

Helping Innovation Survive Acquisition: the Contractor Perspective on Acquisition Reform

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How Does Industry Experience Acquisition Reform?

- Hypothesis: Understanding the contractor experience with new government acquisition tools can help DoD target policies to improve outcomes
- Initial questions included
 - How have contractors experienced the alternative acquisition approaches that the government is using?
 - Do they see any difference from traditional major capability acquisition?
 - What are remaining opportunities for improvement?
 - Are contractors seeing particular acquisition approaches used where others might be more effective ?

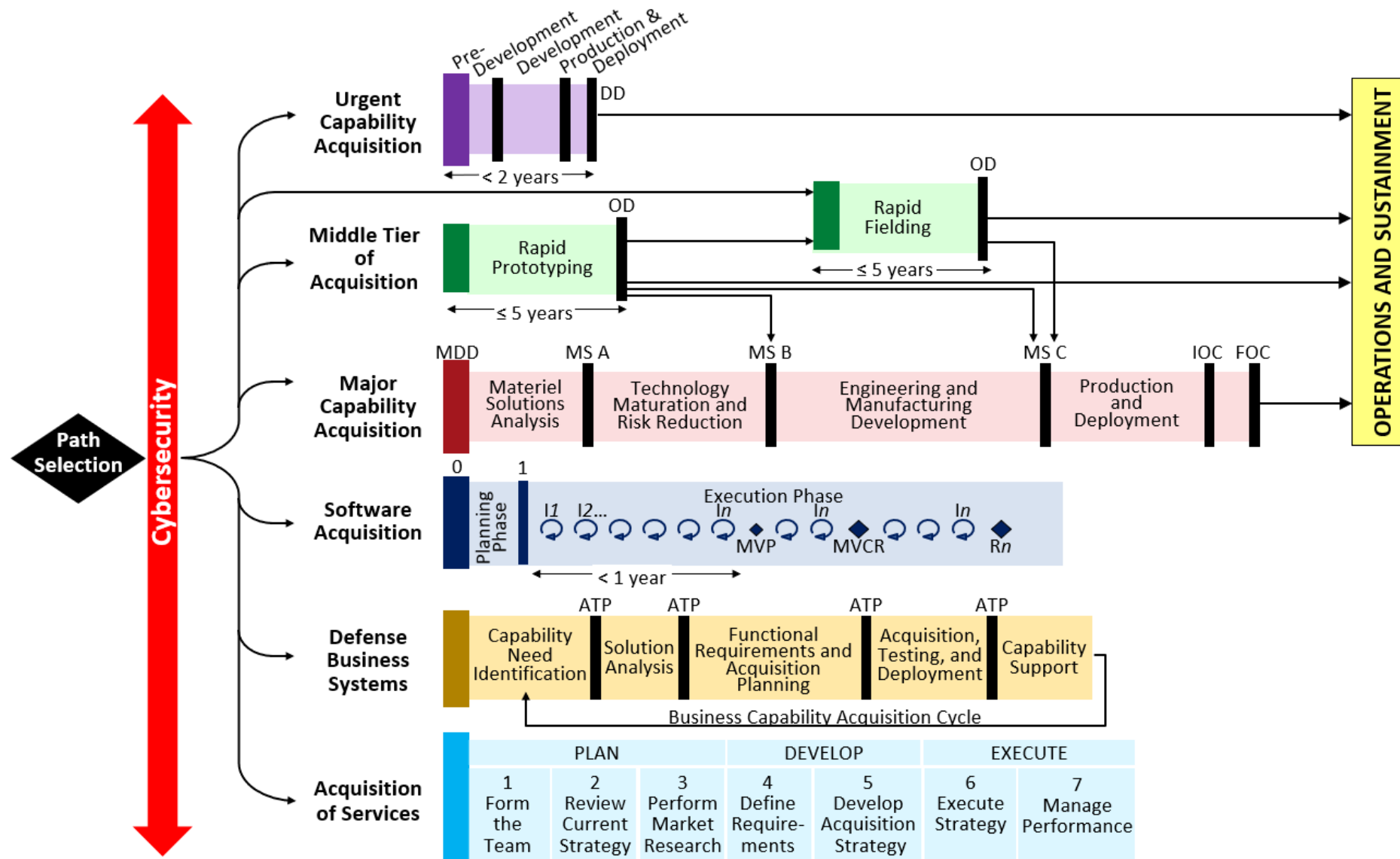
Methodology

- “Exploratory” research approach with the idea of “propos[ing] new ideas or generate new hypotheses on an old topic”
- Unstructured discussions with senior defense industry leaders, about half of whom had former government experience
- Convenience sample
 - 7 large hardware primes
 - 3 large services
 - 2 small “innovative” companies
- Discussions held with 1-5 people, depending on the firm
- All discussions held on a non-attribution basis

Interviewees Offered Frustration with Acquisition Reform

- “Don’t need to do acquisition reform... We have all the authorities that we need. Acquirers don’t know what they have.”
- “In spite of the 809 panel and many other deep studies offering ideas on how to improve acquisition life cycle, few changes get implemented. “
- “While I was working on acquisition reform in the government, both on the Hill and in DOD, I felt like we were transforming the system and improving the ability of companies to do business with the DoD. We were very busy with a lot of reform initiatives and very dedicated to improvement. After leaving the government acquisition reform community, it became evident that it was all inside baseball, and I realized industry folks weren’t tracking.”

Adaptive Acquisition Framework Offers "Pretailored" Pathways

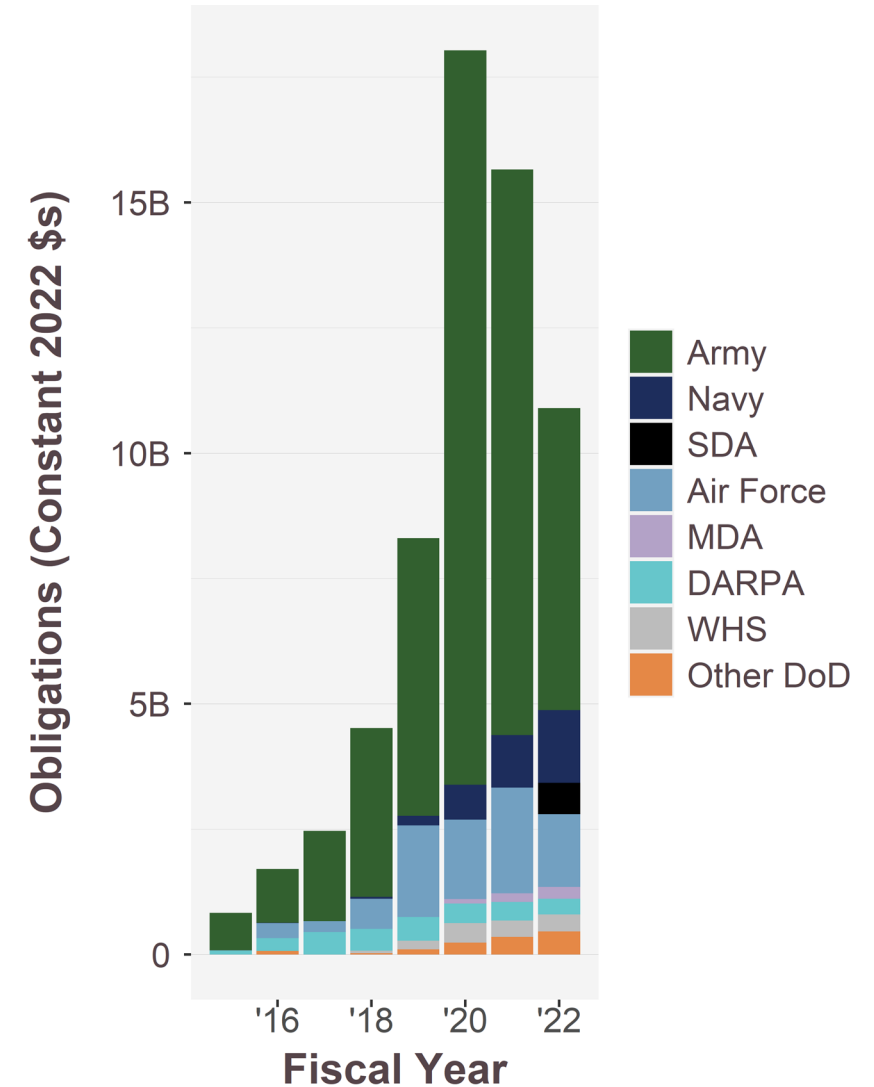


Contractor experience with the AAF

- Contractors didn't always know what pathway had been used
 - A couple of interviewees at larger firms with more experience felt the government was leveraging the AAF reasonably well
 - Many respondents indicated that they didn't see process changes
 - Some felt that MTAs had initially sped up the acquisition process, but that new regulations had limited that flexibility
- One challenge is that the AAF didn't come with additional flexibility from an appropriations/money perspective.
- Software-heavy hardware programs were acquired using the traditional waterfall approach and didn't benefit agile methods

Range of Reflections on Other Transaction Authorities

- Interviewees highlighted the speed and flexibility of OTAs – and appreciated the revenue – but some highlighted challenges:
 - Lack of transparency about transition to programs of record – how common?
 - Some concern that developing a successful prototype did not guarantee business – that DoD might require a re-competition for a program using their design
 - “If this is the capability you’re interested in, tell us how you are going to fund and transition to a program of record so it doesn’t die on the vine.”
 - One expert offered that Pentagon seniors are working to support transition and shrink the valley of death



Source: FPDS; CSIS analysis.

Does DoD Understand the Defense Industrial Base?

- Most perceived that senior government leaders and senior industry leaders understood each other
 - Challenge is getting that vision down to the lower levels
 - Contracting officers are judged on cost and have no incentive to take allowable risks
 - Contracting officers may not understand business issues like importance of quarterly earnings reports
- One retired senior military former program manager offered:
 - There is a “lack of understanding of how industry works, despite all the training. Industry in general needs to make a fair profit and wants to provide the government what they want but ‘fair and reasonable’ is in the eye of the beholder. When in the government I needed to squeeze every penny out of industry at every turn.”

Negative Takes on the Quest for Innovation

- Unless they result in capabilities being transitioned into programs of record, efforts like DIU and AFWERX are “Innovation Theater”
 - “They look good but can’t help companies transition”
 - “We wouldn’t need so many innovation organizations if any of them actually worked.”
- Innovators may choose to not sell their stuff to the government because of compliance and intellectual property challenges.
 - DoD small business “pitch days” do not solve the problem.
 - Companies already know the government market is there but don’t want to pursue that business.

Other Acquisition Concerns, Not Related to Reform

- Several mentioned the necessity of working with Congress to ensure funding for new programs
 - “Working the Hill means you will exist...if you just go in through the DoD, your opportunity for success is an order of magnitude lower than if you have a Hill engagement strategy.”
 - Need to find staff or hire outside experts to help
- Requirement to prove cost savings in most multi-year contracts ignores importance of supply chain stability as a separate and distinct benefit
 - Companies would like to be able to promise business to suppliers, negotiate savings, and be seen as priority customers
- CLIN structures on some service contracts

Closing Thoughts From an Industry Expert

- Acquisition reform is designed with the “not how do we make it easier to the contractor” but “how do we control costs.”
 - “Why does the platform cost so much and what can I do to the contract to get the capability I want at a lower price.”
- “What industry would tell you – the focus on acquisition reform – what drives industry nuts in the contracting piece of it. ‘STOP CHANGING THE RULES.’ It’s impossible to follow – settle on something and let it stick for 10 years without mucking with it. If you can settle on something for 10 years, then industry could adapt and stick with the regulation.”

Topics Worth Further Study

- What are the pathway options to help increase agility for software heavy hardware systems?
 - Protect safety of operations software, allow other software systems to rapidly evolve.
- Would additional transparency on OTA outcomes add value?
- What type of training or policies would evolve acquisition culture in useful ways?
 - Would more specific business-oriented training be worthwhile to help contracting officers understand corporate constraints?
- Can quantifiable benefits be identified if incorporating the contractor perspective in acquisition policy changes?

Please Send Feedback to:

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