

Pessimism About Acquisition Reform

Written by Nick Sanders

Thursday, 26 February 2015 00:00

Few people doubt the Federal acquisition system is broken. The only real question is whether it can be fixed. Opinions vary.

Leaders at the OFPP and DoD believe they have some bandaids to staunch the hemorrhaging of taxpayer funds, the waste associated with cancelled programs, and the ridiculously long development timeframes. They don't promise a 180 degree flip-turn in the current bureaucratic swamp that impedes efficient innovation and execution. But they hope for some incremental improvements.

They are the optimistic ones.

Others say the problems in the defense acquisition environment are endemic and that they are too intractable to be fixed by anybody. Recent reports seem to telegraph that the current version of "acquisition reform" is dead on arrival, even as Ash Carter takes the helm at the Pentagon and Frank Kendall dishes about "Better Buying Power 3.0".

We've offered opinions regarding Obama-era acquisition reform efforts, which have been mostly negative and probably more than a little cynical regarding the notion that more and/or better processes were going to fix the problems that contractors face when trying to perform Federal contracts. As we gain first-hand experience with entities that are agile and flexible and innovative we are learning how the CAS and FAR rules act to stifle and impede the very traits the DoD leadership says it wants in its contractors. We see, for example, how "high speed, low drag" contractors have to slow down and add overhead just to respond to the auditors, and how they are penalized and forced into litigation for failing to properly comply with the smallest regulatory nuance. We spend our professional lives trying to help contractors find a balance between the demands of the programs and the demands of the bureaucrats; and too often it seems more profitable to make the bureaucrats happy—and to hell with efficient program execution.

But we are not the only pessimists around.

Sandra Erwin, writing in National Defense magazine, reports that Gordon England, former

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Deputy Secretary of Defense (under Donald Rumsfeld), is one of the pessimists. Ms. Erwin quotes England as follows –

'It's our form of government,' England said during a panel discussion last week at a Naval Institute conference. 'How can we be innovative?' he asked, when it takes years to get budgets approved and move programs through the Pentagon bureaucracy. 'That's the reality. How do we deal with this? It is a real issue.'

When he was Donald Rumsfeld's deputy secretary during the George W. Bush administration, England and his boss scratched their heads over this issue. 'We've done 128 studies on acquisition. The bottom line is that I don't think it's going to get better,' England said. 'I don't believe commercial companies are going to jump into this environment because it hurts their commercial business.'

England was not the only pessimist to be quoted by Ms. Erwin. One panelist stated "The Pentagon's \$180 billion a year research, development and procurement budget is not enough to entice new suppliers because of the regulatory burdens. From a commercial player standpoint, it's a very high cost proposition."

Ellen Lord, CEO of Textron Systems, was quoted as follows—

The Pentagon insists it wants faster and leaner programs, but the rhetoric is divorced from reality, Lord said. 'We have layer upon layer upon layer of oversight that is putting so much cost into the system,' she said. 'Small companies cannot afford to play. Even big companies are opting out.'

Better buying power 3.0 encourages program managers to seek new products from commercial suppliers that fund their own research and development. But Pentagon requirements for internal company cost data deter commercial companies from doing business with the government, she added.

Another participant, Tom Captain of Deloitte Consulting, was quoted at length. We have

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paraphrased his quotes as follows—

Many in industry are a bit suspicious. Contractors get the feeling that current efforts to fix defense acquisitions are another ‘initiative du jour’ that will generate lots of reports and media coverage but will not break through the institutional inertia. It doesn't mean that the Defense Department doesn't have good ideas, but there is little reason to believe that any new round of reforms will reverse trends that keep weapon systems over budget and behind schedule.

The tenets promoted by ‘better buying power,’ or BBP, have been helpful... But not much real progress has been made. We haven't gotten the results we were looking for. Programs are getting more expensive and more complicated.

In the same magazine, Yasmine Tadjdeh wrote that CEOs of defense contractors are calling for a more business-friendly approach out of the Pentagon. For example, she wrote—

Jerry Demuro, CEO of BAE Systems, said industry is being stifled by odious acquisition red tape. Contractors must navigate layers upon layers of bureaucracy before it can develop systems. Contractors are also dealing with exhaustive audits that tie up personnel.

Extensive audits and bureaucracy are not ‘improving the affordability [or] the quality of these products and certainly the time to get that delivered to the soldier,’ he said. ‘Industry has demonstrated that it can be very agile, ... but we have organizations ... where we have one third of the revenues, half of the employees and now three times the number of auditors resident in the facility,’ he said. Dealing with audits and regulatory hurdles are expensive and labor intensive. That is money that is not going toward the development of ‘the next whiz bang application,’ he said.

To some extent, the foregoing are examples of time-honored complaints. But on the other hand, it seems clear that many (if not most) knowledgeable insiders think the current problems can only be solved by a cultural shift at the Pentagon, as well as a change in approach by Congress. We are sadly pessimistic that such dramatic changes are going to develop in the near future.

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Let's put it another way. BBP and its spawn are evidence that DoD leaders are looking for a gradual change from the status quo, an evolution if you will. From where we sit, what's required is a fundamental revolution. A complete dismantling of the current system in favor of a more streamlined and rational approach, where buyer and seller agree on terms and then hold each other accountable for fulfilling those terms. The likelihood of such a revolution happening anytime soon is about the same as you winning the next Lottery you enter.