

Navy PEO Delivers Remarks to Navy League Panel on Acquisition Reform & Progress

Minimize Burdensome Oversight, Optimize Empowerment of Team Members, & Maximize Initiative & Innovation

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Let me preface my remarks by saying that my references to “we and our” are meant to apply to both government and industry...the entirety of our defense team. My intent today is to give you some food for thought and issue a challenge which I hope you’ll take back to your respective organizations and consider. I’ll also try to fulfill Dutch Schoultz’s expectation that I would be controversial enough to generate some spirited dialogue between the audience and the panel. I can’t think of any other reason why he would have invited me to participate on a panel with such a venerable pair as Colleen Preston and Bill Bowes. I will be brief. But I’m going to say a lot, and I won’t say it twice. So please tune your receivers to my frequency for the next few minutes.

Introduction

When I was asked to participate on this panel to represent the program manager and program executive officer perspec-

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Editor’s Note: Mr. Daniel P. Czelusniak, former Program Executive Officer for Air, Anti-Submarine Warfare, Assault and Special Mission Programs, addressed the Navy League Panel on Acquisition Reform, on April 2, 1996, at the Washington Sheraton Hotel, Washington D.C. The panel included Mrs. Colleen Preston, Deputy Under Secretary of Defense (Acquisition Reform); Navy Vice Adm. William Bowes, Principal Deputy Assistant Secretary of the Navy (Research, Development & Acquisition); and Czelusniak. Czelusniak’s remarks appear below in their entirety.

tive on the progress we’ve made in acquisition reform, I gladly accepted. I did so because (1) I thought it would be easy to articulate the positive impact acquisition reform has had on the management of defense programs; and (2) even though we’ve only been at this in earnest for less than three years, it’s already difficult for me to imagine getting the job done if we ever had to revert back to the “pre-acquisition reform” methods in the weapon systems acquisition business. It’s kind of like trying to imagine communication without electronic mail.

How Do We Measure Acquisition Reform Progress?

The fact of the matter is, though, notwithstanding the anecdotal evidence we have with respect to reduced cycle times and estimated costs, that it is very difficult to provide a quantitative answer to the ultimate measure of acquisition reform progress. That is, have we fundamentally reduced the cost of doing defense busi-

ness and the cost of the systems we provide to our servicemen and women? The combined effects of top-line budget reductions, personnel cutbacks, infrastructure downsizing, and industrial base reshaping make cause and effect relationships ambiguous, and the segregation of cost savings attributable to acquisition reform

initiatives virtually impossible. Moreover, even if we could shred the data to reach a meaningful conclusion, we simply haven’t applied the concepts long enough to validate an outcome. We’re operating largely on the basis of relative cost estimates and projected cost avoidances when we discuss the fiscal impact of acquisition reform.

So how can we discuss progress? What is meaningful as a benchmark of whether we are succeeding in reforming ourselves and our processes? These are the kinds of questions to which the Department is currently hunting for answers, in a frenzy of metrics identification and data gathering. The chest pounding has already begun with each Service trying to outdo the other in demonstrating progress in acquisition reform. In the end, I’m not sure the data will tell us anything we don’t already know intuitively and from the anecdotal evidence. I worry that in our thirst for documentation of progress

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From 1971 to 1977, he held a variety of project engineering positions supporting Naval helicopter and fighter aircraft propulsion system programs. In 1973, Czelusniak earned his Master of Business Administration Degree from George Washington University.

He served as the Technical Director, and later as Assistant Division Director, Aviation Support Equipment Division, from 1977 to 1983. In 1983, Czelusniak earned a Navy Executive Management Fellowship and was awarded his Master of Public Administration Degree from Harvard University one year later. Upon his return from Harvard he was assigned as Deputy Program Manager for the LAMPS MK III and H-60 anti-submarine warfare (ASW) helicopter programs, and served in that capacity until November 1987.

Subsequently he assumed responsibility as Program Director, Air Launched Weapons and Armament Programs. Oversight included all air-to-air missiles, aerial targets, anti-ship missiles, and strike weapons. His three-year tenure concluded in April 1990 when he was appointed as Deputy Program Executive Officer, followed by his appointment in June 1991 as Program Executive Officer for the Air ASW, Assault and Special Mission programs, reporting to the Assistant Secretary of the Navy for Research, Development and Acquisition.

Czelusniak has been a Senior Executive Service officer since 1987. He is a graduate of Naval Air Systems Command's Senior Executive Management Development Program, a member of the Pi Tau Sigma National Honor Fraternity of Mechanical Engineers, and a designated Civilian Materiel Professional.



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we may focus on acquisition reform as an end unto itself and lose perspective of it as a means to the end it was originally intended to help achieve.

The questions we should be asking ourselves at this point I think are simple. As policy makers, have we facilitated the ability of our managers to effectively execute programs by minimizing burdensome statutory and regulatory oversight and reporting requirements? As managers, have we empowered our team members, through clear delegation guidelines, training and trust, with the authority

to make decisions and implement innovative solutions to complex problems? As team members, have we demonstrated initiative in response to the increased latitude and empowerment we have been given to innovate? If we can answer affirmatively to these questions, the ultimate measures of progress, i.e., reduced cost of doing business and reduced cost of defense systems, will take care of themselves.

On the subject of each of these questions, there is ample evidence to indicate we have made substantial

progress. The Federal Acquisition Reform Act, the Federal Acquisition Streamlining Act, the revised 5000 series acquisition regulations, and the reduced reliance on military specifications and standards have all been significant in minimizing restrictions on managers. The application of the Integrated Product and Process Development concept and the use of integrated teams with industry and within DoD have easily been the most important factors to date in improving the way we plan and execute defense programs, because of the strength em-

powerment of team members brings to the equation. The willingness to accept commercial approaches to satisfy military requirements, implementation of plant-wide single process initiatives, and reinvention laboratory concepts all provide examples of opportunities for team members to achieve innovative reform of existing methods.

Have we done enough as policy makers, managers, and team members? The answer is emphatically, no! The fact is that if you want to continually improve, you can never do enough to minimize burdensome oversight, optimize empowerment of team members, and maximize initiative and innovation. My sense is that surprisingly, we as team members are lagging the policy makers and managers in progress on acquisition reform. That is to say, we have been slow to react to the call for change. There is, after all, comfort in knowing how we've done something in the past and being able to calculate the associated risks.

Making these changes is hard, whether you're in government or industry. That's why now, for example, you hear some industry officials saying they'd rather respond to military specifications and standards than convert to commercial approaches, or at least they would prefer to proceed cautiously with conversion. That's why, for example, in some industry sectors, the silence in response to the single process initiative has been deafening. That's why, for example, you hear some government officials discount outright, the idea that commercial support and contractor configuration management can be viable in military applications. That's why, for example, despite repeated emphasis on the importance of program stability to reducing the cost of defense systems, to date we have been incapable of stabilizing even the most critical of our programs.

As team members, we hold the key to the success of acquisition reform. That success is limited only by our determination to try new and imaginative things to prove they can be done so others will be encouraged to try. Most of us here today, at our own level, are policy mak-

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ers, managers, and team members all in one. I certainly am as a program executive officer. So today, I'm appealing to the team member in all of us. We've been given the wherewithal to press ahead with new ideas and initiatives. Maybe not everything we think we need — work will continue to that end — but certainly enough for us to stop making excuses and step off the plateau of business as usual. We are challenged to respond.

Let me share some of the ways we are responding on programs I am associated with in naval aviation so you can get an appreciation for how far we've come in acquisition reform.

Integrated Product Teams

I'll start with Integrated Product Teams, an idea which we adopted, of course, from industry. Most of our major programs have had IPTs in place for a number of years, and the results in every instance have been extremely positive. And why should we be surprised by that? This is a concept that taps into the seemingly limitless capacity of the human spirit for accomplishment. Tell people what your expectations are, establish broad boundaries of authority for them to work freely within, train and equip

them with the tools they need to do the job, and trust them to do it. What a novel concept!

As a direct result of applying integrated product teams in V-22 development, we are about to initiate low rate initial production of a tiltrotor aircraft which is 500 pounds below its empty weight target. The fuselage parts count is down 36 percent from the baseline design, and the projected savings in production are \$3 to 5 billion compared to estimates made prior to entering the engineering and manufacturing development phase.

The P-3C Anti-surface Warfare Improvement Program offers other dramatic evidence of the influence IPTs, which include customers, have had. Layout of the aircraft tactical console was completed and agreed to in three days. Previously, efforts of comparable complexity have taken months to finalize. From initiation to deployment, the Maverick missile capability portion of the program was implemented in one year, less than half the normal lead time of like efforts. The SAT-COM antenna combiner production competition, normally a two-year cycle time, was compressed to 10 months. All of these things accomplished through IPTs, avoided an estimated \$29 million in cost.

The application of Integrated Product Teams within the DoD and Service staffs (we call them Integrated Program Teams) is relatively new, but already contributing to reducing cycle times and eliminating laborious program reviews. The great side effect is that it has reenergized an entire workforce of checkers and gatekeepers and given them an opportunity to become participants and contributors to program achievement.

Even auditors can function more efficiently in an IPT construct. In cooperation with the Naval Audit Service, we've been piloting a new concept of auditing which has been an unqualified success. The concept employs a full-time auditor on our leadership team with responsibility for continuous, real-time auditing from within. Audit opinions are provided early and directly to program managers

so corrective action can be taken immediately to address problems before they get to a critical or costly stage. The approach builds trust, eliminates rework, and yields coherent programs without compromising the independence of the auditing role.

Performance Specifications

Let's turn now to the subject of performance versus "how to" specifications. The reduced reliance of military specifications and standards is an initiative on which the jury is still out in terms of validation of cost savings. As a surrogate measure of acquisition reform progress, however, we are having success in reducing reference to prescriptive documents. The H-1 helicopter upgrade program is one I can point to as representative of the results achieved. The number of military specifications and standards cited has been reduced from 398 to 5. Another is the Joint Primary Aircraft Training system which, you may know, recently referred to 41 military specifications. This compares to the 313 we called out for the T-45 jet flight training system years ago. Virtually every new development on the street these days reflects similar metrics. So in this regard, I'd say we are making good progress in the latitude we are giving industry to meet our performance requirements.

Reinvention Laboratory

There are three notable things we are doing that belong under the heading of reinvention laboratory initiatives and which have produced exciting results. First, on the V-22 program we have a lead effort in DoD to establish a standardized, non-proprietary electronic data interchange capability associated with cost performance reporting. The initiative has reduced reporting cycle time by 50 percent, thus enabling the use of Cost Performance Report data obtained directly from the contractor's database for proactive decision making vice reactive problem solving.

Second, the Alpha contracting approach, first used on the H-60 helicopter upgrade program to reduce contracting cycle time (draft Request for Proposal

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to award) from an average of 12 months to 3.5 months, is gaining wide acceptance as a preferred practice. The approach is simply one in which a government and contractor team is put in place to negotiate work scope concurrently with proposal preparation.

Third, we are in the final stages of validating a program assessment methodology, which translates technical performance measurement into earned value. This is being done in cooperation with DSMC and the Institute for Defense Analysis in a retrospective validation on the T-45 digital cockpit upgrade program. Results to date have yielded excellent data correlation. If proven successful, it would be the first known method to meaningfully link technical with cost and schedule performance measurement to determine true earned value. The implications for cost avoidance are huge.

Commercial Approaches to Government Acquisition

Finally, some comments about commercial approaches in development and support. We are saving time and money through the use of Commercial Off-the-Shelf Software and Nondevelopmental Items. As an illustration, on the P-3C

Anti-surface Warfare Improvement Program: (1) the cost of high-resolution color displays was reduced by a factor of six (from \$100 thousand to \$16 thousand) by using ruggedized commercial equivalents of military qualified equipment; (2) the cost of SATCOM radios was reduced by over 50 percent (\$390 thousand to \$185 thousand); and (3) cycle time from MS 0 to MS III was reduced to less than two years.

If you are in the support business, you need to be aware that we are making an attempt to implement flight line to original equipment manufacturer support concepts on some of our major aircraft programs — like the V-22, H-1, and T-45. These are affectionately referred to as "O to OEM" concepts in which we envision giving system contractors responsibility for configuration management and logistics support using the worldwide commercial support infrastructure in lieu of establishing government intermediate and depot-level capability. They represent major departures from the status quo and bear watching as barometers of the future.

Concluding Remarks

After that quick rundown of only some of the examples of acquisition reform results and initiatives in the Program Executive Office for Air, Anti-Submarine Warfare, Assault and Special Mission Programs, I hope I've provided enough evidence to confirm that we have made substantial progress. But, there is infinitely more we can and must do.

I'll close by saying that I've been in this business for 28 years, and I have never seen the system so willing to embrace change...so willing to tolerate failure for a chance at improvement. The nation literally cannot afford for us to let this opportunity slip through our fingers. The recapitalization and modernization of our armed forces and the viability of our defense industrial base depend largely on how successful we can be. I encourage all of you in industry and government alike, to be proactive in accepting the challenge so we can, in fact, achieve the promise of acquisition reform. Thank you.