

# CULTURE *SHIFT*

With efficiency initiatives in hand, DOD acquisition community focuses on identifying, implementing, and institutionalizing best practices

*by Margaret C. Roth*



#### KEYNOTE ADDRESS

Shay D. Assad, Director of the Defense Procurement and Acquisition Policy, addresses attendees at the 2011 DAU Acquisition Community Symposium April 12 at Fort Belvoir, VA. "There's a lot of money to be saved," Assad told participants. (Photo by Marques Chavez.)

On Sept. 14, 2010, Dr. Ashton B. Carter, Under Secretary of Defense for Acquisition, Technology & Logistics (AT&L) outlined 23 initiatives, with 137 actionable items in five major areas, whereby DOD could achieve the goal of “doing more without more.” On April 12, about 1,000 members of the AT&L community and industry gathered at Fort Belvoir, VA, to discuss efficiency accomplishments to date and the path forward.

The Acquisition Community Symposium, sponsored by the Defense Acquisition University (DAU), framed the mission and challenges facing the AT&L community, as well as the tools and expertise at their disposal. “What we now need to take a look at is not acquisition reform; it’s best practices ... looking at the best of breed” over the past 30-plus years, said DAU President Katrina McFarland, who played a key role in developing the Better Buying Power initiatives under Carter before coming to DAU.

How and when to change fundamental acquisition procedures is a separate discussion, one centered on implementation of the Army Acquisition Review (see article on Page 73).

With DOD’s budget expected to grow by about 1 percent a year and warfighting capabilities are expected to require about 3 percent increase in spending a year, there is intense scrutiny of AT&L practices across the department, whether in major weapons systems, spares, or sustainment services, said Shay D. Assad, Director of the Defense Procurement and Acquisition Policy.

“With your help, we are doing okay,” Assad told the audience. “But we really need to step it up. We have really got to turn on our game. There’s a lot of money to be saved, and we can never forget that these warfighters need and deserve the very best equipment as quickly as we can get it to them.”

Christine H. Fox, Director of Cost Assessment and Program Evaluation (CAPE)

in the Office of the Secretary of Defense, noted that “we have a real need to recapitalize the force and to invest in our procurement accounts even though that [money is] going to be increasingly under pressure. ... We have to continue to invest in winning the wars that we’re in” and to prepare for a broad spectrum of threats ahead, which “ties up some flexibility in our ability to manage those [budget] declines,” Fox said.

Most important, she said, “We need to talk about how to make [efficiency] a part of our fundamental culture”—with every decision, every day, to ask, “Is this the best thing I can do to make every dollar count?”

“We’re about to enter a very complex period with a lot of challenges,” Fox said.

**WHAT’S GOOD ENOUGH?**

Citing “the analytics of tough choices,” Fox said one of the major challenges facing the AT&L community is “to be able

**FICTITIOUS SUCCESSFUL AND UNSUCCESSFUL PROGRAMS**

“This is a chart of what. This is not a chart of why,” said Christine H. Fox, Director of CAPE, of these “stack charts,” which identify where growth has occurred. With this information, program managers and cost analysts can “drill down and understand why.”

Figure 1

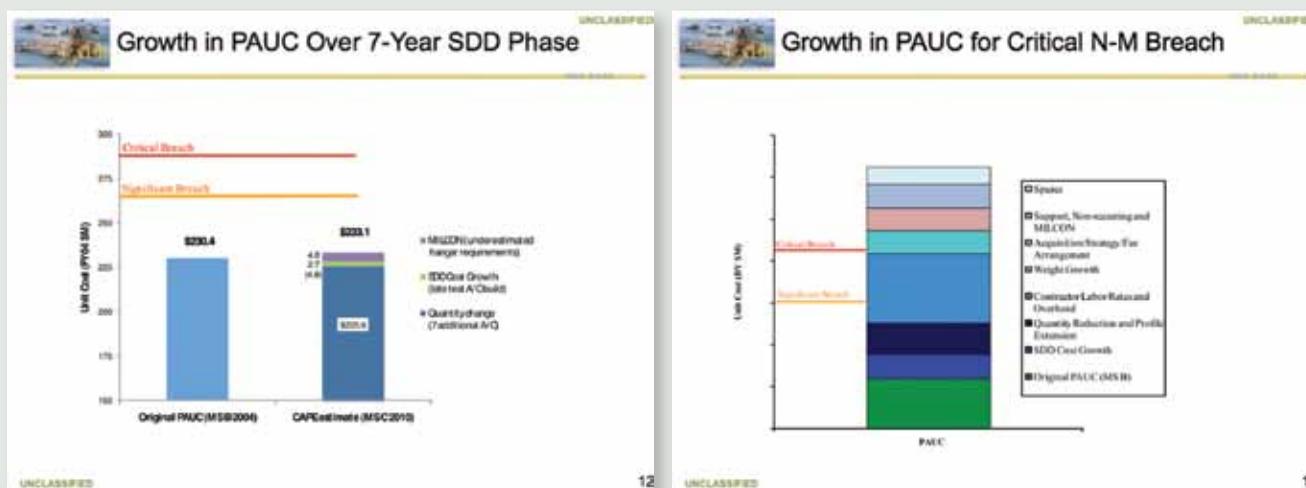


Figure 2

**Multi-year Procurement Certifications**

- CAPE is required in statute to assess savings from use of multi-year contracting strategy.
  - Two programs evaluated to date: F/A-18 E/F and H-60
  - CAPE compares multi-year vs. annual strategies to assess savings
  - Certifications sent to Congress
- Multi-year contracting strategies can reduce costs by enabling more efficient use of contractor resources including:
  - improved economic order quantities;
  - potential buyouts of parts and materials;
  - concurrent Foreign Military Sales;
  - acceleration of production; and
  - enhanced manufacturing flow.
- Assessments of savings are difficult: program historical costs typically reflect a single contracting strategy

**CAPE Identified Opportunities for Savings in Both**

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#### EFFICIENTLY USING CONTRACTOR RESOURCES

As illustrated here, multiyear contracts can help reduce costs by efficiently using contractor resources. CAPE is required by law to assess savings from this method.

to look our programs squarely in the eye and ask if we really need them. ... What should we give up and when? ... How do we know when to pull the plug?”

At the same time, she said, DOD still needs to invest in science and technology. We need “game changers,” Fox said. “The question is where and when to invest,” which makes better buying power all the more important and the involvement of program managers critical.

Determining what’s good enough in capabilities “comes down to an assessment of risk,” she said. “If we change the requirements, what risk are we accepting operationally? ... What’s the technological risk of something we want to do? ... And then, of course, the cost risk: Can we really afford it?”

These decisions need to be made at the service level, Fox said. Noting former Secretary of Defense Dr. Robert M. Gates’ decision to terminate the Future Combat

Systems program and to cut back a number of other military programs, Fox asked, “... shouldn’t we be teeing up those decisions for the leadership to make before it gets to the Secretary’s level, especially in a time when the costs and the budget are so constrained?”

This is a shared responsibility, she said, and the AT&L community needs more incentives to identify opportunities for savings and make wise decisions—not just stopgap solutions such as adjusting procurement quantity or buy rate, but decisions of fundamental affordability.

“If we really need a system, we ought to try to buy it as affordably as we can,” Fox said. “And if we don’t really need a system but we want it, and so we’re going to keep it in there and stretch it, maybe that’s one of the [times] that somebody should stand up and say, ‘Maybe we should pull the plug on this system.’”

#### TOOLS AND TRADES

CAPE provides some tools to aid in affordability decisions by assessing the complete range of options and distinguishing critically important capability from “exquisite” capability, Fox said.

DOD has embraced the notion of Front End Assessments to provide information for the services’ Program Objective Memorandums and the final program and budget review in the fall.

One such assessment last year, illustrating an analysis of “what’s good enough,” looked at the Long-Range Strike Family of Systems—the entire portfolio of conventional deep-strike capabilities—focusing on proven technologies to ensure that it could be delivered on time and on budget. The result was DOD’s decision to invest in a penetrating, optionally manned, nuclear-capable bomber.

Also, the *Weapon Systems Acquisition Reform Act of 2009* gives CAPE the role of providing independent cost estimates

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and alternatives at Milestone A. “We think that this has a lot of promise to help us with this ‘How much is enough’ question,” Fox said, acknowledging that it’s not easy to do this rigorous analysis “when a system or a need is still a gleam in your eye.”

“We [CAPE] need to be providing an assessment of the complete range of options to all of you, to the services and to the department’s leadership ... we really can’t afford exquisite, going forward.”

Fox also cited “stack charts” (See Figure 1 on Page 87) as a useful tool in identifying areas of program cost growth.

In addition, CAPE is required by law to assess savings from the use of multiyear contracting. Although a multiyear contract “ties your hands,” it can reduce costs by enabling more efficient use of contractor resources (See Figure 2 on Page 88). “I think the opportunity to save money through these and come up with the required documentation to support them is very real,” Fox said.

Finally, CAPE is working to give more impact to the Analysis of Alternatives (AoA) at Milestone A, Fox said. “I don’t know that it has the impact that it needs to have. I think sometimes the AoA is a check in the box.”

Better buying power is, above all, a team effort of program managers, acquisition executives, industry, and CAPE, Fox and senior acquisition executives agreed.

#### LEADERSHIP PERSPECTIVE

Fox offers senior leadership perspective on efficiency initiatives at the 2011 DAU Acquisition Community Symposium on April 12 at Fort Belvoir, VA. (Photo by Marques Chavez.)





**MEASURING EFFICIENCY**

The DAU is helping the services develop metrics to measure efficiency initiatives in the five major areas, according to DAU’s Tom Vandenberg. (Photo courtesy of DAU.)

A shared understanding of challenges, incentives, and constraints is critical to making adjustments as needed.

“When we found cases where the program managers, the acquisition executives, our partners in industry, and the analysts in CAPE all worked together are the places where we’ve seen the most success in the programs going forward,” Fox said. “It’s not helpful if we give you an assessment of the cost without the understanding of the drivers behind the cost. It’s not helpful if we give industry a bogey that puts them in an unsustainable situation, so that it’s really just temporary.”

**FURTHER STUDY**

DAU is helping the services develop metrics to measure efficiency initiatives in the five major areas, said Tom Vandenberg,

who works in Major Defense Acquisition Program Engagement at the university. For example, in reducing bureaucracy, the measures are likely to be the reduction in the number of documents, the reduction of the number of reviews, and the speed of those reviews.

Separately, a study of organizational efficiencies is underway in the Army, focused especially on overlaps in logistics and sustainment. It assesses efficiencies to be gained within U.S. Army Materiel Command and the Assistant Secretary of the Army for Acquisition, Logistics, and Technology (AL&T) in organizations, processes, and procedures.

Finally, CAPE is conducting a pilot study of the cost-analysis skills in the acquisition workforce, in conjunction with the U.S. Air Force (USAF). This census of

the USAF analyst community looks at the organizations where the skills are (for example, in the service, program offices, and support contractors). The census is a first step toward determining what expertise exists across the services and DOD, and to develop the education and training to achieve the skills required.

*Presentations at the 2011 DAU Acquisition Community Symposium are at <https://acc.dau.mil/symposium11>.*

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