

Where Have All the Nunn-McCurdys Gone?

Mark Husband, Dr. Eng.



More than 2 years ago, I left a job I loved—teaching at the Defense Acquisition University—for an opportunity to work in the Office of Performance Assessments and Root Cause Analyses (PARCA). My primary responsibility is to conduct root cause analyses of troubled DoD acquisition programs—those that have undergone a critical Nunn-McCurdy breach, or others as assigned by the Under Secretary of Defense for Acquisition, Technology, and Logistics (USD[AT&L]) or by the Secretaries of the Military Departments.

Many colleagues asked why I would want to work in the Pentagon, and there was one main reason: Odd as it may sound, I am fascinated by acquisition cost growth. Believe it or not, cost analysts actually get together and debate these kind of things—very passionately!

Husband is the Senior Advisor for Root Cause Analyses in the Office of Performance Assessments and Root Cause Analyses (PARCA), part of the Office of the Under Secretary of Defense for Acquisition, Technology, and Logistics. He is a retired Air Force officer with a doctorate in chemical engineering from Germany's Karlsruhe Institute of Technology.



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It is impolitic to say so publicly, but I looked forward to the opportunity to examine Nunn-McCurdy programs and determine what caused their cost, schedule and performance shortfalls. Conducting such analysis is challenging and intellectually stimulating, and for a defense analyst it is a treasured opportunity to use analytical skills and expert judgment to create a product that will be scrutinized intensely (particularly by those responsible for program execution, who may take issue with the conclusions). Products of these reviews also can have a positive impact, through the dissemination of lessons learned. In 2013, a commonly expressed fear “inside the building” was that sequestration would result in a plethora of Nunn-McCurdy breaches due to the impending reduction of production quantities and stretched-out schedules.

So what has happened in the last 2 years? The Department of Defense (DoD) has had a total of two critical Nunn-McCurdy programs for which a root cause analysis is required (and one other that resulted from program termination). This compares to an average of 4.5 *per year* from 2006 through 2011. Counting all Nunn-McCurdys (both critical and significant breaches), the DoD had an average of 2.3 *per year* from 2012 through 2014, compared to an average of 6.3 *per year* from 2006 through 2011.

Coming up with explanations for causes of improvement is even trickier than coming up with root causes of problems. While opinions abound, it is difficult to ascertain that a given action or set of actions is responsible for an observed result, particularly for something as complex as DoD acquisition programs, which have so many internal and external influences. Analytical rigor notwithstanding, I, like many defense analysts,

have strong opinions about key factors that may be responsible for recent improvements.

In my view, there are three relatively new forces in play that have had profoundly positive influences on acquisition program results: one statutory, one regulatory, and one force related to DoD culture. The Weapon Systems Acquisition Reform Act (WSARA) of 2009 is a statutory change that has been lauded by most defense experts as extremely positive. WSARA made sweeping changes that have strengthened accountability of acquisition execution and oversight officials and ensured that programs are started with more realistic cost and schedule baselines, performance expectations, and mature technologies. In particular, several WSARA-related changes have led to increased focus on assessing a program’s readiness for initiation *prior* to Milestone (MS) B, including requirements for an Independent Cost Estimate for major programs at MS A, a Preliminary Design Review prior to MS B, and measures to ensure adequate competition, including competitive prototyping, dual sourcing, and modular open architectures, among others. WSARA also strengthened test and evaluation and systems engineering functions that are critical to Engineering and Manufacturing Development by establishing statutory directors of those offices appointed by the Secretary of Defense.

WSARA improved the DoD’s assessment of troubled acquisition programs by establishing the PARCA office, which conducts root cause analyses of critical Nunn-McCurdy breach programs and follow-on performance assessments of those programs in an effort to prevent future cost and schedule growth. Finally, WSARA increased the penalty on critical Nunn-McCurdy programs by rescinding those programs’ most recent milestone approval and adding a “presumption of termination” unless the more stringent certification criteria are met. Changes instantiated by WSARA could not be expected to have immediate impacts (because of the number of pre-WSARA programs in the pipeline), but I believe the positive impacts of WSARA now are clearly evident, particularly for programs initiated since 2010.

Second, regulatory changes that I believe have had demonstrably positive impacts on program results are the Better Buying Power (BBP) initiatives begun by Secretary of Defense Ashton Carter in 2010 when he was the USD(AT&L). Acquisition insiders are aware of the broad scope of the BBP initiatives, which have the overarching goal of strengthening the DoD’s buying power, improving productivity, and providing more affordable products to the warfighters. Carter and his successor as USD(AT&L), Frank Kendall, have emphasized that BBP is not acquisition reform but instead a continuous process of improving how we acquire goods and services based on proven methods and analysis of data.

Because two successive Defense Acquisition Executives have demonstrated such a clear and lasting commitment to improving the acquisition system through BBP, I think that BBP concepts and principles have been successfully infused into

the acquisition workforce. In my view, while the individual initiatives provide important guidance about key principles, an equally important contribution of BBP has been the dialogue it has fostered within the workforce, engaging the entire defense acquisition community to think about what works and how to do things better.

Finally, while those outside the DoD may not have seen it, I believe a third key factor responsible for improved acquisition performance is that DoD culture has changed (or at least shifted). More than at any time in my career, cost and affordability are emphasized by leadership as key considerations for the goods and services that the DoD procures.

All acquisition professionals are aware that three things are supposed to be balanced (or traded) in an acquisition program—cost, schedule and performance. For many decades, performance was king; system requirements and designs pushed the performance envelope toward development of what former Secretary of Defense Robert Gates called “exquisite systems,” at the expense of cost and schedule. Beginning in the late 2000s, that mentality began shifting, and cost considerations entered into discussions more than before. I

think congressional changes in 2006 to the Nunn-McCurdy law were an early stimulator of this change: No longer was it possible to simply rebaseline troubled programs without penalty. Further changes to the law that increased the stringency of the Nunn-McCurdy process made congressional intent crystal clear—lawmakers have lost patience with programs that don’t keep their cost and schedule promises. I believe the DoD’s shift to a more “cost-conscious” culture also is a byproduct of the WSARA reforms and BBP. Not only is it a specific BBP initiative, it also is woven throughout BBP’s overarching goals of providing more affordable products and improving productivity.

Obviously, looking at Nunn-McCurdy programs through the prism of the last 2 years is not an analytically rigorous basis for drawing hard and fast conclusions. And it could well be that continuing budget gridlock ultimately will cause more programs to scale back, retrench and stretch out. As the DoD’s “Maytag repairman” for root cause analyses looking for work, I can only hope. But for the American taxpayer’s sake, we must instead wish that the DoD’s trend of decreasing numbers of Nunn-McCurdys continues. 

The author can be reached at david.m.husband.civ@mail.mil.

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