

Opinion: How To Fix Pentagon's Broken Acquisition System

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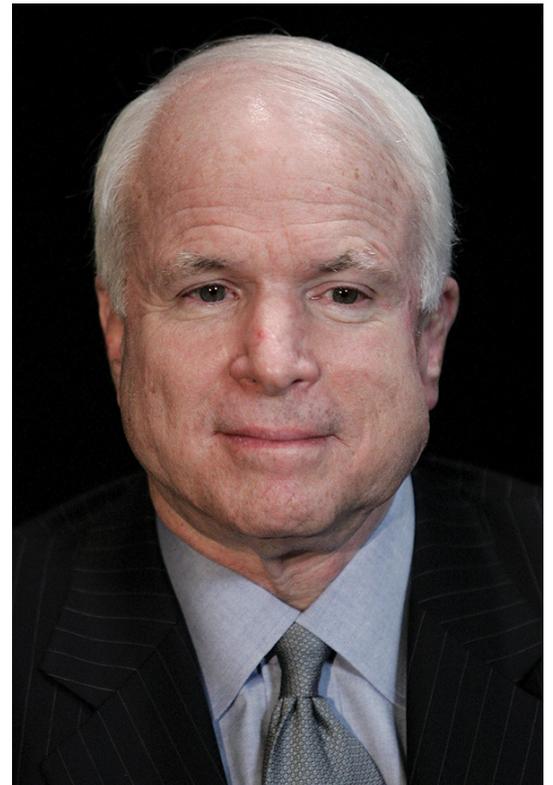
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In what may be his last act to shape defense authorizations, the chairman of the Senate Armed Services Committee (SASC) is pulling out all the stops to remake the Pentagon. Sen. John McCain (R-Ariz.) is advancing a National Defense Authorization Act for 2017 that would make more sweeping changes to the [Defense Department](#) than any since the 1986 Goldwater-Nichols Act, which imposed “joint-ness” across the command structure of the U.S. military and concentrated authority over major defense acquisition programs in the Office of the Secretary of Defense.

While I admire the seriousness of the legislation’s intent, I cannot commend it. Its provisions are rooted in an ideology about how to fix acquisition that attributes too much significance to organizational structure and processes. It also compounds the customary impulses of a system that instead requires a fresh mindset to address the challenge of defense innovation in the 21st century.

The most far-reaching of the bill’s provisions would enact, in the words of the SASC’s report, “a comprehensive reform of the defense acquisition system designed to drive innovation and ensure accountability for delivering military capabilities to our warfighters on time, on budget, and as promised.” To achieve these aims, it would disestablish the office of the Under Secretary for Acquisition, Technology and Logistics (USD/AT&L); diffuse and devolve authority over acquisition programs while consolidating the functions of test and evaluation; and penalize the use of cost-type contracts, which the bill regards as a barrier to “non-traditional commercial and global innovation.”

The Obama administration is threatening to veto the bill, indicating that it “strongly objects” to the disestablishment of the USD/AT&L and realignment of test and evaluation offices and finds “troubling” the bill’s direction on contracting practices. These objections reflect Defense Secretary Ashton Carter’s own ideology of how to fix acquisition, which has focused on changing incentives and improving the quality of information acquisition officials use to make decisions, not on organizations and processes.



In fashioning his signature acquisition reform initiative, Better Buying Power, in 2010, then-USD/AT&L Carter said that no organizational superstructure can effect lasting change without an infrastructure of economics that gets the incentives right. His initiative notably established no new organizations to cheerlead the campaign and advanced no new wiring diagrams of procedure—reforms of the sort Carter believed would animate only the form of change and distract from the substance of choice.

Moreover, the administration credits Carter's approach with improved acquisition outcomes. With its veto threat, it is contending that since 2010 the proportion of major development programs running under-budget has doubled and the proportion of procurement programs running over-budget has declined from more than half to just one in five.

My reservation about the Senate's approach to acquisition reform is that it reinforces an ideology of defense acquisition that is antithetical to innovation. It is the ideology of the consumer applied to managing and regulating the acquisition of complex weapons systems. Like consumers, today's acquisition workforce subscribes to a familiar code of imperatives—get what we paid for, get a good deal and avoid surprises. It is the mindset of a buyer who regards the value of assets as fully determined at the point of sale, depreciating over time at best and imposing long-run, “internalized” costs at worst. Accordingly, consumer-minded acquisition places an abundance of importance on accounting, cost estimating, contracting and test/evaluation, functions responsive to the time-honored precept of consumerism, caveat emptor—buyer beware. Indeed, these are the watchwords that would seem to have inspired the Senate's reform proposals.



The next frontier of acquisition reform should instead gain inspiration from the ideology of the investor, whose simple imperative is to acquire assets that can be made to grow in value over time. It is a code reflecting the mindset of a buyer who regards the value of an asset as dynamic and susceptible to transformation by the application of knowledge, creativity and sweat. An investor-minded acquisition system would place the abundance of its efforts, for example, on managing risk with portfolios, not controls; on motivating high performance with fabulous rewards, not sharp sticks; and on paying prices that reflect a deep understanding of an asset's propensity to solve future warfighters' problems and abate long-run costs, not simply a build-up of historical labor and material bills.

If Congress and the Pentagon are really serious about driving a culture of innovation, then abandoning acquisition-consumerism and embracing the mindset of the long investor is the key ideological divide that needs to be crossed. Rearranging the nameplates on the Pentagon's E-ring is not enough.

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