

# 1997 Acquisition Research Symposium — Report And Highlights

BERYL A. HARMAN

**O**n 24 June 1997, the Acquisition Research Symposium, sponsored by the Deputy Under Secretary of Defense for Acquisition Reform, welcomed over 250 acquisition workforce professionals representing a mix of industry, Department of Defense (DoD), other federal agencies, and representatives from academia interested in understanding the status of acquisition reform and working toward the future. Co-hosted by the Defense Systems Management College

FROM LEFT: CALVIN BROWN, DSMC SYMPOSIUM CO-CHAIR; JONATHON ETHERTON, PROFESSIONAL STAFF, SENATE ARMED SERVICES SUBCOMMITTEE ON ACQUISITION AND TECHNOLOGY; AND ARMY BRIG. GEN. RICHARD A. BLACK, DSMC COMMANDANT.



PANELISTS, CIVILIAN AGENCY ACQUISITION EXECUTIVES, "INNOVATION OUTSIDE OF DoD" — THURSDAY, JUNE 26. FROM LEFT: IDA M. USTAD, DEPUTY ASSOCIATE ADMINISTRATOR FOR ACQUISITION POLICY, GSA; DAVID A. DRABKIN, ADUSD (ACQUISITION PROCESS AND POLICIES); DENNIS M. DeGAETANO, DEPUTY ASSOCIATE ADMINISTRATOR, OFFICE OF RESEARCH AND ACQUISITION (ARA), FAA; AND DIERDRE A. LEE, CO-CHAIR, NCMA, PANEL MODERATOR, AND ASSOCIATE ADMINISTRATOR FOR PROCUREMENT, NASA.

BRUCE S. POTOCKI RECEIVING THE "DAVID D. ACKER AWARD FOR SKILL IN COMMUNICATION" FROM ARMY BRIG. GEN. RICHARD A. BLACK, DSMC COMMANDANT.



RICHARD SYLVESTER, DIRECTOR OF ACQUISITION IMPROVEMENT PROGRAMS, ASSISTANT DEPUTY UNDER SECRETARY OF DEFENSE FOR ACQUISITION REFORM — LUNCHEON SPEAKER, WEDNESDAY, JUNE 25.

*Harman is a Professor of Acquisition Research in the Research, Consulting, and Information Division, DSMC. On behalf of the Acting Deputy Under Secretary of Defense for Acquisition Reform, DSMC congratulates the Symposium co-Chairs, William Birkhofer, NCMA, Joan Sable, DSMC, and Calvin Brown, DSMC; the Symposium Committee Members; and all other volunteers who made the Symposium a resounding success.*



NAVY CMDR. N.D. PISANO, RECEIVING THE "DAVID D. ACKER AWARD FOR SKILL IN COMMUNICATION" FROM WILLIAM J. BIRKHOFFER, NCMA SYMPOSIUM CO-CHAIR — WEDNESDAY, JUNE 25.



JOAN L. SABLE, DSMC PROGRAM CO-CHAIR — ADMINISTRATIVE ANNOUNCEMENTS, FRIDAY, JUNE 27.

GUEST SPEAKER JOHN J. HAMRE, UNDER SECRETARY OF DEFENSE (COMPTROLLER), CHIEF FINANCIAL OFFICER, DoD, AND DEPUTY SECRETARY OF DEFENSE NOMINEE — WEDNESDAY, JUNE 25. ▼



FROM LEFT: WILLIAM J. BIRKHOFFER, NCMA SYMPOSIUM CO-CHAIR; MARY ANN GILLEECE, NCMA PROGRAM CO-CHAIR; STEPHEN K. CONVER, VICE PRESIDENT, BUSINESS AND DEVELOPMENT, LOCKHEED MARTIN CORPORATION; AND CALVIN BROWN, DSMC SYMPOSIUM CO-CHAIR.



SYMPOSIUM PRESENTERS. ▼



JOHN F. PHILLIPS, DEPUTY UNDER SECRETARY OF DEFENSE (LOGISTICS) — GUEST SPEAKER, FRIDAY, JUNE 27.



NORMAN R. AUGUSTINE, CHAIRMAN AND  
CHIEF EXECUTIVE OFFICER, LOCKHEED  
MARTIN CORPORATION — KEYNOTE  
ADDRESS, WEDNESDAY, JUNE 25.



(DSMC) and the Washington, D.C., Chapter of the National Contract Management Association (NCMA), the two organizations organized the 1997 Symposium around the theme, "Acquisition for the Future: Imagination, Innovation, and Implementation."

### **Sustaining Acquisition Reform**

This year's Symposium focused on exploring how acquisition reform can be sustained, recognizing all of the challenges resulting from implementation of the National Performance Review of 1993; and passage of the Government Performance and Results Act of 1993, the Federal Acquisition Streamlining Act of 1994, the Federal Acquisition Reform Act of 1995, and the Clinger-Cohen Act of 1995. These laws and policies, coupled with the downsizing of the Federal Government, declining budgets, the thrust toward performance, and using good business sense, brought about significant changes in the attitudes of the professional acquisition workforce and how they manage DoD's acquisition program and processes. Recognizing these issues, the Symposium challenged presenters to share research, innovations, and implementation activities at sustaining the momentum of the acquisition reform effort.

### **Welcoming Remarks**

William J. Birkhofer III, incoming President of the NCMA Washington Chapter, Vice President of Sverdrup Corporation, and Conference Chair opened the Symposium and welcomed the conferees. Birkhofer acknowledged the changes wrought by acquisition reform over the last four years and expressed his hope that reform will continue. In his view, sustaining acquisition reform momentum and institutionalizing acquisition reform activities are the challenges

facing the acquisition workforce of the future. Yet, while great strides are evident, significant issues still remain that need to be assessed. Everyone in acquisition, both government and industry, needs to keep moving forward.

Following Birkhofer and continuing the conference theme, John J. Hamre, Under Secretary (Comptroller), Chief Financial Officer of the Department of Defense, and nominee for Deputy Secretary of Defense, addressed upcoming changes in the Office of the Under Secretary of Defense for Acquisition and Technology (USD[A&T]). Pointing out that Dr. Paul G. Kaminski, the former USD(A&T), had left good markers, Hamre expressed the view that he was confident acquisition reform would continue under the leadership of Kaminski's successor.

Recognizing the receptiveness of industry to acquisition reform, Hamre felt that the challenges ahead are in the area of technology utilization. While technology is available to institute good, new business practices, it is also a curse because of the existing legacy systems. This is why Secretary of Defense Cohen's personal agenda is to leverage technology and to redo business practices in the Department.

Hamre announced that the Secretary of Defense asked him to head up an effort aimed at reengineering DoD business practices. This activity will be a collage of techniques. Creating a paper-free environment for contracting; democratizing the acquisition process by establishing omnibus contracts for multiple purchases, using a Purchase Card rather than a separate finance activity; reengineering the source acceptance process to allow acceptance through a signed Purchase Card payment, rather than a DD Form 250 practice; and reengineering other policies and procedures are just a few. He concluded that the next 30 months will be very challenging for the Department of Defense.

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## Keynote Speaker

Following Hamre, Norman R. Augustine, Chairman and Chief Executive Officer, Lockheed Martin Corporation, and author of *Augustine's Laws*, delivered the keynote address. Defining the acquisition process as "scientific ideas transformed into the security of the nation," Augustine delivered what he termed, the "State of the Union Address of the Acquisition Process," explaining that it was useful to talk of evolution and what we have learned. Having chased, "the most perfect defense systems" most of his life, Augustine claimed that, "Historically, life has to be understood backwards in order to look forward." Based on this approach, he identified a Prehistoric Period of Acquisition followed by seven phases of acquisition evolution, but noted that all phases had things that were good and bad, and there was no intent to correlate them with anything in particular.

### *Prehistoric Period of Acquisition*

He began with his interpretation of the *Prehistoric Period of Acquisition*. This began with the Continental Congress and its efforts in procuring ships. These acquisitions resulted in large overruns and the purchase of only a few of the items that were originally anticipated. This period lasted until the beginning of the 20th Century where acquisition, as we know it, really began.

### *Stone Age*

The first phase of acquisition took place between 1903 and 1939 and takes us from the Wright Brothers up to World War II. Augustine labeled this phase the *Stone Age*. Life in acquisition was fairly simple and characterized by a one-page proposal, two-day evaluation, two-page contract, and multiple bidders. Contractors were noted for being entrepreneurs and risk takers.

### *Age of Plenty*

The second phase, lasting from 1940-1960, is labeled the *Age of Plenty*, and in Augustine's mind, is characterized by the phrase, "just do it." Cost was

not a major issue, and contracts were usually cost-reimbursable. There was a great deal of flexibility due to the policies of President Eisenhower. Time from contract award to first flight lasted on average about 10 months, and production was a 24-hour process with a new aircraft every 10 minutes. However, storm clouds were on the horizon because of increases in oversight. Average cost overruns, adjusted for inflation and quantity, were as much as 100 percent by the end of the war.

### *McNamara Era*

The third phase took place between 1960 and 1967; this phase he termed the *McNamara Era*. DoD took its first major steps toward placing acquisition on a firm business footing, and problems were on the ascendancy. The focus was on paper and analysis, which in Augustine's view, was a partial mistake. During this time frame, DoD emphasized the consideration of options, adopted the first five-year plan, and initiated the concept of total package procurement (TPL). Adopting TPL, in Augustine's opinion, was a big mistake because it caused a lot of wasted procurement. Ultimately, however, TPL reduced overruns by an average 60 percent.

### *Age of Enlightenment*

Phase four occurred between 1968 and 1979. This phase Augustine termed the *Age of Enlightenment*. America won the war in the Persian Gulf, and technology was on the ascendancy. Under David Packard's influence, acquisition went from analysis to prototyping, with cost reimbursement for research and development, and fixed price for production efforts. Although it was difficult to obtain Service recognition of the need, DoD initiated face-to-face decision making through the Defense Systems Acquisition Research Council (DSARC), and program managers, for the first time, were required to have unique skills. At the same time, David Packard founded the DSMC and instituted career progression education for program managers. DoD adopted award fee performance

incentives, reducing average cost overruns to 35 percent. However, it now took 36 months from acquisition approval to contract award, and Congress usurped much of the acquisition power from the administration. Congressional staffs became increasingly important.

### *Dark Ages*

Phase five, between 1979 and 1989, Augustine termed the *Dark Ages*. These were the Reagan years. Budgets increased rapidly. Coffee pots, hammers, and toilet seats became major acquisition issues, and there was a major increase in internal audits aimed at protecting government interests. As such, contractor overheads increased; "fraud, waste, and abuse" and "adversarialism" became the buzz words of the era as auditors gained independence and power. Program managers resorted to fixed price contracts for development efforts, and DoD instituted new conflict-of-interest rules regarding the movement of people going back and forth from government to industry. Congressional staffers moved to the Pentagon, but this did not create the closer ties with Congress that had been originally contemplated. The length of time to field a system rose to approximately 42 months, and program managers reduced cost overruns to 30 percent.

### *Decline and Rise of Empire*

Phase six, Augustine termed the *Decline and Rise of Empire*. This period occurs between 1989 and 1999 and is essentially ongoing. In this time frame, DoD is faced with modernization and change. The collapse of the Cold War, industry downsizing, companies going out of business, price loss from reductions in competition, and refinement of the acquisition process have all instituted major challenges. It is an era characterized by streamlining, privatization, past performance evaluations, cost/performance trades, cost plus development contracts, terminations for lack of funds, protests due to desperation, debriefing changes, and complexity. It is now a 50-month effort to field a system, and develop-

ment efforts have virtually ceased. Augustine went on to add a caution about downsizing. His concern is that the administration will take downsizing too far.

#### *Age of Reason*

The last phase, phase seven, from the year 2000 and forward, he termed the *Age of Reason* or, as he put it, "Continue to do the right things; trust common sense and reason." He then offered some suggestions and recommendations concerning future acquisition activities:

- Use milestone budgeting to assist the budgeting process.
- Be willing to take risks. Do not hang risktakers. Hedge risks through the use of prototyping.
- Place greater emphasis on controlling costs.
- Appropriately share risk between seller and buyer through the use of the appropriate contract type.
- Provide reserves in people and technology to avoid future problems.
- Assign responsibility and accountability to the appropriate people and then leave them alone to do their jobs.
- Provide courageous management. Program managers should be willing to lay their careers on the line.
- Enact responsible collegialism versus adversarialism.
- Place greater emphasis on past performance, but at the same time do not dump good people for making mistakes.

Augustine concluded that DoD needs to balance military force modernization with force structure, and acquisition regulations need to be refined to represent the needs of the workforce, not to be an end unto themselves.

During a short question-and-answer session following his speech, Augustine offered the following thoughts and ideas:

- Use competition judiciously. Have competition when there is a need for new programs and when contractors have exhibited poor performance. Competition should be used as a tool and not something to check off in a box.
- His greatest accomplishment in the past few years has been working with Lockheed Martin to merge 17 individual companies into one.
- It is now very difficult for people to serve our government due to "revolving door" policies. It will be difficult to attract the necessary talent to fill government needs.
- The Government Performance and Results Act will have an impact on public service in the future. The idea is admirable, but the wrong measures will bring about the wrong performance.

#### **Industry Perspective on Acquisition Reform**

Following Augustine, Mary Ann Gilleece, a Partner of Manatt, Phelps and Phillips, Attorneys at Law, introduced and moderated a group of industry panelists to provide a roundtable discussion of "Industry's Perspective on Acquisition Reform: Where are We Now, and Where Do We Go From Here?"

Panelists included Donna Ireton, Director of Contracts, Advanced Systems Development; Dr. William Kimzey, Senior Vice President, Sverdrup Corporation; David B. Monaghan, Jr., Vice President, Finance and Planning, GTE; and Rhonda S. Summers, Manager, Government Contracts Compliance, Allied Signal Aerospace Equipment Systems.

#### *Donna Ireton*

Ireton centered her remarks on the

problems facing small business and what they should do. She expressed the view that the acquisition workforce (AWF), which includes both government and industry, are the drivers of acquisition reform. The AWF is responsible for the pressures it faces, but also has the means to create a balance. However, in her opinion there is considerable reluctance to follow through on the acquisition reform initiatives, e.g., to use commercial items and commercial services to satisfy government requirements.

In addition, industry is reluctant to raise the flag and admit they are commercial activities; i.e., to accept the risk of moving from cost plus to fixed price-type contracts. Where do we want to go; what is the correct attitude; how do we succeed? Ireton provided the following suggestions for small business owners:

- Decide whether the obstacles are worth it.
- Market differently.
- Monitor performance evaluations on a daily basis.
- Become proactive in meeting with government employees.
- Become electronically capable in monitoring, searching, and downloading solicitations from the Internet.

Teaming and partnering will aid in their survival. In other words they will need to *adapt*.

#### *Dr. William Kimzey*

Kimzey centered his remarks on the use of award fee and performance contracting. In his opinion, there is a difference in the way things are looked at within industry and government. Award fee is very seriously viewed by senior management in a company, while government workers only hear about the point scores. Contractors recognize that award fee scores promote pride and are important to the

success of the program. Performance contracting on the other hand, can hold back good ideas if done incorrectly.

It is important under this scenario for government to say *when* and allow industry to say *how*. This creates an environment for partnering. The barriers of micro-management – detailed “how tos” and lack of understanding – need to be removed. Progress through partnering will ensure that no laws or regulations are broken, and innovation can take place. The thing to remember is that a contract is only the framework for success. Getting things done is also necessary.

*David B. Monaghan*

Monaghan focused his comments on the implementation of acquisition reform. In his opinion, acquisition reform is very positive and is doing well. Citing the changes from cost plus contracting to fixed price; from Mil-Q-9848 quality compliance to ISO 9000 certification and management; from developing products to taking advantage of the commercial world; and that the Federal Acquisition Streamlining Act and the Clinger-Cohen Act are facilitating better interaction between buyers and sellers, Monaghan felt that acquisition is moving forward. However, aggressive implementation and business process reengineering is still needed. Today’s different environment requires a reduction in control. On the surface new requirements are being adhered to, but beneath the surface the old processes are still being practiced.

Change needs to be *revolutionary*, not *evolutionary*. Business, in addition, needs to be proactive. There needs to be a repeal of the statutory limits on fees and profits. Buy American, fly American. Executive compensation rates and administration make little sense in a competitive market. There needs to be a focus on reasonableness versus unacceptability. There also needs to be an understanding that contractors are not wasting government money in a fixed price world.

*Rhonda S. Summers*

Rhonda Summers, claiming to be the eternal optimist, focused her attention on commercial item definitions. Expressing her goal as “working herself out of a job,” Summers explained how her company is defining everything they can as commercial items in order to reap the benefits. These were described as no Disclosure Statement submittals, no need for resident auditors or inspectors (the one resident Defense Contract Management Command inspector is going away next year), and no future in-process inspection.

In addition, her company promotes a good teaming arrangement with the government customer. The government customer must be transparent to the commercial customers in completing transactions. Industry has to accept the fact that they cannot enjoy all the benefits of previous years. They need to accept risk. The payback will be less oversight.

During the question-and-answer session following the presentations, the panel agreed that real progress can be made in the commercial item arena. However, industry has to be careful that bad stories like \$600 hammers are a relic of the past; otherwise, bureaucratization could creep back. In response to a question concerning what industry should do differently to make the process better, Monaghan replied, “Train the people within the company. It’s to industry’s advantage to make acquisition reform work.” Summers added, “Remember, we cannot have our cake and eat it too. Reduce protests and accept risk.” Kimzey responded, “Work on the people to get the change process understood. Do away with adversarialism.” Lastly, Ireton replied, “Change attitudes – convince the government to make changes, and convince industry management to take risks.”

*Richard Sylvester – Luncheon Speaker*

Richard Sylvester, Director of Acquisition Improvement Programs, Office of the Assistant Deputy Under Secretary

of Defense for Acquisition Reform, delivered the luncheon presentation and provided a government perspective of acquisition reform. Answering the question, “Why acquisition reform,” Sylvester explained, “We are not sure who we are fighting, where we are fighting, and what we will need. What we do know is that we have a declining Defense budget; a lot of the technology we need access to is coming out of the commercial marketplace and not DoD Laboratories. We are buying only a small amount of the systems we were previously, and we need to reform business processes to get weapons to our warfighters faster and cheaper.”

Sylvester went on to describe the vision, purpose, and current goals of acquisition reform. He stated that the vision is to buy the best value from the global industrial base and to become the world’s smartest, most efficient, most responsive buyer of best-value goods and services. The purpose of acquisition is to support the warfighter as a customer. To achieve acquisition reform’s vision and purpose will require meeting or exceeding the following established goals:

- Move data electronically.
- Move from a regulatory-based system to one of guiding principles.
- Pay more attention to cost and use Integrated Product Teams (government and contractor).
- Move forward with the Single Process Initiative, and recognize it in new procurements.
- Use form fit and function replacements with new technology under an open systems initiative to allow integrated testing.
- Enact audit reform.
- Sustain existing systems and extend their life.

STEVEN J. KELMAN, ADMINISTRATOR, OFFICE OF FEDERAL PROCUREMENT POLICY, OFFICE OF MANAGEMENT AND BUDGET — GUEST SPEAKER, THURSDAY, JUNE 26.

Sylvester went on to explain that metrics and goals are being developed in support of the National Performance Review. These are internal metrics for DoD Enterprise Acquisition. He further stressed that program stability is needed. Program Managers need technical risk money and threshold and financial flexibility.

During a short question-and-answer session following his discussion, Sylvester commented that it is unlikely there will be any changes in the Service Contract Act in the near future to facilitate commercial services. In addition, pulling back from contractor surveillance at the work package level on cost reporting and acceptance of contractor testing is dependent on trust and the comfort level of the people involved.

### Office of Federal Procurement Policy Report

Day 2 of the Symposium began with opening remarks from Calvin Brown, Associate Dean of Research, DSMC, and a report from Dr. Steven J. Kelman, Administrator, Office of Federal Procurement Policy, Office of Management and Budget. Kelman proclaimed that acquisition reform is a celebration of all that has been accomplished in building an acquisition system. Changes, improvements, and innovations are constantly being provided by the front lines. In his view, acquisition reform is here to stay. The biggest challenge is to make acquisition reform, not something new, but something that is done every day. "Isles of innovation need to turn into a continent of good business practices." He focused his report on four activities: past performance evaluations, performance-based contracting, metrics, and cultural change.

*Past Performance Evaluations*



In the area of past performance evaluations, he stated that customer satisfaction has increased by 21 percent. As a result, past performance needs to be considered more often in the course of the contract rather than just used for source selection purposes.

In the area of performance-based contracting, Kelman claimed that contractors charge more than twice the price to perform services for the government than they charge their commercial customers. This is because government customers have only the vaguest idea of what they want at the onset of the contract, then figure out what they want later. In commercial work, the contractor is told up front what is wanted, when needed, and then left alone to perform the work. No further action is needed. This difference in approach drives the government to cost type contracts. The commercial world achieves fixed price services. To change the government perspective, a different, innovative form of contracting is needed.

In the area of metrics, Kelman felt they are strategically important. The acquisition workforce needs to be held accountable for results, price, lead times, etc. In doing this, the government needs to resist the natural tendency to gather more and more information and to rely on contractor data to track results. In addition, the contracting management chain needs to take some responsibility for its creation and limit the amount of reporting requirements.

In the area of cultural change, Kelman expressed the view that as long as the contracting workforce continues to see itself and its main source of activities as following the regulations, it will be a candidate for downsizing — no value added. Contracting professionals need to see themselves culturally, as the government's business people — experts at getting the government a good deal. There will always be a demand for people who have good business sense and can make a good deal.

During the question-and-answer session following the report, Kelman noted that government officials should be able to compete with contractors for work that is being outsourced. In addition, a centralized database for past performance is not necessary (although it has advantages, and an Agency should be able to use award fee evaluations in past performance determinations).

### **Civilian Acquisition Executives Panel — Innovation Outside DoD**

Following Kelman, Deidre A. Lee, Associate Administrator for Procurement, National Space and Aerospace Agency (NASA), introduced and moderated a group of Civilian Acquisition Executives regarding activities that their agencies were implementing. The panel members were Ida M. Ustad, Deputy Associate Administrator for Acquisition Policy, General Services Administration; Dennis N. DeGaetano, Deputy Associate Administrator, Office of Research and Acquisitions, Federal Aviation Administration (FAA); and David A. Drabkin, Assistant Deputy Under Secretary of Defense, Acquisition Process and Policies.

#### *Ida M. Ustad*

Ustad addressed the current goals of the General Services Administration (GSA), which are to become a central management agency practicing effective competition, customer focus, and more efficiency. In this regard, GSA desires to become non-mandatory for everything they do. It wants agencies to use GSA services due to the quality of the service, not because they have to. To this end, regulations will be revised for agencies to purchase items through the GSA Advantage System hosted on the Internet. However, if an agency exceeds the maximum order limitation, it will be required to contact the vendor and ask for a price reduction.

During the roundtable discussion following the initial comments, Ustad explained that GSA is moving to a broad personal computer environment and intends to link the solicitation notice to the electronic *Commerce Busi-*

*ness Daily* notice for ease of access. GSA has outsourced everything it possibly can. Ninety-three percent of GSA funds went to vendors last year.

Ustad recognized that during this process there has been some consolidation of contractor effort, but noted that GSA is encouraging contractors to team and subcontract to mitigate this problem. GSA, in the future, will encourage a closer sharing of information and experiences to facilitate the implementation of future changes.

#### *Dennis N. DeGaetano*

DeGaetano offered his prescription for the future. In his view, source selection needs to be open and realistic rather than following a set of rules. The emphasis should be on doing what makes sense. By using this attitude, the FAA has been able to cut acquisition time in half. What once took a year is now taking six months.

One area of major concern, still, is the dispute resolution process. This is a very difficult process, and additional protests are being received. Another concern is the use of Small and Small Disadvantaged Businesses. Current incentives are taking away the need and ability to meet FAA's Small and Small Disadvantaged Business goals.

During the roundtable discussion following the initial comments, DeGaetano explained that FAA is taking full advantage of the commercial marketplace. Of the 800,000 lines of code on a new system, all but 100,000 were commercially available. Looking to the future, DeGaetano felt that the FAA program has been well accepted and will be available for use government-wide.

#### *David A. Drabkin*

Drabkin opened his discussion with a few short remarks on Performance Based Services Contracting. The Department of Defense (DoD) is looking very closely at this area in order to maximize opportunities to use commercial services and to provide better quality. DoD will be focusing on out-

comes in the future, not output or input.

During the roundtable discussion following the initial comments, Drabkin explained that DoD is determined to keep its commitment to small businesses in the area of electronic commerce. Using commercial practices in support of a product requires education and industry partnership. DoD needs to be able to take advantage of changes in technology and be able to keep small business a part of the process. Drabkin also addressed the new Federal Acquisition Regulation, Part 15 rewrite, which in his view, has three radical changes: open communications in source selection — a cultural change; only advancing contractors to the competitive range who are seriously being considered for award; and elimination of Best and Final Offers. The first DoD-broadcast training session on the new rule should occur in October. Drabkin concluded that change is the most difficult thing to achieve, but acquisition reform is here to stay.

### **David D. Acker Awards**

A highlight of the Symposium was the presentation of the "David D. Acker Award for Skill in Communication." The successful awardees were chosen from the authors of the 69 papers submitted for presentation consideration at the Symposium. These awardees were announced following the panel discussion. The awards were presented to Navy Cmdr. N.D. Pisano for his paper entitled, "Technical Performance Measurement, Earned Value, and Risk Management: An Integrated Diagnostic Tool for Program Management"; and to Matthew E. Brislawn and Bruce S. Potocki, Boeing Corporation, for their paper entitled, "Application of Commercial Practices to Military Programs: Opportunities for Cost Reduction." Both papers are considered significant contributions to the acquisition workforce and enhance the concepts of acquisition reform.

### **Luncheon Speaker**

Stephen K. Conver, Vice President, Business and Development, Lock-

STEPHEN K. CONVER, VICE PRESIDENT, BUSINESS AND DEVELOPMENT, LOCKHEED MARTIN CORPORATION — LUNCHEON SPEAKER, THURSDAY, JUNE 26.

heed Martin Corporation, delivered the luncheon presentation. Conver spoke of himself as a survivor of the consolidation activities. Speaking on efficiency, he recognized former Deputy Under Secretary of Defense for Acquisition Reform, Colleen Preston, for her contribution to acquisition reform.

His message concerned the shrinking DoD budget and its effects on DoD's ability to put world-class equipment in the hands of the warfighter. Since 1985, the available dollars for acquisition declined about one-third, cutting the ability to acquire systems approximately in half. While DoD reduced force structure, the job is still challenging. Presumably, DoD would make up for the smaller force by putting more money in technology. Yet, the opposite is true. A major gap exists. The best DoD can plan for is that the budget remain flat. No one will solve the problem, so procurement must be funded from internal sources. As such, DoD must act more efficiently. Unfortunately, this means that research and development is being squeezed out of the picture. Conver then raised the question, "What can DoD do to find more money and spend more wisely?" He answered the question in three ways: make the acquisition process more efficient, since this is where money is translated into equipment; create budget stability; and reduce the infrastructure. He further stated that in his opinion, more money is wasted in the last two areas than if the acquisition process was improved tenfold.

Regarding budget stability, Conver stated that restructuring, cancellations, and stretch-outs waste an incredible amount of money. While the budget is beyond the control of DoD, there must be a way to ensure



**“What can DoD do to find more money and spend more wisely?” He [Conver] answered the question in three ways: make the acquisition process more efficient, since this is where money is translated into equipment; create budget stability; and reduce the infrastructure.**

that requirements, technology, and funding are in balance to avoid some of the effects of instability.

Concerning infrastructure reduction, the political process is focusing on the wrong things. Currently, its concern focuses on the “jobs” issue and not the equipment. Defense should only be concerned with world-class equipment.

The acquisition process, according to Conver, still must be done better, faster, and cheaper. Eliminating military specifications is the single most important effort in achieving this objective.

Lastly, Conver felt that the United States needs to make some decisions regarding the industrial base. It should decide how much of an industrial base is needed and the most efficient way to ensure its viability. If this means competition is available, so much the better, but competition should not be the end objective. The market is a self-correcting environment.

### **Congressional Panel — Congressional Perspective on Acquisition Reform.**

Day 3 of the Symposium opened with a few administrative remarks from Joan Sable, Research Associate, DSMC, who reminded attendees to evaluate the Symposium, followed by Mary Ann Gilleece who introduced and moderated a panel to provide a Congressional perspective. The panelists were Jonathon Etherton, Professional Staff, Senate Committee on Armed Services, Subcommittee on Acquisition and Technology; and Charles E. Rowe III, Counsel, House Subcommittee on Small Business.

Gilleece opened the discussion by noting that acquisition policy issues are currently focusing on implementation. A recent assessment showed that taxpayers are starting to see benefits. However, there still appears to be concerns about employee promotion system parity, knowledge, and the future of competition due to trends in the industry.

Jonathon Etherton

Following this thought, Etherton explained that any acquisition policy revisions in the Authorization Bill should be in Title II this year. In research and development, there is an allowance of 5 percent for new starts, ramped up to 10 percent over the next 10 years. A topical issue is the question of Executive Compensation as an allowable cost. Last year, it was capped at \$250,000. The current proposal is to cap it at \$340,000. No reductions of the AWF have been included in the Senate Bill, and there is no anticipated extension of the \$5 million threshold for commercial items to other acquisitions. In Etherton's opinion, acquisition policy is at a real transition point. There appears to be no way to break the oversight cycle, and there is a new team in DoD. While the old team was very successful in pushing acquisition reform, building momentum with a new team may be a challenge.

Charles E. Rowe III

Rowe was concerned with the impacts of acquisition reform on small business. Small business wants acquisition reform, but in the context of fairness and competition. Regulatory implementation has created fewer opportunities for small business to compete. In addition, while there is a serious need for contracting people to have more flexibility due to increases in workloads, there are more opportunities for fraud, waste, and abuse. Therefore, in the interest of fairness, more documentation is needed. This means that documentation of oral presentations and the identification of the source of negative past performance information is necessary. A contracting official cannot justify award if this identification is not made. There are also serious problems in the implementation and use of FACNET. The inference is, it was tried, it did not work, so let's change it. If FACNET does not work, then it needs to be fixed, not done away with. A serious plan is needed, including an Internet solution.

Bundling is another complicated issue. Contract consolidation makes sense in

some instances, but in others it has produced nothing but cost. The House is crafting language to govern consolidation requirements. Lastly, expanding the threshold for Simplified Acquisitions to \$5 million is difficult. While the change would only affect 90,000 actions, this is another potential reduction of opportunity to small business. Simplified acquisition works, but to expand it based on minimal testing does not make sense. In Rowe's opinion, haste and speed are the enemy. Changes should be accomplished in well-measured, well-thought-out steps.

During the question-and-answer session following the presentations, the panel commented that acquisition staffing needs must be determined, and a Small Business Industrial Base must be maintained. In addition, multiple-award, task-order contracts are now opportunities to market agency officials rather than opportunities for work. This must be fixed.

### **Quadrennial Defense Review — Impact on Acquisition**

Following the Congressional Panel, John F. Phillips, Deputy Under Secretary of Defense (Logistics), provided his thoughts regarding logistics and acquisition reform as they relate to the Quadrennial Defense Review (QDR).

Phillips began his discussion by pointing out some fiscal realities in DoD. Currently, DoD shoulders a readiness, quality of life, infrastructure, and modernization deficit; it needs to free up dollars to fix the problems. New systems are not the solution. DoD needs to leverage technical insertions and life extensions of existing systems, then posture new systems to be most efficiently run. Up-front digitization, reduced procurement lead times, paperless transactions, electronic funds transfer, total asset visibility, performance contracting, reliability improvement, spares reduction, and changes in the test process are all ways this can be achieved.

Phillips went on to express a concern over the issue of consolidation. If organizations get too large, problems surface. Maintaining competition is a necessity. Outsourcing alone is not the answer. The definition of "inherently governmental" also must be resolved to assure fairness in government/private competitions. The current 60/40 rule will probably be changed to 50/50 partnering in the near future. This requires changing the acquisition culture. Partnering is possible only if people feel comfortable.

Regarding logistics challenges ahead, Phillips felt that these included reduced cycle times, responsive readiness support, seamless systems, a streamlined infrastructure, and increasing competition for outsourcing. One remedy is to change the notion of *color of money*. Different funding forces people to do inefficient things.

Another is to regard a spare as a spare and do away with the notion of wholesale and retail. Diminishing manufacturing sources and technology obsolescence are causing parts shortages. Total asset visibility, manufacturing on demand, reducing mean-time-between-failures through technology insertion, and digitizing manuals are possibilities for solving the problem.

Lastly, DoD needs one source of information with access to the environment. This means integrating legacy systems through the use of a universal translator. Depots must be linked through the magic of technology — a virtual enterprise industry, a shared data warehouse. Phillips concluded that this will provide DoD assured victory to whatever threat, at minimal cost.

### **DoD Service Acquisition Executives Panel — Looking Ahead**

Following Phillips' presentation, Richard Sylvester introduced and moderated a group of panelists representing the DoD Service Acquisition Executives, which convened to discuss and consider upcoming issues within DoD. The panelists were Gary S.

Thurber, Associate Director for Acquisition, Defense Logistics Agency and Deputy, Defense Contract Management Command; Blaise J. Durante, Deputy Assistant Secretary for Management Policy and Program Integration, Office of the Assistant Secretary of the Air Force; Daniel E. Porter, Department of the Navy, Acquisition Reform Executive, Acquisition Reform Office; and Army Brig. Gen. Harry Gatanas, Assistant Deputy for Systems Management and Horizontal Technology Integration.

*Army Brig. Gen. Harry Gatanas*

Gatanas opened the discussion and addressed the realities of acquisition reform. The Army is currently using 25-year-old trucks with automatic transmissions. These need to be modernized to use cell phones, etc. The activity is underfunded by \$94 million. In January, program managers will be asked to identify ways to accomplish a 20-percent cost reduction to provide the money to modernize – about \$700 million.

*Daniel E. Porter*

Porter addressed the status of the Navy regarding acquisition reform. He stated that the workforce believes they are making a difference. Citing the Naval Acquisition Center of Excellence, the Navy is moving to a philosophy of tool development. Turbo Streamline for solicitation development is currently available and Turbo Specifications, which turns military specifications into performance specifications, is currently being developed. In addition, the Navy is making every attempt to recognize individual effort and team innovation. As a result, under the Commercial Savings initiative, the Navy generated about \$2 billion in savings.

*Blaise J. Durante*

Durante, addressing the Air Force perspective, felt that several things must be attacked. First, the Air Force needs an acquisition business plan that will rely on the innovation of the workforce to meet Air Force goals. This would include mirroring industry

business practices, leadership commitment, and measurable milestones. It would provide a corporate focus to business process improvement. With big manpower cuts, the necessity for modernization and decreased funding, affordability has become a key performance parameter, forcing the Air Force to make tough budget decisions.

*Gary S. Thurber*

Thurber discussed the progress of the Defense Contract Management Command (DCMC). Explaining that DCMC facilitates initiatives that the Services develop, he reported that the Single Process Initiative is alive and well. DCMC has received over 1,000 proposals and 500 change requests. In the area of earned value, DCMC is adopting industry practice, wherever possible. This facilitates one review process for DCMC and the Services. As far as future activities are concerned, DCMC is actively identifying excess property and taking action to “get it off the books,” looking at ways to reduce acquisition pollution, and taking a hard look at the source inspection process.

During the question-and-answer session following the presentations, symposium participants asked the panel to address program stability, Acquisition Corps reductions, and the Standard Procurement System (SPS).

In the area of program stability, the panel expressed concern that it diverts attention from good management. There needs to be a recognition of uncertainty, since it results in increased program cost. Contractors can help by spending obligations as they propose for constancy in execution.

On the issue of the Acquisition Corps, all expressed concern over the reductions and loss of expertise. There was a feeling that there must be increased training and Corps’ stability.

On the issue of SPS, the panel agreed if the system does not meet expecta-

tion, DoD is in trouble. Deployment has already begun. Although it is an excellent system, the challenge will be looking at the people and the processes and determining how to do business differently.

In summary, Porter felt that there is still resistance to change due to fear and a perception of loss of power. This will only go away when acquisition reform is put into practice. Durante felt that drawdowns threaten jobs, there is no safety net, so it is hard to be innovative. There needs to be a hard look at finding people jobs, laying out business processes, and understanding the value of middle management. Thurber continued this thought by stating that change agents come from middle management. There is a need to harness their expertise on multi-functional teams and maintain that core experience. While Gatanas felt that DoD has only scratched the surface regarding the use of industry ideas, DoD needs to actively encourage industry to come forward and propose those things that work well. All agree that while DoD is moving in the right direction regarding reform, it is still easy to fall back. The new DoD team must decide whether it will be self-sustaining.

## **In Conclusion**

On behalf of DoD’s warfighters, David A. Drabkin thanked the Symposium participants for attending and contributing to DoD’s future acquisition efforts and initiatives. He concluded by stating that the acquisition reform professional will make reform happen. He or she will achieve this by getting the best value – through market research, managing risk, providing tailored solutions (one size does not fit all), and reduction of life-cycle costs (including disposal).

**Editors Note:** The 1997 Acquisition Research Symposium Book of Proceedings, incorporating the submitted research papers, is available for \$35.00 from the NCMA Book Service, (703) 684-4057.