



# Defense Acquisition in Transition

6<sup>TH</sup> ANNUAL ACQUISITION RESEARCH SYMPOSIUM

## Examining the Institutional Factors Affecting Cost Growth in Defense Acquisition May Yield More Effective Policy Interventions

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# An Imperative...

“The Department of Defense (DoD) needs to understand the adversary and host population social structure, culture, motivations, beliefs and interests that contribute to behavioral actions and responses. This understanding is necessary to recognize behavioral patterns and gain influence in interactions[...].”

- USD (AT&L)



# Speaking of behavior...

“Cost growth due to decisions changes the acquisition plan [...] and in most cases results in requiring substantially more resources to complete the system acquisition. This translates to real growth in required budget outlays over time.”

- RAND



# Culture and policy

“Our discussions with acquisition experts indicate that these changes may not achieve the desired improvement in acquisition outcomes unless they are accompanied by changes in the overall acquisition environment, its culture, and the incentives provided for success”

- GAO



# BLUF

More effective policy interventions addressing the phenomenon of cost growth in defense acquisition, may result from a stream of research encompassing field studies and corresponding laboratory and computational experimentation, employing a framework of institutional elements, informed by theories of financial behavior, group decision-making, and organizational failure.



## Cost Growth Studies

- Size of Program
- Categories of Growth
  - Types of systems
- Acquisition Phases
  - Organizational structural issues
- Knowledge flows
  - Multi-factor

More descriptive than explanatory

Inadequately address the social, political, institutional, and cultural factors

## RAND MG670

Decisions by government officials account for 2/3 of cost growth

OK, but *why* were those decisions made?

Decision-making in organizations  
(Beach & Connolly, March, B. Jones)

Behavioral Finance  
(Kahneman & Tversky, Thaler)

## The Problem:

Understanding institutional influences on group decision-making, in which boundedly rational actors employ strategies to allocate resources, the outcomes of which tend to be undesirable

“strategic misrepresentation” in project estimates (Flyvbjerg) and in budgeting (Jones & Euske )

Permanently failing organizations (Meyer & Zucker), failure in bureaucratic planning (Bissell), deviance in organizations (Lee & Gailey), corruption (Collier)

# Institutional factors affect choices

“institutionalism sees organizations as bounded social constructs of rules, roles, norms, and the expectations that constrain individual and group choice and behavior.”

- Frederickson & Smith

Which may result in...



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# Means > ends

“In the modern world of productivity, performance and outcome measurement, institutionalism reminds us that institutions and those associated with them shape meanings, rely on symbols, and seek an interpretive order that obscures the objectivity of outcomes.”

- Frederickson & Smith



# Appropriateness > outcomes

Decisions are made not through a logic of rational choice or a logic of consequences, but through rule-following and the pairing of an understanding of appropriateness to the specifics of the situation. Often in public administration, appropriateness is paramount.

-March



# Technical solution > social cost

Cultural orientations of technical rationality and routinization of operations lead to a moral blindness in business decisions; achieving a technical solution can become paramount and the associated social costs are undervalued.

- Vaughn



# Persistence > performance

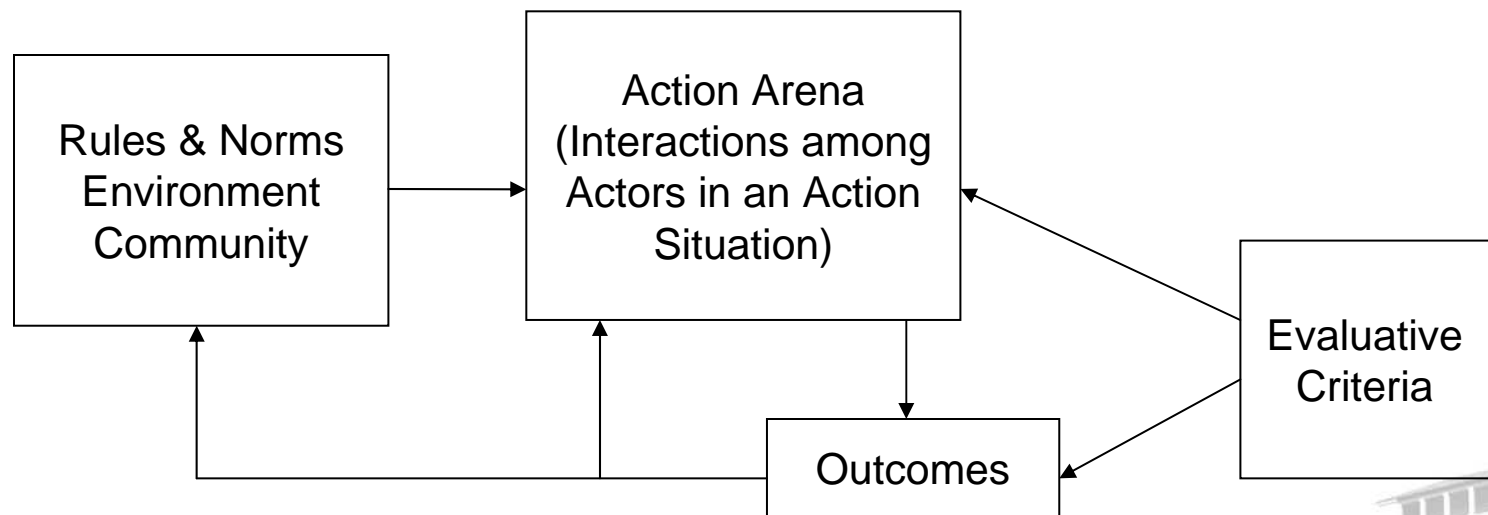
An organization's performance need not determine its survival, provided there are sufficiently powerful actors whose interests are served more by the presence of the organization than its performance.

- Meyer & Zucker



# A proposed research agenda

## IAD Framework



- Actors are defined by four characteristics
- Action situations are defined by seven characteristics



# From field to lab and back

- Field work to gather data on institutional elements
- Computational and laboratory modeling
- Field validation
- Computational and laboratory experimentation of policy interventions and responses
- Implementation and assessment

