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### Competitive Sourcing Terminology

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**Validation:** 1. The process by which the contractor (or as otherwise directed by the DoD component procuring activity) tests a publication/technical manual (TM) for technical accuracy and adequacy. 2. The procedure of comparing input and output against an edited file and evaluating the result of the comparison by means of a decision table established as a standard.

**Value Added:** Those activities or steps which add to or change a product or service as it goes through a process; these are the activities or steps that customers view as important and necessary.

**Value Analysis:** A cost reduction and process improvement tool utilizes information collected about business processes and examines various attributes of the processes (e.g. diversity, capacity, and complexity) to identify candidates for improvement efforts.

**Value Chain:** The set of activities required to design, procure, produce, market, distribute, and service a product or service.

**Value Chain Costing:** An activity based cost model that contains all activities in the value chain.

**Value Engineering (VE):** Value engineering is a functional analysis methodology that identifies and selects the best value alternative for designs, materials, processes, systems, and program documentation. VE applies to hardware and software; development, production, and manufacturing; specifications, standards, contract requirements, and other acquisition program documentation; facilities design and construction; and management or organizational systems and processes to improve the resulting product.

**Variable Cost (VC):** A cost that changes with the production quantity or the performance of services. This contrasts with fixed costs that do not change with production quantity or services performed.

**Variance (Statistical):** A measure of the degree of spread among a set of values; a measure of the tendency of individual values to vary from the mean value. It is computed by subtracting the mean value from each value, squaring each of these differences, summing these results, and dividing this sum by the number of values in order to obtain the arithmetic mean of these squares.

**Vendor:** An individual, partnership, corporation, or other activity which sells property to the military establishment. A vendor may supply a government contractor.

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