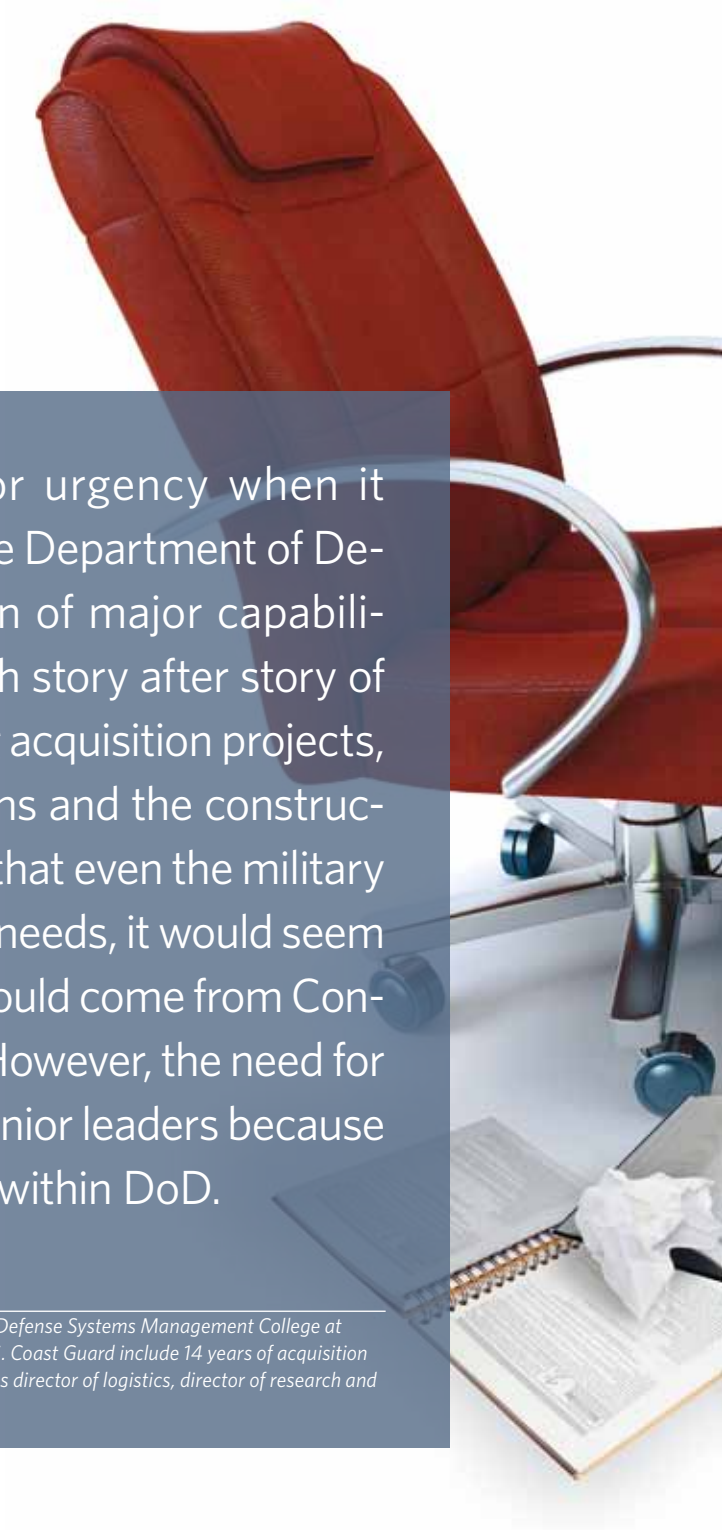
Let's Fix It

A Five-Step Plan for Improving Acquisitions

Scott Reynolds



Building a case for urgency when it comes to fixing the Department of Defense's acquisition of major capabilities is simple. With story after story of bloated and failing acquisition projects, cost overruns in the billions and the construction of weapons systems that even the military says it no longer wants or needs, it would seem that urgency for reform would come from Congress and the taxpayers. However, the need for urgency is often lost on senior leaders because of the culture we nurture within DoD.

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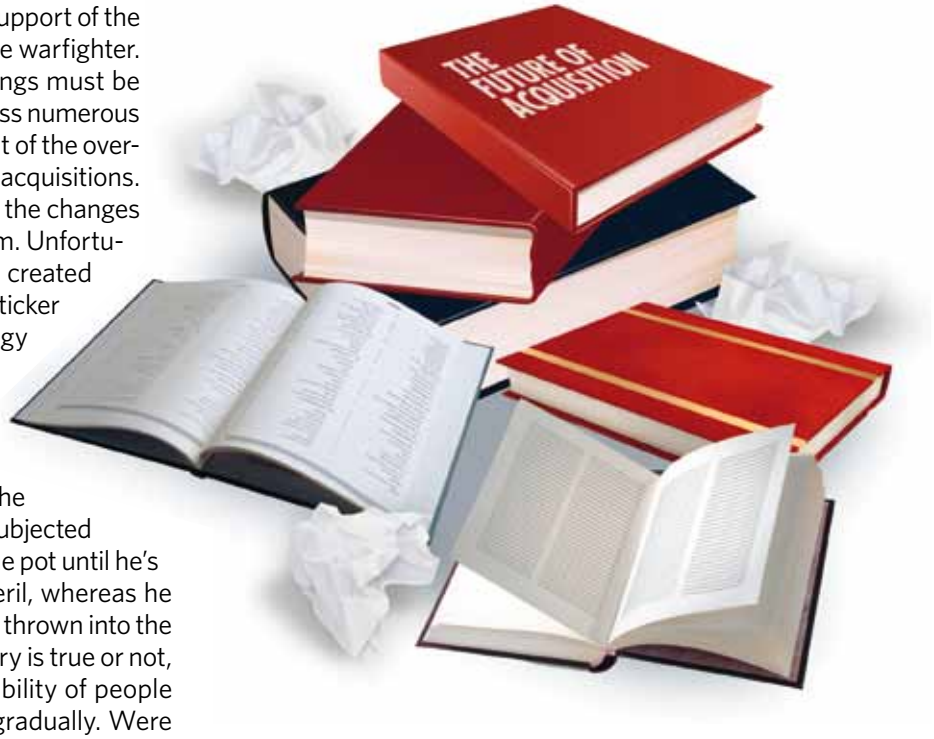
THE FUTURE OF ACQUISITION

While I use the phrase "fixing DoD acquisition," senior management would be keen to use the word "improving" rather than "fixing." Such a propensity for softening problems and subsequently blunting the urgency necessary to correct them is also quite prevalent in the 100-plus studies that have been conducted to understand and recommend "improvements" for DoD acquisitions. Reports typically begin with an acknowledgment of the superiority of DoD's weapons systems, so as not to insult those who make it their life's work to toil away in support of the acquisition and delivery of capabilities to the warfighter. Therefore, the reports postulate, many things must be going right; and as the reports go on to discuss numerous things going wrong, they do so in the context of the overarching success that surely embodies DoD acquisitions. The reports have thousands of pages citing the changes that need to be made to improve the system. Unfortunately, the sense of urgency that should be created by such reports gets lost in DoD's bumper-sticker slogan that declares "Our military technology is the envy of the world."

It is past time to bring credibility back to DoD acquisitions by simply delivering what we promise.



Into the Boiling Pot

We are seeing the slow accumulation of reported problems, invoking images of the slowly boiled frog. According to lore, a frog subjected to slowly rising temperature will remain in the pot until he's boiled, never sensing the urgency of his peril, whereas he would immediately try to jump out if he was thrown into the pot already at full boil. Whether the frog story is true or not, it is often useful as a metaphor for the inability of people to react to important changes that occur gradually. Were America's weapons systems not the envy of the world, and were Congress and taxpayers not already numb to a gradually growing body of evidence that DoD acquisitions "needs improvement," you can bet somebody would be screaming and jumping out of this boiling pot.

The reality is we outspend our next closest competitor by more than 2-to-1 when acquiring defense capabilities. Such unconstrained spending cannot be sustained at a time when pressing deficits mean DoD's budget will—at best—see no growth during the next five to 10 years. Even a stable budget will force the administration and the public to forego other spending priorities in the name of maintaining our defense preeminence. Remember, it's widely accepted that the Soviet Union fell as much from an inability to economically sustain its arms race with the United States as it did from the urgings of a U.S. president to "tear down those walls."

Challenges of Maintaining the Pace

As DoD attempts to grow by 91,000 troops, the department will have far less money to spend on acquiring the technologies for which the United States is so greatly admired. The last time we saw a similar drawdown in defense spending was after World War II. At the conclusion of that war, however, we had built our industrial base to an unprecedented level; our troops were already outfitted with new planes, vehicles, and ships; and our closest competitors' economies and infrastructures were literally in ruins. We simply didn't need to purchase new assets and capabilities to maintain military dominance in that post-war era. Additionally, World War II helped us emerge from the Great Depression, and our economy was about to enter a period of sustained growth.

Today, we have tankers and fighters operating past their predicted lifespan; we have worn-out or the wrong type of vehicles for the Army and Marines; our Navy is working with an aging fleet in need of major repairs or complete replacement; and our economy is in the midst of its worst downturn since the Great Depression. It is both important and urgent that we start being the envy of the world for the efficiency at which we buy the best technologies and not just for the size of our wallet. Sustaining military preeminence through a 2-to-1 ratio of spending is not only bad business; it may ultimately jeopardize our world leadership position.

Change is Easy

Instead of appeasing our dedicated workforce with words of praise and condescension, let's help them by creating an

environment that gives them a chance to be efficient and effective. Unfortunately, most of the reports that suggest improvements for DoD acquisition methods also suggest that those changes are difficult to impossible to implement. I disagree.

Italian economist Vilfredo Pareto observed in 1906 that 80 percent of the land in Italy was owned by 20 percent of the population. Since that revelation, his observation has shown itself to be a useful mathematical rule of thumb for many of life's problems and mysteries, being known colloquially as the 80/20 rule. I believe the simple and actionable solutions recommended by others—and restated in this article—would resolve 80 percent of the problems we face today in DoD acquisitions. The steps in this article are not steps that I've developed; rather, they are common sense changes that have been suggested in countless studies. The only barrier to their implementation is one of resolution, will, and a much-needed sense of urgency. Even when viewed in total, these simple steps do not constitute acquisition reform, but rather, they provide an opportunity for our acquisition workforce to perform in the manner in which they have been trained.

Don't Reform Policy

My first recommendation is to avoid the temptation to reform. Shortly before John Young, a person I greatly admire, stepped down as under secretary of defense for acquisition, technology and logistics, he issued new policy on how to conduct DoD acquisitions (DoD Policy 5000.02, <https://acc.dau.mil/dag500002>). The policy was meant to correct the shortcomings the under secretary had observed during his tenure, and it was part of his legacy. Less than 24 hours after he signed the new policy, I was e-mailed an animated Microsoft® PowerPoint presentation, set to the music of *The Nutcracker Suite*, showing how the new policy was merely old policy issued with new terms. It was both amusing and sad. Before the day was done, I had received five other versions of that presentation. Firm fixed-price contracts for development? Been there. Placing an emphasis on systems engineering and accountability? Done that.

In the Feb. 9 issue of *Defense News*, Massachusetts Institute of Technology Professor of Public Policy and Organization Harvey Sapolsky authored an article entitled "Let's Skip Acquisition Reform This Time." In his article, Sapolsky noted, "The limited number of available reforms have all been recycled. You can centralize or decentralize. You can create a specialist acquisition corps or you can outsource their tasks. You can fly before you buy or you can buy before you fly. Another blue-ribbon study, more legislation and a new slogan will not make it happen."

In his book *Knowledge for Action: A Guide to Overcoming Barriers to Organizational Change*, Dr. Chris Argyris explains that large organizations like DoD use policy changes and reorganizations as defensive mechanisms to avoid embarrassment. Argyris notes that even the best-intentioned leaders tend toward such behavior. As a result, organizations often fail to create workable solutions, and instead, create policies that hinder true learning and improved performance. The November 2005 Government Accountability Office Report 06-110 highlights that it is not the absence of DoD policy but the failure of DoD to follow its own policy that causes most program problems. In addition, the January 2006 Defense Acquisition Performance Assessment Report suggests the lack of trust throughout the entire acquisition process has placed too heavy a policy burden on those few folks actually responsible for delivering a new capability.

We need to resist the urge to tinker with and add new policy requirements. However, even as this article is being written, DoD is establishing the Office of the Director of Cost Evaluation and Program Evaluation to improve cost estimates in response to all the embarrassing press DoD has received on its cost estimating processes. (I'll discuss cost estimates later in this article.) The new office will grow and do what staffs do: create lots of new policy. Such action is exactly the failed response to problems that Argyris says is typical of large organizations.

To quote Gen. George S. Patton, "A good plan violently executed is better than a perfect plan executed next week." DoD acquisition doesn't lack good policy; and building more or revising what we have is only a distraction from what is really needed, which is an emphasis on strong performance and how to attain it.

Use Independent Cost Estimates

My second recommendation is to fund programs to their independent cost estimate. The July 2008 GAO Report 08-619 stated that of the 20 major programs they studied, 75 percent were not funded even to DoD's most optimistic cost estimate, despite DoD's stated policy to fully fund programs. Let me explain. All major acquisition programs have at least two program cost estimates: the program's internally developed estimate; and an independent, outside estimate. The internally generated estimates are typically much lower than the independent estimates, and therefore, they are easier to sell to Congress. But GAO found that DoD failed to budget enough funds to meet even the program's optimistic cost estimate. In November 2005, GAO reported that DoD program managers considered funding instability and shortfalls their biggest obstacle to success.

Why is adequate funding up front so important? By underfunding a program at the outset, the department establishes a culture of dishonesty. DoD needs funding approval from Congress, so the department reports the most palatable cost-estimate number. Contractors bidding on the program look at projected funding levels and ensure they come in under those numbers to win the business. The

government needs the contractors to creatively present their finances to get the contract awarded and the program under way. A shared lie is created. As one would expect, when programs are under-funded from the start, negative progress reports are generated very early on. Pressure immediately rises, and the partnership of those complicit in the lie is quickly tested. The contractors and the government PMs are incentivized to keep a positive spin on budgeting as long as possible—at least until enough time and money have been invested that the program has a life beyond good business sense. The PM and contractor are now adrift in the same lifeboat, hoping there is enough food and water to survive until they can be rescued by a budget increase. While the invested funds are indeed a sunk cost, the psychological reality is that we have spent too much to just walk away. Eventually, there's only enough food and water in the lifeboat for one of the partners to survive, so schemes develop to throw each other overboard. In some cases, the government conveniently forgets the shared lie and, to save the program, criticizes the industry partner for failing to deliver. The industry partner points to poorly defined or creeping requirements. The industry/government partnerships quickly dissolve into contract language discussions instead of product delivery efforts.

We don't need further analysis on this issue or better cost estimates; we simply have to use the information we already have in hand and begin funding programs to their independent cost estimates. Not only will this resolve our PMs' number one problem, but it can preserve the moral high ground that we should expect all government PMs and industry partners to stand upon.

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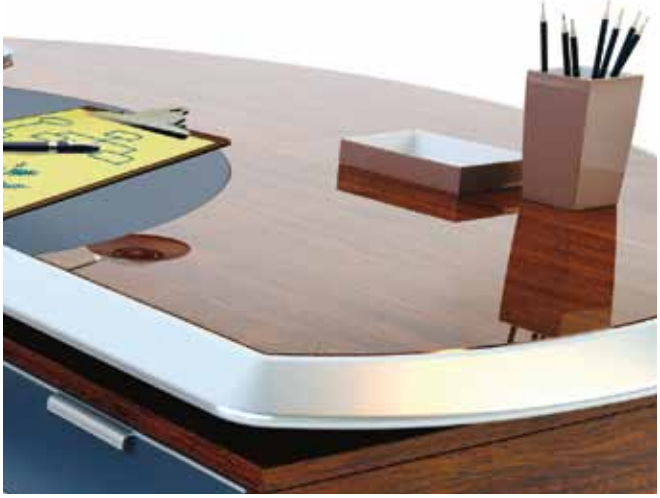

Leadership Continuity

My third recommendation is to assign great leaders and keep them there. As Terry Little, a recognized acquisition expert with more than 25 years of experience leading major weapons programs, said in his March 2006 testimony to House Armed Service Committee, "At its very core, this acquisition business is not about contracts, testing, acquisition strategies, plans, technology, finance, oversight, or any of the other things one can learn about or make rules about. It's about people." Often DoD's response to the suggestion of having stable leadership is a new policy that calls for leadership stability. Unfortunately, the policy is typically ignored—or it's ineffectually implemented—and as a result, the problem of leadership instability has been cited in almost every DoD acquisition study I've ever read. Again, effective policy is not our problem; putting that policy into consistent practice is.

For example, six of the top eight government people leading the Air Force's F-22 program left the program this past summer. The departures were all planned before Secretary of Defense Robert Gates announced his F-22 cuts in April. Even with budget cuts and the decision to stop buying more aircraft, the F-22 remains an expensive and powerful program that will still spend $6 billion annually. Gates' decision to end the program increases the program's complexity, as the PM must now transition the government workforce into new positions and keep top industry talent on a program professed to be in its final stages.

Smooth transitions of power within government are complicated by changes in administration and political parties, but perhaps we can take a page from a National Football League playbook. This past summer, the Indianapolis Colts lost their head coach, their offensive coordinator, and their offensive line coach. However, the Colts had planned a seamless transition of power three years prior to its loss of leadership occurrence and had groomed successors to ensure there would be no degradation of its winning program. No wonder the team competes in the playoffs each year. Can we not ensure better secession planning for our major acquisition programs? There is evidence that we can.

In contrast to the F-22 program, the F-35 program had a smooth change of leadership this summer. The deputy program executive officer was promoted into the PEO position, and the system design and development PM stepped up to fill the deputy PEO position until it could be filled with an experienced PM from the F-22 program.

DoD, however, does not make such smooth transitions consistently, and as a result, Congress is interceding. Congress

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recently proposed a version of the defense authorization bill that includes a provision to keep a program manager in the same position—overseeing the electromagnetic launch system—through testing and initial production, despite the manager's promotion to rear admiral. (Usually, after a promotion, a program manager would move on to new and greater responsibilities.) DoD should have recognized the necessity on its own.

Key leadership positions on ACAT 1 programs require the highest attention within the acquisition community. Go back and change orders to keep key leaders in place. Leadership matters—keep the best people on major acquisitions.

Build on What Works

My fourth recommendation could be viewed as the flip side of the "don't reform" coin, and it is focused on preserving what works, then building upon it. I feel John Young did many great things as the under secretary of defense for acquisition, technology and logistics. Nonetheless, when we seek to reform or empower new leaders to impose their own brand of management on existing organizations, we risk losing the good that exists in the search for something better; or in the simple act of transitioning command, we discard established practices in favor of new ones that are not necessarily better.

The Thin Book of Appreciative Inquiry by Sue Annis Hammond outlines, in a 15-minute read, a philosophy for change. The primary assumption is that every organization is doing some things right and that positive change can be advanced by identifying what is working, then doing more of it. The book values the best of "what is" over identifying problems; values envisioning "what might be" over analysis of causes; values dialogues on "what should be" over analyzing possible solutions; and values innovating "what will be" over action planning.

The current under secretary of defense for acquisition, technology and logistics, Dr. Ashton Carter, needs to talk to senior staff to learn what was working. The key to any talks he may have is to avoid conversations on what failed or needs improvement and instead focus on maintaining what is working. Once DoD has identified what is working, it is usually easy to keep it going because the organizational culture is already adapted to the practices.

Shrink Headquarters Staffs

Finally, for my fifth recommendation, we shouldn't grow staffs at DoD headquarters. In fact, we should cut headquarters staffs by at least 25 percent. The Goldwater-Nichols legislation required unambiguous reporting changes for acquisition programs. Our implementation of that legislation places too many people in the chain of command that have no responsibility for results. We need to mandate cuts across the board. The irony, in my mind, is that present leadership direction is trying to build up the acquisition workforce infrastructure to fix problems created by a bloated acquisition workforce infrastructure. That's like trying to fix a flat tire with a nail. The Defense Science Board's April 2009 report, "Creating a DoD Strategic Acquisition Platform," also came to this conclusion, stating, "An oversized, inexperienced staff requires an enormous amount of coordination among people who do not know what to do or how to do it—and it can take them a long time to decide even the wrong answer. Alternatively, a few good people can quickly make the right decision based on experience and move on."

Many DoD reports highlight that we don't have enough of the trained people we need to perform large acquisitions. We've repeatedly responded to criticism by building larger and more complex staff elements that can't be staffed with qualified people. The cycle repeats itself into a never-ending downward cycle. A better response is to cut staffs, identify the skilled people that we do have, and trust them to make the right decisions.

The Time is Now

The suggestions I've provided don't require extensive rumination or excessively heavy lifting to implement. Let's do them. Don't let the simplicity of these suggestions mask their potential for doing significant good. It is past time to bring credibility back to DoD acquisition by simply delivering what we promise. A great legacy is within our reach. We can be the envy of the world for the efficiency and effectiveness with which we buy the world's best weapons systems if we have the organizational resolve and strength of leadership to make it happen.

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