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ACQUISITION REFORM:

"THIS, TOO, SHALL PASS...?"

A Research Paper

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by

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For the past 25 years we have seen vigorous, near-continuous attempts to reform the defense acquisition process. Yet, these initiatives failed to reach their stated objectives. Today, we are in the midst of another wave of acquisition reform. Will this effort too, come, and go? This paper attempts to answer this question by comparing the past efforts in implementing acquisition reform to today?s efforts using the backdrop of current organizational change theories. Four key elements to implement organizational change? leadership, metrics, workforce empowerment, and changing the organizational culture? are used as the basis of comparison. Of these four key elements, three show clear improvement with today?s reform initiatives. The metrics program is stronger. The workforce is more involved through advances in technology and the extensive use of teams. Lastly, the values?the foundation of organizational culture?of government workers are clearly changing to be more conducive to reform efforts. However, in the area of leadership, there still exists a lack of an overarching national leader or strategy that transcends legislative and executive branch control. Even within the executive branch, however, conflicting strategies are employed in attempting to implement reform. From this analysis, several recommendations are offered. First, the acquisition reform leadership should concentrate on the continuous improvement strategy and only selectively use reengineering techniques. The leadership must then continue to work closely with Congress to ensure a stable and consistent program. And, lastly, we must keep in mind the big picture?that the purpose of the defense acquisition system is to meet the needs of the warfighter.

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Preface

"Acquisition Reform?....Who in their right mind would chose such an extremely broad and amorphous topic for a research paper?" I must admit that I raised this question to myself on more than one occasion—with exponentially increasing frequency as each deadline approached. But I wanted a topic that would not only be educational for myself, but would also be of some use to me back in the "real" world. So the topic stuck—and here it is.

Of course to deliver it (it *must* be close to delivering a baby), takes the support of many people to get through the pain. First I'd like to thank my wife for putting up with me (no small task), and to my mates in Seminar 2 for all their support. In particular, I'd like to thank Major John Pericas, who kept pace with me to the very end. I'd also like to thank Professor Beryl Harman of the Defense Systems Management College and Mr. Conver of General Dynamics for providing much needed materials, insight, and direction.

And last, a special thanks to Lt. Col. Mik Beno, my Faculty Research Advisor, for his guidance, support, encouragement, and patience. Our many long talks on acquisition were educational, and (though I hate to admit it), at times quite interesting and entertaining.

This baby might not be the prettiest, but it's done—and from my vantage, that's reward enough.

Abstract

For the past 25 years we have seen vigorous, near-continuous attempts to reform the defense acquisition process. Yet, these initiatives failed to reach their stated objectives. Today, we are in the midst of another wave of acquisition reform. Will this effort too, come, and go?

This paper attempts to answer this question by comparing the past efforts in implementing acquisition reform to today's efforts using the backdrop of current organizational change theories. Four key elements to implement organizational change—leadership, metrics, workforce empowerment, and changing the organizational culture—are used as the basis of comparison.

Of these four key elements, three show clear improvement with today's reform initiatives. The metrics program is stronger. The workforce is more involved through advances in technology and the extensive use of teams. Lastly, the values—the foundation of organizational culture—of government workers are clearly changing to be more conducive to reform efforts. However, in the area of leadership, there still exists a lack of an overarching national leader or strategy that transcends legislative and executive branch control. Even within the executive branch, however, conflicting strategies are employed in attempting to implement reform.

From this analysis, several recommendations are offered. First, the acquisition reform leadership should concentrate on the continuous improvement strategy and only

selectively use reengineering techniques. The leadership must then continue to work closely with Congress to ensure a stable and consistent program. And, lastly, we must keep in mind the big picture—that the purpose of the defense acquisition system is to meet the needs of the warfighter.

Chapter 1

Brief History of Acquisition Reform

It's like deja vu all over again…

—Yogi Berra

It seems like many of the current acquisition reform initiatives sound and feel remarkably familiar. If we've traveled this road before, what does this bode for the future? Will we be condemned to arrive at the same destination—or perhaps even back at the same starting point—or will the cycle be broken?

When applied to defense acquisition reform efforts, the stakes are tangible and non-trivial. With renewed pressures to downsize the workforce (military and government civilians) and with significant reductions in the defense budget, the movements to reform and/or reinvent the acquisition process have been extremely active. Yet, many of these "initiatives" are quite familiar, some previously attempted. What, if anything, makes it different this time around? Will our current efforts at reform be successful, or will we again end up back near the starting point after much intense, resource-depleting, but meaningless motion? At stake is the capability of our US military—one that is dependent on, and committed to, being the most modern and technologically advanced in the world.

In attempting to answer these questions, this paper will first take a look at some of the forces that drive these attempted changes to the acquisition process. It will then

review some of the past acquisition reform efforts and analyze their attempted implementation. The third chapter will broadly cover the current acquisition reform initiatives. Then with the foundation of a historical perspective, the paper will discuss the potential outcome of today's reform initiatives and provide some closing recommendations.

Driving Forces of Change

> *The current [acquisition] system represents trade-offs among many competing, often contradictory goals, and, not surprisingly works imperfectly as a result.*[1]

Attempts to reform the acquisition system are certainly not new. As early as 1808, Congress passed a provision entitled "Officials Not to Benefit." [2] Government officials (including congressmen) were abusing their power by providing contracts to family, friends and business associates. From these early beginnings, the procurement process has continued to evolve, buffeted by numerous and sometimes competing forces.

In his article "Acquisition Reform: It's not as Easy as It Seems", Mark Cancian provides no less than eight additional forces besides the drive for fairness and propriety: (1) better performance (faster, higher, farther); (2) minimizing cost; (3) earliest delivery (schedule); (4) reducing risk; (5) maintaining control; (6) jointness and interoperability; (7) protecting the industrial base; and (8) advancing socioeconomic issues.

It is in this attempt to balance these legitimate, but sometimes conflicting forces that contribute to the morass and complexity of the procurement process. But throughout history, there has been no shortage of earnest efforts to balance, or reform the procurement system.

Recent History—the last 25 years

> *All of these commissions suggested changes to improve the acquisition process in the name of efficiency, effectiveness, fairness, and simplification, while each time the regulations grew and became more complex as individual agencies tried to respond to the ever-changing world of procurement and the vagaries of Congress and the White House.*[3]

Although the past 25 years has seen a near continuous stream of studies, legislation, and calls for acquisition reform, there were five particularly significant efforts that shaped the acquisition process. These five efforts were: (1) the Packard Initiatives; (2) the Carlucci Initiatives; (3) the Grace Commission; (4) the Packard Commission; and (5) the Defense Management Review.

The first event started with David Packard, as the Deputy Secretary of Defense under the Nixon Administration. As the military drawdown for the domestically unpopular Vietnam War began in the late 1960's to the early 1970's, David Packard recognized he needed a better way to manage defense acquisition. He particularly wanted better control over program cost growth within the prevailing environment of "fiscal constraint."[4] In May of 1970, Packard issued a policy memorandum on defense acquisition. This memo provided broad guidance in areas of management, concept development, full-scale development, production, and in contracts. One year later, in July 1971, the first DOD Directive 5000.1 was issued, using Packard's memo as a foundation. Nine revisions later, DOD Directive 5000.1 and its companion, DOD Instruction 5000.2 are still the keystone documents of the defense acquisition process. Packard's founding document, only 7 pages long, contained many of the goals and themes being pursued today, including decentralized execution, streamlined management structures, minimum demands on formal

reporting for the program manager, and an emphasis on maintaining a high-quality work force in the acquisition field.

> Successful development, production, and deployment of major defense systems are primarily dependent upon competent people, rational priorities, and clearly defined responsibilities. Responsibility and authority for the acquisition of major defense systems shall be decentralized to the maximum practicable extent consistent with the urgency and importance of each program.
>
> The development and production of a major defense system shall be managed by a single individual (program manager) who shall have a charter which provides sufficient authority to accomplish recognized program objectives. Layers of authority between the program manager and his Component Head shall be minimum...[the] assignment and tenure of program managers shall be a matter of concern to DOD Component Heads and shall reflect career incentives designed to attract, retain, and reward competent personnel.[5]

Under the section entitled "Program Considerations", the directive advocated the following:

> (1) wherever feasible, operational needs shall be satisfied through the use of existing military or commercial hardware, (2) practical tradeoffs shall be made between system capability, cost, and schedule, (3) logistic support shall be considered as a principal design parameter, (4) schedules shall be structured to avoid unnecessary overlapping or concurrency, (5) test and evaluation shall commence as early as possible, (6) contract types shall be consistent with all program characteristics, including risk, (7) source selection decisions shall take into account the contractor's capability to develop a necessary defense system on a timely and cost-effective basis, and (8) documentation shall be generated in the minimum amount to satisfy necessary and specific management needs.[6]

It is not difficult to detect and trace many of today's initiatives to the intellectual underpinnings reflected in Packard's founding document.

For the remainder of the seventies, most of the changes to the defense acquisition process were refinements of Packard's vision, or were relatively cosmetic in nature. In December 1972, the Commission on Government Procurement presented its report to

Congress.[7] With the efforts started by Packard two years prior, the DOD felt that it was already moving in the direction recommended by the Commission. Hence, very little was done on the defense acquisition system other than to place a greater emphasis on competition in the early phases of program development. This action, for the most part, had a minimal effect on the process since competition was already encouraged throughout the development cycle—just not to the degree desired by the Commission.

The Commission also proposed to *limit* the use of government contracts to further social and economic growth. After heated debate, this proposal was not accepted. It's noteworthy that the drives for efficiency and cost savings were blunted by the impacts of socioeconomic issues.

Additional concepts, such as Life-Cycle Cost, Design-to-Cost, and "minimizing cycle time" were introduced, explored and refined in the 1970s. Most of these concepts were focused on reducing program costs and all were eventually incorporated into DODD 5000.1. In 1977, DODD 5000.1 added another milestone decision point and phase to the program cycle (demonstration and validation) as part of an effort to reduce technical risk to the program before full scale development.

In 1979, the RAND Corporation published a report that attempted to quantify the effect the Packard Initiatives had on program acquisition. The study compared programs conducted in the seventies against programs acquired in the sixties. They found that their success in achieving their schedule and system performance goals were essentially the same. However, the study also found that program cost growth was significantly lower—by 10 to 20 percentage points lower—in the 1970 programs. Though RAND could not explicitly attribute this better cost growth performance to the initiatives, they found "it

plausible that the changes in acquisition strategy and management introduced since 1969 have been the main contributors to the observed improvements."[8]

In January of 1981, the new Reagan Administration took office. The new Deputy Secretary of Defense was Frank C. Carlucci.

The Carlucci Initiatives

> *Improved readiness and sustainability are primary objectives of the acquisition process....Reasonable stability in acquisition programs is necessary to carry out effective, efficient and timely acquisitions. To achieve stability, DOD Components shall conduct effective long range planning, consider evolutionary alternatives, estimate and budget realistically, [and] plan to achieve economical rates of production.*
>
> —from Carlucci's version of DODD 5000.1

It was clear to Carlucci that the acquisition process could be improved. He wanted to eliminate program turbulence, over-burdensome reporting and reviewing, poor cost estimating, and—the bottom line—to improve the readiness and performance of the fielded systems. Eight studies had been done in the past 10 years—he wanted action. On 30 April 1981, less than four months in office, Carlucci introduced 31 specific initiatives in his memorandum entitled "Improving the Acquisition Process."[9] A 32nd initiative (to Increase Competition) was added in July 1981, and a 33rd initiative (to Enhance the Defense Industrial Base) was added in 1984. Collectively these initiatives became institutionalized as the Defense Acquisition Improvement Program (DAIP), better known as the "Carlucci Initiatives". [see Figure 1—Carlucci Initiatives].

The Carlucci Initiatives (1981)

These initiatives came "with the priorities of reducing cost, making the acquisition process more efficient, increasing the stability of the programs, and decreasing the acquisition time of military hardware."

1. Reaffirm Acquisition Management Principles
2. Increase Use of Preplanned Product Improvement
3. Implement Multiyear Procurement
4. Increase Program Stability
5. Encourage Capital Investment to Enhance Productivity
6. Budget to Most Likely Costs
7. Use Economical Production Rates
8. Assure Appropriate Contract Type
9. Improve System Support and Readiness
10. Reduce Administrative Costs and Time
11. Budget for Technological Risk
12. Provide Front-End Funding for Test Hardware
13. Reduce Governmental Legislation Related to Acquisition
14. Reduce Number of DoD Directives
15. Enhance Funding Flexibility
16. Provide Contractor Incentives to Improve Reliability
17. Decrease DSARC Briefing and Data Requirements
18. Budget for Inflation
19. Forecast Business Base Conditions
20. Improve Source Selection Process
21. Develop and Use Standard Operation and Support Systems
22. Provide More Appropriate Design-to-Cost Goals
23. Implement Acquisition Process Decisions
24. Reduce DSARC Milestones
25. Submit MENS with Service POM (MENS later called JMSNS)
26. Revise DSARC Membership
27. Retain USDR&E as Defense Acquisition Executive
28. Raise Dollar Thresholds for DSARC Review
29. Integrate DSARC and PPBS Process
30. Increase PM Visibility of Support Resources
31. Improve Reliability and Support
32. Increase Competition (added July 81)
33. Enhance the Defense Industrial Base (added in 1984)

Source: Major Ronald M. Adams, *Test Concurrency and the Carlucci Initiatives: When is More Too Much?*, ACSC Report 84-0020, (Maxwell AFB, AL: ACSC, 1984), 15

Figure 1. The Carlucci Initiatives

In 1983, DOD concentrated on those initiatives that involved (1) program stability, (2) multiyear procurement, (3) economic production rates, (4) realistic budgeting, (5) readiness and support, and (6) competition. In 1984, a 7th area for concentration (and the 33rd initiative)—to enhance the defense industrial base—was added.

What Happened?

A General Accounting Office (GAO) Report dated 23 July 1986, five years after the initiatives were published, cautiously reported that the initiatives were at least partially successful in improving parts of the acquisition process.[10] However, the report also observed that the initiatives were losing steam. Specifically, the GAO found:

1. (Some) Cost Savings. Unfortunately, the amount of cost savings was uncertain. This uncertainty was "because much of the savings [were] estimated for future years and may [have been] overly optimistic. Furthermore, the techniques for estimating savings [were] sometimes faulty and not well defined...".[11] The GAO admonished the DOD to improve its estimating and reporting of savings, but offered no alternative solutions. This difficulty to track cost savings will continue to plague future reform efforts. Though uncertain of the magnitude, the GAO was clear that the DOD did achieve a measure of cost savings, and that even more savings were possible if other initiatives were fully implemented.
2. "...[L]ittle progress in stabilizing weapons acquisition programs. DOD still needs to budget more realistically, limit the number of new programs, and eliminate marginal programs."[12]

Even at the five year mark, many of the other initiatives were simply too early for GAO to assess. Not all the initiatives were implemented. Some initiatives—like program stability—were not in DOD's complete control. In their survey of program managers, GAO found that

> more than one-half believed that the program has made little or no difference in the acquisition process....Furthermore, the improvement program has resulted in little or no reduction in time spent preparing for major acquisition milestone reviews—the thrust of one initiative....[13]

From their survey, GAO concluded that the "top level commitment to change did not filter down to the program manager level...despite a philosophy of controlled decentralization...".[14]

But perhaps the most telling comment was the Report's perception that the "commitment to the improvement program ha[d] dissipated."[15] The DOD was not

executing the plans of action, nor monitoring the results for most of the DAIP's initiatives. The last DOD status report on program implementation was in June of 1984, with no plans for further reports. Without a strong continuing commitment to reform, the DAIP, or any program could not succeed.

The Grace Commission

The President's Private Sector Survey on Cost Control (PPSS), more popularly known as the Grace Commission, began its investigation in 1982 and published its final report in January 1984. The chairman of PPSS, J. Peter Grace, was also the chairman and CEO of W.R. Grace & Co., as well as the co-chairman of Citizens Against Government Waste, a non-profit organization that "educate(d) the public about waste and inefficiency in the Government."[16] Eminently qualified, Grace led the survey through an extensive endeavor to ferret out all forms of government fraud, waste and abuse. It consisted of 36 task forces, supported by over 2000 business executives, producing 47 individual task force reports, and a two-volume summary report to the President totaling 21,000 pages with 1.5 million pages of supporting data. The Commission identified 784 issues and provided 2,478 recommendations. Out of these, 31 issues and a little more than 100 recommendations were addressed against the defense acquisition system[17].

Summarized findings. In a hearing to the House Committee on Armed Services, Peter Grace testified that "[i]n the specific area of defense, PPSS found that procurement practices are neither efficient nor cost-effective. They are hindered by excessive and inconsistent regulations, and uncoordinated and poor planning. They fail to take full advantage of competition to reduce costs, and they create disincentives to effectively and

efficiently acquire goods and services at the lowest possible cost."[18] Some of the major recommendations are presented in Figure 2 below:

Grace Commission Recommendations
1. Greater use of multiyear contracting to improve program stability 2. Prioritize all weapons programs 3. Streamline and strengthen the contract selection process 4. Upgrade cost estimating 5. Enhance the role, responsibility, authority and accountablity of the PM 6. Increase the use of dual sources throughout the life of the program 7. Increase emphasis on the Spare Parts Breakout Program to identify and obtain spare parts from sources other than the prime contractor. 8. Consolidate responsibility for contract administration activity at the level of the OSD 9. Simplify / streamline the 30,000 pages of regulation related to Defense procurement 10. Mandate use of common components, subsystems and equipment by all services. 11. Eliminate the use of unnecessary military specifications 12. Outsource commercial functions 13. Incentivize government employees

Source: House, Recommendations of the Grace Commission: Hearings before the Grace Commission Panel of the Committee on Armed Services House of Representatives, 99th Cong., 1st sess., 1985, 3.

Figure 2. Grace Commission Recommendations

Observing that "not all waste in the Defense Department is self-generated", Grace directed some of the recommendations for the improvement of the defense acquisition process outside of the DOD.[19] Specifically, Congress needed to remove obstacles and impediments for efficient procurement. That included stopping pork barreling costs for items the military didn't want or need. Citing numerous examples, Grace called for a stop of the "micromanagement of the Defense budget purely for parochial gain"[20]

What happened?

The GAO reviewed the proposals of the Grace Commission. In the area of military acquisition, the GAO found merit in 29 of the 31 issues that the Grace commission raised.

They agreed with the issues on internal auditing, dual-source contracting, cost estimating, multiyear contracting, production of nuclear materials, the acquisition process, and the careers of acquisition personnel. Where the GAO disagreed with the Grace Commission is on the computation of the potential cost savings due to implementing these recommendations. In some cases, the Grace Commission did not provide enough information on their assumptions, and at other times, they provided just estimates of savings. For example, while the GAO fully supported the recommendation for better cost estimates, the GAO did not believe that improved program cost estimates would result in real cost savings unless the scope of some weapon system programs were reduced.

The Office of Management and Budget (OMB) tracked each of the 2,478 PPSS recommendations put forth by the Commission. According to OMB's "PPSSCC Implementation Status Report" dated in August 1985, the DOD implemented many of the procurement related recommendations. For example, the status report claimed that the recommendation to sharply reduce the use of "gold-plated" military specifications (MILSPECS) was implemented. However, Peter Grace clearly had his suspicions on the effort:

> while we are encouraged...that DOD is taking action on our significant, procurement-related recommendations, we have no way of determining to what degree the spirit of our recommendations will be followed ...Further, we have no way of confirming the actions which OMB reports have been taken, nor the realized cost savings. For example, the OMB report indicates PPSS recommendations to increase the use of multiyear contracting have been implemented. However, multiyear contracting has been an option of the Department for some time, but it has seldom been used, due in part to the reluctance of Congress to commit to long-term funding."[21]

The DOD response to the Grace recommendations was lukewarm. With the Carlucci

Initiatives (DAIP) in full stride, they believed that many of the recommendations were already being addressed. A quick comparative glance between figures one and two show direct overlap between the initiatives and the recommendations (including using multiyear contracting to improve program stability, streamlining the process, upgrading the cost estimating, empowering the program manager, and reducing regulations). In addition, the Grace Commission (not surprisingly) endorsed the Carlucci Initiatives as steps in the right direction. For these reasons, DOD brushed the Grace Commission recommendations under the umbrella of the on-going Carlucci Initiatives. Unfortunately, as the Carlucci Initiatives eventually lost steam, so did the Grace recommendations, and both soon faded into the background.

Packard Commission

> *Weapons that don't work, exorbitant prices for spare parts, illegal payments, illegal charges and other evidences of a troubled situation' were not problems that originated in the Reagan Administration, Packard said after his appointment. He recalled: 'I had to deal with the same problems when I was at the Pentagon 15 years ago.*[22]

In July 1985, President Reagan established the Blue Ribbon Commission on Defense Management (better known as the Packard Commission) to "study the issues surrounding defense management and organization."[23] Partly in response to the "horror stories" that were regularly appearing in the media—exorbitant prices for parts, test failures, as well as cost and schedule overruns—an Acquisition Task Force was created under the Commission to specifically address the military acquisition process. This task force analyzed these horror stories, but realized that focusing only on these symptoms would result in superficial, "band-aid treatments for a system more fundamentally ill."[24] Instead,

they compared the military acquisition system with other systems—both commercial and government—in a "quest for excellence". (This phrase "Quest for Excellence" became the title of their final report to the President) By closely examining organizations that had been successful in acquisition, the task force developed and presented a "model of excellence for defense acquisition", and provided "a formula for action."[25]

In analyzing a number of successful programs, the task force identified 6 underlying features that were common among them:

1. Clear command channels
2. Stability
3. Limited reporting requirements
4. Small, high-quality staffs
5. Communications with users
6. Prototyping and testing

These features were not unique to the commercial sector. Many successful government programs had incorporated some, or all of these management features to some degree. The task force then concentrated their efforts to derive a "formula for action—steps by which defense acquisition can come to emulate this model to the maximum extent practical."[26] Their formula was broken down into 7 subsets, from "A" to "G" [figure 3].

A Formula for Action

A. Streamline Acquisition Organization and Procedures

- Create new position of Under Secretary of Defense (Acquisition) (USD(A))
  - -- manages defense acquisition full-time
  - -- becomes the new Defense Acquisition Executive (DAE)
- Each service should establish a comparable Service Acquisition Executive (SAE)
- Each SAE should appoint a number of Program Executive Officers (PEOs).
- Program managers would report directly to the PEOs.
- Incorporating the above, substantially reduce the number of acquisition personnel
- Recodify federal laws into a single, greatly simplified statute

B. Use Technology to Reduce Cost

- Emphasize building and testing prototypes to demonstrate new technology
- Operational testing, using prototypes, should begin early in development
- Prototypes can also provide a basis for improved cost estimating

C. Balance Cost and Performance

- Restructure the Joint Requirements and Management Board (JRMB) to be co-chaired by the USD (A) and the Vice Chairman of the Joint Chiefs of Staff.
- The JRMB should define weapon requirements for development, thereby providing an early trade-off between cost and performance.

D. Stabilize Programs

- by "baselining" programs and by multi-year funding

E. Expand the Use of Commercial Products.

- Don't rely on military specifications
- Use Off-the-shelf products as much as possible

F. Increase the Use of Competition

- Focus on more effective competition, modeled after commercial practices
- Emphasize quality and past performance as well as price

G. Enhance the Quality of Acquisition Personnel.

- Allow Secretary of Defense to establish flexible personnel management policies
- Recommend an alternative personnel management system for senior acquisition personnel, contracting officers, scientists and engineers

Figure 3. Packard's Formula for Action

What Happened

The Packard Commission directly led to landmark legislation in the Goldwater-Nichols Act and the Defense Acquisition Improvement Act of 1986. These Acts, as recommended by the Commission, strongly emphasized more "jointness" among the military services and significantly strengthened the offices of the Secretary of Defense and the Chairman of the Joint Chiefs of Staff. This legislation created the Under Secretary of Defense (Acquisition) and the Vice Chairman of the Joint Chief of Staffs positions per the commission's recommendations. This was a crucial step forward in streamlining the structure and the organization for military procurement, and strengthened Packard's long standing tenet of centralized policy with decentralized execution.

By 1990, considerable progress had been made to implement the recommendations made by the Packard Commission. Particular emphasis was placed on program stability and on cost control by using multiyear contracting, purchasing at (or better than) the economic production rate, and by baselining major programs to streamline management oversight. A 1990 report by the USD(A) provided some specific examples of progress:[27]

- Multiyear contracting. Seven multiyear programs were approved by Congress in the FY 1989 budget, saving an estimated $942 million. Total savings from multiyear procurements from FY 1982 to FY 1989 exceeded $7.5 billion.
- Economic production rate. Of the 34 major defense acquisition programs in the DOD, 30 were planned for procurement at or better than the minimum economic production rate.

Many of these recommendations were also captured into DODD 5000.1. However, the recommendation that saw limited progress was on enhancing the quality of the DOD acquisition personnel. For true advancement (or implementation), this recommendation required Congressional action.

The Defense Management Report

In early 1989, the newly installed President Bush and Secretary of Defense Cheney requested an analysis of major actions to improve overall management of the Department of Defense. Completed in July 1989, the resulting Defense Management Report (DMR) recommended streamlining operations by reducing overhead, consolidating or eliminating redundant functions and improving business practices. One of the five functional areas targeted by the DMR was on Finance, Procurement and Contract Management.[28]

One of the more significant initiatives that affected procurement was entitled "Streamlining Contract Management". For many years, contract administration services were performed separately by the Army, Navy, Air Force and the Defense Logistics Agency (DLA). This initiative consolidated the contract administration function under a single organization—the DLA. (Note that this initiative was suggested by the Grace Commission five years prior—recommendation #8 in Figure 2)

In addition, the DMR criticized the acquisition management system for being too "undisciplined and overburdened by regulations."[29] These criticisms brought about significant changes in DOD procurement policy and initiated numerous studies.

What Happened

By the start of FY1991, most of the contract administration functions were consolidated under DLA. To handle its expanded responsibilities, DLA created the Defense Contract Management Command (DCMC). Ten intermediate offices (nine DLA contract administration regions and one Air Force contract management division) were reduced to five district offices, and all other offices were "streamlined." The FY 1991

cost savings, primarily from manpower reductions, was $92.3 million dollars.[30]

In response to the criticism of being undisciplined, the DOD responded by formalizing their acquisition process by spelling out clear (and some say rigid) guidelines for the program acquisition cycle and program documentation. The DOD 5000 series was significantly expanded. A third volume was added and the entire set (DODD 5000.1, DODI 5000.2 and the manual) consumed over 900 pages—over 15 times larger than any other version of the 5000 series. Interestingly, much of this increase in length was due to an attempt to streamline the regulatory mess. Over the years, there had been numerous DOD directives, instructions, and policy memoranda, many issued separately. The 1991 DOD 5000 series incorporated them and allowed for the cancellation of these separate documents. In summary, the 1991 version, though it assisted in clarifying some of the regulatory confusion, implemented a sharp shift to a more formal, report-based system with a number of required documents with defined formats.

> In sum, the underlying shift in 1991 was a transition from a personal interaction among OSD, the Components, and program offices to a more formalized report-based interaction in which all necessary information would be transmitted in writing.[31]

A Summary

In his article "DOD's 5000 Documents: Evolution and Change in Defense Acquisition Policy", Joe Ferrara followed the development of the DODD 5000 series from David Packard's initial publication in 1971, through the most current version recently updated in 1996. As the foundation document for defense acquisition, the 5000 series provided an archeological record of the implementation efforts of various acquisition reform movements. Interestingly, Ferrara noted that throughout the life of the 5000 series

document "there has *not* been a wide variation in the fundamental management principles underlying the defense acquisition system."[32] This remarkable observation defies intuition since the last 25 years have been marked with nearly a continuous call for acquisition reform. These constant principles and themes found by Ferrara, and reflected previously in this chapter are:

1. Centralized policy, Decentralized Execution;
2. Fly Before Buy;
3. Streamlined Organizations;
4. Limited Reporting Requirements; and
5. Program Stability

Clearly, some of these reform movements were not as "revolutionary" as initially advertised. Yet, this surprising stability in the fundamental principles raises at least one significant question ... Why haven't these past reform initiatives been more successful? Before delving into the current acquisition reform efforts, the next chapter will try to address this question.

Notes

[1]Mark Cancian, "Acquisition Reform: It's Not as Easy as It Seems," *Acquisition Review Quarterly* 2, no. 10 (Summer 95): xx.

[2]Beryl Harman, "From the Constitution to FAStA—Origins of Acquisition Reform," *Program Manager* 24, no. 5 (Sep-Oct 95): 12.

[3]*ibid*., 14-15.

[4]Joe Ferrara, "DOD's 5000 Documents: Evolution and Change in Defense Acquisition Policy," *Acquisition Review Quarterly*, no. 3 (Fall 1996):110. The similarities with our current "fiscally constrained" environment in the midst of the post-Cold War drawdown is striking.

[5]*ibid.*, 111.

[6]*ibid.*, 112.

[7]David D. Acker, *Acquiring Defense Systems - A Quest for the Best*, DSMC Technical Report, TR 1-93 (Fort Belvoir, VA: DSMC Press, July 1993), 185.

[8]Edmund Dews and Giles K. Smith and et al, *Acquisition Policy Effectiveness: Department of Defense Experience in the 1970s*, R-2516-DR&E (Santa Monica, CA: RAND, October 1979), ix.

Notes

[9]Frank C. Carlucci, Deputy Secretary of Defense, memorandum entitled, "Improving the Acquisition Process," Washington, DC, 30 April 1981.

[10]US General Accounting Office, *DOD's Defense Acquisition Improvement Program: A Status Report*, GAO/NSIAD-86-148, (Washington, D.C.:GAO, 23 Jul 86), 1.

[11]*ibid.*, 2.

[12]*ibid.*, 2.

[13]*ibid.*, 14.

[14]*ibid.*, 14.

[15]*ibid.*, 12.

[16]House, *Recommendations of the Grace Commission: Hearings before the Grace Commission Panel of the Committee on Armed Services House of Representatives*, 99th Cong., 1st sess., 1985, 3.

[17]*ibid.*, 3,4.

[18]*ibid.*, 5.

[19]*ibid.*, 20.

[20]*ibid.*, 7.

[21]*ibid.*, 17.

[22]Acker, 275.

[23]President's Blue Ribbon Commission on Defense Management, *A Quest of Excellence - A Final Report to the President*: (Washington, D.C.: President's Blue Ribbon Commission on Defense Management , June 1986), xi.

[24]*ibid.*, 41.

[25]Senate, *The Acquisition Findings in the Report of the President's Blue Ribbon Commission on Defense Management: Hearing before the Subcommittee on Defense Acquisition Policy of the Committee on Armed Services United States Senate*, 99th Cong., 2nd sess., 8 April 86, 69-70.

[26]*ibid.*, 80.

[27]Acker, 277.

[28]The other four functional categories of the DMR were: 1-Logistics, 2-Administration, 3-Base Operations and Facility Management, and 4-Automated Support and Information Systems.

[29]Ferrara, 121.

[30]Department of Defense, *Department of Defense Update of Justification of Estimates for Defense Management Report Initiatives*, (Washington, D.C.: DOD, April 1992), 490.

[31]Ferrara, 122.

[32]Ferrara, 113, emphasis added.

Chapter 2

A Failure of Execution

While DOD seems to have become quite accomplished at preaching the values of good management, the Department appears quite dissatisfied with its efforts to practice what it preaches.

Why haven't these past reform initiatives been more successful? Many of the recommendations were "implemented"—they were captured into the DOD Directive 5000.1 and the DOD Instruction 5000.2, the foundation documents of the defense acquisition process. One might expect that with top leadership support (as high as the President at times), that the changes should have been fully implemented and certainly more effective. Nor was the failure due to a lack of vision—David Packard provided a time-tested vision, one that is still valid today. But with the distinct advantage of hindsight, we can dissect this apparent failure of execution or implementation of reform. A brief survey into the fields of public administration and organizational change theories may provide some answers. In particular, we'll look at four key elements that drive organizational change—the leadership, the metrics, empowering the workforce, and changing the organizational structure / culture.

Leadership

There are numerous articles, books, publications and consultants who say that leadership is a key to successfully implement organizational change. James Reynierse in "10 Commandments for CEOs Seeking Organizational Change" lists *inspirational leadership* as commandment number six. He (and many others) believe that the vision, the focus, and the commitment must start from the top and drive downward to all employees. Of the many important tasks the leader must perform, one is to clearly and consistently articulate the vision, the reasons behind it, and the strategy to achieve it.[1] The CEO/leader must, at times, make the hard decision between competing interests to keep the focus and maintain unity of effort.

This is where the government, at the national level, cannot emulate the business world. There is no CEO counterpart which can referee and resolve the competing tensions between the branches of government. The very strength of our constitutional system of checks and balances becomes a liability when trying to implement government-wide change. Because there is no one person or body that has authority spanning the three branches of government, the resultant strategy may turn out to be a mess of conflicting directions, or may be severely constrained, emasculated, or compromised to the point of uselessness.

As the element with the Constitutional power of the purse strings, Congress is an integral part of the defense acquisition process. It is impossible to consider systemic changes, or any true visions of reform, without considering changes that require Congressional action. Of those recommendations put forth by the Grace Commission, a full 70% required congressional approval.[2] Unfortunately, getting legislation passed is

not easy. "The 97th Congress saw 13,236 bills introduced, yet only 473 were enacted into law, or less than 4 percent."[3] Though difficult, this is not to say that Congress is always slow to act. In the mid-eighties—during the time of the Grace and Packard Commission, and the acquisition horror stories of $400 hammers—Congress had considered over 200 bills of legislation concerning the defense acquisition process.[4] There was so much activity, that the Department of Defense requested a temporary reprieve to catch its breath. The difficulty here is not in passing legislation, but in passing sound, congruent legislation that supports an overall strategy and is above political and parochial interests.

These conflicting interests of the executive and the legislative branches (not only supply hours of endless study for those in the field of public administration but), clearly demonstrate the difficulties of not having an overarching leader to provide focus and unity of effort when attempting to change the government. This lack of overall leadership significantly increases the difficulty of implementing true reform.

Benchmarks/Metrics

Another important element of change management is setting quantifiable benchmarks and measuring the results of change (Denton, Chaudron). This element is powerful for several reasons. First, it focuses the planners and the architects of change to consider the desired end state and the expected results. Second, benchmarks can be used to incentivize performance. Those who exceed expectations can and should be rewarded. Lastly, the measurements provide needed feedback on how the change is progressing and the impact it is having on performance. This feedback is critically important in a Total Quality Management (TQM) environment which is striving for continuous improvement.

How did we do?

In 1979, when staff members at the RAND Corporation were trying to assess the impact of the Packard Initiatives, they recognized that "there was a lack of systematic, quantitative analysis aimed at identifying the strengths and weaknesses of existing [acquisition] policy."[5] The method of analysis the RAND Corporation developed and used was essentially based on the ratio of current estimates divided by earlier planning estimates (typically at a baseline such as the beginning of full scale development). If the ratio is greater than 1, then the current estimate exceeds the planning estimate and the program is doing worse than originally planned. If the ratio is less than one, than the program is doing better than planned. This method can also be applied to program parameters/characteristics other than cost, such as for schedule and performance.[6] In addition, the ratios can be further refined—to account for inflation or to weight them by cost.

However, this method of ratios has several drawbacks. First, the results of the analysis cannot be directly and exclusively tied to the reform initiatives—there are many other factors that could affect the results. Secondly, the results are only as good as the consistency and the accuracy of the estimates. And lastly, "(c)ost-growth avoidance is of course not the same as cost savings...".[7] A program manager could, in theory, (inadvertently) plan on running the program inefficiently and expensively, then run it in that fashion, achieve his/her early planning estimates, and receive great marks for avoiding cost-growth.

Seven years after the RAND report was published, the GAO also had a difficult time ascertaining cost savings resulting from the implementation of the Carlucci initiatives.[8] In

particular, much of the advertised cost savings came from estimates of future years. The GAO realized that estimating cost savings was an imprecise science since it entailed "forecasting future events and comparing results of actions taken to what could have occurred had these actions not been taken."[9] However, DOD's cost estimating ability at the time was poor (Carlucci initiatives #6, 11 and 18 was to improve it). The GAO questioned the DOD's cost estimating techniques and assumptions, and overall had low confidence in the DOD estimates. Equally frustrating to the GAO was the lack of data. The DOD was not collecting it, nor were they reporting it. The last report that the DOD released was in 1984, two years before the GAO report. The methodology that the GAO used was an adaptation of the 1979 RAND study methodology using ratios of estimates.

Another metric that is worth mentioning is time. In particular, the length of time between various events within the acquisition cycle, such as the time elapsed from the start of full-scale development to the fielding of a weapon system, or the establishment of its initial operating capability. After a careful review of many metrics, the Packard Commission chose the acquisition cycle "as being most indicative of problems in the program" and taken as a whole, as an indicator for the efficiency of the acquisition process.[10] The Commission had found that typical defense programs were taking 8 to 12 years, while the truly excellent, well-run programs were completing the cycle in 4 to 5 years. In the Commission's "quest for excellence", the benchmark, or the goal was reducing the acquisition cycle in half.[11]

What are the drawbacks of this metric? The first is that the feedback is not immediate and takes years in developing. As such, like the RAND ratio metric, many other external factors can and do influence the result. Coupled with the dizzying rate of change in the

acquisition world, it would be impossible to attribute impacts to specific policy initiatives.

Though considered a crucial ingredient for implementing organizational change, the acquisition reforms of the past had a difficult time setting quantifiable benchmarks and metrics to measure the results of change. Perhaps due in part to not having these clear metrics, the DOD did not enthusiastically or fastidiously chart its status or progress. This lack of overall attention to metrics and benchmarks significantly increased the difficulty of implementing reform. In this condition (blind, or at best extremely short-sighted), we would be hard pressed to determine if we were walking in the right direction, or if we arrived at our desired destination.

In addition to having an effective leadership which provides a clear, cohesive vision, goals and objectives, as well as a metrics program to track and encourage the progress towards these goals, two more major elements are required. In his article "Busting the Bureaucracy", Erik Van Slyke, a consultant on organizational development, claims that the two, broad actions that must take place to change an organization are: (1) to empower the people; and (2) to destabilize the existing culture.

Targeting the Workforce: Empowering People

Perhaps the biggest driver in the recent organizational change publications is the broad emphasis of empowering the workforce. Van Slyke offers several different methods to achieve this empowerment[12]:

1. **Involve Everyone**. This is a near universal tenet. If you want people to embrace change, make them a part of the decision process. It is important that people feel ownership of the solution.
2. **Create new Communication channels.** Not only must communications be open, but Van Slyke demands that communication channels also break the "bastions of bureaucracy: hierarchy and turf. They should cross departments and levels and

involve customers, vendors and other stakeholders."[13] In this fashion, the workforce can get a better feel for the bigger picture, and see how they personally fit into the plan. These open exchanges are the foundation of trust, critical for breaking the bureaucracy and facilitating change.

3. **Align rewards with the new system.** "The reward structure must entice employees to participate and penalize bureaucrats who impede change."[14] Here, Van Slyke offers some interesting carrot and stick methods by using the performance evaluation, the promotion, and the pay systems. Job descriptions and performance appraisals should focus less on duties and tasks, and more on expected results and outcomes. Promotions should be based less on seniority, but more on the ability to produce results. Pay should also be based on performance. Other literature also includes personal recognition programs as a tool to further incentivize and encourage change.

This section, above any other, has perhaps contributed the most to the lack of success in the implementation of defense acquisition reform. It is striking that the reform efforts of the past 25 years are nearly the exact antithesis of the suggested actions to empower the workforce.

First, work force involvement was minimal to nonexistent. Carlucci used five working groups to come up with a list of suggested initiatives. Peter Grace, though using 2000 people across business and government, primarily used "executives" in formulating his voluminous report. Although to come up with the strategy, recommendations, and vision may require but a few people (perhaps just the leader alone), the true failure came in execution—in engaging the workforce to accept ownership of the change. Reynierse, an advocate of top-down management claims that "(t)he key to successful implementation...is the steps that are taken to drive the process ... downstream—so that all employees feel they are a part of this focused mission."[15] Ronald Clement on the other hand, believes that "organizational renewal should start at the bottom rather than the top."[16] But, irrespective of the method (top-down or bottom-up) neither method of rallying the workforce was properly exercised in any of the highlighted reform programs

of the past 25 years. The leadership did not take the steps to properly spread the initiatives down, nor did they cultivate and encourage a bottom-up growth to affect change. Typically, policy letters were generated or superseded, or directives were released. Once on paper, the change was expected to filter automatically down the organization for implementation.

Inseparable and interdependent with work force involvement is the requirement to establish new and open communication channels (Van Slyke's second recommended activity). With only limited worker involvement, there was no need for new and open communication channels...and none were established. As before, numerous memoranda were generated, regulations were updated, and the flow of information was primarily downhill. As mentioned before, the GAO found that the initiatives rarely made it down to the program manager level, and for those that did, the initiatives were only superficially rooted.

The third required activity to bust the bureaucracy is to realign the reward structure to incentivize supporting the new change. Reforming the government personnel system, however, requires Congressional action. Though there was significant discussion on the personnel system particularly from the Grace and Packard Commissions, no significant action was taken on realigning any of the reward structures.

These three activities are all focused on the employee/work force—involve the people, openly and creatively communicate with them, and incentivize them to change the system. The key to change is through the people—and David Packard knew it. Throughout his report to the President and in his testimony to Congress he drove this point home:

> The final thing that runs through all of our recommendations is again a very simple proposition. You can make all the changes in the structure you want. You can put all the rules and regulations in that you want, or take them out, but in the final analysis, the performance we get from our Defense Department is going to be dependent upon people. Thus we have to find some way to attract, motivate, and reward people at all levels in the Department.[17]

Unfortunately, other than rhetoric, very little was done in this area of empowering the people.

Destabilizing the Existing Organizational Structure/Culture

> *The quest for excellence in defense management will be successful only if a new management philosophy can replace the old...*
>
> —Packard Commission
> *A Quest of Excellence—A Final Report to the President*

To destabilize the bureaucracy, Van Slyke suggests "shocking the system", to "hit hard...with a sense of urgency that identifies potential crises...".[18] Other organizational change theorists use similar terms such as making "systemic changes" (Chaudron). Some of the newer management techniques like *reinvention* and Business Process Reengineering (BPR), are based on *radical* reorganization of the existing structure. What these concepts have in common, is a total organization shake-up—not a small modification that is scribbled in the margins. How successful was the shake-up in the acquisition reform efforts? In a GAO survey of 78 major program managers, more than 50% believed that the Defense Acquisition Improvement Program (the Carlucci Initiatives) had "made little, or no difference in the acquisition process."[19] In all, there have been numerous evolutionary organizational changes (such as the DSARC, USD(A)/DAE, SAE, and PEO roles), but no revolutionary, radical changes to break the bureaucracy as recommended by

the reengineering theories.

What have we learned from these efforts of the seventies and the eighties?

As we looked at the fundamental tenets of current organizational change theory—leadership, metrics, workforce, and on organizational structure/culture—it became more clear why these programs had such difficulty in implementation. First, the lack of a government leader over both the legislative and the executive branches made it extremely difficult to implement a consistent, overarching acquisition reform strategy. Second, the lack of clear, quantifiable metrics blinded our progress (or lack of it) and precluded any options for incentivizing performance. Third, the reform programs produced only a gradual, evolutionary change in the organizational structure—counter to current reengineering practices that preach radical changes. As a result, the underlying culture was not destabilized. Last, and perhaps most important, these past reform initiatives did not empower the workforce: the workforce was primarily in "receive mode" (limited involvement); the information came from the top through standard lines of communication (no innovative communication); and no incentives were provided to either encourage change or to discourage remaining with the status quo.

Without a strong effort across these four fundamental tenets, the bureaucracy was not broken. There were some localized advances throughout the system, but the basic structure, process, and culture remained intact. Our repeated attempts to implement these consistent acquisition principles (as noted by Ferrara), simply reflect our failure to execute. From this historical perspective, let us look at the current acquisition reform initiatives.

Notes

[1]These concepts are very similar to the military's *Commander's Intent* described in Joint Doctrine. Here the commander clearly articulates the unit's mission and how s/he intends to achieve it. In this fashion, everyone in the unit can understand how they fit into and contribute to the accomplishment of the mission. This understanding creates a unity of effort.

[2]Randall Fitzgerald and Gerald Lipson, *Pork Barrel—The Unexpurgated Grace Commission Story of Congressional Profligacy*, (Washington, D.C.: CATO Institute, 1984), xxxi.

[3]*ibid.*, xxxi.

[4]*ibid.*, xxxi.

[5]Edmund Dews and Giles K. Smith and et al, *Acquisition Policy Effectiveness: Department of Defense Experience in the 1970s*, R-2516-DR&E (Santa Monica, CA: RAND, October 1979), iii.

[6]For those parameters or characteristics where growth is better, such as *speed*, the numerator and the denominator in the ratio were switched. The ratio was now the planning estimate over the current estimate. This was done to be consistent with the rules of thumb that ratios less than 1 are good, and that ratios greater than 1 are bad.

[7]Dews and Smith, ix.

[8]US General Accounting Office, *DOD's Defense Acquisition Improvement Program: A Status Report*, GAO/NSIAD-86-148, (Washington, D.C.:GAO, 23 Jul 86), 3-4.

[9]*ibid.*,3.

[10]Senate, *The Acquisition Findings in the Report of the President's Blue Ribbon Commission on Defense Management: Hearing before the Subcommittee on Defense Acquisition Policy of the Committee on Armed Services United States Senate*, 99th Cong., 2nd sess., 8 April 86, 33.

[11]*ibid.*, 33.

[12]Erik J. Van Slyke, "Busting the Bureaucracy," *HRFocus* 73, no. 7 (July 1996): 16.

[13]*ibid.*, 16.

[14]*ibid.*, 16.

[15]James H. Reynierse, "10 Commandments for CEOs Seeking Organizational Change," *Business Horizons* 37, no. 1 (January-February 1994): 42.

[16]Ronald W. Clement, "Culture, Leadership, and Power: the Keys to Organizational Change," *Business Horizons* 37, no. 1 (January-February 1994): 35.

[17]Senate, *The Acquisition Findings in the Report of the President's Blue Ribbon Commission on Defense Management: Hearing before the Subcommittee on Defense Acquisition Policy of the Committee on Armed Services United States Senate*, 99th Cong., 2nd sess., 8 April 86, 32.

[18]Van Slyke, 15.

[19]US General Accounting Office, *DOD's Defense Acquisition Improvement Program: A Status Report*, GAO/NSIAD-86-148, (Washington, D.C.:GAO, 23 Jul 86), 14.

Chapter 3

Current Acquisition Reform Initiatives

When I came to the Pentagon in 1993, one of my most important initiatives was to achieve real acquisition reform...

—Secretary Perry, 8 Dec 95[1]

Things are more like they are now than they ever were before.

—US President Dwight D. Eisenhower

Nearly ten years after the Grace Commission, Vice President Gore headed another extensive, government-wide efficiency survey called the National Performance Review (NPR). Entitled *From Red Tape to Results: Creating a Government That Works Better and Costs Less*, the first report was released on 7 September 1993.[2] The NPR report contained 384 major recommendations for improving government performance. It covered 27 agencies and 14 government systems including personnel procedures and procurement regulations.[3] Riding the bow wave created by this government-wide effort, the defense acquisition reform initiatives gained new momentum.

The renewed round of acquisition reform began in June 1993, with the appointment of Colleen Preston to the newly created post of Deputy Under Secretary of Defense for Acquisition Reform [DUSD(AR)]. The full-time job of DUSD(AR) is to reform the acquisition process. In the three and one-half years since her appointment, there has been

much activity and advancement on all fronts of the acquisition process.

Legislation

The first significant challenge facing Preston was to push through the passage of the Federal Acquisition Streamlining Act (FASA) of 1994. Based largely on the recommendations from the Section 800 Panel, it revised more than 225 statutory rules regarding defense acquisition.[4]

> In a nutshell, it [FASA] encourages agencies to rely on commercial, off-the-shelf products—instead of those designed to government-unique specifications—and simplifies procedures for buying those items. It also reduces requirements for contractors to submit cost data and exempts purchases below $2,500 from certain procurement requirements. In addition, the law establishes a simplified acquisition threshold of $100,000, waives certain laws for procurement pilot programs and makes more contracts accessible to small and disadvantaged businesses. It amends the process for resolving protests and contract disputes, and requires agencies to develop and implement a computer network architecture for conducting procurements electronically.[5]

One interesting section in the bill is entitled "Performance-Based Management". This section doesn't drive or implement any significant reform, it simply requires that within one year of the enactment of FASA, the Secretary of Defense review the incentives and personnel actions currently available to the Secretary of Defense to encourage "excellence in the management of defense acquisition programs...".[6] It goes on to say that personnel evaluations, promotions, and pay should be related to the success of the acquisition programs along with the contribution of the individual towards that program success. Though this section may be considered as nothing more than rhetoric, it demonstrates that there is still a drive to restructure the reward system to incentivize the workforce.

As part of the FY96 Defense Authorization Act, two more pieces of legislation were

passed: the *Federal Acquisition Reform Act (FARA) of 1996* (Division D of the FY96 Defense Authorization Act) and the *Information Technology Management Reform Act of 1996* (section E of the FY96 Defense Authorization Act).

Many of the key provisions in FARA were specifically targeted to make the acquisition process more efficient and simpler, but the potential impact of these provisions are still unclear. Two examples are:

1. Simplifying Competition Requirements. To make the competition more efficient, the contracting officer can now limit the number of bidders and not have to look for a natural break or groupings in the bids. Supporters of this provision claim that this could lower the number of proposals for consideration thereby speeding up the selection process. However, this provision will have a minimum impact since the majority of work will already be done by the time the contracting officer can make this decision.
2. Simplifying Commercial Item Purchases. The government can now buy most commercial items "just like any other customer, without imposing virtually all government-unique procurement requirements."[7] Contracts and subcontracts for commercial items were exempted from the application of the government Cost Accounting Standards (CAS) (Section 4205), and suppliers of commercial items were provided an exception to the Truth in Negotiations Act (TINA) requirements (Section 4201). In addition, this provision allows the use of "simplified acquisition procedures" to purchase commercial items under $5 million.[8] Unfortunately, these "simplified acquisition procedures" are not defined, and may not be the same as the procedures currently used for purchases below the simplified acquisition threshold. Because of existing flexibility in purchasing commercial items and the uncertainty of how simple "simplified acquisition procedures" could be, this provision could also have a limited impact.

With respect to the acquisition workforce, FARA significantly overhauled the procurement integrity law. It repealed redundant procurement ethics statutes and rationalized numerous, agency-unique post-employment restrictions. FARA also established "DAWIA-type" provisions for non-DOD agencies. (The intent of DAWIA, or the Defense Acquisition Workforce Improvement Act, was to establish, then increase the professionalism of the defense acquisition workforce through education and training)

The Information Technology (IT) Act repealed the outdated Brooks Automatic Data Processing Act of 1965—"a major stumbling block to buying computers and related items".[9] In 1965, the infancy of the computer age, the Brooks Act gave management oversight to General Services Administration (GSA) for all purchases of federal Automatic Data Processing Equipment (today we call Information Technology equipment, or computers). The intent was to provide standardization and provide the most cost-effective means for the government to purchase highly technical and expensive processing equipment. In today's dynamic, commercially-driven micro-computer environment, the law instead "produced a cumbersome bureaucracy that often impeded the quick, efficient purchase of IT, and meant that many DOD computers were obsolete by the time they were delivered."[10] The repeal provided agencies the direct authority to procure IT and eliminated GSA's role in the oversight of IT acquisitions.

Included in Division A of the FY96 Defense Authorization Act were other acquisition-related provisions. One in particular, "Section 906—Restructuring of DOD Acquisition Organization and Workforce" may have a significant effect on defense acquisition organization. This section requires the Secretary of Defense to submit a report on the acquisition organization and workforce of the DOD. The report, due within 45 days of the enactment, is to include:

> (i) a plan for organizational restructuring in order to reduce the number of civilian and military personnel assigned to acquisition organizations by 25% by 1 Oct 2000, and (ii) an assessment of various restructuring options. The options must include the consolidation of certain DCAA and DCMC functions; contracting for the performance of a significant portion of the workload of DCAA and other defense agencies that perform acquisition functions; and consolidation or selected elimination of DOD acquisition organizations. In addition, DOD is required to reduce the number of acquisition personnel during FY96 by at least 15,000.[11]

Implications of the language in this legislation will be discussed in Chapter 4.

Initiatives under DUSD(AR)

In addition to legislative action, the DUSD(AR) office has aggressively led the charge in the development, coordination, and implementation of several initiatives. First, taking a page from commercial industry, acquisition reform has embraced the concept of teams—particularly *Integrated Product Teams (IPT)*. The proper use of teams increases communication, provides early visibility and resolution to issues, involves workers in the decision making process, and promotes team-building and cooperation in the pursuit of a common goal. The policies and procedures for establishing and implementing IPTs are now reflected in DODD 5000.1 and the institutionalization of this concept is well on its way. In a recent survey of acquisition professionals, 95% of the supervisors supports the IPT process, and 84% of the IPTs produce positive results.[12] Leading by example, DUSD(AR) hosted numerous teams first in the development and later in the implementation of its initiatives. [Figure 4.]

DUSD Process Action Teams (PATs) and Working Groups

— "TEAM AR" (headed by Preston)
— Electronic Commerce/EDI in Contracting PAT
— Military Specifications and Standards Process PAT
— Contract Administration PAT
— Procurement Process Reform PAT
— Strategic Outcome Metrics Tiger Team
— Acquisition Systems Oversight and Review PAT
— Communications and Outreach PAT
— Automated Acquisition Information PAT
— Defense Acquisition Pilot Program Consulting Group
— DOD Regulatory Cost Premium Group
— Past Performance Working Group
— DOD Protest Reform Working Group
— Procurement Process Reform PAT
— FASA and Defense-unique Provisions Drafting Team

Figure 4. DUSD(AR) Teams

Implementing the recommendations from the Acquisition System Oversight and Review PAT and DUSD(AR), Secretary Perry kicked off a different management approach called the Integrated Product and Process Development (IPPD) in late 1995. Again borrowing from industry successes, the IPPD process, with IPTs as it's centerpiece, is expected to reduce acquisition time, reduce cost, and optimize products. This concept of teams and its impact on the acquisition process will be further discussed in Chapter 4.

Numerous other acquisition techniques and initiatives have been encouraged, developed and implemented. Five additional programs and initiatives which have been emphasized are briefly outlined below:

Cost as an Independent Variable (CAIV). As the name implies, this concept establishes the cost of an acquisition program as the independent or constrained variable. In the past, performance was considered the independent variable, and this drove costs.

With CAIV, costs are kept in check while other variables, such as performance, quantity, and schedule would change. Similar to the Design-to-Cost concept in the seventies, CAIV focuses a bit more on trading off performance to stay within established fiscal constraints. This trade-off could result in the "80% solution" (buying less quantity or capability). Compared to DTC, CAIV also has a broader perspective of fiscal constraints (such as focusing on life cycle costs versus unit procurement cost). However, the roots of this initiative extend at least to Packard's founding 1971 document, where "practical tradeoff shall be made between system capability, cost, and schedule...".[13]

Military Specifications and Standards. One of the earliest initiatives implemented by the current acquisition reform, a Process Action Team (PAT) reviewed all 30,000 MILSPECS, canceled over 4000, and created 375 performance-based specifications.[14] By relying more on performance-based requirements rather than on specification-focused requirements, "gold plating" costs would be avoided. This initiative was also espoused by Packard and Grace.

Single Process Initiative. Closely related with the effort to reduce the unconstrained use of military specifications, this initiative replaces government-unique processes and requirements (on a plant by plant basis) "with common, facility-wide systems based on best commercial practices...".[15] As of September 1996, over 400 process changes were proposed by 103 contractors, and 104 process changes are already implemented by contract modification.[16]

1996 Series 5000 Regulation Modifications. Many of these initiatives have been incorporated into the new, 1996 Series 5000 series—in particular, commercial practices

and commercial products are given special emphasis, streamlined RFP process and CAIV concepts are encouraged.

Workforce Initiatives. In conjunction with reforming the process, there have been a several initiatives focused on supporting the workforce. There have been numerous symposiums, training courses, and traveling teams to inform and educate. In addition to the standard publications and articles, innovative aids, such as the computer-based Desktop Tool and internet home pages have been developed and fielded. Finally, a groundbreaking program, the Acquisition Workforce Personnel Demonstration Program has been authorized. This program will demonstrate how the effectiveness of the workforce can be enhanced by allowing greater control over personnel functions. As requested for years, this program will provide managers more latitude in hiring, firing, and incentivizing the workforce. The targeted program start date is the summer of 1998.

These initiatives and others are summarized below in Tables 1 and 2. The initiatives are grouped under four, interrelated categories—streamlining the process, providing metrics, reducing costs, and improving the workforce. In addition, ties to earlier reform efforts are highlighted. Other than the concept of IPPD and of teams, most other initiatives can trace its heritage to past reform attempts.

Table 1. DUSD(AR) Initiatives (1 of 2)

OSD Initiative	Goal/Objective	Strategy	Status (Results to date)	Relationship to Past
Process Initiatives				
Streamline RFP Process				
—Electronic Commerce/EDI in Contracting	Efficiency—speed up the process; Allow for downsizing; A strategic goal of DOD is to present a "single face to industry."	Provide "single face to industry" —Most DOD components (Navy, Army, Air Force, DLA, DISA, DFAS and DeCA) had independent EC/EDI solutions for their automated small purchase procurement systems—focused on common standard s; - Use electronic procurement notices	- Standards in-place; - FACNET operational	"Exploit Technology" SecDef Memo '88 (based on 10 yrs of research); DMR Decision #941; FASA 94
—Incorporate Past Performance	Incorporate past performance as a factor in source selection	On-hold until review complete; Part of "best-value" contracting.	(18 Dec 96)- Report by Arthur D. Little (ADL) complete; under review	Packard '71, Carlucci
Reengineer Contract Administration (CA) Process	Efficiency - to change concept of "effective oversight" —shift oversight from risk avoidance to risk management	-No longer practical to avoid risk at all costs, instead leaders will manage risks within the constraints of the budget. 36 recommendations -Eliminate non-value added activities; -Shorten CAS cycle times by using Enterprise Automation in the performance of CA	Policy memo 21 Aug 95; 6 policy changes; 5 training initiatives & 6 CAS Processes re-engineered	Grace, DMR, Carlucci
Reform Procurement Process	Efficiency -identified ways for DOD to reform its internal procurement procedures	Streamline competitive and sole source procurement creating a better balance between fairness and efficiency in competition. This reduces the required time to buy items and has improved communications between the gov't and its suppliers	- Sections of Title 10 changed; -4 policy memos; - Included in Deskbook	Packard, Grace
Acquisition Systems Oversight and Review PAT	Efficiency ; cost savings	A Bottom-up, reengineering review, starting. use IPTs, less need for inspectors	IPTs, IPPD implemented	Except for teams, elements of many (Grace, DMR, Packard)
Metrics				
Acquisition Reform Benchmarking Group	Measure progress of AR initiatives	- Created 3 levels of metrics: Program (12 metrics), Sub-ordinate (13 metrics), and Enterprise (7 metrics)	On website; Updated monthly	Packard '71, '86

Table 2. DUSD(AR) Initiatives (2 of 2)

OSD Initiative (continued)	Goal/Objective	Strategy	Status (Results to date)	Relationship to Past
Cost Initiatives				
Military Specifications and Standards Process	Cost savings—prevent "gold-plating"	Encourage performance-based rather than spec-based requirements	Reviewed all 30,000 milspecs, canceled over 4000, created 375 performance specs; Trained over 6000 people over 255 courses	Packard '86, Grace
Single Process Initiative	Reduce costs; obtain a better product; and foster a more competitive industry	Reduce costs by getting rid of gov't unique processes when standard commercial processes will do—facility by facility.	- 100 contractors proposed over 500 changes. -170 modified -53 involve consideration by the gov't	none (but similar to Mil Specs and Stds, and Carlucci's attempts to assist the industry)
Cost as an Independent Variable (CAIV)	Reduce costs	Fix cost as an independent variable—adjust performance or schedule before impacting cost	- incorporated into DODD 5000	70's—Design-to-Cost, Carlucci
Workforce Initiatives				
Automated Acquisition Information (Deskbook)	Improve training, increase awareness, provide a tool for decision-making in a risk-management environment; better communication, better informed workforce	Electronic Acquisition Deskbook; Automated Program Status Reporting system; "Ask a professor" on website	Deskbook released Jul 96; Website on-line	"Exploit Technology" SecDef Memo '88 (based on 10 yrs of research)
Acquisition Workforce Personnel Demo Program	Improve the quality of the acq. workforce; — provide a personnel management system that increases ability to attract, retain, and motivate the highly-qualified acq. workforce.	- Demonstrate that the effectiveness of the workforce can be enhanced by allowing greater direct managerial control over personnel functions and expand opportunities to employees - Demonstrate effects of broad-banding, Contribution-Based Compensation and Appraisal System (CCAS)	- PAT established Sep 96; - target start summer 98;	Packard, Grace
Integrated Product and Process Development (IPPD) / Integrated Product Teams (IPT)	Efficiency—improve oversight and review process	-Replace sequential review and approval process with teams	-Captured in DODD 5000 - IPT Implementation Guides produced	none

Service "Implementation"

With the overall guidance and support of DUSD(AR), the real implementors of reform are the individual military services. Each service, exercising decentralized execution, has developed their own acquisition reform program. The Air Force has "11

Lightening Bolts", the Navy has "8 Thrusts", and the Army has "6 Thrust Areas". These programs are described briefly below and presented in Tables 3 through 6.

Air Force "Lightening Bolts"

In addition to supporting OSD level initiatives, the Air Force identified and targeted eleven initiatives, or "Lightening Bolts", for service emphasis and implementation. There is no overarching objective or strategy outlined for the program. Instead, the Lightening Bolts, collectively, represent a list of good things to do for acquisition reform (AR). Most of the Bolts can be traced to either DUSD(AR) initiatives, or earlier AR attempts.

Many of these initiatives were quickly and easily implemented (#1—Creating an RFP Support Team, #2—Creating an AF senior level panel, #4—Canceling Center acquisition supplements, and #7—reducing paperwork). Indeed, eight of the eleven Bolts are already classified by the Air Force as "implemented."[17] Some Lightening Bolts are "living" initiatives, such as the ongoing efforts to improve the science and technology laboratories (Bolt #11) and the Education and Training initiative (Bolt #9).

Table 3. Air Force "Lightening Bolts"

AF Lightning Bolts	Goal/Objective	Strategy	Status	Relation w/ OSD, past
1-RFP Support Team	Streamline RFP Process - Embed AR in all RFPs, contract changes and options	Establish a centralized RFP support team to scrub all RFP, contract options, and contract mods over $10M —Cut "fat" out of RFPs (elim. Mil specs, scrub CDRL)	"implemented"	OSD—RFP, all
2-Standing Senior Level Acquisition Strategy Panel (ASP)	Ensure consistent strategy tailored to programs	Create a standing Acquisition Strategy Panel	"implemented"-ASP Policy Memo—Final, dated 7 Nov 95	none
3-SPO "SlimFast" Plan	Reduce SPO size based on success of Pilot, black programs;	SPO limits: -140 for complex EMD programs; -50 for production; Eliminate non-value added tasks	"implemented" - Tenets approved by SAF/AQ (Nov 95)	Grace
4-Cancel All Center Acquisition Supplements	Promote consistent requirements in implementation to all programs	Only Pentagon and HQ AFMC can issue policies, instructions, and guidance; Policy IPT will scrub all requirements	"implemented" - Memo signed 1 Nov 95	Carlucci, Grace, Packard, DMR
5-Reinvent the AFSARC Process	"Goal is teamwork with minimum number of council meetings"	Integrate use of IPTs, paperless process, continuous cooperation	"implemented"	OSD-IPTs
6-Elevate past performance	Make past performance co-equal with other source selection features	Part of Best-Value Contracting	"implemented" AF FAR Supplement Published May 96 (note: OSD request hold Dec 96)	OSD, Packard' Carlucci
7-SAMPS vs Other Acquisition Documents	Reduce number of Acquisition Planning Documents; Help streamline the DAB process	Eliminate Milestone Review of Acquisition Plan, Program Management Plan, Integrated Logistics Plan, Systems Engineering Management Plan; Replace with the Single Acquisition and Management Plan (SAMP)	"implemented" - SAMP policy signed Apr 96; -Near complete for all ACAT I programs	Reducing Paperwork, (Packard, Carlucci)
8- Metrics to check Acquisition Reform (AR) Progress	Develop metrics to check AR progress	PMs determine metrics to measure AR success -Metrics presented at every semi-annual portfolio review	"implemented"	OSD, Packard
9- Education & Training	Enhance Acquisition workforce with a comprehensive program that integrates AR education and training initiatives	With the use of IPTs: -Develop an integrated education and training strategy and implementation plan; -Identify & develop acq. workforce core competencies; -Develop ed. and training reqs and curriculum for initial and recurring training	-Near-term training complete; -Delivering long-term training; -Satellite and web offerings available in 97	OSD, Packard, Grace
10- Reducing Cycle Times	Reduce time from requirement definition to contract award by 50%	-Conducted survey, and complied a list of 20 recommended best practices or tools for reducing cycle time; -Report is in final coordination	"underway" Report expected in early 97; Training Workshop in development	Packard (for entire cycle)
11- Laboratories	Enhance the capabilities of labs by adopting improved business processes	Apply AR initiatives to the science and technology community; integrate and tailor Lightening Bolts 1,3,6,9	"underway" - 3 of 10 initiatives complete	Grace

Source: "Lightening Bolts, Initiatives, Success Stories", 4 Mar 97, n.p.; on-line, Internet, 10 March 1997, available from http://www.safaq.hq.af.mil/.

Although the Air Force is the only service to specifically emphasize metrics (Bolt #8), the selection and determination of the metrics is left to the discretion of each program manager. Metrics, as well as the rest of these initiatives will be further analyzed in the next chapter.

Navy Initiatives—"8 Thrusts"

The Navy identified and targeted eight initiatives, or "Thrusts", for service emphasis and implementation. Unlike the Air Force program, the Navy's Thrusts are broad and continuing efforts. Not one initiative is specific and discrete. Hence, their goals and objectives are usually couched with verbs such as "improve", and "enhance". However, like the Air Force Lightening Bolts, all but one of the Thrusts can be traced to either OSD initiatives, or earlier AR attempts.

Perhaps more than any other service program, the Navy stresses the team aspect particularly with industry "partners". No less that four of the eight thrusts have industry intimately involved: 1- Partnering and Customer, 2- World Class Practices, 7- Acquisition Center of Excellence, and 8-Industrial Base Integration. As with the other service programs, the Navy Thrusts will also be discussed in Chapter 4.

Table 4. Navy Thrusts

Navy Initiatives "8 Thrusts"	Goals/Objective	Strategy	Status	Relations with Past
1) Partnering and Customer	Work with industry and customers to improve acquisition processes	Thrust will: -research, arrange, and direct benchmarking opportunities; -assess strengths / weaknesses of selected organizations -analyze potential benefits; -produce recommendations; -facilitate implementation	Established Partnerships with industry: —NGS-IPT to define a business environment to take advantage of commercial practices; —ADR WG to look for alternative means to resolve disputes; Established Acquisition Coordination Teams (ACTs) with customer	OSD—IPT init
2) World Class Practices (WCP)	Where appropriate, apply WCP to DoN acq process to improve efficiency & reduce cost	-ID and define WCP relevant to DOD acq process -Highlight Navy examples -Provide WCP information	- Identified 32 WCPs - 13 DoN initiatives using various WCPs	Commercial emphasis- all, Packard
3) Specifications and Standards	Cost savings	-Provide policy information -Produce recommendations -Facilitate implementation	-Created the Acquisition Streamlining and Standardization Information System (ASSIST) -Provided guidance, and memos; -Conducted survey, provided reccos to OSD	OSD, Packard, Grace
4) Acquisition Policy	"The intent is to define an environment where DON is the smartest, most responsive buyer of goods and services, that meet Navy warfighter needs, at the best dollar value over the life cycle of the product."	-Evaluate acquisition process and policy changes; -Provide recommendations;	-Released AR 10 Guiding Principles -Inserted DoN Section into the Defense Acq Deskbook -Provided website location with relevant policies	OSD, all
5) Communications	Improve communications throughout workforce	Focus on short dissemination cycle times and fast customer response;	-Active on internet; -Active in ARCC; - Established Navy Acquisition Reform Senior Oversight Council (NARSOC)	OSD
6) Training and Education	Train and educate the workforce	- Assist in transforming WCP into acquisition -Provide training, develop skills necessary to implement WCP; -Facilitate the elimination of non-value added functions	- 200 trainers trained (Jul 95) - 7 courses developed - Working with DAU	OSD, Packard, Grace
7) Acquisition Center of Excellence (ACE)	-Save cost & reduce acq. cycle times; -Reduce program risk; -Speed implementation of WCPs	Provide an interactive workspace to demo defense applications while building confidence in the products, processes, and tools	-10/97 ACE Baseline capabilities Milestone - Established coalition w/ industry, academia and gov't	none
8) Industrial Base Integration	Enhance Industrial Base	- Act as a transfer agent to bring the commercial & defense industrial bases together; -Identify acquisition areas and needs that can facilitate technology transfer and/or dual use and broker the exchange of information	- Sponsored Navy/CEO Conference 95	Carlucci

Source: "8 Thrusts in Navy Acquisition Reform:," 13 December 1996, n.p.; on-line, Internet, 10 March 1997, available from http://www.acq-ref.navy.mil/thrusts.html.

Army Initiatives—"6 Thrust Areas"

Of all the service programs for acquisition reform, the Army program was the most cohesive and organized. The Army identified six broad areas of emphasis that covered the entire development cycle, starting with the Requirements and Budget Cycle (Thrust Area 1), progressing in order, and ending with Sustainment (Thrust Area 6). In each area, the objective is clear: to improve efficiency and or reduce cost. As in all previous service programs, each thrust area had numerous connections with on-going OSD initiatives and with previous AR efforts.

Table 5. Army "Thrust Areas" (1 of 2)

Army Initiatives 6 Thrust Areas	Goals/Objectives	Strategy	Status	Relations w/Past
1) Requirements /Budget Process	Improve efficiency in the process, reducing costs and time by: a-Streamlining the Requirements Process; b-Ensuring acquisition documents define performance that is affordable, not performance at any cost; c-Improving program stability d-Implementing Capitalization for Modernization Policy—target of 20% cost reduction across the RDTE and procurement accounts	a- Use IPTs b-Integrate Cost as an Independent Variable (CAIV) into Cost and Operational Effectiveness Analysis (COEA) b-Incorporate cost targets into ACAT III and IV programs - Force XXI Wedge. Force XXI is the Army for the 21st Century. Planning and budgeting for it starts now. POM 98-03 requested $100M "seed money" for high payoff R&D efforts out of Army Warfighting Exercises and Force XXI initiatives c-provide mangers with enhanced fiscal agility. Double RDTE / Procurement reprogramming thresholds d-return savings to innovator incentivizes further cost saving	a-TRADOC published new pamphlet which outlined new req development process w/ IPTs (ICTs—Integrated Concept Teams) b-CAIV concepts drafted into new Regulations - FY97 Defense Appropriations Act appropriated $50M (closed Oct 96) c-working with USD(A&T) to get language into 1998 legislation d-2 Oct 96 cost reduction memo signed by ASA(RDA) and CG	OSD initiatives (CAIV, IPTs); Strengthening PM—Packard, Carlucci, Grace,
2) Reduce Overhead	Reduce overhead (cost)	a- replace multiple, DOD-unique manufacturing processes with only those required to satisfy all customers (Single Process Initiative—SPI) b- Reduce excess ammo surge and backup capacity c- Expand use of fixed price performance based contracts for Base Ops. Encourage use of fixed price contracts, using performance based SOW, and past performance as source selection factor.	a-Sep 96, Army published Implementation Guidance for the SPI. b-study completed Mar 96 and briefed to VCSA Apr 96. Closed Aug 96 c-"According to the PM at Fort Irwin, the use of performance based service contracting (PBSC) had no discernible effect on the acquisition...Continuing to monitor PBSC efforts	OSD initiatives (SPI, performance-based and past performance considerations for contract award)

Source: Army Implementation Plan," 20 February 1997, n.p.; on-line, Internet, 10 March 1997, available from http://acqnet.sarda.army.mil/acqref/acqref4a.htm.

Table 6. Army "Thrust Areas" (2 of 2)

Army Initiatives (continued)	Goals/Objectives	Strategy	Status	Relations w/Past
3) Reduce Barriers	Enhance efficiency—saving time and cost	- reduce barriers in contingency contracting by raising threshold for simplified procedures to $200,000 and by expanding definition to include all military deployments and exercises -Expand use of Credit Cards; -Expand use of EC/EDI; -Exempt Critical Acquisition Corps personnel from DOD Priority Placement Program (PPP) -Decouple materiel release (MR) process and type classification (TC) process	-FY97 Def. Authorization Act expanded definition of contingency ops—raising the simplified thresholds to $200,000 upon deployment; -Audit indicates $92 savings per credit card transaction vs using a purchase order. As of 29 Oct 96, the Army conducted over 1.69 million transactions. On track to exceed Army CoS goal of 80% for micropurchases ($2,500 and below) -11 Feb 97—188 out of 210 sites are FACNET certified -Jun 96, changed PPP policy to allow best qualified selections for critical acquisition billets such as PEO, DPEO, OM and DPM. (PPP had precluded use of best qualified boards). Closed Aug 96	OSD initiatives (EC/EDI); Incentivizing workforce—Packard, Grace
4) Test and Evaluation	Improve efficiency and reduce costs within the Test & Evaluation Area	- return authority to Army (except 1D programs) - Combine to a single T&E process - go to a Test/ Simulation/ Evaluation master plan. Use modeling and simulation to reduce expensive live fire alternatives - conduct spiral development testing, not only for software, but for hardware a well - reduce sample lot testing on production contracts while maintaining control over risks	1 Oct 96, two T&E agencies: Army Operational Evaluation Command (OEC) and Army Materiel Systems Analysis Activity (AMSAA) combined to Operational Test and Evaluation Management Agency (TEMA);	test principle—all (Packard)
5) Production /Fielding Strategy	Reduce costs	- expand use of multiyear contracting - accelerate programs by increasing production rate (deleted Feb 96) - aggressively retire older equipment	-As of 10 Jan 97, 10,495 vehicles retired 51% of the goal of 20,647 by 30 Sep 97. Note: oldest equipment accounts for 30% of Operating and Sustainment (O&S) costs. So far cost avoidance is $2.4M and cost savings is $17.1M across the POM years.	multiyear—Packard, Carlucci, Grace
6) Sustainment	Reduce costs in the Sustainment Area	- Modernize through spares by incentivizing the Original Equipment Manufacturer (OEM) to bundle spare parts into components and to improve components; - Reduce inventory by 20% - Reduce contract award and delivery time by 50% - Revise equipment disposal process so that Army gets a percentage or discount on a trade-in against new equipment - Create a revolving fund for O&S cost proposals	-Army worked with OSD 's Depot Maintenance Reliability Program (PBD 714) and it's Defense Business Operating Fund (DBOF). Also established a similar AMC program, funding 31 projects at $10.65M for improvements to DBOF spares	OSD initiatives, Packard's 50% reduction in time

Source: " Army Implementation Plan," 20 February 1997, n.p.; on-line, Internet, 10 March 1997, available from http://acqnet.sarda.army.mil/acqref/acqref4a.htm.

A Summary

These current acquisition reform initiatives have addressed nearly every niche in the defense acquisition system—from streamlining the RFP process to contract oversight improvements. Many of these "initiatives" can be directly traced to long-standing and venerable principles established by previous reform efforts. Perhaps the most significant initiative that doesn't have a strong tie to the past is the concept of teams and of IPTs. Embracing the use of IPTs and the tenet of decentralized execution, each service developed its own acquisition reform (AR) program. In the next chapter, we'll take a closer look at these initiatives and programs through the lenses of the key elements of organizational change.

Notes

[1]Coliie J. Johnson, "DOD Press Briefing Underscores Important Reform Initiative," *Program Manager* 25, no. 2 (March-April 1995): 6.

[2]Donald F. Kettl and John J. DiIulio, Jr, *Inside the Reinvention Machine*, (Washington, D.C.: The Brookings Institution, 1995), 1.

[3]*ibid.*, 2.

[4]Charles B. Barry, "The Federal Acquisition Reform Act of 1994," *The DISAM Journal* 17, no.3 (Spring 1995): 124.

[5]Lisa Corbin, "Streamlining Federal Acquisition: A Guide to the New Law," *Government Executive* 27, no. 1 (January 1995):3A.

[6] James H. Gill, "Performance-based Management - The Devil is Truly in the Details," *Program Manager* 25, no. 2 (March-April 1996): 18.

[7]Terry Squillacote, "FY96 Defense Authorization Bill Hailed As Vicotry for Acquisition Reform," *Program Manager* 25, no. 3 (May-June 1996): 17.

[8]"Key Provisions in the FARA 1996," 26 February 1996, 7; on-line, Internet, 19 November 1996, available from http://www.acq-ref.navy.mil/fasta.html.

[9]Squillacote, 16.

[10]*ibid.*, 16.

[11]"Key Provisions in the FARA 1996," 26 February 1996, 7; on-line, Internet, 19 November 1996, available from http://www.acq-ref.navy.mil/fasta.html.

[12]Col Richard Engel, " Overarching Integrated Product Team-Working Integrated Product Team Process," *Program Manager* 26, no.1 (Special Issue, January-February 1997): 49.

Notes

[13]Joe Ferrara, "DOD's 5000 Documents: Evolution and Change in Defense Acquisition Policy," *Acquisition Review Quarterly* , no. 3 (Fall 1996):112.

[14]"Acquisition Reform Home Page," 12 March 1997, 8; on-line, Internet, 13 March 1997, available from http://www.acq.osd.mil/ar/.

[15]LtCol Bob Hartzell, "DSMC Hosts Single Process Iniative Symposium," *Program Manager* 26, no. 1 (Special Issue, January - February 1997): 78.

[16]MGen Robert W. Drewes, "SPI - Progress Made and Lessons Learned," *Program Manager* 26, no. 1 (Special Issue, January - February 1997): 37.

[17]"Lightening Bolts, Initiatives, Success Stories", 4 Mar 97, n.p.; on-line, Internet, 10 March 1997, available from http://www.safaq.hq.af.mil/.

Chapter 4

"This, Too, Shall Pass...?"

> *From previous reforms that had swept over government, they [federal employees] had learned two lessons. Bold rhetoric often had little substance behind it. And new revolutions soon replaced old ones, so they could easily wait out any new reform. Indeed, there had been total quality management, which replaced the Reagan administration's privatization initiatives, which followed on the heels of the Carter administration's reorganizations, which came after the Nixon administration's management by objective's, which succeeded the Johnson administration's planning-programming-budgeting system. "This, too, shall pass" was the watchword among countless managers (and "none too soon" others added under their breaths). Many managers had little confidence that reinventing government would produce any better results or prove any longer lasting than earlier initiatives.*
>
> —Donald F. Kettl
> *Inside the Reinvention Machine*[1]

Will the new and improved acquisition reform efforts take root and grow? Or will this, too, pass? This chapter will relook at these initiatives in the context of the failures of the past 25 years, and as we did in chapter two, against the four elements of organizational change—leadership, metrics, workforce, and organizational structure/culture.

Leadership

As discussed in Chapter 2, the leadership element to drive organizational change has not changed at the national level—there is still no overarching leader that spans the legislative and the executive branches. Those same problems with conflicting goals and

strategies will still exist. However, let's look a bit closer at the leadership within the executive branch that is driving the acquisition reform efforts.

Despite the re-election of the Clinton Administration, some of the key leaders and catalysts for change are no longer in place. One significant change in leadership is the loss of Secretary Perry. A key member of the Packard Commission in the mid-eighties, Secretary Perry had been an ardent supporter of acquisition reform for many years. In addition to the loss of Perry, Colleen Preston, the architect of the current acquisition reform, also stepped down in January 1997. The loss of these two key players will certainly be felt, to what extent is unknown. Will the new Secretary of Defense be a strong advocate for reform as Perry? Will the post of DUSD(AR) be filled?

This leadership change comes at a critical transition period. After nearly four years, the team has recognized that the reform movement has entered into a new phase. A new slogan, borrowed from Winston Churchill—"The End of the Beginning"—has been introduced to drive this point home.[2] The leadership clearly understands that the initial momentum of a newly launched program and its accompanying novelty, freshness, and vigor can soon wear off. The most difficult part of institutionalizing change—and the point where past reform initiatives have failed—is at hand.

The leadership role. "Change…can occur only through effective and determined leadership, clear strategic vision and goals, and the successful management and execution of well thought out implementation plans."[3] These plans must be "beyond a fuzzy top level guidance written in law and toward a more specific series of actionable steps tied directly to organizational processes, individual responsibility, and measurable results centered success criteria."[4]

So, how does the current implementation strategy stack up to the requirements listed above? Let's first look at whether the leadership has provided clear strategic focus.

According to Van Wart and also to Kettl, our current acquisition reform strategy may be muddled because it is a hybrid of several conflicting strategies. Van Wart discusses two organizational models that are competing to change the traditional bureaucracy—one based on competition, the other on empowerment

> The competitive model emphasizes public choice (customer focus and multiple versions of service), entrepreneurial leadership (competing with other public and private providers), and flexibility of structure and workforce (process reengineering and a flat organization). This model implicitly encourages midmanagement reductions, significant employee redeployment initiatives, and often employee downsizing when redeployment is insufficient.
>
> The empowerment model is based on organization democracy (decentralization of leadership), worker creativity (continuous improvement by workers and employee development), and worker commitment (focusing on employee needs and employees as assets) in order for them to willingly be more flexible and make sacrifices when necessary. This model implicitly encourages reducing management by devolving much decision making to the line, returning many managers to the line, and full employment despite work downturns.
>
> ...the ultimate driving force in the competitive model is the customer/citizen, and in the empowerment model, it is the employee.[5]

Kettl, in his book *Inside the Reinvention Machine*, provides a very similar analysis, but also subdivides the competitive model of Van Wart into downsizing and reengineering. Kettl's third major management reform movement—continuous improvement—is what Van Wart labels as the empowerment model. As shown in table 1 below, distinct, fundamental differences between these movements becomes evident:

Table 7. Major Management Reform Movements in the United States

	Downsizing	*Reengineering*	*Continuous Improvement*
Goal	Lower Expenditures	Efficiency	Responsiveness
Direction	Outside-In	Top-down	Bottom-up
Method	Blunt Targets	Competition	Cooperation
Central Focus	Size	Process	Interpersonal Relations
Action	Discontinuous	Discontinuous	Continuous

Source: Donald F. Kettl and John J. DiIulio, Jr, *Inside the Reinvention Machine*, (Washington, D.C.: The Brookings Institution, 1995), 45.

Not only are the precepts of each movement different, but as Kettl points out, they are in direct conflict with each other. Downsizing is typically enforced from outside the organization (by an angry public or Congress). It's goal is to reduce cost by setting blunt (some say arbitrary) targets "driven by the assumption that there is ample waste in government to accommodate the cuts."[6] Reengineering strives for greater organizational efficiency through a radical change in the process. Though some workforce involvement is required, the movement is top-down directed with the leaders providing a broad, strategic direction with a focus on better serving the customer. As a result of proper reengineering, the workforce may *then* be reduced.

"Continuous Improvement, by contrast, seeks greater responsiveness to the needs of customers by launching an ongoing process to improve the quality of an organization's products. Advocates of continuous improvement believe that workers know best how to solve an organization's problems, so unlike reengineering, continuous improvement builds

from the bottom up."[7] Trust, cooperation, and "stronger relations among employees are more important than organizational structure and process."[8]

Each of these reform movements is fundamentally appealing with virtuous goals. Unfortunately, with the push of Vice President Gore's NPR and the help of Congress, acquisition reform is attempting to implement all three. Managers will try meet arbitrary downsizing quotas (FARA and AF Lightning Bolt #3), by attempting to reengineer the process (so downsizing is not the result of reengineering), all while encouraging employees to take more risks to improve the product while their jobs are in jeopardy. "The advocates of each approach are often aghast at such hybrids, which send out contradictory signals to workers and create conflicting expectations about results."[9]

Part of this dilemma can be traced to the perhaps over-enthusiastic energy of the reform effort. The effort is extremely broad, covering nearly all facets of the process, and encourages the incorporation of successful, and seductive commercial practices. In "Nine Pitfalls of Change Efforts", David Chaudron warns leaders not to get trapped in the "NIH" syndrome ("Not Invented Here"). Our leadership may have taken this warning to its opposite extreme. When asked how she would like to be remembered in her leadership role with acquisition reform, Preston responded "as...the world's best plagiarizer."[10] Here we need to be careful with Chaudron's second half of his warning to also not buy into canned programs which sell square pegs that doesn't fit into the round hole of the organization. As an example, an additional research paper could easily be generated on the controversy of whether the government can or should implement a host of commercial practices.

Listening with an open mind is a powerful tool, but the information must be filtered, refined and focused to provide a clear, unambiguous strategic vision.

Looking at the next level down—the service implementation programs—are there clear, actionable steps? With the Army's and the Navy's "Thrusts" and the Air Force's Lightening Bolts, the answer is a qualified "yes". Perhaps due to the conflicting strategies mentioned above, as well as the desire for decentralized execution, these acquisition reform programs from each of the services are disjointed and emphasize different areas.

The Army program of six thrusts is the only program to cover the entire life-cycle of a program. Thrust Area #1 starts with improvements to the requirements and budget process, then, in order, other thrust areas cover contracting improvements, test and evaluation improvements, production and fielding initiatives, and ending with Thrust Area #6 that covers the sustainment issues of a program. The Army program is heavily geared toward the competitive model where cost and efficiency is the focus.

In contrast, the Navy's program is much more indicative of the empowerment model and of continuous improvement. Six of the eight thrusts reflect a more cooperative spirit: *Partnering and Customer*, *World Class Practices*, *Communications*, *Training and Education*, *Center of Excellence*, and *Industrial Base Integration*.

The Air Force program of Lightening Bolts is perhaps the most multi-colored of the three programs. It contains all three of the reform movements mentioned by Kettl, and is the only service to list downsizing as an initiative. Interestingly, the downsizing was also specifically limited to the program offices and not to the rest of the acquisition personnel. It included some continuous improvement initiatives like *Training* and *RFP Support Teams*, as well as some reengineering initiatives like *Reinvent the AFSARC Process*. The

Lightening Bolts also ranged from very specific initiatives (*Cancel All Center Acquisition Supplements*), to very broad initiatives (*Reducing Cycle Times*). Taken collectively, the Lightening Bolts are a potpourri of good ideas—much like the DUSD(AR) sponsored initiatives, and the Carlucci Initiatives 15 years ago—but they do not form a cohesive, structured strategy for implementation.

Did the leadership provide a clear strategic focus and an implementation strategy that is clear and actionable? While current acquisition reform efforts could have had better focus, these plans are clearly more substantive than many of the earlier efforts of the past 25 years. In many ways it is similar to the Defense Acquisition Improvement Program (DAIP) where Carlucci shot-gunned 31 initiatives for implementation. The differences between DAIP and today's reform are in measuring progress and in involving the workforce. These differences will be addressed in the next two sections.

Metrics

Metrics, a bane of the acquisition reform attempts for the past 25 years, has had a significant overhaul this time around. In particular, it has received early and continuous high level attention, and is still actively measured nearly three years after FASA.

Starting with the foundation laid by the Strategic Outcome Metrics Tiger Team in 1995, the Acquisition Reform Benchmarking Group (ARBG)—an on-going team—has produced an initial set of metrics to assess the impact of various reform initiatives. First, the ARBG broke out the metrics into 3 levels: a program level (pilot program metrics); a subordinate level (service-level metrics); and an Enterprise level (DOD level). This paper

will concentrate on these Enterprise metrics—the top-level indicators for acquisition reform performance.

The Enterprise metrics are divided into four categories: Cost, Schedule, Training, and Performance.

Cost. The ARBG identified two metrics in measuring the cost efficiency of the reform efforts. The first metric is *Purchasing Cost*. As a measure of in-house efficiencies, Purchasing Cost is the in-house costs incurred to purchase one dollar of goods and services. Over time, as in-house efficiencies are realized with the reform initiatives, these costs are expected to decrease. The second metric for cost is the *Annual Rate of Program Cost Change*. This metric measures the fluctuation in program cost from year to year. With the introduction of Integrated Product Teams (IPTs) and Cost As an Independent Variable (CAIV), it is expected that these fluctuations should also decrease.

Unfortunately in the area of measuring cost savings, it is still extremely difficult. Of the two metrics presented by ARBG, the *Annual Rate of Program Cost Change* is essentially the same metric as the 1979 RAND Ratio method discussed in Chapter 2. Here, the program cost fluctuation is described in terms of a percentage rather than a ratio. The limitations are still the same. The first metric, Purchasing Cost, has many shortfalls. It doesn't account for complexity of the contracts, or the number of contracts, or whether the programs were successful or not. Downsizing initiatives would also have a strong effect on its results. This metric may be much more appropriate at the program office or center level rather than at the Enterprise (DOD) level.

Schedule. The first of two metrics that track schedule performance is: *Product Realization Time*. This metric—the same metric advocated by Packard—measures the amount of time between program start to initial operational capability of major defense acquisition programs. (Interestingly, the numbers reflected for 1994 and 1995 show about 115 months and 120 months respectively—or about 10 years—the average for the past 25 years!) The second scheduling metric is *On-Time Deliveries*. "This metric presents the percent of contract line items which are on schedule in accordance with their contract terms."[11]

This second scheduling metric, On-Time Deliveries is not a useful, nor productive metric. It is much too limited. First it doesn't account for how late, or how early deliveries are, it only has a binary accounting for whether the delivery was on time or not. It doesn't incentivize early delivery nor does it penalize an extremely late delivery. This measure, in fact, could incentivize both the contractor and the program office to pad the schedule to ensure a successful On-time delivery. The dilemma is very similar to measuring cost savings. If required at all, this metric could be modified to reflect a change in schedule (i.e. the RAND Ratio method with schedule as the parameter).

Training. For training, there is only one metric—the number of people that have received DAWIA Certification. The collected data reflects that the number of certified personnel has steadily increased from 1993. Required by law, easy to measure, this metric primarily tracks the progress of the training program. If however, the intent is to also track the quality level of the acquisition workforce, then the measure by itself is inadequate.

In a hypothetical example, if an Air Force recruiting class has 90% of its personnel with a high school degree or better, and a subsequent recruiting class has 95% of its personnel with a high school degree or better, one may conclude that the second class was qualitatively better than the first. However, if the first class had an average GPA of 3.5, and the second class averaged only a 2.0 GPA, which class would now be qualitatively better? This example illustrates the potential shortcomings of measuring for minimum compliance—it sometimes provides very little insight, particularly if the compliance rate is high.

If measuring the workforce quality levels is desired, then additional metrics could include exam scores, perhaps on those exams (currently non-existent) required for maintaining certification.

Performance. In the category of Performance, the ARBG came up with 3 metrics. The first metric is *Major Defense Acquisition Program* (MDAP) *Breaches*. This metric tracks the number of MDAP breaches and the time it took to resolve them. With the use of IPTs, the ARBG believes that both the number of breaches and the time to resolve them will decrease. The second performance metric measures the number of *Class I Engineering Change Proposals (ECPs*) per 1000 contracts. The last performance metric tracks the number of *major waivers and deviations* per 1000 contracts. Unfortunately, these metrics are fairly easy to manipulate. A program manager or contracting officer, knowing that he is evaluated based on the number of ECPs generated, could easily ask the contractor to bundle the ECPs.

But a larger concern is that these three "performance" metrics are basically measuring the performance of the *process* as opposed to the performance of the end product. The

ultimate question with regard to evaluation should be with respect to the *capability* that is delivered to the warfighter. This point is even more important now that the end item performance is targeted for trade-off under the CAIV initiative.

One critical oversight is that none of these metrics have any benchmarks or goals. Though it would be simple to establish, the metric program is currently presenting only trends. These type of trending metrics are more consistent with continuous improvement reform. Though continuous improvement efforts require trending, (and most times with goals), reengineering efforts which are discontinuous in nature, must prominently target benchmarks, goals, and clear success criteria. To match the rhetoric of reengineering the acquisition process, benchmarks, goals, and success criteria should be established.

Most of these metrics identified and developed by ARBG attempt to measure effects created by the reform initiatives. But most of the effects they are trying to measure are focused on the process rather than on the desired results (i.e. the focus is on the training program rather than on the workforce; or on MDAP breaches rather than on final product performance). We must not forget that the whole purpose of defense acquisition is in support of the warfighter. Our metrics, as we reform the system/process, must track our effectiveness in this support.

One metric which deserves stronger attention is Packard's suggestion to track the time span of the acquisition cycle (or ARBG's *product realization time* metric). In the commercial world, Texas Instruments concentrates on reducing the cycle time to meet the customer's need for a high quality, low-cost product. [12] Time is treated as a valuable commodity—saving time, saves costs. Dr. Walter LaBerge extrapolated the Texas Instruments experience and asserts that emphasizing "minimum cycle time can produce

striking improvements for DOD in product quality, significant reduction in product cost, and more rapid new product introduction."[13]

However, further study is still required. The acquisition of a highly complex system (such as a new aircraft) is vastly different to an upgrade of a black box, or the production of a new commercial chip. If the characteristics of the product (such as complexity, software intensity, amount of cutting edge materials, or percent of commercially-based components) are vastly different, then these differences in characteristics should be considered when measuring the product's realization time. Similarly, when establishing benchmarks for this metric, characteristics again must be considered. Though Packard, LaBerge, and the Oversight PAT are among many advocates who recommend a uniform target of reducing the product realization time by 50%, more analysis needs to be done to properly ensure feasible benchmarks while considering key product characteristics.

Although the same shortfalls still exist as mentioned in chapter 2 (in particular the impact of external factors), this metric of product realization time can still provide a general, "first cut" assessment on the effect of acquisition reform. In addition to this metric, an additional metric that tracks the end product performance should also be established. This combination of end product performance and product realization time, provides a better overall indicator of acquisition reform success, and can be couched in terms of impacts to the warfighter.

Workforce

Perhaps the biggest difference in the strategies of the past 25 years compared with today's reform activities, is in this area of empowering and engaging the workforce. With

the institutionalization of IPTs, the workforce is more involved than in any time in recent history. The AR leadership is acutely aware of the importance of keeping the workforce engaged. In an interview, Colleen Preston shares that

> unlike past reform efforts, our initiatives would be developed by people on the front lines and that we would not issue edicts from on top....Probably the best example of that strategy in action is Military Specifications and Standards. Dr Perry could have very early on...issued a memorandum stating that, "From this day forward you will not use Military Specifications and Standards." He believed and I believed that it was very critical, instead, that we have a Process Action Team made up of people who were dealing with these issues on a day-to-day basis and let them make the recommendations on how to implement or achieve this objective.[14]

However, we must not forget that IPTs are not a panacea. They can and do fail. We are often reminded that it is the *teamwork*, and not the team, that enables success. This requires proper training. To succeed, the teams also need proper authority—they must be empowered. This requires trust. In their book, *Why Teams Don't Work*, Robbins and Finley raise another concern (just one of many) that team members often aren't appropriately rewarded and incentivized. Who evaluates team member performance? How are promotions handled? These issues will become more critical as teams become more prevalent.

The second key activity in empowering the workforce is to open new channels of communication. Here, the use of the internet has shattered old bureaucratic communication lines. Now everyone has access to a vast amount of unfiltered information. Every player in the acquisition reform community has a home page. Additionally, the Acquisition Reform Communications Center (ARCC) under the Defense Acquisition University, presented it's first satellite broadcast on 28 June 1995. All of these innovative communication techniques further enhance workforce empowerment.

The lone activity where little progress has been made, is with incentivizing the workforce. Although there has been much talk and print about reforming the personnel system (recall FASA and NPR language) only recently has there been some movement. With the authorization of the Acquisition Workforce Personnel Demonstration Program, the door has finally cracked slightly ajar. If this program can clearly and decisively demonstrate how the effectiveness of the workforce can be enhanced by allowing greater control over personnel functions, perhaps the visions of Packard can finally be realized. True and proper incentives can be structured to encourage acquisition reform and assist in reinforcing and encouraging cultural change. Unfortunately, the targeted start date is not until the summer of 1998, and results may take several years to compile.

One additional incentive, though small, is also worth mentioning. It is the award of Vice President Gore's Hammer Award to the numerous Acquisition Reform Teams and Working Groups in September of 1996. Though not a monetary award, this kind of special recognition still contributes in the implementation of change.

Changing the Organizational Structure and Culture

The fourth principle to consider for implementing organizational change is the effectiveness of transforming the underlying structure and culture of the organization. With the introduction of the new phase in acquisition reform, "The End of the Beginning", Paul Kaminski , Under Secretary of Defense for Acquisition and Technology, and Colleen Preston both understood this principle, emphasizing that "the most critical factor that faces us is completing that process of cultural change."[15]

As mentioned in Chapter 2, disciples of reengineering and reinvention processes demand a drastic, radical change in the organization's structure. However, like the previous reform efforts of the past 25 years, there has been no radical organizational change. A permanent, full-time office DUSD(AR) has been added to drive the acquisition reform efforts, and IPTs are now an institutionalized practice. With these fairly superficial changes, one might immediately discount the possibility that the government's traditional, bureaucratic culture would change....or could it?

Montgomery Van Wart in his article "The First Step in the Reinvention Process: Assessment", referenced a survey that found that the social and organizational values—the underpinnings of culture—in government organizations *are* in the midst of tremendous change.

> At the macro level, new emphasis is on competition, market incentives, continuous improvement, weeding out programs, and reengineering process. Values about structure are now emphasizing decentralization, teamwork, flattened organizational structure, multi-dimensional jobs, and multiple versions of service provision. Values about work now generally emphasize customer (citizen) focus, innovation, creativity, measurement as a positive stimulus, bottom-line productivity, maximizing worker potential, and prevention of problems rather than reaction to them. Values about employees have stressed their needs, employees as assets, shifting management functions to frontline workers and increasing employee development...[16].

These comments on the government employee's changing values are graphically depicted in Table 8 below.

Table 8. A Comparison of Traditional Public Sector Values with Those Competing for Emphasis

TRADITIONAL	NEW
Macro-Level Values	
Monopoly	Competition
Regulation	Market Incentives
(organization for control)	(organization around mission)
Reduction v. growth	Continuous Improvement
Adding Programs	Changing Programs
Values about Structure	
Centralized	Decentralized
Supervisor as controller	Supervisor as helper
Nondemocratic	Participative
Individual work	Teamwork
Hierarchical organization	Flat Organization
Simple Jobs	Multi-dimensional jobs
Single service	Multiple versions of service
Values about work	
Expert focus	Customer focus
(internally driven)	(externally driven)
Focus on tradition	Focus on innovation
(status quo)	(change)
Problem analysis	Seeing possibilities
Measurement is feared	Measurement is an opportunity
Protective	Productive
Performance	Ability
Inspection and control	Prevention
Values about Employees	
System indifference	Employee needs
Employees as expense	Employee as asset
Manager focus	Employee focus
Appraisal/sanction/ranking	Development/learning/recognition

Source: Montgomery Van Wart, "The First Step in the Reinvention Process: Assessment," *Public Administration Review* 55, no. 5 (September/October 1995): 431. Note that Van Wart uses the term "Public Sector" to differentiate from the "Private Sector" or businesses. The public sector represents government agencies at the city, state and federal levels

These overall trends of changing values directly map into many of the principles and initiatives of acquisition reform—continuous improvement, decentralized execution, teamwork, flat or streamlined organizations, customer focus, encouraging innovation, more positive emphasis on measurements, as well as empowering the employee. If these trends continue, a major hurdle to implementing change—changing the culture—will be cleared.

Summary

We are presently at the critical juncture of acquisition reform—the "end of the beginning." Will the repackaged acquisition reform efforts take root and grow? Or will this, too, pass? In looking at the leadership, metrics, the workforce, and the organizational culture—the keys to implementing change—the outlook is mixed, but fairly positive. Three out of the four elements for change are stronger than past reform efforts. Looking first at these optimistic indicators, one positive difference is that some key metrics have been identified and are still actively monitored. However, better metrics still need to be developed and established that can more accurately assess the performance of the acquisition reform effort, particularly within the context of supporting the warfighter. Second, the workforce is more involved in the reform process than in past efforts, partially through the use of IPTs and non-traditional communication lines. However, more involvement does not necessarily equate to full empowerment. Additional changes must occur within the personnel system to truly empower the team leader and the team. Third, and perhaps a result of the cumulative effect of the previous reform efforts, the organizational values of the governmental worker *are* changing.

The primary uncertainty—the cloud in the sky—is with the element of leadership. As in the past 25 years, and in the foreseeable future, there is no national strategic leader that can provide an overarching strategy that spans both the legislative and the executive branches. Within the executive branch leadership, the departure of Perry and Preston also leaves a large vacuum. However, these shortfalls in leadership can be mitigated to some extent.

The last chapter will offer some recommended steps and post a few cautionary signs to enhance the outlook for a more robust, continually improving defense acquisition system, driven by an empowered workforce.

Notes

[1]Donald F. Kettl and John J. DiIulio, Jr, *Inside the Reinvention Machine*, (Washington, D.C.: The Brookings Institution, 1995), 21.

[2]Program Manager Interview, "Paul Kaminski on Acquisition Reform: Changing Culture is a Hard Process," *Program Manager* 26, no.1 (Special Issue, January-February 1997): 11.

[3]LtCol Robert K. Saxer, "Taking the Next Step: Implementing Orgainzational Change," *1995 Acquisition Symposium*, (Washington, D.C.: NCMA, 1995): 223-224.

[4]*ibid.*, 224.

[5]Montgomery Van Wart, "The First Step in the Reinvention Process: Assessment," *Public Administration Review* 55, no. 5 (September/October 1995): 431-432.

[6]Kettl, 45.

[7]*ibid.*, 46.

[8]*ibid.*, 46.

[9]*ibid.*, 46.

[10]Program Manager Interview, "Colleen Preston on Acquisition Reform", *Program Manager* 26, no.1 (Special Issue, January-February 1997): 30.

[11]"Enterprise Metrics," 15 September 1996, n.p.; on-line, Internet, 10 March 1997, available from http://www.acq.osd.mil/ar/arms/.

[12]G. Dean Clubb, "Blinding Speed Equals Competitive Advantage," *Acquisition Review Quarterly* 3, no. 4 (Fall 1996): 175-180.

[13]Walter B. LaBerge, "'Cycle Time' - A Military Imperative as Well", *Acquisition Review Quarterly* 3, no. 4 (Fall 1996): 79.

[14]Program Manager Interview, "Colleen Preston on Acquisition Reform", *Program Manager* 26, no.1 (Special Issue, January-February 1997): 25.

[15]*ibid.*, 26.

Notes

[16]Van Wart, 431.

Chapter 5

Concluding Remarks

> *There is nothing more difficult to take in hand, more perilous to conduct, or more uncertain in its success than to take the lead in the introduction of a new order of things.*
>
> —Niccolo Machiavelli[1]

Although change is unarguably difficult, we have seen encouraging signs that perhaps a new order of things in the acquisition world may be taking place. The previous chapter showed some improvements in the key elements that are critical to organizational change. To further encourage change the following courses of action are recommended:

Leadership. First and foremost, the AR leadership must clarify and focus it's strategy to implement acquisition reform. It must understand and carefully select between the sometimes conflicting strategies of downsizing, reengineering and continuous improvement. If continued downsizing is dictated by external forces (i.e., Congress), then AR leadership must avoid implementing counter strategies such as continuous improvement. Continuous improvement initiatives fundamentally rely on trust between the workforce and management—trust which does not exist in an environment of forced downsizing. If an opportunity is provided to select a strategy, this paper recommends an emphasis on the continuous improvement strategy with only selective uses of reengineering.

Why this approach? First downsizing is considered by theorists as "reengineering, done incorrectly..." or as "dumbsizing".[2] Though downsizing can reduce costs in the short-term, in the long run, it does not address nor correct the fundamental problems with the process, nor does it assure that the mission, or its essential tasks will be preserved and accomplished. Reengineering, on the other hand, "is a high-risk strategy by definition, because its assumption is that *both* what the organization is doing and how it is doing it *can and must be radically altered*."[3] It requires significant top management involvement—which in the case of acquisition reform, means a joint, cohesive effort headed by both the legislative and executive branches. Based on past reform attempts, this cohesive top-down strategy is highly unlikely, except in narrowly defined instances (i.e., FASA 94).

The continuous improvement strategy, is a lower risk, slower paced (evolutionary), bottom-up strategy, that is more politically plausible and has been the method primarily used in the past. Despite the rhetoric from the National Performance Review (NPR) and our own current acquisition reform efforts, there have been actually little true reengineering (or reinvention) efforts where we have seen radical organizational changes. In the case of acquisition reform, we have seen the creation of DUSD(AR) and the institutionalization of (unempowered) IPTs in the acquisition process. These changes are far from radically altering our organization and the way we conduct business, and are more evolutionary In nature.

A.C. Hyde, a consultant with Brookings Institution, also points out that although continuous improvement and reengineering strategies are different in many ways (bottom-up versus top-down, slow-paced versus fast-paced...), "they do share in common...all the

important things—emphasis on management by process, concern for customers, extensive use of work teams, and making decisions based on performance results data."[4] Hyde too, recommends a foundation of continuous improvement combined with a selective use of reengineering "to drive radical change efforts where needed."[5]

Once the strategy is established, the acquisition reform leadership must continue to work with Congress to ensure a stable and consistent program for instituting reform. The Packard Commission in 1986 received notable cooperation (other than workforce incentives), as did the recent Federal Acquisition Streamlining Act (FASA) of 1994. In the near term, the acquisition reform leadership must discourage Congress from dictating forced targets for downsizing, and micromanaging through legislation. As previously mentioned, these actions make it difficult to gain the trust of the workforce, it complicates the process to empower them for decentralized execution, and precludes continuous improvement. David Packard clearly understood this when he stated in 1986 at a Congressional Hearing:

> ...you cannot legislate good management. The Congress has got to be extremely conscious of that and of the potential for serious problems when Congress tries to do so. In fact, the many reforms of the past few years have not addressed the root causes to problems in defense acquisition. In many cases, they have made the problems worse.[6]

But to obtain this cooperation from Congress requires a clear, strategic vision that can be articulated and communicated.

Metrics. The current metrics program is still full of vigor and is tracking a host of metrics. However, there is still much that can be done.

As suggested in Chapter 4, one metric that should be emphasized and further refined, is Packard's suggestion of monitoring the product realization time (or the length of time

between program start and initial operating capability). This metric not only is an indicator for schedule, but also has been found to correlate with cost and performance. It is a key metric for developing microchips and automobiles, and can also be prominently used for many military acquisitions as a good first look.

In addition, the changes in a program's performance requirements as it progresses through the acquisition cycle should be tracked. The combination of the product realization time, with this metric on the fielded system's performance, can provide a powerful indicator of acquisition reform's impact and support to the warfighter.

Also suggested in Chapter 4, the other Enterprise metrics with respect to cost, schedule, performance and training must be modified. Some metrics can be too easily gamed (number of ECPs). Other metrics are too general to be useful (Purchasing Cost, On-time Deliveries). The bottom line is that metrics must clearly and unambiguously measure the impact of implementing an initiative. With the stand-up of the Navy's Acquisition Center of Excellence later this year, much needed advancements in cost estimating, modeling, and in metric development should be aggressively pursued.

Empowering the Workforce. With the institutionalization of Integrated Product Teams (IPTs) and the prolific growth of instantaneous access to information via the internet, this element of empowering the workforce has seen the largest difference between past reform efforts and today's. For the future, IPTs will be the standard business practice, but care should be taken. As mentioned in Chapter 4, teams can and do work, but they can also fail if not properly trained, structured and empowered. Team training must continue.

With the proliferation of teams, questions of personnel management will arise. Who will evaluate team member performance? In many cases today, the team leader is not empowered to rate his functional team members. This results in team members who are not responsible for the product, but to a functional chief. Similarly, how will promotions, hirings, and firings be handled? It is for these reasons that the Acquisition Workforce Personnel Demonstration Program is critical. If successful, this program will provide much needed flexibility to properly incentivize and structure the workforce. Though not scheduled to start until the summer of 1998, meticulous attention and tremendous energy must be spent now to ensure success.

Destabilizing the organizational structure/culture. To encourage organizational change, this element states that the existing organizational structure/culture must be destabilized. Reengineering theorists accomplish this element through radical reorganization. Yet, the evidence presented in the previous chapter has shown that a constant, evolutionary pressure can also induce changes in the government culture. Thus, the recommended strategy of continuous improvement punctuated with selected reengineering activities, could also keep the organizational culture destabilized to encourage further change implementation. As mentioned above, one future destabilizing event will be the reengineering effort of the personnel management system based on the results from the Acquisition Workforce Personnel Demonstration Program.

A Final Note

This paper has looked at past and current reform attempts and found that the acquisition principles and initiatives have been nearly unchanged for 25 years, despite a

near continuous call for reform. Because the defense acquisition process is incredibly complex, buffeted by numerous factors, change is difficult. Yet, as we strive to improve the system, we must not miss the bigger picture, so eloquently stated by Ms. Preston:

> Above all we cannot lose sight of the fact that the acquisition system is not an end in itself—that it was created to serve a purpose: to meet the warfighter's needs.[7]

Notes

[1]Lt Col Robert K. Saxer, "Taking the Next Step: Implementing Orgainzational Change," *1995 Acquisition Symposium*, (Washington, D.C.: NCMA, 1995): 223 quoting from Niccolo Machiavelli, *The Prince*, (Chicago, IL: The University of Chicago Press, 1985), 23-24.

[2]A.C. Hyde, "A Primer on Process Reengineering," *The Public Manager: The New Bureaucrat* 24, no. 1 (Spring 1995): 56.

[3]*ibid*.,56.

[4]*ibid*.,56.

[5]*ibid.*,56.

[6]Senate, *The Acquisition Findings in the Report of the President's Blue Ribbon Commission on Defense Management: Hearing before the Subcommittee on Defense Acquisition Policy of the Committee on Armed Services United States Senate*, 99th Cong., 2nd sess., 8 April 86, 33.

[7]Colleen A. Preston, "DOD Must Re-Engineer It's Procurement System Now," *Defense Issues* 10, no. 24 (21 February 1995): 1.

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