



Report to the Secretary of Defense

Acquisition Workforce Growth and Recommendations for Insourcing

Report FY10-04

- **Recommendations to support the Department's "insourcing" activities—
How the Department can rapidly acquire and prepare/train the talent it seeks in order to prevent pitfalls that might lead to unintended gaps in expertise and quality.**

Report Documentation Page				Form Approved OMB No. 0704-0188	
Public reporting burden for the collection of information is estimated to average 1 hour per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to Washington Headquarters Services, Directorate for Information Operations and Reports, 1215 Jefferson Davis Highway, Suite 1204, Arlington VA 22202-4302. Respondents should be aware that notwithstanding any other provision of law, no person shall be subject to a penalty for failing to comply with a collection of information if it does not display a currently valid OMB control number.					
1. REPORT DATE JAN 2010		2. REPORT TYPE		3. DATES COVERED 00-00-2010 to 00-00-2010	
4. TITLE AND SUBTITLE Acquisition Workforce Growth and Recommendations for Insourcing				5a. CONTRACT NUMBER	
				5b. GRANT NUMBER	
				5c. PROGRAM ELEMENT NUMBER	
6. AUTHOR(S)				5d. PROJECT NUMBER	
				5e. TASK NUMBER	
				5f. WORK UNIT NUMBER	
7. PERFORMING ORGANIZATION NAME(S) AND ADDRESS(ES) U.S. Department of Defense, Defense Business Board, 1400 Defense Pentagon, Washington, DC, 20301-1400				8. PERFORMING ORGANIZATION REPORT NUMBER	
9. SPONSORING/MONITORING AGENCY NAME(S) AND ADDRESS(ES)				10. SPONSOR/MONITOR'S ACRONYM(S)	
				11. SPONSOR/MONITOR'S REPORT NUMBER(S)	
12. DISTRIBUTION/AVAILABILITY STATEMENT Approved for public release; distribution unlimited					
13. SUPPLEMENTARY NOTES					
14. ABSTRACT					
15. SUBJECT TERMS					
16. SECURITY CLASSIFICATION OF:			17. LIMITATION OF ABSTRACT Same as Report (SAR)	18. NUMBER OF PAGES 52	19a. NAME OF RESPONSIBLE PERSON
a. REPORT unclassified	b. ABSTRACT unclassified	c. THIS PAGE unclassified			

Recommendations for Insourcing the Acquisition Workforce

TASK

The Deputy Secretary of Defense and the Under Secretary of Defense for Acquisition, Technology, and Logistics (USD(AT&L)), in an effort to grow a highly-skilled acquisition workforce, requested the Defense Business Board form a Task Group to identify smart strategies for increasing the acquisition workforce, including policies and plans that will help bring previously outsourced jobs back into the Department of Defense (DoD).

The leadership asked the Board to provide best practice recommendations that support the Department's "insourcing" strategy. They also asked the Task Group to carefully consider how the Department can best rapidly acquire and prepare/train the talent it seeks in order to prevent pitfalls that might lead to unintended gaps in expertise and quality. The Task Group also considered the impact an insourcing strategy will have on the existing contractor base's ability to support DoD throughout the transition. A copy of the official Terms of Reference (TOR) may be found at **Appendix A**.

Ms. Madelyn Jennings co-chaired the Task Group, along with DBB Senior Fellow, Mr. Fred Cook. Also, DBB Senior Fellow, Mr. Bill Phillips was a member of the Task Group. The Task Group Sponsor was Dr. Ashton Carter, USD(AT&L). The Task Group Executive Secretary was Colonel Kathleen Sakura, USAF, Military Assistant to the DBB.

PROCESS

In addition to relying on their own professional expertise in human resources management, the Task Group reviewed acquisition workforce levels over the last two decades, and interviewed current and past government leaders who have dealt with acquisition workforce management. Specifically, they interviewed current and former acquisition/procurement leaders, commercial sector and federal sector human resource organizations with expertise in rapidly growing a workforce, commercial services providers to DoD, and industry professional

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associations. The Task Group also met with or interviewed DoD stakeholders and policy makers, to include leaders in: the Office of the Under Secretary, Acquisition, Technology & Logistics (OUSD(AT&L)); the Office of the Under Secretary for Personnel and Readiness (OUSD(P&R)); Defense Contract Management Agency; and Defense Acquisition University (DAU).

The Task Group reviewed numerous governing documents to include: Section 324 of the FY2008 National Defense Authorization Act, Public Law 110-181, Jan 2008; FY2009 National Defense Authorization Act, Public Law 110-417, Oct 2008; Deputy Secretary of Defense Memo, “Insourcing Contracted Services—Implementation Guidance,” May 2009; and the Weapon System Acquisition Reform Act of 2009.

They also reviewed recommendations in the Defense Acquisition Performance Assessment, 2005 (a.k.a. “the Kadish Report”) as well as findings and recommendations in four previous DBB reports: National Security Personnel System (NSPS), (July 2009); Outreach Plan to Improve Communications between DoD and the Defense Industrial Base, (July 2009); Shaping and Utilizing the SES Corps (May 2006); Innovation and Cultural Change (May 2006).

The Task Group developed interview questions to help guide their discussions with government and private sector thought leaders based on; 1) their research of the aforementioned documents, 2) a review of historical acquisition workforce levels, 3) a review of DoD’s stated acquisition workforce growth “strategy.”

The Task Group presented their findings and recommendations to the full Board on January 21, 2010. A copy of the briefing containing the final recommendations as approved by the Board may be found at **Appendix B**.

BACKGROUND

As a result of cost, schedule and performance challenges in the acquisition and procurement areas, DoD has a two decades-long history of proposed activities and initiatives designed to improve acquisition outcomes. Many of those activities were also mandated by Congress,

including several pieces of legislation designed to professionalize and improve the acquisition workforce.

While the previous administrations favored outsourcing of some aspects of government procurement support, the current administration under President Obama directed Federal agencies last March to cut forty billion dollars from its contracting budget over the next two fiscal years by trimming non-competitive contracts and ending the use of contractors for inherently governmental work.¹

As a result of the outsourcing conducted in the 1990s, DoD had become increasingly reliant on support contractors for many acquisition management functions, to include program management, systems engineering, and cost analysis. On April 6, 2009, Defense Secretary Robert Gates announced a plan to bring back into DoD many of the functions it had previously outsourced.² In May 2009, the Deputy Secretary of Defense issued implementation guidance, including detailed procedures, to guide insourcing decisions.³ This guidance outlines how DoD should bring back work which was previously outsourced and is today believed to be either inherently governmental or so central to the mission that DoD must have an organic capability in house to complete the work. In general, DoD is assuming a cost-benefit net gain (savings) for each contractor conversion.

A March 2009 GAO study found that, “DoD lacks information on the use and skill sets of contractor personnel and lacks complete information on the skill sets of in-house personnel.”⁴ Since that time, DoD has conducted some preliminary workforce competency models that were reportedly used to guide initial decisions about where growth was needed.

¹ White House Memorandum for the Heads of Executive Departments and Agencies
Subject: Government Contracting, dated 4 March 2008; posted at

http://www.whitehouse.gov/the_press_office/Memorandum-for-the-Heads-of-Executive-Departments-and-Agencies-Subject-Government; accessed January 2010.

² Defense Secretary Robert Gates press release, 6 April 2009: “...we will reduce the number of support service contractors from our current 39 percent of the Pentagon workforce to the pre-2001 level of 26 percent, and replace them with full-time government employees. Our goal is to hire as many as 13,000 new civil servants in FY10 to replace contractors and up to 30,000 new civil servants in place of contractors over the next five years.” Posted at <http://www.defense.gov/transcripts/transcript.aspx?transcriptid=4396>

³ Deputy Secretary of Defense William Lynn memo, “Insourcing Contracted Services—Implementation Guidance,” dated 28 May 09.

⁴ GAO-09-0342, “Additional Actions and Data are Needed to Effectively Manage and Oversee DoD’s Acquisition Workforce,” Highlights Section, paragraph 1.

Based on the acquisition community's preliminary workforce competency analysis, nearly one-third (10,000) of DoD's total insourcing effort are in acquisition-related fields. Additionally, to strengthen the acquisition workforce, Congress approved funding the Defense Acquisition Workforce Development Fund (DAWDF), designed to fund real growth in the DoD Acquisition workforce by 9,887 new positions. Therefore, acquisition insourcing is part of DoD's overall insourcing activity, and represents only part of the overall acquisition workforce growth initiative.

For the purpose of this report, the resulting 19,887 person acquisition workforce growth will be referred to as 20K for ease of reference. Finally, while the Task Group addressed acquisition insourcing in particular, many of the best practices identified in this report would be useful to DoD's insourcing and human resource initiatives as a whole.

SCOPING THE PROBLEM – Definitions and Magnitude

The use and practice of the term “insourcing” varies widely in the private sector, and is sometimes used to refer to activities done to maintain control of critical production of competencies. Still, others have used the term insourcing to characterize activities that bring additional work in-house which may not be initially central to that business's core competency, but represents someone else's outsourcing.⁵ DoD has defined insourcing as, “conversion of any contracted service to DoD civilian or military performance.”⁶

Few outstanding business examples of DoD's version of insourcing are available; therefore, the Task Group looked at best practices for growing a large skilled workforce. For the purpose of this Task Group report, insourcing is viewed as a workforce growth challenge, coupled with a strong “contractor/business relationship” component, and a moderate public relations and strategic communications challenge.

⁵ Freidman, Thomas L., *The World is Flat*, Farar, Straus and Giroux, New York, 2005; pp 141 – 150. He termed “insourcing,” – a form of collaboration and horizontal integration that allows companies to expand market access by outsourcing part of their supply chain to another company (who, in turn insources it). For example, UPS took on Toshiba laptop repair work.

⁶ Deputy Secretary William Lynn memo, “Insourcing Contracted Services—Implementation Guidance,” dated 28 May 09, Attachment 1, para 2.1

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"The Department hasn't hired a generation, in a generation."

- Ken Krieg, former USD(AT&L)

In FY2008, the Defense Acquisition Workforce (DAW) was comprised of approximately 127K personnel, down from 146K in 1998.⁷ These numbers include military and civilian acquisition personnel in all the Services, Defense Agencies, and DoD Components, and reflect a decline in organic government acquisition personnel during that same ten year period. In FY2008, the DAW was comprised predominantly of civilian personnel (approximately 88% government civilians and 12% military).⁸

Between 2010 and 2015, DoD will grow its DAW by 20K (from 127K to 147K), more than 15 percent. Ten thousand (10K) of the total will be from contractor conversions (insourcing) and 10K will be new hires (new billets). This increase will restore the DAW to late 1990s levels and is intended to restore core capabilities. This projected acquisition workforce growth of 20K is in addition to ordinary turnover due to retirements and separations, which are historically 8-10K per year. This turnover will exacerbate workforce churn, netting as much as 60K new personnel over the next five years. More simply, by 2015, 40% of the DAW (60K of 147K) will be newly added. By 2015, the civilian component of the acquisition workforce could grow to nearly 90% of the total. DoD will need sound practices to not only acquire this talent, but develop and train it as well.

OBSERVATIONS

The Task Group reviewed leading businesses for best practices on workforce growth strategies and best human resources management practices to guide execution. The ones most applicable to this acquisition workforce growth challenge are described below:

Workforce Growth Strategy - Best Business Practices:

1. Upgrading the workforce is a top priority. It has the attention and full backing of company leadership.

⁷ These numbers obtained from Defense Acquisition University Briefing dated 25 Aug 09. These numbers use the "Refined Packard" method for counting acquisition workforce personnel, and include all personnel in one of 13 acquisition career fields who are also assigned to and working in an organization whose primary mission is acquisition related.

⁸ E-mail from Ms Carolyn Willis, OSD/AT&L, Human Capital Initiative; dated 15 January 2010.

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2. A competency and skill-based profile is in-place for targeted hires. Purposeful hiring (each job must be justified) is based on projected company needs that are in line with company strategy.
3. Resources are dedicated to hire and develop the new workforce—the most critical needs are filled first.
4. Good business relationships are maintained with workforce partners and suppliers.⁹
5. Periodic reviews track execution and outcomes. Assessment methodology is put in place to chart and track progress, as well as make adjustments as needed to meet strategic workforce objectives (e.g., quality, right workforce mix).

Human Resources Management - Best Business Practices:

Recruiting

1. Recruiting Process Outsourcing firms (RPOs) are used for large scale hiring programs.
2. Targeted recruiting campaigns are used for key skillsets needed.
3. Major executive recruiting and outplacement firms are used for high-level executive recruiting.
4. Modern internet methods and career fairs, including professional associations, are important in recruiting efforts.
5. Applications and job openings are shared as broadly as possible.

⁹ Businesses with shared workforce space and existing support relationships often enter into non-solicitation agreements for a stated period of time. These non-solicitation agreements prevent one company from openly recruiting the talent/human capital of the other for a stated period (e.g., up to two years). The DBB is not suggesting that the Department consider such arrangements when viewing its existing support contract workforce, but the DBB does recognize that these agreements serve to prevent, for a period of time, animosity among components of the total workforce.

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6. Feedback is provided to those not selected, with referral information concerning other job openings in the company.

Orientation: It is well understood that culturally shaping and organizationally aligning a new workforce takes time and sensitivity is shown to the impact of growth and turnover on the resulting workforce.

7. Enterprise-wide use of intensive, dedicated orientation/training sessions are utilized.
8. Sponsor programs continue through new employee's first six months on the job. Strong mentoring programs assist with retention.

Development

9. Assessment process ensures right skillsets are being brought into the organization.
10. Retention programs include incentives and creative workplace arrangements (e.g., telework).
11. Talent management and development programs are in place to deliver current and future skills needed.
 - a. Training organization is expanded to handle planned workforce growth and also increased volume of career-long education and training that will be required.
 - b. A culture of common professional processes across the organization enables professional career development paths between various parts of the organization.

Leadership

12. Training in ethics, conflict of interest, and decision making are part of on-boarding programs.

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13. The leadership and managerial workforce are built at a pace to support the influx of new people. The structure to support and lead the new workforce is developed ahead of any large scale on-boarding.

Inspiration

14. An employee Value Proposition (“why work here?”) is well known, is communicated to the total workforce and potential recruits. A Value Proposition emanates from the top.
15. Periodic roundtable meetings are held with the best and the brightest
 - Reinforces the workforce Value Proposition
 - Incentivizes and encourages the high potential workforce
16. Leadership makes it clear that quality and the right skill mix are what is wanted; hiring just for the sake of making quotas (chasing the numbers) is not. Bigger isn't better; better is better.
17. Leadership requires that departments maintain positive business relationships with existing and residual customers.

Human Capital Staffing

18. A full-time Director of Human Capital reports to the top executive, oversees workforce enterprise, and provides strategic oversight for workforce growth and development.
19. A leading HR individual or consulting firm may be utilized periodically to review organization infrastructure to meet long-term needs.
20. New hires are surveyed to identify strengths and weaknesses of the hiring, orientation, assimilation and training processes.

With these best practices in mind, the Task Group identified these findings:

Observations - Policy / Guidance:

1. DoD has an ambitious schedule for acquisition workforce growth
 - a. Nearly one-third of 10,000 insourced acquisition job fills are scheduled to come back to the government in FY2010.
 - b. There are some legislative restrictions on “new hires” which prevent some government workers from even applying for these jobs. The language precludes any DAWDF funded new hire billet from being filled by anyone who was working for the government prior to January 29, 2008. This restriction could result in a morale problem in the field.
2. Responsibilities for strategic-level Human Capital Policy, Planning, Direction and Oversight for the acquisition workforce are diffused across the staffs of OUSD(AT&L) and OUSD(P&R). The President of Defense Acquisition University is dual-hatted as Chief of AT&L’s “Human Capital Initiative,” and OUSD(P&R) owns the policy and programmatic aspects.

Observations – Execution:

3. Many components/field agencies are “chasing the numbers.” Due to the sheer volume of hiring actions, focus is on filling billets as quickly as possible--hiring to meet quotas--rather than focus on quality. While the Task Group did find some anecdotal evidence of “pockets” of quality personnel being hired (specifically in the new hires/interns), DoD does not have any methodology in place to assess quality of hires, assess whether they are achieving the right skill mix, or assess the hiring programs’ progress against any overarching acquisition improvement strategy.
4. Recruiting is a vital competency needed for any successful workforce growth strategy and DoD could do more, specifically in the areas of marketing, to attract new personnel to the

acquisition career fields. DoD has a window of opportunity, while the economic conditions are favorable and supply of talented human capital is favorable, to recruit the best and brightest across the nation. DoD is utilizing some non-traditional recruiting methods for its acquisition workforce growth, such as the Army using career fairs to recruit executives from the hard hit auto industry to manage future tank acquisitions. DoD could also take advantage of new approaches, much like the National Guard's use of facebook, or the Military Services' use of recruiting spots placed in pre-movie ads. The acquisition community could also pursue talent through existing industry associations. Finally, DoD would benefit from improvement in its referral system—wherein a prospective employee could be easily referred to job openings/opportunities, thus expanding “recruiting” efforts.

5. Acquisition experienced personnel are a finite resource. Existing services contractors are the primary source of experienced personnel—initial competition with industry is likely.
 - a. There could be an unintended transitory shift of the experience gap into the contractor support workforce. As DoD initially grows the DAW and insourcing takes effect, many acquisition service support contractors will still retain requirements to support DoD. Small and medium-sized companies may be challenged to maintain quality support or requisite expertise levels during the transition period.
 - b. This competition could also impact contractor relations, thus impacting the total workforce climate. Some field-level feedback indicates presence of an adverse tone when dealing with individuals in the contract workforce, specifically when in-place contractors are approached about their function being converted.
 - c. Deliberate DoD development programs to “grow” the DAW are getting less emphasis; although concerted intern programs show promise.

6. The process of culturally shaping and organizationally aligning the resulting workforce can take three or more years. Large scale hiring or workforce growth (e.g., due to mergers or acquisition) can create need for organizational adjustments to both line-and-block diagrams as well as the organizational culture. The existing workforce will need to integrate personnel at varying levels of the organization—requiring orientation and training programs for newly hired interns, journeymen, or even senior managers or executives. Tailoring programs for new personnel, while still addressing residual workforce needs during the transition, is an on-going process.
7. Developing the workforce will be essential.
 - a. As identified in the July 2009 DBB report on the NSPS, existing management personnel are not well equipped for leadership and management tasks. DoD's managers often view themselves as action officers, and do not often take time to lead and appropriately supervise their personnel. An influx of 20K additional personnel will exacerbate this challenge for the acquisition workforce. Since 88% of the DAW is civilian, deliberate development of these civilian leaders and managers will be essential.
 - b. Decision making is a key skillset for the DAW, yet less than ten percent (10%) of the DAU curriculum is oriented to leadership/decision making. DAU plays a big role in acquisition skills training, including the necessary courses to attain acquisition certifications. DAU relies on the Military Services for foundational leadership education and training.
 - c. While several personnel interviewed rightly noted that the Military Services are responsible under Title 10 to hire and develop their workforce, the Task Group observed that the Military Services' programs for deliberate development of the civilian workforce significantly lags that of the military (e.g., professional skills and management training such as professional military education). Because the acquisition community is mostly a civilian workforce, OUSD(AT&L) may be

over-reliant on the Military Services for civilian personnel leadership and management development, especially for leadership skills specific to the acquisition career field. The DAW is a separately identified and specialized workforce in need of focused development.

- d. The DAW is not a single unified workforce and this compounds the development challenge. In practical terms, there are many different acquisition workforces, as each acquisition functional area within each of the Military Services and Defense Components has its own acquisition “tribe.” Also, civilians do not move from job to job as much as their military counterparts, decreasing opportunities for progression and purposeful development. The uniformed military has an extremely disciplined career path involving frequent moves, whereas the civilian workforce lacks a unified plan and rarely moves its people between commands or Military Services. The acquisition community would benefit from adopting a deliberate development model for its personnel.
8. OUSD(P&R)’s Functional Management Boards (led by USD/P&R Civilian Personnel Policy(CPP)) help OUSD(AT&L) and OUSD (P&R) identify problem areas early in the process.
- a. Some functional areas are farther along in the hiring process.
 - b. Challenges remain to grow Program Management capability. DoD’s strategic aim includes strengthening program management, systems engineering, logistics, pricing, and cost estimating.

Observations – The Hiring Process:

Systemic problems remain, but are exacerbated by the magnitude of this hiring and on-boarding challenge.

- 9. Hiring is still described by many as “cumbersome,” even when using the expedited hiring authorities that have been granted for acquisition workforce hiring.

10. Challenges remain when trying to hire very qualified resumes (e.g., complicated skill sets are not readily available or discoverable; preference priorities block access). Systems automation has improved over the last few years, but the hiring process is still labor intensive. On a positive note, DoD authorized new billets for 225 additional human resources professionals to handle the increased workload of growing the DoD workforce. With the re-structuring of NSPS and stand up of its follow-on personnel system expected, additional HR personnel (above the 225 hired in FY09/10) may still be needed.
11. Lengthy security clearance process can adversely affect candidates in general, and timeliness of new hires' on-boarding.

RECOMMENDATIONS

Based on the observations above, the DBB offers the following four recommendations to the Deputy Secretary of Defense and USD(AT&L), with subordinate implementing recommendations.

1. Prioritize Acquisition Workforce Growth Project and champion it; broadly communicate a strategy of excellence.
 - a. Emphasize the need to maintain good business relations with contractor support community/workforce.
 - b. Set goals and define the kind of talent needed; aggressively pursue them with creative recruiting campaigns.
 - c. De-emphasize "chasing the numbers" – emphasize that Military Services and Components hire quality and focus on developing the right skill mix to meet long term and future organizational goals. Oversee hiring across the enterprise.
 - d. Communicate desired end state and the significance of the major culture change wanted.

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- e. Incorporate “insourcing” and workforce growth and development into the OUSD(AT&L) Outreach Plan to Improve Communications.¹⁰ Emphasize that the DAW growth--to include insourcing--is an opportunity to build the right workforce mix and improve capacity to execute and manage core acquisition functions.
2. Appoint a Director of Human Capital, reporting directly to the Under Secretary to oversee and manage the workforce growth and development program full time, with adequate span of control.

[Note: OUSD(AT&L) could adopt the USD for Intelligence (USD(I)) model for Intelligence Workforce Human Capital Management. The USD(I) appointed a Chief Human Capital Officer in Jan 2009.¹¹ This officer oversees issues and policy affecting a highly skilled workforce in a specialized technical field /“community.” The DoD Intelligence Community is of similar scale and size to the DAW, and has similar, unique congressional interest/oversight.]

As noted in the observations section of this report, OUSD(AT&L) dual-hatted the President of DAU as its Chief, Human Capital Initiative. OUSD(AT&L) relies on this individual to also lead its acquisition workforce growth initiative. While the DAU President has done a very commendable job to date, the Task Group suggests this kind of workforce growth needs dedicated, full time human capital leadership. This leader would be responsible for all issues and policy affecting the workforce, and would develop and track metrics for both quality of hires as well as cost effectiveness (i.e., enhanced acquisition expertise, better acquisition outcomes, validation of original cost/benefit assumptions that underlie insourcing decisions).

3. Develop a robust strategy for accomplishment, with quality and efficiency first, of programs and people. Execution should be

¹⁰ This outreach plan was recommended in the DBB Report, *Outreach Plan to Improve Communications between DoD and the Defense Industrial Base*, July 2009.

¹¹ DoDI 3115.11, “DoD Intelligence Human Capital Management Operations,” January 22, 2009; paragraph 1a, and enclosure 2.

tracked and measured. Metrics on the caliber of hires is important and should be developed.

- a. Monitor targeted functional areas for key skill sets.
- b. For entry levels, target highly relevant universities. Set grade point average (GPA) thresholds and other quality goals.
- c. Hire with the goal of upgrading caliber of the work force to meet today's needs and future/expanded departmental responsibilities.
- d. Consider offering to become a "test-bed" for the Office of Personnel Management (OPM) resume-based system.
- e. Institutionalize a continuing assessment process to ensure the right workforce mix, and to assess original assumption of a cost benefit net gain. Continual assessment would be not just of the 20K growth, but would include assessment of the 60K workforce churn expected over the next five years.
- f. Focus now (not later) on early training and development of strong leaders/managers.
- g. Continue to expand training and education capacity at DAU. Expand development programs in leadership and decision making skillsets. Consider use of some in-sourced personnel (experienced former contractors) to be used as trainers in the field.

4. Inspire the next generation

- a. Develop and communicate a Value Proposition¹² for the acquisition workforce. Explain to potential recruits, why they

¹² An employee value proposition is a term used to characterize rewards and benefits that are received by employees in return for their performance at the workplace. Employee Value Propositions can be used to obtain a competitive advantage in terms of human capital, and are used by companies and their recruiters to differentiate their workplace offerings from that of their competitors. Derived from "The Employee Value Proposition: 6 Things You Need to Know. By Davis Advertising," accessed at <http://www.recruitersnetwork.com/articles/article.cfm?ID=1456> January 2010; and from http://en.wikipedia.org/wiki/Employee_value_proposition

should want to work in the DoD acquisition community and the overall significance of their work.

- b. Give the DoD acquisition community's talent a sense of what they are growing up to be. Provide a viable career path model.
- c. Conduct periodic roundtable meetings with acquisition workforce's best and brightest; keep reinforcing the Acquisition Workforce Value Proposition across the workforce; provide incentives and encouragement, especially for the high talent and high potential workforce.

CONCLUSION

One person interviewed stated, "a million studies haven't improved AT&L." Still several others have cited that over 100 studies have been conducted with the aim of improving the acquisition process. The Task Group finds that improving the quality of the acquisition workforce is a critical component to improving DoD Acquisition, in general.

Outstanding companies today formalize the definition of their corporate culture into Core Values – and are actually willing to hire and fire people based on those core values regardless of job performance. These best practice companies also periodically ask employees to tell them what their culture means to them. Those comments are then freely available to anyone who might want a copy.

At those good companies, the head of Human Resources, whose office is right next door to the Chief Executive Officer, has a talent portfolio with the names of up and coming leaders. Those personnel are compared with one another over time in terms of financial performance and their ability to lead and help others do the same. It's the company's very valuable Leadership Bible.

DoD has a unique opportunity to re-shape the acquisition workforce over the next five years to dramatically enhance the quality and resulting performance by careful hiring, on-boarding, training, and developing their talent. This re-shaping should focus on the right skill mix to meet future acquisition needs of DoD. The OUSD(AT&L) has an opportunity—with the

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Military Services—to define the culture, identify the core values, communicate the results broadly, and know their talent portfolio.

When a prominent national security journalist was asked to comment on the Christmas 2009 terrorist attempt on the plane from Amsterdam to Detroit, instead of describing it as a failure to connect the dots, the journalist instead stated we lacked excellent managers doing their job well. The Task Group review of acquisition plans and activities would likewise suggest that recent years could be characterized by managerial weakness, failure on the part of managers, either because they had been outsourced or weren't properly selected, grown, trained and developed, in the first place.

DoD has a robust and ambitious plan to both insource and grow the acquisition workforce, but would benefit from appointing a dedicated human capital leader in the OUSD(AT&L) staff. From this position, a dedicated human capital manager could most effectively implement the workforce growth best practices and effectively track, implement, and guide current and future workforce development efforts. DoD will need to use sound practices to not only acquire the talent it needs, but to train and develop the overall DAW as a whole. Clear communications from the top (as to vision, strategy and goals) will be vital to the acquisition workforce transformation process.

Bigger isn't necessarily better; better is better.

Respectfully submitted,



Madelyn P. Jennings
Task Group Co-Chairman



Frederick W. Cook
Task Group Co-Chairman

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APPENDIX A
TERMS OF REFERENCE

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DEFENSE BUSINESS BOARD
1155 DEFENSE PENTAGON
WASHINGTON, DC 20301-1155

September 8, 2009

MEMORANDUM FOR MADELYN JENNINGS, (CO-CHAIR),
FRED COOK, (CO-CHAIR)
NEIL ALBERT
BILL PHILLIPS

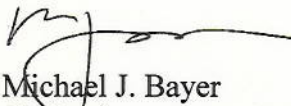
SUBJECT: Terms of Reference – “Recommendations for Insourcing the Acquisition Workforce”

We have recently heard from the Deputy Secretary of Defense and the Under Secretary of Defense for Acquisition, Technology and Logistics (USD(AT&L)) that the Department has oversteered its activities to outsource, specifically in the acquisition arena. The Department is soon to move some of this work back into the federal workforce by hiring many new employees in highly-skilled disciplines. The USD(AT&L) requested the Board’s help in identifying smart strategies for increasing the acquisition workforce, including policies and plans that will help bring previously outsourced jobs back into the Department.

Using your extensive experience in human resource management, I request you form a Task Group to develop a series of global best practice recommendations that will support the Department’s “in-sourcing” strategy. Consider carefully how the Department can best rapidly acquire and prepare/train the talent it seeks in order to prevent pitfalls that might lead to unintended gaps in expertise and quality. The recommendations should also consider the impact an in-sourcing strategy will have on the existing contractor base.

Madelyn and Fred will serve as co-chairs with support from Neil and Bill. Please plan to present your findings and draft recommendations to the full Board at the January 2010 quarterly meeting. The USD(AT&L) and the Under Secretary of Defense for Personnel and Readiness are valuable resources for identifying policy and strategies under development. Col Kathleen Sakura, USAF, will serve as the Secretariat Representative.

As a subcommittee of the Board, and pursuant to the Federal Advisory Committee Act of 1972, the Government in the Sunshine Act of 1976, and other appropriate federal regulations, this Task Group shall not work independently of the Board’s charter, and shall report its recommendations and advice to the Board for full public deliberation and discussion. The Task Group does not have the authority to make decisions on behalf of the chartered Board, nor can they report directly to any federal officer or employee who is not also a Board member. This Task Group will avoid discussing “particular matters” within the meaning of Section 208 of Title 18, U.S. Code, and will not cause any member to be placed in the position of acting as a procurement official.


Michael J. Bayer
Chairman



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APPENDIX B

**FINDINGS AND RECOMMENDATIONS PRESENTED
TO THE FULL BOARD ON JANURARY 21, 2010**

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Acquisition Workforce Growth & Recommendations for Insourcing

January 21, 2010

Task Group Overview

Terms of Reference

Identify smart strategies for increasing the acquisition workforce, including policies and plans that will help bring previously outsourced jobs back into the Department.

Deliverables

Best business practice recommendations that will support the Department's "Insourcing" strategy. Consider how the Department can best rapidly acquire and prepare/train the talent it seeks in order to ensure no unintended gaps in expertise and quality. The recommendations should also consider the impact an in-sourcing strategy will have on the existing contractor base.

Task Group

Ms. Madelyn Jennings

Mr. Fred Cook

Mr. Bill Phillips

Military Assistant

Colonel Kathleen Sakura, USAF

Background

- **Between 2010 and 2015, DoD will grow its Acquisition Workforce (AQ WF) by 20,000 (from ~ 127,000 to 147,000)**
 - 10,000 from contractor conversions (Insourcing)
 - 10,000 in “new hires” (new billets)
- **DoD defines Insourcing as “conversion of any contracted service to DoD civilian or military performance”¹**
- **The Deputy Secretary issued detailed procedures in May ‘09 to guide Insourcing decisions (flow diagram in backup slides)**
 - DoD is assuming a cost-benefit net gain (savings)
- **Projected workforce growth (20,000) is in addition to ordinary turnover (8,000-10,000/yr), exacerbating workforce churn; 60,000 over five years**
- **As a result, forty-percent of total AQ WF (of 147,000) will be newly hired by 2015**

Source: Data derived from Defense Acquisition University (DAU) briefing to DBB Task Group, dated 25 Aug 09

¹ DEPSEC Memo dated 28 May 09, attach 1, Para 2.1

Process

- **Interviews with senior leaders serving as or from:**
 - Current and former acquisition and procurement professionals
 - Commercial and Federal Sector Human Resource professionals with expertise in rapidly growing a workforce
 - DoD stakeholders and policy makers, to include Offices of the Under Secretaries of Defense for Acquisition Technology and Logistics (OUSD/AT&L), Personnel and Readiness (OUSD/P&R), and the Services
 - Commercial Services Providers to DoD
 - Industry Professional Associations
- **Review of former studies (e.g., Defense Acquisition Performance Assessment; prior DBB studies on SES Workforce, NSPS, Communications with Industry, and Innovation and Cultural Change)**

Scoping the Problem

- **A finite pool of experienced personnel**
- **A contractor / business relationship and resulting workforce mix challenge**
- **A public relations / strategic communications challenge**

“The Department hasn’t hired a generation, in a generation.”

- Ken Krieg, former USD (AT&L)

Observations

Policy/Guidance

- **The Department has an ambitious schedule for AQ workforce growth (Appendix C)**
 - **Legislative restrictions on “new hires” limit some government workers from applying, which may result in morale problems in the field**
- **Responsibilities for strategic-level Human Capital Policy, Planning, Direction and Oversight for the Acquisition Workforce are diffused across the OUSD (AT&L) and OUSD (P&R) staffs**

Observations

Execution

- Many components/field agencies are “chasing the numbers,” hiring to meet quotas rather than quality
- Recruiting is a vital competency needed for any successful workforce growth strategy
 - DoD is utilizing some non-traditional methods; but could do more
- AQ experienced personnel are a finite resource
 - Potential unintended *transitory* shift of the experience gap into the contractor support workforce
 - Potential for unintended impact on contractor relations, thus impacting the total workforce climate

Observations

- **Culturally shaping and organizationally aligning resulting workforce can take three or more years**
- **Developing the managerial workforce will be essential**
 - Existing management personnel are not well equipped for leadership and management tasks (Ref: DBB NSPS Report, July 2009)
 - Influx of 20,000 additional personnel will likely exacerbate this challenge
 - Work is needed now to prepare new and current leaders and managers
- **OUSD (P&R)'s Career Field Management Boards (led by Civilian Personnel Policy) provide early warning of potential problem hiring areas/sectors**

Observations

Hiring Process: Systemic problems remain, but are exacerbated by magnitude of the hiring challenge

- Described as “cumbersome,” even with expedited hiring authorities
- Challenges remain when hiring very qualified resumes (i.e., preference priority, complicated skill sets not readily available)
- Lengthy security clearance process can adversely affect candidates and timeliness of new hires

Recommendations

DEPUTY SECRETARY and USD (AT&L)

- 1. Prioritize Acquisition Workforce Growth Project and champion it; broadly communicate strategy in a positive way**
 - Emphasize need to maintain positive business relations with contract support community/workforce
 - Set goals for kind of talent needed; go after aggressively with creative recruiting campaigns
 - De-emphasize “chasing the numbers” – emphasize that Services and Components hire quality and the right skill mix.
 - Communicate desired end state and the significance of major culture change wanted
 - Incorporate “Insourcing” and the overarching WF Growth and Development into USD (AT&L) Outreach Plan for Coordinated Communications (Ref: DBB Communicating with Industry Report, July 2009)



Recommendations

DEPUTY SECRETARY and USD (AT&L)

- 2. Appoint a Director of Human Capital, reporting directly to USD(AT&L) to oversee and manage the workforce growth and development program full-time**
 - Leverage the DoD model for Intelligence Workforce Human Capital Management / Oversight



Recommendations

DEPUTY SECRETARY and USD (AT&L)

- 3. Develop a robust strategy for accomplishment: Quality and efficiency first, of programs and people; and track/measure execution**
 - Include targeted functional areas for key skill sets
 - For entry levels, target highly relevant universities
 - Hire with the goal of upgrading caliber of the work force to meet future/expanded departmental responsibilities
 - Consider becoming a “test-bed” for OPM resume-based system
 - Institutionalize a continuing assessment process to ensure right workforce mix
 - Focus now on fast development of strong leaders/managers
 - Expand training and education capacity at Defense Acquisition University (DAU); expand development programs in decision-making skillset

Recommendations

USD (AT&L)

4. Inspire the next generation

- Develop and communicate a value proposition (why work in DoD Acquisition?) and a career path model
- Give DoD Acquisition talent a sense of what they are growing up to be
- Conduct periodic roundtable meetings with AQ WF's best and brightest; Reinforce the Acquisition Workforce Value Proposition; Incentivize and encourage high potential workforce

Conclusions

- **Best corporate practices focus on**
 - Hiring quality, not hiring quantity
 - Maintaining strong customer relations
- **OUSD (AT&L) has an historic opportunity to dramatically enhance quality and performance of acquisition activities by careful hiring, on-boarding, training and developing the acquisition workforce talent.**
- **BIGGER ISN'T BETTER; BETTER IS BETTER.**

Outbriefs

- **Deputy Secretary of Defense**
- **USD (AT&L)**
- **USD (P&R)**
- **President, Defense Acquisition University**
- **Professional Services Corporation**



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Questions?

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Business Excellence In Defense of the Nation

Backup Slides

Terms of Reference



DEFENSE BUSINESS BOARD
1155 DEFENSE PENTAGON
WASHINGTON, DC 20301-1155

September 8, 2009

MEMORANDUM FOR MADELYN JENNINGS, (CO-CHAIR),
FRED COOK, (CO-CHAIR)
NEIL ALBERT
BILL PHILLIPS

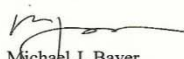
SUBJECT: Terms of Reference – “Recommendations for Insourcing the Acquisition Workforce”

We have recently heard from the Deputy Secretary of Defense and the Under Secretary of Defense for Acquisition, Technology and Logistics (USD(AT&L)) that the Department has oversteered its activities to outsource, specifically in the acquisition arena. The Department is soon to move some of this work back into the federal workforce by hiring many new employees in highly-skilled disciplines. The USD(AT&L) requested the Board’s help in identifying smart strategies for increasing the acquisition workforce, including policies and plans that will help bring previously outsourced jobs back into the Department.

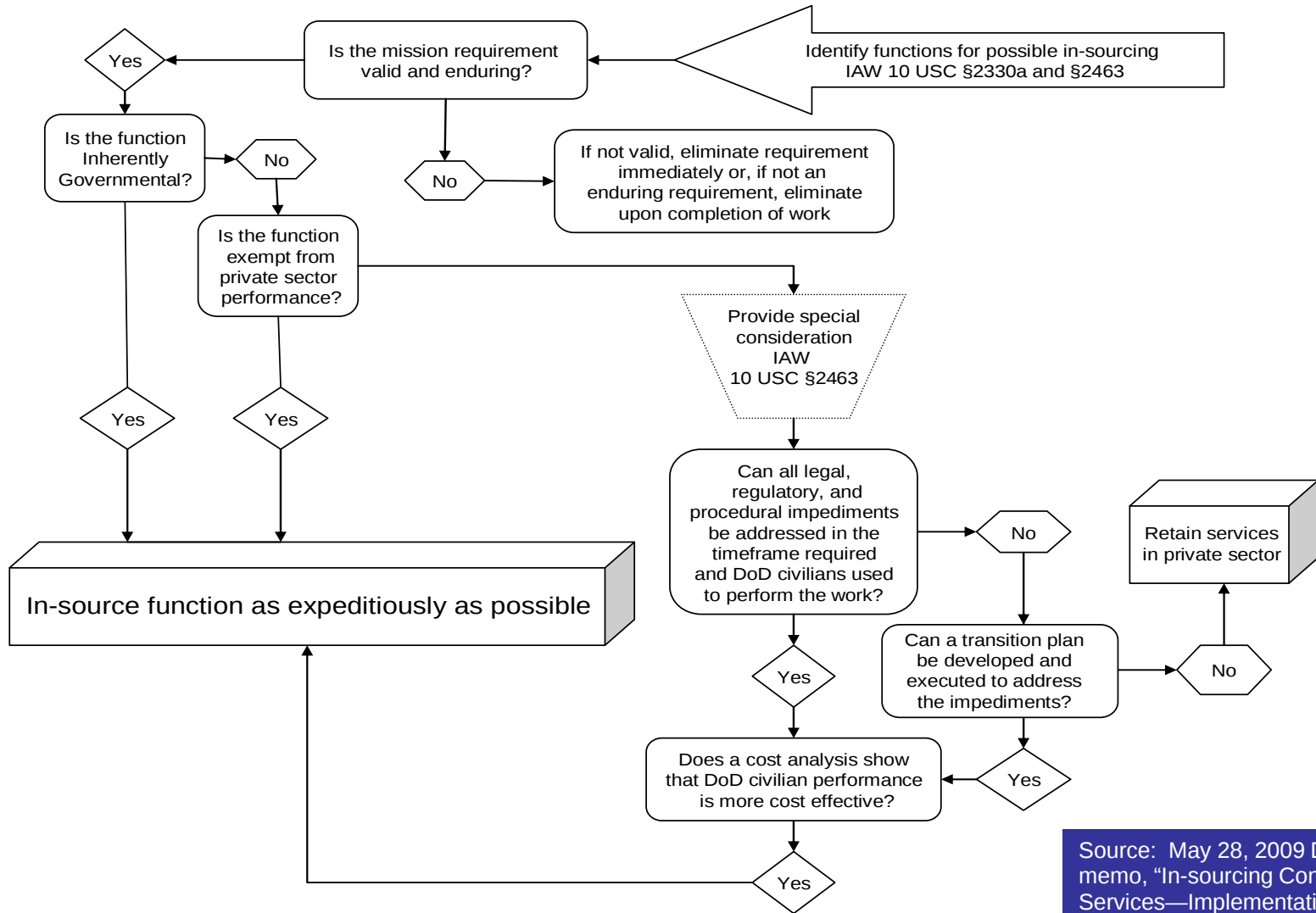
Using your extensive experience in human resource management, I request you form a Task Group to develop a series of global best practice recommendations that will support the Department’s “in-sourcing” strategy. Consider carefully how the Department can best rapidly acquire and prepare/train the talent it seeks in order to prevent pitfalls that might lead to unintended gaps in expertise and quality. The recommendations should also consider the impact an in-sourcing strategy will have on the existing contractor base.

Madelyn and Fred will serve as co-chairs with support from Neil and Bill. Please plan to present your findings and draft recommendations to the full Board at the January 2010 quarterly meeting. The USD(AT&L) and the Under Secretary of Defense for Personnel and Readiness are valuable resources for identifying policy and strategies under development. Col Kathleen Sakura, USAF, will serve as the Secretariat Representative.

As a subcommittee of the Board, and pursuant to the Federal Advisory Committee Act of 1972, the Government in the Sunshine Act of 1976, and other appropriate federal regulations, this Task Group shall not work independently of the Board’s charter, and shall report its recommendations and advice to the Board for full public deliberation and discussion. The Task Group does not have the authority to make decisions on behalf of the chartered Board, nor can they report directly to any federal officer or employee who is not also a Board member. This Task Group will avoid discussing “particular matters” within the meaning of Section 208 of Title 18, U.S. Code, and will not cause any member to be placed in the position of acting as a procurement official.


Michael J. Bayer
Chairman


DoD's In-sourcing "Decision Tree"



Source: May 28, 2009 DepSecDef memo, "In-sourcing Contracted Services—Implementation Guidance"



Defense Acquisition Workforce Phased Hiring Plan

DAW Contractor In-Sourcing Plan (Service-Funded)

Source: DAWG Briefing, 29 Jul 09

In-Sourcing Hires								
	FY09	FY10	FY11	FY12	FY13	FY14	FY15	Total
Army	0	1,414	610	544	518	503	417	4,006
Navy	0	683	593	613	613	431	567	3,500
AF	0	900	700	700	700	400	-	3,400
DCMA	0	-	-	-	-	-	-	-
DCAA	0	-	-	-	-	-	-	-
Other	0	200	-	-	-	-	-	200
Total	0	3,197	1,903	1,857	1,831	1,334	984	11,106

DAW New Hires Plan

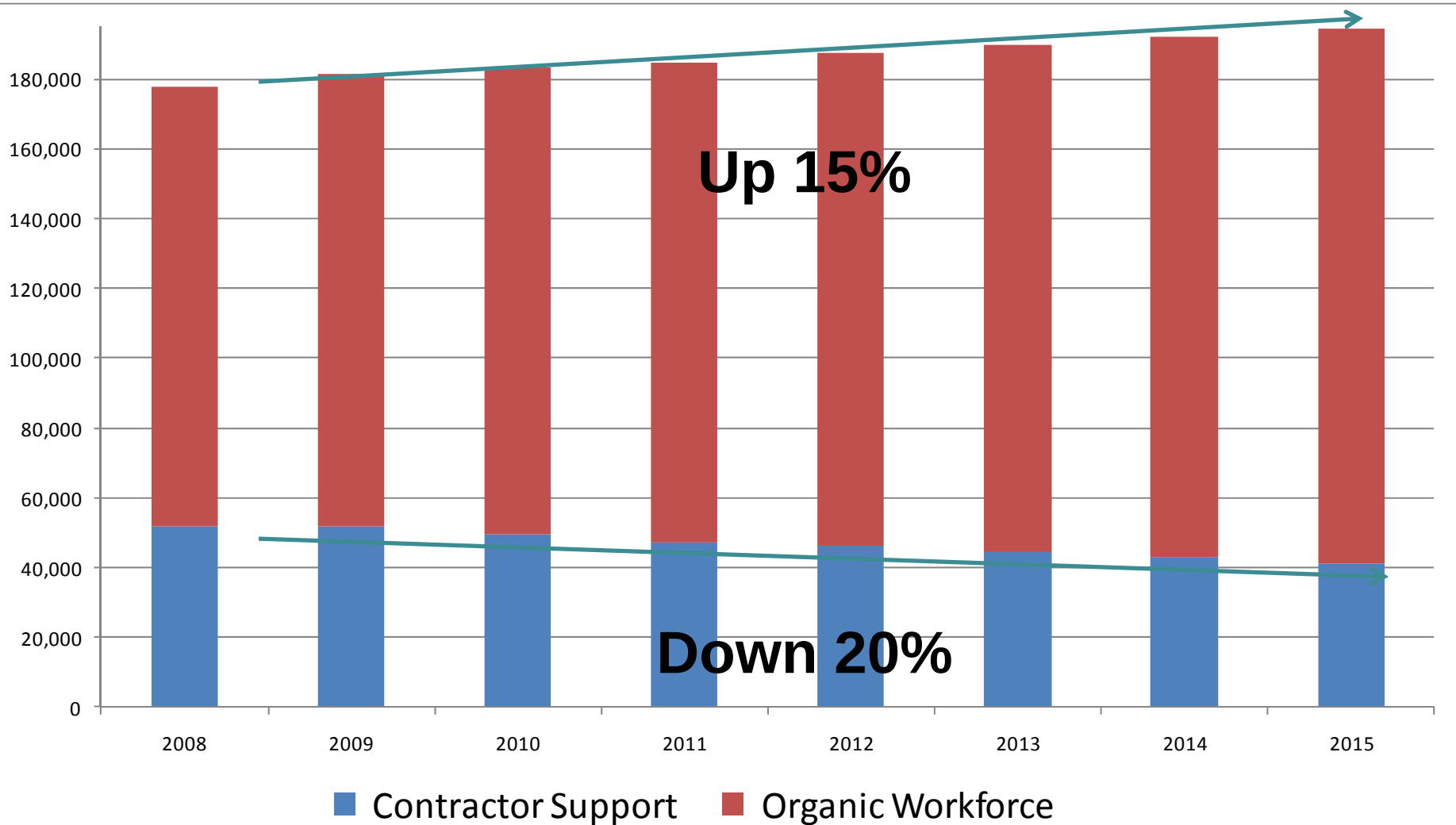
Multi Source-Funded (DAWDF & appropriated)

over 2,000 hired to date

New Hires								
	FY09	FY10	FY11	FY12	FY13	FY14	FY15	Total
Army	941	274	226	225	219	0	0	1,885
Navy	250	250	340	250	350	150	0	1,590
AF	240	270	270	265	260	160	0	1,465
DCMA	303	400	450	450	450	400	284	2,737
DCAA	300	150	115	135	0	0	0	700
Other	112	225	305	285	285	233	65	1,510
Total	2,146	1,569	1,706	1,610	1,564	943	349	9,887



Rebalancing the Workforce



Source: DAU briefing to DBB Task Group, dated 25 Aug 09

Best Business Practices: Strategy

Workforce Growth Strategy

- 1. Upgrading the workforce is a top priority.**
- 2. A competency and skill-based profile is in-place for targeted hires.**
- 3. Resources are dedicated to hire and develop new workforce – most critical needs are filled first.**
- 4. Good business relationships are maintained with workforce partners and suppliers.**
- 5. Periodic reviews track execution / outcomes.**

Best Business Practices Human Resources & Execution (1)

Recruiting

- 1. Recruiting Process Outsourcing (RPOs) are used for large scale hiring programs.**
- 2. Targeted recruiting campaign is used for key skillsets needed.**
- 3. Major executive recruiting and outplacement firms are used for high-level executive recruiting.**
- 4. Modern internet methods and career fairs, including professional associations, are important in recruiting efforts.**
- 5. Applications and job openings are shared as broadly as possible.**
- 6. Feedback is provided to those not selected, with referral information concerning other job openings.**

Best Practices

Human Resources & Execution (2)

Orientation

It is well understood that culturally shaping and organizationally aligning the new workforce takes time and sensitivity is shown to the impact of growth and turnover on the resulting workforce.

- 7. Enterprise-wide use of intensive, dedicated orientation/training sessions is utilized.**
- 8. Sponsor programs continue through new employee's first six months on the job. Strong mentoring programs assist with retention.**

Best Practices

Human Resources & Execution (3)

Development

- 9.** Assessment process ensures right skillsets are being brought into the organization.
- 10.** Retention programs include incentives and creative workplace arrangements (e.g., telework).
- 11.** Talent management and development programs are in place to deliver current and future skills needed.
 - Training organization is expanded to handle planned workforce growth and also increased volume of career-long education and training that will be required.
 - A culture of common professional processes across the organization enables professional career development paths between various parts of the organization.

Best Practices Human Resources & Execution (4)

Leadership

- 12.** Training in ethics, conflict of interest, and decision making are part of on-boarding programs.
- 13.** Leadership and managerial workforce is built at a pace to support the influx of new people.

Inspiration

- 14.** A Value Proposition (why work here) is well known and communicated to the total workforce and potential recruits and emanates from the top.
- 15.** Leadership conducts periodic roundtable meetings with the best and the brightest
 - Reinforces the workforce Value Proposition
 - Incentivizes and encourages the high potential workforce
- 16.** Leadership makes clear that quality and the right skill mix are what is wanted; hiring for the sake of making quotas (chasing the numbers) is not. (Bigger isn't better; better is better.)
- 17.** Leadership requires the need for positive business relationships with existing and residual customers.

Best Practices: Human Resources & Execution (5)

Human Capital Staffing

- 18.** A full-time Director of Human Capital reports to the top executive, oversees workforce enterprise, and provides strategic oversight.
- 19.** A leading HR individual or consulting firm may be utilized periodically to review organization infrastructure to meet long-term needs.
- 20.** New hires are surveyed to identify strengths and weaknesses of the hiring, orientation, assimilation and training processes.

Persons Interviewed

1. Dr. Ashton Carter - Under Secretary of Defense for Acquisition, Technology, and Logistics (AT&L)
2. Ms Elaine Duke - Under Secretary for Management, Department of Homeland Security
3. Mr Ken Kreig – Former USD (AT&L)
4. Ms Marilee Fitzgerald – Director of Civilian Personnel Policy (CPP), OUSD (P&R)
5. Ms Pat Bradshaw – Former Director of Civilian Personnel Policy, OUSD (P&R)
6. Mr Shay Assad – Director, Defense Procurement and Acquisition (AT&L)
7. Mr Frank Anderson – President, Defense Acquisition University and Director, Human Capital Initiative
8. Mr Charlie Williams – Director, Defense Contract Management Agency
9. Ms Kathleen Ott – Director of Talent Management (USD (P&R)/CPP)
10. Mr Rich Robbins – Dir, Requirements & Program Budget (USD(P&R)/Plans & Integration)
11. Mr Stan Soloway – President, Professional Services Council
12. Mr Atul Vashistha – CEO, neoGroup and Author on Global Outsourcing
13. Mr Neil Albert – CEO and President, MCR