A New Path Forward: An Analysis of Current AI Software Acquisition Procedures

Modernizing How We Procure AI Capabilities

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Overview and Challenges in AI Software Acquisition

Current Situation: AI-enabled software is critical to military and government operations but suffers from outdated, inconsistent acquisition models

Key problem- the Unique Nature of AI Software-Software is imperfect and evolves

Current spend is $100B+ annual IT spending despite flaws

Challenges Identified:

- Procurement rules

- Mismatch with evolving AI tech

Existing Procurement Models and Their Issues

Three Predominant Models:

- Perpetual Licenses: rigid, limited updates
- SaaS Subscriptions: warranty, funding issues
- Bespoke Custom Development: high failure rates (21%)

Key Problems:

- Funding rule conflicts
- Warranty vulnerabilities
- Technical expertise gap

DoD Modernization and New Acquisition Approach

DoD Software Modernization Policy (2024–2025):

- Focus: security, speed, stability
- Promote cloud, agile, enterprise-wide solutions

New Procurement Strategy:

- OTA-based CSOs: cut red tape, attract vendors
- Agile Contracting: modular, flexible, continuous updates

Best Practices and Conclusion

Best Practices:

- Flexible scopes, clear responsibilities

- Transparent pricing, change management

- Incentives for outcomes and performance

Conclusion:

- Maintain technological superiority

- Simplify acquisition, foster partnerships, emphasize innovation