AFTER THE DIVORCE

How the Pentagon can position itself for speed, agility, and innovation in the new era of acquisitions

By Pete Modigliani

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In 2016, Congress directed the breakup of the Pentagon's Acquisition, Technology, and Logistics enterprise, believing that it was too large a bureaucracy to be effective and monopolized too many acquisition decisions. The first major step divided the bulk of the Office of the Secretary of Defense's (OSD) acquisition headquarters staff into two new organizations: Research and Engineering (R&E) and Acquisition and Sustainment (A&S). The second step delegated Milestone Decision Authority (MDA) for major programs to the Service Acquisition Executives (SAEs). Additionally, over the last four years, Congress authorized a series of rapid acquisition pathways and authorities to enable greater speed and flexibility. In 2017, the three Services selected new SAEs, all from rapid acquisition organizations. These reforms represent a once-in-a-generation turning point, ushering in a new era for Defense acquisitions.

Following a period of massive cost and schedule overruns and frequent program terminations, the Department of Defense (DoD) over the last decade focused on controlling costs and elevating decisions to OSD organizations. In 2009, Congress unanimously passed the Weapon Systems Acquisition Reform Act , adding new Pentagon oversight organizations, reviews, and reporting, which focused on cost control while sacrificing schedules. DoD acquisition executives introduced dozens of Better Buying Power initiatives to increase the productivity, efficiency, and effectiveness of DoD acquisition processes. So far it is not clear whether these reforms reduced program costs, or whether the DoD simply established higher cost baselines.

While the primary focus in the last era was on controlling costs, the focus in this new era is on speed, agility, and innovation.

The National Defense Strategy *"acknowledges an increasingly complex global security environment that challenges the U.S. military advantage. Rapid technological advancements and the changing character of war and today, every domain is contested—air, land, sea, space, and cyberspace."* DoD executives regularly champion the need for "speed of delivery" of capabilities to the field; agile response to the changes in technologies, threats, and operations; rapid learning; and harnessing government and commercial innovation for military advantage. The challenge lies in training and enabling the workforce.

Pentagon executives and staff must transform their oversight strategies, organizations, and operations for DoD to succeed in this new acquisition era. Historically, the key decisions for over 100 major programs were made at the OSD level. Major programs were required to navigate a complex labyrinth of reviews involving dozens of Pentagon organizations that would evaluate many lengthy program documents to assess their strategies and ensure compliance with DoD policies. This was not a recipe for speed. Now, except for nine of the DoD's largest, most complex systems and some joint efforts, **OSD is out of the business of managing programs.**

While there are still a few reviewers in OSD functional organizations, most of the key decisions are now made within the Services and Agencies. SAEs are the MDA for most of their major programs and have aggressively delegated authorities for programs and reviews to their Program Executive Officers (PEOs). SAEs champion the use of new rapid acquisition authorities such as Middle Tier Acquisition to rapidly prototype and field new capabilities without being burdened by the full acquisition and requirements bureaucracy. OSD and Service/Agency executives and staffs are adjusting to this massive paradigm shift. The DoD enterprise is focusing more on delivering capabilities as soon as possible.

How should the new OSD organizations position themselves for success in the new acquisition era?

The two new undersecretaries for defense (USDs), Dr. Michael Griffin, USD(R&E), and Ms. Ellen Lord, USD(A&S), are bold reformers seeking to shake up the Pentagon bureaucracy. They brought in a few new leaders to offer fresh perspectives and targeted expertise. USD(R&E) is chartered to drive innovation and accelerate the advancement of our warfighting capability; USD(A&S) is focused on delivering proven technology to the warfighter more quickly and affordably. Both have undergone a major reorganization of their departments, priorities, and resources. During the last year, heated battles took place in the Pentagon over staff allocations, decision authorities, and areas of responsibility. Since the Deputy Secretary of Defense approved the way ahead in July 2018, USD(R&E) and USD(A&S) are <u>ahead of schedule</u> in completing their reorganizations. However, moving the boxes around the organization chart and identifying a new set of priorities was the easy part.

The challenge that lies ahead is shaping the culture of OSD staff and its relationship with the Services and Agencies. These USDs, along with the new SAEs, must aggressively attack the <u>frozen middle</u> and remove the bureaucrats on their staffs who are unwilling or unable to implement reforms or innovative solutions.

USD(R&E)

USD(R&E) established 10 technology portfolios to shape research in top technology focus areas that give DoD the greatest opportunities to ensure its advantage over potential adversaries. They span a <u>range of technologies</u> that include, but are not limited to, hypersonics, cyber, directed energy, and space. USD(R&E) has oversight of DoD-wide research and development (R&D) organizations, including the Defense Advanced Research Projects Agency (DARPA) and the Strategic Capabilities Office, as well as high-tech industry outreach organizations such as the Defense Innovation Unit that accelerate commercial innovation to the warfighter. The Services and Agencies execute robust science and technology (S&T) and R&D efforts across their laboratories, federally funded research and development centers, university-affiliated research centers, and contracts with the defense industry and commercial technology leaders. The systemic issues include focusing the research on the biggest challenges or most promising opportunities, and effectively transitioning to acquisition programs.

As each organization pursues major S&T and R&D investments, USD(R&E) needs to balance awareness, autonomy, and alignment with oversight and control. For example, DoD is investing billions of dollars in hypersonics research.

While each Service and Agency has the authority to approve and invest in its own technology research projects, more can be done to align strategies among the various organizations. This requires investing in relationships to bring the community together to achieve common outcomes. USD(R&E) regularly collaborates with the Service and Agency technology executives on research strategies. Reliance 21 is USD(R&E)'s overarching framework for the DoD S&T joint planning and coordination process. Through communities of interest, USD(R&E) and the Services and Agencies share technology research investment plans, progress on S&T projects, unfunded opportunities they hope to pursue, and priorities based on operational missions and threats. This helps to identify opportunities for partnerships, potential reuse of technology findings, sharing of technology solutions, involvement of leading providers, and shaping concepts of operations. Mission engineering initiatives model, analyze, and manage complex mission threads by strengthening a kill or effects chain for mission impact.

DoD has struggled for decades with the transition of technology developments into acquisition programs, characterized as the Valley of Death. Anthony Davis and Tom Ballenger outlined US Special Operations Command's (USSOCOM) technology transition approaches in Bridging the Valley of Death, and USD(R&E) has adopted USSOCOM's strategy. USSOCOM manages S&T projects as a portfolio to focus investments, resources, and attention on successfully transitioning the most promising and impactful technology solutions. As S&T projects mature, project managers must actively collaborate with the acquisition community to identify acquisition programs and funding.

If they identify programs that value their efforts, they establish more formal agreements on technology goals, transition schedules, and funding based on cost estimates. More needs to be done to improve and scale these efforts. USD(R&E) and SAEs can help each PEO establish a portfolio of S&T and R&D projects to provide a robust innovation pipeline across an array of government and industry partner organizations.

USD(A&S)

With most of the major program oversight delegated to the Services, OSD organizations can focus their attention on strategic initiatives to shape and streamline the defense enterprise. USD(A&S) leaders need to communicate their vision for the enterprise to the acquisition workforce, warfighters, Congress, and industry. They must play an active role in shifting the culture from one that is risk averse to one that embraces a fail forward fast mentality. They must focus the enterprise on streamlining policies and processes to accelerate the delivery of capabilities for mission impact. They must champion the view that fielding impactful capabilities – not passing milestone reviews, applying earned value management, or producing detailed program documentation – is the primary measure of success. As more and more decisions are delegated to lower levels, SAEs, PEOs, and program managers assumed greater responsibilities. OSD executives must create an environment that enables programs to be successful by removing institutional roadblocks and providing the critical resources that programs need. These resources include trained professionals, stable funding, and effective knowledge management tools that help programs navigate the complex acquisition environment.

The Defense Acquisition Executive role has flipped from acting as the pinnacle decision authority of a massive chain of command to one who enables acquisition practitioners to deliver better solutions faster.

Over the last four years, Congress has established an array of new rapid acquisition pathways, authorities, and flexibilities to enable DoD to deliver capability faster. DoD has finally begun to implement <u>Middle Tier Acquisition (aka Section 804)</u>, which offers a prime opportunity to rapidly deliver capabilities to meet operational needs. Under Section 804, DoD can rapidly prototype innovative technologies and produce proven technologies without having to navigate the lengthy requirements and acquisition systems. While DoD acquisition policy has authorized the use of tailoring to accelerate deliveries, cultural and institutional roadblocks still impede progress. These new rapid pathways do not constitute a binary all-or-nothing approach to the acquisitions and requirements bureaucracy; DoD requires a wide array of pathways and strategies to prototype, develop, and field capabilities.

A&S executives must challenge the Pentagon bureaucrats who seek to impose traditional constraints on rapid pathways by implementing acquisition approaches that achieve their intended purpose within reasonable structures. USD(A&S) is iteratively shaping policies and processes with the Services and Agencies. For example, Ms. Lord rolled out an <u>Adaptive Acquisition Framework</u> and <u>Contracting Cone</u> to outline an array of acquisition pathways and contracting strategies for programs

to use. In addition, the A&S Reform Agenda seeks to fundamentally reform policy development and execution by collaborating with acquisition professionals and providing them greater flexibility. A&S also has a new organization focused on acquisition enablers that has the potential to arm the workforce with new tools, knowledge, and resources required for success.

Enterprise Portfolio Management

Although program execution and oversight occur primarily within the Services and Agencies, some organizations in the Pentagon must still take a holistic view of fielding capabilities. USD(A&S) and USD(R&E) leaders must work closely with Joint Staff and Comptroller organizations to better align requirements, acquisition, and budget systems across DoD. Leading technology solutions from government and industry R&D communities should shape DoD requirements. The congressionally directed Section 809 Panel, as part of its strategic acquisition reforms, noted in its <u>Volume II report</u> that DoD's requirements system lacks a technology push pathway to complement the traditional requirements pull approach to defining systems. Because defense budgets will likely remain constrained in the coming decade, DoD must perform robust analyses to understand where its investments will have the greatest mission impact. This includes choosing new programs to invest in, performing incremental upgrades to existing systems, cancelling underperforming programs, and improving the readiness and sustainment of fielded capabilities.

An Enterprise Portfolio Management approach across OSD and the Joint Staff could provide a strategic view of capability portfolios. The Government Accountability Office reported in 2015 that DoD's requirements, acquisition, and budget communities each have different portfolios. The Deputy Secretary of Defense, Chief Management Officer, and Vice Chairman of the Joint Chiefs should charter a team to develop a common set of enterprise capability portfolios. These enterprise portfolios would operate above and across the Services and Agencies execution portfolios to ensure that DoD is positioned to field capabilities to achieve National Defense Strategy (NDS) objectives. The portfolio managers would explicitly be prohibited from micromanaging individual acquisition programs. Instead, they would be responsible for maintaining enterprise roadmaps that track fielded, in-development, and planned capabilities, aligned to strategic objectives, risks, threats, and budgets. They should work closely with SAEs and PEOs to identify opportunities to share leading S&T and R&D projects, shape scope and requirements, and reuse technologies. They should also enable a portfolio investment strategy, shape enterprise standards and architectures, and foster collaboration on issues and opportunities across an entire capability area. Lean portfolio staffs will prevent reconstituting the old OSD oversight bureaucracy. Success is achieved with stakeholders across the Services and Agencies actively collaborating and contributing toward aligned enterprise outcomes. The Section 809 Panel offer many bold recommendations on implementing Enterprise and Execution portfolios in Volume III report.

Summary

DoD has a once-in-a-generation opportunity to shape its enterprise for the next decade and beyond. The pace of change is rapidly accelerating – in operations, technology, and threats. DoD must transform its enterprise to aggressively streamline the bureaucracy and offer a variety of new pathways that help programs to rapidly exploit leading technologies and deliver military solutions faster. To enable success, the new USDs must embrace a "servant leadership" mind-set to position the enterprise so that acquisition professionals can be successful. It will take time for OSD executives and staff to earn the trust of their Service counterparts and convince them that the OSD organizations are truly here to help, not to provide micromanaging oversight. OSD executives should focus on strategic initiatives, investments, and policies to shape the enterprise. Most program decisions and execution can occur more efficiently and effectively away from the Pentagon. Executives should charter teams to continually streamline DoD processes from idea to delivery and thus enable our warfighters to be successful for decades to come. This requires a concerted effort to realign decades-old organizational stovepipes and cultures around empowered capability portfolios to achieve NDS objectives.

About the Author

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