



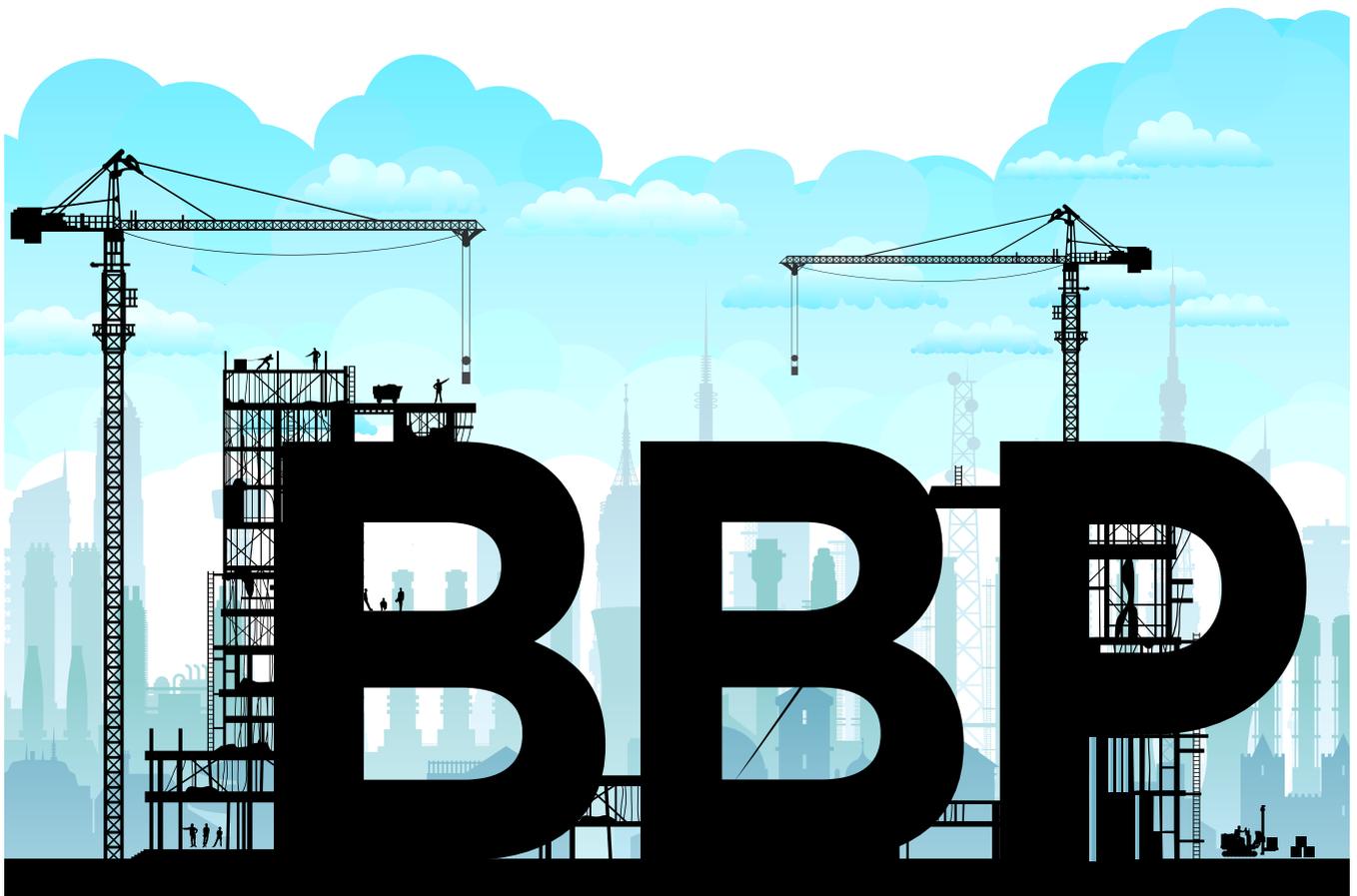
Better Buying Power Principles

What Are They?

Frank Kendall

inevitably, whenever any senior leader embarks on a set of initiatives intended to improve an organization's performance and labels that set of initiatives, he or she can expect one reaction for certain. That reaction is what I would describe as genuflecting in the direction of the title of the initiative by various stakeholders who are trying to show the leader that they are aligned with his or her intent.

Sometimes—usually, I hope—this is sincere and backed up by real actions that reflect the intention of the initiative. Sometimes it is just, for lack of a better word, gratuitous. Better Buying Power (BBP) is no exception. One form this takes is assertions, which I see often enough to be writing this piece, that the recommended course of action is consistent with “BBP principles.” (Presumably, the idea is that this will lead to instant support, but that is not a reliable assumption.)



The Principles Suggested by 24 Acquisition Experts

I find this amusing, because so far as I know we've never articulated any BBP principles. When I do see this in a briefing, I ask the presenter what those principles are. So far, no one has been able to articulate them very well.

Under the circumstances, it seems like a good idea for me to provide some help answering this question. So here are some BBP principles. I also want to thank the 24 acquisition experts in the Defense Acquisition University's fall 2015 Executive Program Manager's Course who provided a number of suggestions for this list and article.

Principle 1: Continuous improvement will be more effective than radical change. All of BBP is based on this concept. It's the reason there have been three editions of BBP. We make incremental change focused on the biggest problems we see. Then we monitor the results and evaluate progress. We drop or modify ideas that aren't working, and we attack the next set of problems in order of importance, priority or expected impact. Those ideas and policies that work are not abandoned for the next shiny object we see. I have seen any number of acquisition reform fads that had little discernible impact on the acquisition performance of the Department of Defense (DoD). Some had adverse impacts. During my career, we have had the following: Blanket Firm Fixed Price Development Contracting, Total Quality Management, Reinventing Government, and Total System Performance—to name just a few.

I generally am not a fan of broad management theories and slogan-based programs. Sometimes they contain sound ideas and policies—but they seldom outlast the leaders who sponsor them, and the hype associated with them usually exceeds their value. The complexity of acquiring defense products and services makes simple solutions untenable; we have to work hard on many fronts to consistently improve our results.

Principle 2: Data should drive policy. Outside my door a sign is posted that reads, "In God We Trust; All Others Must Bring Data." The quote is attributed to W. Edwards Deming, the American management genius who built Japan's manufacturing industry after World War II. The three annual reports on The Performance of the Defense Acquisition System that we have published are based on this premise. It is difficult to manage something you cannot measure. Despite the noise in the data, it is possible to pull out the correlations that matter most and to discover those that have no discernible impact. As we have progressed through the various editions of BBP guided by the results of this analysis, we have adjusted policy, such as preferred contract type and incentive structure.

Principle 3: Critical thinking is necessary for success; fixed rules are too constraining. This principle was the core concept behind BBP 2.0, which was subtitled "a guide to help

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Principle 5: People matter most; we can never be too professional or too competent.

Principle 6: Incentives work—we get what we reward.

Principle 7: Competition and the threat of competition are the most effective incentives.

Principle 8: Defense acquisition is a team sport.

Principle 9: Our technological superiority is at risk and we must respond.

Principle 10: We should have the courage to challenge bad policy.

you think." Our world is complex. One-size-fits-all cook-book solutions simply don't work in many cases. The one question I most often ask program managers (PMs) and other leaders is "Why?" When we formulate acquisition strategies, plan logistics support programs, schedule a series of tests, decide which technology project to fund or do any other of the myriad tasks that acquisition, technology and logistics professionals are asked to do every day, we have to apply our skills experience and understanding of cost, benefits, and relative priorities to arrive at the best answer. There is no shortage of policy or history to assist us, but at the end of the day we have to figure out the best course of action in a specific circumstance, balancing all the complex factors that apply to a given situation.

Principle 4: Controlling life-cycle cost is one of our jobs; staying on budget isn't enough. This idea, that managing cost is a core responsibility, is at odds with a long history of focusing on execution (spending) in order to maintain budgets. The idea introduced in BBP 1.0 of "should cost" was intended to compel our managers (all of our managers) to pay attention to their cost structure, identify opportunities for savings, set targets for themselves and do their utmost to achieve those targets. I am hopeful that this idea is becoming institutionalized and, what is more important, is becoming part of a culture that values proactive efforts to control cost. Once in a while, I still see token savings targets. But, for the most part, our managers are implementing this concept and doing so effectively. One cautionary note is that this does not imply we should make poor decisions that result in short-term savings at the expense of high long-term costs.

Over the last five years, we have billions of dollars in savings that we can point to. In all cases, those dollars have gone to higher-priority Service, portfolio or program/activity needs. The result is more capability for the warfighter at less cost to the taxpayer.

Principle 5: People matter most; we can never be too professional or too competent. We introduced an entire section on building professionalism in BBP 2.0. It was a major oversight that former Under Secretary of Defense for Acquisition, Technology, and Logistics Ashton Carter and I left this out of BBP 1.0. Improving over time the expertise, values and competencies of our professionals is the best way to improve defense acquisition, technology and logistics outcomes. This was never intended to imply that the workforce is not already professional—of course it is. But more is better, and every one of us can be better at what we do—including me. The best statutes, processes and policies in the world will not by themselves make us or anyone in industry better managers, engineers, business people or logisticians. We should all constantly increase the DoD's professionalism, for ourselves and the people who work for us.

Principle 6: Incentives work and we get what we reward. Policies related to incentives are found everywhere in the various editions of BBP, most obviously those associated with contract types and incentive structures. Others include the use of open systems, how we manage intellectual property, the monetization of performance in source selection, and the use of prototypes to encourage innovation. In BBP 1.0 and BBP 2.0, we focused on getting the business incentives right. In BBP 3.0, we focused on incentives to innovation and technical excellence.

Principle 7: Competition and the threat of competition provide the most effective incentive. All businesses exist in large part for the purpose of making a profit for their investors. The opportunity to gain business through competition and the threat that an existing market position will be lost as a result of competition are powerful motivators. One thing I enjoyed about my time working in the defense industry was the simplicity of the metric and the fact that everyone in the firms I worked with understood that metric: If something increased profit, it was good; if it didn't do so, it wasn't good. When we rolled out the first set of BBP initiatives, industry was concerned that we were waging a "war on profit." That was never our intention. What we wanted and still want to do is align profit with the desired performance for the warfighter and the taxpayer. Many BPP initiatives are designed to foster competition or the threat of competition.

Principle 8: Defense acquisition is a team sport. Over the three editions of BBP, we have pointed to the importance of close cooperation and coordination between participants and stake-

holders. The importance of the requirements and intelligence communities were highlighted in BBP 2.0 and 3.0, respectively. The nonacquisition leaders who are responsible for much of the DoD's service contracts are another important community. Defense acquisition can only be successful and efficient if all participants recognize and respect other participants' roles and responsibilities.

Principle 9: Our technological superiority is at risk, and we must respond. This fact is the reason for BBP 3.0. The combination of cutting-edge, strategic and increasing investments made by potential adversaries, coupled with our own budgetary stress and global commitments, are causes for alarm. We need to do everything we can to maximize the return on all our investments in new capability, wherever those investments are made. BBP 3.0 focuses on all the ways in which we expend research and development (R&D) funding (DoD laboratories, industry independent R&D, contracted R&D, etc.) and on the opportunities to spend those funds more productively. The Long-Range Research and Development Planning Program recommendations are intended to provide guidance on how to achieve this. BBP 3.0 also includes the increased use of experimental prototypes and other measures designed to spur innovation—such as early concept definition by industry and monetary incentives to industry to develop and offer higher-than-threshold performance levels. We need to reduce cycle time, eliminate unproductive bureaucracy, and increase our agility by accepting more risk when it is warranted. All of these measures are BBP initiatives.

Principle 10: We should have the courage to challenge bad policy. One of Deming's principles was that successful organizations "drive out fear." He meant that a healthy organizational culture encourages members to speak out and contribute ideas and inform management about things that are not as they should be. We should not be afraid to speak up when we see bad policy, or policy applied too rigidly where that clearly isn't the best course of action. We should not be afraid to offer creative ideas or to challenge conventional wisdom, and we should encourage others to do so as well. None of the BBP initiatives, or their more detailed implementation guidance, are intended to apply in every possible situation. All of us should be willing to "speak truth to power" about situations in which policies simply are not working or will not achieve the intended result. The annual PM Program Assessments that I started last year and included in BBP 3.0 proved to me that the chain of command has a lot to learn from the very professional people on the front lines of defense acquisition. This applies to all the professionals who support or work for those PMs also. Continuous improvement comes from the willingness to challenge the status quo. 