

# Building a Culture of Cost Consciousness

CAPT Cate Mueller, USN



**W**ith a constant drumbeat about the constrained budget environment's effects on defense procurement, the acquisition workforce (AWF) is focusing on how to achieve greater efficiency and productivity in defense spending.

In the recent implementation guidance for Better Buying Power 2.0, Under Secretary of Defense for Acquisition, Technology and Logistics (USD[AT&L]) Frank Kendall described 34 initiatives and seven focus topic areas as a "Guide to Help You Think." Better Buying Power (BBP) is part of a continuous learning and improvement management approach practiced in a culture that requires a commitment to reduce costs and increase productivity with dedicated support to the warfighter, and a strong stewardship of the taxpayers' dollars. BBP 2.0 "... continues to increase the cost consciousness of the acquisition workforce—change the culture." Those last three words—"change the culture"—have been the mantra for a team of AT&L and Service professionals who have been looking at what counterproductive behaviors exist across the workforce, what actions might be required to change those behaviors, and how to instill the new behaviors into a more cost-conscious culture.

Instilling cost consciousness began as a formal project after Kendall hosted an offsite meeting for AT&L leadership and Service acquisition executives in February 2012. Discussions centered on recognized behaviors that act against

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**Mueller** is a public affairs officer for the Assistant Secretary of the Navy for Research Development and Acquisition.

# Report Documentation Page

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getting the best value in a contract. The prime example was the obligation and expenditure of funds. Although a program manager is assessed based on meeting the established obligation and expenditure rates, doing so does not always drive the best deal and the lowest cost. The leadership at the off-site agreed that the right metric was not whether all the dollars were obligated, but whether the department was getting the right value for what was obligated.

Kendall established the Cost Consciousness team to investigate counterproductive behaviors and assess whether there were policies or processes that led to the behaviors and what needed to change to allow for reasonable cost-conscious behaviors to benefit the warfighter and taxpayer. Sue Dryden, then-Deputy Assistant Secretary of Defense for Materiel Readiness, led the team as it set out to understand the elements of cost consciousness.

“The team started with brainstorming as well as interviews with experienced acquisition workforce members about what things occur in a program that go against getting the best deal for the taxpayer. We looked at a wide range of bad behaviors, with the first major behavior being end-of-year obligations and expectations—the right metric is not whether all the dollars were obligated, but whether the department got the right value. The team focused on three other behaviors: contract negotiations and pricing; understanding the cost elements and the drivers of cost; and requirements—making sure we get the right level, understanding how certain requirements drive costs and also stability of requirements because changing requirements also drive costs in the acquisition process,” said Dryden.

The team developed a clear statement of intent to keep its actions in alignment with the other acquisition improvement projects resulting from the February 2012 offsite as well as the update to BBP, which was worked concurrently on the AT&L staff. Ultimately, the cost consciousness project was pulled under the BBP 2.0 effort with an emphasis on the cultural change aspect for the AWF:

It is critical that we target affordability, control cost growth, and incentivize productivity and innovation while ensuring the best support to the warfighter. Our efforts must span across all acquisition and sustainment activities. In order to be successful, we need to instill a culture of cost consciousness through sound business acumen, establishing clear expectations and recognizing, rewarding the right behavior.

Based on the intent and consideration of the four identified bad behaviors, the team identified possible levers to change behavior and eventually change the beliefs that underpin that behavior.

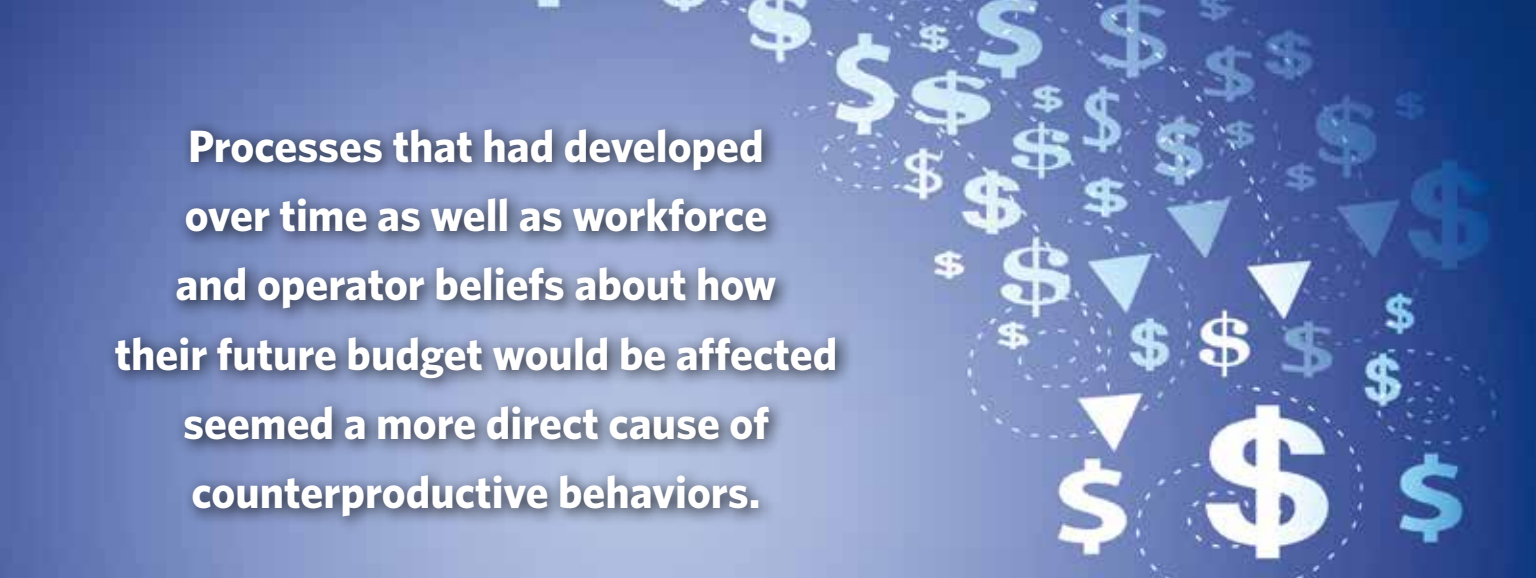
“With culture being the shared behaviors and belief of a particular group—in this case, the acquisition workforce—the aim is to use the levers to instill cost consciousness as a cultural

strength. The first lever is statute, policy and process; the next lever is accountability or holding people accountable to ensure their actions were consistent in a cost-conscious manner. Then the third is strategic communication . . . that is the lever to get the word out to let people know that it is OK if you do not meet end-of-year obligations. You need to understand where your program is in the middle of the year and be willing to give money back. Communication is a way to share success stories and lessons learned,” said Dryden.

The identified levers provided a natural organization for the sub-teams created to develop additional information and necessary follow-on actions. The Statute, Policy and Process sub-team, led by Scott Reynolds, Deputy Assistant Secretary of the Air Force for Logistics, initially undertook a substantial review of what barriers might exist that would force the undesired behaviors. Although expecting to find actions covered expressly in statute or policy, the team discovered that was not the case. Instead, processes that had developed over time as well as workforce and operator beliefs about how their future budget would be affected seemed a more direct cause of counterproductive behaviors.

This sub-team turned its attention to identifying areas where policies and processes could encourage a more cost-conscious culture across the department. Recognizing an opportunity to improve cost visibility and drive out cost within contract vehicles such as Contractor Logistics Support (CLS) and Performance Based Logistics (PBL), the team concluded the heavy emphasis CLS and PBL vehicles place on performance measures needs to be balanced with measures that drive cost-conscious behavior in the private sector. Through the spring of 2013, the team reviewed how to institute annual cost reduction curve clauses and require contractor billing to use the DoD Cost Assessment and Program Evaluation (CAPE) Cost Element Structure to capture how dollars are executed. Also, the *CLS Best Business Practices Guide* now is with DAU as a planning and educational tool for use by service acquisition community members and for incorporation into appropriate course material there. Additional cost visibility measures reviewed include ensuring cost data is used in analysis to manage Firm Fixed Price (FFP) contracts.

Another focus area is increasing the services’ expertise in should-cost management, Request for Proposal (RFP) development, and contract negotiation. One way to expand the expertise base would be to develop additional organizations similar to the Price Fighter Services currently provided for through the Navy Supply Systems Command ([http://www.navsup.navy.mil/navsup/capabilities/price\\_fighters\\_services](http://www.navsup.navy.mil/navsup/capabilities/price_fighters_services)). Formed in 1983, Price Fighters performs “Should-Cost” analyses on spare parts and weapons systems, providing Navy, DoD, and civilian federal agency buyers, contracting officers, and PMs data that are both quick and accurate. These data enable acquisition officials to make crucial procurement decisions, resulting in better, more effective program management. Price Fighter Services have evolved over the years, and now



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include developing and analyzing Cost Estimating Relationships (CERs), Parametric Cost Estimation, Business Case Analysis (BCA), Source Selection Support, Proposal Evaluation, and Negotiation Support, among other things.

However, according to Dryden, the same budget constraints making cost consciousness such an imperative for defense procurement also may make it hard to form new organizations to provide this support. In addition to capitalizing on the available assistance from Price Fighters, programs can benefit from an effort by the Defense Contract Management Agency (DCMA) to rebuild its pricing capabilities. Integrated Cost Analysis Teams (ICAT) provide intensive business and technical pricing support at major contractor locations, and elsewhere they can provide surge support for major proposals as well as augment support for overhead should-cost reviews. DCMA is working on expanded training for a more capable pricing workforce across the board. More information about accessing these capabilities is available at [http://www.dcmamail/DCMAHQ/\\_files/Pricing\\_Brochure.pdf](http://www.dcmamail/DCMAHQ/_files/Pricing_Brochure.pdf).

The Statute, Policy and Process sub-team acted to infuse cost-consciousness training into existing curriculum. Modules have been incorporated into specific DAU courses as well as the BBP Web Portal (<http://bbp.dau.mil/>). The next step is coordinating with service schools to include cost-consciousness content that will introduce those who will work with the AWF in the requirements definition stage to the elements that make up a cost-conscious culture.

The second lever, represented by the Accountability sub-team and led by Ross Guckert, Assistant Deputy for Acquisition and Systems Management, reviewed awards, senior leader performance objectives, and cost conscious metrics, including obligation rates, should cost/will cost and Configuration Steering Board (CSB) data. They first reviewed the Service and Office of the Secretary of Defense (OSD) award structure to see whether new awards could encourage cost-conscious behavior. The team found at least 21 existing awards already included significant acknowledgement of behaviors

that support a cost-conscious culture, and concluded that new awards would be duplicative. Nevertheless, the team acknowledged the importance of rewarding cost-conscious behavior.

The bulk of the efforts on the accountability side were in defining the metrics that assess whether the actions taken in the name of cost consciousness are working toward the overall aim of achieving greater efficiency and productivity in defense spending. The data examined were based on the observed counterproductive behaviors. In relation to end-of-year obligations, the team looked at obligation rates—both 5-year averages and snapshots from the last few years in which the department operated under a continuing resolution for a significant period. This effort was transferred to the OSD Comptroller and AT&L Acquisition Resources and Analysis (ARA) for further study. For the requirements picture, the data gathered from the CSBs were analyzed and passed to OSD for summary in an OSD *Memo on CSB Best Practices*. Relating to contract negotiations and cost visibility, the team supported an ARA initiative to review the should-cost data from the Services annual reports to OSD.

After more than a year of working to improve cost consciousness in DoD, the accountability team concluded its efforts and turned their projects over to various OSD offices for further analysis and action.

The last lever, communication, is an integrator of the larger effort based on the idea that the first step in changing the culture is to build wider understanding of reasons to change. Communication also can alert the audience—the acquisition workforce—to counterproductive behaviors and reasonable ways to address these behaviors. Since cultural change involves changing beliefs, another goal of the communication effort is to point out current beliefs that have outlived their usefulness in the acquisition process. Spreading the word about efforts under way and asking for input, lessons learned, and creative solutions are critical to proving that if one follows the cost-conscious mantra, a successful program will result with benefits for the warfighter and the taxpayer.


Gaining recognition for program successes in cost consciousness also is a significant aspect of the communication lever. The team is pursuing examples from programs to publicize because education on what is working well will help in the desired culture change.

Retiring in May after more than 35 years in federal service, Dryden turned over lead of the Cost Consciousness team to Paul Peters, Principal Deputy Assistant Secretary of Defense for Logistics and Materiel Readiness.

"As with any long-term project, you can expect a number of people to have a hand in its development and execution. We're certainly used to that in the department, and instilling a culture of cost consciousness will necessarily be long term because of the nature of culture change," said Peters of the team's goal. "Our imperative stems from a passion to preserve warfighter readiness. The days of bounty are long over for Defense. It is urgent that we act now on a culture of cost consciousness to build more capability per dollar to maintain our strategic advantage. The implementing guidance we've been given is very simple—although hardly easy. Our collective commitment to controlling costs, increasing productivity, and providing greater value to the warfighter

and the taxpayer animates everything about BBP 1.0 and 2.0. Our team is working on the specific changes, sometimes just to a point of view, that can move us onward toward improving acquisition performance. Mr. Kendall says it well: 'If we allow ourselves to think of spending the budget as our goal, or fixate on meeting obligation rates over value received, or worry more about protecting "our funding" as opposed to whether we can spend it efficiently or not, then we will not succeed.' "

Peters emphasized the importance to the team of receiving feedback from across the AWF to find creative solutions for instilling a cost-conscious culture: "This team doesn't have the monopoly on smart ideas, and although they've spoken with a lot of people with a wide range of experience, we can still benefit from those in the trenches of acquisition who know what will and won't work and are uniquely positioned to understand the barriers that are keeping them from getting the best value possible for the dollars entrusted to us."

To provide input, workforce members with suggestions, concerns or questions should contact the Cost Consciousness team through [BetterBuyingPower@osd.mil](mailto:BetterBuyingPower@osd.mil). 

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The author can be contacted at [cate.mueller2013@gmail.com](mailto:cate.mueller2013@gmail.com).

## 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 for the months of May and June 2013.

### Army

**Col. Robert L. Barrie Jr.** relieved **Col. Robert L. Marion** as project manager for Cargo Helicopter in May.

### Navy

**CAPT Michael C. Ladner** relieved **CAPT Timothy A. Batzler** as program manager of Standard Missile Six and the Phalanx Improvement Program (IWS 3.0) on May 3.

**David K. Hansen** relieved **Andrew P. Dwyer** as program manager of Global Combat Support Systems (GCSS) on May 5.

**CAPT Albert G. Mousseau** relieved **CAPT Brian K. Corey** as program manager of Advanced Anti-Radiation Guided Missile Program (PMA 242) on June 20.

### Air Force

**Col. Robert A. Strasser** relieved **Col. Mark C. Williams** as program manager for the B-2 Extremely High Frequency Sat-

ellite Capability Program (B-2 EHF) and for the B-2 Defensive Management System Modernization Program (B-2 DMS Mod) on May 3.

**Dana W. Whalley** relieved **George K. Francois** as program manager for the Space Fence Program on May 22.

**Col. Jeffrey C. Sobel** relieved **Colonel Jason J. Denney** as program manager for the Advanced Medium Range Air-to-Air Missile Program (AMRAAM) on May 30.

**Col. William T. Cooley** relieved **Col. Bernard J. Gruber** as program manager for the Navigational Signal Timing and Ranging Global Positioning System (Navstar GPS), Military GPS User Equipment Program (MGUE), Next Generation Operational Control System (GPS OCX) and the Global Positioning System III Program (GPS III) on June 11.

### Fourth Estate

#### Defense Logistics Agency:

**Sabrina Holloway** relieved **Cynthia Beck** as program manager for the Defense Agencies Initiative on May 17.

#### Special Operations Command:

**Col. Samuel L. Peterson** relieved **Col. Timothy Chyma** as program executive officer, Special Operations Forces Support Activity (SOFSA) on June 28.