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Reexamining Military Acquisition Reform

Are We There Yet?

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Summary

Research Objectives and Research Approach

The problems of reforming the defense acquisition process and evaluating the effectiveness of reforms have stimulated many initiatives and studies over the past several decades. The reexamination of acquisition reform (AR) presented here adds to that record.

Our research approach for reexamining AR has two parts. First, because the term "acquisition reform" covers a wide range of activities and can mean different things to different people, we first looked at what the term *means*—i.e., what is AR "about?" Our approach to that question was to define what AR *is* by saying what it *did*. That is, rather than trying to say what AR is by describing it in general or abstract terms, we describe it by listing the initiatives that were launched in its name. Following that definitional work, we then interviewed program management personnel in the government (specifically in the Army) and in industry to learn how the AR initiatives of the 1990s have been implemented in the field and how they, as participants in the day-to-day business of the acquisition process, view the results.

The reader should understand from the discussion above that we have *not* attempted in this work to evaluate how AR initiatives have affected *actual program outcomes*—i.e., the cost, schedule, and performance results for systems in the acquisition process. Although some anecdotal information on program outcomes emerges from the historical research and interviews, we have not attempted in this research to do a systematic analysis of the actual effects that AR has had on program outcomes. While such program outcomes will ultimately determine whether the AR movement—both as it was pursued in the 1990s and as it is still being pursued[1]—has been worthwhile,

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[1] "Acquisition reform" in the 2001–2004 period is closely bound up with efforts to effect DoD "transformation." As a result, the scope of AR in its current incarnation now includes, in addition to new acquisition policies, new procedures announced by the Joint Staff for identifying "joint capabilities" needs, and new efforts by the Office of the Secretary of Defense (OSD) to change how DoD's planning, programming, and budgeting process works. The fact that this transformation of the "extended" acquisition process continues to be viewed as a goal rather than an accomplished fact, combined with the reality that external events and politics will always be factors affecting defense acquisition, suggests that the most realistic way to view "acquisition reform" within DoD is to recognize that it will always be a work in progress.

measuring those effects in ways that are objective and consistent over time is notoriously difficult. Every program is unique, program baselines change, the defense environment is constantly changing, and program outcomes are measured across multiple interdependent dimensions that reflect those changes as they occur. We have not looked, therefore, at the "actual-program-effects" question. Rather, we have assumed that by looking at what the AR movement "was" in the 1990s (by describing the initiatives launched under its name) and then by letting acquisition personnel describe in their own words how their work was affected by the initiatives, that we would be providing information that would help the Army and the Department of Defense (DoD) understand what the AR movement has and has not accomplished in terms of changing the way the acquisition process works. Perhaps the most important lesson that emerges from the research we *have* done—the lesson that this report is intended to communicate—is that rather than being something that will someday be "finished" in the DoD, AR is perhaps better viewed as something that will always be a work in progress.

Defining "Acquisition Reform"

From Acquisition Reform to Acquisition Excellence

Modern acquisition reform (AR) in the U.S. Department of Defense began in the early 1990s. At that time, defense leaders, in response to recommendations made by the Packard Commission in 1986, and the internal Defense Management Review it stimulated, began formulating specific actions to make the overall process more responsive, effective, and efficient ("faster, better, cheaper").[2] Over the course of the 1990s, a large number of such actions were launched to "implement" AR (63 distinct AR initiatives are described in this report). Most of the initiatives were first launched in the 1994–1996 period after being developed by the Office of the Secretary of Defense (OSD) working jointly with the service acquisition organizations, but new initiatives continued to be launched after that, reflecting a continuing interest in reform, even as leadership teams changed following the administration changes in 1997 and 2001. The reform initiatives affected virtually every phase of the "extended" acquisition process as it occurs within DoD (i.e., within the Army and the other com-

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[2] The "faster, better, cheaper" goals of the AR movement in the 1990s flow directly from how the Packard Commission chose to describe defense acquisition problems in its June 1986 report:

> All of our analysis leads us unequivocally to the conclusion that the defense acquisition system has basic problems that must be corrected. These problems are deeply entrenched and have developed over several decades from an increasingly bureaucratic and over-regulated process. As a result, all too many of our weapon systems cost too much, take too long to develop, and by the time they are fielded, incorporate obsolete technology.

The Defense Management Review (DMR) was initiated by Secretary of Defense Dick Cheney in the first Bush administration in response to the Packard Commission findings.

ponents)—from "requirements determination" (now called "capabilities development"), to the formal acquisition process itself, to ongoing support for systems after fielding.

By the end of the 1990s, the AR movement had come to recognize that if the new reform initiatives were to have staying power, two additional things needed to be done: official DoD acquisition policy had to be rewritten to institutionalize the new approaches, and responsibility had to be fixed somewhere in the system so that a specific and identifiable individual would always be present and "accountable" for acting on the initiatives, monitoring progress, and keeping things on track. To accomplish this, AR policymakers arranged for the production of a revised, "AR-driven" version of DoD's official acquisition policy (the 5000 Series), and they designated program managers[3] (PMs) as the accountable parties who would henceforth be "responsible" for the "total life-cycle system management" of all DoD systems—including all new systems still in acquisition, as well as all old ("legacy") systems already in the field.

With the administration change in 2001 and its introduction of the term Acquisition Excellence (AE) to replace Acquisition Reform, DoD leaders signaled their desire to take AR even further. They moved beyond the 1990s emphasis on *process* reform to placing greater emphasis on achieving outcomes (particularly faster procurements) by actively applying the new approaches now available as a result of AR. Indeed, under the AE regime, PMs are now hearing more about *what* they are supposed to produce and less about *how* they are supposed to produce it (an approach consistent with one of the basic tenets of AR itself). As a result, the central role and responsibilities of PMs, which had been emphasized in the latter days of the AR movement, has been reaffirmed and reinforced under AE in the 2000s. Indeed, formal DoD acquisition policy is now explicitly telling PMs to be even more aggressive than they were in the 1990s in their efforts to push the acquisition system to even higher levels of performance.[4] Notwithstanding this new emphasis on achieving out-

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[3] Program managers (PMs) are the individuals in DoD charged with acquiring new equipment and weapon systems, once an official decision has been made to do so. PMs in the Army are also sometimes referred to as "material developers." In the Army, the PM designation is simultaneously used to refer to program managers, project managers, and product managers. As a general rule in the Army, a program manager is a general officer or from the civilian Senior Executive Service (SES); a project manager is a colonel or GS 15; and a product manager is a lieutenant colonel or GS 14. This distinction between PMs is unique to the Army and does not apply to the other services or within industry. Like their counterparts in the other services, however, Army PMs report to program executive officers (PEOs), who are part of the acquisition management chain that extends up through the respective service secretariat: in the Army's case, to the Assistant Secretary of the Army for Acquisition, Logistics, and Technology, the ASA(ALT).

[4] For example, the latest DoD 5000.1 Directive, *The Defense Acquisition System* (May 12, 2003), says:

> Responsibility for acquisition of systems shall be decentralized to the maximum extent practicable. The Milestone Decision Authority (MDA) shall provide a single individual with sufficient authority to accomplish MDA-approved program objectives for development, production, and sustainment. The MDA shall ensure accountability and maximize credibility in cost, schedule, and performance reporting.

It also states:

comes, however, an important message of this report is that many Army program managers think they still do not have (nor do they believe the Army is yet fully prepared to give them) the leverage over resources and management authority necessary to act on that guidance and take the risks they are being told—at least in the policy language—to take.

Different Historical Meanings of Acquisition Reform

The term "acquisition reform" has meant different things at different times in the DoD. In the 1980s, while the Cold War was still being waged, it typically meant (particularly to the press and Congress) putting controls in place to reduce "waste, fraud, and abuse" (both real and perceived) in transactions with contractors. It was not particularly focused on improving the performance of the acquisition system.[5] There were, of course (as the Packard Commission noted), concerns about the growing cost of new weapon systems, the long lead times necessary to bring them on board, and the difficulties in achieving full "required performance"—but those concerns did not produce implementation efforts on the same scale as the AR movement in the 1990s. In the 1990s, the end of the Cold War and the natural political pressures it created to deliver a "peace dividend" led to attempts to make the acquisition process more responsive, effective, and efficient.

Because this report focuses mainly on the 1990s, all 63 of the AR initiatives the report catalogs are concerned with how to make the AR process "faster, better, and cheaper."[6] Only one of those[7] can be connected in a direct way with the earlier AR goal of reducing "waste, fraud, and abuse" in defense contracts.[8]

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There is no *one* best way to structure an acquisition program to accomplish the objective of the Defense Acquisition System. MDAs and PMs shall tailor program strategies and oversight, including documentation of program information, acquisition phases, the timing and scope of decision reviews, and decision levels to fit the particular conditions of the program consistent with applicable laws and regulations and the time-sensitive nature of the capability need.

[5] By the "performance" of the acquisition system, we mean the system's ability to produce and deliver to the fighting forces weapon systems having specified performance capabilities in a "timely" way and for "reasonable" cost. By the 1990s, these goals had become the priorities for the acquisition process.

[6] This phrase became the commonly used shorthand in the 1990s for describing the goal of the modern AR movement, which was to improve the performance of the acquisition system (as defined in the preceding footnote).

[7] The "Past Performance Data" initiative made the collection and use of contractor past-performance data a significant factor in the source-selection process. The initiative was intended to create incentives for improving program cost, schedule, and performance outcomes by making it easier to identify when those outcomes had and had not been achieved in past contracts, and then taking that information into account in the awarding of new contracts. In practice, contractors generally appear to view the Past Performance Data initiative as being more about "stick" than "carrot," perhaps reflecting (at least to some extent) the continuing challenges that many if not all weapon-system builders continue to face in meeting contractual cost, schedule, and performance targets.

[8] As noted by a reviewer, the need for changes in the requirements determination process (which precedes formal acquisition) and the budgeting process (i.e., the annual resourcing process used to obtain and allocate obligation

Policy Follow-Through on AR Initiatives

The policy follow-through on the AR initiatives of the 1990s appears to have been mixed. We found that many of the 63 AR initiatives from the 1990s were not specifically described, mentioned, or referenced in any way in the June 2003 version of the "5000 Series" acquisition policy.[9] In particular, significant gaps existed in the references program managers could find in the 5000 Series about the new AR approaches they can take, or (more important) ask *others* to take, to make the acquisition process work better.

An important aspect of the AR movement that *has* been explicitly carried over into the AE regime is recognition of the need to continue to expand and deepen awareness and education about AR among the *entire* acquisition workforce (i.e., not just PMs and their staffs, but others upon whom PMs rely, including contracting, engineering, test and evaluation, financial, and logistics personnel). The need for expanded education is particularly acute because of the imminent loss (for demographic reasons) of large numbers of experienced acquisition personnel from the acquisition workforce, and what that implies for how successfully AR approaches may (or may not) be applied in the future.[10] In particular, because the new AR approaches tend to call for the application of judgment and common sense rather than relying on rules and fixed procedures, they are most likely to be successful when seasoned judgment is applied in their use. But much of the source of that seasoned judgment, namely, many of the most experienced people in the acquisition workforce both in the Army and across DoD, will become eligible for their federal retirement in the next several years. When those experienced people begin to leave, many of their junior colleagues, very few of whom will have been in the workforce long enough to have their own first-hand experience of how acquisition worked *before* AR in the 1990s, will find it increasingly difficult to obtain wise counsel on where, when, and how to apply (or *not* apply) AR methods in their programs. As a result, the *educational* challenges associated with AR are not only very much still present today, but they will *increase* in

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authority) can also be viewed as being "part" of AR. We have not taken that approach, in order to keep reasonable bounds on the scope of our discussion. The point is valid, however. Indeed, in the current (Rumsfeld) administration, the idea of Acquisition Excellence has been subsumed into the much larger idea of DoD transformation, major components of which include overhauling both the requirements-generation process and the programming-and-budgeting process.

[9] This *includes* consideration of the June 2001 5000.2-R document containing "Mandatory Procedures," which has now been reclassified as a "guidebook" offering "non-mandatory guidance on best practices, lessons learned, and expectations."

[10] The most experienced people in the acquisition workforce, both in the Army and across DoD, are "baby boomers" who will be eligible for their federal retirement within the next few years. The GAO has reported, for example (see GAO-01-509, April 2001), that 53 percent of the government's program management (GS-340) workforce as it existed in FY98 will be eligible to retire by the end of FY06. This situation is part of a larger phenomenon affecting the workforce for the entire government—and is the subject of the Bush administration's "Strategic Management of Human Capital Initiative"; see http://apps.opm.gov/HumanCapital.

the future, as the acquisition system loses significant portions of its experienced human capital and the "corporate memory" that goes with it.

As noted, both the AR and AE efforts recognize this challenge and include deliberate efforts to expand and strengthen the educational mechanisms available to support and sustain the acquisition workforce. Central among these mechanisms is the Defense Acquisition University (DAU), DoD's "corporate university" for acquisition professionals. Our review of the DAU curriculum (performed with DAU's help) shows that DAU has done a good job keeping up with the multitude of AR initiatives launched in the 1990s, particularly in the Defense Systems Management College (DSMC) courses it offers for program managers and their staffs. The DAU's capability to provide an equivalently comprehensive view of AR to the workforce in acquisition-*related* fields (i.e., people in contracting, engineering, logistics, audit, and financial offices, for example) continues to be expanded.[11]

Stakeholder Views of Army Acquisition

Moving from the AR movement of the 1990s itself to what stakeholders at Army headquarters, in the Army program management community, and in industry think about AR, we find an encouraging consistency across the three groups that makes it easier to see the kinds of steps the Army needs to consider in order to keep the Army acquisition process moving forward.

In general all three communities—headquarters, the Army project management community, and industry—were supportive of the goals of AR and felt that some progress had been made. The clear message that emerges from our interviews, however, is that all three communities believe that much more needs to be done before the acquisition process can be said to be truly reformed. Indeed, several of the senior people we talked to expressed concerns about what conventional wisdom has tended to view as being among the most "obviously necessary" AR reforms—e.g., the elimination of military specifications, the relaxation of different types of data requirements placed on contractors, and the push to outsource as many system-support functions as possible. Senior people we talked to, both in the Army and (although less so) in industry, expressed concerns that some of these initiatives could backfire down the road, when DoD finds itself having to support the systems it is buying over the very long life spans that military systems tend to have once they have been bought and fielded.

Many of those same senior people also expressed concerns that unless ways are found to preserve and pass on some of the hard lessons they have learned through

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[11] The article "Defense University Revamps Its Acquisition Training Program" in the April 2002 issue of *National Defense* magazine provides a good overview of the changes that are continuing to be pursued at DAU.

experience—e.g., about the need to find the right *balance* between cost, schedule, and performance, about the dangers of performance-based contracting when it is rushed and when less-experienced contracting officers are involved, and about the value that rules and regulations can sometimes have for less talented or less seasoned workers who will always be present in the workplace—there is a real danger that some of what was put in place under the banner of AR in the 1990s may cause old problems to return, i.e., the "waste, fraud, and abuse" problems (both real and perceived) that motivated much of the reform effort in the 1980s.

There is no question that under AR (and now even more under AE), PMs are being asked to "be more innovative" and "take more risks." But our interviews with program management personnel in both the Army and industry clearly reflect a strongly held view at those levels that very little in terms of how *resources* (money) are allocated and controlled, either within the Army or within the DoD, has changed in a way that gives PMs any *more* reason to take those extra risks than they had *before* AR. In this vein, Army PMs uniformly expressed the view that it makes no sense for them to be made "responsible and accountable" for "total life-cycle system management" *unless* new resourcing methods are put in place that will give them the resource leverage and management authority they need to be able to deliver on that responsibility and legitimately be held accountable. To be sure, some of the Army PMs we talked to *have* found ways to get *some* of that leverage and authority. In some cases (e.g., for certain large legacy systems), they were able to succeed because they were a "big enough" customer to get the support system's attention. In other cases (e.g., for systems still under contract—either in acquisition or under contractor-logistics-support), they were able to do it simply because they still controlled the contracts. Even in these cases, however, the PMs were able to get leverage and authority only by dint of their own initiative and persistence—*not* because established procedures were in place that made those things happen.

On the education front, headquarters personnel, the Army program management community, and defense contractors all agree that more education and training is needed to bring *all* the communities involved in acquisition—i.e., the research and development communities, the requirements communities, the contracting, testing, finance, and logistics communities, and all the other communities that can influence how acquisitions turn out—to the same level of understanding and appreciation of AR as the PM community has been brought to.

Finally, a general perception that emerged from our interviews is that people in both government and industry see the modern AR movement as an indication of a new willingness on the government's part to "trade off" some system performance (i.e., some system performance characteristics that, before AR, would have been classified as "required" and thus non-negotiable) for improvements in the schedule or the cost (or both) for new systems. This is particularly so under the new AE regime with its increased emphasis on getting "capabilities" into the hands of users faster

through "evolutionary acquisition." We would note that this shift in what the government is willing to accept doesn't necessarily make the job of PMs any easier; it simply changes the relative weights they must apply in attempting to balance cost, schedule, and performance.

Clearly the AR movement has changed the acquisition process. In the aftermath of AR, both industry and government are having to learn (and are still learning) new ways to interact. The hope on both sides—as yet still generally unrealized—is that as that learning takes place, both sides will eventually benefit. The government is hoping it will get new systems—with at least some useful new capabilities—sooner, for reasonable costs. Providers in industry are hoping they will be able to earn returns good enough to pay their employees good wages and keep their shareholders and investors satisfied. If both of these things happen—and the acquisition process can avoid sliding back into another waste, fraud, and abuse cycle because things have gotten too "relaxed" under AR—the AR movement will have done some good. Will that happen? As the Chinese leader Chou En Lai once said when asked how the French Revolution had affected world affairs: "It's too soon to tell."

Three Action Items for Army Acquisition

Below we list three actions for Army acquisition to consider that emerge from this reexamination of AR:

1. Find ways to increase the access Army personnel have to education about what AR has made it possible to do in the acquisition process.
2. Find ways to make Army acquisition policy more supportive for Army PMs who are trying to put AR into practice.
3. Find ways to make resources available to Army PMs who are being asked to take program risks.

The common thread tying these actions together is that Army acquisition leaders must find *new* ways to motivate and lead the Army acquisition workforce, across *all* of its functional areas, if the latter are to become *fully* engaged in implementing the ideas of AR. These "new ways" will require Army acquisition leaders to take their own kinds of "risks"—by fighting for resources rather than simply passing on unfunded policy mandates from above; by backing PMs up with full chain-of-command support even when the PMs may have taken risks and failed; and by leading by example in high-level interactions with contractors to show how AR ideas can lead to better program results when the will is there.