

17th Annual DSMCAA Symposium

Commerciality — Opportunities for DoD Acquisition

LYNN FREUDENTHAL

With the emphasis on greater use of commercial business practices and greater use of commercial entities to do the work that the DoD acquisition, technology and logistics workforce manages, commerciality is the cornerstone of acquisition reform. Principles, policies, and practices of DoD acquisition increasingly have been modeled after the best of the commercial world.

In this spirit, the Defense Systems Management College Alumni Association (DSMCAA) brought DoD and industry representatives together for the 17th Annual DSMCAA Symposium: “Commerciality: Opportunities in DoD Acquisition,” held June 20-22 at the DSMC main campus, Fort Belvoir, Va.

The Symposium dedicated three days to education on all aspects of commerciality as DoD and industry representatives focused on a variety of panels and workshops. Setting the tone for the Symposium were keynote speakers Dr. Jacques Gansler, Under Secretary of Defense for Acquisition, Technology and Logistics; and William Kovacic, Professor of Law, The George Washington University.

Continuing Commercial Acquisition Reform

Gansler discussed the goals and successes of the acquisition reform effort. “Better, faster, and less expensive” now prevails throughout DoD, including an increase in Total Asset Visibility from 56 to 94 percent, a reduction in inventories from \$60 billion to \$48 billion, and pilot programs that achieved lower costs and better results. Citing the Joint Defense Attack Munitions program with its 50

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Dr. Jacques S. Gansler, Under Secretary of Defense (Acquisition, Technology and Logistics).



From left: Mark Salesky, DSMCAA President; Air Force Brig. Gen. Frank J. Anderson, Commandant, DSMC; Larry Curfiss, Vice President and Director of Commercial Products, ITT Industries Night Vision.

Stan Z. Soloway, Deputy Under Secretary of Defense (Acquisition Reform).



percent reduction in cost and proven performance in Kosovo, Gansler said, "You can do things faster and cheaper and still be a lot better."

Gansler noted DoD's upcoming challenges. The Department must maintain the Revolution in Military Affairs and the Revolution in Business Affairs while transforming the acquisition, technology and logistics workforce. However,

From left: Meredith Murphy, Vice President Symposium Committee, DSMCAA; Dr. Jacques S. Gansler, Under Secretary of Defense (Acquisition, Technology and Logistics); Wayne Glass, Vice President (Operations), DSMCAA.



From left: Retired Navy Rear Adm. Leonard Vincent, former DSMC Commandant; Stan Z. Soloway, Deputy Under Secretary of Defense (Acquisition Reform); Air Force Brig. Gen. Frank J. Anderson, Commandant, DSMC.

he sees these challenges as opportunities to implement more reforms.

Kovacic addressed maintaining reform through the interruptions of congressional budget cycles and the wait between measuring success and the next round of reforms. He says there are three ways to maintain that momentum:

- Adjust rules and procedures as you go for maximum flexibility and performance, rather than focus on maintaining rules.
- Give managers the latitude to succeed and fail. "Don't shoot good people when they fail," said Kovacic. "In the high tech industry, there will be three or four failures for each success story."
- Stay close to your users, and listen to what they say.

The Workforce is Key

A key tenet in commerciality for DoD acquisition is that government managers become administrators of commercially outsourced work. From where will the workers and managers come? With DoD drawdowns, an aging workforce, and a tight labor market in information technology, most panels emphasized that the workforce will be key to acquisition reform and warfighter readiness.

"DoD is driven by workforce realities in terms of obtaining technology," said Stan Soloway, Deputy Under Secretary of Defense (Acquisition Reform). "People aren't planning for 15- to 25-year careers anymore. HR [Human Resources] representatives report that the average worker tenure is three to five years." That, he acknowledged, has a direct impact on DoD planning for major acquisitions, which will span many of those shorter worker tenures.

Both DoD and commercial defense industries will be under pressure to provide the best technical people possible.

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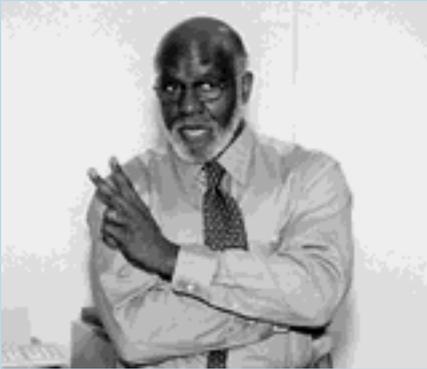
COMMERCIALITY — OPPORTU



From left: Paul McMahon, DSMCAA Board of Directors; Retired Navy Cmdr. Tom Stanton; Bob Ivaniszek, ANSER Corporation; Gary Wimberly, DSMCAA Capital Area Chapter President.



From left: Mark Salesky, DSMCAA President; William Gibson, DCMA; Gary Crystal, OUSD (AT&L); Bob Pattie, The Boeing Company; Walt Berke, LMSC, Inc.



Wesley Harris, Lean Aerospace Initiative - Economic Incentives Workshop.



Army Lt. Col. Bernard Witten, DSMC Professor, Small Business Innovations Workshop.



Dr. Tony Perino, DSMC Professor, Performance-Based Payments Workshop.



From left: Stan Z. Soloway, Deputy Under Secretary of Defense (Acquisition Reform); retired Navy Rear Adm. Leonard Vincent, former DSMC Commandant; Dr. Marilyn Andrulis, President and CEO, Andrulis Corporation; Richard Foley, Vice President, Contracts, Raytheon Corporation; Meredith Murphy, Vice President Symposium Committee, DSMCAA.



From left: Norm McDaniel, Former DSMCAA VP Membership; Joanne Barreca, 1st DSMCAA President; Retired Navy Cmdr. William Montgomery.

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NITIES FOR DOD ACQUISITION



Dr. John Hamel, DSMC Professor, receives participant's gift from Meredith Murphy, VP Symposium, DSMCAA.



From left: Maureen Fino, VP Symposium, DSMCAA; Ellen Brown, Senior Counsel, Senate Governmental Affairs Committee; Jonathan Ether-ton, Legislative Affairs, Aerospace Industries Association; Bill Greenwalt, Professional Staff Member, Senate Armed Services Committee; Meredith Murphy, VP Symposium, DSMCAA.



Bill Bahnmaier, DSMC Professor, Risk Management Workshop.



Mike Evans, Integrated Computers Engineering, Inc., Campbell, Calif., Software Risk Management Workshop.



Dave Schwiekle, Vice President, Delta Launch Systems, Inc., The Boeing Company.



Standing from left: Bill Birkhofer, DSMCAA Director at Large; Jim Ledbetter, DSMCAA Director at Large; Chris Feudo, DSMCAA Director at Large; Bob Faulk, DSMCAA VP (Publications); Navy Cmdr. Max Snell, DSMCAA Treasurer. Seated from left: Mark Salesky, DSMCAA President; Maureen Fino, VP Symposium, DSMCAA; Wayne Glass, VP (Operations), DSMCAA.



From left: Dr. John Hamel, DSMC Professor; Bob Pattie, The Boeing Company; Meredith Murphy, VP Symposium, DSMCAA; Web Heath, The Boeing Company.

But, they also face increased competition for the best technical personnel with the “dot.coms” and other industries. This could have a negative impact on supplying warfighters with the latest technologies.

“A lack of current technical expertise in PMs [Program Managers] is one factor that inhibits CMI [Civil-Military Integration],” said panelist Marilyn Andrulis, President and CEO, Andrulis Corporation. “That training must be made available.”

Air Force Brig. Gen. Frank Anderson, Commandant, DSMC, also addressed this issue. Training cannot be a matter of choosing courses, he said. Training must focus on building particular skill sets.

Gansler also touched on the subject of training, stating that DoD training and education also can be used as leverage in an increasingly competitive labor market. “The thing that lures people into the government world,” according to Gansler, “is that it might not be the highest-paying job but it is the most technologically challenging job.”

Customer Focus

The symposium luncheon and banquet speakers emphasized customer focus, advising participants to begin the acquisition process with the end in mind.

In his remarks, Soloway said that acquisition reform and commerciality come down to performance, flexibility, and communication. All acquisition processes must begin with the customer in mind, rather than with a subject matter or job area perspective.

“We are not particularly good at defining our customer and taking a global view,” he said, “Industry is much better at that than DoD.” The DoD 5000 Rewrite, he explained, is directed to provide the flexibility needed to establish and maintain customer focus because requirements and acquisition will be more closely aligned.

Soloway urged the audience to think about the impacts of change from within

and outside of DoD. For instance, there has been an enormous shift in how Research and Development (R&D) funds are invested in the U.S. economy. Twenty years ago, he noted, DoD was the “big spender” in R&D. Today, 75 to 80 percent of businesses spend more on R&D than DoD’s total R&D budget.

DoD’s place in the market has changed dramatically, Soloway said, and it must focus on competing for people and partnering for technologies with the commercial sector. To do so, DoD has task forces and committees in place working performance-based acquisition and workforce issues, and the Services have begun using online auctions. Soloway said he likes auctioning as a concept but is concerned that auctioning could drive prices so low that companies do not have the money to invest in product improvements customers will demand.

Larry Curfiss, Vice President and Director of Commercial Products, ITT Industries Night Vision, discussed his division’s shift from government customers to a mix of government and commercial customers. Finding and maintaining the customer focus continues to be Night Vision’s greatest challenge. “We spent lots of time and money to find out who our customer is,” said Curfiss. “Marketing was initially 65 percent of our total budget.” Night Vision lost money for the first three years of this expansion from government into commercial, and Curfiss estimated that it took an additional three years to adjust to the cultural changes associated with that expansion.

When asked about the lessons learned, Curfiss cited four lessons organizations in transition should heed:

- Organizations need to deal with cultural change and address cultural problems within upfront.
- Organizations need to understand marketing and distribution.
- Any organization with a commercial and government separation needs to maintain but manage that separation.
- Organizations need to move product staff to where the workload is.

Civil Military Integration – The New Reality

Many panel discussions and workshops took place during the symposium, covering issues of major impact to DoD’s future in commerciality.

- Congressional Support for Commerciality
- Risk Management
- Acquisition Strategy for Commercial Items
- Evaluating Risk of Commercial Strategies
- Electronic Commerce in DoD
- Update on DoD 5000
- Prime and Subcontractor Views of Commerciality at the Subcontractor Level
- Price Based Acquisition as a Vehicle to Implement Commerciality
- Commercial Best Practices for Software
- Alternative Dispute Resolution
- Performance Based Payments
- New Directions in DoD Logistics
- Dual Use Technologies in DoD
- Transitioning to ISO 9000:2000
- Acquisition Reform in Commercial Aircraft
- Small Business Innovation Research
- Managing Earned Value
- Lean Aerospace Initiative - Economic Incentives
- Commercial Contracting
- Software Metrics
- The *Good*, the *Bad*, and the *IDIQ* (Indefinite Delivery Indefinite Quantity)

Each panel and workshop addressed changes in their respective areas and their impacts on the future of DoD acquisition. But, the panel discussion, “Is Civil/Military Integration (CMI) Possible?” cut to the heart of the issue of commerciality.

Moderated by Stan Soloway, other panel members were: Robert Ingersoll, Vice President, Contracts and Pricing, The Boeing Company; Richard Foley, Vice President, Contracts, Raytheon Corporation; Dr. Marilyn Andrulis, President and CEO, Andrulis Corporation; and Dr. James Carnes, President and CEO, Sarnoff Corporation.

Introducing the panel, Soloway stated that CMI has already happened but has yet to be realized. "Will we [DoD] be able to take advantage of it?" he asked.

Ingersoll said that he also looks at CMI as a reality but noted three strategic focus areas for industry and DoD.

- Optimization of CMI – Asset allocation and various resources can be better integrated. Ingersoll also encouraged further integration of processes and practices, but said, "Commercial isn't always better," using DoD's Earned Value Management concept as an example.
- Globalization – Both industry and DoD will continue to "go global."
- E-Commerce – Business-to-business interchanges will become the norm.

Foley said there has been a great deal of success in CMI, but there will always be a difference between commercial and government sales. He said performance-based and price-based acquisition strategies will contribute to greater CMI. Barriers to CMI, he said, are Federal

Acquisition Regulation Part 12 fixed price requirements, lack of multi-year contracts, Wall Street's concern with the defense industry's health, remaining complexities in contract administration, and competition for the best of the workforce with dot.coms.

Andrulis also saw some barriers to full CMI, including unrealistic cost estimates and technological expectations. To counteract that, she suggested shifting project time frames from five or more years to the industry standard of 18 months to three years and rewarding companies that meet or exceed performance and delivery time frames. Andrulis also discussed DoD's increasing "efficiency and effectiveness" metric that, in her view, inherently favors large business over small business.

Carnes also said that CMI is imperative because commercial R&D investment far outpaces DoD's. Impediments on CMI he discussed were restrictions on corporate intellectual property rights when engaged in government work, cost-based pricing, and difficulties in over-

sight and contract negotiation due to regulation. All of these factors, Carnes said, turn companies away from government work because the return on resources is less than in commercial work.

Carnes discussed a commercial agreements prototype for R&D contracting being conducted at the Defense Advanced Research Projects Agency (DARPA). The DARPA prototype features payable milestones and allows contractors to retain intellectual property rights for commercial use. Carnes said the biggest benefit of the prototype is that it has no cost-reimbursable contracts, which reduce audit needs and system infrastructures.

While CMI and other aspects of commerciality in DoD acquisition are new and being improved, one thing is certain: Commerciality is the future, and the future is in process.

Editor's Note: To learn more about DSMCAA or register online using a credit card, visit <http://www.dsmcaa.org>.

Defense
Resources
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Defense Resources Management Course

Course Objectives

Develop an understanding of resource management concepts, principles, and techniques

Who Should Attend?

Managers working in all fields concerned with resource allocation

Who is Eligible?

- Military Officers (active or reserve) O-4 and above
- Civilian DoD, GS-11 and above
- Equivalent ranking military & civilian officials of other nations



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DSN 878 210-2104/2306

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mandrews@nps.navy.mil

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