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Improving National Defense Acquisition and Resource Management through Enterprise Organization, Capabilities Assessment, Radical Reengineering, Capital and Longer-term Budgeting and Privatization/Marketization

by

Lawrence R. Jones, Ph.D., RADM George F. A. Wagner Professor of Public Management, and

Jerry McCaffery, Professor, Naval Postgraduate School

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Attn: James B. Greene, RADM, USN, (Ret)
Acquisition Chair
Graduate School of Business and Public Policy
Naval Postgraduate School
555 Dyer Road, Room 332
Monterey, CA 93943-5103
Tel: (831) 656-2092
Fax: (831) 656-2253
E-mail: jbgreene@nps.edu

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Improving National Defense Acquisition and Resource Management through Enterprise Organization, Capabilities Assessment, Radical Reengineering, Capital and Longer-term Budgeting and Privatization/Marketization

Presenter: Lawrence R. Jones, PhD, serves as Admiral George F. A. Wagner Professor of Public Management in the Graduate School of Business and Public Policy, Naval Postgraduate School, Monterey, CA. Professor Jones teaches and conducts research on a variety of government financial and management reform issues. He has authored more than one hundred journal articles and book chapters on topics including national defense budgeting and policy, management and budget control, public financial management, and international government reform. Dr. Jones has published fifteen books including *Mission Financing to Realign National Defense* (1992), *Reinventing the Pentagon* (1994), *Public Management: Institutional Renewal for the 21st Century* (1999), *Budgeting and Financial Management in the Federal Government* (2001), *Strategy for Public Management Reform* (2004), and *Budgeting and Financial Management for National Defense* (2004).

Presenter: Jerry McCaffery, PhD is a Professor of Public Budgeting in the Graduate School of Business and Public Policy at the Naval Postgraduate School where he teaches courses focused on defense budgeting and financial management. He has taught at Indiana University and the University of Georgia. His current research interests include defense transformation and the PPBE system and their impact on DoD acquisition and resource allocation. He and Professor Jones are the authors of *Budgeting and Financial Management for National Defense* (2004).

Author: Steven McKinney, MBA

Author: Brian Sandidge, MBA, Bio Information needed

Lawrence R. Jones, Ph.D.
RADM George F. A. Wagner Professor of Public Management
Graduate School of Business and Public Policy
Naval Postgraduate School
Monterey, CA 93943-5000
Tel: (831) 646-0126 or 656-2482 (with voice mail) (831) 402-4785 (cell)
Fax (831) 656-3407
E-mail: lrjones@nps.edu

Jerry McCaffery
Professor
Graduate School of Business and Public Policy
Naval Postgraduate School
Monterey, CA 93943-5197
Tel: (831) 656-2554
E-mail: jmccaffery@nps.edu

Abstract:

Our guiding assumption in organization of our research and this report is that to understand the defense acquisition process and reform arguments, it is necessary to know something about the organizational and managerial context in which such reform must take

place. Consequently, this report for the 2007 NPS Acquisition Symposium is organized into four parts: (i) an analysis of the Enterprise organization and management initiative now underway in Department of Defense (DoD), demonstrating (ii) how it encompasses the new approach to defense capabilities thinking, planning and management as a preamble to our argument for acquisition system and process reform. Along the pathway to presentation of our acquisition reform proposals, we show (iii) the role of better business practices and information technology in adding value to DoD acquisition and resource management in terms of improved organization strategy based on lessons from economics in the private sector in evolving from bureaucracy to hyperarchy and netcentric organization. It this section, we draw lessons from the manner in which businesses operate in the new global economy and how the development of new information technology should enable managerial reform. This analysis supports the types of change we recommend later in the report in a way that adds value to DoD acquisition and resource management. We advance our analysis in part by applying lessons from economic, information and value-chain theory and practice, illustrating the utility of this approach using the examples of Toyota Motor corporation and the DoD Global Information Grid (GIG); by employing these examples, we demonstrate both possibilities and obstacles to be overcome in reorganizing the DoD and its acquisition and resource management processes to better meet market demand and to respond to changes in the threat environment. Part of this argument includes assessment of the application of new technology, particularly IT, and the principle of netcentricity and hyperarchy in DoD reorganization and acquisition/resource management reform. We assert the necessity for understanding something about the new economics of organizations and a critique of bureaucratic organization as critical intellectual components of support for our proposed reforms. Finally, (iv) we advance two approaches to reform in terms of magnitude of change in DoD acquisition, procurement and resource management: (a) an argument for marginal adjustment based on our view of the need for implementation of longer-term capital and performance-oriented budgeting in combination with radical DoD business process reengineering, consistent with the principles, methods and goals of enterprise management, and (b) a much more radical conversion of the DoD to an approach that we term "marketization and privatization" of defense acquisition systems and resource-management processes. We note that these options are not mutually exclusive, as both are needed.

Preface

Problem: If a cop in Anytown, USA, pulls over a suspect, [ideally] he checks the person's ID remotely from the squad car. He's linked to databases filled with Who's Who in the world of crime, killing and mayhem. In Iraq, there is nothing like that. When our troops and the Iraqi army enter a town, village or street, what they know about the local bad guys is pretty much in their heads, at best. Solution: Give our troops what [some of] our cops have. The Pentagon knows this. For reasons you can imagine, it hasn't happened... This is a story of can-do in a no-can-do world, a story of how a Marine officer in Iraq, a small network-design company in California, a nonprofit troop-support group, a blogger and other undeterrable folk designed a handheld insurgent-identification device, built it, shipped it and deployed it in Anbar province. They did this in 30 days, from Dec. 15 to Jan. 15. Compared to standard operating procedure for Iraq, this is a nanosecond... Before fastening our seatbelts, let's check the status quo. As a high Defense Department official told the *Journal*'s editorial page, "***We're trying to fight a major war with peacetime procurement rules.***" The department knows this is awful. Indeed, a program exists, the Automated Biometric Identification System: retina scans, facial matching and the like. The reality: This war is in year four, and the troops don't have it. Beyond Baghdad, the US role has become less about killing insurgents than arresting the worst and isolating them from the population. Obviously it would help to have an electronic database of who the bad guys are,

their friends, where they live, tribal affiliation—in short, the insurgency's networks... The Marine and Army officers who patrol Iraq's dangerous places know they need an identification system similar to cops back home. The troops now write down suspects' names and addresses. Some, like Marine Maj. Owen West in Anbar, have created their own spreadsheets and PowerPoint programs, or use digital cameras to input the details of suspected insurgents. But no Iraq-wide software architecture exists... On the night of Jan. 20, Maj. West, his Marine squad and the "jundi" (Iraq army soldiers) took the MV 100 and laptop on patrol. Their term of endearment for the insurgents is "snakes." So of course the MV 100 became the Snake Eater. The next day Maj. West e-mailed the US team digital photos of Iraqi soldiers fingerprinting suspects with the Snake Eater. "It's one night old and the town is abuzz," he said. "I think we have a chance to tip this city over now." A rumor quickly spread that the Iraqi army was implanting GPS chips in insurgents' thumbs... Over the past 10 days, Maj. West has had chance encounters with two Marine superiors—Maj. Gen. Richard Zilmer, who commands the 30,000 joint forces in Anbar, and Brig. Gen. Robert Neller, deputy commanding general of operations in Iraq. He showed them the mobile ID database device... I asked Gen. Neller by e-mail on Tuesday what the status of these technologies is now. He replied that they're receiving advanced biometric equipment, "like the device being employed by Maj. West." He said "in the near future" they will begin to network such devices to share databases more broadly. Bottom line: “The requirement for networking our biometric capability is a priority of this organization." As he departs, Maj. West reflected on winning at street level: "We're fixated on the enemy, but the enemy is fixated on the people. They know which families are apostates, which houses are safe for the night, which boys are vulnerable to corruption or kidnapping. The enemy's population collection effort far outstrips ours. The Snake Eater will change that, and fast." You have to believe he's got this right. ***It will only happen, though, if someone above his pay grade blows away the killing habits of peacetime procurement.*** [comments in brackets, italics and bold added by Jones and McCaffery.] (Henninger, 2007, p. A14).

Introduction

In previous research sponsored under the Naval Postgraduate School (NPS) acquisition research program, we have argued (2005) that there are mismatches and discontinuities between the acquisition decision process and the Planning, Programming, Budgeting and Execution System (PPBES). We identified a number of problems associated with the misalignment of these two Department of Defense (DoD) resource-decision systems. To reduce misalignment, we recommended significant business process reengineering of both systems. We are pleased to observe that some of what we recommended was implemented by the former Under Secretary of Defense for Acquisition, Technology and Logistics (USD AT&L) Kenneth J. Krieg and the military departments and services (MILDEPS). However, in May 2006, the Under Secretary stated that while some successful reengineering had been done, more was needed. In December 2006, the USD AT&L noted that he was planning to do more of this within his own staff and within the decision processes he controls.

With respect to further changes to bring better alignment between the acquisition decision process and PPBES, we now conclude that not much more is likely to occur soon despite the need for resolution of the many mismatches between the two processes. The initiative to further reform PPBES has disappeared with the departure of former Secretary of Defense Donald Rumsfeld as champion of administrative transformation, and the absence of funding to finance it due to the continued demands placed on the DoD to finance OIF and the Long War. Without additional PPBES and budget reform, we do not believe it is possible to

improve the fit between resource allocation and acquisition decision processes in the near term to any significant degree.

In 2006, we presented our research at the NPS Acquisition Symposium that argued for implementation of capital budgeting in the DoD and across the federal government, with emphasis on mirroring to some extent how it is done in the private sector. We also explained how capital budgeting could be implemented within the DoD without changing the congressional decision process, and explained some of the issues to be resolved to do so. We are pleased to observe that the office of the USD AT&L has been implementing some of our recommendations on capital budgeting.

For the 2006-2007 acquisition funding cycle, we have concentrated on four areas that we report upon in this paper for the 2007 NPS Acquisition Symposium. Our guiding assumption in organization of our research and this report is that to understand defense acquisition process reform, it is necessary to know something about the organizational and managerial context into which such reform must take place. Accordingly, we provide analysis of the Enterprise organization and management initiative now underway in the DoD, and show how it encompasses the new approach to defense capabilities thinking, planning and management as a preamble to our argument for acquisition system and process reform. Along the pathway to presentation of our acquisition reform proposals, we show how the development of new information technology should enable managerial reform of the type we recommend in a way that adds value to DoD acquisition and resource management. We advance our analysis in part using the example of the DoD Global Information Grid (GIG) to demonstrate both possibilities and obstacles to be overcome in the application of IT and the principles of netcentricity. We also assert the necessity for understanding something about the new economics of organizations as a critical intellectual component of support for the arguments we make for defense acquisition and resource-management reform.

The first part of this report provides an assessment of the efforts currently in progress to apply enterprise management in the Navy and the DoD. In this report, for purposes of description and analysis of the Enterprise organizational framework and structure under which change has been partially implemented in the DoD, we use the example of the Navy and the Naval NETWAR FORCENET Enterprise or NNFE.

In the second part of this report, we examine the introduction of capabilities-based thinking, planning and decision-making into the enterprise organization and management systems, and into the analysis required to support defense acquisition planning and decision-making. We identify and analyze some of the issues faced in application of capabilities-based planning and resourcing, especially those relating to definition of capabilities and deriving methods to crosswalk from (a) traditional program-based proposal and acquisition management to (b) capabilities-based proposal and management. As we indicate, implementation of capabilities-based planning and management in the defense acquisition process changes and adds to the tasks to be performed and the information needed for decision and execution by the Office of the Secretary of Defense (OSD)—particularly the US AT&L and the Secretary (SECDEF), the Joint Chiefs of Staff (JCS) and the military departments and services (MILDEPS): e.g., data needed to build the POM, the SECDEF budget proposal and to perform medium-term capital asset acquisition planning and decision-making at various levels within the DoD.

The third part of this report explains the role of new technology, including information technology (IT), in a new approach to defense acquisition and budgeting. We argue here that IT

provides the basis and potential for almost all managerial and systems reform in the DoD, basing some of our conclusions on evidence from theory and private-sector practice. More broadly, to understand how defense acquisition can and should be done incorporating new technology, we explain the vital role of IT in moving from bureaucracy to hyperarchy and netcentric organization to add value in reform of defense acquisition and resource management, i.e., to enable the types of change we advocate subsequently in the report. This part of the report also advances the relevance of the new economics of organization as a component part of the theoretical and practical underpinnings for reform of defense acquisition and resource management. In essence, we argue the necessity for relying on markets and the private sector in moving from bureaucracy to hyperarchy and netcentric organization.

The fourth and final part of the report outlines and articulates our proposals for fundamental reform of the entire defense acquisition management system and decision process, based on and integrated with the DoD Enterprise organization and management initiative and capabilities-based analysis, decision-making and implementation. We have developed two approaches to reform. The first is a marginal adjustment set of changes to the current system to make it more efficient and productive (i.e., to reduce cycle-time, reduce costs and improve quality per investment dollar) through business process reengineering, enterprise management and improved use of information technology (IT).

The second proposal is for a much more comprehensive and radical reform of how the DoD acquires and procures weapons platforms and systems. The comprehensive reform proposal we refer to as, "privatization and marketization of DoD acquisition." In essence, this proposal argues that to operate defense acquisition more like a business, using better business methods and processes, it is necessary, literally, to make DoD acquisition a business: i.e., to move much of the present DoD process out of the government and to firms in the private sector. In addition, we argue that in facing the make-or-buy decision as all corporate entities must, increased and better acquisition and procurement of commercial off-the-shelf (COTS) weapons, systems and equipment from a worldwide market will get the US taxpayer greater "bang for the buck" in acquiring weaponry for defense and will better and more quickly meet warfighter needs.

We argue that the key advantage of the more comprehensive reform approach is to take full advantage of the competitive dynamics of an international defense capital asset market in the same way that large firms in the private sector operate presently—rather than relying on the system and process the DoD uses now which is, in essence, a gigantic, disconnected and inherently ineffective government bureaucracy that resembles in form a Cold War-era, Soviet-style, long-range planning hierarchy in which *the process has become the product*. We argue for a transition to a system in which the product is the focus of decision effort, and we outline how such a system would operate and some of the most important issues to be resolved in privatizing DoD weapons systems acquisition.

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- Spiral Development
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- Model for Optimizing Contingency Contracting Planning and Execution

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- Acquisitions via leasing: MPS case
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