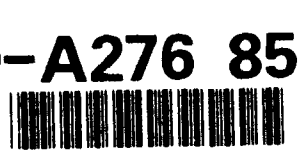

1993
Executive Research Project
S32

Acquisition Reform: Issue Revisited

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U.S. Air Force

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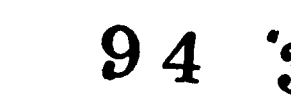

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Unclassified
SECURITY CLASSIFICATION OF THIS PAGE

REPORT DOCUMENTATION PAGE

1a REPORT SECURITY CLASSIFICATION: Unclassified	1b RESTRICTIVE MARKINGS:
2a SECURITY CLASSIFICATION AUTHORITY: N/A	3 DISTRIBUTION / AVAILABILITY OF REPORT: Distribution Statement A: Approved for public release; distribution is unlimited.
2b DECLASSIFICATION / DOWNGRADING SCHEDULE: N/A	
4 PERFORMING ORGANIZATION REPORT NUMBER(S): NDU-ICAF-93-[illegible]	5 MONITORING ORGANIZATION REPORT NUMBER(S): Same
6a NAME OF PERFORMING ORGANIZATION: Industrial College of the Armed Forces; 6b OFFICE SYMBOL (If applicable): ICAF-FAP	7a NAME OF MONITORING ORGANIZATION: National Defense University
6c ADDRESS (City, State, and ZIP Code): Fort Lesley J. McNair, Washington, D.C. 20319-6000	7b ADDRESS (City, State, and ZIP Code): Fort Lesley J. McNair, Washington, D.C. 20319-6000
8a NAME OF FUNDING / SPONSORING ORGANIZATION; 8b OFFICE SYMBOL (If applicable)	9 PROCUREMENT INSTRUMENT IDENTIFICATION NUMBER
8c ADDRESS (City, State, and ZIP Code)	10 SOURCE OF FUNDING NUMBERS: PROGRAM ELEMENT NO. / PROJECT NO. / TASK NO. / WORK UNIT ACCESSION NO.

11 TITLE (Include Security Classification): [illegible]

12 PERSONAL AUTHOR(S): [illegible]

13a TYPE OF REPORT	13b TIME COVERED	14 DATE OF REPORT (Year, Month, Day)	15 PAGE COUNT
Research	FROM Aug 92 TO Apr 93	April 1993	36

16 SUPPLEMENTARY NOTATION:

17 COSATI CODES			18 SUBJECT TERMS (Continue on reverse if necessary and identify by block number)
FIELD	GROUP	SUB-GROUP	

19 ABSTRACT (Continue on reverse if necessary and identify by block number)

SEE ATTACHED

20 DISTRIBUTION / AVAILABILITY OF ABSTRACT	21 ABSTRACT SECURITY CLASSIFICATION	
☒ UNCLASSIFIED/UNLIMITED ☒ SAME AS RPT. ☐ DTIC USERS	Unclassified	
22a NAME OF RESPONSIBLE INDIVIDUAL: Judy Clark	22b TELEPHONE (Include Area Code): (202) 475-1889	22c OFFICE SYMBOL: ICAF-FAP

DD FORM 1473, 84 MAR — 83 APR edition may be used until exhausted. All other editions are obsolete.

SECURITY CLASSIFICATION OF THIS PAGE

UNCLASSIFIED

ABSTRACT

The US acquisition process is an evolution of numerous attempts to centralize, simplify, and stabilize. This evolution began with the National Security Act of 1947, which served to centralize civilian control of the military apparatus, but invariably has run into an impossible mix of special interests and competing objectives, defying effective change. Yet broad indicators of health suggest a system that's improving in terms of cost growth, schedule slip and performance shortfall. This apparent contradiction becomes understandable when the political context is examined. While Congress exercises its constitutionally legitimate role, even if the degree is debatable, their iron control of the pursestrings makes the creation of a centralized acquisition agency unwise. European models of a centralized agency have not proven superior and US industry's experience has compelled them to move away from centralization.

The answer to improving our acquisition system lies not in creating more bureaucratic congestion, but in simplifying lines of control. Retain the principle of centralized control within OSD and decentralized execution within the services as directed since 1947, but change its practice to putting trust in those given responsibility and holding them accountable. This "simple" management principle will work if the political will is likewise forthcoming. OSD must control but let the services manage. Congress must fight the urge to manage every aspect of DOD. They should also follow the simple management principle or the long turbulent history of acquisition reform will continue without real change.

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TABLE OF CONTENTS

INTRODUCTION 1

BACKGROUND 2
History of Acquisition Change 2
Organizational origin 2
Executive Branch studies 3
Congressional Oversight 6

ANALYTICAL PERSPECTIVE 8

FOREIGN ACQUISITION PROCESSES 10
Acquisition Process 10
Organization 10
Defense Budget and Industry 12
Legislative Oversight 13

ANALYSIS 13
DOD Business Trends 14
US/European Analytical Comparison 15
Political Conundrum 16
Operational Primacy 18
Analysis Summary 19

RECOMMENDATION 20

CONCLUSION 22

ENDNOTES 24

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The US acquisition process is an evolution of numerous attempts to centralize, simplify, and stabilize. This evolution began with the National Security Act of 1947, which served to centralize civilian control of the military apparatus, but invariably has run into an impossible mix of special interests and competing objectives, defying effective change. Yet broad indicators of health suggest a system that's improving in terms of cost growth, schedule slip and performance shortfall. This apparent contradiction becomes understandable when the political context is examined. While Congress exercises its constitutionally legitimate role, even if the degree is debatable, their iron control of the pursestrings makes the creation of a centralized acquisition agency unwise. European models of a centralized agency have not proven superior and US industry's experience has compelled them to move away from centralization.

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INTRODUCTION

> ... although this view may not serve bureaucratic interests, it needs to be expressed anyway: the acquisition process is too large to be managed on a daily basis from the office of the secretary of defense. Your own office should set goals, establish policies and priorities, allocate funds, monitor performance, and, when necessary, take corrective action. But the principal responsibility for the day-to-day acquisition of equipment should be lodged in the military services and, through them, in America's industry.[1]
>
> Kenneth Adelman and Norman Augustine

For someone who works in the trenches of the defense department, it is unsettling to read the innumerable articles and reports of how ineffective our acquisition system is. From another perspective, the taxpayer must feel anger and hopelessness about the seemingly endless nightmares of overpricing, cost growths and scandals. As a taxpayer and participant, I wanted to know more about the real story behind our system of acquiring America's warfighting systems and investigate a central question: if our acquisition system is so bad, do we need to change it, especially in view of the immense success our forces enjoyed in operation Desert Storm using the fruits of this acquisition system.

This research report examines this question and focuses on whether we need to make a fundamental organizational change in the way we buy defense weapons systems. Specifically, is it time to centralize our acquisition system; that is, remove acquisition responsibility for the services and place it under a unified and single acquisition czar? To set the stage, I will first discuss the background of this issue. This is necessary because it's important to get a sense of the forces behind the push for organizational change and the history that has brought us to this point. Next, I'll examine how three of our European allies conduct their weapons acquisitions, comparing each to the US process. I'll finish with an analysis of the information presented and recommend how DOD should proceed to resolve this issue.

BACKGROUND

History of Acquisition Change

Organizational origin. Weapons production has been big business for the United States since World War II. President Roosevelt, recognizing the need to mobilize our industrial might, appointed Donald Nelson as the War Production Board Chairman, to oversee the military department's development and purchase of war equipment. Nelson, however, elected to defer to the departments believing his decisions would undermine their process with unnecessary civilian oversight. Interestingly, during World War I President Wilson appointed Bernard Baruch to a board similar to Nelson's and may have set the stage for the later hands off approach when he directed Baruch to exercise minimal interference.[2]

Whatever the reasons for early reluctance to centralize procurement, the current acquisition management system had its genesis in the Eisenhower administration. Rapid development of technology and the worldwide scope of American national security commitments after World War II split traditional roles of the services, creating interservice rivalry over weapon system development responsibility. President Eisenhower's answer to service resource competition was the creation of a centralized civilian authority in the relatively new Department of Defense (DOD). His proposal sought to establish a single uniformed service and to restructure the component branches along functional lines. However, "...because it threatened the prerogatives of the uniformed services and perhaps Congress, this proposal was not adopted."[3] Afterwards, Eisenhower's 1958 Defense Reorganization Act sought to align the US defense structure with its strategy, but unfortunately divorced the administrative functions from the responsibility

structure (combatant commands). This further complicated an already complex bureaucracy.[4]

In 1961, Robert McNamara instituted a business school approach to analyzing the needs of the nation's defense. Essentially, he retained the same organization built on the centralized control philosophy embraced in the 1947 National Security Act and its amendment of 1949. Yet even McNamara recognized the importance of decisionmaking at the lowest possible level. Robert N. Anthony, defense comptroller under McNamara, proposed a promising private sector oriented resource management system. This initiative never came to fruition because of other priorities and the apparent success of the existing system. McNamara recognized the need for control and obtaining information to assist in decision-making. He brought Charles Hitch from RAND to institute a systematic process for establishing requirements and incorporating them into a five-year budget. This process later became known as the Planning, Programming, and Budgeting System (PPBS).[5]

Over the years, DOD has grown to be the largest and most complex business organization in the world, employing millions either full time or part time with annual budgets of almost $300 billion.[6] Because of its size and the attendant political nature, DOD is probably the most scrutinized organization in the world as well. J. Ronald Fox, in his book about the weapons acquisition challenges, lists twelve major studies of the defense acquisition process between 1960 and 1987.[7] These studies invariably recommended changes, each well-intentioned, yet adding additional layers of guidance, regulations, and bureaucracy.

Executive Branch studies. The Executive Branch has initiated its own reviews to address perceived deficiencies. In 1961, Robert McNamara became Secretary of Defense (SECDEF).

As mentioned already, he initiated industry practices used in his days as a Ford Motor executive. His attempts to improve poor management through innovations in program planning, source selection and contracting, and program management failed to achieve expected results. Cost and time estimates continued to poorly reflect actual results, with major fiascos, under the aegis of Total Package Procurement, such as the C-5A and the F-111A programs bringing unfavorable nationwide attention.[8]

During the Nixon and Ford administrations, Secretary of Defense Melvin Laird returned some of the services autonomy, but reserved Office of the Secretary of Defense (OSD) control through a new senior level board called the Defense Systems Advisory Review Council (DSARC). Established by Deputy Secretary David Packard, the DSARC and the Cost Analysis Improvement Group (CAIG) provided the SECDEF more oversight over weapons acquisitions. Other attempts at improvements were shortlived or implemented superficially and generally unsuccessfully.

Harold Brown, SECDEF in the Carter administration, sought to regain some of the authority in weapons acquisition relinquished previously. He issued a requirement for the services to comply with Circular A-109, a directive published by the Office of Federal Procurement Policy in 1976, which required the services to prepare mission area analysis and document their weapons need in a mission needs statement.

In 1981, President Reagan's SECDEF Caspar Weinburger implemented a change that reversed the centralization trend. Subordinate line executives, especially program managers, were given more authority for executing policy derived in OSD.

Twenty years after McNamara, the acquisition process was more structured and had

concurrently grown more complex. In 1981, Frank Carlucci, Weinberger's Deputy Secretary of Defense, directed the services to implement his 32 initiatives to streamline the acquisition process, reduce program costs, and shorten acquisition time. The principle imbedded in the Carlucci initiatives was that over-regulation undermined efficiency. The services started many of his initiatives, but success was shortlived due to three factors:

- o a Congress reluctant to give up some of its pursestring powers
- o services skeptical of changing their practices
- o Carlucci's departure because of a new administration

The General Accounting Office (GAO), in reporting on the success of the Carlucci initiatives, concluded that DOD had made some implementation progress but results had fallen short because DOD had not followed through with plans.[9]

As we have seen, until the mid-eighties most reform recommendations addressed DOD's acquisition organization or process. In 1986, Reagan's Presidential Blue Ribbon Panel on Defense Management, also known as the Packard Commission after it's Chairman, followed this trend. With procurement spending doubling between 1980 and 1985, there was plenty to justify further examination of the process.[10] The Commission observed increasing complexity in the process and concluded that "...the defense acquisition process is not being operated and managed effectively, and that this is having a disastrous effect on the cost and efficiency of the system."[11]

Although it recommended sweeping changes, some requiring congressional action, the resulting DOD Reorganization Act of 1986, DOD again failed to implement major recommendations. Consequently, President Bush directed the most recent study in 1989. This DOD in-house study, called the Defense Management Review, led to an extensive change to the

DOD acquisition organization. It streamlined the acquisition chain-of-command from the Defense Acquisition Executive through a newly created Service Acquisition Executive (SAE). The command pipeline continued from the SAE to the program manager through a Program Executive Officer (PEO).

Congressional Oversight. In addition to executive level scrutiny, Congress has also taken an increasing degree of detailed interest. In the 1950s, congressional concern with interservice rivalry and duplicative development overshadowed their concern over how well projects were managed and was principally result oriented because of the ominous Soviet threat.[12] In 1959, the trend of increasing oversight began. Especially since 1970, Congress has accelerated legislation, enacting implementing regulations that further complicates the acquisition process.[13] Murray Weidenbaum, in his book *Small Wars, Big Business--Paying for the Military After the Cold War*, lists sixteen congressional provisions enacted between 1983 and 1988 that legislate degrees of "micromanagement". In Weidenbaum's view, these laws "...reflect the loss of congressional confidence in the candor and cooperation of the Pentagon, especially in responding to legislative mandates with which the Department of Defense does not agree."[14]

This complex web of often conflicting public laws has grown to such an extent even Congress has recognized the problems. In the 1991 National Defense Authorization Act, Congress directed DOD to establish an advisory panel, sponsored by Defense Systems Management College. The panel's purpose is "...to review acquisition laws applicable to the Department of Defense with a view toward streamlining the acquisition process."[15] Whether Congress effects any substantive change to this complicated array of laws remains to be seen, but their own admission speaks volumes about the oversight problem.

The most recent congressional involvement occurred after the Ill Winds procurement scandal. The chairmen of the Armed Services Committees joined three former defense secretaries and industry executives to review the DOD acquisition system and concluded little improvement had been made over the years. The major product of their study was the introduction of several bills to ultimately establish "...an integrated acquisition system that would oversee procurement of all the services."[16]

These bills took a variety of forms but all proposed centralizing acquisition. Senator William Roth (R, Delaware) would create a defense acquisition agency and include military in a more restrictive role. Representative Dennis Hertel's (D, Michigan) plan was similar and included establishment of a defense acquisition university. A third proposal, by Representative Barbara Boxer (D, California), went even further advocating an acquisition corp independent of the Pentagon and would exclude military after a five year transition period. Finally, Representative Nicholas Mavroules (D, Massachusetts), Chairman of the House Armed Services Investigation Subcommittee, introduced the bill that was ultimately passed as the Defense Acquisition Workforce Improvement Act (DAWIA). It directed DOD to create a professional acquisition corps in <u>each</u> of the services.

With the foregoing history of centralization and an idea of the numerous studies and changes from the executive and legislative sides of government, let's now turn to the track record of weapons procurement.

ANALYTICAL PERSPECTIVE

A review of the proliferation of studies of the US weapons acquisition system and their accompanying calls for change suggests a system that doesn't work well and may be getting worse. What other evidence is there that supports this conclusion?

Three generally accepted measures for assessing systems acquisition process health are cost growth, schedule slippage, and performance shortfall.[17] RAND, in a 1986 Project Air Force study, did an intensive review of over 30 years of defense development and production to identify trends. They reviewed programs within the Army, Navy and Air Force that covered three decades from the 1960s to the 1980s. Before we look at the results, let me summarize the study considerations and limitations.

The results reflect snapshots in time taken at the end of the 1960s, the end of the 1970s, and the mid-1980s. These snapshots compare the cost, schedule, and performance of a selected sample of weapons systems against the goals established at the beginning of Full Scale Development (FSD). Wherever possible, samples were limited to programs at least three years beyond the start of FSD since development programs less than three years rarely experience cost growth. Adjustments were made for inflation and changes in quantity. Trends reflect only changes internal to each program and not intergenerational. Finally, performance consisted primarily of functional measures, such as speed, range, and payload.[18]

In reviewing the results of the study, contrary to popular belief, there has been an improvement in systems acquisition over time. Figure 1 summarizes graphically these trends in cost growth, schedule slippage and performance shortfall. RAND reports a trend of cost

growth reduction from 44 percent in the 1960s, 34 percent in the 1970s, to under 10 percent in the 1980s. Similarly, programs in the 1970s exhibited slightly less program slippage from the 1960s (13 versus 15 percent). The 1970's performance shortfall decreased to almost zero from the 1960's level of 5 percent.[19]

In an interesting comparison, RAND also showed differences in cost growth between defense and non-defense programs. Figure 2 shows that except for highway and water projects with modest technical risk, non-defense programs experienced greater cost growth than defense. RAND also makes the point major weapons systems compare most closely with process plants in terms of complexity, risk, and duration. As evident, this was the highest non-defense cost growth program.[20]

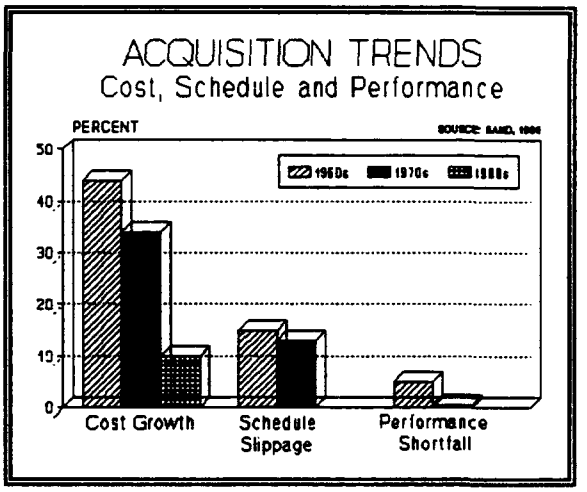

Figure 1. System Acquisition Trends

In summary, trends over the past 30 years show a general improvement on three indicators of acquisition process health. While there are several conditions or limitations to the above data, they suggest nevertheless an overall health counter to the trend in defense acquisition scrutiny since the mid-1980s.

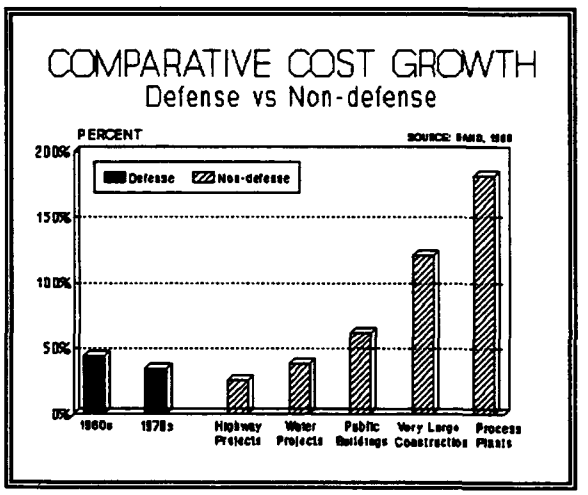

Figure 2. Comparative Cost Growth

FOREIGN ACQUISITION PROCESSES

Having clearly defined the dicotomy between external perceptions of a growing inefficiency in our acquisition process despite improving actual results, it's time to look at some of the alternatives proposed by critics. From the literature I've reviewed, all have advocated using an acquisition system patterned after a foreign country. Furthermore, most studies comparing foreign acquisition processes with the US concentrated on France, Germany and the United Kingdom (UK), so I'll use these systems as the basis of my comparison.

Acquisition Process

The acquisition process in all countries follow the same general phases for major weapons systems. These include requirement definition, feasibility studies, alternative identification, and the design, development, test and production of the systems. Each country also conducts two major types of testing, development and operational test. Development test is more decentralized in the US within each of the service acquisition commands, but all countries have significant user involvement in operational testing.

Organization

Unlike the US, the European weapon system acquisition functions are performed by centralized agencies that are separate from the military.[21] France, Germany and the UK all use a centralized authority within the Ministry of Defense (MOD), or equivalent, for defense

procurement. This agency performs all acquisition functions from receipt of requirement through delivery.

The military services in all countries play a role in the acquisition process, but in the US they tend more toward advocacy and stay active throughout the process. As just mentioned, the services in most European countries are involved mainly for determining the operational requirement and in the operational test and evaluation of the weapon system. In the UK, another organization within the MOD identifies requirements, which is a source of criticism as we'll see later.

One of the areas frequently identified in many of the studies about the acquisition organization is the mix of civilian and military personnel. Figure 3 summarizes data from two GAO reports[22,23] that compare military and civilian personnel mix from the US and the three European countries.

Figure 3 shows all four acquisition systems have a predominance of civilians in their acquisition organizations. The most decentralized organization, the US, has 10 percent military and is decreasing. The most centralized system, France, has the least military, 4 percent. It is worth noting 17 percent of these civilians are professional engineers with military status, but have no military operational experience. Germany and the UK have 11 and 10 percent, respectively.

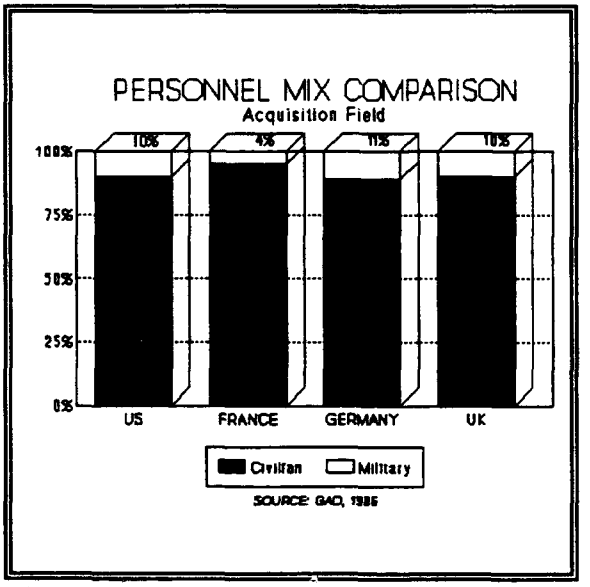

Figure 3. Acquisition Personnel Mix

While the ratio of military to civilian doesn't dictate the degree of operational influence in the acquisition process, there does seem to be a correlation with user acquisition involvement. The US and Germany have the greatest degree of continuous user interaction while France has the least. This supports the higher military percentage of the US and Germany over France.

Defense Budget and Industry

Other significant differences were identified in a GAO report required by the DOD Authorization Act of 1986. The annual defense budget of the US is considerably higher than France, Germany of the UK, as Figure 4 shows dramatically.[24] More importantly, in terms of research and development the US expenditures are 15 times these countries, measured in 1986 dollars.[25]

The size of the defense industrial base is another difference as well as the amount of control of the industrial base. The US industrial base dwarfs the European defense industry, which contributes to differences in the degree of competition. In the US and Germany, defense companies are privately owned. In the UK and France, ownership is mixed between private and state which also reduces the forces of competition.[26] France in particular has a high degree of state control with four fifths of its defense industry owned by government.[27]

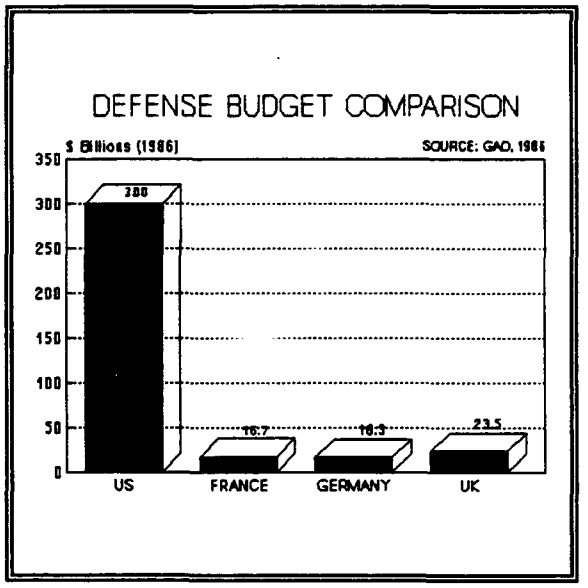

Figure 4. Defense Budget Comparison

Legislative Oversight

One of the most significant differences between the US and European countries involves legislative oversight. Anyone familiar with the US acquisition system is aware of the intense scrutiny all major acquisitions annually receive from Congress. The defense budget receives four separate congressional reviews each year during the authorization and appropriation process of the House and Senate. In France and the UK, the parliaments approve the budget but conduct no line item review. In Germany, the parliament does selective line item review.[28]

ANALYSIS

The foregoing has illustrated, despite some similarities in acquisition approaches, the US weapons buying system is dramatically different in size, organization, and relationship between government and industry. It has also highlighted the realities of numerous attempts to improve the defense acquisition system. Based on steadily improving cost, schedule and performance criterion, DOD would seem to have made significant strides toward achieving a workable system of acquiring our nation's defense arsenal. When compared to the systems of other selected western nations, the data shows the superiority of the US system in similar terms of performance, cost effectiveness and schedule. Secretary of Defense Dick Cheney even acknowledges: "There's a great deal that is right about the way the Department of Defense operates."[29] What the latest round of defense management changes purports to do is to refine the system--enhance efficiency, reduce wasteful practices and extend dwindling resources--an

objective amazingly similar to other acquisition reforms over the past 20 years.

DOD Business Trends

Centralization has become a favorite topic within the government in the past few years. DOD has embarked on a program to centralize major portions of its span of control. The Air Force has merged its acquisition commands, service retail supply organizations have been consolidated under the Defense Logistics Agency, the service pay systems are under one organization and so on. It appears now the push to centralize, in the hopes of attaining efficiencies, has grown to include test and evaluation, science and technology (defense laboratories) and acquisition. The result of this trend, if completed, will be to undermine a basic underpinning of the 1947 National Security Act, which placed the responsibility for training, organizing and equipping within each service. Taken to its natural conclusion, the centralization movement will create a huge bureaucratic organization that supplants the service responsibility of supplying combat equipment. Unfortunately, consolidating control within a DOD agency does not address the fundamental issue, as we'll discuss later.

Is the inefficiency rap of bureaucracies justified? Substantial evidence on the business side says yes. Mergers completed in the early 1980s when merger fever was rampant are now divesting themselves because inefficiencies have caused conglomerates to lose competitiveness. The steel industry, long ago written off as uncompetitive with the Japanese, has regained its stature because of smart capital investment and their trend reversal toward decentralization. This puts accountability down where it belongs, at the plant that makes the steel; where decisions about production, research and investment are made by those who will live with the decisions.

Another example is a comparison of AT&T and IBM. During the anti-trust suit against each in the 1980s, AT&T was forced to divest while IBM remained centralized. Anyone reading the papers lately is aware of the problems IBM is having, attributed directly to its inefficient bureaucracy, while AT&T is healthy. General Motors is similarly undergoing painful downsizing. Clearly, American industry has discovered the wisdom, sometimes painfully, that decentralization is more efficient at placing responsibility and accountability at the proper level. Government so far hasn't shown an understanding of this.

US/European Analytical Comparison

The Analytic Sciences Corporation (TASC), in researching a report for the Ford Foundation, conducted one of the more systematic comparisons of the European and US styles of procurement. This report examined the input and output of the two systems between 1950 and 1980 and related costs, performance and mission needs.[30]

Perhaps not surprising to centralization advocates, the US consistently fielded aircraft with higher costs and cost growth. But when compared on a mission equivalent basis, a different picture emerges. The study shows US systems cost less when calculated on the basis of performance. It also shows US aircraft consistently outperform European aircraft at comparable mission levels. This performance advantage has grown over time, from approximately 30 percent in 1960 to 100 percent by 1980. Finally, it shows the US aircraft achieves comparable performance 10 years earlier than European systems.[31]

In terms of timeliness, the US also fares better. The study demonstrates US systems are produced more quickly than those in Europe. Overall, the US brings to production two years earlier than Europe and this difference widens as system sophistication increases.[32] So, on an

equal mission basis, the US method of acquisition has given better performance at a lower cost over the past 30 years.

Political Conundrum

From the historical survey of acquisition reform covered previously, I believe a consistent theme emerges that helps explain the enigma of our acquisition process. From Donald Nelson's decision to forego oversight during World War II until the charged confrontational atmosphere associated with today's system, the political dimension arises as the common thread over the decades that serves to explain the enormous difficulty of reform.

There is a continuing public and congressional perception of an unwieldy inefficient acquisition system. Memories of past excesses, scandals, and overruns are hard to forget, despite the remarkable success of the products of that same system during Desert Storm. Congress blames the defense industry or DOD, DOD blames Congress and industry, and industry points the finger at DOD or congressional meddling. With the acknowledged complexity of our acquisition system, it's understandable why the acquisition process defies attempts to reform--the principal actors are unwilling to take responsibility or accept accountability. Despite well-intentioned reform over the past three decades, the US acquisition system suffers from the same criticisms that plagued it since World War II. While part of it may be bureaucratic inertia--changing anything in a large organization is difficult and time-consuming to implement--much of it is attributable to the political nature of defense management.

Thomas L. McNaugher, in his book *New Weapons, Old Politics--America's Military*

Procurement Muddle (Washington, Brookings, 1990), makes a convincing case that politics is the driving element behind our acquisition system. He believes "[W]eapons acquisition has become far too much a reflection of the American political process, leaving little room for the technical process it must be if it is to function well."[33]

As we have seen, Congress has raised itself as a champion for reform, seeking to shape the acquisition process by creating a series of legislation designed to centralize, simplify and stabilize. Yet the opposite has occurred. The principal reason, according to McNaugher, is the US political system itself. Our system was designed by our founders to limit the amount of centralized power within the executive branch, "...especially power so intimately connected to the flow of huge amounts of money to political districts." Politics have overpowered well-intentioned reforms to improve management of acquisition, prevented implementation of biennial budgeting to help stabilize the process, and limited DOD authority to shape the force structure. "Politicians thus undo with one hand what they seek to do with the other."[34]

The significance of the foregoing is important. Given the realities of the need to retain political control of the pursestrings, Congress is unlikely to relinquish control, especially to a centralized acquisition agency. Therefore, the net effect of changing the acquisition organization is to consolidate congressional control over the process, managed by a large centralized bureaucracy patterned after European Ministries of Defense (MOD), thus limiting service influence. As we've seen in the European MOD models, their method of procurement has not proven superior to the US system in terms of performance, schedule or cost effectiveness. Additionally, their system limits legislative micromanagement, a condition that is unlikely to occur here. Congressional involvement will likely grow as a consequence to include influencing

requirements, thereby replacing service prerogatives under the current system.

Operational Primacy

As suggested earlier in the foreign acquisition section, the reorientation of requirements determination away from the user is a frequent criticism of centralized management. In a statement before the Senate Armed Service Committee's Subcommittee on Defense Acquisition Policy, Dr William Perry, a member of the Packard Commission, was summarizing the characteristics of successful programs: "Another characteristic of them is that they have very good communication with the user."[35] The Packard Commission considered creating a Defense Acquisition Corps but would not support the idea because of the void it caused between the developer and user.[36] John Betti, then Undersecretary of Defense for Logistics (and later Undersecretary for Defense for Acquisition), perhaps best summarizes the critical importance in a statement to the House Armed Service Committee Acquisition Workforce hearing, "The US system, unlike that of some of our European allies, places a greater emphasis on user involvement because of our focus on combining edge of the art technology with warfighting strategy in order to obtain the operational advantage."[37]

This lack of emphasis in European countries has created significant tensions. In Germany, it led to the resignations of two senior Luftwaffe generals because "...both Generals were deeply dissatisfied with the virtual exclusion of the top military from policy decision-making that directly concerned the operational readiness of the armed forces for which they were responsible."[38] France's military has a similar problem, as the decision to continue development of the naval version of the *Rafale* fighter illustrates, despite the French navy's

preference for the US F/A-18 and soaring development costs.[39] In Britain, the requirement responsibility is completely separated from the using services and the Procurement Executive (developer).[40] This separation has proven significant in contributing to problems of cost escalation as "... project 'requirement' pressure pushes capability estimates up, while 'programme' pressure pushes cost and time estimates down."[41] The report that generated the above quote went on to recommend greater user involvement.[42]

Although the results of Desert Storm fall short of empirical evidence to the importance of retaining operational focus, it does offer insight. US weapon systems performed better as a whole when compared to European systems. Fewer aircraft were lost as a percentage of combat sorties because of hostile enemy fire, attesting to lower vulnerability, while providing essential, pinpoint bombing accuracy unavailable elsewhere. Retaining an organization that fosters active user involvement in the development of weapons is clearly important.

Analysis Summary

The case against centralization is strong. Centralized acquisition systems inhibit user interface by creating organizational barriers or bureaucratic logjam. Political realities suggest the unlikelihood of true centralized control within the Executive branch and assures continued congressional oversight. Significantly, American industry, recognizing the necessity for flexibility and innovation, have adopted decentralized operations as the preferred organizational arrangement. Finally, the experience by European MODs does not support centralizing acquisition. The evidence shows the cost effectiveness, schedule, and performance of US systems is superior.

In a time when so many things are changing--threat uncertainty created by the end of the cold war, economic problems, economic and political globalization--it makes little sense to make a radical change to the acquisition system which could have long term effects. These effects belie prediction but may have dire security consequences against threats unknown. A centralized control, decentralized execution type acquisition system is clearly the better choice. What then should be done to our current system to help promote improvement?

RECOMMENDATION

"No large organization--military or civilian, public or private--is likely to pursue automatically the broader national interest, as distinct from its own institutional and parochial interests, without external forces and leadership in that direction."[43] This statement, both clearly logical and assuredly true, is the essence of my belief that the acquisition system we've evolved to is the right one for the US.

The Secretary of Defense is ultimately responsible for providing the leadership necessary to effectively integrate the three elements of the defense management framework. This framework, depicted in Figure 5, is a simple representation of the necessary interaction of all elements essential for success of not only the acquisition of our nation's weapons but also overall defense preparedness.[44] In each element, the SECDEF or his designated deputy has the **necessary and sufficient** authority to fulfill the responsibilities of his office to ensure success.

In each element, he or his deputy oversees a corporate board structure created to allow effective participatory management of a complex bureaucracy. In the Planning, Programming,

and Budgeting System (PPBS), the requirements system, and the acquisition system, a senior defense official chairs a board consisting of top leaders of the Office of Secretary of Defense, Joint Chiefs of Staff and the Services. Thus, an organizational structure with centralized control already exists that is capable of effective decision-making encompassing national security strategy, force planning and resource allocation.

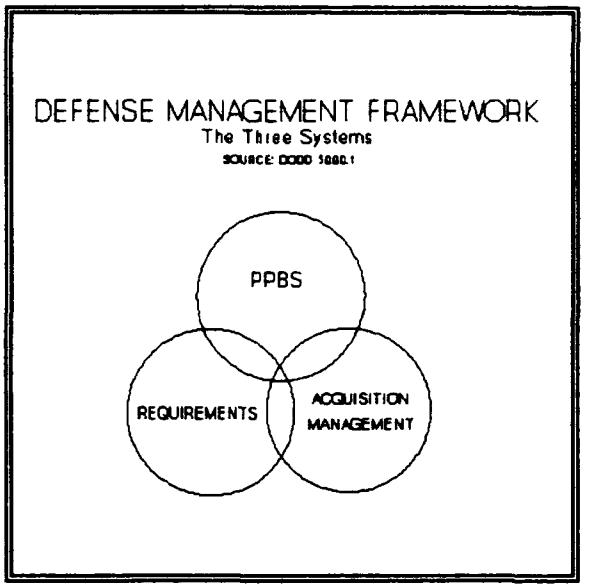

Figure 3. Defense Management Structure

In the words of DOD Directive 5000.1 governing defense acquisition, this organization should "...facilitate decisionmaking, foster uniformity, and lead to a more efficient and effective management system."[45] As we've seen, however, any organization, whether it's totally centralized or not, is dependent on leadership. It can't guarantee imagination and wisdom.

The current acquisition process is an evolution of numerous attempts to centralize, simplify, and stabilize. This evolution began with the initiating directive, the National Security Act of 1947, which served to set the course for centralized civilian control of our military apparatus. A structure suitable to allow effective management is already in place. What must accompany this structure is active leadership willing to delegate responsibility and the political will to allow it to function as it was intended. If it doesn't operate as advertised, then hold people accountable for their jobs instead of blaming the system--an easy scapegoat. I think what will occur is good management, the kind we've seen the past few years under the strong leadership of a capable Secretary of Defense intent on serving the national interests.

CONCLUSION

The US acquisition process has a history of change. If change is a measure of uncertainty or inadequacy, then it is evidently a system that doesn't work well and getting worse. Yet broad indicators of health suggest the acquisition system is in fact improving in terms of cost growth, schedule slip and performance shortfall. This apparent contradiction becomes understandable, however, when viewed from the political context that dominates our system of government and its defense. Attempts to centralize, simplify, and stabilize the acquisition system invariably run into an almost impossible mix of special interests and competing objectives. Despite many well-intentioned attempts to structure a more effective system, Congress is ultimately unwilling to relinquish central control to the Executive Branch and DOD, instead inserting itself to ever-increasing oversight of resource allocation. While Congress is exercising its constitutionally legitimate role even if its degree is debatable, their iron control of the pursestrings makes the creation of a centralized acquisition agency almost moot.

Moot because political control still dominates, yet almost because experience has shown centralization is <u>not</u> the way to go and may make the system worse. When compared with three European centralized ministry systems, the US weapons are more cost effective, outperform on a mission level, and move to production earlier. A principal reason is operational primacy in the US system where technological advancement and user requirements are priorities. Decentralization is now the popular trend in US industry in its attempt to regain competitiveness lost in a decade where merger and larger were considered better.

The answer to improving our acquisition system lies not in creating more bureaucratic

congestion, but in simplifying lines of control. Retain the principle of centralized control within OSD and decentralized execution within the services as directed since 1947, but change its practice to putting trust in those given responsibility and holding them accountable. This "simple" management principle will work if the political will is likewise forthcoming. OSD must control but let the services manage. Congress must fight the urge to manage every aspect of DOD. They should also follow the simple management principle or the long turbulent history of acquisition reform will continue without real change. David Packard, well known defense and industry executive, perhaps summarizes it best:

> ... the defense acquisition system has basic problems that must be corrected. These problems are deeply entrenched and have developed over several decades from an increasingly bureaucratic and overregulated process. ... these problems were seldom the result of fraud or dishonesty. Rather, they were symptomatic of other underlying problems that affect the entire acquisition system. Ironically, actions being prescribed in law and regulation to correct [the problems] tend to exacerbate these underlying issues by making acquisition procedures even more inflexible and by removing whatever motivation exists for the exercise of individual judgement.[46]

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