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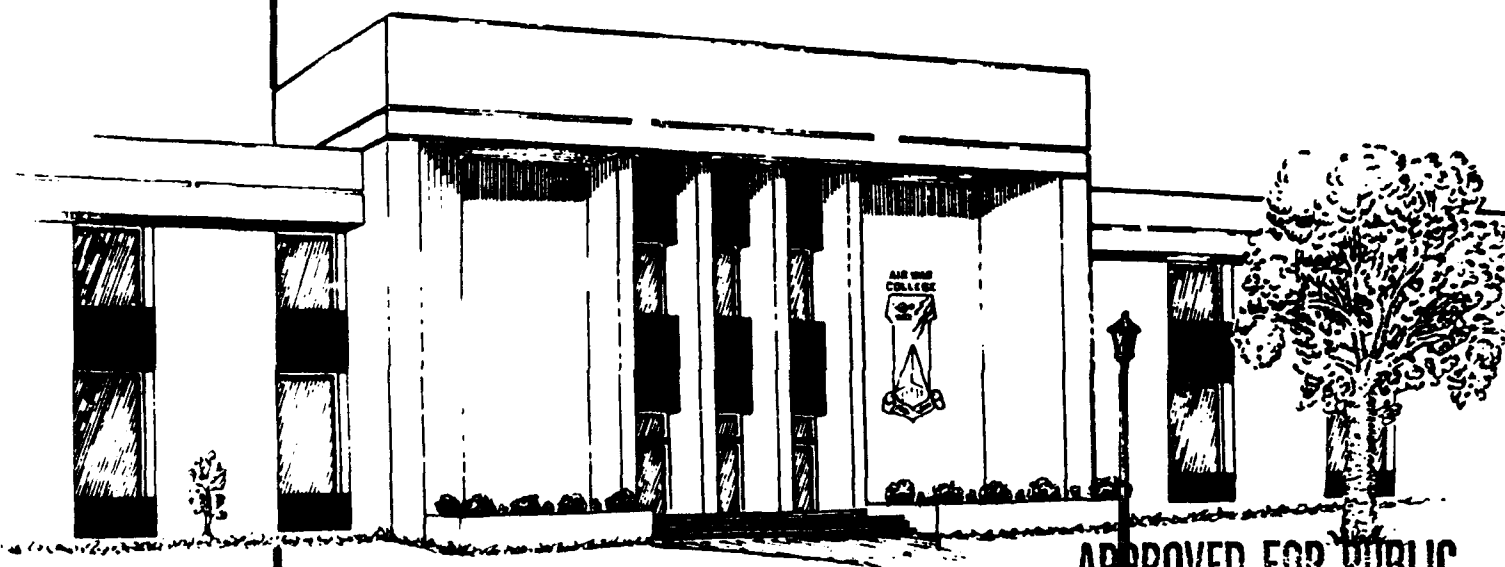
STREAMLINING THE DOD ACQUISITION PROCESS--

ONE MORE TIME

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UNITED STATES AIR FORCE
MAXWELL AIR FORCE BASE, ALABAMA

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STREAMLINING THE DOD ACQUISITION PROCESS--
ONE MORE TIME

by

LORI J. BRADY

A DEFENSE ANALYTICAL STUDY SUBMITTED TO THE FACULTY

in

FULFILLMENT OF THE CURRICULUM REQUIREMENT

ADVISOR: DR. THEODORE KLUZ

MAXWELL AIR FORCE BASE, ALABAMA

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EXECUTIVE SUMMARY

TITLE: Streamlining the Acquisition Process--One More Time

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Once again the Department of Defense (DOD) is focused on reorganization and restructure as a means of streamlining the acquisition process. This is not the first time this task has been attempted. The problems plaguing the acquisition system are stifling the day-to-day running of the acquisition process. Why? Overregulation, overmanagement, and management instability are three primary reasons. Streamlining can improve the DOD acquisition system; however, more importantly, it will require strong leadership will to delve into the root problems, not the symptoms. *Depends on the quality of the leadership.*

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BIOGRAPHICAL SKETCH

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CHAPTER 1

INTRODUCTION

"We had trained long and hard.

Yet it seemed just when we were beginning to form up into well-drilled teams, each time we would promptly be reorganized and upset. I came to realize in later life that we (the State) tend to meet any new situation by reorganizing, or with the idea that therein lies the only solution. A wonderful device it can be too for creating the illusion of progress and improvement, while in reality producing confusion and less efficiency, and in consequence the demoralization of all concerned and the abhorrence of all left thereafter to cope."

--General Caius Petronius
Governor Bythnia Province,
A.D. 65

"The central cry heard in the halls of the Pentagon when things go wrong is reorganize, restructure the management system. Some think that if enough organizational boxes or enough people are moved, the problem will go away. Of course, it doesn't--yet those responsible for creating the organizational mess think so. Consequently, we are left with a legacy that only grows worse with time. Why is this the case? Probably because it is the path of least resistance."

--DoD Manual 4245.7M, "Transition
from Development to Production"
A.D. 1985

Once again the Department of Defense (DoD) is focused on reorganization and restructure as a means of streamlining the acquisition process. This is not the first time this task has been attempted. The problems plaguing the acquisition system are stifling the day-to-day running of the acquisition process--why? Overregulation, over management, and management instability are three contributing factors. Streamlining can improve the DoD

acquisition system; however, more importantly, it requires strong leadership will to delve into the root problems, not the symptoms. This research paper explores the previous attempts at reform, evaluates the problems, and offers recommendations for improvement through streamlined management.

The Department of Defense is by far the largest and most complex business organization in the world. It operates more than fifteen million contracts per year and develops and produces the most sought after weapons and equipment in the free world.
(1:5)

Between fiscal years 1980 and 1987, the DoD annual budget authority almost doubled, from \$143 billion to \$281 billion. This sharp increase contributed to rising deficits and aroused public concern over the ways defense dollars were being spent. With increasing pressure to reduce the federal deficit, the challenge facing Congress was how to contain rising defense budgets while maintaining sufficient military strength to protect national security interests. (2:8)

The objective of the acquisition system--getting equipment that works and whose technology is superior to the enemy's to American forces in the field as quickly and as cheaply as possible--seems to have been lost. Overmanagement, overregulation, and internal management instability have crowded out the small, effective project-management teams that could get the job done fast and at a reasonable cost. The nation's military research and development base are being overmanaged and

overreformed so badly that we are in danger of losing our technical edge in the future even if the taxpayer's are willing to pay for it. (3:xiii)

CHAPTER II

BACKGROUND

Despite the significant problems plaguing the acquisition process, the United States defense weapons and equipment are among the best in the world. Our systems have evolved from simple get-the-job-done hardware to highly technical, highly capable robust sophisticated weapons systems.

Before and during World War II the defense industry was usually compared with a typical manufacturing industry, such as the auto industry. The emphasis was on simplicity, reliability, and producibility.

When the business of major defense companies declined after World War II, there was an expansion in the development and production of weapons and equipment in the 1950's. Spurred on by the Soviet launch of SPUTNIK, by the close of the decade the trend was away from long production runs to more research, development, testing, and evaluation.

The higher military budgets resulting from the increased international role of the U.S. following the Korean War presented a decentralized decision-making system with a two-fold challenge: (1) efficient management of the first peacetime defense industry in U.S. history and (2) effective coordination of military R&D efforts. (4:11, 12, 13)

These trends were accompanied by a need for changes to the acquisition system. The word reform has been used to

describe this process. Reform was not necessarily needed, but an evaluation and flexibility to changing conditions based on evolving situations was certainly in order. What followed, however, was a series of so-called reforms.

I never give anyone hell. I only tell the truth.

They think it's hell. --Harry S. Truman

Acquisition reform may be like the weather. Everybody talks about it but no one seems to do much about it. Six executive branch commissions have poked and probed the procurement issue over the last forty years. Since 1948 there have been dozens of investigations and reports examining the defense acquisition system. To understand the significance and the impacts related to this process of evolving acquisition reform, it is helpful to briefly review each Commission, the major focus, and recommendations. (5:v)

First Hoover Commission (1949): This commission examined executive branch agencies and operations. There was no emphasis on acquisition organization or procedures. The focus was on the emergence of the U.S. as a world power and the first time need to maintain a major peacetime military force. (6:6)

Second Hoover Commission (1955): The second commission made recommendations for improving economy, efficiency, and services, such as improving business management organization, improving management of common supplies, personnel

and financial management.

Both Hoover Commissions stressed the need for greater centralization and efficiency in the Government's purchasing systems--civilian and military. They urged the Secretary of Defense to use his oversight mandate to reduce duplication and increase standardization but the emphasis was on common supplies not major systems acquisition. (7:8)

Fitzhugh Commission (1970): Also known as the Blue Ribbon Defense Panel, the attention here was on the mounting problems of major systems acquisition. The commission noted that the difficulties could not be accommodated by a few simple remedies, but require many interrelated changes in organization and procedure. They paid special attention to research and development and acquisition. The commission recommended four major categories for improvement:

- Operational Test & Evaluation
- Career and professional development
- A new policy for research and development
- Improve effectiveness of program management

(8:10)

The Commission on Government Procurement (1972): Once again the focus was to promote the economy, efficiency, and effectiveness of procurement by the executive branch of the federal government. This commission commented on the need for Congress to become a more informed and effective check and balance in the defense acquisition process. In order to perform

the role well they said. "Congress should be given information and analyses required to understand the need and goals of new programs in the context of national policy and priorities." Thereafter, Congress is in a better position to monitor all the development, procurement, and required funds going to programs to meet these needs. The commission recommended many general procurement considerations including the establishment of the Office of Federal Procurement Policy to streamlining, and recommendations concerning acquisition of research and development, major systems, and commercial products. (9:13)

Grace Commission (1983): Also known as the President's Private Sector Survey on Cost Control, the objective was to identify opportunities for increased management efficiency and reduced costs achievable by executive action or legislation. The Grace Commission was sharply critical of Congress and its tendency to micromanage defense programs. Their recommendations included improved organization of the acquisition function, defense contract administration consolidation, regulatory constraints, independent research and development costs, data exchange between DoD laboratories, stricter entry requirements on major weapons system acquisition new starts, better estimating of those costs, recommendation for multiyear procurement and stable spending plans, the transfer of consumable inventory items, and the implementation of OMB circular A-76. (10:17)

Packard Commission (1986): Also known as the Blue Ribbon Commission on Defense Management, this commission warned

that executive branch efforts to improve the acquisition process would fail "if Congress does not do its part to improve its role in the process." The Commission stated its belief that both the number and magnitude of changes resulting from congressional review of the budget were excessive and harmful. The most important reform was the adoption by Congress of biennial budgets. In addition, the commission found that:

"Responsibility for acquisition policy has become fragmented. There is today no single senior official in OSD working full time to provide overall supervision of the acquisition system...The commission concludes that the demands of the acquisition system have become so weighty as to require organizational change within the office." The commission also recommended an extensive list of significant improvements, such as:

- streamline acquisition organization and procedures (including a Defense Acquisition Executive)
- balance cost and performance
- stabilize programs
- expand the use of commercial products
- increase use of competition
- clarify the need for technical data rights
- enhance quality of acquisition personnel
- government-industry accountability
- improve DoD-Congressional budget process

(11:20)

We see that four decades have produced six different commissions with six reports on the acquisition process. Two points are clear: First, contrary to popular belief, there has been no shortage of thought and analysis focused on these problems. The acquisition process may be vast but it is not uncharted. We don't need another Lewis and Clark expedition. Second, these repeated investigations have come up with similar proposals. That so many minds reach similar conclusions does not automatically mean they are right, but it does give added weight to the proposals. The next executive commission on acquisition should be created, not to propose reforms, but to implement them! The continual identification of the same problems prompted the Fitzhugh Commission to ask, "Why doesn't the patient respond to the treatment?" (12:vii)

CHAPTER III

WHAT SEEMS TO BE THE PROBLEM?

Many of the earlier commissions recommendations were acted upon using "quick fixes" which in reality didn't fix anything and were ignored for the most part by those trying to get the work done. This angered Congress who then overreacted by regulating the process. They felt centralization was the answer. Unfortunately, the first evolutionary step for centralization is that of ruling by regulation.

Overregulation

No fewer than 324,000 "regulators" are today employed by the federal government alone...a number equal to the combined populations of thirteen of the nation's state capitals--an ill week growth fast! Abigail Adams once remarked, "We have too many high-sounding words and too few actions that correspond with them". We similarly have many high-sounding regulations but precious few solutions to our problems. Each time we seek to solve a problem we somehow end up with a problem and a regulation. (13:196)

The regulations governing business operations of the DoD and private industry have increased tremendously since WWII. In 1947, the Armed Services Procurement Regulation (ASPR) numbered

approximately 125 pages, in 1987 the Federal Acquisition Regulation (FAR) and associated supplements constituted several large volumes totalling approximately 1200 pages with new pages added each month and still do not cover all procurement requirements. (14:17)

The mere process of change, regardless of the wisdom of its purpose, is inherently disruptive. The DoD needs time to assimilate the changes enacted to date to stabilize the regulations implementing the legislation. By one count the FAR has been amended 14 times since April 1984 and the defense supplement to the FAR was amended 11 times during the same period.

Although changes in the acquisition policies of the DOD and its contractors were long overdue, the time has now come to step back and examine the impact of these changes. If not, the future could be grim! At present count there are more than 100 bills in Congress which, if enacted, would somehow alter the acquisition process. What has happened is that the executive branch is not able to solve discovered problems. Instead of selecting the best possible management solutions to a problem identified by Congress, the executive branch focuses on a legalistic interpretation of legislation. More often than not such a process leads the DoD to adopt the most restrictive interpretation of a legislative provision, regardless of its effectiveness. (15:13)

If Congress is concerned with improving the buying process,

it might obtain a better return on its investment by focusing on the millions of procurement actions, to which thousands of people are dedicated, unrelated to the initial award of a major systems contract. It is there that legislative changes can have the most significant impact in eliminating burdensome and inappropriate activities. Before attempting to redirect management efforts in the DOD, Congress should reexamine existing provisions to determine if changes are necessary to further the purpose of the legislation and prevent unnecessary litigation over the "intent" of Congress. (16:18)

The impact of overregulation has been a significant increase in layers of personnel merely to review each and every step in the process to ensure strict adherence to regulations which may or may not be clear to begin with. This is not only a waste of valuable time and critical expertise, we have lost sight of the objective. Many DOD contractors are requiring that their contract management personnel have a law degree simply to interpret the myriad of regulations and statutory requirements which have significantly impacted their ability to do business. A complaint heard often from defense contractors is that each government agency they are involved with may interpret the regulations differently from the other causing great confusion and inefficiency. The acquisition process has become a huge tail wagging a weak and demoralized dog.

Overmanagement

The apparently inherent tendency of senior managers to draw unto themselves authority for making even minute decisions is nowhere more evident than in government, with the acquisition process being but one case in point. At each point along the way to the senior manager, a pyramid of approval steps must be climbed, where there are individuals who seem to have only the authority to say "NO"....and probably little authority for even that. (17:191)

Defense program managers often view this large group of decision makers as an obstacle to rapid, efficient completion of their program. Managers are required to devote a significant amount of time to promoting their programs. Overseers within the higher-level decision making groups, reviewing a large number of complex systems on a regular basis, may easily lose sight of the uniqueness and importance of individual systems. A funding cut of a few million dollars can be disastrous to a program manager whereas to a Congressman it represents much less than .0001 percent of the defense budget. (18:19.20)

Augustine's Law of Oratorical Engineering describes the impact of the steady growth of the Congressional record and need for testimony by the program managers. "The more time you spend talking about what you have been doing the less time you have to do anything. Eventually, you spend more and more time talking about less and less until you finally spend 100 percent of your time talking about nothing!!" (19:190) A significant waste of

dollars, not to mention talent.

What are the causes of Congressional micromanagement? Micromanagement did not develop overnight. It began gradually, when American involvement in the Vietnam War was ending. As the war persisted, most in Congress became increasingly skeptical of the way the military was conducting it. The Watergate affair accelerated the erosion of faith in the honesty and integrity of the executive branch of the government and in 1974, the public elected to Congress many who wore their skepticism of "big government" like a badge of honor. This skepticism and lack of trust in the executive branch led to a gradual increase in congressional resources devoted specifically to oversight.

(20:81) The roots of micromanagement of DOD activities can also be traced to a federal spending disparity. By 1985, although the defense budget represented only about 26 percent of total federal outlays it accounted for nearly 65% of total discretionary spending (i.e., money Congress could control without reducing benefits already promised) during a period of record budget deficits. The historical reluctance by the President and Congress to interfere with the growth of major domestic entitlement programs, the discretionary nature of defense spending and the persistence of the federal budget deficit provide valuable clues to how long the intense scrutiny will continue. (21:83) There is nothing left to micromanage except an already burdened defense acquisition system.

The consequences of micromanagement are many. Increased

Congressional involvement in DOD activities has created or aggravated a number of system inefficiencies. In attempting to reform a management process, many members believed to be fundamentally flawed, Congressmen and their staffs though well-intentioned, often left new and equally serious problems in their wake. One undesirable effect of micromanagement was the further confusion of accountability. Instead of laying the groundwork for a more effective management system in which decision makers would be held more accountable for their actions, the vast majority of reform legislation led to so many additional checks balances and layers of review that decisions remained too often a product of the bureaucracy, not of individuals. (22:83) As noted earlier when outlining the recommendations of the commissions reviewing the system, each of the later reports called for reform in this area. The strongest message was sent by the Packard Commission and improvement has since been initiated by the Defense Management Review calls for clear command channels; i.e., the clear alignment of responsibility and authority, preserved and promoted through short, unambiguous chains of command to the most senior decision makers. (23:8)

Another undesirable consequence of micromanagement has been the reduction of management autonomy and the emergence of incentives that discouraged individual initiative and encouraged defense managers to concentrate more on process and procedure than on results. Instead of creating an environment in which able managers could freely exercise their judgment and authority,

Congress was telling many of them in excruciating detail how to manage their programs. The safest path has become strict adherence to regulatory detail, regardless of the results achieved. Even the most capable and intelligent have become involved in a checklist process with little or no common sense applied. Any bureaucrat worthy of the name will, in fact, soon strategize that a fail-safe way to guard against criticism is never to take risks, even when those risks may be very prudent and may have significant probable payoff. (24:183)

Micromanagement has also resulted in a slower, costlier, procurement process. The more complicated and abundant the regulations and layers of review, the greater the time required to obtain approval to perform even simple tasks. Finally, micromanagement has diminished the mutual trust and goodwill so important to the working relationship between Congress, the Defense Department, and industry. Morale and confidence are at low ebb.

One of the arguments used most often to justify congressional micromanagement is that the Defense Department is incapable, because of structural inefficiency and internal rivalries of efficiently managing and reforming itself. Frequently forgotten, however, is that Congress is "inefficient" by design, as demonstrated by the inherent rivalry in a two-party system electing members every two years. In addition, because of its political nature and busy agenda, Congress is not simply reluctant to act promptly on difficult issues, it is unable to

act even on matters of grave importance. (25:89)

A review of defense appropriations bills since 1980 emphasize that in its own way Congress is as imperfect a manager as the agency it attempts to manage. In what is critically referred to as pork barrel politics, many members of Congress (often in response to their constituents, i.e., labor unions and industry requests) initiate or perpetuate the expenditure of funds on programs or facilities of only marginal value to create or save jobs, and their popularity in their districts. Many in Congress are no more equipped to make objective and detached decisions on resource allocation than is the DOD whose decision making integrity is often attacked and considered compromised by its close relations with contractors. (26:90)

Unfortunately, the focus has been on oversight activities but it is not clear that it serves a useful purpose. Inspector Generals and other overseers perform an extremely important role but that role can be beneficial only when applied constructively and with moderation. The increase in magnitude of the federal oversight effort is on the order of 200 percent per decade, probably making it America's fastest growing industry! To illustrate the absurdity that can be created, the story goes that in an effort to augment its number by recruiting amateur or part time watchers, the OMB established a hot-line to receive tips on waste in government. As luck would have it, the Government Accounting Office (GAO) had been planning to do exactly the same thing but was beaten to the switchboard by two days. The ensuing

squabble over turf rights led the Washington Star to note editorially, "That raises the question of whether there is sufficient coordination or possibly a wasteful duplication of effort in the war on waste." (27:183) Augustine's Law of Perpetual Emotion describes the feelings prevalent throughout the community --"The only thing most audits fix is the blame." Perhaps its time to view it as Yogi Berra would say, "You gotta have rules, but you also gotta allow for a fella to mess up once in a while". (28:182) The DOD is losing talented, dedicated people. Micromanagement removes decision making from the manager on the scene and puts it into the hands of those who cannot possibly know the ramifications of their choices. Micromanagement is the extension of legitimate and necessary supervision to a self-defeating extreme and has contributed to the third problem to be discussed--management instability.

Management Instability

There exists, in fact, a law which addresses the problem of management turnover which is premised on the possibility that most managers think they know their capacity but simply pass out before they reach it. (29:137)

Could it be possible that so important a management tenet as leadership stability and accountability has been totally overlooked in managing our nation's defense affairs? No...the problem is recognized--Gilbert Fitzhugh, Chairman of the Blue

Ribbon Defense Panel of the late 1960's stated: "Everybody is somewhat responsible for everything, and nobody is completely responsible for anything." This problem of personnel turbulence, troublesome in virtually all management situations, is particularly acute in the case of major research and development programs in the DOD. Many program managers come into programs where the people in the legislative structure have experienced relatively little turnover, and these members frequently remind Defense witnesses testifying before R&D hearings that the Congressmen and Senators themselves know more about the history and underlying problems of the programs in question than do the program managers who come in with ever-greater enthusiasm and optimism. (30:138) Perhaps its time Congress allowed some of the enthusiasm to be put to constructive attempts to turn programs around and instill some stability.

Budget instabilities and contracting cycles not conducive to multi-year procurement have also contributed significantly to program instabilities. Managers have been unable to concentrate on doing their job efficiently because they have been required to respond to oversight and legislative demands which do not allow the use of their judgment and expertise to resolve important issues. In addition, programs have lengthened significantly in schedule and complexity but management stability has not been compatible with the changing conditions. Most program managers have a three year tour on a program with an R&D schedule which may continue for as many as ten years.

CHAPTER IV

Recommendations

There is a better way--FIND IT! -- Thomas Edison.

The previous chapter has focused on overregulation, overmanagement, and management instability as three of the contributing factors of failure of the acquisition process. The streamlined organizations of the past have been lost in a battle of wills between Congress and DOD. It is time to realize that streamlining can improve the acquisition system but the job must be given back to the small, effective project management teams that could get the job done fast and at a reasonable cost. Scandals are distracting attention from deeper-seated ills. The scandals are centered on nickel and dime situations by comparison. Often, at root, scandals are simply reasonable arguments over who owes what to whom under the ambiguous terms of today's copious regulations and complex contracts, or they concern judgment calls as to how much infallibility should be expected of engineers and manufacturers in producing defense equipment. While we are arguing about nickels and dimes, billions go marching quietly out the door. We are spending millions to guard against waste, fraud, and abuse to root out relatively speaking--pennies. (31:2) By and large, neither military managers nor defense contractors are crooks--they have

learned out of necessity to play an ambiguous political game--the game of winning government contracts.

Streamlining can work if DOD and Congress reduce, and then limit regulation, eliminate micromanagement, and add stability to program management.

Reduce overregulation. As outlined in previous chapters, government is burdened with overregulation; e.g., "...the aerospace industry is becoming so rule-bound and regulated that it appears to be neither free nor competitive..." (32:17) Many companies are declining to participate in government contracts--there is too much red tape and those contractors making any kind of a profit are then labeled as crooks and find an array of oversight auditors at their doorstep.

The defense industry and the military are less able to do the kind of innovative job they must do to keep this country preeminent in military technology. The paper-laden defense industry is on the verge of pricing itself out of the market. (33:16) Congress must "back off"--we must call a moratorium on any further regulation of the system and let DoD and their contractors carry out a plan to recover from past ailments.

If the acquisition process is to run smoothly and efficiently it should be structured so that contractors have a reasonable opportunity to earn returns comparable to commercial returns for comparable risk, without undermining government program objectives. When contractors perform well, government managers should be empowered to recognize that performance and to

reward it with attractive profits and opportunities for future defense business. (34:301) This is an important concept and it has worked. For example, one DOD organization has authorized program managers to do this very thing. The data reflects a contractor who is motivated to be innovative without wasting dollars trying to "sell" frivolous ideas. Further, this streamlined, proactive approach actually reduces program cost in the long run by eliminating wasteful second guessing and excessive documentation to defend against every decision the company makes. Trust, teamwork, and cooperation are emphasized. It also works because the government team is given the latitude necessary to anticipate and resolve issues as they come up. This takes years of training and experience to learn to cope with the complexities of the process, the day-to-day negotiation and the marketing tactics within government and industry, not the glut of regulations we have seen in the last few years.

Let's try macro- not micro- management:

Generations of overmanagement by higher and higher levels of government, that is, micromanagement--is a primary cause of the defense procurement mess. (35:3) In addition to DOD acquisition reform, there must be Congressional reform. Congressional reform must include elimination of the redundancy among the reviews by the variety of committees and subcommittees most of which are timeconsuming and chaotic. Congress needs a simple line of authority for authorizing programs, appropriating funds, and overseeing the defense acquisition process. Congressional

oversight should focus on overall defense policy, the quality of DOD management, the reasonableness of plans for major development and production programs, and the progress made in accomplishing earlier plans.

Overmanagement has grossly stretched out the time necessary to develop weapons and has, in the process, driven up their costs. Unstable funding itself wastes money; program managers are unable to manage their own program budgets. In research and development, time translates directly into money. (36:xiii) Congress, rather than sticking to its role of policy review and guarding the gates of the Treasury, has immersed itself in the details of weapons selection and program management. Instead of relying or insisting on good judgment on the part of the program managers and contracting officers, the government has resorted to procedure and regulation to do what it cannot do: mandate wisdom. As Senator Sam Nunn (D-GA) remarked: "Congress has become 535 individual program managers who are micromanaging the department at an alarming rate...I am not convinced that all the changes we have made are positive. For example, we have imposed countless requirements on the procurement process which have resulted in huge lists of things that contracting officers must check off before they can approve a project. If the contracting officers check all of those boxes, they feel they have done their job. Unfortunately, nowhere on the list is a box marked 'common sense'. Consequently, it is no wonder that significant acquisition problems exist." (37:17)

A new administration, if it wants to streamline needs to open the top of the can first before it can get to the beans at the bottom.

And, stabilize: A key ingredient missing is management will. "Quick fixes" in the past have been counterproductive or led nowhere.

If reform is to be achieved, DOD managers must be persuaded that their organizations will benefit from improved management. An important aspect is that Congress should find ways to attract dedicated, experienced, industry managers to senior positions in the Pentagon. (38:315,321) The "revolving door" issue should be examined from a different perspective. In my opinion, government (and DOD in particular) suffers a tremendous loss of talent and expertise which it has developed and financed over the years by restricting its military personnel from retiring and returning to the government as civilians. It would greatly benefit DOD to be able to retain this expertise. Current laws and regulations make it not only infeasible, but taint the individual with the stigma of "insider" accusations. A review of this area is important.

In addition, eclipsed program managers are not the root cause of the acquisition mess but rather a symptom and a symbol of the fact that the government does not trust its own people or those in industry to carry out the job. (39:3) Congress must identify and isolate the problem--and the cause of the problem it is trying to correct. The goal must be toward professionalism

and the establishment of standards for education and experience and provide the compensation or other incentives necessary to strengthen the capability and proficiency of the workforce.

CHAPTER V

Thoughts Toward Streamlined Management

In his book "In Search of Excellence", Tom Peters lists eight basic principles used by the best-run American companies to keep their competitive edge. Many other companies have adopted these principles with great success. The principles are as follows: (40:i)

One: A bias for action; a preference for doing something--anything--rather than sending a question through cycles and cycles of analyses and committee reports:

Two: Staying close to the customer--learning his preferences and catering to them;

Three: Autonomy and entrepreneurship--breaking the corporation into small companies and encouraging them to think independently and competitively;

Four: Productivity through people--creating in all employees the awareness that their best efforts are essential and they will share in the rewards of the company's success:

Five: Hands-on, value driven--insisting that executives keep in touch with the firm's essential business:

Six: Stick to the knitting--remaining with the business the company knows best;

Seven: Simple form, lean staff--few administrative layers, few people at the upper levels.

Eight: Simultaneous loose-tight properties--fostering a climate where there is dedication to the central values of the company combined with tolerance for all employees who accept those values.

Most bureaucrats would say that these principles cannot apply to the federal government or the acquisition process; that the government is run differently than a corporation, which is true. It is true that our hands are tied in the bureaucracy when it comes to statutory regulations which must be complied with. There are, however, a great many other actions that can be taken to streamline acquisition management. What is necessary is visionary leadership, the application of good judgment and common sense to each situation, and a knowledgeable dedicated workforce.

One DOD organization, Special Projects, has found the philosophy to be successful. As a research and development organization, Special Projects deals in the acquisition of major weapons systems. Each of the eight principles, while not specifically followed by the book, can be found to be functioning successfully within the organization. Every person in the organization knows, understands, and supports the goals of the organization articulated from the head of the organization. Similarly, the simple form, lean staff functions in the fashion of the "skunk works" type management of the 1950's and 1960's which is the essence of lean program management and stresses noninterference from outsiders provides the basic foundation of the organization. Access by outsiders is strictly controlled

and the project-team size (both military and contractor) are kept small and efficient. (41:166)

Although access to outsiders is controlled, oversight by Congress is accomplished. A recent review of the organization by the DOD Inspector General is paraphrased here and highlights the effectiveness of streamlined acquisition management:

"Contracting at Special Projects was effectively accomplished. The matrix contracting organization allowed Special Projects to assign authority according to responsibility and provided a short chain of command with limited reporting, both of which are key aspects of streamlined management. Real-time responsiveness and creativity was also evident and reflected the cadre of competent well-trained contracting personnel at Special Projects and the ACO office located at the contractor's plant. The weaknesses disclosed in our audit, while significant, should be considered in the context of the positive aspects of Special Projects general control environment over contracting."

There are two important considerations here. One is the streamlined management issue (short chain of command, authority commensurate with responsibility, lean teams); the other is that an oversight audit weighed the benefits derived from this type of operation to the weaknesses disclosed and were able to reach a conclusion that would not unnecessarily restrict the actions of the organization. It is clear that experience and expertise are as critical in the oversight function as the same criteria is critical in the areas being reviewed.

It is recognized that this approach will not satisfy all situations in the DOD. It is important, however, that positive action be taken for major systems acquisition where the reaction to cost and schedule overruns is overregulation, overmanagement, which leads to instability. Consideration should be given to restructuring the acquisition environment with an aim for action, not further study. One possible solution is to centralize those common items of supply which are generally of low dollar value and conducive to the routine procedures of a bureaucratic system; e.g., bullets, uniforms, fruitcake. A concentrated effort then should be focused toward the high value, complex major systems acquisition with the lean, highly qualified project teams. Since most defense contractors are organized similar to the DOD, contractors should also be encouraged to organize by product line for ease in interfacing with more than one DOD agency. A major reason defense contractors don't reorganize for more effectiveness is that they lack the incentives to do so. Government rules unwittingly encourage contractors to waste money--and reforming this flawed system should be Secretary Cheney's priority. (42:1) Defense Secretary Cheney's Defense Management Review directive seeks to implement these major areas of concern. It is important that patience and steady progress toward those goals be encouraged at all levels of the legislative and executive branches of the government.

CHAPTER VI

CONCLUSION

We are attempting to develop major new systems with ten-year technology, eight-year programs, a five-year plan, three-year people, and one year dollars. (43:137) It's time to stop and take inventory. As Congressman Newt Gingrich noted on CSPAN cable television: "the bureaucracy is systematically disintegrating...it is pre-typewriter. We need a positive model for acquisition".

We need a moratorium on systems acquisition "reform". The flurry of activity over the past ten years on reforming the systems acquisition process has many of the earmarks of treating the symptoms rather than the major sources of the problem. We must look beyond the acquisition process itself for most of the unresolved problems. (44:34)

Nine guiding principles of acquisition management designed to provide a professional imperative to guide acquisition decision makers during the conduct of business have been developed by the Center for Acquisition Management Policy of the Defense Management College at Fort Belvoir, Virginia. This set of principles, honored in observance, yet tolerant of an occasional breach, can provide the environment necessary to support and sustain a successful program. (45:25) These principles recognize the need to encourage innovation and

proactive decisions; and most importantly, to return trust and faith to those who are dedicated to meeting the national objectives.

Overall, despite the many problems, the acquisition system has produced a broad range of extremely complex, technically advanced equipment for our military forces--which, if we recall, is the objective. We should not lose sight of this accomplishment and we go forward with another attempt at streamlining the acquisition system. Change is never easy.

"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. Because the innovator has for enemies all those who have done well under the old conditions, and lukewarm defenders in those who may do well under the new. This coolness arises partly from fear of the opponents, who have the laws on their side, and partly from the incredulity of men, who do not readily believe in new things until they have had a long experience of them. Thus, it happens that whenever those who are hostile have the opportunity to attack they do it like partisans, whilst the others defend lukewarmly."

--Niccolo Machiavelli
"The Prince", 1915

"There are no other jobs in the world quite like those needed to manage a 300 billion dollar-a-year philanthropy (no profit and loss statement, just war avoidance) that operates a three-trillion-dollar depreciating investment, with three million full-time employees--under the watchful eye of 550 inexperienced politicians with their thousands of enthusiastic staffers."

--Leonard Sullivan, Jr.
"Characterizing the
Acquisition Process"
1986

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