

Leadership and Accountability

Second Acquisition Reform Event

July 29, 2014

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Issue Area & Problem Statement

- Leadership and Accountability: Disconnects between the budget, processes, and acquisition processes and organizations
- **Problem Statement:** Lack of synchronization between the requirements, budgeting, and acquisition processes and acquisition stakeholders (gov't, industry, Congress) increases cost, schedule, and technical risk

Root Cause Analysis

No.	Root Cause	Related Factors	Rating
A	Lack of effective communication (and coordination) between Acquisition stakeholders, resulting in disconnects between requirements, budgeting, and acquisition systems	<ul style="list-style-type: none"> Lack of reasonableness in requirements Failure to capture industry inputs in early acquisition planning Dealing with uncertainty 	1, 1, 1, 1
B	Requirements, budget, and acquisition systems operate on different timelines	<ul style="list-style-type: none"> Inability to synchronize unplanned deviations across the Acq. System 	1, 1, 1, 1
C, J	Acquisition stakeholders have different cultures, motivations, and incentives (poor incentives)	<ul style="list-style-type: none"> Inability to quickly align incentives to accommodate unplanned deviations from plan 	1, 1, 1, 2
D, G	Lack of appropriate authorities to resolve issues at the working level (PEO or comparable and below)		2, 3, 3, 1
E	Critical evaluation of program performance and proactive decision making to correct program deficiencies (or terminate programs)		2, 3, 3, 2
F	Complexity of the systems under development and the governing acquisition processes		2, 1, 2, 3

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Root Cause Analysis - Cont.

No.	Root Cause	Related Factors	Rating
H, J	Failure (lack of incentives) to take advantage of flexibility in the FAR; a risk averse culture	<ul style="list-style-type: none"> • “My contracting officer won’t let me do that...” • Poor promulgation of lessons learned regarding flexible uses of the FAR 	2, 1, 1, 2
H, K	Regulatory (and oversight) burden	<ul style="list-style-type: none"> • Accretive regulations; no sunset provisions • No ability to quickly identify and retire regulations • Different legal and regulatory frameworks • Assignment of de facto program control to oversight and review bodies 	1, 1, 2, 1
I	Frequent turnover of program teams		3, 3, 3, 2
L	Onerous oversight and review process impedes program progress and assigns de-facto authority to oversight groups		2, 3, 2, 1
M	Initial program planning deficiencies; hidden costs and evolving requirements		2, 2, 2, 1

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Solution Proposal(s): Findings

- The Acquisition System is necessarily complex; imposing changes will have unintended consequences.
- “There are no new ideas under the sun.” Failure to implement acquisition reform is a function of 1) leadership and 2) particularity. How do we develop the actionable details of acquisition reform?
- Empowering program-level decision makers with information, tools, and authorities to influence improved outcomes
- Enhancing gov’t-industry dialogue throughout planning and execution phases
- The existing Acquisition system provides a lot of flexibility. How can we get the most out of what’s already there?

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Senior Leadership Participation in the Acquisition System

Associated Root Cause	<u>A</u> : Lack of effective communication (and coordination) between Acquisition stakeholders, resulting in disconnects between requirements, budgeting, and acquisition systems
Description	<ul style="list-style-type: none"> Increasing the stature and authority of the under secretary of defense for acquisition, technology, and logistics and the service acquisition executives will improve accountability.¹ Increasing senior military leadership involvement in managing the requirements process.¹ Seek legislation establishing the Service Acquisition Executives as Five-Year Fixed Presidential Appointments renewable for a second five-year term. This will add leadership continuity and stability to the Acquisition System.^{1 2} Extend the Performance of the Defense Acquisition System-type data collection and analysis to the program-level, providing senior decision makers with ex officio oversight and situational awareness of specific program execution performance.
Anticipated Impact	<ul style="list-style-type: none"> Increased senior leadership participation in the Acquisition System (A) promotes accountability to resolve cross-cutting acquisition matters in a timely manner and (B) reduces perceived barriers to elevate cross-cutting issues to senior leadership for timely resolution. Improved response to resolve requirements-budget-acquisition disconnects Fewer unforeseen consequences of requirements, budget, and programmatic changes Improved leadership response to resolve Acquisition issues before they manifest into long-term problems
Implementation	Failure to implement this solution is a function of both leadership resolve to implement the recommendation and lack of specificity as to the structures, processes, and protocols through, which increased senior leadership participation can be realized.

1. OSD assessment of DoD acquisition management: Defense Acquisition Performance Assessment, a report commissioned by Gordon England, Acting Deputy Secretary of Defense, January 2006.
2. CNA Independent Assessment: Air Force Acquisition, a report commissioned by the secretary of the Air Force and directed by the assistant secretary of the Air Force for acquisition (ASAF/AQ), February 2009.

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Improve Accuracy and Realism Associated with the Requirements Development, Budget, and Early Program Planning Functions Through Increased Use of Public-Private Partnerships and Other Tools

Associated Root Cause	<p><u>A</u>: Lack of effective communication (and coordination) between Acquisition stakeholders, resulting in disconnects between requirements, budgeting, and acquisition systems</p> <p><u>B</u>: Requirements, budget, and acquisition systems operate on different timelines</p> <p><u>C, J</u>: Acquisition stakeholders have different cultures, motivations, and incentives (poor incentives)</p>
Description	<ul style="list-style-type: none"> • Create a facilitated platform for industry to engage with government stakeholders in the requirements, budgeting, and early programming planning phases to help shape and inform acquisition decision-making. • Pursue prototype development and demonstration of an Acquisition System Information Platform that facilitates interaction between acquisition stakeholders (operational, budget, acquisition, industry, Congress) Shorten “lines of communication” between key acquisition stakeholders. ¹ • Improve the availability of information regarding the maturity of technologies that underlie achievement of the requirement and the resources necessary to realize their developments. ⁴ • Incorporate cost, technical maturity, and manufacturability as requirements.
Anticipated Impact	<p>Examples:</p> <ul style="list-style-type: none"> • OSD Technology Domain Awareness initiative to improve technology knowledge for defense acquisition stakeholders • Expanded use of consortium-based Other Transaction Authority (OTA) agreements eliminating arms-length relationship between gov’t and industry in the development of technical requirements • Expanded use of Public-Private Partnerships like the Army PEO IEW&S Joint Integration and Test Facility and the Navy Special Warfare Trident Specter exercise, where gov’t and industry can collaborate on technology experimentation and requirements development
Implementation	Explore opportunities to scale on-going efforts within DoD already performing this function.

1. OSD assessment of DoD acquisition management: Defense Acquisition Performance Assessment, a report commissioned by Gordon England, Acting Deputy Secretary of Defense, January 2006.

2. CNA Independent Assessment: Air Force Acquisition, a report commissioned by the secretary of the Air Force and directed by the assistant secretary of the Air Force for acquisition (ASAF/AQ), February 2009.

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Incentivizing Efficiency & Cost-savings in the Relationship between the Government and Industry

Associated Root Cause	<u>C, J</u> : Acquisition stakeholders have different cultures, motivations, and incentives (poor incentives)
Description	<ul style="list-style-type: none"> The cultural and institutional incentives inherent in the current requirements, budgeting, and acquisition systems should be modified to focus on results, efficiencies and cost savings. The economic/profit incentives culturally embedded in the system create adverse results. This is a leadership and accountability challenge because the need to improve incentives in the requirements, budgeting and acquisition processes is long standing, well recognized, and reform has been tried before.
Anticipated Impact	<ul style="list-style-type: none"> Concerns over notions of profiteering, protecting program budgets, and incentives to be overly optimistic in costs and schedule forecasts have contributed to an acquisition culture in which current biases are reinforced. Changing the incentives, if structured properly, should lead to greater efficiency, lower costs, and shorter cycles from requirements development to full-scale production. Potential benefits would include more efficient, lower cost acquisitions with more focus on the end product of acquisition with less concern about slavish adherence to regulation.
Implementation	<ul style="list-style-type: none"> Expand efforts to engage industry in developing appropriate incentives Explore problem-focused (vice requirements-focused) contracting, enabling industry greater flexibility in meeting gov't needs and incentivizing IRAD investment More liberal guidelines governing Firm Fixed Price fee awards

1. Government Accountability Office, "Defense Acquisitions: Addressing Incentives is Key to Further Reform," Testimony of Michael J. Sullivan before Committee on Armed Services, United States Senate, GAO-14-563T, April 30, 2014, at 10-12.
2. Frank Kendall, Implementation Directive for Better Buying Power 2.0 - Achieving Greater Efficiency and Productivity in Defense Spending, Office of the Under Secretary of Defense Acquisition, Technology and Logistics, Memorandum, April 24, 2013 at 1, 7.
3. Moshe Schwartz, "Twenty-five Years of Acquisition Reform: Where Do We Go From Here?," statement before the House Armed Services Committee, October 29, 2013, at 17.
4. U.S. General Accounting Office, Weapons Acquisition: A Rare Opportunity for Lasting Change, NSIAD 93-15, December 1992, pp. 2-3.
5. Robert F. Hale, Promoting Efficiency in the Department of Defense: Keep Trying, Be Realistic, Center for Strategic and Budgetary Assessments, January 2002, p. iii.

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Continuous Legislative Reform through Stakeholder Collaboration

Associated Root Cause	<p><u>A</u>: Lack of effective communication (and coordination) between Acquisition stakeholders, resulting in disconnects between requirements, budgeting, and acquisition systems</p> <p><u>H, K</u>: Regulatory (and oversight) burden: accretive regulations; no sunset provisions; no ability to quickly identify and retire regulations; different legal and regulatory frameworks</p>
Description	<ul style="list-style-type: none"> • Create a mechanism where gov't and industry stakeholders can nominate policy and process reforms • Legislative reform in acquisition has been attempted with little success in the past. However, implementing a “cross-stovepipes,” continuous improvement approach to legislative reform will help overcome the problems created by the “quick fix” or “Band-Aid” solutions of the past.
Anticipated Impact	Burdensome legislation will be simplified as a result of this proposed solution.
Implementation	<p>Reverse accretive regulatory environment</p> <ul style="list-style-type: none"> • Initiate an effort to “retire” ineffective acquisition policies and regulations by empaneling a group of acquisition stakeholders (gov't, industry, Congress) to (1) solicit feedback regarding what policies are working and not working, (2) conduct a data-driven analysis of policy impacts on acquisition performance, and (3) suspend or eliminate burdensome or outdated acquisition policies. • Implement regulation “sunset” provisions and protocols that require regular reviews of acquisition policies

1. Defense Business Board, Report to the Sec. of Defense, FY 2012 (A similar conclusion is found in Department of Defense's FY 13 budget report which states: “DoD is not receiving expected returns on its investments in weapon systems. Programs continue to take longer, cost more and deliver fewer quantities and capabilities than originally planned.” (p 3)
2. Defense Business Board, Report to the Sec. of Defense, FY 2012 (p 4)

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Adverse Consequences

- Operational and technological uncertainty will continue to accelerate – confounding “brittle” program planning
- Our ability to deal with uncertainty relies on 1) increasing communication (collaboration) among key acquisition stakeholders and 2) reducing the friction of the acquisition system
- Failure to invest program-level decision makers with the information, tools, and authorities required to rapidly accommodate disruption will result in continued (or worsened) program impacts.

Prior Studies

1. OSD assessment of DoD acquisition management: Defense Acquisition Performance Assessment, a report commissioned by Gordon England, Acting Deputy Secretary of Defense, January 2006.
2. CNA Independent Assessment: Air Force Acquisition, a report commissioned by the secretary of the Air Force and directed by the assistant secretary of the Air Force for acquisition (ASAF/AQ), February 2009.
3. OSD assessment of DoD acquisition management: Defense Acquisition Performance Assessment, a report commissioned by Gordon England, Acting Deputy Secretary of Defense, January 2006.
4. Creating a DoD Strategic Acquisition Platform, a report by the Defense Science Board, an advisory board to the secretary of defense, March 2009.
5. Defense Acquisitions: Assessments of Selected Weapon Programs, U.S. Government Accountability Office, GAO-09-0326SP, March 2009.
6. Witness Statement of Honorable Frank Kendall, Undersecretary of Defense for Acquisition, Technology and Logistics, before the House Armed Services Committee, July 10, 2014, at 6.
7. Sean Lyngaas, "Pentagon, Congress, Seek to Avoid Acquisition 'Groundhog Day,'" Federal Computer Week, June 13, 2014, at 2, at <http://fcw.com/articles/2014/06/13/defense-acquisition.aspx>.
8. Defense Business Board, "Linking and Streamlining the Defense Requirements, Acquisition and Budget Processes," Report FY12-02, at 10-11, 13-14.
9. J. Ronald Fox, "Defense Acquisition Reform 1960-2009: An Elusive Goal," Center of Military History, U.S. Army, at 198, 203-205, suggesting need for reform of program manager concept and discussing competing incentives.
10. Pierre Chao, "Twenty-five Years of Acquisition Reform: Where Do We Go From Here?," statement before the Committee on Armed Services, US House of Representatives, October 29, 2013, at 3-5.
11. Government Accountability Office, "Defense Acquisitions: Addressing Incentives is Key to Further Reform," Testimony of Michael J. Sullivan before Committee on Armed Services, United States Senate, GAO-14-563T, April 30, 2014, at 7.

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Prior Studies – Cont.

12. Frank Kendall, Implementation Directive for Better Buying Power 2.0 - Achieving Greater Efficiency and Productivity in Defense Spending, Office of the Under Secretary of Defense Acquisition, Technology and Logistics, Memorandum, April 24, 2013 at 1, 7.
13. Moshe Schwartz, "Twenty-five Years of Acquisition Reform: Where Do We Go From Here?," statement before the House Armed Services Committee, October 29, 2013, at 17.
14. U.S. General Accounting Office, Weapons Acquisition: A Rare Opportunity for Lasting Change, NSIAD 93-15, December 1992, pp. 2-3.
15. Robert F. Hale, Promoting Efficiency in the Department of Defense: Keep Trying, Be Realistic, Center for Strategic and Budgetary Assessments, January 2002, p. iii.
16. A Quest for Excellence, Final Report to the President by the Blue Ribbon Commission of Defense Management, June 30, 1986, at 46, 71.
17. Defense Business Board, Report to the Sec. of Defense, FY 2012 (A similar conclusion is found in Department of Defense's FY 13 budget report which states: "DoD is not receiving expected returns on its investments in weapon systems. Programs continue to take longer, cost more and deliver fewer quantities and capabilities than originally planned." (p 3)
18. Defense Business Board, Report to the Sec. of Defense, FY 2012 (p 4)

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Legislative, Regulatory, or Other Action

- Modify 10 U.S.C. 2371, Section 845 governing Other Transaction Agreements (OTA) to eliminate restrictions governing use of OTA vehicles for “non-traditional” companies to encourage increased gov’t-industry interaction during program planning phase
- Expand on-going DoD efforts like Technology Domain Awareness to collect, analyze, and promulgate technology information and lessons learned and help inform requirements development

Questions?

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