It's All About the Customer

Kenneth J. Krieg, Under Secretary of Defense (Acquisition, Technology and Logistics)

In February, eight months after being confirmed as the under secretary of defense (acquisition, technology and logistics), Kenneth J. Krieg, set aside some time to speak with Paul McMahon, DAU-OSD liaison, for *Defense AT&L*. Krieg brings a business perspective to the job, beginning with the philosophy that focusing on the customer is always the priority. He also seeks to keep the AT&L workforce refreshed, motivated, and informed.

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Before we get started on the business-related questions, first let me ask you: What experience and skill sets did you bring to the position of under secretary of defense for acquisition, technology and logistics?

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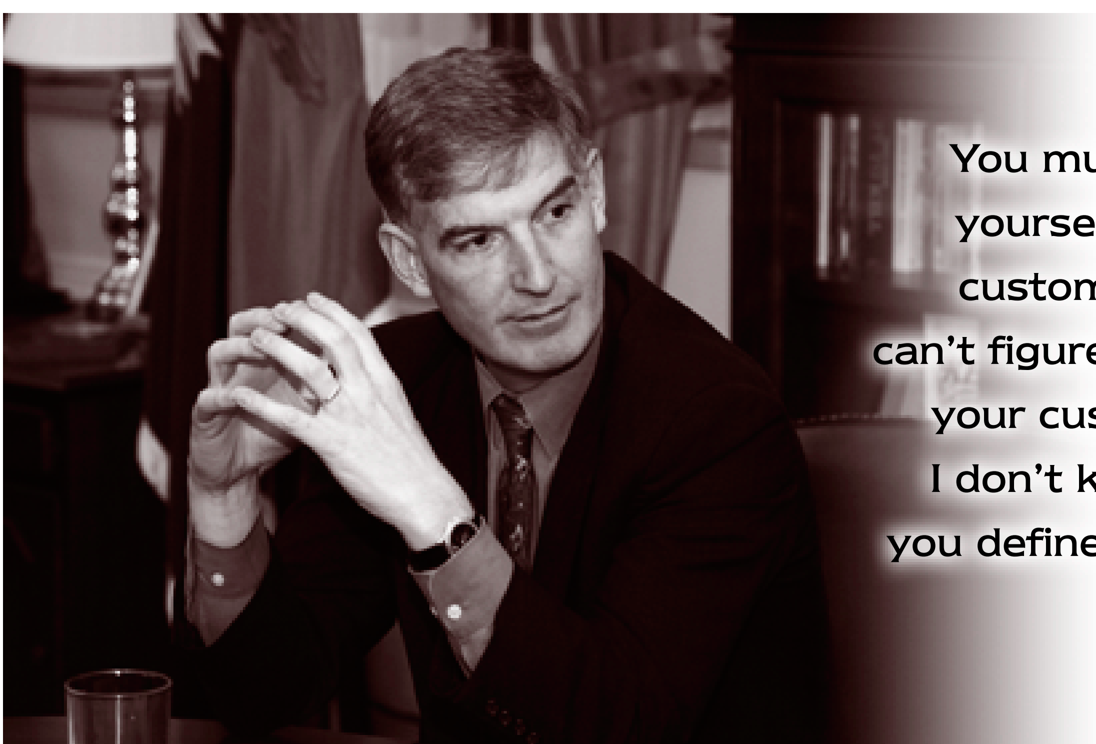
Whoa! Well, let's start with experiences. I've now spent half my career in government and half in the private sector. I've been mainly in large, mature organizations, dealing with changing market circumstances; in organizations that were heavily capital-intensive and because of that, inherently conservative by nature; and in organizations that were culturally dominated by engineering. As the strategic-planning, liberal-arts-educated type, it has been my job to think about creative ways to move the enterprise from its current direction to the new direction dictated by current market changes.

For example, the market changes in the paper industry were the declining paper consumption rates, modernization needs, increasing globalization, and competition from non-traditional sources—e-mail replacing snail mail, digital replacing paper. [*Krieg worked for International Paper for 11 years.*]

The DoD model has changed just as much. It's fundamentally different post-Cold War. We no longer have the organizing construct of a single enemy; we now face very diverse and very uncertain competitors, which presents a whole new set of challenges.

In most of my jobs, I've spent time thinking, "How does one take the best of what we had, that which made us great at what we were, and transition it to the challenges of the new era? How do we align our inherent qualities of success to our new role?"



Photographs by Dirke Williams, OUSD(AT&L).

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What is your philosophy regarding dedication to duty and performance in a challenging, demanding position of such importance to our nation, versus a healthy quality of life?

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My personal philosophy is that balance is very important. It's critical to my personal life—I've got an 11-year-old and a 12-year-old, and I try very hard to be a good dad. But I also view professional balance not just in terms of balance with the personal life, but also as finding balance among the various components of your job.

For example, if you look at the goals of my job, you will find we have people goals, technology goals, supply chain goals, acquisition goals—that is all the balance of my responsibilities. If I emphasize only one of them, I may optimize performance in one but miss the overall goal of a healthy organization.

You must center yourself on your customer. If you can't figure out who your customer is, I don't know how you define success, because success ought to always be defined in the eyes of the person who is receiving your product. That is piece one. Piece two is how you make knowledge transparent—how do you make knowledge available for everybody who needs it, as opposed to the more traditional need-to-know-only organization?

Obviously, from a security and secrecy standpoint, we have a need-to-know reality about certain information. However, for the rest of it, the modern age, with all of the information available from so many sources, inverts the pyramid of knowledge. The question is now: How does one make data readily available to all need-to-know people horizontally as well as vertically?

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I think you hit the nail right on the head—that is a significant paradigm shift.

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Right. Frankly, it has been the hardest thing for the old-line, conservative enterprises to do right. Knowledge did define power in the Industrial Age. In the Information Age, the speed and quality of decisions are what now define power. That means you have to distribute knowledge as opposed to localizing knowledge.

Those will clearly be the themes that I will continue to work: understand your customer, understand your strategy, and understand the data that link your strategy to your customer.

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After taking the USD(AT&L) title, you laid out your philosophy and six new goals. Can you briefly run through

Kenneth J. Krieg

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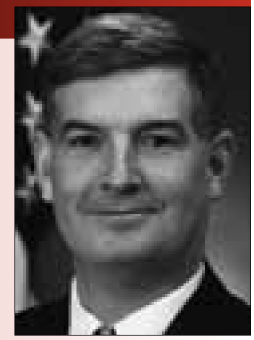

The Senate confirmed Kenneth J. Krieg to the position of under secretary of defense for acquisition, technology and logistics in June 2005.

As the USD(AT&L), Krieg is responsible for advising the secretary and deputy secretary of defense on all matters relating to the DoD acquisition system; facilitating the end-to-end logistics process to deliver to the warfighter: research and development; advanced technology; developmental test and evaluation; production; logistics; installation management; military construction; procurement; environmental security; nuclear, chemical, and biological matters; as well as logistics policy matters.

Before his appointment to USD(AT&L), Krieg served at the Department of Defense as special assistant to the secretary and director for program analysis and evaluation. In that capacity, Krieg led an organization that provides independent advice to the secretary of defense in a range of areas including defense systems, programs, and investment alternatives; and analytic support to planning and resource allocation.

Krieg joined the DoD in July 2001 to serve as the executive secretary of the senior executive council. The SEC, composed of the secretary, deputy secretary, Service secretaries and USD(AT&L), is responsible for leading initiatives to improve the management and organization of the DoD.

Before joining DoD, Krieg worked for International Paper, Stamford, Conn., most recently as vice president and general manager of the Office and Consumer Papers Division. He had responsibility for the company's $1.4 billion retail, commercial office, and consumer papers businesses. During his 11 years with the company, Krieg held marketing and sales positions and was actively involved in the merger of three major paper companies into International Paper.

Before moving to industry, Krieg worked in a number of defense and foreign policy assignments in Washington, D.C., including positions at the White House, on the National Security Council staff, and in Office of the Secretary of Defense.

Krieg received his bachelor's degree in history from Davidson College and his master's degree in public policy from the Kennedy School of Government at Harvard University.

We need a workforce that knows a little about a lot and can connect lots of dots, rather than focus on one particular dot and be an expert on that one dot.

those and tell us why you chose these six areas as your focus?

A

Ok, let me start with my basic philosophy, because that will probably answer the second part of your question.

I believe that our primary focus in AT&L should be on the customer, the warfighter of both today and tomorrow. These customers are demanding—or at least should be—and expect us to prepare and provide the capabilities they will need to defend America and its interests not just today, but into the future.

Secondly, as staff, those of us in AT&L must also provide timely information, insight, and support to Secretary [*of Defense*] Rumsfeld to help him better manage the Department and provide his advice to the president of the United States.

Lastly, we have a responsibility to the American people, particularly as taxpayers, to wisely invest their hard-earned money in their nation's common defense. And as the representatives of the American people, Congress must also be well-informed about our efforts.

In serving all of these stakeholders, we must first define performance and make decisions using facts; second, we must align authority with responsibility and assign accountability for success; third, balance the costs and risks of our various choices; and fourth, we must build business processes that have both agile performance and strong oversight.

To succeed, we must rely on people working together in extremely complex processes. Therefore, we need to build the capacity of our workforce—both as individuals and as groups.

We must help them to develop professionally so we can continue to serve our customer even better tomorrow than we do today. And we must attract the next generation of talent to these endeavors.

While performing all of our duties within this framework, we must exercise discipline in our processes and oversight so that we can avoid major surprises. Above all, we must demand the highest integrity that is due to the public interest we serve, and work in an atmosphere of transparency.

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To achieve your vision, you've set out goals for the AT&L workforce.

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Yes, let me explain them. First, I want to have a high-performing, agile, and ethical workforce. We need to align the skills of the workforce to modern challenges, recruit and retain the talent necessary (especially in light of the average age of our workforce), and continually train and reinforce ethical standards.

My second goal is to create strategic and tactical acquisition excellence. On the strategic—or what-we-buy—side, we intend to experiment with the idea of portfolio management. This idea looks at larger groupings of investments tied to the capabilities they would provide, and it will, therefore, help us to better understand how specific investments contribute at the margin. This will be combined with the tactical side, which brings the requirements, acquisition, and resource communities closer together to consider trades among cost, schedule, and performance earlier in a system's life.

Next, I want to focus technology to meet warfighting needs. Two areas of note are to better integrate the views of the combatant commanders into the process, and to define the strategic technology vectors of this next era of competition.

Fourth, we have the goal of bringing cost-effective joint logistics support for the warfighter. One of the outcomes we'd like to see here is integrated, effective, end-to-end supply chain operations.

The fifth goal for AT&L is to create reliable and cost-effective industrial capabilities sufficient to meet strategic objectives. I think more competition is better than less competition, and I would like to see more small businesses and non-traditional companies work with us.

And finally, the sixth goal is to have improved governance and decision processes. This goal has three levels: governance, management, and execution.

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Can you explain further those three levels that contribute to the improved decision process?

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Oh, sure. I believe the Department must organize for success with the three distinct roles of any strategy-driven organization. This is critical. In fact, it's an important part of the Quadrennial Defense Review's business practices section. I was co-chair for that section of the report.

The first level is that of governance. This level includes senior leadership like Secretary Rumsfeld and me. The governance level needs to stay strategy-focused.

We need to provide strategic direction and empower the next level, management, to carry out their specific responsibilities. Management is that group of people who translate strategy from the governance level to specific tasks and outcomes for the third level.

Those people at the execution level—the third level—then implement the strategy by carrying out specific tasks and achieving outcomes as determined and monitored by the management level.

All three levels are aligned by a common strategy, ordered by a set of strategy-driven goals, and tracked and measured by outcome-oriented metrics in a transparent enterprise data framework. I realize that's easy to say and a lot of work to actually do, but I'm confident that the Department is up to the challenge.

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When writing your goals, you placed "high performing, agile, ethical workforce" as the main goal for the AT&L workforce, and you've urged the workforce to "constantly reinvent ourselves to stay on top." Can you expand on the importance and impact of these imperatives for the AT&L workforce?

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You know, we don't make much in the way of actual products. So if the 140,000 people who are in the AT&L workforce don't make much, than what *do* we do? Well, we create, distribute, and use intellectual property.

That intellectual property can be in research—actually inventing the property. It can be in program management—managing lots of complex information in order to drive a program to success. Or it can be in supply chain—thinking through what the customers need, finding out where everything is they might source it from, and directly linking those. What our workforce members do is apply their intellectual property to the problems of the customer—the joint warfighter.

The joint warfighter's challenges are changing from a fixed-force sitting across a defined battlespace in a highly linear model of engagement, to a very distributed force

We are a process-heavy organization, and we tend, in the Pentagon, to optimize our process: Leave my resource process alone and I am just fine! Leave my requirements process alone and I am just fine! Leave me alone in acquisition and I can do just fine! The success of a program, however, is dependent on those three processes coming together.

that can show up anywhere without any clear lines of battle. Agility, speed, and precision are more critical than overwhelming mass.

The changing challenges of our customer change the nature of how the supply system has to react in order to make that customer effective. This puts a premium on a big chunk of the supply system. Whether it's the research side, the technology side, the acquisition side, or the logistics side, we are back office for everything other than human capital.

I think the challenge of adapting to this new world means learning new tools and dealing with different types of problems, a lot of horizontal integration, and a lot more speed. Therefore, the importance of knowledge and education (as opposed to just training and the development of routine tasks) becomes important. This means we need a workforce that knows a little about a lot and can connect lots of dots, rather than focus on one particular dot and be an expert on that one dot.

The average person in the AT&L workforce is 49 years old and has many years of experience. However you do the math, there comes a point when the result of an equation involving years of service and age will create an economic incentive for a worker to retire. The numbers could be 55 years old and 25 of service, or 60 and 30, or whatever—but they're not going to be 82 years old and 45 years of service, or 82 and 50! We've got to refresh the workforce over time, as well as continue to grow and develop the current workforce.

The last piece—the "ethical" piece—is not to suggest that the workforce isn't already ethical. In my experience, it is a highly dedicated and ethical group, very committed to doing things right. You come to this business not because you want to be wealthy, but because you love the work. The challenge for those of us at the governance level is to continually remind people that there are shoals and rocks, there are gray spaces, and there are ethical challenges out there that everyone will face sooner or later.

Our workforce deals with incredibly complex challenges and highly intricate laws. Continually reminding ourselves where those rocks and shoals are, where those gray areas are, is absolutely critical in order to stay highly committed and highly focused.

So that AT&L goal seeks to tie all three pieces together. Our people work in a complex environment, and changing market challenges create the need to keep growing our workforce and to keep them ethically aware and ethically trained, so they know how to deal with changes and challenges.

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Regarding the AT&L goal for "strategic and tactical acquisition excellence," you've made a distinction between "Big A" Acquisition and "little a" acquisition. Can you elaborate on how these two levels differ and interact?

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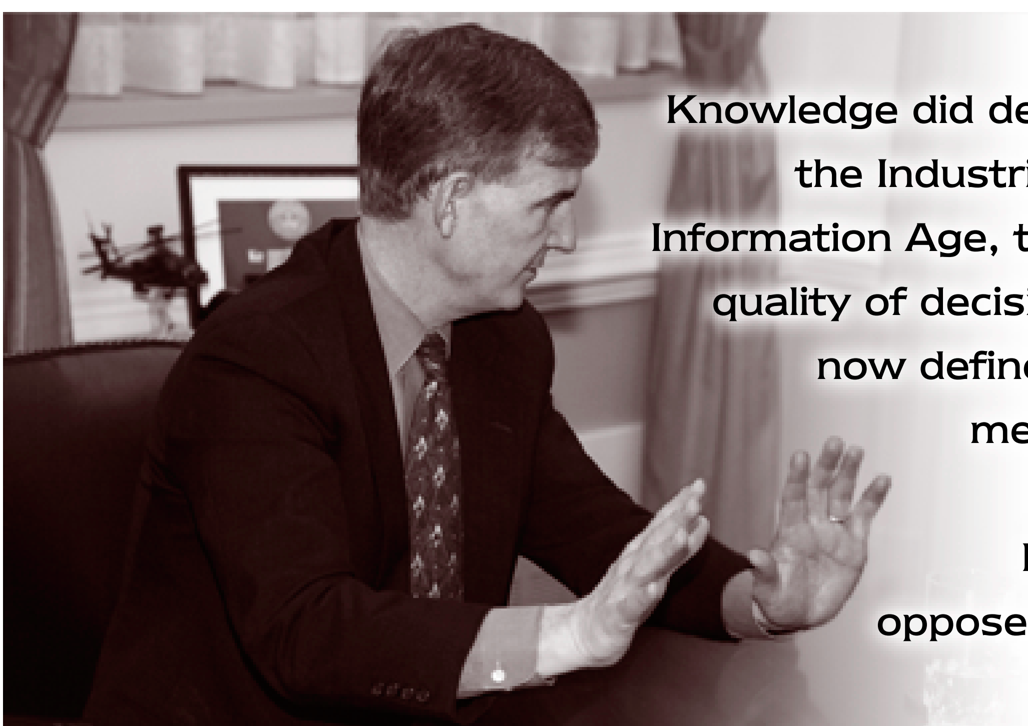
I think our business comes down to choice. There are levels and gradations of choice as you think it through.



At the most senior governance level, we have a variety of capabilities we can buy from. The most important thing the secretary of defense does is to determine, "I want to buy more of this and less of that." That's a strategic choice.

As you work down the choice set, you come to a capability area—let's say mobility. I can have airlift, sealift, fast sealift. I can have pre-positioning. I can have the command and control that makes all that happen. I can have tankers. All of those are assets and investments that make the overall capability area of mobility better. The question then becomes: How does one decide what to buy within that portfolio of investment opportunities? That is a *Big A*, a what-we-buy kind of question.

The next part of the *Big A* question is working down. I've gone inside a portfolio area and determined that the next thing I need for mobility is tankers over airlift. Okay, now that I've said tankers are the next responsibility, what are the characteristics of that? Where is the trade between schedule, performance, and cost in those processes? What is the trade between requirements, acquisition, and resources? And the last piece of *Big A* is bringing those three processes—requirements, acquisition, and resources—together to define whatever it is we want to buy.

Now compare that to *little a* acquisitions. What we've learned tactically in acquisition about how we buy is that if we have a stable program, meaning a defined technology that has stable requirements and a good program management team, we can successfully deliver that program on time, under budget, and meeting its performance requirements. However, if we reach really far for technology, and we lie to ourselves about how long it is going to take us to do it in the short-term schedule, and we underfund it, then we are guaranteed to fail.

So *Big A* functions can be defined as determining which among the various areas in which I can invest are more important and which are less important? And within a capability area, what I should invest in next; then down at the program level, how I trade between performance, cost, and schedule.

The *little a* functions are the blocking and tackling in acquiring a system. Have I done systems engineering? Do I really understand the technology risks and how to mitigate them? Do I have a test program that has us testing components over time before we assemble so that we have surety of performance as we build it up through a system? Do I understand the dependencies of the system I'm buying to other systems and, therefore, know how I link them together? Do I have a solid cost estimate? Those are all the kinds of things that good program managers do.

I believe we do that fairly well. For those programs where we create a stable floor on which to operate, we actually deliver amazing results. When we give the program managers an over-required system, we don't give them enough money, and we limit the time they have, then no matter how good they may be at the tactics of acquisition, they are going to be challenged.

My view is that *Big A* and *little a* are intricately related. In other words, *how* you buy relates to *what* you decide to buy. What you decide to buy determines whether the how-you-buy is going to be successful. In acquisition, we do both. What we are working on, obviously, is thinking about capability areas and portfolios. We are working with the vice chairman of the Joint Chiefs to bring the requirements community and the acquisition community closer together, and force them to do trades in performance versus acquisition capability, and to start to talk about time.

If you set the requirements really high, provide only so much in the way of resources, and you allow time to float, the program will take forever to develop. We are focusing on getting people to be realistic about time. When do you really need that item? Is five years of time more important than the last 10 percent of capability? Those are the kinds of *Big A* questions we have to ask as we get into these multi-billion dollar programs.

If you are not explicit about the answers to those questions up front, then successive generations of program managers and successive generations of under secretaries or vice-chairmen will have to do so. If you are explicit about the answers, then you can make choices early in the program that will help it run more smoothly. So that is a long definition of *Big A*, and some of the things we are trying to work.

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Can you give us an example of that in action?

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Yes. We had an interesting experience with the Joint Tactical Radio System, or JTRS. It was defined first as a software-definable radio, and somewhere along the line, we decided it was really a network-enabling capability. So we moved from communications-on-the-move to networks-on-the-move, yet we never changed the program plan, or the dollars put into it, or the way it was being thought about or structured as a program. And it struggled because of that.

We've been leading a group of people who have been thinking about this choice-set now over the last five or six months. They've begun to restructure the program based on having to make choices among what it costs, what we want to do, and how much time we

James I. Finley

Deputy Under Secretary of Defense (Acquisition and Technology)

The Senate confirmed James I. Finley to his position as deputy under secretary of defense (acquisition and technology) in February 2006. Finley is responsible for advising the secretary of defense and the under secretary of defense (acquisition, technology and logistics) on matters relating to acquisition and the integration and protection of technology. He is responsible for Department policies and procedures governing the Department's procurement and acquisition process.

Prior to joining the DoD in his current position, Finley spent over 30 years in the private sector. He held a variety of operational and management positions with GE, Singer, Lear Siegler, United Technologies and General Dynamics, where he was a corporate officer, president of information systems and chair of the Business Development Council. His business experience spans air, land, sea, and space programs for the DoD and includes the Federal Aviation Administration's Automatic Surface Detection Radar systems and the National Aeronautics and Space Administration Space Shuttle Program. Systems and subsystems experience includes mission analysis; design, development and deployment of weapon delivery; flight control; navigation; information management; C4ISR; battlespace management; and chemical/biological defense systems. Finley has over two decades of Joint program experience including: Air/Land Battle demonstrations integrating the Airborne Warning and Control System with 9th ID ground radar systems leading to Joint C4, utilizing the Joint Tactical Information Distribution System; deployment of the Joint Surveillance and Target Attack Radar System to Desert Storm, leading to the tracking of critical mobile targets and the "mother of all retreats"; system-of-systems battlefield awareness and data dissemination demonstrations leading to information-centric warfare doctrine for joint operations.

Leadership examples of performance awards are the Boeing Gold Certification Award, Honeywell Preferred Supplier Award, Northrop Grumman Blue Achievement, Lockheed Martin Best In Class Rating, Defense Security Service "Outstanding" Achievement Award, and the George Westinghouse Award.

In 2002, Finley formed his own consulting company, The Finley Group, LLC, to provide business assistance and advice for all facets of the business cycle, including start-up, growth, acquisition, and divestiture. Those market initiatives focused on information technology, retailing, and golf.

Finley received his bachelor's degree in electrical engineering from the Milwaukee School of Engineering and his master's degree in business administration from California State University, Fresno.

have. It has been an interesting evolutionary process for all of us.

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Since the first day you took office as under secretary of defense for AT&L, you have said we must focus on our customer. Can you give us an example of what that means for AT&L?

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We are a process-heavy organization, and we tend, in the Pentagon, to optimize our process: Leave my resource process alone and I am just fine! Leave my requirements process alone and I am just fine! Leave me alone in acquisition and I can do just fine! The success of a program, however, is dependent on those three processes coming together to create a successful program. If you optimize the individual process, you could very well sub-optimize the outcome of the product.

Program managers are only partially dependent on me as an acquisition person. However, they are highly dependent on whoever defined their requirements and how much money they bring. I don't control those things, and I don't think I should. I think we ought to make those three processes—defining requirements, allocating resources, and *little a* acquisition—come together to support the customer, who, in this case, is the program manager producing the program for the joint warfighter. It is the big challenge: Can we shift our definition of the product?

If you think the product is the milestone decision, then the objective is just to get through the milestone decision. If you think the product is the budget, then the objective is to deliver the budget. If you think the product is the JROC [*Joint Requirements Oversight Council*] memo, then the process is to get that memo out. But if you think about the customer as being the program manager delivering capability in time to the ultimate customer, the joint warfighter, then it makes you change your definition of how you work together. That's why my push is to think it through to who the customer is, and why they're the customer. It is absolutely critical in any kind of process we do.

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DoD has seen a significant increase in collaboration with international friends and allies. The desire to create systems that can offer jointness and interoperability on a global scale is quite a challenge. How do you see global collaboration progressing in the near future?

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I believe we will see more international cooperation and collaboration in the coming years than ever before. Such efforts are growing in importance as we work to support

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national security objectives dealing with current and potential coalition-building and interoperability needs. The *Secretary of Defense Security Cooperation Guidance* specifically identifies international armaments cooperation as a key tool that can best help us achieve objectives to implement our national security strategy.

Budgets are declining all over the world. It is unlikely that a single nation, even one as well funded as ours, will ever again foot the entire bill of a state-of-the-art weapons system. Our friends and allies are developing many useful technologies, some even better than our own. We already have active programs to search out these technologies.

In fact, the business world is already increasingly global in structure—to the point where it is virtually impossible not to have products with international components. We even have laws that *require* us to work cooperatively with NATO allies and to consider international cooperative programs "to the maximum extent feasible." International cooperation ensures effective interoperability with other U.S. military forces and coalition partners.

At the macro level, international cooperative programs help strengthen our alliances, trust, interoperability, access, influence, and coalition building. Such programs can save investment costs and reduce the human capital costs of managing major programs. Specific examples of cooperative programs are Joint Strike Fighter, Multifunctional Information Distribution System, Guided Multiple Launch Rocket System, Medium Extended Air Defense System, Joint Tactical Radio System, Aegis, and other shipbuilding and shipboard weapon systems.

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Language and cultural differences, varying perspectives on priorities, and large differences in operating budgets are just a few of the concerns we have with international partnerships. Given that these partnerships will not only continue, but grow, what effect will these concerns have on daily AT&L operations?

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The impact can be seen in the way we are organized, as well as the way we do business.

For example, within the AT&L staff, virtually every one of my offices and direct report components conducts significant international activities. The director of international cooperation, Al Volkman, has the responsibility for presenting a single, integrated picture of these international activities, although most do not come under his direct control.

Another example can be seen in our acquisition workforce. Most AT&L acquisition professionals will be exposed to international companies and their different cultures at some point in their careers. They will have to spend time really thinking through ways to smooth out processes and expedite cooperative programs with international partners. Among those challenges is the fact that the federal government is committed to supporting U.S. industry, but at the same time, we want to keep the door open to foreign participation. Another set of challenges exists when you look specifically at technology sharing and how it impacts U.S. technology companies when you want to pair up with a foreign competitor. The Defense Acquisition University provides a critical service to the acquisition workforce by giving the necessary training to apply acquisition skills effectively in the international arena.

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I think we are already about out of time, and we need to let you get back to your busy schedule. Mr. Krieg, thank you for your time.

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Thank you—I appreciate what you guys do.