

Maj. Gen. Darryl A. Scott, USAF DCMA Director Sits Down with *Defense AT&L*

Air Force Maj. Gen. Darryl A. Scott became the third director of the Defense Contract Management Agency on Dec. 5, 2003. He is responsible for leading DCMA's 11,000 military and civilian managers and technical experts in performing worldwide acquisition life cycle contract management for Department of Defense weapon system programs, spares, supplies, and services. Managing more than 352,000 prime contracts with remaining work valued at approximately one trillion dollars, DCMA monitors more than 25,000 domestic and foreign contractors.

On Oct. 5, 2004, Wilson "Chip" Summers, professor of contract management, School of Program Management, Defense Acquisition University, spoke with Scott for *Defense AT&L* about the evolving role of DCMA in contract management, a vitalized focus on the customer, a commitment to performance-based management, and ramp-

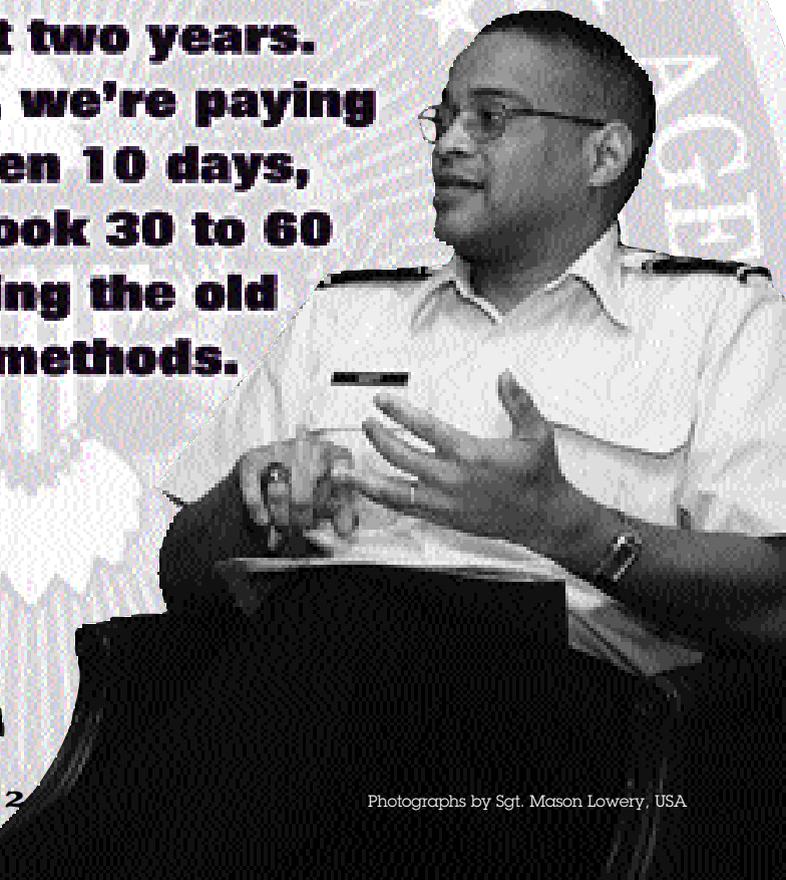
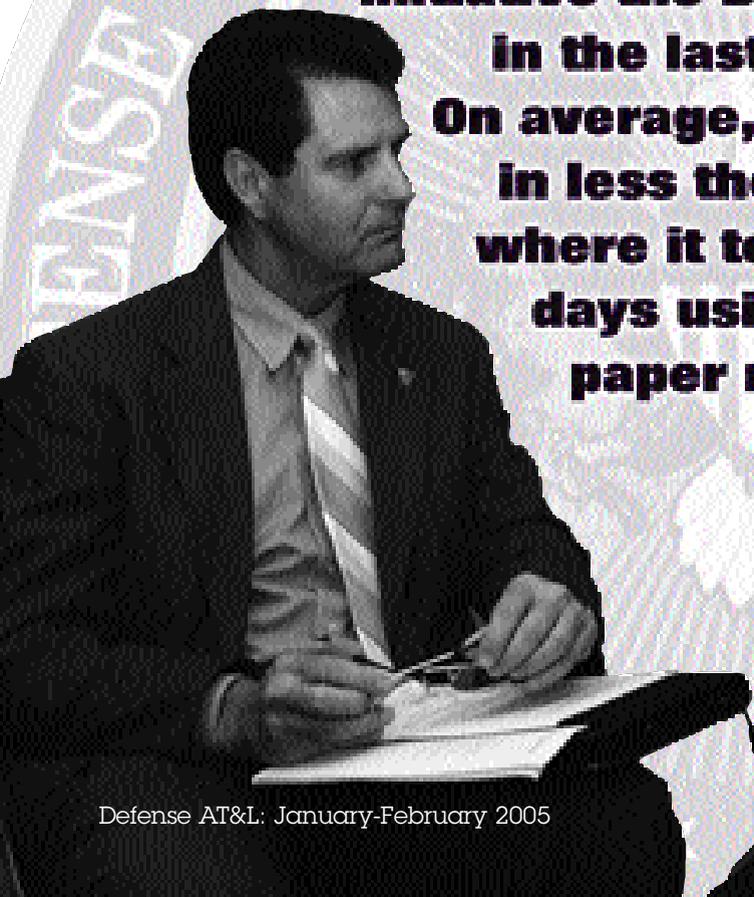
ing up a plan to meet the increased need for contingency contractors to deploy around the world.

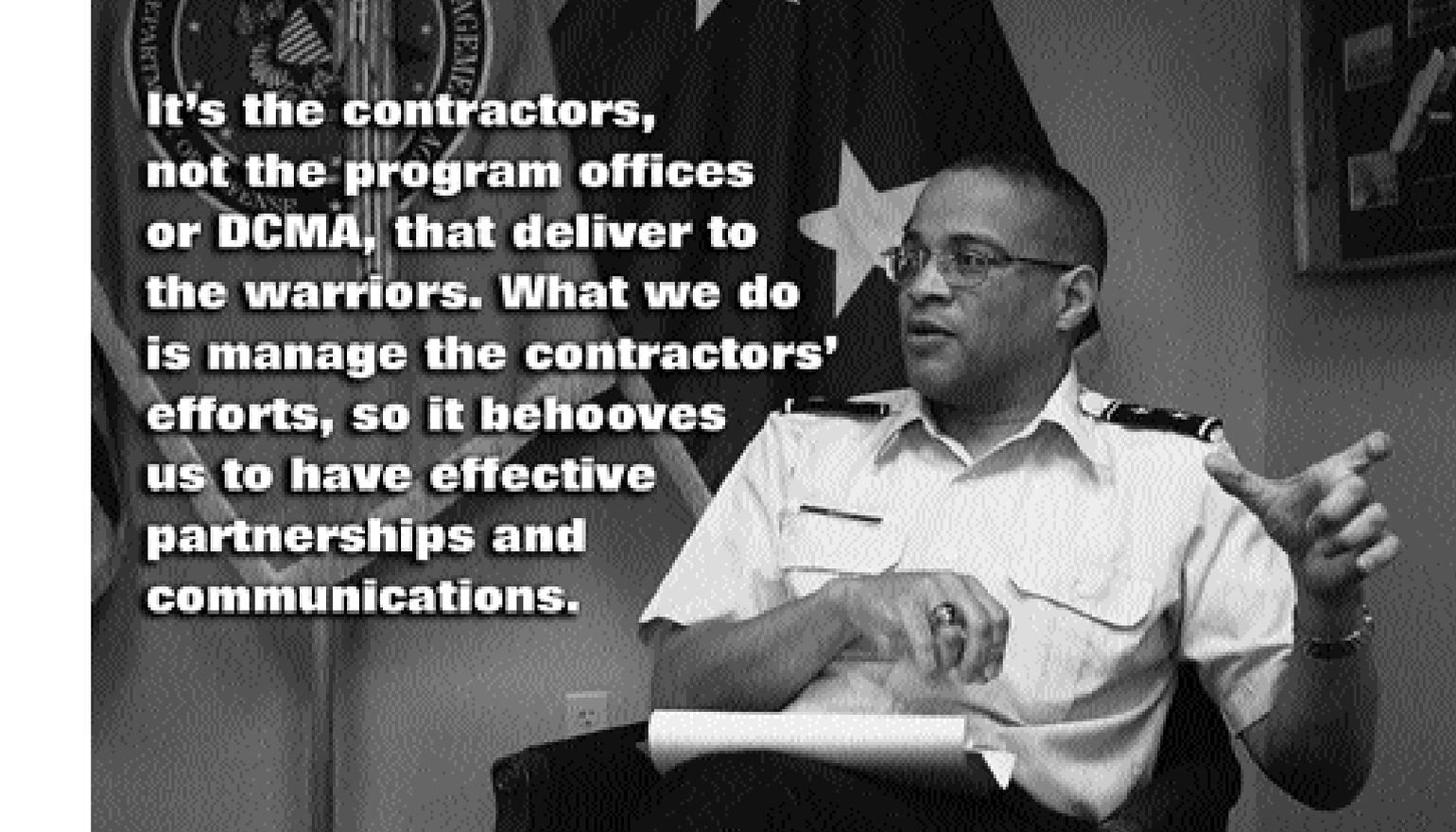
Q
Gen. Scott, you've stated that you spent your first few weeks as DCMA director sitting in "the right seat," observing and talking with people working for DCMA. What impressed you at that time?

A
I think the thing that impressed me most was the attitude of DCMA employees and the DCMA organization as a whole. I don't think I'd ever seen an organization that worked harder at focusing on and meeting the customer's desires.

DCMA was then (and still is) probably the best agency at strategic planning I'd seen in 30 years in the DoD. Its very disciplined strategic planning process was an excellent

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strength to build on. What we needed to do was execute. Often times, we made excellent plans—we just had a bit of trouble pulling the trigger. Now we're working to have an equally disciplined execution process to match our outstanding planning process.

Q DCMA led two DRIDS—defense reform initiative decisions: paperless contract closeout and development of an end-to-end procurement process. Can you summarize the goals and progress of these initiatives?

A Both of those DRIDs closed out a couple of years ago, and both of them have morphed into new initiatives under the business management modernization program. DCMA is strongly involved in those.

Regarding the paperless end-to-end procurement process, we've been involved in initiatives like the wide area workflow. The WAWF has been a tremendous success for the entire DoD and for DCMA. Since its introduction, we've reduced the late payments to contractors from around \$200 in interest per million dollars paid to less than 10 cents per million paid. I think the figure is actually around 2 cents per million now. In 2003, we paid over \$1.1 billion in invoices through WAWF. This year, we are on track to more than double that.

The other area we're working very hard is contract close-out. If you don't do that well, you end up throwing good resources after bad. Our goal is to close every contract

out within the timeframe specified in the FAR [*Federal Acquisition Regulation*]; we are still not there yet, but we have made tremendous progress. When Mike Wynne [*under secretary of defense (AT&L)*] made this a goal for us three years ago, there were over 19,000 contracts that had gone well past the date by which they should have been closed. I'm happy to say that today, we've come down to 9,000—and keep in mind that new contracts are coming into complete status every year, so it's kind of like painting a moving subway train. Going into fiscal 2004, we had \$64 million at risk for cancellation, and I am pleased to report that by the beginning of September, we'd reduced that to less than \$20 million.

Q I would imagine the contractors are excited about the WAWF as well.

A They are. I was at a forum with five of the major industry associations just last week, and they said it's the best initiative the DoD has managed in the last two years. On average, we're paying in less than 10 days, where it took 30 to 60 days using the old paper methods.

Q Knowledge management, or KM, is a subject near and dear to your heart. You've noted that in an era of information overload and increasingly complex decision making, KM initiatives are critical to mission accomplishment. One of your primary objectives is to ensure the right person in the right place at the right time, armed with the necessary informa-

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Director, Defense Contract Management Agency

Air Force Maj. Gen. Darryl A. Scott became the director of the Defense Contract Management Agency in December 2003. He leads 11,000 civilian and military leaders, managers, and technical experts in performing worldwide acquisition life cycle contract management for Department of Defense weapon system programs, spares, supplies, and services.

Scott entered the Air Force after graduating from the U.S. Air Force Academy in June 1974. He has since served as a principal contracting officer for space, missile, aircraft, and C4ISR. He has twice commanded and has served staff tours at both Major Command and Air Staff levels. Immediately prior to assuming command of DCMA, Scott was vice commander, Warner Robins Air Logistics Center, Air Force Materiel Command, Robins Air Force Base, Ga.



Scott was awarded a bachelor of science degree in economics from the U.S. Air Force Academy, Colorado Springs, Colo., in 1974. Two years later, he was named a distinguished graduate, Squadron Officer School, Maxwell Air Force Base, Ala. He obtained his master's degree in logistics management, with distinction, from the Air Force Institute of Technology Graduate School of Systems and Logistics, Wright-Patterson Air Force Base, Ohio. Scott attended the Air Command and Staff College, Maxwell Air Force Base, Ala. In 1990, he was named distinguished graduate, Industrial College of the Armed Forces, Fort Lesley J. McNair, Washington, D.C. Scott holds the Legion of Merit with oak leaf cluster, Defense Meritorious Service Medal, Meritorious Service Medal with two oak leaf clusters, and the Air Force Commendation Medal.

tion, knowledge, and experience to get the job done. You've said that this can be accomplished only through a virtual workforce.

We've been reading for years about the knowledge drain that's going to occur with people leaving the workforce. KM is one of the areas that would probably help.

A Absolutely. We've got a really powerful KM initiative going on here in the agency. We've already deployed a Web-based KM platform, and all 11,000 employees in the agency have access to it.

The most important thing in the KM system is to foster collaboration; we can leverage knowledge within the agency. For example, take engineers: I don't have them in all 125 of my contract management offices, yet I can still offer a full range of skills in electrical, mechanical,

aerospace, and environmental engineering at every site. KM allows us to collaborate not only across distances, but across time as well. We've got over 800 offices worldwide, and now we can operate asynchronously. I don't need people in the same time zone, in the same meeting room.

The second thing we're doing is knowledge capture. The average age of my workforce is 51 years. That's not necessarily a problem, as they remind me all the time. Many of them don't have immediate plans to go anywhere, but we're going to need to capture the kinds of knowledge they have as they reach retirement age. KM is a repository for lessons learned, best practices, and information sharing throughout the agency.

The third thing—which was less obvious to us when we began—is the ability of folks in the agency to organize themselves in an almost organic fashion using KM. You've got the formal structure of the agency—headquarters, two geographic districts plus the international districts, and 125 CMOs [*contract management offices*]. It tends to operate in a traditional military command-and-control type of structure, where the direction goes from headquarters down to the field, and information comes back up from field to headquarters. KM has allowed us to organize informally in groups

we call communities of practice or CoPs. We've got over 50 CoPs in the agency right now. Probably the most active consists of budgeteers and financial managers. Their informal CoP has become an instrument in my formal planning, programming, and budgeting system. I do budget calls like everybody else in DoD, but in addition, my budget folks get on the CoP and share information, ask questions, and bring their expertise to bear to solve problems—and they do it very rapidly, allowing us to cut the time to prepare our program objectives memorandum, for example, by almost 50 percent. And this was an initiative that the folks at the analyst level took upon themselves when they saw the tool and its potential. We're getting over 23,000 hits a day on our KM Web site from people who have self organized instead of using more formal repositories of information.

We're planning on rolling out the second generation of KM tools—more powerful Web tools and processes that

allow us to enhance collaboration and document management. We're looking at adding virtual lightboarding [*a Web tool that allows multiple users to view and collaboratively use the same image set in real time*], virtual meeting spaces, added configuration control and document version management tools, and a new search engine. Right now, one of the shortcomings of our KM platform is that you have to know where something is in order to be able to find it quickly.

Q *It doesn't sound as if you've had a difficult time getting people to participate in this particular KM system.*

A That's true, but it does bring up an interesting dynamic. As excited as we are with 50-plus COPs and 23,000 hits a day, there is still some cultural and institutional resistance to operating this way. I probably have about 10 percent of the workforce who are active KM users. The others range from infrequent visitors to people who don't use it at all. We want to encourage them to use it, and we're working to identify the barriers.

We are also pushing hard on the concept of what we call virtual IPTs [*integrated product teams*], which enable people to organize in a more systematic way and work asynchronously using their KM tools without being slaves to time and distance.

Q *Our industry partners are critical to the efficiency and combat effectiveness of our military forces. You've promised an open ear and impartial attitude. What efforts are currently under way to ensure effective communication and teamwork between the DoD and its industrial partners?*

A We've got a number of initiatives going. It's the contractors, not the program offices or DCMA, that deliver to the warriors. What we do is manage the contractors' efforts, so it behooves us to have effective partnerships and communications with them.

The bulk of our efforts are at the local level. We have management councils with virtually all the major contractors taking place on the contractors' sites. The councils provide an opportunity for site representatives and the leadership of DCMA to discuss broad-based issues—not necessarily issues that are specific to one particular program or the activity that is going on that week, but things that have a general interest.

Next, we have sector and corporate management councils at the district level and the senior management level here at headquarters. For example, there is a real push on unique identifiers and radio frequency identifiers, and

the goal is to have implementation on UID—unique identification—within calendar year 2005. So the subject of a current corporate management council or sector management council might be creating an effective plan to get UID implemented across the business sector and deciding how DCMA will support the activities.

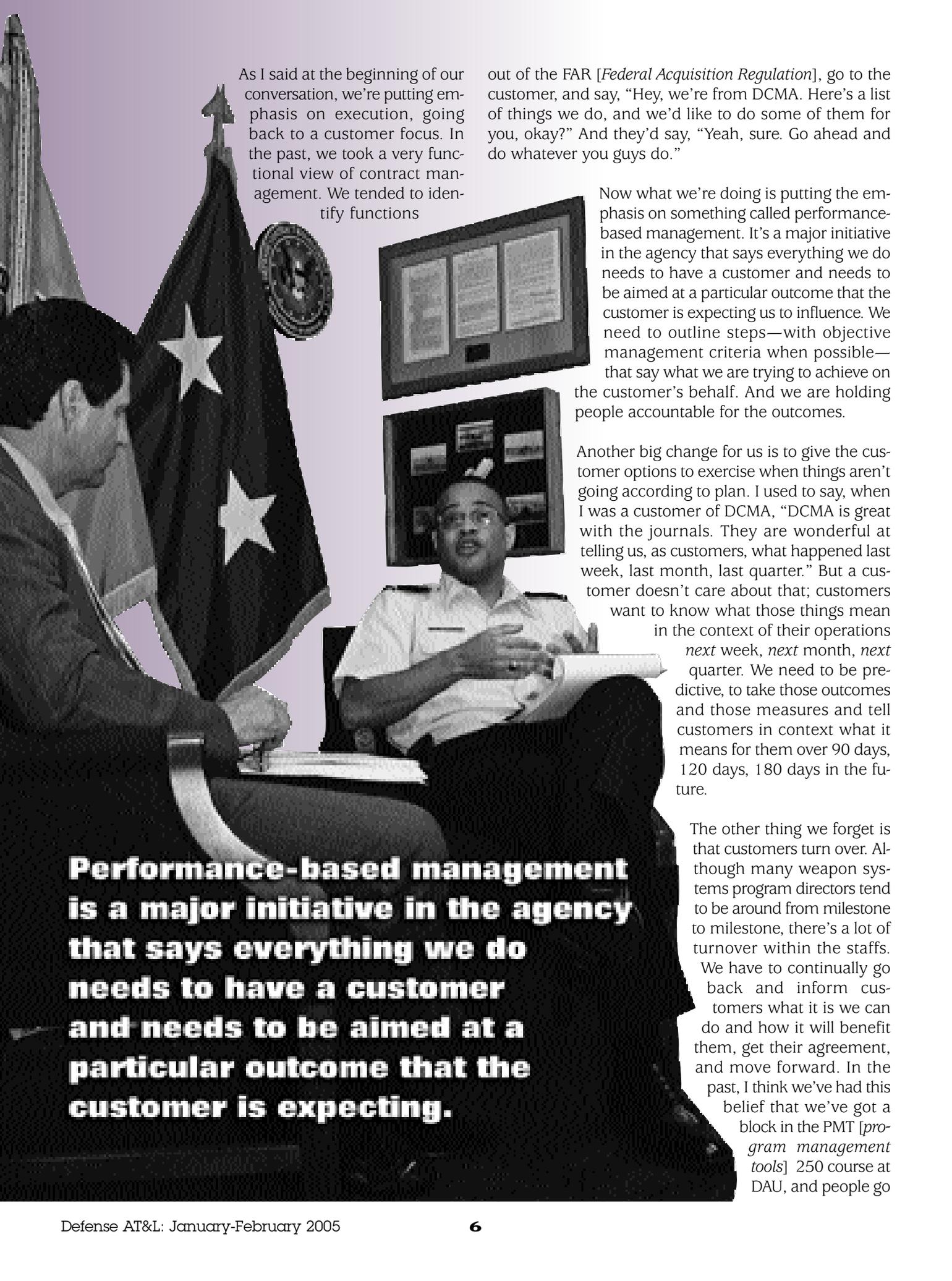
The corporate management council is the highest level. Typically, my staff and I will be involved with the big five defense contractors. It's an opportunity to tell corporate executives what is on my agenda and to listen and get feedback on the things that are working well and the ones that aren't. We're discussing UID, and I am really excited about our decision to ask each company to work with us in coming up with the most effective plan. Before, we were trying to manage contract by contract, and that's really difficult.

The companies are telling us they're grateful that we asked them. In the past, DoD has implemented policy without necessarily seeking corporate feedback, except in a very formal way through notices in the *Federal Register* and that type of thing. These councils provide the opportunity to roll up our sleeves, close the door, and yell at each other a little bit, but with the understanding that when we walk out the door, we understand each other's position a whole lot better. I think it's working very well.

Finally, I'd like to put in a plug for the feedback session we've instituted with the industry associations. We find that there are some things that companies won't talk to you about one on one. As much as I'd like to see myself as fair and impartial, they are afraid that certain comments could come back to bite them some day in the future. However, they will talk openly through the industry association. We used to do this on a regular basis, but after 9/11, it fell by the wayside. We began again in October 2004, and we've now committed to holding these sessions every six months.

Q *As your organization continues to transform, you've said, "On our path forward, we will consistently endeavor to shift our efforts from low value/low risk to high value/high risk." What kinds of behaviors and attitudes will need to be modified to capture the spirit of this effort?*

A Let me begin by explaining a little the kinds of things we've done. Just this past year, with no increase in manpower, we added what corresponds to 300 full-time equivalents to high-value work. We did it by identifying low-value work that lacked real customer demand, and we quit doing it and shifted the resources to things the customers really care about. That was the rough equivalent of adding two new CMOs.



As I said at the beginning of our conversation, we're putting emphasis on execution, going back to a customer focus. In the past, we took a very functional view of contract management. We tended to identify functions

out of the FAR [*Federal Acquisition Regulation*], go to the customer, and say, "Hey, we're from DCMA. Here's a list of things we do, and we'd like to do some of them for you, okay?" And they'd say, "Yeah, sure. Go ahead and do whatever you guys do."

Now what we're doing is putting the emphasis on something called performance-based management. It's a major initiative in the agency that says everything we do needs to have a customer and needs to be aimed at a particular outcome that the customer is expecting us to influence. We need to outline steps—with objective management criteria when possible—that say what we are trying to achieve on the customer's behalf. And we are holding people accountable for the outcomes.

Another big change for us is to give the customer options to exercise when things aren't going according to plan. I used to say, when I was a customer of DCMA, "DCMA is great with the journals. They are wonderful at telling us, as customers, what happened last week, last month, last quarter." But a customer doesn't care about that; customers want to know what those things mean in the context of their operations *next* week, *next* month, *next* quarter. We need to be predictive, to take those outcomes and those measures and tell customers in context what it means for them over 90 days, 120 days, 180 days in the future.

The other thing we forget is that customers turn over. Although many weapon systems program directors tend to be around from milestone to milestone, there's a lot of turnover within the staffs.

We have to continually go back and inform customers what it is we can do and how it will benefit them, get their agreement, and move forward. In the past, I think we've had this belief that we've got a block in the PMT [*program management tools*] 250 course at DAU, and people go

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to class, learn what DCMA does, and they know all about us. That's not the case. We must continue to sell ourselves and our services to the customer.

That gives me an excellent opening to talk about another issue: We're working to create a deliberate, structured process by which we engage the customers. For most of our customers and program offices, this means that we'll do our best to speak with one voice. One complaint we've heard from customers in the past is, "Hey, you guys in DCMA are great, but it's frustrating working with 35 different DCMA offices." A program manager doesn't have time to talk with 35 commanders or 35 engineers or 35 program integrators. The PM wants to know the one individual at DCMA who can move resources around to solve problems. We're working to have one point of contact to serve as the program integrator and work the issues for the PM across 35 different CMOs, if necessary. That's our objective for fiscal 2005.

Q
How has the industrial base capacity been impacted by the ongoing, increased OPTEMPO [operational tempo]?

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Operations Enduring Freedom and Iraqi Freedom have caused us to have to step up our industrial analysis capabilities. I have some capability within my individual contract management offices, but my greatest capability—and I regard it as a national asset—is the Industrial Analysis Center in Philadelphia, Pa. The center includes economists, engineers, PMs—people with a tremendous depth of experience in going out and looking at the industrial base and coming forward to explain their capabilities. We've been able to leverage those capabilities throughout the global war on terrorism. For example, in producing the joint direct attack munition guidance kits for 1,000- and 2,000-pound dumb bombs to turn them into precision-guided weapons, we were able to assist the PM and Boeing in ramping up from 700 kits a month to over 2,000 kits a month in the space of about a year.

Q
I'm sure your area of contingency contracting has also become more critical.

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That's a scenario that has exploded for us—exploded in a good sense. It evolved from almost an ancillary mission for us and now we're center stage. In the days before the global war on terrorism, it was unusual for us to have as many as 15 people deployed in support of contingencies worldwide. Today, I've got over 100 people deployed in direct support of contingencies. It's become a tremendous mission for us, one that has really driven changes in the way we organize, changes in the way we train folks, changes in the way we deploy.

When we were fewer than 15 people at any one time on the ground, deployment and contingency support was very much an ad hoc proposition. We relied heavily on the military in this agency to support contingencies. I have 11,000 people in DCMA; fewer than 500 are military, and only about 250 had the skill set needed to be useful in a contingency. When I was sending 15 people downrange every six months, I could rely on 250 to provide that capability. But now we're deploying 100 people every six months, and it quickly became apparent that we could not provide support from 250 mission-capable military members.

Today, over 40 percent of our folks downrange are DoD civilians. We started with volunteers, in particular immediately after combat operations began in Iraq. It was heartwarming to see how my civilian workforce stepped up and volunteered to do what they could to support contingency operations. But as we continued to use those volunteers, we could see we had some cracks in the foundation. For example, although I can use civilians extensively in green zones—what they call the safe zones in Baghdad—out in the countryside, there is a considerable force protection issue. My military folks receive weapons training, deploy with weapons, and they provide their own protection in the countryside, but I don't have the capability to train my civilians in using small arms. And in some cases, strict rules of engagement prohibit armed civilians, even DoD employees. So I've got a force protection problem. If I want to fill these positions with civilian servants, I have to provide them with escorts. So that has caused us to re-look at how we deploy folks. When we need desert-camo-wearing, gun-toting, knife-in-the-teeth warriors, we turn to the military; civilians we deploy at some of our other sites. It's still a dicey business; I have civilians in places like Afghanistan and Kuwait living in tents and eating MREs [*meals ready to eat*] just like the troops, but they're not in as high-risk an area as, say, Fal-lujah.

We also had to change the way we recruit. Although people are still stepping up and volunteering—I have civilian employees in this agency who have deployed as many as four times—the operational tempo has increased to the point it was straining that volunteer resource. In response, we have established 200 emergency-essential employee positions.

The first part of the position is training. We put these folks through the same kinds of training that the military get—everything except weapons training. Once they are certified with fieldcraft skills, we put them through any training they need to upgrade their acquisition skills. This training portion takes about a year. After that, we expect them to deploy for about six months. We're working hard to make that predictable: about a year of training, two six-month deployments bracketing a year of reset and

retrain, and then the three-year tour in the emergency-essential position is up.

We're in the process of recruiting right now. There are a number of excellent financial incentives: a one-grade increase while deployed; hazardous duty pay if they are in a combat zone; overtime pay; and certain tax incentives if they are in a combat zone. We've hired about one-third of the folks we need to fill out these positions as I talk to you today, and we're working very hard to let the DoD community know about these opportunities.

Q
People within DCMA can also apply for these positions?

A
Yes, and our greatest success so far has been with DCMA people. Another primary audience for recruitment is people who are leaving the military after their enlistment is up or upon retirement. We have targeted the career transition points in all the Services. For those people, one advantage is that an emergency-essential position gives them a leg up: If they perform well, we'll place them on permanent assignment within the agency when the three-year assignment is over.

Q
One of the stated goals at DCMA is to improve financial management through performance and budget integration. You've touched on some of that; what sorts of programs or initiatives are currently under way to achieve that goal?

A
I have never seen a federal agency that understands its operations as well as DCMA does. We have an excellent cost- and activity-based management tool set. It goes down to a level where we know, pay period by pay period, where all of our employees spend their time. I can tell you what programs they worked on, what activities they're engaged in, what customers they supported, what contractors they were overseeing. We use that information, along with information we get out of our risk management tools and our budgeting systems, not only to plan long term, but also to make immediate adjustments. For example, if I see in my activity-based management system that I'm spending more and more labor hours conducting certain types of surveillance activities in a certain geographic area or with a certain group of contractors, I can feed that information back into my budget system and say, "I need to increase the resources I have in that geographic area or with those contractor facilities." I am getting to the point where I can almost do that on the fly; I can look into areas and say, "I need help short term." We have something called "task force organization," a group of employees that we send on temporary duty when we have emerging issues, to bring additional resources to bear and get the issues to a steady

state where you can maintain them with the organic resources.

We're working to tie our risk management information more closely to our activity-based management and financial systems information, so that rather than making decisions annually or in POM cycle, we can make them quarterly, monthly, or perhaps even more frequently than that.

One of the things we would like to get better at, as I said before, is being predictive in meeting customers' needs in terms of resources. For example, we can look at the budget for the Future Combat System and use it to guide our resources, so that by the time the Army has identified the need to shift resources from one contractor to another or from one area of the country to another, we've already shifted the DCMA resources to meet that need. Today we lag that anywhere from six months to two years, but in the future I'd like to see us marry up so that the day the Army or Navy or Air Force guys are walking through the door, the DCMA guys are at work meeting them at the



sign-in desk and saying, “We’re here as part of the team as well.” We think we can get pretty close to that vision based on developing the data already in our systems.

Q
From your unique perspective, how can DAU improve or enhance the curriculum to better support the defense contracting workforce?

A
What a wonderful question. I meet with the DAU president, Frank Anderson Jr., informally at least once a quarter and formally probably three times a year.

One of the things I’ve told him in meetings is that most of the functional training at DAU is aimed at pre-award activities, and over 90 percent of my activities are post-award. I would like to see more post-award information in the course content. The other thing that I talk about with Frank is skill-specific training. One of the things that’s an issue for me as a manager is that when people emerge

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from DAU courses, they’re not ready to go to work. There are still activities, skills, key capabilities that they need to acquire before I can put them to work as journeyman contract administrators, or journeyman quality assurance specialists, or journeyman industrial specialists. I’d like to see DAU shift to less emphasis on functional certification and more on key skills and capabilities to do today’s job today.

Q
Gen. Scott, are there any other subjects you’d like to discuss?

A
I’d like to bring up three.

First of all, I know throughout the acquisition community, managers are concerned about the aging acquisition workforce. We talked about it in the context of capturing knowledge and retaining the knowledge within the organization, but I also want to talk about career development.

DCMA, as did much of the acquisition community, went through 10 consecutive years where we were focused on downsizing. We got leaner and in many respects more focused, but in the process, we lost a focus on recruiting, training, and developing employees to be valuable resources for the future. That had become very much an ad hoc process within this agency, and that’s one of the things we are reversing. We’re starting out by publishing career guides for all our key, core operational job series, outlining how to advance in the agency so that employees can deliberately manage their activities (in partnership with their supervisors and managers) to develop into the kinds of employees that we need to replace those who are departing.

The second point is leadership. It’s an area we have not traditionally focused on, but it’s something we are concentrating on heavily today. We used to prepare people for leadership positions in the agency pretty much by taking the best functional expert and anointing him or her as a leader: “Congratulations, you are now a supervisor. Have at it!” We recognized that often times, we hadn’t prepared them with—I hate to use this term—the “soft skills” that you need as a leader or supervisor. The greatest functional experts in the world aren’t going to automatically become leaders; you have to train them for that. We’ve more than doubled the amount of money in leadership training this past year, and we’re going to double it again over the next two years.

And finally, I want to give one more push for performance-based management. It’s a culmination of everything we do for our customers. When we’re focused on customer outcomes, then we are successful. We’re managing ourselves not with an internal system of metrics, but by our customer’s yardstick. If the customer’s program is successful, then we’ve been successful. You can’t claim success if the customer can’t claim success.

Q
Gen. Scott, it has been a pleasure and highly enlightening to listen to your thoughts and ideas.

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As it has been a pleasure for me to talk to *Defense AT&L*. I was in DCMA as a commander from 1990 to 1993, out as a customer for about 10 years, and then in December 2003, I came back. I’m excited about the direction the agency is taking, and I’m excited about the people we’ve got and the mission. I can’t think of a better job to be in right now than the one I’ve got.