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Deputy Under Secretary of Defense for Acquisition Reform, Mr. Stan Soloway, Departs the Department of Defense

When Mr. Stan Z. Soloway cleaned out his office at the Pentagon, he left knowing he helped make acquisition reform part of DoD's culture. Mr. Soloway, Deputy Under Secretary of Defense for Acquisition Reform (DUSD(AR)) and Director of the Defense Reform Initiative (DRI), said farewell to DoD on 29 December 2000, after nearly three years of overseeing the Department's acquisition reform efforts. Throughout his tenure, Mr. Soloway helped solidify a culture of reform throughout the Defense Department by developing strategies for reinventing and streamlining DoD operations and organizations to take better advantage of the private sector's best business practices and information technology advances.

As DUSD(AR), Mr. Soloway was the Under Secretary of Defense for Acquisition, Technology and Logistics's (USD(AT&L)) senior official responsible for developing and implementing policy and process changes to acquisition practices. "DoD cannot afford to do business the old way," Mr. Soloway said in an interview early last year, "We need to study what industry offers. We need to learn from them, and partner with them. Then we need to share that

information and make it second nature for people to embrace change."

As Director of DRI, Mr. Soloway had a leadership role in the most comprehensive reform initiative undertaken at DoD in decades. DRI encompasses virtually every aspect of the department's business operations, including electronic commerce/business, logistics, financial management and quality-of-life initiatives. In this role, he coordinated the Defense Management Council, an advisory body of the Department's senior civilian and military leaders.

Additionally, Mr. Soloway was also responsible for the USD(AT&L) career management, education and training of the department's 150,000 acquisition, technology and logistics workforce. He oversaw the re-engineering of the Defense Acquisition University, which serves some 30,000 students annually and the now underway re-engineering of the training and education opportunities for the acquisition workforce. Under his leadership, DoD also created the Change Management Center, the first office of its kind in the federal government.

Communication with those most affected by acquisition reform policies

was key to Mr. Soloway's success. He became known for his travels to numerous sites for "town hall meetings"—exchanges with industry, government personnel and, most importantly, the grass-roots professionals who actually implement reform daily. He conducted these meetings with the acquisition workforce at every major DoD buying command and hosted quarterly live, satellite television broadcasts on key reform issues. As the number of missions with our allies grew, he also conducted discussions on acquisition issues with his counterparts and other defense officials in the United Kingdom, France, Australia, Japan, Singapore, Germany and other allied nations.

Mr. Soloway helped lead the expansion of the Single Process Initiative (SPI) that eliminated unnecessary government-unique process requirements at defense manufacturing facilities and replaced them with commercial, performance standards. SPI has since achieved cost savings and cost avoidance well in excess of \$500 million.

Mr. Soloway focused on the acquisition of services, where acquisition money is predominately spent, and performance-based acquisition. Throughout his tenure, he renewed focus on

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Dual Use Science and Technology (DU S&T) Awards Potential Commercial Use

Advances in commercial technology combined with declining defense budgets have, in many cases, changed DoD's traditional, defense-unique approach to technology development and procurement. Future DoD programs will need to take advantage of cost-conscious, market-driven commercial production and leverage the huge investments in leading-edge process technologies made by private industry.

The DoD's Dual Use Science and Technology (DU S&T) program provides an opportunity for combined private industry and military research and development to produce technology needed by both commercial and military customers. In joint development projects, partners share costs, risks and benefits on a 50/50 basis.

The DU S&T program requires that the proposed technology have both military relevance and potential benefit and sufficient potential commercial, non-defense applications to support a viable production base. Since 1997, approximately 300 projects have been initiated with over \$800 million invested by DoD and industry to develop dual use technologies.

The DU S&T Achievement Award was established to recognize successful dual

use projects and to honor DoD acquisition and technology workers responsible for their initiation and execution. Any S&T project that results in the development of a dual use technology and meets the minimum requirements identified under the selection process is eligible to compete. Dr. Delores Etter, Deputy Under Secretary of Defense for Science and Technology, presented the cash awards — first place was \$5,000, and runner-ups each received \$2,500 — at the "Commercial Technology for the Warfighter" conference held in November 2000.

The first place award was presented to Mr. Brad McNett and Mr. Mark Mushenski of the Army's National Automotive Center for their initiation and successful execution of "Electronically Controlled Active Braking System for Medium Duty Vehicles." With Continental Teves as their project contractor, these individuals were responsible for the successful development of anti-lock brake technology for the High Mobility Multipurpose Wheeled Vehicle (HMMWV) and medium-duty commercial trucks.

The dual use technology developed under this project will result in significant cost savings for the Army and improve the

safety and performance of the HMMWV, as well as commercial light-duty truck applications.

One runner-up prize was awarded to Mr. Joel Arnold of the Air Force Research Laboratory for his work in "Future Air Navigation & Traffic Avoidance through Integrated Communications Navigation & Surveillance (FANTASTIC)." With

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challenges of access to technology — including intellectual property and access to commercial research and development capabilities.

"As our military continues to rethink and change to meet the new strategic challenges we face, as the commercial world continues to adapt to the challenges and enormous opportunities presented by the technological change and new global marketplace, so too must we, the DoD, continue to change the way we think about the business of defense," Mr. Soloway remarked at a Pentagon press conference two weeks before his departure.

Mr. Soloway plans to continue to stay active in acquisition issues as he assumes the role of President of the Professional Services Council (PSC) — a national trade association representing the professional and technical services industry. PSC's members provide technical and professional services in all areas including defense, space, environment, energy, education, health and international development, and assist virtually every department and agency of the federal government. Mr. Soloway was a key force in ensuring that acquisition reform has become the way to do business in the Department of Defense.

"Indeed, much has changed, and for the better," Mr. Soloway notes. "Given the complexity of our business practices, and the entrenched cultures we have inside and outside of government, I believe we have made substantial progress. But clearly, we must do more."

—AR—

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Program Executive Officer/Systems Commanders' (PEO/SYSCOM) Conference and Science and Technology (S&T) Expo: 'Continuous Improvement and Innovation - Everyone's Responsibility'

Representatives of the DoD acquisition, logistics and requirements communities and defense industry convened at the Defense Systems Management College, Ft. Belvoir, VA for the Fall 2000 Program Executive Officer/Systems Commanders' (PEO/SYSCOM) Conference and Science and Technology (S&T) Expo: "Continuous Improvement and Innovation - Everyone's Responsibility." The conference provided program managers, other DoD officials and their industry counterparts a chance to exchange success stories and lessons learned. More than 400 conference attendees witnessed an enlightening line-up of topics, speakers, panelists and exhibits at the three-day event, which was organized under the aegis of the Defense Systems Affordability Council by the Office of the Deputy Under Secretary of Defense for Acquisition Reform (DUSD(AR)) and co-sponsored by Dr. Delores Etter, Deputy Under Secretary of Defense for S&T.

The conference emphasized continuous improvement and innovation in the

transition of technology from the S&T community into the Defense acquisition process. That transition begins with awareness—the acquisition and operational communities must be aware of the technological capabilities and products that are available; and the S&T community must be aware of the operational requirements and corresponding acquisition strategies to meet them. The DoD Technology Expo 2000 was put on in conjunction with this conference to give attendees a greater understanding of how they can use S&T assets in their respective programs or portfolios.

Following up on their success at last spring's PEO/SYSCOM Workshop, conference organizers included a half-day of training tutorials to the conference. The tutorials covered a wide variety of subjects that either do or will affect the acquisition community, including: Knowledge Management, Information Assurance, Integrated Digital Environment, Implementing Performance-Based Payments, Commercial Practices, Cost of

Delay, Implementing Alternative Dispute Resolution, Reverse Auctioning and Integrated Project Management.

Dr. Jacques Gansler, the Under Secretary of Defense for Acquisition, Technology and Logistics, gave his final PEO/SYSCOM Conference keynote address, and he reflected on the challenges and opportunities of the last several years. His message was that dramatic advances in technology and threats to national security caused by world events are driving changes in military operations. Dr. Gansler highlighted an increased DoD-wide emphasis on requirements, affordability and the transformation of logistics systems.

He spoke of the growing recognition that jointness and interoperability, with both multi-services and international coalitions, are the future face of warfare. Dr. Gansler stated that interoperability and increased globalization of industry create a need to share technology with allies and coalition partners.

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Technology Leaders for the Future: Section 912(c) Study Status Report

With continual vast technological changes in warfare, it is critical to the future success of the warfighter mission that the Department of Defense recruit, develop, reward and retain a technical workforce of the highest caliber. Section 912(c) of the National Defense Authorization Act for Fiscal Year 1998 directs the Secretary of Defense to conduct a review of the organizations and functions of DoD acquisition activities and of the personnel required for conducting those activities. Accordingly, one of the areas targeted for Section 912(c) study is policy that might be employed to ensure the Department has the highest quality science and technology workforce.

A Senior Steering Group (SSG) made up of high-level DoD officials and their designees and an associated working group of DoD personnel experts developed a report and proposed legislative initiatives using a process that includes

published workshop results, earlier studies, trend data, available tools and best practices.

The study report made recommendations in three major categories: 1) competencies; 2) developing the workforce; and 3) hiring and retirement. The report endorses the development of policy, programmatic and legislative proposals facilitating hiring, ensuring new hires have the desired future competencies, and avoiding precipitous loss of experience. The recommended action plan includes: examining hiring and retirement initiatives that will help to shape the future acquisition workforce; developing a strategy for incorporating universal competencies in acquisition and technology professional development programs; and using Overarching Integrated Process Teams and Functional Integration Process Teams to compare current and future functional competencies.

While recent authorization statutes will help DoD meet its technology personnel objectives, more needs to be done. The group recommends Congress pass: DARPA Experimental Personnel Pilot Program for Labs, DoD Civil Service Workforce Realignment Act 2000 (Voluntary Early Retirement Authority/Voluntary Separation Incentive Program), Clarification of Demonstration Authority, Scientist and Engineer Excepted Service, Scientist and Engineer Pilot Personnel Program, Civil Service Recruitment and Retention Act 2000 ("Bonuses") and Commercial Intergovernmental Personnel Act.

The group recommends Congress pass a number of legislative initiatives to further assist the Department with this objective.

For more details on the study status report, visit <http://www.acq.osd.mil/ar/doc/techrpt.pdf>.

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Services Plan to Implement Performance-Based Services Acquisition (PBSA) by 2005

As reported in the July/August 2000 issue of *AR Today*, DoD is moving from traditional military specifications and standard requirements to performance-based acquisition requirements. As a result, increased use of performance-based services acquisition (PBSA) strategies is among the Department's highest priorities. PBSA has been proven to enhance competition and innovation, encourage quality performance, reduce government risk and encourage commercial practices by having the Government decide performance requirements while the contractor decides how to perform the requirements.

On 5 April 2000, Dr. Jacques S. Gansler, Under Secretary of Defense for Acquisition, Technology and Logistics, issued a memorandum directing the Department to make a minimum of 50 percent of service acquisitions, measured in both dollars and actions, performance-based by the year 2005. To ensure that PBSA is implemented effectively, the directive requires that the relevant workforce be trained in PBSA by April 2001.

In response to Dr. Gansler's directives, each Military Service and the Defense Logistics Agency (DLA) recently developed PBSA implementation plans. While the plans differ, each reaches the goals directed by Dr. Gansler. In keeping with PBSA principles, Dr. Gansler decided the performance requirements but allowed the Services and DLA to determine how to do the work.

Army PBSA Implementation: The Army's Principal Assistants Responsible for Contracting are responsible for meeting the year 2005 PBSA goal of 50 percent. To help further this requirement, each major Army command (MACOM) is required to provide an initial plan to accomplish this goal and a PBSA training status report of their core-contracting workforce. Each MACOM is required to certify that their core-contracting workforce is current in PBSA by April 2001.

The Army's latest directly related initiative is the development of a Procurement Knowledge Center on the web. While this Center will expand to include other acquisition reform initiatives, its current focus is PBSA implementation. The Army will develop a charter for a

proposed Breakthrough Rapid Improvement Team for operational support of PBSA using the Center. The web site, currently located at <http://216.482.41/ap/>, facilitates use of and training in PBSA. It will also develop a PBSA Action Learning Workshop Campaign Plan for United States Army Forces Command and the Training & Doctrine Command as an Army Pilot Activity toward developing mission requirements that can be converted into PBSA Statements of Work.

Navy PBSA Implementation: The PBSA implementation plan for the Department of the Navy focuses on performance-based acquisition, metrics, and training plans in the following business areas:

- ◆ Maintenance, overhaul, repair, service, rehabilitation, salvage, modernization or modification of supplies, systems or equipment
- ◆ Maintenance of real property
- ◆ Base operations and support
- ◆ Operation of government-owned equipment, facilities and systems
- ◆ Education and training
- ◆ Medical services
- ◆ Program management support
- ◆ Research and development (except basic and applied research)

Program Executive Officers, Direct Reporting Program Managers and System
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PEO/SYSCOM Conference

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Dr. Gansler concluded his remarks by stating that the significant progress in acquisition reform over the past few years has come about through a change in attitude and culture within DoD and that the Department needs to continue moving forward.

Mr. Stan Soloway, DUSD(AR), presented a summary of activities since the last conference. Mr. Soloway described the accomplishments of the April 2000 Workshop, and how this conference continues to pursue these themes. Mr. Keith Charles, the Acquisition, Technology and Logistics Workforce 2005 Task Force Director, announced that the final draft of the report "Shaping the Acquisition Workforce of the Future" had just been released. To address coming demographic changes in the civilian acquisition workforce, the Task Force produced a report that offers recommendations in strategic planning, recruiting/hiring, career development, workforce management and quality of life.

Attendees shared ideas and initiatives and reviewed lessons learned in a number of panel discussions on important acquisition, sustainment and S&T topics, including:

- ◆ DoD S&T Executives
- ◆ Civil-Military Integration Perspectives
- ◆ Balancing Risk with Innovation
- ◆ Reducing Total Ownership Cost: R-TOC [Reducing Total Ownership Cost] is Real
- ◆ Evolutionary Acquisition at Work.
- ◆ Industry Associations' Perspectives on Reform's Achievements and Remaining Challenges

Other presenters spoke on "S&T Resources for Acquisition Managers," "Lessons Learned on Use of Commercially Developed Products" and "Service Acquisition Executives' Perspectives of Reform Achievements and Remaining Challenges." To view presentations from the Fall 2000 PEO/SYSCOM Conference, go to <http://www.acq.osd.mil/dsac/confern.htm>.

Satellite Broadcasts Focus on the 'Force Behind the Force'

The final acquisition reform satellite broadcasts of calendar year 2000 gave both a look back and a look forward as Mr. Stan Soloway, Deputy Under Secretary of Defense for Acquisition Reform, opened the 12 September 2000 broadcast entitled: **"The Acquisition Workforce 2005: Managing Change, People and Performance."**

While acknowledging the rapid pace of business process change in the Department, Mr. Soloway said, "DoD cannot afford to remain static [if it is to meet upcoming goals]." That theme was continued in the final broadcast of the year, **"Into the Future of Defense Reform: The Mission and the Challenge,"** held 4 October 2000.

"The Acquisition Workforce 2005: Managing Change, People and Performance" focused on two overarching challenges DoD will face in its future civilian acquisition workforce: 1) to drive and manage change and 2) to train, retain and develop this "force behind the force."

Driving an emphasized focus on the acquisition professional are:

- ◆ Force modernization and recapitalization needs
- ◆ Balanced budget pressures
- ◆ Aging weapons systems
- ◆ Policy and practice changes
- ◆ Decreased workforce numbers due to workforce retirement or attrition
- ◆ Demographic changes
- ◆ Personnel pressures experienced in the marketplace

"The people are not the problem – we have a talented, dedicated workforce," said Dr. Jacques S. Gansler, Under Secretary of Defense for Acquisition, Technology and Logistics during his interview with Mr. Soloway. "The process is what has to change."

"The acquisition workforce of the future needs skills in business case analysis, computer literacy, more functionality and a much broader view of acquisition," said Dr. Gansler, "They need to have [better] leadership skills – they need to be able to make changes happen and be mentors for other change leaders. For future success, we must develop our people to their maximum potential. "This is why some of

the personnel change elements of acquisition reform exist – such as the Acquisition Workforce 2005 Taskforce, Continuous Learning Policy and Workforce Personnel Demonstration Project.

The broadcast finished with two panel discussions. The first, which focused on strategic human capital planning, featured Mr. David Walker, Comptroller General of the United States and Dr. Bernard Rostker, Deputy Under Secretary of Defense for Personnel and Readiness. Mr. Walker said that people are the most vital asset in the new information economy and encouraged a human capital approach that emphasizes flatter organizations and retention, recruitment and retraining that creates the skills needed for and cultural acceptance of them. Dr. Rostker spoke from the DoD perspective on using talent in a flexible way – from phased retirement and sabbatical concepts to multifunctional training, citing the Defense Leadership and Management Program (DLAMP) as an example.

The second panel discussion of the broadcast featured Mr. Keith Charles, Director, Acquisition, Technology and Logistics, Civilian Career Management; Mr. William Mounts, Director, International and Commercial Systems Acquisition; Brigadier General James Feigley, Commander, Marine Corps Systems Commands and Brigadier General Select Darrell Scott, United States Air Force. They gave examples of programs designed to develop people and usher in organizational change.

The 4 October Satellite Broadcast, **"Defense Reform: The Mission and the Challenge,"** opened with an interview between Mr. Soloway and Secretary of Defense Mr. William Cohen. In discussing the Defense Reform Initiative (DRI), Secretary Cohen said, "We improve procurement for effectiveness; it's not budget-driven per se. If we save that money, we can invest in quality of life for the warfighter. It's all tied together."

"Everything we do starts and ends with the quality of our people," Mr. Rudy deLeon, Deputy Under Secretary

of Defense added in his interview with Mr. Soloway, "The QDR [Quadrennial Defense Review] asks us if we have the right processes in place to support our investment." DRI puts those processes in place, according to Mr. deLeon. "We've made a great start in organizational streamlining," he stated, "We have a blueprint, but we're not [yet] in step with the culture. DRI has achieved savings but not as much as we would like due to the up-front investments [needed to initiate change]."

Dr. Gansler held a panel discussion with Ms. Alice Maroni, Principal Deputy Under Secretary of Defense (Comptroller); Rear Admiral Raymond A. Archer, Vice Director, Defense Logistics Agency and Lieutenant General John Pickler, Chief of Staff, United States Army. They touched various defense reform issues, including DoD financial management, business process reengineering, personnel management and quality of life.

While these were the last broadcasts of the year 2000, it is clear that reform will continue throughout the 21st century. -AR-

Paid Cost Rule Ensures Payment Consistency

The Paid Cost Rule required that large businesses pay suppliers before those costs could be included in billings to the Government. It was eliminated for contracts not yet awarded in the Federal Acquisition Circular (FAC) 97-16, released in March 2000.

The Paid Cost Rule requirements created a dual billing system, with one for contracts in which subcontractor costs were not paid and one for completed contracts. Dual billing, in turn, created higher administrative costs. A DoD cost-benefit analysis determined that the costs necessary to achieve the savings associated with a single billing system were less than the existing interest payments (i.e., Government cost of capital) of recorded, but unpaid, subcontract costs one period earlier created by the dual billing system.

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