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"Single Process Initiative—Progress and Prospects"

**Remarks of
The Under Secretary of Defense for Acquisition and Technology
Dr. Paul G. Kaminski
at
Aerospace Industries Association
Board of Governors Meeting
Williamsburg, VA**

May 23, 1996

On May 31—a week from tomorrow, the Department of Defense will hold an Acquisition Reform Day. I feel a "stand-down" like this is necessary because of the sheer difficulty of communicating such a broad and diverse array of reforms to such a broad, diverse, and busy workforce.

It is important to note, however, that this is not a bad news story -- this is a good news story. We are taking this time because we now have enough reforms under our belts that it is time to share with the entire DOD acquisition community our many successes and accomplishments.

We are at a point in our acquisition reform program that is not too much different than the situation faced by Winston Churchill during World War II when the US entered the war. He observed that "This is not the end, or even the beginning of the end, but it is, I believe, the end of the beginning." When you think about it, this is exactly where we are in our program of acquisition reform and the reason why I've selected "The End of the Beginning" as the acquisition reform day theme.

The Department has begun to make substantial progress in improving the way it procures equipment and services. Our success is real and visible. Many programs are experiencing cost avoidances and savings in the \$100s of millions—a few in the billions of dollars. We are stripping away the onerous non-value added documentation and procedures and now have a foundation in place to move to 21st century business practices.

I am very proud of your accomplishments thus far in acquisition reform. The energy, dedication, and commitment that everyone in the Department has brought to acquisition reform is a real tribute to the professionalism of our acquisition community. It also shows what we can do when we work together as a team dedicated to a common goal.

Indeed, one of the key factors in our success has been our ability to work together in teams. Process Action Teams have been the foundation of our efforts. Our

PATs have worked as integrated teams representing important interests across the Department and industry to develop solutions that aren't just smart but are also achievable.

We have teamed with the Congress to enact landmark statutory reforms. With the passage of the Federal Acquisition Streamlining Act of 1994, the Federal Acquisition Reform Act of 1996, and the Information Technology Act of 1996, the Department has been able to take three huge steps toward becoming a world-class buyer. The Department is working with the Office of Federal Procurement Policy to fully implement these groundbreaking statutes.

Now that we have an institutional base in place, we are beginning to see the benefits of acquisition reforms. The evidence is still mostly anecdotal – but we are seeing savings on major programs like the Joint Direct Attack Munition, the C-17 and the SMART-T, and on thousands of small purchases of items like T-shirts and socks.

We are moving in the direction of improving the underlying processes. Today I would like to talk first about what I was thinking when I started one of our more process-oriented reforms – the Single Process Initiative. Next, I will say a few words about implementation of this initiative. Then, I will share with you some of the lessons learned so far. And finally, I would like to get your feedback on what is working or not working, or what you would like to see changed.

I think this kind of discussion is very important, not just for the success of the initiative, but also because I think the single process initiative has such wide applicability. I see this as, in effect, a pilot program for all executive agencies, and, in fact, on May 17th, NASA issued guidance for use of the single process initiative and block modification changes.

Let me start by telling you what I was thinking when we started this initiative. It begins with Secretary Perry's policy, released in June 1994, on military specifications and standards. This policy began moving the Department in the direction of using commercial-like performance-based specifications instead of "how to" military specifications and standards. Over the past two years, we have literally turned the entire MILSPEC world on its head. In the past, program managers had to seek waivers to use commercial specifications. Today, the shoe is on the other foot – anyone who wants to use a military specification must obtain a waiver.

But those changes--as important as they were--effectively applied to new contracts only. One of my major motivations for implementing a "single process initiative" was to reduce the number of government-imposed processes on existing contracts. Today, in many of our contractor's facilities, the contractor will have one manufacturing process for its commercial customers and perhaps several different ones

imposed by various DOD programs. The single process initiative deals with this problem by reducing the number of different processes and relying on commercial practices as much as possible. Our objectives are: one, save money; two, obtain a better product; and three, foster a more competitive industry.

In the 6 months since the initiative started, 39 contractors have proposed 177 process changes, and 122 have been accepted, 45 are technically acceptable, and only one was deemed unacceptable. Once we have accepted a proposal, it has taken us an average of 91 days to adopt the modification, and to date, we have already modified 34 processes. The three most frequent proposals have been in the areas of quality programs; the electronic manufacturing processes, including encapsulation and electrostatic protection; and configuration management systems. We still have much to do in order to fully implement the single process initiative, but we have already had a great deal of success.

I want to tell you now about the lessons we have learned. To date, we have signed block change agreements with four contractors: Texas Instruments, Raytheon, the AAI Corporation, and Lockheed Martin Orlando. The first two block change agreements were with Texas Instruments. The Defense Contract Management Command's field office at Texas Instruments put together this agreement for the government along with the Air Force, Army, Navy and the Defense Contract Audit Agency.

This first block modification targeted the product assembly process at Texas Instruments Defense Systems and Electronics. Before the single process initiative, the assembly process was controlled by about 65 variations on 38 defense specifications; now, the process will be governed by 8 specifications and standards. Moreover, all 8 are performance-based, commonly-accepted commercial specifications and standards. That means that Texas Instruments can use the same processes to make commercial and government products, and in turn, they have the flexibility to allow their suppliers to consolidate the number of their processes.

We learned another important lesson through our other block modification agreement with Texas Instruments: we can not only save time and reduce costs, we can make the workplace safer and cleaner. Texas Instruments and the Joint Logistics Commanders Group on Acquisition Pollution Prevention worked together to develop a block modification for a paint and primer facility. They found that by eliminating four military specifications, the facility would also eliminate thousands of pounds of volatile organic compounds and solvent and paint from their waste stream every year.

We next signed a block change modification with Raytheon a little over a month ago. This single block change affects 16 separate Raytheon facilities and a total of 884 contracts in the areas of soldering procedures, engineering change approval, acceptance

testing, configuration audits, annual test station certification, material review boards, cost data and performance reporting, calibration standardization, and component rescreening. The agreement is deceptively simple -- the modification allows Raytheon to take advantage of industry-wide practices that meet the intent of military specifications and standards.

We also signed block change agreements with AAI Corporation and Lockheed Martin Orlando earlier this month. Both agreements will permit the contractor to use an ISO 9000-based quality system on current contracts -- about 300 contracts, in the case of Lockheed Martin. We moved from the concept stage to a signed agreement in just 70 days with AAI and 117 days with Lockheed Martin Orlando. I think the most important lesson we have learned so far is that we can turn these agreements around quickly and at minimal cost, allowing the industry -- and the taxpayer -- to capture the cost savings and efficiency improvements in short order.

Jerry King, the president of Boeing Defense & Space Group, directed that all contracts would be managed using the earned value technique, regardless of contractual requirements, long before we announced the single process initiative. The Group is well along in implementing a common management system at all locations, and is applying it to commercial work also.

On March 7, 1996, I presented the first Acquisition Excellence Award to the F/A-18E/F government/industry team. A key element in its success was the Integrated Management Information and Control System (IMICS) developed by McDonnell Douglas and the government team. And in August of last year, Sam Araki, the president of Lockheed Martin Missiles & Space, issued a policy directive to make earned value the basis for management of all efforts in Sunnyvale, working with the local DPRO. A task force is benchmarking earned value practices used on the commercial IRIDIUM™ program and will apply lessons learned to the Air Force MILSTAR program. Any unique government requirements that are shown to be unnecessary will be candidates for elimination.

I would like to encourage all of you to participate in this single process initiative and take this opportunity to improve your underlying business processes. The Department stands ready to support you in any way possible.

At this point, I am very interested in getting your feedback, but before we move on to questions and answers, I would like to tell you about some of the feedback we have already received. Some of you have pointed out that the Department needs to address the issue of propagating the single process initiative down to subcontracts. In response, the Defense Contract Management Command formed an Integrated Process Team. This team is about ready to make its recommendations. I am confident that we can find a way to extend block changes to significant subcontracts -- and without the

government dictating the relationship between prime contractors and their subcontractors.

Some of you have expressed concerns about the sharing of information about this initiative. The government will reserve rights to the data you provide us, but we do understand that we need to protect proprietary information or information that may affect competitiveness. I want to assure you that we will protect the proprietary information you provide us from unauthorized disclosure.

I have also heard questions about the impact of the single process initiative on evaluations of past performance. It is too early to really answer these questions, but I believe the effect will be positive. In the past, the Department has tended to focus on compliance with requirements, but this initiative will help us focus on what really matters – the quality and cost of the product.

Not all of the concerns about this initiative come from industry. For example, in the cost performance reporting area, some DoD program managers are concerned that they will not be consulted about proposed changes in the reporting level. Our policy is that reporting should normally be no lower than level three of the contract work breakdown structure, except for those lower level elements that the program manager judges to be high risk. For those critical elements, reporting should be required at whatever level they appear in the work breakdown structure (WBS). And because every program is different, reporting must be tailored for each program. An arbitrary change -- such as level two or three reporting for all contracts in a facility -- would override the program manager's judgment and could expose the government to unacceptable risk on cost-based contracts. For this reason, the single process/block change initiative must address program reporting issues program by program, not as a "one size fits all" solution, and future contracts must be treated on their merits.

I look forward to hearing from you now about acquisition reform in general, our upcoming acquisition reform day and the single process initiative.