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PROGRAM MANAGEMENT COURSE INDIVIDUAL STUDY PROGRAM

REVISED DOD DIRECTIVE 5000.1
(MAJOR SYSTEM ACQUISITIONS) - A
POLICY ASSESSMENT

STUDY PROJECT REPORT
PMC 77-1

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FORT BELVOIR, VIRGINIA 22060

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REVISED DOD DIRECTIVE 5000.1
(MAJOR SYSTEM ACQUISITIONS) - A POLICY ASSESSMENT

Individual Study Program
Study Project Report
Prepared as a Formal Report

Defense Systems Management College
Program Management Course
Class 77-1

by

William M. Knauer
Major USA

May 1977

Study Project Advisor
Mr. William H. Cullin

This study project report represents the views, conclusions and recommendations of the author and does not necessarily reflect the official opinion of the Defense Systems Management College or the Department of Defense.

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DEFENSE SYSTEMS MANAGEMENT COLLEGE

STUDY TITLE: REVISED DOD DIRECTIVE 5000.1 (MAJOR SYSTEM ACQUISITIONS)
- A POLICY ASSESSMENT

STUDY PROJECT GOALS:

- 1) To identify the major policy changes contained in the revised DODD 5000.1.
- 2) To review the rationale and background of these changes.
- 3) To assess the major management changes required in the Army weapon system acquisition process to implement the revised directive.

STUDY REPORT ABSTRACT:

This study report examines and evaluates the major policy changes of DODD 5000.1 and their impact on the Army management of the major weapon systems acquisition. Some familiarity with DOD 5000 series directives and AR 1000-1 is assumed. A brief history of DODD 5000.1 is provided for background in order to establish the rationale for the policy changes and to show how various studies and reports influenced the directive revisions.

The scope of the project was limited to the major policy changes promulgated by DODD 5000.1 which had a significant impact on management responsibilities and the acquisition process. For this study, these were considered to be: Program Designation; Program Initiation; Requirements Process; Decision Making Process; and Acquisition Management. The present situation was established to provide a baseline for the changes and to be able to assess their impact on the current Army's policies and procedures contained in AR 1000-1.

The report discusses how these changes indicate progress toward decentralized acquisition management with the services assuming more of the responsibility in the decision making process and continued emphasis on the single program manager concept. The introduction of the Mission Element Need Statement (MENS) as the document to support the program initiation decision and the SECDEF direction for the ASARC organization and functions were identified as the changes that will have the most significant impact on the Army's acquisition process.

The report should be of interest to personnel in the field of program management who are interested in DOD and DA acquisition policy.

KEYWORDS: ACQUISITION, MANAGEMENT, POLICIES, PROGRAM-MANAGEMENT, DECISION-MAKING REQUIREMENTS

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EXECUTIVE SUMMARY

The overall purpose of this study project was to examine and to evaluate the major policy changes of DOD Directive 5000.1, "Major System Acquisitions," dated 18 January 1977, and their impact on the Department of the Army management of major weapon system acquisitions.

This study identified the major policy changes in DODD 5000.1 which will impact the Army's acquisition management policy and procedures. For evaluation purposes, these changes were considered to be: Program Designation; Program Initiation; Requirements Process; Decision Making Process; and Acquisition Management. After identification and examination of these changes, the study methodology focused on a review of the background of DODD 5000.1 and an investigation of the studies that influenced the policy revision.

After establishment of a baseline for an evaluation of the changes, the impact of the changes on the current Army's policies and procedures was assessed and implementation options discussed. The evaluation of the major changes indicated a further progress toward decentralized management with the services assuming more of the responsibility in the decision making process and a continued emphasis on a strong single manager concept. The decentralization of the management responsibility was accompanied by

Secretary of Defense (SECDEF) directions that a (Service) System Acquisition Review Council ((S)SARC), similar in nature to Defense System Acquisition Review Council (DSARC), would be established under the civilian control and chairmanship of the Service Secretary (or Under Secretary). After appropriate (S)SARC reviews, the Service Secretary would then make his recommendations to the DSARC chairman or, as appropriate, to SECDEF.

As a result of the 1974 AMARC study, the Army had initiated several organization and procedure changes and made a long term commitment to improve its acquisition process. Some of these changes were being influenced by the same reports that had stimulated the DODD 5000.1 revision approximately two years later. Accordingly, the Army is considered to be in a good position to incorporate effectively the policy changes.

The two changes that will cause the Army to modify its acquisition process are the introduction of the Mission Element Need Statement (MENS) requirement for program initiation and the SECDEF direction pertaining to the ASARC structure and functions. The MENS formulation will require a complete structuring of the "front-end" activities of the Army's acquisition process and requirements definition. The ASARC organization will have to be restructured to reflect the civilian control and participation in the program review process. Also, its purpose will have to be focused on the review of programs at the key decision points and to advise the Secretary of the Army.

The report should be of interest to personnel in the field of program management who are interested in DOD and DA acquisition policy.

ACKNOWLEDGEMENTS

The author wishes to express grateful appreciation to Brigadier General Alfred L. Esposito, USAF (Ret.), LTC Harold L. Ford, USA, and Mr. Durell B. Hartman, DAC, for their time spent during interviews and their helpful information and suggestions that were used in the preparation of this study report.

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SECTION I

INTRODUCTION

Purpose of the Study Project

The overall purpose of the study project was to examine and to evaluate the major policy changes contained in Department of Defense (DODD) 5000.1, "Major System Acquisitions," dated 18 January 1977, and their impact on the Department of the Army (DA) management of the acquisition of major materiel systems.¹ The author's interest in this topic was stimulated by his assignment to the Office of Deputy Chief of Staff Research, Development, and Acquisition (DCSRDA), Headquarters, DA, after graduation from the Defense Systems Management College (DSMC). It is assumed that the reader of this report is familiar with major weapon systems acquisition policies contained in DOD 5000 series directives and Army Regulation (AR) 1000-1, "Basic Policies for Systems Acquisition by the Department of the Army," dated 5 November 1974.

Specific Goals of the Project

The goals of the project were focused on the recent major changes to DOD major weapon systems acquisition policies and their implementation in the Army's acquisition management process. Specific project goals were: to identify the major policy changes contained in the revised DODD

¹After a DOD directive or Army Regulation has been identified by its formal title in the report, any further reference to it will be made by using its short title (e.g., DODD 5000.1).

5000.1; to review the rationale and background of these changes; and to assess the major management changes required in the Army weapon system acquisition process to implement the revised directive.

Scope of the Project

The scope of the project was limited to the major policy changes promulgated by the revised DODD 5000.1. As discussed in detail in Section III, the author identified the changes and grouped them by similar subject matter into five categories. These changes were then studied and evaluated within the framework of the current Army's acquisition policies. Due to the recent publication of the revised DODD 5000.1, the Army's policy changes have not been fully defined, staffed and approved. Accordingly, any proposed Army policy changes in this report are based on the author's judgment.

Limitations of the Report

Since the author's experience in weapons system acquisition does not include duty on the Army staff, the assessments contained in this report are based primarily on his evaluation of documentation and discussions with knowledgeable personnel.

SECTION II

STUDY PROJECT METHODOLOGY

The initial phase of the study methodology addressed the identification of all policy changes in the revised DODD 5000.1. Superseded DODD 5000.1, dated 22 December 1975, was established as the baseline to identify the changes. These changes were grouped by similar subject matter and addressed in this report by an overall generic title. The purpose of the grouping was twofold: to keep the study focused only on the major policy issues and to assist in limiting the evaluation to general management policies, objectives and procedures.

The second phase of the methodology was to review the background of DODD 5000.1 from its initial version in 1971 to the publication of the latest revision in January 1977. This phase included the review of those studies, reports, and other actions which had a direct impact on the directive revision. The present situation was reviewed to provide the framework for the changes and their impact. The third phase included a review of the Army's basic policies for major system acquisition in AR 1000-1 and AR 1000-2, "Operating Policies for Systems Acquisition by the Department of the Army."² The last phase of the methodology evaluated the impact

²A final draft version of AR 1000-2 was distributed by Reference 14 on 17 January 1977 as interim guidance pending publication of a revised AR 1000-1.

of the DOD policy changes within the context of the current Army's policies and procedures.

The data collected during these phases was supplemented by interviews with OSD and HQDA staff officers. These interviews were aimed at gathering information from the staff officers who were currently working with the problem and had knowledge of how the Army staff viewed the policy changes, what changes would be required, and how the required changes would be implemented. During the timeframe of interviews, the initial draft of a revised AR 1000-1 was being prepared, but it had not been released for comment. The interviews provided valuable background and insight on the practical aspects of Army acquisition policy formulation.

SECTION III

BACKGROUND

The current DOD major system policies are contained in DODD 5000.1, "Major System Acquisitions," and DODD 5000.2, "Major System Acquisition Process," both dated 18 January 1977. These directives serve as the basic policy guidance for major weapon systems acquisition in the services. Additionally, the management principles reflected in these directives serves as a blueprint for the formulation of internal service policy guidance. AR 1000-1 contains the Army's basic acquisition management policies.

The development of the current DOD policies has been an evolutionary process since the formation of the DOD in 1947. With the Defense Reorganization Act of 1958, the statutory authority of the Secretary of Defense (SECDEF) was increased to perform the weapon system acquisition function and to improve management.

With this authority in the 1961-1968 timeframe, Secretary of Defense McNamara centralized the direction and control of materiel acquisition in the Office of the Secretary of Defense (OSD). He required highly formalized and comprehensive management review supported by systems analysis prior to approving major weapon programs development.

As SECDEF from 1969-1973, Mr. Laird felt there existed an over

centralization in OSD management control of the weapon system acquisition process. Mr. Packard, who served as Deputy Secretary of Defense (DEPSECDEF) under Mr. Laird, instituted major OSD acquisition management changes. In May 1969 shortly after his arrival, he decentralized the responsibility for the acquisition and management of major systems to the individual services and established the Defense System Acquisition Review Council (DSARC). This process supported by a Decision Coordinating Paper (DCP) provides the services with the responsibility, authority and resources necessary to manage their programs. These policies were focused on a concept of a single program manager who was chartered with sufficient authority to accomplish the program objective. Mr. Packard's philosophy is reflected in the direct quote:

"The entire management problem needs to be addressed under these simple guidelines; put more capable people into program management, give them the responsibility and the authority and keep them there long enough to get the job done right."³

This management philosophy is still found today in the revised DODD 5000.1.

Mr. Clements, who succeeded Mr. Packard as DESECDEF, supported and carried forth this acquisition philosophy. Prior to his departure in January 1977, Mr. Clements approved the revised DODD 5000.1. This revision was based on a series of studies and reports which had considerable impact on the DOD weapons system acquisition process. The significant points of

³Deputy Secretary of Defense Memorandum, "Policy Guidance on Major System Acquisition," (28 May 1970) quoted in William H. Cullin's paper, "DODD 5000.1 and the Program Manager," p. 5 (Reference 19).

these documents which influenced the directive revision are summarized below:

a. Office of Management and Budget (OMB) Circular A-109. This circular contained a new policy for the acquisition of major systems by all executive branch agencies. The new policy is intended to affect reforms that will reduce cost overruns and diminish the controversy of the past two decades on whether new systems are needed. The general thrust of these policies are to:

- (1) express needs and program objectives in mission terms;
- (2) allow competitive exploration of alternative system design concepts;
- (3) communicate with Congress early by relating programs to mission needs;
- (4) establish clear lines of authority, responsibility and accountability for management and utilize appropriate managerial levels in decision making;
- (5) designate a focal point responsible for integrating the system acquisition management process; and
- (6) rely on private industry to insure improved opportunities for innovative private sector contributions (5:3).⁴

⁴This notation will be used throughout the report for sources of quotations and major references. The first number is the source listed in the bibliography. The second number is the page in the reference.

b. Commission on Government Procurement. The unanimous recommendations of the Commission on Government Procurement (COGP) provided the basis for the policy promulgated by OMB Circular A-109. Since the significant portions of these recommendations are reflected in the policies of OMB Circular A-109, they will not be repeated in this report. For additional background on these recommendations and much of the policy set both in Circular A-109, see COGP report, Volume 2, Part C, pages 69-187.

c. Acquisition Advisory Group. The AAG was established on 28 April 1975 by Mr. Clements. Its primary purpose was to examine and assess the recommendations contained in the reports of the Army Materiel Acquisition Review Committee (AMARC), the Navy Marine Corps Acquisition Review Committee (NMARC) and the Secretary of the Air Force. These recommendations related to the organizational make-up, directives, instructions and other guidelines of the SECDEF pertaining to major weapons system acquisition within the OSD. The AAG recommendations that impacted the changes in the revised directive are summarized below:

(1) Secretary of Defense Control of DSARC Process. The DSARC process was evaluated to insure that it is performing as an executive advisory body and confining its attention to the decision point assessment and that the responsibility of the program management review remain with the Service Secretaries.

(2) Mission Needs and Requirements. The "front-end" activity of the requirements generation process should be structured to related system acquisitions to DOD mission needs, and that a continuing series of

Mission Area Analysis be established. Additionally, the establishment of program performance characteristics for a weapon system should be prohibited until such time as the candidate system is approved for full-scale development. These recommendations supported the COGP report on the establishment of the need and goals before new acquisition programs are initiated.

(3) Acquisition Management and Program Managers. The recommendation dealt with the clarification of management relationships, including differentiation between the operational command and the chain of line management and the nature of line/staff responsibilities. It highlights the need to strengthen line management in system acquisition and to link accountability with the flow of responsibility and authority from the SECDEF to the program manager and emphasizes the accountability of line officials who exercise decision authority on program matters. Additionally, it holds the Service Secretaries accountable for appointment of qualified individuals in the acquisition process (3:5).

d. AMARC Study. The Secretary of the Army, with the support and advice of SECDEF, established the AMARC in December 1973. Their effort was specified to include: to conduct a review, analysis and critique of the Army's materiel acquisition process and to make recommendations for improvement of the process. The review was completed in March 1974 and the final report was published in April 1974. Some of the major AMARC recommendations were implemented immediately by the Army and actually preceded similar policy changes contained in the revised DODD 5000.1.

These include:

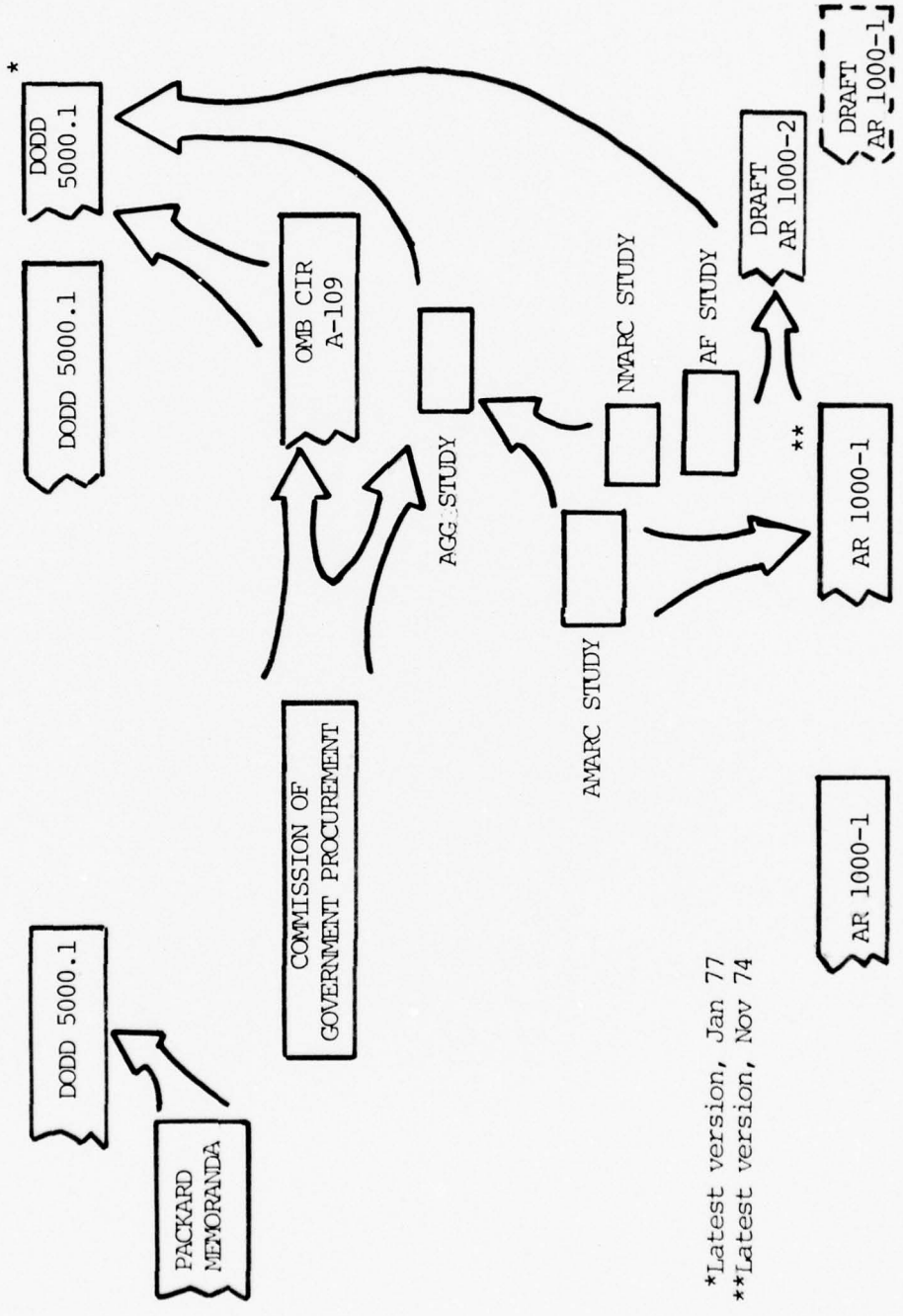
- (1) designating a single HQDA staff agency (Chief of Research, Development and Acquisition) to monitor the materiel acquisition process;
- (2) improving the materiel acquisition process personnel management through a personnel development program; and
- (3) delaying approval of a required operational capability until successful completion of advanced development (18:132).

Of those AMARC recommendations which required further study by the Army, some called for action by OSD and were referred to the SECDEF for his consideration. A summary of the main points affecting the activities of OSD follows:

- (1) a suggestion that a study be made to determine the impact of OSD organization on the materiel acquisition process of the Services;
- (2) an assertion that OSD activities appeared to be uncoordinated;
- (3) a recommendation that OSD reevaluate its role which would limit its line item attention until start of engineering development;
- (4) examination of the number of people involved in each layer and the depth of their involvement (3:C-1, Vol II).

The studies and reports and the flow of information which influenced the policy changes in the revised DODD 5000.1 are summarized in Figure 1.

1969	1970	1971	1972	1973	1974	1975	1976	1977
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*Latest version, Jan 77
 **Latest version, Nov 74

FIGURE 1 - The Formulation of Acquisition Policy As Reflected in DODD 5000.1 and AR 1000.1

PRESENT SITUATION

Office of Secretary of Defense

Using the major system acquisition policies and objectives contained in OMB Circular A-109 and the assessments of acquisition policies and procedures and the recommendations of the AGG report as the framework for change, DODD 5000.1 was completely revised and published before the departure of Mr. Clements (due to the change of administration) in January 1977. This revision was accompanied by a supplemental directive, DODD 5000.2, which identified procedures essential to DOD activities in support of SECDEF decision-making process. These directives were effective immediately and required that service implementing regulations be forwarded to the Defense Acquisition Executive within 120 days.

Headquarters, Department of the Army

The current Army's basic policies for the the acquisition of materiel systems are reflected in AR 1000-1 and its complementary regulation, AR 1000-2. These basic and operating policies implement DOD Directives 5000.1 and 5000.2. The draft AR 1000-2 which was published in January 1977 as guidance pending revision of AR 1000-1 is consistent with the recent publication of the DOD directives.

When published in November 1974, AR 1000-1 incorporated some of the AMARC general acquisition policy recommendations pertaining to its organization and procedures and included some of the changes proposed by

the directive revision. AR 1000-1 along with a series of detailed implementing regulations is currently undergoing a major review within the Army staff to incorporate the major policy changes contained in DODD 5000.1.

SECTION IV

EVALUATION OF DOD POLICY CHANGES

The major policy changes contained in DODD 5000.1 considered in this study were: Program Designation; Program Initiation; Requirements Process; Decision Making Process; and Acquisition Management.

PROGRAM DESIGNATION

Policy Change

With regard to applicability, the provisions of the new DODD 5000.1 were revised to reflect the impact of increased inflation on the acquisition process. System programs with an anticipated cost of \$75 million in research, development, test and evaluation (RDT&E) or \$300 million in production are now considered for designation of major system acquisitions. These cost levels were increased from \$50 million in RDT&E and \$200 million in production reflected in the superseded directive (7:1).

This change is not considered significant since inflation has been a major cause of escalating acquisition costs in recent years and is viewed as an administrative threshold in the program designation process. Although these criteria have changed, it is important to note that the responsibility of the designation of a major system acquisition program

still rests with SECDEF.

Army Implementation

AR 1000-1 establishes broad policies applicable to the materiel acquisition process and does not identify a cost level criteria for the designation of major systems, per se. If a system had a projected advanced development of \$10 million or greater, the Letter of Agreement (LOA), which is the Army's document of record supporting system advanced development, will be forwarded to the Deputy Chief of Staff for Operations and Plans (DCSOPS) for decision. Additionally, the AR states that the projection of \$25 million for advanced development costs will usually indicate that an Army System Acquisition Review Council (ASARC) is necessary. However, it is further indicated that other considerations, such as total resource impact, Congressional interest, high risk and critical threat, may warrant ASARC decisions on programs which have not exceeded the \$25 million threshold (12:3). Even though it is not explicit in the regulations who decides whether or not a program should be recommended as a major program, it appears to fall within the overall responsibility of the Deputy Chief of Staff for Research, Development and Acquisition (DCSRDA).

Since the anticipated cost is used only as a guideline and must be viewed in the context of other considerations, this change does not appear to have any significant impact on the Army's policies. If necessary, the dollar value in AR 1000-1 can be upgraded to reflect the SECDEF applicability criteria.

PROGRAM INITIATION

Policy Change

This policy change structures and formalizes the "front-end" activities of a major weapon system acquisition. It included two new significant facets: Milestone "0" (Program Initiation) and the Mission Element Need Statement (MENS). At Milestone "0", the Secretary of the Army will submit a MENS to SECDEF and recommend approval of the mission element. He requests authority to proceed with the identification of alternative system design concepts as potential solutions to the need. This does not automatically mean that a new major system will eventually be required. The MENS is used to document the mission need and to provide essential supporting and planning information, such as projected threat, existing DOD capability and deficiencies, and known constraints. The mission need should be based on an analysis of mission areas reconciled with overall capabilities, priorities and resources, and independent of any system product or solution. With the approval of the MENS, the new policy directs that a program manager be assigned for a major system acquisition and that his initial major task is to develop and tailor an acquisition strategy for the total program.

The responsibility for studying the military mission needs and requirements rested with the services. Previously, the needs of the services for its acquisition programs were shaped by its own views of the defense mission and priorities. Early concept formulation efforts

were normally conducted at the discretion of the service until such time as it determined that a major program should be pursued. When the service recommended to SECDEF that a major program be initiated, a formal OSD requirement document validating the service needs was not required.

The formalized "front-end" structure is responsive to OMB Circular A-109 acquisition objective to ensure that each major system fulfills a mission need (5:4). The objective was being, in turn, responsive to the COGP recommendations which reflected the importance of relating all major system activities from their inception to overall DOD mission areas, resources, and capabilities (3:31).

Army Implementation

The current Army policies do not provide for a "formal" program initiation similar to that described above. As a result of the AMARC report, the Army completely revised its requirements process so that requirements are not formally committed to a Required Operational Capability (ROC) document until the system concept is developed and validated jointly by the materiel and combat developers after advanced development.

The current Army's materiel concept initiation investigations are provided for under a process called: "Gestation of Potential Materiel Systems" (16:3-1). During this period, the combat and materiel developers jointly generate materiel concepts through the gestation process by bringing together technological advancement and operational capability goals.

This period involves extensive efforts to expand the technology base and to use knowledge gained through exploratory development. For potential systems application, this normally indicated the program initiation and the beginning of the concept formulation phase of the acquisition cycle. These actions are culminated by the definition of the operational, technical and logistical concepts in an LOA which is the document of record supporting the system advanced development program.

The Army does not have a mission need (requirement) document which reflects a "clear-cut" statement of a mission need statement in operational terms and does not contain the implication of a system solution in terms of performance characteristics. Within the gestation process, operational impacts are derived from statements of capability goals which define a specific mission or operational capability needed by the Army to counter a vulnerability in some mission area (18:26). The Operational Capability Objectives (OCO) document provides guidance for technological advancement and justification for basic research, exploratory development and non-system advanced development (16:2-0). The LOA essentially brings together the statement of need, system concept, and a potential solution to be investigated during the demonstration/validation phase.

In view of this mission need statement void, the Army will have to establish a MENS requirement as the basic document for the initiation of a major program. Since the Army does not have a formal decision point for program initiation, it appears that the decision for entry into concept

formulation activities will be structured similar to the MEMS processing within the OSD staff and approval by SECDEF. This could take on the form of a formal ASARC decision point for the MENS review and recommendation to SECDEF for approval, or more likely, a staffing of the MENS with the ASARC principals to affect coordination and problem resolution before submission to the Secretary of the Army for his approval as it is forwarded to SECDEF. A possible modification to the acquisition process to accommodate the MENS and Milestone 0 is depicted in Figure 2.

REQUIREMENTS PROCESS

Policy Change

This policy change takes into account that system requirements are not adequately defined and values for system parameters remain uncertain during the early phases of the system acquisition process. The statement of "requirements" for a new system is usually a document which includes a statement of need, system concept, performance characteristics, risk assessments, cost and schedule information. For the conceptual phase, attainable performance characteristics are vague, and uncertainty is reflected in the cost estimates and schedule. As exploration and development of a new system concept proceeds, reliable trade-offs between cost, schedule and performance is increased and estimates gain stability.

Currently it is recognized that too many changing requirements have led to extended developments, cost overruns, user dissatisfaction and Congressional concern. In an effort to eliminate the instability in the requirements process, DODD 5000.1 states that-"Performance, cost and schedule estimates shall not be formalized or considered firm prior to the Milestone II decision.."(10:7).

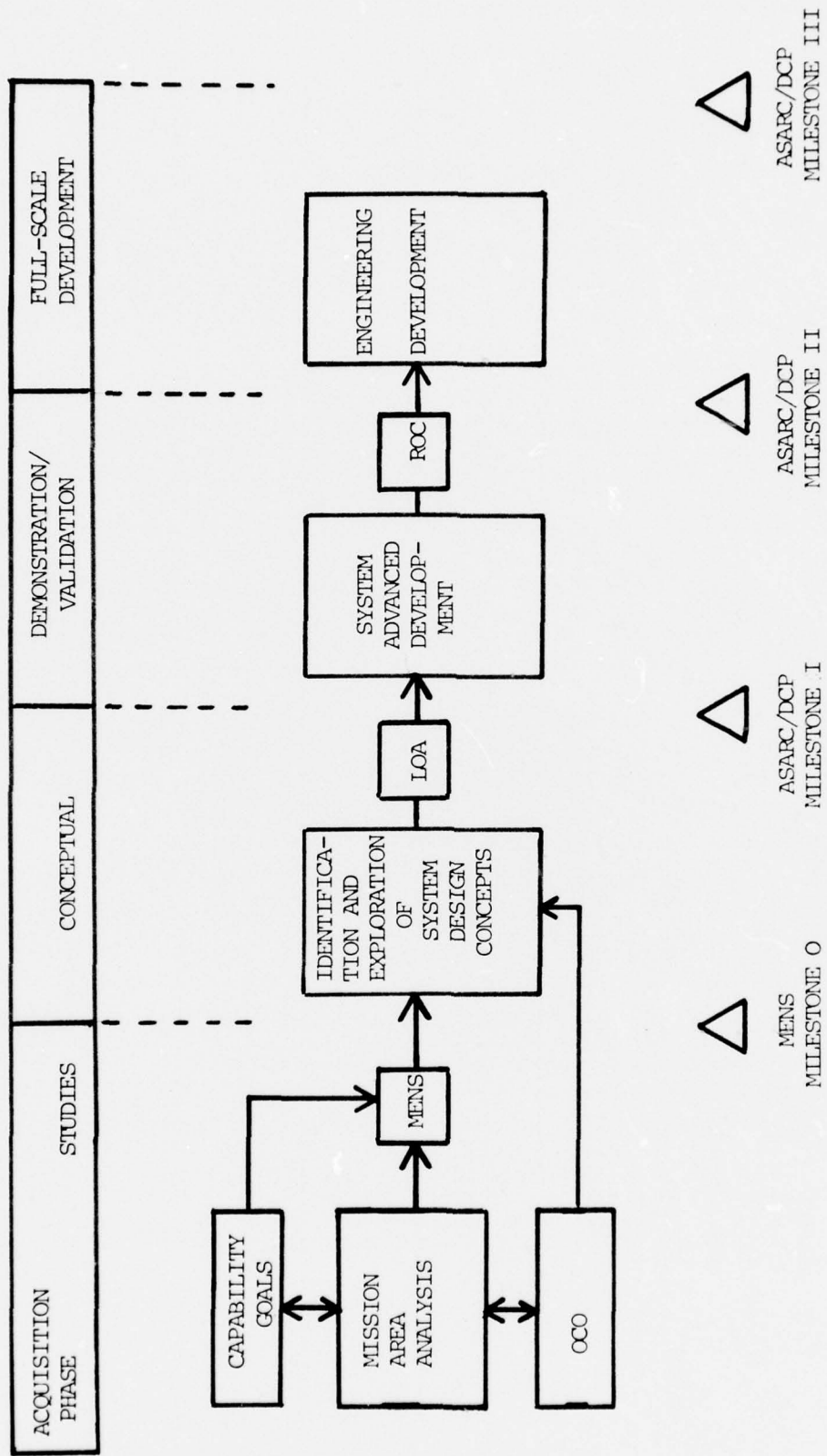


FIGURE 2 - Army's Acquisition Process (Modified)

At that time, the service should be prepared to recommend the selection of a "system" for full scale engineering development. Firm estimates for performance, cost and schedules are then to be documented in the updated DCP for approval at the Milestone II decision point.

The requirements definition structure contained in DODD 5000.1 is responsive to the AGG recommendation that - "the establishment of precise performance characteristics for a weapons system be prohibited until such time as the candidate system is approved for full scale development" (3:7). Additionally, the change is a logical extension of the requirement definition process which will be initiated by the MENS approval.

Army Implementation

As a result of the 1974 AMARC study recommendation concerning the issue of requirements instability, the Army revised its requirements process so that a "firm requirement" should not be established until both the materiel and combat developers have a joint understanding of what is achievable and usable (1:5). This policy is stated in AR 1000-1 as: "A formal requirement, with its implicit commitment to an eventual production decision, will not be established until a thorough advanced development program has been conducted to include testing of components and/or prototypes, to adequately demonstrate both the technical and operational feasibility" (12:1). The implementation of this policy includes:

- a. The LOA is formulated after the materiel and combat

developer agree that a system concept has sufficient operational and technical potential to warrant the commitment of resources to obtain more information. It is of limited detail and reflects the following subjects: need, system concept, investigations needed to develop operational and technical concepts, risks, costs and schedule.

b. The LOA will carry the system through demonstration/validation prior to formal commitment by the Army to the need for the system. The Required Operational Capability (ROC) document is used for establishing the Army commitment to pursue full scale engineering development and/or procurement of a system. The basis for this procedures is to provide a timely low-risk full-scale development with a firm requirement.

The only foreseeable impact on the Army's requirement process will be revised "front-end" structure to accommodate the MENS formulation staffing and approval. During the conceptual phase after the competitive alternative design concepts have been developed, a LOA document will be established and integrated into the process as outlined above. See Figure 2.

DECISION MAKING PROCESS

Policy Changes

The decision making process changes addressed the issues of decentralized responsibility and authority for the management of program execution and the conduct and structure of the decision points. DODD 5000.1 indicates that the "Responsibility for management of system

acquisition program shall be decentralized to the DOD components except for the decisions retained by the Secretary of Defense" (10:2). These exceptions are the key milestone decisions. The Services Secretaries are then responsible for the execution of system programs in accordance with the SECDEF decisions. Any program exceptions or variances requiring SECDEF decisions, other than the four decision points, are to be resolved with the OSD staff having primary functional responsibility.

To support the SECDEF decision-making, the revised directive established the (Service) System Acquisition Review Council ((S)SARC) in addition to the already formed Defense System Acquisition Review Council (DSARC) to review major system programs at Milestones I, II, and III. The (S)SARC is to be established to advise the Service Secretary and will be organized similar to the DSARC with respect to compositions, responsibilities, and operations. It further designated that the (S)SARC will be chaired by the Service Secretary or Under Secretary and will review all major programs at Milestones I, II and III. Except for "special" programs, such as joint services, strategic and multi-national, that are controlled at the OSD level, DSARC will review major programs at Milestones II and III. Additionally, it was stated that any of these reviews can be waived by the SECDEF.

These changes indicate a further decentralization of the responsibility and authority to the Service Secretaries in the management of their programs. The basic DSARC decision making process at the key

milestones was not changed except for the establishment of Milestone O. However, it does address the DSARC functions. The changes reaffirm the function of the DSARC as it was stated in DODD 5000.26-"DSARC is to serve as an advisory body to the Secretary of Defense" (9:2). As the AGG pointed out in their report, there was a question of whether the DSARC principals are acting in a corporate role to advise on the broad program issues or whether the DSARC is a forum in which the principals coordinate and exercise their individual functional staff responsibilities (3:21). In this light, the policy change focuses on the DSARC function to review SECDEF decisions to initiate, increase, decrease, redirect or terminate program commitments.

Since the function of DSARC was identified as an executive advisory body, the question of how the policy will be interpreted and implemented remains. Will the OSD staff become involved in the details of the program implementation in accordance with the SECDEF decision rather than the monitoring of policy execution within their functional areas?

Another aspect of the decentralization issue will be the involvement of the OSD staff in the processing of the MENS at Milestone O and the recommendations of the Service Secretaries via the DCP submission at Milestone I. Since there are no DSARC reviews scheduled at these decision points except for the special programs noted earlier, how much the OSD staff becomes involved in the "fine-tuning" of the service program before it is submitted to the SECDEF for decision will be a test as to whether

the management has been decentralized to the services and excess layering has been eliminated. If the spirit as well as the letter of the revision is to be implemented, the Defense Acquisition Executive, who is tasked with the responsibility for integrating and unifying the management process, will have to place necessary controls and checks to insure that a "shadow" DSARC within the OSD staff is not established. With respect to the (S)SARC, the revised directive places the service acquisition decision-making process under civilian control.

Army Implementation

The current high-level decision-making within the Army is based on the policy that is top managers will participate personally in making face-to-face decisions on major issues and program alternatives. In November 1974, AR 1000-1 established the Army Systems Acquisition Review Council (ASARC) as the forum for these decisions. Procedures and instructions governing the ASARC are contained in AR 15-14.

The Army process is set up to complement the DSARC process. The General Staff responsibility for the coordinating of the ASARC reviews and the day-to-day management of system acquisitions rests with the Deputy Chief of Staff for Research, Development, and Acquisition (DCSRDA). The current ASARC is chaired by the Army Vice Chief of Staff and has regular members:

Commander, US Army Development and Readiness Command

Commander, US Army Training and Doctrine Command

Assistant Secretary of the Army (R&D)

Assistant Secretary of the Army (I&L)

DCS for Operations and Plans

DCS for Research, Development and Acquisition

Deputy Under Secretary of Army (OR) (12:4).

These members are supported by other Assistant Secretaries and members of the Army staff on an on-call basis.

The revised DOD policy does not have a significant impact on the basic structure of the ASARC process; however, it will require that the purpose of the ASARC be altered to focus on its responsibilities by the SECDEF - to review major programs at the key milestones and to report results to the Secretary of the Army. Additionally, the ASARC principals will have to be changed to include the Secretary or the Under Secretary as the chairman and the other Assistant Secretaries who have functional responsibilities in system acquisition management. The responsibility for the ASARC will shift from military to civilian control. It will make the Army's civilian leadership an active participant in the acquisition decision-making process.

ACQUISITION MANAGEMENT

Policy Changes

The final major policy change considered affects those areas pertaining to acquisition management and the project manager and includes topics such as lines of authority and program manager assignments.

The revised directive clearly states that the lines of authority and reporting channels between the program manager and the Service Secretary in the program manager charter be kept to a minimum. Additionally, DODD 5000.1 states that "When a line official above the program manager exercises decision authority on program matters, the decision shall be documented as official program direction to the program manager. The line official will then be held accountable for the decision " (10:6). Program managers are held singularly responsible to report immediately significant program exceptions including projected threshold breaches to the Service Secretary and SECDEF.

Addressing the importance of the program managers within the system acquisition structure in that he is responsible for all that his program accomplishes or fails to accomplish, the revised policy requires that a change in program managers not be made prior to Milestone I or during a full-scale engineering development prior to the Milestone III decision except when directed by the Service Secretary. With the establishment of Milestone I, the directive also required that the PM be assigned when the SECDEF approves the program initiation. At that time, he will be given a charter signed by the Secretary of the Army stating responsibility, authority and accountability for the program objectives.

This policy change focuses on the problem impacting on the responsibilities, authority, and accountability of the line managers in weapon acquisition. As described by the AGG report, the problem involves: the long chain of line management between SECDEF and the program manager;

the lack of adequate emphasis on the program manager as the key individual in the total acquisition structure; and the intermingling of staff functions affecting the line management chain (3:53). Even though the program manager is being held accountable for the results of his program, there appears to be an erosion of his authority by the OSD and service staffs. For the policy to be effective, it must be clearly stated in the directives, regulations and guidelines, and most importantly, enforced by each line official throughout the management chain. Without the latter, the program will be influenced by external pressures beyond the PM's control. The staff functional activities have to be aligned so that they are supporting the PM and to provide a monitoring of acquisition policies within their functional expertise. Whether or not line officials document their decisions that impact a program remains to be seen. However, it is not as important as having the recognition that there will be decision accountability throughout the acquisition structure.

Army Implementation

At the present time, a Project Manager designee is appointed after a LOA has been formulated and preparations for entry into the validation phase (ASARC I) are being conducted. He becomes a member of a Special Task Force that is assigned the responsibilities of preparing a Concept Formulation Package, a draft DCP, and a Development Plan (DP). After program approval, the designee will assume the role of Program Manager and will be given a charter for the establishment of his program office and program objectives.

With the shift of the program initiation to Milestone 0 and the OSD direction that a PM be designated at that time, the Army will have to incorporate this change along with the other aspects of the "front-end" structure. A potential alternative is to follow the procedures currently in AR 1000-1 with respect to the LOA development and approval and the Special Task Force establishment prior to ASARC I. This process can be shifted to Milestone 0 and be modified to coincide with the MENS formulation. After MENS approval, a designee PM (or the Director, Special Task Force) will be assigned as the PM and proceed to develop the acquisition strategy.

As a result of the AMARC recommendation pertaining to material acquisition process personnel management, the Army instituted a Project Manager Development Plan (PMDP) in recognition of the PM's importance. This program is to identify and to develop qualified officers to support future requirements for project managers and other senior officials within the materiel development activities. Additionally, there have been major advances within the Army to remove the promotion stigma associated with career patterns other than through command progression. It appears that in today's environment this will continue to change and to give the PM oriented personnel their proper recognition and reward.

Within the program manager charter, the Army PM is given the authority to go directly to the Secretary of the Army if he feels it is vital to the successful completion of his mission. Whether or not this has ever been done by a PM is not as important as the fact that he is

authorized to circumvent the established lines of authority if he considers it necessary. In a more practical sense, precedence and the established working relationships within official lines will dictate how a PM interfaces with the layers of authority between him and the Secretary of the Army. It is not expected that there will be any significant changes in the way business is done by requiring line officials to document decisions which impact programs.

SECTION V

SUMMARY/CONCLUSION

The changes contained in the revised DOD Directive 5000.1 and DODD 5000.2 indicate another step in the evolution of DOD weapon system acquisition policy that began with the assignment of Mr. Packard as DEPSECDEF in 1969. These changes reflect improvements of the DSARC/DCP process based on the experience gained in recent years and incorporation of new management procedures, such as the MENS and Milestone O, to insure that all major system activities from their inception relate to the overall DOD mission areas, resources, and capabilities.

The revised policy indicates further progress toward more decentralized responsibility and authority at the service level for program execution and for program review at major milestones. The key decisions will be retained by SECDEF; however, depending on the results of the (S)SARC reviews, he could waive the DSARC review. This decentralization was accompanied by the SECDEF direction that the Service Secretary (or Under Secretary) will be the (S)SARC chairman and that the Service Secretary based on the (S)SARC results, will make the recommendations to the DSARC chairman or, as appropriate, to SECDEF. In effect, decentralization implies increased civilian control and participation in the service acquisition decision process.

The revised directive reaffirms the key role of the program manager within the acquisition process. The changes reemphasize the need for a strong single program manager concept supported by highly skilled and motivated personnel. It further directs that there will be a minimization of layers between the program manager and the Service Secretary. Additionally, the directive requires that when a line official above the program manager exercises his decision authority on program matters, he will document the direction and be held accountable for his decision.

As a result of the 1974 AMARC study, the Army had initiated several organization and procedure changes and made a long term commitment to improve its acquisition process. Some of these changes were being influenced by the same reports and actions that stimulated the DODD 5000.1 revision in January 1977. Accordingly, the Army had a "head start" in certain areas and is considered to be in a good position to incorporate effectively the major policy changes without a significant restructuring of their acquisition process. For example, in November 1974, the Army revised its requirement process so that a "firm requirement" would not be established until both technical and operational feasibility had been demonstrated during advanced development. Except for the incorporation of the MENS formulation, this process is consistent with the revised DOD directive.

The two changes that will cause the Army to modify its acquisition process are the introduction to the MENS requirement for program initiation and the SECDEF direction pertaining to the ASARC structure and functions.

The Army will have to structure the "front-end" activities to support the MENS formulation, processing, and approval. This is not considered a major alteration of the current process and, for the most part, will be a formal product of the gestation process and mission area analysis. With respect to the review process, the current ASARC structure and function will have to be revised to reflect the direct control of the Secretary of the Army. Its purpose will have to be reoriented to focus on program reviews at the key decision points and to advise the Secretary of the Army. Throughout all the changes, the concept of a strong program manager with the proper responsibility and authority will have to be reinforced.

In conclusion, the revised DODD 5000.1 policy changes provide the Army with an increased opportunity to demonstrate its capability to manage major weapon system acquisitions within the overall DOD decision making process. Whether or not the Army takes advantage of these relaxed controls and increased responsibility will depend on competent and effective performance. If this is demonstrated, it can be expected that other OSD controls and staff interference will be reduced, and the Army will be left to manage its own programs.

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