

SECRETARY PRESTON ADDRESSES DAU TRAINING AND EDUCATION CONFERENCE

Acquisition Reform Remains at the Forefront

Lyn Dellinger

It was to an upbeat audience at the Defense Acquisition University Training and Education Conference that Colleen A. Preston, Deputy Under Secretary of Defense for Acquisition Reform, presented the capstone speech on Friday, 14 October 1994, the day following the signing of P.L. 103-355, the Federal Acquisition Streamlining Act of 1994. Secretary Preston began by outlining her vision for the way Acquisition Reform should be implemented. Acknowledging the work of the Senior Steering Group over the last several months, she emphasized the importance of teamwork among all the players, not only within DoD, but with the administration, Congress, other agencies and industries. "Only when we get everyone pulling together in the same direction will we really achieve the success we need in the time frames we need to establish."

Secretary Preston discussed the implementation plans and stressed the planning and organization efforts key to their development. Eight major goals (Figure), numerous sub-goals, and Round 1, Round 2 and Round 3 activities emerged in her presenta-



Colleen A. Preston, Deputy Under Secretary of Defense for Acquisition Reform

tion. She defined Round 1 as things initiated in the past year for which substantial progress has been made; Round 2 activities are those that either were initiated very recently or will be initiated immediately; and Round 3 activities are those initiatives or sub-goals that will be pursued later after Round 1 and Round 2 objectives are met. Throughout the talk, Secretary Preston emphasized the use of Process Action Teams (PAT) to implement the goals, and defined her expectations of the PATs: "Our process action teams are designed to develop implementation plans. They are not study groups, they are

reengineering organizations. They will define the present state of the art, but only to the extent necessary for them to start with a clean sheet of paper and look at how to reengineer the process that they have been asked to address."

Goal 1

The first of the goals she defined was: **Enhance the Needs (Requirements) Determination Process (What We Buy)**. To begin, she outlined sub-goals, the first of which was to reform specifications and standards to eliminate DoD-unique product or process specifications. Such specifications and standards often inhibit the purchase of commercial systems or dictate to a contractor how to produce a product or provide a service. Round 1 activities included establishing a Specifications and Standards PAT, which made recommendations to the Secretary of Defense. The Secretary of Defense, based on the recommendations, subsequently issued a memorandum dated 29 June 1994. Secretary Preston commented on the memo: "Specifications and standards can all be boiled down to one phrase...We will use performance specifications." She went on to explain that if performance specifications can not be used to ensure that we will be able to meet users' needs, then we should use a non-governmental standard. If the non-govern-

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mental standard will not succeed, then we may use a military specification — a unique government specification. We are working to achieve a fundamental shift in our acquisition culture. To help us make this shift, programs in Acquisition Categories I to IV will require a waiver in accordance with Service procedures to require the use of a military standard or military specification in their solicitations. An exception to this policy is that procurement of items already in the inventory do not require a waiver.

Secretary Preston also noted that although the memorandum only addressed new systems begun after the implementation date of 26 December 1994, the Services are attempting to include the spares and repairables. As a part of the implementation plan, her office will set up a process by which generic categories of these items can be handled. The Standards Improvement Council is tasked with implementation. This group was formerly called the Standardization Council, a subtle but important difference.

The second sub-goal she defined was a better integration of the needs or requirements determination, resource allocation, and acquisition processes. Her office is developing a charter for the PAT, and with the confirmation of the new Secretary of Defense for Acquisition and Technology, the team will start to work in the very near future.

Secretary Preston went into some detail on the confusion about what a requirement really is. In most cases, she noted that we don't define a needed military capability, we define a system solution, which we then sell to Congress and get locked into, and which may ultimately be undeliverable. As an example, she described a requirement for an aircraft that would fly a defined number of miles and carry a defined amount of cargo in a specified time frame. However, she said that that is not the needed mili-

tary capability. The needed military capability is that we be able to provide equipment through some type of lift or pre-positioning to any given spot in the world based upon our national security strategy. She concluded by saying, "If we are able to separate these issues, we will be able to go a long way toward stabilizing the acquisition process."

Goal II

Secretary Preston then moved away from "What We Buy" to "How We Buy" for the next three goals, starting with **Improve the Systems Acquisition Process**. The first sub-goal is to use commercial practices to acquire military-unique items as well as commercial items because, as she stated clearly, "We are no longer supporting a defense-unique industrial base. We cannot afford to...the budget has declined over 40 percent from our high of 1987, but the research and procurement budget has declined by over 65 percent...if we are going to meet our users' needs...we have to have access to technology...driven by the commercial market."

Among the Round 1 activities she described was approval of regulatory waivers to streamline procedures for pilot programs. She cited a number of programs that fell in this category and mentioned that about 85 percent of the requirements of one of the programs could be accomplished with commercial technology. Secretary Preston anticipates further moves toward eliminating government-unique contract terms and conditions. As an aside, she said that the government-unique terms and conditions were in part responsible for the fact that our enemies have technology that we can't buy. In Round 2, she noted that she expected regulatory relief to be the norm, not the exception. As a reference, she cited the recently signed policy memoranda, designed to assure that milestone decision authorities, program executive officers and program managers take full advantage of our ability to tailor oversight

and review requirements to specific program needs.

Another sub-goal was to improve the Service and Office of the Secretary of Defense milestone decision making and information collection processes for major systems, commensurate with risk, dollar value and other factors. This entails establishing appropriate levels of oversight, identifying issues for review, and ensuring that reviews occur at the appropriate time during the program. A PAT is in place to take a clean-sheet-of-paper approach to the decisions that must be made, who has to make the decisions, and why. They must ask the question, "Does that person add value?" This entails establishing appropriate levels of oversight, identifying issues for review and ensuring that reviews occur at the appropriate time during the program. Additional sub-goals are to streamline and conduct more effective and realistic developmental live-fire and operational testing, provide more funding flexibility and stability, and to substantially reduce time to field systems.

FIGURE. DoD Acquisition Reform Goals

- I. Enhance the Needs (Requirements) Determination Process (What We Buy)
- II. Improve the Systems Acquisition Process (How We Buy)
- III. Improve the Procurement Process (How We Buy)
- IV. Improve Contract Administration (How We Buy)
- V. Improve Contract Terms and Conditions (Legal Pricing and Finance Issues)
- VI. Change the Culture
- VII. Define Measures of Success — Metrics
- VIII. Enabling Actions

Goal III

Talking about the third goal, **Improve the Procurement Process**, Secretary Preston related that DoD must emulate the best procurement practices of world-class customers and suppliers. This includes raising the simplified acquisition threshold to \$100,000, removing the impediments to acquisition of commercial items, and using performance-based and fixed-price service contracts. She also said that we must also reward past contractor performance in source selection, identify and disseminate best procurement practices, and eliminate non-value added activities. The Federal Acquisition Streamlining Act of 1994 should go a long way toward meeting this goal.

Secretary Preston went on to say that a second way to achieve this goal is the use of technology to enable reengineering of the acquisition process. This is underway. The PAT Report prepared by the Electronic Commerce/Electronic Data Interchange was approved in January 1994. In this report, the team recommended a standard DoD system capable of providing information on pending procurements, receiving quotes or solicitations, and making awards at 249 sites within two years (80 percent of DoD's contracting activities). The PAT had marching orders to define a solution that would present a single face to industry with one point of entry into the system for all of DoD and common standards. It also had to allow the use of a commercial network of the contractor's choice to access the system, and to allow contractors to register once for all of DoD.

Goal IV

Secretary Preston then moved on to discuss the fourth goal, **Improve Contract Administration**. Here she emphasized a shift to the maximum extent practicable, from a management philosophy that attempts to achieve high quality and performance through after-the-fact inspection, to government review of contractor pro-

cess controls. Efforts already underway, Round 1, include the Secretary of Defense memorandum allowing any acceptable quality system, including ISO 9000. Another sub-goal is to ensure that oversight and review of contractor management add value and are minimally obtrusive, consistent with the risk of impact to the government in the absence of such oversight.

Goal V

The fifth goal is a legal, pricing/financing and regulatory issue: **Improve Contract Terms and Conditions (Legal Pricing and Finance Issues)**. This is to eliminate, to the maximum extent practicable, government-unique terms and conditions unless that particular aspect of the buyer-seller relationship is not adequately regulated by market forces. Or there may be other justification for the use of a government-unique term or condition. In any case, there should be a balancing of the government's interests with the cost to the government and industry.

Goal VI

When Secretary Preston discussed the sixth goal, **Change the Culture**, she related that her office had given over 200 speeches or seminars on the vision and goals of the Secretary of Defense's Acquisition Reform Initiative. She challenged the audience to be responsible for changing the culture through Defense Acquisition University acquisition reform seminars, and by establishing new courses and revising curriculum. In that challenge, she said, "You are in the forefront and are going to have to bring the Acquisition Reform message to the work force, and we have to find innovative ways to communicate this message because we are on a fast track — the revolution has truly begun!"

A sub-goal in changing the culture is to make both federal and DoD acquisition regulations and policies better facilitate the acquisition process, providing incentives for acquisi-

tion personnel to innovate while at the same time, providing appropriate guidance and the benefit of "lessons learned" in the past. This change is driven by the assumption that we do not empower the work force and that the regulations require a "cookie-cutter" approach to the acquisition process. Secretary Preston said that the regulations allow a great deal of discretion, but she agreed that, "in a risk adverse environment...there is no incentive for anyone to deviate from the tried and true approach, and there is a lack of sharing of information on new and innovative ideas."

Goal VII

Secretary Preston noted that a Defense Acquisition Pilot Program Consulting Group on Metrics was chartered in March of 1994 to attack the seventh goal, **Define Measures of Success - Metrics**, which is to establish clear measurements of system responsiveness and metrics to determine success of change efforts. However, she admitted, "We haven't developed any measures yet, because we don't know how to do this yet."

Goal VIII

Secretary Preston noted that the final item on the list, **Enabling Actions**, was not stated as a goal, but is necessary. She defined this as establishing a step-by-step plan of action to implement and institutionalize acquisition reform, including Round 1 initiatives, which incorporate acquisition reform as a part of "Reinventing Government."

Secretary Preston offered to provide a copy of the Secretary of Defense's plan, "Acquisition Reform — A Mandate for Change," to anyone who is interested. She also relayed that her staff is working with each of the Service representatives to develop an acquisition reform "road show" that should be starting before the end of the year. Finally, Secretary Preston concluded her remarks with a lively "Town Meeting"-type question-and-answer session.



Above: Newly confirmed Under Secretary of Defense (Acquisition and Technology), Honorable Paul G. Kaminski, presents his views on acquisition reform and the University's responsibilities for communicating and institutionalizing the new processes.

The Defense Acquisition University (DAU) sponsored a three-day professional development conference 12-14 October 1994, in McLean, Virginia. Brought together by the common thread of acquisition training and education, DAU consortium faculty, senior DoD staff, Service acquisition career managers, functional board members, and others within the federal government participated. Conference participants heard invited senior-level speakers address current issues and provide insight into emerging acquisition policy and legislative initiatives. In small group sessions, they selected from over 40 presentations, workshops and technical demonstrations that addressed a wide variety of acquisition-related topics.



Above right: DAU senior staff greet keynote speaker Robert Stone, Director of the National Performance Review, who described the role of education and training in implementing recommendations for improving government operations. From left, Dr. James S. McMichael, Interim President; Mr. Stone; Dr. Lenore E. Sack, Director for Academic Affairs; Mrs. Linda Furiga, Director for Resources Management; and Mr. Frank Sobieszczyk, Director for University Operations.

Right: Mrs. Colleen Preston, Deputy Under Secretary of Defense (Acquisition Reform) provided the capstone presentation to the conference, giving the attendees a glimpse of future acquisition reform initiatives and plans for implementing the Federal Acquisition Streamlining Act.



Right: A panel of Directors, Acquisition Career Management reported initiatives their organizations have taken to improve acquisition career management. From left to right: Dr. James S. McMichael, DoD; RADM William Hauenstein (Ret.), Navy; Mr. Blaise Durante, Air Force; Mr. Bernie Pinckley, Director, Acquisition Career Management, Army; and Mr. Herbert Cowles, OSD and DoD Agencies.

