

UNREASONABLE PRESSURES ON DEFENSE PROGRAM MANAGERS

A Candid Look at Conflicts Inherent in Program Manager Roles and Incentives

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The authors recently completed an 8-month study of persistent problems in defense acquisition. This article presents conclusions from part of the study dealing with conflicts inherent in program manager roles and incentives.

Background

At the request of the Office of the Under Secretary of Defense (Systems Integration), we undertook the study to examine problems pertaining to roles and responsibilities of government program management.¹ As a starting point, we first conducted extensive field interviews of experienced government and industry acquisition managers. Our study did not assess the strengths and weaknesses of the defense acquisition process, nor did it evaluate the mechanics of the acquisition process — as important as those mechanics may be. Competent work on these topics has been undertaken by organizations inside and outside the Department of Defense.

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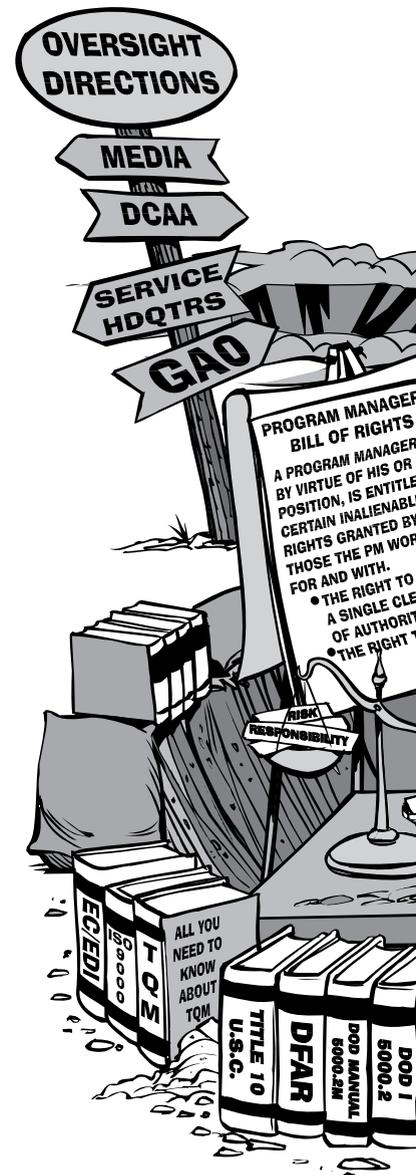
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Specifically, we conducted interviews with 80 experienced acquisition managers, each interviewed for periods ranging from 1 to 2 hours on a not-for-attribution basis.² Senior acquisition managers (current or recent) from the Army, Navy, Air Force and the Office of the Secretary of Defense (OSD) proposed government managers for participation in the study. Likewise, government acquisition managers and senior officials of the American Defense Preparedness (Industry) Association recommended selected industry managers. We encouraged their participation as individuals, not as representatives of government or industry. Fully 89 percent of those interviewed completed follow-up questionnaires. The depth of feeling and the high level of consistency across the views expressed was compelling.

Findings³

The interviews produced surprisingly strong dissatisfaction with respect to government program management roles and incentives. Most government and industry managers do not see conflict or unnecessary overlap between government and industry management as a major problem. Rather, their concern focuses on the major mismatch between the requirements placed on program managers to report realistic program status,



Government Acquisition Managers' Views

"The program manager is there to be a proponent of the system. Show me a program manager who is not a program advocate and I'll show you one who is about to lose his job."



"The mixed signals in the current acquisition process create an issue of integrity for the people operating it."



"If the program does not make it through the hurdles, my chances of promotion take a nose dive."



"The entire DoD acquisition process is heavily biased toward excessive optimism on the part of both government and industry managers. The desires of the Services are greater than their budgets. The Services are always trying to put 10 pounds in a 5-pound bag."



"The government program manager for the [name deleted] program reported to the Under Secretary of Defense: 'Everything is under control. We can do it. The program is going well.' His briefing identified no real issues. It was like a slide show. Everything they told the Under Secretary was accurate. It's what they didn't tell him that presented the big problems. Why does this occur? Because [military service] officers want the program even more than the contractor wants to sell it to the government."



"Having government program managers report to operational commanders places them in a position of inevitable conflict in roles."



"If the program does not get through the wickets, the government program manager will not get promoted. At best, the assignments that the government program manager will be offered are such that he would probably prefer to retire. A loser is just not welcome in the service."



"There is a strong incentive to postpone problems. You don't want to have a problem on your watch — and you will soon be transferred to another job anyway. If I just sit tight for another 6 months, I'll have my orders, I'll be gone."

Editor's Note: The complete set of government and industry practitioner views is contained in Volume II of the report, *Critical Issues in the Defense Acquisition Culture*, December 1994.

They were unsuccessful because they did not deal with the underlying incentives that cause acquisition managers to behave as they do.

In early 1993, the U.S. General Accounting Office (GAO) published a report on the causes of persistent acquisition problems.⁵ They concluded that some problems occur not because they are inadvertent, but because they are encouraged. For example, while some problems in cost estimating are due to flaws in methodology and to unforeseen technical problems, the more pervasive cause is undue optimism and lack of realism in reporting program cost estimates and program status to higher levels. This does not occur by chance or because estimators lack know-how, but because undue optimism helps programs gain approval and survive.

The GAO also concluded that performance shortfalls, schedule delays and cost increases are the logical consequences of the acquisition culture. Acquisition managers operate as they do because the system rewards them for doing so. While individual participants see their needs as rational and aligned with the national interest, strong affiliation with the goals of a Military Service creates incentives for promoting programs and encouraging undue optimism. Similarly, program sponsors in a Military Service often downplay and rebut critical information developed by oversight organizations, such as the DoD Cost Analysis Improvement Group, the Director for Defense Operational Test and Evaluation, the Inspector General, the GAO or the Press. The sponsors' reactions are rational, because they realize that bad news can tip the scales of support away from the program, leading to funding cuts and possible program termination. **Government and industry managers in the current study confirm these findings.**

Conclusions

Proposals to correct the problem of program advocacy delaying or distort-

ing evidence of schedule, cost or technical performance problems generally run the gamut from adding controls, increasing management layers, streamlining and issuing more explicit direction to program managers, to having program manager reports bypass the Services' systems commands, and creating program executive officers and service acquisition executives. Past attempts at reform often sought organizational, procedural or coercive solutions to make things happen without necessarily addressing why they were not happening previously. For example, **acquisition executives initiated recommendations aimed at improving the realism of cost estimates, but these are difficult to implement when the acquisition process itself does not reward realism.**⁶

These reform measures have not ensured that realistic program information is brought forward in a more timely manner. For example, the Navy withheld critical information about the status of the A-12 aircraft program at several key junctures — most notably during DoD's Major Aircraft Review and at the time of a subsequent decision to exercise a contract option on the first production lot. *The underlying cultural pressures that cause such information to be optimistic in the first place have not changed.* The fact remains that optimistic information helps a program proceed, while negative information can delay or jeopardize a program.⁷ The solution to this problem can only be found at the level of the Secretary of Defense and the Under Secretary of Defense for Acquisition and Technology (USD[A&T]).

Program managers and program executive officers align their loyalties with the chain of command that exists *within* their Military Service. Inevitably, they too often tend to view OSD as the adversary rather than as the senior office of the chain of command. If this situation occurred in the commercial world between a corporate office and the corporate divisions, the corporate

office could not afford to decentralize management to the divisions, as desirable as that objective may be. Rather, they would need to maintain close oversight over the divisions, apply rigorous controls, and conduct independent cost estimating and program reviews. Indeed, this is the manner in which the OSD has operated, for good reason, during the past several decades.

Program managers, program executive officers and other participants in the Service acquisition organizations recognize clearly who it is that controls their future assignments and promotions. When there are differences in goals between the Military Services and OSD, they recognize who it is that they should not let down, and who should have the most accurate information about their programs. It is the senior officers in the Service acquisition chain who actually have and exercise the authority to make promotions, withhold promotions, and dispense desirable future assignments. The OSD has large oversight organizations (e.g., Program Analysis and Evaluation, Comptroller, Systems Integration, Department of Defense Inspector General) because it needs these organizations when conflicts of interest or loyalties may likely surface. Experience during the past several decades proved the wisdom of this approach in the current culture.

In situations where industry managers align corporate division goals and incentives with the corporate headquarters, decentralized management is possible — indeed desirable. If the Department of Defense can find a way to align the incentives of the Service acquisition corps with OSD so that program managers and program executive officers view the USD(A&T) as the boss with genuine control over the distribution and withholding of promotions and key assignments, OSD could then place more faith in the information it receives from the Services and would be able to decentralize its acquisition management.

Controlling rewards would not *guarantee* that acquisition programs will never again be underestimated and overpromised by the Military Services. It will mean, however, that field managers implementing the acquisition process will be far more realistic in reporting to the USD(A&T) who will have the authority to assign rewards and penalties for performance.

After 30 years of attempts by the OSD to obtain realistic assessments of program status and unbiased cost estimates to complete acquisition programs, clearly, delays in obtaining candid assessments will continue until DoD resolves the conflict in program manager roles and responsibilities and those of the OSD. Effective management of the acquisition process means that the incentives that drive program managers and program executive officers should reward, not penalize, realistic reporting.

Realistic program assessments will not occur until all the Services view the USD(A&T) as controlling the assignments, training, and promotion of the professional managers necessary to operate the acquisition process. The past three decades demonstrated that having program managers [and now program executive officers] beholden to senior officers in the Military Services so strongly committed to fielding the weapons they believe their troops must have, will cause them to avoid reporting news that will endanger their programs.

If OSD and the Military Services wish to manage the acquisition process with professional, competent managers drawn from their best and brightest officers and civilians, they need to create career paths and promotions that attract outstanding officers to key acquisition management assignments and to provide the training and experience required to perform those assignments well. As long as military officers and civilians view acquisition positions as “broadening assignments” or as “terminal assign-

Defense Industry Managers' Views

“The government program manager’s primary objective is to keep the program alive until the product is delivered.”

U

“Today any program that smacks of having a problem gets shot, and the people in the program get shot.”

U

“Today program managers are frightened and they delay identifying problems. Suppressed information also led to the Challenger accidents. Problems were not reported because of concern that reporting them would delay the program. Suppressing problems should be the basis for the first order of firing people.”

U

“Government program managers are told they are responsible for the success of their programs. Success means getting the program through the wickets on budget and on schedule. The program manager must keep selling the weapon’s capabilities above him in the government. He must keep the program moving through the boards that approve milestones one, two, three. This means keeping people up the line sufficiently well informed to be comfortable with the program and to keep it moving through the wickets.”

U

“The program manager’s boss, like the program manager, has significant pressures to make himself look good over a period of no more than 2 to 3 years. In industry, the normal checks and balances apply to a much longer period of time.”

“Government program managers have a tendency to allow engineering changes (ECP) to stack up and to create a backlog. Program managers are often so worried about cost increases endangering their programs that they tend to ignore contractor ECPs, put them in a drawer and not act on them. They accumulate, and then later the balloon bursts and everyone is surprised by the sudden cost increase. This often happens where there is a large program management office. Engineers associated with the government office are always developing ideas on how to make the program better. They work together with people in the contractor’s plant and the attitude they have is: “Oh, the contractor can absorb that.” They often do not understand the cost of changes.

U

“You put people in government program management jobs and tell them what you want them to do, and then give them an incentive system that punished them for doing what you tell them and rewards them for postponing problems and getting a program through the process irrespective of cost and schedule. What do you think you will get? You will get what you reward.”

U

“If you have a long-standing relationship with your boss, you let him know about problems and you do not cover them up.”

U

“The government program manager is concerned about getting money from higher levels and keeping support for the program.”

ments” prior to retirement, in the hopes of developing experience and contacts for post-retirement careers, DoD’s success in producing anywhere near the required numbers of highly skilled, experienced professional acquisition managers is unlikely.

Recommendation

To remove program managers from the pressures to report only good news (avoiding or delaying reports of realistic program assessments), the USD(A&T) must exercise clear operational control of the Army, Navy and Air Force acquisition organizations. This change is needed to provide consistent incentives to program managers and to produce an unambiguous chain of command for assignment of responsibility and accountability from the USD(A&T) to the Service acquisition organizations and their program managers. During the next several years this change can produce a corps of trained and experienced professional acquisition managers, led by individuals at the top who have actually experienced life on the line. Two purposes served by this chain of command are: (1) providing focused direction to the enterprise; and (2) establishing the free flow of timely and accurate information — both up and down the chain.

The USD(A&T) can then decide whether it is effective and efficient to keep the three acquisition organizations separate or to consolidate parts of their activities. Irrespective of whether the current Service acquisition organizations remain separate, however, they should be placed under the direct control of the USD(A&T) who will have both assignment authority and promotion authority for military and civilian personnel assigned to the acquisition corps.

The Military Departments will retain the responsibility for determining requirements and programming resources to meet those requirements. The Acquisition Program Baseline can serve as a contract between the

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USD(A&T) and the military user. The USD(A&T) will have final responsibility for determining the cost of a proposed system acquisition. The Military Departments will need to provide funding to the baseline cost, or alter requirements.

The USD(A&T) needs to make clear by public statements and by the use of assignments, transfers and promotions within the acquisition corps, that effective management, including candor and realism in reporting, will be rewarded by the OSD. Most program managers do not have that assurance today.

Some within the OSD express the view that the time has come to write off program managers as incapable of reporting realistic information and that acquisition programs should be managed centrally from the OSD. Adopting that approach would be a mistake. Complex engineering development programs of a size and number required by the Army, Navy, Air Force and Marine Corps cannot be managed effectively from a centralized, remote organization. The F-111, C-5A and the DoD fixed-price development programs of the 1980s clearly demonstrated the fallacy of that approach. Program managers, with the information they receive from contractors and from government plant representatives, are able to make realistic assessments of their programs, provided they are not penalized for doing so. They are loyal to their superiors, and they do not want to let them down. They would prefer to report realistic information if their superiors did not view those reports as acts of disloyalty.

Some may argue that statutory changes will be required before this transfer of authority can be established. We disagree. Title 10, United States Code, states that each Secretary of a Military Department has responsibility for equipping the force (including research and development). Even if the USD(A&T) has direct control over the acquisition work-

force assignments and promotions and a direct reporting chain to program managers, the Service Secretaries can retain responsibility for initiating the acquisition program process to equip the forces, formulate acquisition budgets, and make priority decisions among acquisition programs competing for scarce resources. The Services can also retain responsibility for operational test and evaluation. They would become "customers" who submit orders for equipment to an acquisition organization charged with obtaining this equipment within agreed-to cost, schedule and technical performance parameters. Indeed, this type of practice occurs to a limited degree today: the Army is the single manager for acquisition of conventional ammunition within DoD, while the other Services continue to establish their ammunition requirements and budgets.

Postscript

Acquisition managers can only function as well as the system in which they work allows them to operate. A fundamental problem in defense acquisition today is that program managers are too often placed in positions of conflicting roles and loyalties. The time is long overdue to correct this fundamental problem in acquisition management. Today Secretary of Defense Perry and Under Secretary of Defense Kaminski are committed to correcting the longstanding problems in defense acquisition. The new Congress is looking for ways to demonstrate that they can break with the erroneous practices of the past. This is a rare opportunity for the Administration and the Congress to join together in solving a difficult, longstanding conflict unreasonably imposed on program managers for decades.

Editor's Note: Copies of the report, *Critical Issues in the Defense Acquisition Culture*, December 1994, can be obtained from the Executive Institute, Defense Systems Management College, 9820 Belvoir Road, Ft. Belvoir, VA 22060-5565.

Endnotes

1. Gary Christle from the OSD Program Integration Office requested this study, provided helpful encouragement, and allowed the study to be performed without restraints or qualifications on its findings and recommendations.
2. Practitioners interviewed included 33 defense industry managers (25 program managers/general managers and 8 vice presidents or senior managers of contracting/procurement) and 47 government managers (14 flag officers currently or recently in acquisition management positions; 11 program managers not flag officers [nine O-6s, one O-5, one SES]; six senior acquisition/oversight managers above the level of program managers; three directors of contracts; eight program office division chiefs or senior government acquisition managers/analysts; and five Defense Plant Representatives Office commanders).
3. Statements of practices and problems are taken from interviews with government and industry managers. Conclusions and the final Recommendation are the responsibility of the authors.
4. *Weapons Acquisition: A Rare Opportunity for Lasting Change*, GAO/NSIAD-93-15, December 1992, p. 51.
5. *Ibid*, pp. 35-39.
6. Attempts by acquisition executives to obtain realistic information on weapon programs from the Military Services fell far short of their goals. In 1990, the GAO reported that to protect programs from criticism, the Services were reluctant to provide the OSD current program information, such as updated cost estimates (*Defense Acquisition: Perspectives on Key Elements for Effective Management* [GAO/NSIAD-90-90, May 14, 1990]). In fact, top-level acquisition participants' demands for better program information can intensify the protectionism of program sponsors (*Beyond Distrust: Building Bridges Between Congress and the Executive*, a report by a Panel of the National Academy of Public Administration, January 1992).
7. *Ibid*, pp. 53-54.