

What the Acquisition Workforce Knows

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As a newly minted Defense Acquisition University graduate and board-selected product manager (PM), I was assigned a program that had, as we euphemistically like to say, some challenges. After a few months, it was clear, to me anyway, that the technology we were pursuing had either reached its limits or would take many more years to mature to a useful state. Before spending more time and money, it seemed prudent to form a team of in-house and outside experts to conduct an evaluation of the technology we were pursuing and if found deficient, an analysis of alternatives.

In a mere matter of days after this team was formed, my prime contractor came visiting, understandably concerned. It wasn't a happy conversation, but it was manageable. That was followed by a call to the deputy project manager's office. This, to a new product manager, was a much bigger deal. The deputy project manager was something of a legend in the business—a well-respected senior leader with more than 30 years' experience. Fully PowerPoint-laden, I made my case. He listened patiently for about 20 minutes, then leaned back in his chair, sighed, and said: "Don't stick your neck out too far. It may get cut off." The message could not have been clearer: Stay with the process.

Ah, process. It is at once a useful management tool, often maddening and the bureaucrats' comfort food. For defense acquisition, process reached its zenith in 1991 with 840 pages of instruction, regulation and policy in the Department of Defense (DoD) Instruction 5000 series, an attempt to anticipate and control every imaginable possibility. While defense acquisition is justifiably called "the most complex business process in the world," the simple fact is that many take comfort in "the process." Outcomes ultimately matter, but for too many it's all about "the process." The process provides management with a sense of control, the workforce with guidance, and a security blanket to those who simply want to get through the day and avoid any trouble.

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Calls to streamline, tailor and, of course, reform “the process” are legendary. In fact defense acquisition reform is something of a cottage industry with over 300 major and minor studies done since DoD’s formation in 1947. The studies are all generally conducted by bright, experienced, well-intentioned and well-informed people. These studies’ findings are also all remarkably similar: train the workforce; develop better leaders; control cost; cut the bureaucracy; scrub the accretion of laws, regulations and policies; streamline the process and so on. Acquisition reform studies’ outcomes are likewise notable in that few, if any of the recommendations are ever actually implemented.

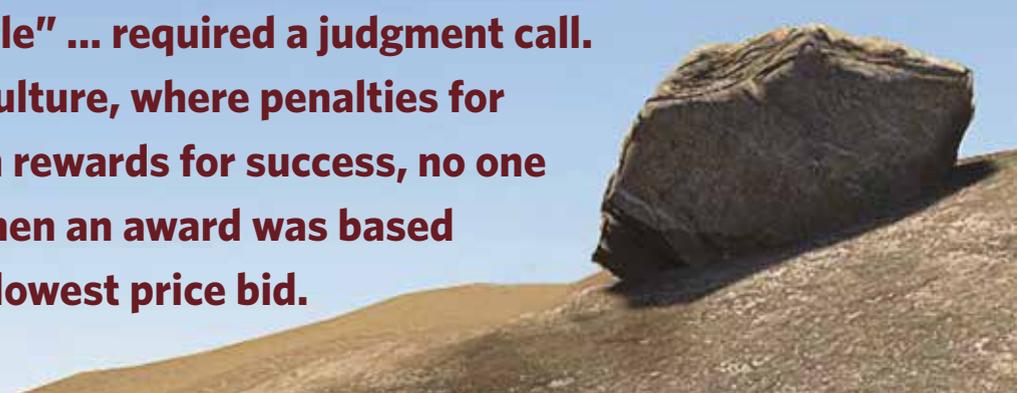
Why are all these studies generally ignored? There are certainly many reasons from the cynical to the practical. But the industry/government reform panel in 2011 perhaps best summed it up by pointing out the following: “Our System of Government—established on a foundation of checks and

was its direction to use “lowest price, technically acceptable,” or LPTA, as a source-selection criterion. There was also a key caveat to this guidance: Low price should be balanced against low technical risk.

But that is not what many in the acquisition workforce heard. What they heard was “low price.” Why? First because it was the lowest-common-denominator solution. “Technically acceptable” required defining what was technically acceptable. Second, it required a judgment call. In a risk-averse culture, where penalties for failure far outweigh rewards for success, no one could argue when an award was based on the lowest price bid. “Technically acceptable” however, is a judgment call subject to definition, second guessing, bid protests and investigations.

So let’s try this again. In 2013, Better Buying Power 2.0 and the new Interim DoD Instruction 5000.02, *Operation of the Defense*

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balances crucial to preserving our democratic political traditions—stumbles when the same principles are applied to business functions.” The same panel went on to observe that, “There is more emphasis on things not going wrong than on assuring most things go right.” This results in a process that is “agonizingly ponderous to manage and slow to produce.”

There is also another reason. While most studies quite reasonably argue for “fixing the process,” along with a host of recommendations, they barely mention, if at all, the challenge of cultural change and equally important, ways and means to achieve that cultural change. A notable exception is former Under Secretary of Defense for Acquisition, Technology, and Logistics (USD[AT&L]) Dr. Jacques Gansler. In his book, *Defense Conversation*, Gansler highlighted not only the need for cultural change but both the challenges and means for cultural change and change management.

So what? Consider some very recent history. In 2010, the acquisition community was given new direction in the DoD Better Buying Power initiatives. This was a set of best practices carefully crafted to improve processes and outcomes in defense acquisition. A key provision of Better Buying Power

Acquisition System, were issued. Both exhort the defense acquisition community to use flexible processes, tailored strategies and above all, professional judgment. These documents provide suggested and preferred methods and models but ask the acquisition community to use professional judgment in their application. All excellent guidance.

Unfortunately, neither history nor culture is on the side of using judgment. Take, for example, bid protests. DoD contracts are less likely to be protested than contracts in the rest of the U.S. government. Why? The acquisition workforce knows that precisely following the process precludes or at least constrains most bid protests—and the DoD process is very successful when protested. According to the Congressional Research Service, from FY2008 to FY2012, DoD accounted for approximately 70 percent of government contract obligations but only 57 percent of protests filed against the federal government. Yet while contractor protests were sustained by the Government Accountability Office (GAO) at a rate of 17 percent across the government, protests against DoD were sustained at a much lower rate. In FY2008–FY2012, only 2.6 percent of protests filed against DoD were sustained by GAO. In FY2013, the Air Force reported only 1.4 percent of GAO protests were sustained.

The current fiscal environment doesn't help either. The workforce knows that as budgets go down, protests go up. Again from the Congressional Research Service, from FY2001 to FY2008, total government procurement spending, adjusted for inflation, increased faster (over 100 percent) than the number of protests filed (35 percent). This trend reversed itself in FY2008: In FY2008-FY2012, total government spending, adjusted for inflation, decreased more than 10 percent while total protests increased 45 percent. These data indicate that, when compared to the rate of government spending, bid protests decreased from FY2001 to FY2008, and increased from FY2008 to FY2012. Yet DoD, following a very defined process, won virtually all bid protests.

The workforce also knows that the smaller the contract, the more likely there will be a protest. For big companies bidding big contracts, a GAO protest is a business decision. For small companies, a decision to protest may mean the life of the company, a lack of understanding of the process, or simply an ego-driven decision. As the Naval Postgraduate School stated in a 2010 monograph, "Understanding and Mitigating Protests of Department of Defense Acquisition Contracts": "Most protests involve contracts with comparatively small value—under \$100 million—where protestors are relatively small—fewer than 500 employees, and most protests are by small companies protesting awards to other small companies." For smaller contracts, abbreviated contracting procedures and tailored strategies would seem to make perfect sense. Yet in a highly risk-averse environment, small contracts can become every bit as complex as a major acquisition in terms of locally imposed process in an attempt to preclude or be fully prepared for a protest.

Process substituting for judgment is the unfortunate lesson well-learned. Look at any budget-driven acquisition strategy. The workforce knows that budget-driven programs result in underestimating the time, costs and risks of future actions while overestimating the benefits of those actions. This occurs even when they have experience with similar overrunning tasks. This is generally known as the "Planning Fallacy" and was first proposed in a 1979 paper by Daniel Kahneman and Amos Tversky. In a more humorous take, Bell Labs' Tom Cargill offered the 90-90 rule for software development: "The first 90 percent of the code accounts for the first 90 percent of the development time. The remaining 10 percent of the code accounts for the other 90 percent of the development time."

Yet even when independent observers review programs and offer more pessimistic views of cost, schedule or technical performance, programs frequently proceed, having checked all the blocks and followed the process. In March 2014, the GAO reported "Over the past year, the overall size of DoD's major defense acquisition program portfolio decreased, from 85 programs to 80, while the estimated cost has increased by \$14.1 billion. The average time to deliver initial capability to the warfighter also increased by 2 months. ... In addition, many

programs continue to commit to production before completing developmental testing."

So is "the process" the enemy? We certainly spend enormous resources both following it and suggesting ways to reform it. Yet process is also a fundamental management tool and mechanism for large groups of people to work collaboratively. Process also provides a mechanism for best practices and ensuring fairness in competition for defense procurements.

Process, however, is only a means to an end. Processes should be flexible and adaptable to the situation and allow for exceptions. The November 2013 Interim DoD Instruction 5000.02, Operation of the Defense Acquisition System,

MDAP/MAIS Program Manager Changes

With the assistance of the Office of the Secretary of Defense, *Defense AT&L* magazine publishes the names of incoming and outgoing program managers for major defense acquisition programs (MDAPs) and major automated information system (MAIS) programs. This announcement lists all such changes of leadership for both civilian and military program managers that occurred in recent months.

Army

Col. James F. McNulty relieved **Col. Robert G. McVay** as project manager for Integrated Personnel and Pay System-Army (IPPS-A) in May.

Air Force

Col. Amanda G. Kato relieved **Col. Cordell A. DeLapena Jr.** as program manager for the Family of Advanced Beyond Line-of-Sight Terminals Increment 1 (FAB-T Inc 1) Program on March 17.

Col. Amy J. McCain relieved **Col. Ronald L. Jackson** as program manager for the Presidential Aircraft Recapitalization (PAR) program on April 10.

Col. Philip A. Garrant relieved **Col. Mark A. Baird** as program manager for the Joint Space Operations Center (JSpOC) Mission System Increment 2 (JMS Inc 2) program on May 1.

Linda W. Haines relieved **Thomas Davenport** as program manager for the Air Force Integrated Personnel and Pay System (AFFIPPS) program on May 4.

Col. Andrew J. Knoedler relieved **Col. Thomas J. Killeen** as program manager for the Mission Planning System Increment IV (MPS Inc IV) program on May 17.

certainly echoes this approach. The question remains, however, whether these new flexibilities will be used and professional judgment actually exercised. Or will the “suggested” or “recommended” approaches or “model programs” simply become additional sets of rules to be followed to the letter by a risk-averse bureaucracy?

culture, not just the rules. That is an excellent insight. The question remains: How?

The workforce members know that somewhere beyond the challenges of social, business and political change is institutional change in the bureaucracy, with its aversion to all risk.

Thornberry stated that effective acquisition reform must change the culture, not just the rules. That is an excellent insight. The question remains: How?



Leadership and change management literature generally all begin with the conclusion that a leader’s most important role in any organization to set the example and make good judgments. If cultural change is to occur, and “using professional judgment” is to be institutionalized, it must begin with good leaders. To that end, the USD(AT&L) issued a November 2013 policy memo titled “Key Leadership Positions and Qualification Criteria.” The memo outlines training, education and experience requirements for acquisition leaders as well as a process for screening members of the acquisition workforce to ensure they meet the criteria for key leadership positions. It’s an excellent start.

Unknown, however, is whether, having selected key leaders with all the appropriate qualifications, their experience is the right experience. Does their experience support accepting risk, using professional judgment to tailor the process and challenge the planning fallacy? Or does their experience tell them the process is their protector and friend and “don’t stick your neck out too far”? A board reviewing qualifications on paper has little way of knowing.

Even the concept of judgment is a fairly murky one. As Noel M. Tichy and Warren G. Bennis point out in a 2007 *Harvard Business Review* article: “The leadership literature has been conspicuously quiet on the topic, and we believe that’s because good judgment is hard to pin down. What, exactly, is it? Does it differ from common sense or gut instinct? Is it a product of luck? Of smarts?” Ultimately, after a number of case studies, they conclude: “Judgment is a complex phenomenon, too intertwined with luck and the vicissitudes of history, too influenced by personal style, to pin down entirely.”

In November 2013, the House Armed Services Committee and USD(AT&L) announced another attempt at acquisition reform, led by Rep. Mac Thornberry, Texas Republican. Thornberry stated that effective acquisition reform must change the

They also know their job is to deliver capabilities to the Armed Services by somehow bridging the ever-expanding canyon between the rapid pace of technology change and the glacial, risk-averse bureaucracy.

As it stands today, bridging that canyon in a timely fashion means a member of the workforce or project manager must be willing to put his or her career on the line for success. To their great credit, many PMs and acquisition workforce members do just that every day. These are the leaders who accept and manage risk, who use their best professional judgment, who find ways to make things work in a timely, cost-effective manner frequently despite the “help” they receive from “the process.”

If the expectation for the acquisition workforce is to use professional judgment, to tailor processes, and accept and manage risk, then these are the leaders and workforce members who should be found, groomed for and given greater responsibilities. These are the leaders who are the vanguard of cultural change.

These new leaders must also be protected, nurtured and mentored by senior leaders. These new leaders will make mistakes. But rewards for success must outweigh punishment for failure. Senior leaders must also allow and encourage the application of common sense and judgment rather than create more rules and fixed procedures. Some of the conditions for success are now set in both the new Interim DoDI 5000.02 and the Key Leadership Positions and Qualification Criteria. But if senior leaders truly expect cultural change and the real use of professional judgment, they must likewise be willing to accept the risk and help stifle those focused solely on the process and not the outcomes. 

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