champion when needed**
 - To ensure necessary requirements and data needs included in the LOA
 - To ensure cost awareness and cost inclusion in the LOA
 - **Establish communication channels with foreign partners to keep them informed about new issues and DoD plans to upgrade/modify its own equipment**
 - To develop a sense of confidence and trust about performance and results of robust DMSMS management
 - **Establish communication channels with any other DoD program office involved to ensure necessary participation in the FMS case**
 - **Include an FMS representative on the DMSMS management team**
 - **Include FMS-related activities in the DMSMS management plan**



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Identify Step (1 of 2)



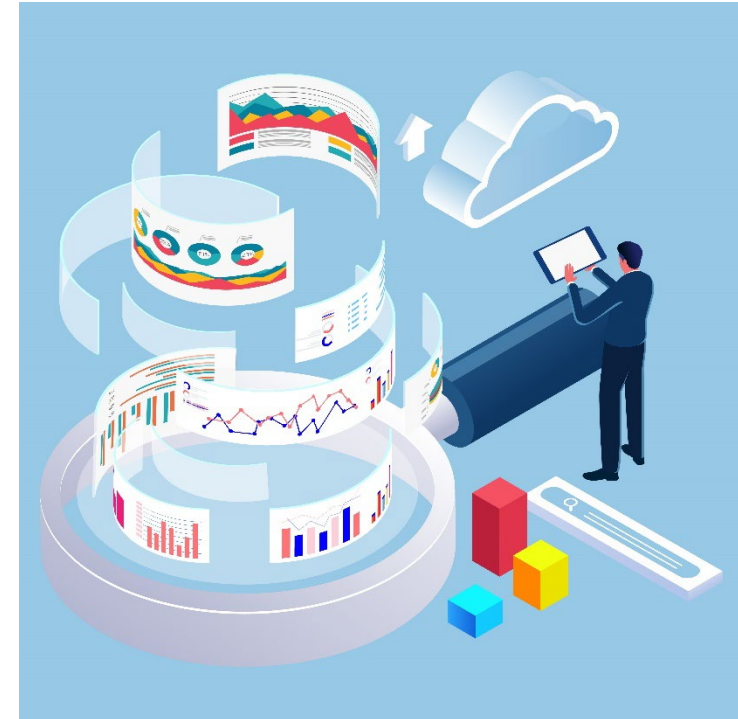
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- The **Identify** step encompasses monitoring and surveillance for DMSMS issues and forecasting future DMSMS issues throughout the life cycle and includes best practices for determining where to focus DMSMS management efforts
- Objective of the FMS-related changes
 - Ensure DMSMS issues are identified for foreign partner equipment according to the terms and conditions of the LOA to maximize the window of opportunity to implement the resolution

SD-22 Changes

Identify Step (2 of 2)

- **Good practices**
 - **Verify suspected DMSMS issues for foreign partner equipment when requested**
 - **Determine whether and the extent to which a foreign partner is affected by a DoD DMSMS issue**
 - **Request configuration data to determine applicability of a new DMSMS issue when needed**
 - **Inform foreign partners of DMSMS issues in a timely manner**



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Assess Step



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- The **Assess** step obtains supporting programmatic and logistics data associated with identified DMSMS issues and determines whether a DMSMS case should be opened, when implementation should be implemented, and the level of assembly for that resolution
- Objective of the FMS-related changes
 - Ensure access to necessary foreign partner data to conduct Assess step activities
- Good practices
 - Request partner logistics data to determine the need for and timing of a resolution and, potentially, the level of assembly to address the issue

SD-22 Changes

Analyze Step (1 of 2)

- The **Analyze** step considers alternative approaches for resolving DMSMS issues and identifies the preferred alternative, taking cost and risk into account
- Objective of the FMS-related changes
 - Ensure access to necessary foreign partner technical data to enable resolution alternatives to be accurately formulated
 - Ensure foreign partner understands the pros and cons of various alternatives so that the partner's decision on what to do is fully informed



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SD-22 Changes

Analyze Step (2 of 2)

- **Good practices**

- Provide all feasible technical assistance for cost-effectively resolving partner DMSMS issues on equipment no longer in DoD's inventory
- Request partner technical data to develop non-redesign resolution options for older equipment
- Inform partners of DoD resolution and upgrade plans when explaining options for partner equipment
 - Discuss considerations associated with commonality with DoD configurations
- Keep partner informed during resolution formulation
- Consider partner's equipment when sizing life-of-need buys



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SD-22 Changes Implement Step



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- The ***Implement*** step executes the preferred resolution option, including potential sources of funding, the roles of the DMSMS management team (DMT) during implementation, and some considerations associated with common implementation issues
- **Objective of the FMS-related changes**
 - Ensure necessary FMS case resources are available
- **Good practices**
 - Share costs equitably

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