

Incentives for Civilian and Military Program Managers for Major Defense Acquisition Programs (MDAPs)

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Acquisition Research Symposium**

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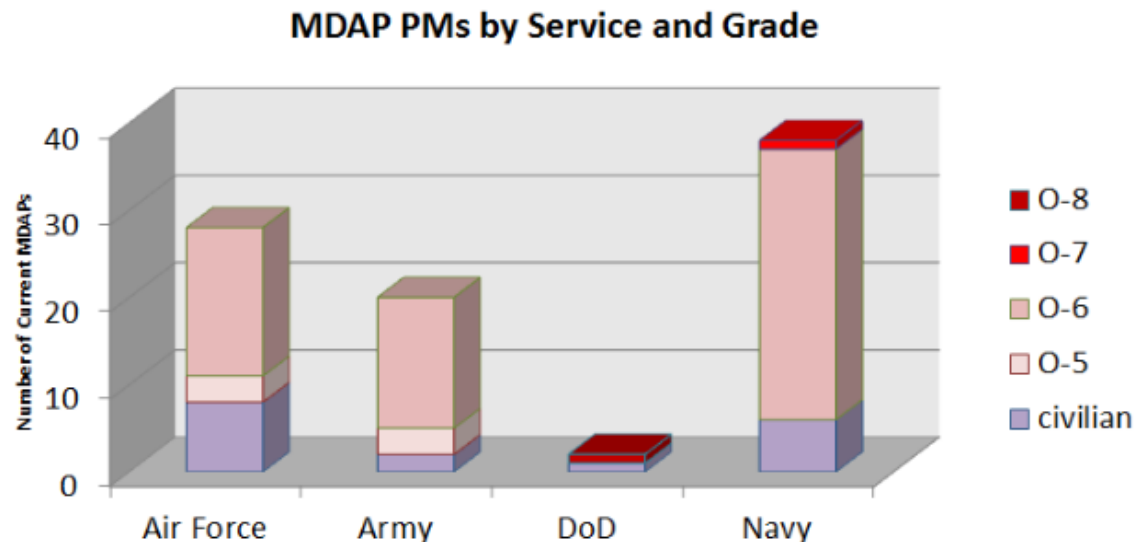
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IDA was asked to study incentives for DoD civilian and military PMs for Major Defense Acquisition Programs (MDAPs), including:

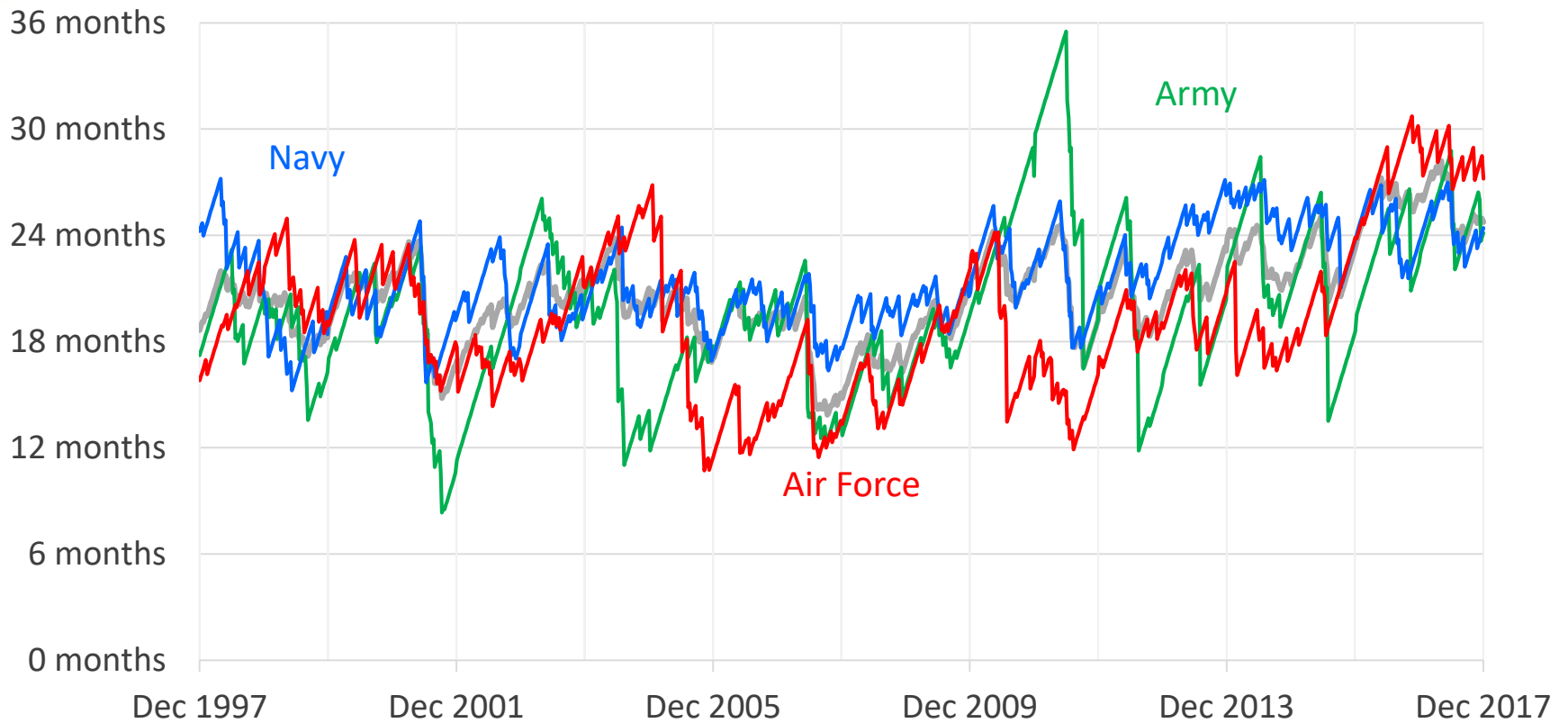
- Additional pay options to provide incentives for individuals to accept and remain in PM roles
- A financial incentive structure to reward PMs for delivering capabilities on budget and on time
- A comparison with incentive structures in private industry

How are PMs selected?

- A centralized selection list of PM positions is established by each Service
 - Programs are categorized as either “military only” or “best qualified”
 - Individuals must "opt in" to be considered
- A selection and slating board ranks the candidates and assigns PMs



IDA | Average Current Tenure for MDAP PMs

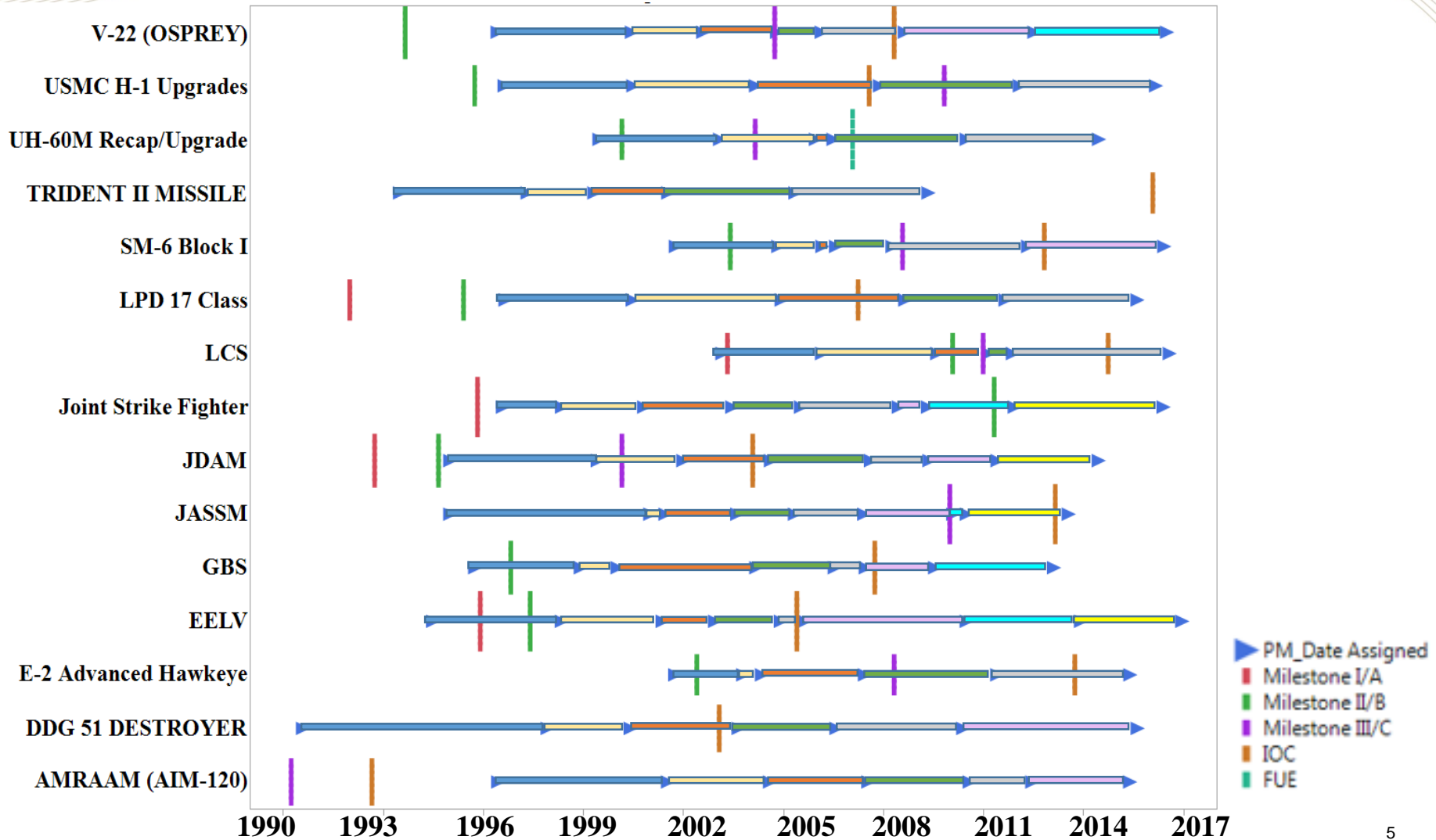


IDA | **MANY previous studies have examined PMs as part of the DoD Acquisition System**

- Over 150 major studies on acquisition reform have been published since the end of World War II
- Factors that show no significant relationship to program outcomes include:
 - Branch of Service
 - Civilian vs. military PM
 - The length of PM tenure

Many studies and panels recommended improving the acquisition workforce

IDA | PM Turnover and Program Milestones



Financial

- Studies have found that financial rewards are lower on the priority list for public employees

Option(s) to consider:

- Providing a higher pay scale for civilians
- Expanding use of AcqDemo and/or making it permanent

Non-Financial

- Presently, civilians may be unmotivated to pursue a career leading to an MDAP PM position

Option(s) to consider:

- Slating of more MDAP PM positions to civilians
- Providing civilian PMs more control over planning career path

Financial

- Financial incentives are less effective in the public sector—including in the military—than in private industry

Option(s) to consider:

- Greater use of special and incentive pay
- Separate competitive category with higher salaries

Non-Financial

- Factors that affect potential for promotion have a strong influence on choices made by military officers

Option(s) to consider:

- Modifying up-or-out and mandatory retirement could help recruit and retain more skilled and experienced PMs

IDA | Senior leaders recognize the incentive problems posed by the promotion system

“We’ve got to change the culture [to where] it’s OK to do that, because what you get in the Army is what you reward. And the way we reward people is through promotion boards and advancement, and you get that in the Army by commanding organizations, not by being associated with a program for an extended period of time.”

General John Murray
Commander, Army Futures Command
5 September 2018



- Roles and responsibilities for industry PMs are different from those for DoD PMs
- Attracted to their work by different factors
 - Extrinsic factors most important to private sector managers
 - Intrinsic factors have higher potential with public managers
- How do companies motivate their PMs?
 - Bonuses for business development
 - Profit sharing
 - Poorly performing PMs may be let go
- How about government PMs?
 - Promotion
 - Recognition
 - No analogous profit sharing options for government PMs

**Success for DoD PMs measured by program cost and schedule –
and avoiding cancellation**

- Congress asked for ways to reward PMs (*who deliver capabilities within budget and on time*)
 - It is extremely challenging, however, to accurately measure PM performance
- Poorly designed rewards can create perverse incentives
 - Workers incentivized to focus on obtaining the rewards rather than on achieving organizational objectives

Examples:

- A reward system focused on cost and schedule may encourage short-term optimization at the expense of the long-run success
- PMs may be incentivized to accept greatly increased future sustainment cost and obsolescence risk to avoid missing milestones or having to report cost growth

- We identified and assessed several potential incentives to better recruit, retain, and reward PMs
- Some of the more promising incentives we examined:

Military PMs

- Lessen restrictions from up-or-out and mandatory retirement
- Make greater use of special and incentive pay
- Create a separate competitive category with higher salaries

Civilian PMs

- Provide more PM opportunities to encourage future candidates
- Expand use of AcqDemo
- Provide civilian PMs more control over planning career path

- We were asked to identify and assess incentives to recruit, retain, and reward PMs
 - Very weak evidence that financial incentives would have any measurable effect on PM tenures
 - Little support for the implicit assumption that increased PM tenure would have a significant positive effect on program outcomes

- If the goal is to improve program outcomes, there are likely more effective mechanisms than increasing PM tenure
 - Industry experience has shown that a best practice for maintaining a healthy portfolio is to identify and quickly terminate programs that are unlikely to succeed
 - Creating policies and a culture that supports failing quickly would be a substantial challenge. However, the payoff to the overall outcomes of the entire MDAP portfolio would be considerable.

END OF BRIEF