

# Transforming Government: Creating the New Defense Procurement System



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## The PricewaterhouseCoopers Endowment for **The Business of Government**

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# TABLE OF CONTENTS

<b>Foreword</b> .....	4
<b>Executive Summary</b> .....	5
<b>Introduction</b> .....	8
Background .....	9
<b>The Leaders</b> .....	14
William Perry .....	14
Paul Kaminski .....	15
Colleen Preston .....	16
Steven Kelman .....	16
<b>Key Factors for Success</b> .....	18
A Cohesive Leadership Team .....	18
Inclusion of Industry and Acquisition Practitioners .....	20
Continuous Communication .....	23
Recognition, Awards, and Training .....	25
Autonomy vs. Uniformity .....	27
Capitalizing on Climate .....	29
<b>Conclusions and Recommendations</b> .....	33
<b>About the Author</b> .....	38
<b>Key Contact Information</b> .....	39

# Foreword

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On behalf of The PricewaterhouseCoopers Endowment for The Business of Government, we are pleased to present this report by Kimberly Harokopus entitled “Transforming Government: Creating the New Defense Procurement System.”

This is the second report in a series supported by The PricewaterhouseCoopers Endowment for The Business of Government in anticipation of the new presidential administration. Grants were awarded to leading academics for research reports that will provide insight into government management issues and offer present and future government executives case studies of leaders who brought about transformation in government.

For decades, the military acquisition system has been scrutinized and criticized for its inefficient processes. In this report, Harokopus discusses how four key government leaders within the White House and Pentagon successfully led acquisition reform. William Perry, Paul Kaminski, Colleen Preston, and Steven Kelman used their professional expertise, leadership, and commitment to achieve successful and sustainable innovation in military acquisition.

The first report in this series, “Transforming Government: The Renewal and Revitalization of the Federal Emergency Management Agency,” focused on the transformation of a single agency. This report highlights the transformation of a crucial administrative process — procurement — within government’s largest department, the Department of Defense. The report provides a fascinating case study of how leaders can bring about change in large organizations.

We hope that you will find this report informative. Valuable lessons can be learned from this leadership team which brought about substantial changes in an area where little change or progress had been made in the past.

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# Executive Summary

There have always been extraordinary military commanders, battlefield heroes, and national security executives. But historically the feats of such leaders are most noteworthy for their war-planning expertise, precision battlefield strategies, or bravery under fire. The leaders involved in reform of the military procurement system fought a different, but very real, battle. Their challenge was to reform a \$44 billion procurement budget; to eliminate charges of cost-overruns, schedule slips, and performance problems; to fundamentally alter the practices of the largest federal bureaucracy, and to do so without sacrificing the welfare and readiness of the nation's military forces. Consider further that the same remedies for fixing the military acquisition system had been suggested repeatedly, during the last four decades. Rarely had these attempts at reform been long lasting or effective. In frustrating regularity, they failed to achieve the desired effect. Yet, the Pentagon indeed is witnessing critical and exceptional changes to the way in which it buys its weapons.

This report examines a cadre of government leaders within the Pentagon and the White House, investigating their efforts to transform the traditional weapons procurement process from a rule-bound, inflexible, and inefficient system to a more subjective, cost-effective, and innovative public acquisition process. William Perry, Paul Kaminski, Colleen Preston, and Steven Kelman were not the only advocates of defense procurement reform. In fact, these leaders deflect credit for the reform

successes from themselves, instead lavishing compliments and credit upon a dedicated workforce and enthusiastic colleagues. Yet, their roles in and impact upon acquisition reform cannot be understated.

Their personal histories and professional expertise readied them for this effort. And, their diligence, innovative management strategies, and passion made implementation possible. How did they do it? How did they achieve such remarkable success in an area of public management many thought could never be transformed? The answer lies in a combination of strategies or factors. In fact, this report reveals six key factors for success.

## **Creation of a cohesive leadership team**

For each of these leaders, their commitment to procurement reform was not newly found. They were not rushing to join voguish policy trends. Rather, they were long-suffering enthusiasts who had worked years, hoping to revamp a system that needed repair. And most had worked together previously. They knew their leadership teammates. They had been in the public policy and defense acquisition trenches with them. They knew what to expect, and perhaps most importantly they were equally committed to the task. Their shared vision of the effort created a well-meshed and effective team.

## **Inclusion of industry and the government acquisition workforce**

The leaders expected, indeed demanded, that the source of detailed procurement reform initiatives be the workforce itself — both industry and government. The strategy worked. Top-echelon leaders launched the notion of reform and then created an environment conducive and accepting of new ideas. The acquisition workforce and industry developed creative solutions and helped implement the day-to-day mechanics of the new system. This unique approach elevated the role of front-line practitioners and is one reason why today's reforms have defied the odds, creating impressive and widespread changes to the defense procurement system.

## **Frequent and continuous communication**

Of particular importance was the leaders' ability to transfer their vision and passion to others. Indeed their strategy required the full appreciation of the workforce and industry. To that end, each leader sustained a remarkable communications strategy with constant but varied platforms for publicizing their message. From public speeches at symposia, conferences, and industrial gatherings, to brown bag lunches, town-hall-style meetings, and electronic chat sessions, there was always a variety of styles, media, and audiences. The end result was an environment charged with enthusiasm over the new possibilities for acquisition.

## **Strong use of recognition, awards, and training**

To promote acceptance and encourage initiative, the leaders relied heavily on recognition, awards, and training. The "recognition factor" was a critical component of the implementation strategy. Success stories about the work of innovative acquisition practitioners found their way into congressional testimony, trade publications, and formal speeches. Team commendations such as the Packard Awards were used to recognize the good ideas of the front-line workforce. Similarly, the leaders appreciated that if the workforce was to be successful in applying the new acquisition techniques, they needed training and education on the new tools and techniques. A pronounced and consistent effort to high-

light the implementation effort of the workforce encouraged acceptance of reform and hastened its realization.

## **Attention to organizational climate and careful navigation between agency autonomy and department-wide uniformity**

The military services are strong, established organizations that fiercely protect their autonomy and honor their historical legacies. It would not be advisable for a department executive to trample that organizational independence. And yet, defense acquisition practices had to retain a level of uniformity. The leaders astutely recognized when and where to demand uniformity in operations and when they should allow freer rein and greater autonomy. They made that decision based upon the type of initiative being implemented and the degree of acceptance by the services. In short, they had a remarkable ability to "read" the climate of the different service agencies.

## **An ability to capitalize on the political, technological, and national security environments**

The era of defense procurement reform was also an era of political, technological, and national security changes: advances in information technology; commercial trends toward industrial streamlining; a new, relatively peaceful international environment; and bipartisan political support to deregulate and reinvent government operations. While these conditions created a climate for reform, it was key individuals, taking advantage of those circumstances, which made the crucial difference. Opportunity is worthless unless it is seized. These leaders recognized the opportunity for tremendous change in public management *and* they acted on it. Thoughtful recognition combined with clarity of vision and speed of operation often differentiate accomplished public leaders from managerial caretakers.

Using these six strategies, the leaders of acquisition reform achieved remarkable success. Their accomplishments are especially appealing because it appears that the reforms are likely to become perma-



ment. Achieving long-lasting, cultural change is by no means an easy or quick accomplishment. Each of these leaders recognized the scope of their undertaking. Each was committed to the long-term success of this project. In fact, they did not take a quick strike at this effort and retreat to less publicly scrutinized, private sector positions. In an action uncharacteristic of most appointed leaders, they remained in their positions for a relatively long period of time — three to four years in all cases.

And if their individual talents were great, their combined energies were enormous, creating a synergy that allowed them to push reform notions further and faster than had ever before been accomplished. Perry, Kaminski, Preston, and Kelman were a leadership team of extraordinary talent. Through persistence, innovative management strategies, and a little luck they achieved remarkable feats in public management, turning previously failed efforts at procurement reform into tangible, remarkable successes.

# Introduction

This report examines a cadre of dedicated and innovative public executives, leaders who attacked the historic deficiencies and systemic conditions surrounding the defense procurement system. Their goal was laudable and extremely difficult: fundamentally restructure the way in which the Pentagon designs and purchases its weapons and support systems. Historically, the weapons acquisition process has never been efficient. Under the pre-reform system, it took longer and cost more to design, produce, and field weapons than the military, the Congress, or the public would have liked. It was not uncommon for the acquisition of a sophisticated weapon system to take 10 to 15 years to reach the final development stage while encountering cost increases of 20 to 40 percent.<sup>1</sup>

The problems of defense procurement were well known and, surprisingly, so were some of the solutions. But rarely had implementation of those solutions been achieved. While there are many government leaders to be commended for their commitment to the current reform effort, focus is given to four individuals — William Perry, Paul Kaminski, Colleen Preston, and Steven Kelman. These leaders had to defy long-standing trends and successfully introduce revolutionary methods into a seemingly intransigent bureaucratic system.

How did these leaders transform the largest federal bureaucracy from a rule-bound, inflexible system to

one defined by more innovation and case-specific application? How does one remove the safety net of bureaucratic rules and demand adherence to a fundamentally different method of operation? How do you change a public procurement system that has resisted wide-scale change for over 40 years?

Clearly, Perry, Kaminski, Preston, and Kelman were leading a challenging enterprise, one with an energetic schedule of opportunities. Every essential element of the procurement system had to be revised to fit a new approach to public procurement. How does one begin such an endeavor? The leaders had no precise roadmap for successful implementation. But they did have personal passion, historical lessons, and some interesting ideas about achieving organizational change. An investigation of their efforts has revealed six key factors for implementing change.

This report begins with a brief discussion of roles and objectives, specifically the executive positions each leader held and the reforms they intended to implement. Following that are personal profiles of Perry, Kaminski, Preston, and Kelman, illustrating their unique yet synergistically well-meshed professional histories. Attention then turns to each of the six key factors that the leaders used to implement acquisition reform. Each of the factors reveals a strategy for fostering acceptance of procurement reform. Taken together the factors offer an impressive set of tools for achieving widespread organizational change. The report concludes by offering concise recommendations and synopses of the

<sup>1</sup> *U.S. General Accounting Office, Weapons Acquisition: A Rare Opportunity for Lasting Change (Washington, D.C.: Government Printing Office, 1992) 20.*

management techniques that helped reverse years of failed procurement reform attempts.

## Background

Only a month after his first inauguration, Bill Clinton, the candidate who had campaigned on the need to make government work more efficiently, with less waste, and with more appreciation for the citizen, was quoted as saying, "...[the federal procurement system] would have broken Einstein's brain."<sup>2</sup> Here was the nation's chief executive, a man committed to the ability and power of government, a man who had spent years studying the country's greatest inspirational leaders, commenting on the frustration of federal acquisition, the apparent intransigence of the system, and leaders' seeming inability to effect change. Clinton and his team had miles to go on a path littered with the failed attempts of previous leaders.

Since the nation's founding there has been a public debate regarding the efficient design, production, and delivery of weapons. In March 1794, Congress authorized the building of six large frigates, intending that these ships would be the basic components of an emerging U.S. Navy. But by August 1795, the War Department had run into delays, and cost overruns resulted. Congress eventually cut production by half, acquiring just three frigates. Two hundred years later, the Department of Defense (DoD) was still facing cost overruns, schedule slips, and technical performance problems in acquiring its weapons. From \$500 hammers and ashtrays to design and performance problems with the B2, it seemed that defense acquisition was destined for ridicule and perpetual cost and schedule troubles.

That is not to say that there have not been several attempts at reform of the acquisition process. In fact, during the last four decades there have been more than a dozen review panels and commissions chartered to examine the perpetual problems of procurement. Yet none of the reform efforts have been particularly broad or effective. Instead, there has been a continual tinkering with the procurement system, as if a few singularly placed administrative changes could achieve wholesale reform. The problems persisted.

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<sup>2</sup> Joseph A. Pegnato, "Procureosclerosis," *National Contract Management Journal*, January 1995, 65.

Now, however, through a confluence of international and national events, timely advances in information technology, bipartisan political support, and — perhaps most importantly — skillful efforts by government leaders, an extraordinary, broad-based effort to reform the defense procurement system is underway. In fact, it is this unique set of operating parameters, political conditions, and outstanding leadership that has made the procurement reform initiatives of the mid-1990s more successful than any other previous attempt.

At bottom, the reforms seek to introduce market-centered approaches to public procurement. It is an effort to replace unique and onerous military acquisition processes with industrial practices and commercial managerial techniques. It loosens the restrictions of bureaucratic rules set forth in the Federal Acquisition Regulations, invoking greater use of subjective, case-specific, and participatory decision-making. It trades a rule-bound system for devolution of power to front-line bureaucrats with the ability to use personal discretion and best judgment.

Remarkably, the time-honored but previously ill-fated defense reform effort has finally met with success. In large measure, a cadre of top leaders is responsible for that success. Their feats are remarkable, in part, for the sheer scope of the reform. The changes involve almost every aspect of defense procurement:

- Replacement of overly prescriptive military specifications and standards with commercial or performance specifications;
- Widespread applications of process-speeding information technologies and the introduction of electronic commerce;
- Loosening of the restrictions on communications between government personnel and industry;
- Increased use of corporate past performance as a factor in subsequent contract awards;
- Greater use of commercial products; and
- Use of functionally integrated government acquisition teams, also called Integrated Product Teams (IPT).

## Major Defense Procurement Reforms

Reform	Description
<b>Milspec Reform</b>	A library of standards and regulations known as “milspecs” has been used by the military to prescribe every facet of a weapon’s development and production — its technical design, operation, environmental constraints, transportation requirements, maintenance requirements, etc. These legally binding and overly detailed specifications ensured uniformity and precise operating conditions, but at a very high cost. Reformers are replacing this system of unique specifications with commercial and industrial standards, including performance specifications that tell industry “what” needs to be built, but not “how” to make it.
<b>Integrated Product Teams</b>	Traditionally, design approval, operational endorsement, maintenance considerations, and funding authority are not situated in the same individual or even the same office. The fragmentation of decision-making lengthens the acquisition process because there must be a series of reviews and approvals for each corresponding change in design or funding profiles. If these technical-logistical-financial tradeoffs could be made quickly, ideally with both the financial and engineering offices working in tandem, the development process would move more quickly. Reformers recognized that DoD needed flexible, integrated teams with the authority to make far-reaching and timely choices.
<b>Use of Past Performance</b>	Although DoD had long recognized that past performance offered an indication of future capabilities, a systematic and reliable method for collecting and using such data was never fully developed. In many ways, every source selection was a “new ball game.” While it offered redemption from programmatic ailments that were beyond a contractor’s control (Congressional program budget cuts, for instance), it did nothing to reward valued companies. It provided no incentive for firms to perform above and beyond minimum contract requirements. Now an evaluation of a company’s past work is mandatory for all new contract awards, and a systematic collection method is being implemented. Eventually reformers hope that a national, service-wide collection and retrieval system will help incentivize industry and offer insight to government contracting officers who are awarding new contracts.
<b>Improved Communication between Industry and Government</b>	The Pentagon has never fully capitalized on the defense industry as a source of creativity and inspiration for design ideas. A fear of favoritism and corruption in the award of contracts led DoD to construct a wall between itself and industry, prohibiting the free exchange of ideas, needs, and design concepts. What began as a rational approach for ensuring equity and fair opportunity among contractors deteriorated to a point where industry and government personnel did not communicate freely for fear of wrongdoing and reprimand. In the end, the lack of communication resulted in improper specification of weapons, misunderstanding of program requirements, and ultimately a more expensive weapon. Now reformers are including industry as a vital component in weapon designs, involving them earlier in the acquisition process, and even offering financial incentives for their creative approaches to design. A strong reliance on written correspondence (especially during the contract award phase) has given way to oral presentations and greater use of industry-government conferences.

## Major Defense Procurement Reforms

Reform	Description
<b>Electronic Commerce and Applied Information Technologies</b>	Beginning in 1993, reformers made a concerted effort to bring Uncle Sam "online." The increased efficiencies made possible by the introduction of information technologies were not lost on the federal government. The acquisition workforce readily accepted the new approach. They have latched onto the Internet as a source for market research on products and suppliers. Contracting officers are now posting contract solicitations on the Internet, buying smaller-priced items with government purchase debit cards, and soon will be making all payments to vendors electronically. However, a provision in the 1994 Federal Acquisition Streamlining Act requiring the creation of a Federal Acquisition Computer Network (or FACNET) has not met with the success legislators and leaders anticipated. Technical architecture problems and third-party network requirements plagued the system, making it less effective than expected.
<b>Greater Use of Commercial Items</b>	Historically the peculiarities of the government marketplace created a wide gulf between commercial and defense contractors. Specialized management and design responsibilities distinguished these two groups. The dichotomy was so great that it prevented the Pentagon from purchasing items from commercial companies even when their costs were cheaper. Reformers sought to change that predicament by eliminating the specialized management and accounting requirements demanded of contractors and by increasing the threshold for so-called "small purchases." This eliminates the need for a time-consuming and rigorous contractor selection process.

Any of these changes would have been viewed as a positive and necessary improvement to the defense acquisition system. Applied in the aggregate, they are astounding. Indeed, these initiatives represent an incredible change for any organization — public or private. As defense acquisition reform seems to be making so much progress relative to past efforts, one can be sure that government leaders have been a major influence on the effort. Never has the impact of and necessity for strong, innovative leadership been more apparent.

Publicly, leaders within the Defense Department credit much of the success of the procurement reforms to the acquisition workforce, but the reforms initiated under the Les Aspin/William Perry Defense Department began very much as a top-down initiative. Therefore, it is imperative that one considers the political leaders involved in the procurement reform enterprise.

Aspin and Perry began the defense procurement reform initiative immediately upon Aspin's 1993 confirmation as secretary of defense. As deputy secretary of defense, Perry was the "point man" on this effort. Together they initiated an effort to attack the perpetual problems of weapons acquisition. With Aspin's untimely death and Perry's subsequent nomination as secretary of defense, as well as the introduction of Paul Kaminski into the reform movement and the ongoing efforts of Colleen Preston, the endeavor was changed but not stalled. As this report explains, these individuals became critical actors in this policy drama. As under secretary of defense for acquisition and technology and deputy under secretary of defense for acquisition reform respectively, Kaminski and Preston formed, with Perry, a cadre of top-echelon Pentagon leaders who were instrumental in achieving procurement reform.

Outside the Pentagon, perhaps the most influential leader in the procurement reform effort was the

## Reform Success Stories

Using milspec reform initiatives and better communication with industry, the acquisition office for the Joint Direct Attack Munitions program eliminated all but one of the milspecs on the project. The data requirements were reduced from 243 to 29 items. And the Statement of Work (formerly a 137-page document) was whittled down to a two page Statement of Objective. The result: The unit cost shrunk from \$42,000 to \$14,000; development costs were reduced by \$70 million; and production costs were reduced by an estimated \$1.5 billion.<sup>3</sup>

It used to take the Office of Naval Research (ONR) 57 days to pay vouchers under the previous paper system. Today, with electronic funds transfer and other automation, the Navy pays vouchers in five days.<sup>4</sup>

An acquisition office at the Army's Fort Sam Houston implemented a new approach in selecting contractors. With greater reliance on oral presentations, rather than the traditional paper proposals, they cut their source selection schedule from 15 to five months.<sup>5</sup>

It used to take the Defense Personnel Support Center in Philadelphia 60 days to deliver supplies to DoD mess halls, commissaries, and hospitals. The introduction of new technologies has lowered operating costs, boosted productivity, and, remarkably, turned a 60-day delivery schedule into one of less than 72 hours.<sup>6</sup>

The Armed Forces used to have a library of military specifications and standards containing over 30,000 documents. Within two years of the July 1994 start of Milspec Reform, over 4,400 military specifications and standards had been canceled, over 2,600 documents had been inactivated for use in new weapon system designs, over 1,700 non-governmental standards had been adopted, and over 360 simplified, performance-oriented commercial item descriptions had been added.<sup>7</sup>

Using Electronic Data Interchange, Walter Reed Army Medical Center (the Army hospital outside of Washington, D.C.) was able to reduce its pharmaceutical inventories by 89 percent and eliminate six warehouses. The result: a savings of more than \$6 million a year.<sup>8</sup>

administrator of the Office of Federal Procurement Policy (OFPP) — Dr. Steven Kelman. Like his DoD counterparts, Kelman would be a critical actor in this drama. Much of the legislative changes to defense acquisition reform were actually government-wide initiatives, changes in the overall federal statute. Kelman would be the crucial link, widening the defense procurement effort to an initiative that would serve the entire federal government.

These leaders were not the first to uncover the problems of defense acquisition. A number of chronic technical problems plagued the pre-reform system, and these problems were well documented. But the leaders astutely recognized that *none* of these issues could be ignored if the team hoped to defy the odds and institute real reform. This was because the problems were interrelated. Attacking one without the others would inevitably lead to half-measures and unfulfilled opportunities.

True reform required a kind of chain reaction. Perry, Kaminski, Preston, and Kelman had to shed the peculiarities of military procurement. Consequently, they had to dismantle the safety net of milspecs — a library of standards and regulations that have been used by the military to prescribe every facet of a

<sup>3</sup> Paul G. Kaminski, Institutionalizing Standards Reform, *Speech by Under Secretary of Defense (Acquisition and Technology) to 1996 Joint Conference on Standards Reform, Arlington, Virginia, November 13, 1996.*

<sup>4</sup> Lisa Corbin, Los Angeles Times, "Electronic Commerce Strategies," December 1996 (electronic version <http://www.govexec.com/tech/articles/1296info.htm>) 2.

<sup>5</sup> Brian Friel, "Acquisition Regulations Rewritten," *Government Executive*, October 1997, 2.

<sup>6</sup> Lisa Corbin, Los Angeles Times, "Electronic Commerce Strategies," December 1996 (electronic version <http://www.govexec.com/tech/articles/1296info.htm>) 2.

<sup>7</sup> Office of the Under Secretary of Defense (Acquisition and Technology), *Milspec Reform: Results of the First Two Years (Washington, D.C.: Department of Defense, June 1996)* 2.

<sup>8</sup> Lisa Corbin, Los Angeles Times, "Electronic Commerce Strategies," December 1996 (electronic version <http://www.govexec.com/tech/articles/1296info.htm>) 2.

weapon's development and production. But in its place there needed to be alternatives — commercial approaches. But for commercial approaches to be successful there needed to be good and continuous communication with industry, both at the design alternative phase, through the contractor selection process, and throughout product development and production. Similarly this joint approach needed to extend inward as well, creating integrated government acquisition teams infused with a devolution of authority so that flexible development approaches were possible.

The leadership team also needed to provide the defense bureaucracy access to and training with the latest information technology, providing government practitioners with the tools to improve the speed and clarity of their acquisition decisions. But these efforts would be most effective if they were accomplished with (1) a degree of uniformity that allowed commonality and synergy, and (2) a level of autonomy that allowed the acquisition process to be customized to service-specific missions and agency-unique requirements.

The problems were widespread. The solutions would have to be equally as encompassing. That in turn meant a massive shift in organizational policies and practices. It meant big changes ahead.

# The Leaders

The department, bureaus, and agencies of the federal government all need good leaders to be effective. But a select few are especially critical in the political and administrative battles to enact public policy. William Perry, Paul Kaminski, Colleen Preston, and Steven Kelman came from various professional backgrounds, yet they shared a remarkable passion. This fortunate if rare occurrence was one reason that the leadership team was so successful. Although each held a number of different positions before coming to their roles in the Clinton administration, they were never far removed from their common policy theme of procurement reform.

Each had been fighting for a decade or more to move policy solutions to the problem of inefficient procurement into political focus — Preston on Capitol Hill; Kaminski and Perry through appointed government service in the Pentagon and membership on presidential and defense review panels and committees; and Kelman in his academic research, published books, and lectures to senior Pentagon officials through his affiliation with the Kennedy School of Government. In short, there was never a time in the last decade when these individuals were not prepared for procurement reform to move onto the political agenda.

And while their professional paths to the Pentagon and OFPP may have differed, while their personal preferences, politics, and expertise may have varied, they were stalwart and uncompromising in their insistence that defense procurement needed

to be repaired. Furthermore, they were equally convinced that the repairs the system needed were not a new application of regulations but rather a *deregulation* of the system. Below is a brief account of the professionals who led acquisition reform. The number of parallels between these impressive leaders is intriguing.



## William Perry

In 1993, the White House selected Dr. William J. Perry as deputy secretary of defense. Serving under Secretary Les Aspin, Perry came to the position thoroughly prepared for the rigors of the job. In fact, Perry, like his reform-minded boss, already was

convinced of the need for reform of the defense acquisition system. He was committed to the notion of revamping defense procurement. His professional background had demonstrated first-hand the need for such a reform.

Perry had a long history of work with DoD along with experience in academia and commerce. He has an academic background in the sciences, having earned a Ph.D. in mathematics. Perry also served in the military both as an enlisted person and as an officer. He has been a business entrepreneur, a leader in the defense industry, and a senior executive in an investment banking and consulting



firm specializing in high-technology companies. In addition, he spent four years in the Pentagon as under secretary of defense for research and engineering, a position in which he was responsible for all weapon systems procurement and all research and development. In short, Perry was probably the best-prepared public servant for the job of acquisition reform.

Perry struggled as a member of the defense industry in trying to comply with the special requirements of government procurement. Although he appreciated the drive for technology and the strategy that the United States had chosen in its quest to provide security for the country, he also knew the rigors of executive leadership in the Pentagon. In fact, his position as under secretary from 1977 until 1981 demonstrated a commitment to the job and the acquisition system that was extraordinary for the field.

In addition, Perry had served on a number of U.S. government advisory boards including the Technical Review Panel of the Senate Select Committee on Intelligence. He was also a member of the Carnegie Commission on Science, Technology, and Government. In these roles Perry was party to reviews and assessments of the technical standards of the national industrial base and the overhead costs associated with the U.S. weapons procurement process. No doubt these affiliations, as well as Perry's personal, first-hand dealings with the Pentagon procurement system, prompted his passionate stand on the issue of procurement reform.

During 1993 Perry led the daily operations of acquisition reform as Les Aspin's second-in-command. With his assumption of duties as secretary in February 1994, Perry still maintained a strong leadership role in the reforms, even as his responsibilities multiplied. Like Kelman, Perry was interested in making reform a reality. To that end, he stayed active within the effort throughout his four-year tenure at the Pentagon. He was also concerned with enlisting a cadre of leaders within the Pentagon who shared his passion for procurement reform. His selection of Paul Kaminski and Colleen Preston as members of the acquisition reform leadership team were two of his most critical decisions.



## **Paul Kaminski**

Dr. Paul Kaminski was an extremely influential figure in defense procurement reform. He came to the position of under secretary of defense for acquisition and technology in October 1994 with a 20-year career in the

Air Force, a 10-year career as a founding partner for a high-technology consulting and investment banking firm, and a commendable academic career. He combined a strong appreciation for the role of defense procurement with an intolerance for its problems and an unyielding advocacy for repairing those deficiencies.

Kaminski had been a program manager during his Air Force career for what was then a highly classified program for a stealth technology aircraft. Because it was in the so-called "black world" of super top-secret acquisitions, many of the traditional regulations and military specifications did not apply. The funding was relatively secure for the program, and it did not meet the same public scrutiny requirements that many unclassified programs faced. As such, the advocacy, protectionism, and parochialism that usually surround high-value programs were less invasive. Similarly, the oversight requirements that typically bog down weapon systems development were not present. The result, according to Kaminski, was that the acquisition staff developed some rather innovative and creative contracting procedures. They worked intimately with the contractor and included an integrated team approach to the system's technical development. In short, they were using streamlined reform techniques a generation before today's current effort. And they worked!

That experience left a lasting impression on Kaminski. His appreciation for the business side of acquisition was further confirmed during his tenure as a banking and investment partner. Throughout his "civilian" period, Kaminski maintained links to the military. He served as chairman of the Defense Science Board and was also a member of the Defense Policy Board. Defense procurement reform

was not a new wave or a trendy topic onto which Kaminski just happened to stumble. He had been advocating such policy initiatives for years. When the timing was right, he was ready. With Perry at the helm of the Pentagon and all the other factors in place, Kaminski was the perfect choice for leading acquisition reform. He was ready to go when Perry gave him the opportunity.



### Colleen Preston

Another instrumental leader was Colleen Preston. The deputy under secretary of defense for acquisition reform was sworn into her position in June 1993. For almost four years she was relentless in her efforts to revamp

the defense procurement process. Perry created Preston's position in his effort to focus leadership attention and department resources on the need for reform. Preston was a key and founding member of the reform leadership team that helped propagate acquisition reform initiatives within the Pentagon. And she readily admits that her background as a policy advocate for reforming the public procurement system, including her time as an officer in the Air Force and a staffer on Capitol Hill, was crucial in preparing her for the extraordinary opportunities that were present in the Perry Pentagon.

Like many of the other leaders of this effort, Preston is a former military officer who dealt first-hand with the failings of the acquisition system. As a member of the Air Force General Counsel's Office, she witnessed the problems that allocation of defense resources and contract management present. After her departure from the military, Preston worked for over 10 years on Capitol Hill as a staffer for the House Armed Services Committee and was later named the committee's general counsel. Her position enabled her to be involved in writing much of the acquisition legislation that preceded the 1994 Federal Acquisition Streamlining Act, including the Defense Acquisition Workforce Improvement Act. Regardless of the workload she took on in those positions, she never strayed too far from her involvement in procurement reform. These experi-

ences proved valuable for Preston, who, after a move from Capitol Hill to the Pentagon as special assistant to the secretary of defense for legal matters, was chosen later for the deputy under secretary position. With her move to the Pentagon, but before the creation of the deputy under secretary position, Perry and Preston were talking and writing to each other regarding the unique opportunity they might have to implement acquisition reform. Preston recounts:

In talking to Dr. Perry...as we went through the confirmation process, and based on some dealings with Dr. Perry previously, it was obvious to me that they [the leadership team] were so committed to acquisition reform that if there was ever a chance for it to succeed, this was it.<sup>9</sup>

Preston's assessment would prove to be prophetic.



### Steven Kelman

One of the most influential "civilian" leaders in the defense acquisition reform effort has been Dr. Steven Kelman. Indeed, the selection and November 1993 Senate confirmation of Kelman as administrator of the Office of Federal

Procurement Policy was a crucial step. Dr. Kelman is a vigorous and vibrant advocate for his cause. Although the OFPP is only 20 people strong, Kelman gave it a vitality and reach well beyond its size.

Kelman characterizes himself as an outsider, an amateur in the sea of professional politicians and Washington beltway regulars. But Kelman, like his similarly reform-minded cohorts at the Pentagon, had been thinking and writing about federal procurement reform for over a decade. Indeed his 1990 book, *Procurement and Public Management: The Fear of Discretion and the Quality of Government*

<sup>9</sup> As quoted in "Colleen Preston on Acquisition Reform: The Most Critical Factor That Faces Us — Completing That Process of Cultural Change," Program Manager, January-February 1997, 24.

*Performance*, is a thoroughly researched and respected case-study approach to the problems of over-regulation in the federal procurement of computer systems. It forms, along with his other academic work, a theoretical underpinning for the value and need for deregulating the federal procurement system. In fact, Kelman's ideas about the devolution of power to front-line civil servants, the use of past-performance information as a critical component in selecting contractors, and the need to establish longer-term relationships with suppliers are key concepts of the current reform effort.

Before his move to OFPP, Kelman was a professor at Harvard's Kennedy School of Government. From that venue he was not shy about his political and public policy convictions. Kelman is a self-professed liberal. He celebrates the power of government for accomplishing noble goals, and he accepts that civil servants can and should be given freer rein to accomplish the objectives set forth for them. According to Kelman, enactment of good government ideas is not possible without the trust of public servants and the empowerment of that group to accomplish the requirements of governing. Although the federal bureaucracy faced downsizing, restructuring, and reorganization, members of the civil service had no stauncher supporter than Kelman, a man who believes forcefully in the power of government and its ability to do extraordinary things.

Kelman's ideas about procurement reform gained not only acceptance but acclaim. In fact, this policy-minded academic became the darling of Republicans, Democrats, and industry alike. In an uncharacteristic intermingling of policy ideas, the bipartisan appeal of acquisition reform made sense for the liberal left and the conservative right. For the political left, reforms to government operations that included downsizing and deregulation were the first step in freeing government to accomplish greater goals of public service. The political right was equally concerned with trimming government. However, conservatives saw a trimmed-down, smaller-scale federal government as an end in itself, a condition that freed the citizenry from meddling, inefficient government-managed programs.

As an astute and thoughtful leader, Kelman capitalized fully on this unconventional condition. He emphasized that there could be a "confluence of agendas" that was appealing to both industry and government.<sup>10</sup> Kelman stepped into his leadership role, bridging many sides effectively. He demonstrated the bipartisan appeal of procurement reform and also forged a respected, amiable, and effective relationship between DoD, OFPP, and industry.

The success of the reforms is due in large measure to leaders like Kelman, Perry, Kaminski, and Preston. They were each extremely well suited for their roles. They had a depth of experience that made them experts on the subject and sympathetic to all parties involved. They were proactive to the point of being passionate, both within their appointed positions and on the policy matter overall. And they were diligent in their personal attempts to institute acquisition reform, continually advocating their cause but also waiting for the perfect confluence of events to help bring about their shared vision of reform. As that time came, these four leaders devised an effective implementation strategy, one that depended upon the skillful application of six key factors.

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<sup>10</sup> Steven Kelman, interview with the author, December 1999.

# Key Factors for Success

## A Cohesive Leadership Team

Procurement reform demanded concerted and uninterrupted leadership attention. It demanded an experienced leadership team that knew intimately the problems, peculiarities, and strengths of the public procurement process. Indeed, a key factor to successful implementation of acquisition reform was creating a cohesive leadership team, a team that shared a common vision of reform and a shared implementation strategy. Appointed leaders represent forces for change and inspiration, a conduit for bringing innovation and invigoration into the machinations of federal bureaucracy. Often they are sources of great leadership. And yet, historically, there are patterns associated with appointed leadership that inhibit organizational change. Chief among them is the issue of tenure and experience.

Generally, political appointees serve only briefly in their positions — an average of 18 months.<sup>11</sup> What does this mean for the bureaucracy, for presidential policies, for implementing change within an organization? With such a short tenure, a newly appointed leader barely has time to establish goals before he leaves the organization. Most appointees come to the position, take several months to learn the job, and invest energy into specific initiatives. The bureaucracy then finds that upon the leader's departure, the organizational goal or project must

be turned over to yet another appointee, who may or may not share the first leader's enthusiasm, appreciation, or orientation of the project. As a result, it is tempting for appointed leaders to initiate projects that are short range.<sup>12</sup> While those projects may be well-intentioned efforts, significant achievements in public policy or organizational change require emphasis on the long range. Institutionalizing bureaucratic operations means long-term commitment to the effort — a feat that is hard to accomplish when the top leaders of the organization are changing every year and a half.

Similarly, a lack of experience with the agency and unfamiliarity with its processes and systems can have serious repercussions. While arborists do not run the National Institutes of Health and physicians do not lead the Park Service, professional expertise and background are not always well matched. This means leaders have to take so much time trying to “learn the ropes” that they waste precious time at the outset of their tenure trying to become knowledgeable about the very processes they need to change. Rarely does starting with a “fizzle” rather than a “bang” provide the organizational momentum needed to jump-start an initiative.

The habitual weaknesses within appointed leadership — lack of experience and familiarity, short tenure and rapid turnover, and orientation toward short-range projects — have made sustained, cul-

<sup>11</sup> *Statement of Louis J. Rodrigues, Director, Defense Acquisitions Issues, General Accounting Office before Subcommittees on Military Procurement and Military Readiness, Committee on National Security, House of Representatives, Linking Workforce Reductions With Better Program Outcomes (Washington, D.C.: General Accounting Office, April 7, 1997), 6.*

<sup>12</sup> *James W. Fesler and Donald F. Kettl, The Politics of the Administrative Process (Chatham, New Jersey: Chatham House Publishers, 1991), 153.*

tural, and widespread change difficult to achieve within the defense bureaucracy. These systemic shortcomings have made previous attempts at acquisition reform difficult, even impossible. As this section reveals, the procurement reform leaders highlighted here have overcome these weaknesses.

The leaders of defense procurement reform were remarkably well suited for the tough job at hand. They all had past experience with the acquisition process — some as practitioners, others as researchers, still others as members of the defense industry seeking to comply with the sometimes byzantine set of procurement rules. With the exception of Kelman, each had previously worked inside the Pentagon as a military or civilian leader. Each had recognized the failings of the defense acquisition system and each had struggled to remedy it — through advisory boards, informal correspondence to defense leaders, and published scholarly works. It was as if they had been preparing for years to meet this challenge. Moreover, Perry, Kaminski, and Preston had worked together previously. They had shared their frustrations with the pre-reform system, corresponded on the subject, and had come to appreciate their common desire to change the status quo.

Leaders without the authority or passion to promote reform could easily have become dissuaded from this issue. But this was a group of committed advocates. In fact, it was this shared commitment to reform that cemented their team. And as the account below reveals, this cohesiveness of vision and shared commitment was a prerequisite for admission to the team. It was a vital selection criterion.

By 1993, the stirrings of a revolution in acquisition had begun within the Pentagon. Then Secretary of Defense Les Aspin knew defense procurement needed an overhaul. He came to the job with the political backing of the President but the skepticism of the DoD workforce. (Trimming an organization rarely breeds goodwill.) Perhaps one of his most important and useful decisions was the selection of William Perry as deputy secretary of defense.

It would be Perry's job to overhaul and streamline the acquisition system. Like Aspin, Perry recognized the importance of having the right leaders in the

correct positions. If acquisition reform was going to work this time, then key appointments of personnel central to the reform effort would be a crucial first step. The individuals in these positions would not have the luxury of on-the-job-training. They needed to come to the job knowing well the difficulties and problems of the Pentagon's acquisition system. The Aspin/Perry strategy: act quickly and decisively. Perry and Aspin went to Vice President Gore with their recommendation for establishing a leadership team for changing defense acquisition. The vice president agreed with their plan and understood the need for a coordinated team. He allowed Aspin and Perry to recommend a complete slate of candidates for these positions. While Gore did not give Perry and Aspin carte blanche (after all, the nominations would have to fall or stand on the merits of the individual appointees), the opportunity to nominate an entire slate of key appointment positions was instrumental — and rare.

Perry did most of the leadership search, creating a team of candidates who had worked together previously, who had long-term experience in the acquisition field, and who had agreed that defense acquisition was in great need of change. Commitment to reforming defense acquisition had been a litmus test for nomination. As the members were confirmed in their positions, they clearly understood that acquisition reform was a personal priority for Aspin and Perry and that their placement and selection was dependent upon a shared vision of implementing procurement reform.<sup>13</sup>

Even with an experienced group that was committed to procurement reform, could the effort be accomplished before the attrition of leaders began? Regardless of the initial enthusiasm a proposed organizational change might enjoy, substantial, institutional change requires sustained effort. There could be no quick fix solution to the problems procurement reform sought to address. In an environment where leaders depart routinely after only 18 months on the job, this team showed remarkable stability. Not only had they worked together previously, Perry's leadership team stayed on the job for almost *four* years.

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<sup>13</sup> Charles L. Beck, Nina Lynn Brokaw, and Brian Kelmar, "A Model for Leading Change: Making Acquisition Reform Work," Report of the Military Research Fellows of the Defense Systems Management College 1996-1997 (DSMC Press: Fort Belvoir, Virginia, 1997), 5-2.

This was crucial for several reasons. First, while the leaders wanted to work quickly to initiate reforms, it would still take time to filter the message throughout the workforce and industry. Even the most efficient reforms take time to disseminate and adopt. Second, there were sure to be doubters within the organization, those who were willing to “wait out” the appointees. Ordinarily, it would be a good strategy: If you do not like the message, wait for a new messenger. Only this time the strategy failed. The fortitude of this group of policy advocates was remarkable, sending a signal to even the most hardened of acquisition specialists that this time was different.

Kelman too did not take a quick strike at this effort and then retreat to a less publicly scrutinized position, leaving the initiative to dangle without a committed leader at the helm. He was in his position at OFPP for over four years, leaving at the end of 1997. During that tenure, Kelman was an important bridge between the Clinton administration and the Pentagon.

For many years, federal procurement was defense procurement. The Pentagon led the way from a policy standpoint when it came to federal acquisitions. If Kelman and Clinton wanted to reform federal procurement, DoD was going to have to play a vital role. Yet historically, the relationship between OFPP and DoD had not been particularly amicable. To DoD, OFPP appeared as a meddlesome staff agency that was unfamiliar with DoD’s needs and bent on intrusive oversight of its procurement operations. To OFPP, the DoD was the elephant of federal procurement that deserved watchfulness and containment.

Kelman, appreciating the magnitude of the effort, did not try to bulldoze or sidestep the elephant in his path, but worked in unison with Pentagon leaders to make reform successful. In fact, he and his colleague at the Pentagon, Colleen Preston, devised a respectful, effective working relationship. Clearly the two offices had different constituents, but as Kelman explained, the OFPP-DoD relationship was “superb...it was effective and highly complementary.”<sup>14</sup> This newly forged relationship can be attributed to the personal efforts of Preston and Kelman. Neither claimed singular expertise on the subject of procurement reform. They were eager to develop

the ideas of practitioners and to involve industry as well. This willingness to change the parameters broke the traditional roles of the two offices, allowing a fresh start and cooperative approach.

The alliance of Pentagon leaders and White House officials produced a strong team. The combination of mutual goals and experience allowed the team to initiate reform quickly and to sustain the effort. As Kaminski commented, “We had a common vision... It was clear to everyone that no one would be able to penetrate this team. From the Vice President on down, we had a very proactive policy.”<sup>15</sup>

Preston also confirms that the relationship among the key acquisition reform leaders at the Pentagon was unique and very close-knit. “We [the leadership team] established relationships that normally would never have occurred. The leadership team was small, focused, a tight nucleus. It made a huge difference. We were very committed, and really believed we could make some revolutionary changes.”<sup>16</sup> Creating a team that had the experience, constitution, and managerial abilities to achieve department-wide reform was not easy, but it did pay off.

Competing organizational goals are constantly vying for leaders’ attention. The fact that the team did not allow any of these competing objectives to derail their procurement reform effort is testimony to the fortitude of the individual leaders and the criticality with which they *all* viewed acquisition reform. Certainly it would have been easier to target a simpler, more short-term project. It would have been financially more rewarding to leave after a year or two on the job. But it would not have produced the same successes. With a collective objective, a shared passion, and a common strategy, this group of leaders dismantled a pre-reform system that had gone unrepaired for 40 years; and, in its place, they helped erect new and fundamentally different practices.

## **Inclusion of Industry and Acquisition Practitioners**

A key and sustaining factor in the leaders’ implementation strategy was the inclusion of the acquisition workforce and the defense industry. From the

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<sup>14</sup> Interview with the author, December 1999.

<sup>15</sup> Interview with author, August 25, 1999.

<sup>16</sup> Interview with the Author, March 14, 2000.

beginning, Perry's vision of defense procurement focused on the need for cross-service, cross-functional, even cross-agency advice and coordination regarding reform issues. His message was clear: Defense procurement reform was to be a system-wide effort demanding widespread participation. Indeed, Perry was forceful in securing the inclusion of all branches of the military, all levels of the acquisition bureaucracy, and even the defense industry. That involvement was not just cursory. Perry's team was convinced that the acquisition community should be the primary source for reform initiatives.

Given Perry's vision and demand for inclusion of acquisition practitioners, the creation of Process Action Teams, or PATs, proved to be an especially useful approach. Process Action Teams provided a forum for developing solutions to the problems of defense procurement. In fact, PATs became the preferred method for kicking off the various reform initiatives. A PAT's mission was demanding. The team was required to analyze a current acquisition practice; identify the failures and benefits of the existing approach; identify alternatives that would streamline and improve the practice; develop incentives for implementing that new approach; draft any statutory or regulatory changes necessary to implement the new process; consider training requirements for that new effort; and, finally, develop measures for gaining feedback on the new approach. These PATs, and the working groups they formed, sought out and included the opinions of the acquisition workforce, supervisors, and the defense industry. In effect, it made the entire acquisition community party to the problem as well as part of the solution.

The PATs and working groups were the direct link to the workforce and industry. Perry and the other defense reform leaders did not dictate daily operations from above; rather, they allowed the operators to develop their own solutions. This would ensure that the reform initiatives would be truly compatible with day-to-day procurement needs. Unattainable, highly theoretical, or overly complicated approaches would not work. PATs were a way to ground the reform efforts and ensure their survivability. Perry's team realized that real empowerment of the PAT demanded strong advocacy and a consistent reliance on the approach by top-echelon

leaders. This, in turn, would provide legitimacy to the PAT's role and acceptance by the working-level bureaucracy.

To appreciate the importance of this approach, consider the implementation of the milspec reform initiative. This effort required exceptional leadership skills and produced dramatic change. In August 1993, Deputy Under Secretary Preston directed that a Process Action Team be established to investigate milspec reform. Based upon that charter, the PAT developed a strategy for changing the Pentagon's reliance on milspecs (*Blueprint for Change: Report of the Process Action Team on Military Specifications and Standards*, April 1994). On June 23, 1994, the DoD published an implementation plan for the PAT's reform program. Six days later, Secretary of Defense Perry issued a memorandum accepting the PAT recommendations, outlining his milspec reform initiatives, and directing all the military services and DoD agencies to take *immediate* action to implement his policy changes. The PAT's report and plan, together with the Perry memorandum, formed the basis of DoD's efforts to reform milspecs.

Milspec reform was not a minor undertaking. Perry directed that all traditional milspecs be replaced with performance specifications. He further clarified that military specifications and standards could be used only as a "last resort" and only with an approved waiver. The scope of this directive was astounding. Any procurement of financial consequence (above the \$100,000 threshold) was subject to Perry's policy change. Secretary Perry turned the traditional weapons requirement process on its head. His direction to use performance specifications almost without exception and to require waivers for use of any milspec ran squarely against customary practice.

Although Perry's directive was traditional in one sense — a direct order sent down by the top boss — it was also quite unorthodox in the making. First, the milspec initiative had been crafted according to recommendations from the Process Action Team. Although Perry was very anxious to move forward on the reform effort, particularly with respect to milspec reform, he refrained from issuing an immediate decree. He waited for the recommendations of the Milspec Process Action Team. His delay demonstrat-

ed a personal resolve to include the thoughts, perspectives, and recommendations of the front-line acquisition community in his first major reform initiative. Second, Perry depended quite heavily on industry, relying on their technical ingenuity and their willingness and desire to see the milspec requirement and design system replaced with a more flexible, commercial-like purchasing system. Further evidence of that reliance came in Perry's directive that industry-government partnerships be formed for the purpose of establishing non-government standards to replace existing military standards. In fact, Perry specifically identified the defense and high technology industries as participants in this initiative. He asked Paul Kaminski to draft and pass language for the Defense Federal Acquisition Regulation Supplement (DFARS) that encouraged contractors to propose non-government standards and industry-wide practices that met the intent of military specifications and standards.<sup>17</sup>

Perry understood that milspec reform was designed to change a closed, prescribed system into an open, more flexible one — a major transformation. The secretary also recognized that clear direction, publicity for the effort, and training would be needed to implement reform. But perhaps most importantly, Perry was intent on crafting the new approach to weapons design according to the recommendations of industry and the acquisition workforce. Indeed it was a careful combination of top-down direction (with the June 1994 memorandum) and bottom-up implementation (with the PAT's recommendation and the inclusion of industry and the workforce). This combination approach signaled the leaders' desires to focus on practitioners as the source for building the new acquisition system.

All the reform leaders used this atypical approach to policy change. Although Kelman had researched and written about the procurement process, he took a valuable step in not claiming singular expertise on the subject. Upon his arrival in Washington, he solicited comments and opinions from both government agency leaders and the acquisition workforce. He met as well with industry association representatives and other "civilians" who could provide perspective on the system. His appreciation for the

insights of these groups was only heightened during his tenure at OFPP. He consistently looked to the bureaucracy and industry as a source for new ideas and system improvements.

In fact, all the leaders recognized that reform could be structured so that industry and government could *both* benefit from procurement reform. As Kelman explained, there was a "confluence of agendas between government and industry...there was an alliance on particular reform efforts."<sup>18</sup> This did not mean there was industry-wide, or even consistent, support for *all* of the reform initiatives. But on the vital and initial efforts such as reducing government oversight and streamlining the audit and paperwork processes, there was widespread appeal and terrific cooperation.

Inclusion of the government workforce and industry was also a major component of Kelman's effort to rewrite Part 15 of the Federal Acquisition Regulations (FAR). This section of FAR details how contractors are selected for award of government contracts. Rewriting this section was critical work. It would determine how government contracting personnel considered past performance information, what methods they used for gaining information (such as use of oral presentations and other forms of communication with industry), and how much discretion was acceptable for determining overall best value to the government.

In keeping with his open-door policy, Kelman accepted any and all suggestions about the rewrite. It took two years, three drafts, and over 2,000 comments, but the end product was better — a well-conceived, operator-approved regulation that would better suit the needs of the acquisition community. That is not to say that it is without flaws. There was no way to make every participant happy. But when registering a complaint or suggestion was as easy as logging on to a website, no one could say they did not have a chance to add their two cents.

Similarly, Kelman and his colleague from DoD, Colleen Preston, initiated the "Front-Line Procurement Professionals Forum in 1996." Preston and Kelman solicited nominations of nonsuperviso-

<sup>17</sup> William J. Perry, *Specifications and Standards: A New Way of Doing Business* (Washington, D.C.: Secretary of Defense Policy Memorandum, 29 June 1994).

<sup>18</sup> Interview with the author, December 1999.



ry contracting professionals from each cabinet department and each of the military services. Eventually, they selected 30 individuals (about half of whom worked outside of Washington). The group began meeting approximately once every six weeks in the White House Conference Center. The objective was a front-line discussion of procurement practices — processes that worked, failures of the system, ideas for improvement, successful and unsuccessful attempts at change. The group brought these ideas back to their own offices, to their bosses, and to their peers. Ultimately, it helped spread the reform notions faster by including field operators in the latest efforts to support change.

Under Secretary Kaminski was also a strong proponent of front-line involvement. There would be no ivory towers here. The practitioners needed to be fully engaged in reform. When Kaminski set out to implement the initiative on Integrated Product Teams, he filled an auditorium at Defense Systems Management College with the program managers of major weapons systems and the principal members of the Defense Acquisition Board to introduce the initiative. (Recall that IPT is an effort that established a cross-functional, interrelated team approach to the development of weapons systems).

His action brought together two important groups — the overseers of the defense acquisition system and the program managers themselves anything else would have been a failure of the IPT enterprise. Yet, it was the first time both groups had been brought together at the same place with time to listen and discuss the initiatives that concerned them both. According to Kaminski, this forum was critical: “It was clear at that point that everyone was beginning to understand. I could see the switch begin to click — they were willing to give this a try.”<sup>19</sup>

Recall that these leaders had been preaching about their cause for years. One might think that the long-waged battle to bring about reform might have soured them on the abilities or commitment of the acquisition workforce. And yet ironically, Kelman, Preston, Perry and Kaminski were firmly committed to the competency and dedication of the acquisition workforce. In fact, while they saw

themselves as catalysts for change, they were convinced that the acquisition practitioners themselves would design lasting and worthwhile reforms. As Colleen Preston recalls:

The real key was the focus on the front-line practitioners. It was fundamental. We got people who were involved in the day-to-day basis of procurement, we got bureaucracy out of the way and let them come up with the solutions.<sup>20</sup>

Indeed, one of the leaders’ most far-reaching implementation strategies was the inclusion of practitioners in the design and implementation of the reforms. They believed forcefully and acted diligently to include the workforce and industry in their plans. It would not be an exaggeration to say that Kelman had made himself and OFPP a conduit through which front-line practitioners could create and shape the policies that would eventually become the new acquisition system. Similarly, Perry, Preston, and Kaminski focused on energizing lower-level acquisition leaders to take on the reform notions for themselves, enabling them to personalize the opportunity for change. They were not abdicating their responsibility for creating change. Rather, they were inspiring creative workplace environments and fostering an organizational climate that treated reform as an invitation for personal participation and improvement, not as a directive levied upon employees.

## Continuous Communication

Policies tend to fade from the limelight absent some pressure or event to draw attention to them. The leaders were determined that would not happen to defense procurement reform. And yet, getting the message out is tough within a bureaucracy as large as DoD. The effort can be truncated, misstated, or reinterpreted at any one of hundreds of bureaucratic levels. Diligent and consistent communication would be necessary. Moreover, the leaders’ insistence that practitioners be the source for reform ideas added to that burden. To get those front-line solutions, to foster an environment conducive to change, the leaders needed to listen. There needed to be continuous communication.

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<sup>19</sup> Interview with the author, August 25, 1999.

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<sup>20</sup> Interview with the author, March 14, 2000.

## “Taking the Pledge”

Soon after Steven Kelman was confirmed as head of OFPP, he initiated a series of five very successful “pledge programs.” Kelman’s pledge notion involved getting a number of agencies to voluntarily agree to undertake a particular reform action — not a report or recommendation but a tangible accomplishment, a specific action.

One major pledge program was the use of past performance data in the selection of contractors. Kelman spent weeks telephoning procurement executives to line up support for this multiple-agency effort. At first the “marketing” of the past performance pledge program was slow going. Kelman relied on his personal contacts within agencies and on the combined efforts of a small cadre of procurement executives whom he had come to know as true “reformers.” But as Kelman recounts, by the time he had convinced eight agencies to sign up, “the number of participants started snowballing,” and by the week before the public announcement of the

pledge, OFPP staffers were like “salespeople receiving orders over the telephone as agencies called in to announce two or three or four more contracts.”

In all, 20 agencies (including DoD) pledged to make the past performance of bidders a major factor in selecting the winner on a total of 60 contracts. A public signing of the pledge contract was held in the Indian Treaty Room of the Old Executive Office Building. The event even received coverage in the *Washington Post* and *Washington Times*.

Ultimately, the pledge helped get procurement reform rolling. It created a fervor over reform, generating publicity for the cause. And as Kelman anticipated, the media coverage and departmental attention levied on the pledges provided much needed recognition — of the individuals involved, of the particular initiative, and of reform overall.

All the reformers worked hard to ensure that there was a dialogue between government leaders and operators. Their open door and open e-mail policies were instrumental in instituting changes to the procurement system. They worked tirelessly to communicate their efforts on reform to the acquisition workforce. They spoke freely and whenever possible to industry and government groups, urging them to examine the changes and to communicate their thoughts on proposed policy changes. Perry and his team insisted that the message on acquisition reform be constant.

Preston especially was a vocal and prolific advocate for the cause, appearing in numerous panel discussions, conferences, and symposia. In coordination with OFPP, she was responsible for the implementation of a monthly column featured in the National Contract Management Association trade publication. She held her own town meetings, roundtable discussions, and brown bag lunch sessions. Anywhere an audience could be found, Preston was spreading the word.

Kaminski too was well traveled on the reform speaking tour, providing what at times seemed like nonstop, play-by-play action calls regarding Perry’s reform program. He found that relating success stories and actual accounts of acquisition dilemmas and concerns provided his audiences with real insight into the need for reform. And Kaminski did not simply target government personnel in his endless effort to publicize reform. He filled conference centers across the country with industry’s aerospace, electronics, and manufacturing professionals and captured the attention of industry in a way that signaled the critical need for industry’s involvement in procurement reform.

Kelman was another consistent and vocal advocate for reform. Consider that his first year on the job was very successful: Major legislation was passed with the signing of the 1994 Federal Acquisition Streamlining Act, and several pilot programs were introduced as a way to initiate trial solutions to various procurement ailments. But in 1995 Kelman focused intently on “marketing” the procurement

reform effort. In fact, he designated 1995 as the “Year of Implementation.” To that end, Kelman set off on a nonstop whirlwind of appearances, speeches, and town-hall-type discussions. Approximately once every two weeks, Kelman visited a buying office. He would give a talk and then meet with local contracting officials to share ideas and discuss operational frustrations. During 1995 and 1996, Kelman estimates he spent about 15 to 20 percent of his time visiting and speaking with procurement practitioners. And like Kaminski, Kelman recounted a procurement reform success story in almost every communication effort he made.

Whether it was through the front-line forum, in articles written for trade publications, in congressional testimony, during town hall meetings, or in published interviews, all the leaders could be heard using the same rhetoric: “DoD would become the smartest, most efficient, most effective buyer of goods and services to meet warfighter needs.” The unofficial marketing slogan for acquisition reform was simpler; it was pared down to a mantra of three words, “better, faster, cheaper.” That phrase was soon adopted by the military services as the informal credo for describing the objectives of acquisition reform.

Perry, Preston, Kaminski, and Kelman all subscribed to the theory of continuous communication. The strategy was targeted to many audiences — the workforce, industry, the legislature, even the general public. Their outlets were as diverse as their audiences, from national symposia and major media sources to brown bag lunches at local buying offices. Where they delivered their message was not as important as the need to continuously speak of the effort. Without this constant reminder from the top leadership that procurement reform was a “hot” topic for the administration and the Perry Pentagon, the initiative would naturally atrophy. With each member of the leadership team making a continued effort to showcase procurement reform, the initiative maintained (and even improved) its organizational precedence.

## **Recognition, Awards, and Training**

Another key element for reform success was convincing the acquisition workforce and industry of their vital roles. Defense procurement could not

change without acceptance by the practitioners. Yet simply sending forth a policy memo declaring full workforce involvement would hardly meet that objective. The leadership understood that for practitioners to become reform enthusiasts, they would need incentives for accepting change and reinforcement from top leaders. Acquisition practitioners needed to know that their opinions were valued and their participation was essential. As a result, the leaders focused on a strategy that included recognition, awards, and training.

The first crucial element was a sustained campaign of recognition. Keeping the spotlight on reform was critical. Moreover, it was the work the practitioners themselves were doing that had to take center stage. Recall that the leaders’ communication strategies often involved the recital of an anecdote from the “field.” In relating these procurement success stories, the leaders accomplished two objectives: First, they propagated a particularly effective acquisition practice. But they also sent a signal regarding the source of that practice — acquisition practitioners. Recognition of these “front-line reformers” created incentive for others to follow suit. To that end, the leaders took great strides to recognize workforce contributors in their public speeches, in organizational newsletters, during Congressional testimony, and in submissions to trade publications. By spotlighting the contribution of the workforce to the reform effort, the leaders hoped to extend the reach of the initiatives and accelerate implementation.

Even in the early days of the reform effort, the leaders described the efforts underway on the pilot programs. They highlighted the new methods taken by these test-case offices and motivated their audiences with the possibilities that these new approaches offered for the entire department. As reform progressed, there were even more opportunities for the leaders to highlight field accomplishments.

Consider, for example, the National Contract Management Association and the efforts of Preston and Kelman. These leaders initiated a column, “Reinventing Acquisition,” in the association’s monthly magazine. But rather than Preston or Kelman authoring top-down, policy-style pieces, they selected a member of the acquisition workforce to be a featured author. In this monthly forum, the practitioner would relate a particularly innovative or new

approach to procurement. The column became a chronicle of workforce experiences and a way to recognize acquisition reformers. Real-life stories from the field held more sway with the workforce, and they reinforced the notion that leaders truly wanted a grass-roots approach to reform.

Yet another unconventional approach for recognizing workplace initiatives came through Kelman's nationwide procurement office visits. This series of visits made to various field offices presented Kelman an opportunity to reinforce the crucial role of the procurement workforce. At each stop Kelman would ask pointedly, "What are you most proud of as an acquisition professional?" This tactic accomplished two objectives: It offered an opportunity to spread the word on good acquisition reform ideas, and, even more importantly, it confirmed that the leaders thought highly of the work the acquisition community accomplished.

Similarly, when Preston and Kelman started the front line forum, they had several objectives in mind. Of course they wanted an outlet to disseminate new acquisition practices. But they also intended to showcase the source of those bright ideas. Reform initiatives were not to be solely the brainchild of thoughtful but once-removed academics, or foreign companies, or even domestic business executives. Kelman and Preston expected great ideas and new approaches from the real front-line acquisition practitioners. And just as importantly, they wanted the government workforce to recognize that the inspiration for those great ideas was the colleague next to them.

A staple of managerial techniques — awards and commendations — continued to be a major part of the leaders' efforts to encourage acceptance of the new system. But there was also a new twist. In keeping with the premise of acquisition reform (and the IPT initiative in particular), it was *team recognition* that was especially valued. Kaminski was able to introduce the Packard Awards. These commendations were given not to individuals but to teams of people who had worked successfully in an integrated approach to make an acquisition program successful.

In fact, many organizational awards were changed either to reward the *group* rather than the individ-

ual or the *results* rather than the process. Awards have always been a method for reinforcing desired workforce behavior. But by changing the criteria upon which award selection was based, leaders focused the workforce on the basis for procurement reform — integrated product development and results-based management.

A third incentive used by the reform leaders was training. It would be useless to devise new approaches to acquisition if the workforce was unable to put them into practice. While good ideas might stem from individual offices and agencies, the entire workforce as well as industry would have to be given the tools to succeed. In short, they needed training. Whether it was conducting market research via the Internet, accomplishing "best-value" source selections, or learning new cost-benefit analysis techniques, there were many skills the workforce needed to make their acceptance of reform possible.

One effort on this front included the creation of the Acquisition Reform Communications Center (ARCC). This is a central coordinating office whose mission is to be a focal point and clearinghouse for reform training efforts. The ARCC organizes satellite broadcasts on different reform topics with guest "experts" as well as panelists from industry and the acquisition workforce allowing viewers to call in with questions or concerns. The ARCC also produces videotapes of these sessions. And in true reform fashion, these training modules are made available to the defense industry as well as to the government workforce.

In addition, OFPP began publishing "Best Practices Guides," which presented nonregulatory suggestions and ideas for implementing new acquisition policies. The handbooks offered straightforward advice on putting reform ideas into practice. OFPP published four guides. But other agencies including the Defense Department followed suit with guides on topics from software acquisition to civil engineering. Based upon feedback from the workforce, Kelman believes that these guides were a well-accepted and crucial component of the reformers, incentive plans.

The guides were a good reference for practitioners, but the leadership also responded with more tradi-

tional training courses. This approach included seminars and symposia on reform; coordinated efforts with agencies like the Small Business Administration (with particular focus on reform implications for small businesses); and even “Acquisition Stand Down Days,” in which normal business operations are suspended and all-day focus is given to reform initiatives and methods for improving an agency’s acquisition approaches. Of course there were also more informal approaches to training — brown bag discussions, town hall meetings, and newsletters. In fact, Preston and Kelman were strong proponents of this informal training approach, arguing that it not only provided a forum for training, but offered an opportunity to exchange good ideas.

In a somewhat unconventional approach to training, Kelman worked directly with commercial training firms. He sent letters to various private sector training vendors, urging them to add certain materials to their courses. Kelman’s direct mail approach was beneficial to everyone: Industry was made aware of a new area for business development, and the government workforce got training experts to focus on a new and much-needed curriculum.

In fact, what made the overall training effort so successful was the scope of the approach. From handbooks to seminars to town hall meetings, the leaders were careful to create a program that encompassed a wide range of topics and varied forms of presentation.

Kelman, Preston, Kaminski, and Perry were not so naive as to believe that procurement reform would be accepted simply on its good merits alone. They recognized early on that a set of incentives would be needed to create a workforce conducive to change and capable of implementation. Their three-part system of recognition, awards, and training proved to be responsive and practical. With it they created an environment that sought out the good ideas of practitioners and then recognized and praised that valued source. From their use of team awards for innovations in process, to programmatic anecdotes that found their way into their public speeches, reform success stories and the contributions of the workforce were part and parcel of the leaders’ plan to create incentives for change. They capitalized on an internal, if latent, source of reform creativity, moving front-line reformers to a position

of prominence through awards and frequent recognition. Then they followed with a varied and constant source of education and training. In total it was a considered and effective implementation strategy.

## Autonomy vs. Uniformity

Related to the three-part system of recognition, awards, and training was the leaders’ remarkable ability to “read” their agencies. Although they were convinced that the bulk of the procurement changes needed to be conceived and implemented by the workforce itself, they also were aware that organizational change as encompassing and ground-breaking as procurement reform demanded clear and forceful direction. Consequently, the leadership effort revolved around a delicate balance of top-down direction with fist-pounding orders on one hand and a more delicate, once-removed appreciation for the ideas and actions of the individual services and the acquisition workforce on the other. It was a balancing act between uniformity and autonomy, between discretion to create the new system and imperatives that the old ways be eliminated.

The reform leaders possessed a rare ability to assess the climate of the department. And, once capturing that essence, they either promoted reform with a top-down push (when initiatives were introduced or demanded greater standardization) or inspired continued front-line involvement (when the workforce responded to freer rein and the initiative lent itself to customization). The leaders could not be in the thick of it, but they needed to be in constant touch. It was a remarkable blend of management strategies in which the dominant strategy was dependent upon the type of reform effort and the willingness of the workforce to accept it.

This feat of leadership is even more impressive when one considers the historic and often unreconcilable problems of factionalization between the Office of the Secretary of Defense (OSD) and the military branches. James Forrestal, the first secretary of defense, once said, “The peacetime mission of the Armed Services is to destroy the secretary of defense.”<sup>21</sup> Forrestal’s remark underlines a difficulty

<sup>21</sup> J. Ronald Fox, *The Defense Management Challenge: Weapons Acquisition* (Boston: Harvard Business School Press, 1988) 114.

that all his successors have had to face. Specifically, if a secretary of defense hopes to succeed in revamping the acquisition process, or even submitting a well-rounded, prudent budget proposal, he must gain and maintain the support of the military commanders; yet, his hands are tied to a remarkable degree. These are strong, established organizations that fiercely protect their autonomy and honor their historical legacies. And the military services rightly believe that they know and appreciate better than outsiders what their service members need to do the mission. How then can a department secretary hope to bring about substantive, widespread change?

Certainly, these historic tensions and the factionalization that often arose between the military services and OSD could have had a deleterious effect upon reform success. A potentially serious management predicament needed attention: The leadership team was anxious for individual buying offices to take the initiative, to develop new procurement approaches, and to implement reform, but they did not want to unleash a free-wheeling and uncoordinated effort. Nor did they want competing approaches to reform, leaving some military branches stuck in a pre-reform system and others immersed in a new, streamlined approach. In short, they were unwilling to let the traditional friction between OSD and the services become an insurmountable obstacle to implementation.

Customization of particular reform initiatives to suit the needs of an individual procuring agency would promote greater organizational acceptance. Moreover, best judgment and devolution of authority were tenets of procurement reform. One could not simply disregard them when it came to implementation strategy. Still, in some cases, the services needed to follow the explicit directions of OSD in order for an initiative to be useful and successful department-wide. And a level of uniformity was needed to ensure compatibility between acquisition offices; a shared vision would end the myopic focus that also had plagued the pre-reform system. How did the leadership team handle this dilemma?

In an effort to allay this friction, Kaminski began holding biweekly working lunches with each of the Service Acquisition Executives (SAE). This time-consuming and very visible schedule date on his calen-

dar made it clear that procurement reform could be customized to best fit the mission needs of an organization, *but* the basic principles of the effort still had to be supported by all the military services. According to Kaminski, "There would be no wedge between OSD and the services on this [acquisition reform]."<sup>22</sup> Indeed, the technique worked well. Each SAE led reform within his own service, but did so in a manner that supported the overall thrust of the administration's reform concepts.

The leaders also employed another tactic. They adapted their implementation plans according to the particular reform initiative. In general, the leadership wanted to give as much discretion and autonomy to the government procuring agencies as possible. Consequently, for the bulk of the initiatives — the Integrated Product Teams, commercial item purchases, and improved communication strategies — the agencies developed initiatives and practices that best suited their organization. According to Kaminski, speed of implementation and a desire for acceptance overrode the strict need for uniformity among these reform efforts. Indeed, the opportunity to customize the initiatives created incentive within the workforce to accept reform.

While this approach was appropriate for the bulk of the reform efforts, at other times uniformity of operation was more crucial. Generally a more top-down approach was needed when (1) introducing a major initiative or (2) when a more consistent department-wide application was necessary. Consider, for example, the milspec reform initiative. Although Perry's intent was to have the individual procuring agencies devise performance specifications that met programmatic needs, the initial effort to eliminate the long-standing, much embedded milspec design system demanded that a forceful, top-down directive be announced. Later, as the reform progressed, individual offices could customize the approach, using more commercial specifications or relying upon performance specifications alone, or even utilizing new contractor-conceived standards.

In other cases the leaders demanded continued compliance with definite guidelines. Perry opted for a more rigorous adherence to uniform standards for

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<sup>22</sup> Interview with the author, August 25, 1999.

the past performance initiative. Past performance data needed to be collected in a systematic and consistent way in order to provide useful information to all the military services during source selection processes. To ensure integrity of the data and an equitable use of information across the entire department, a consistent approach was required. This consistency of effort and standardized collection system was fostered by an educational campaign. One of the crucial elements was OFPP's publication of the "Best Practices Guide to Past Performance." But as Under Secretary Kaminski pointed out, this uniform approach, while necessary, also slowed implementation of the initiative.

The leaders' efforts to demand uniformity were not always as successful as they had been with the past performance initiative. The effort to introduce greater use of electronic commerce (EC) as a move toward "paperless" acquisition was hailed as a productivity enhancement of tremendous proportion. In fact, the Federal Acquisition Streamlining Act of 1994 specifically called for the creation of a government-wide EC/EDI initiative known as FACNET — the Federal Acquisition Computer Network. FACNET required the establishment of an electronic architecture and infrastructure that would enable *all* federal agencies and vendors to do business electronically and in a standard way. Lawmakers envisioned a network that was identical for any user regardless of what was being bought, which agency was conducting the purchase, where the seller was located, or whether the seller was a large conglomerate or a small business. Through FACNET, industry would have the ability to access information on almost any federal contracting opportunity.

These requirements meant that FACNET needed to serve *any* company with only a minimum of technical requirements. And, it needed to be suited for *any* federal solicitation, from purchases of ammunition at DoD to photocopying services for the Government Printing Office. This was a broad and definitive set of requirements for a government-wide acquisition network. Unfortunately, the uniformity that leaders sought to bring with FACNET turned out to be too restrictive. The system was plagued by a variety of operational troubles. Moreover, for many businesses, the costs of becoming FACNET-compliant were simply too high. The start-up and recurring costs could not be offset by the limited number and

value of procurement actions that the FACNET system handled. The result: This government-wide acquisition computer network was never adopted with the speed and dedication that leaders envisioned. At bottom, the leaders had tilted too heavily on the side of uniformity. As they discovered, unless the electronic commerce initiative was tailored to the organization and matched the resources of the procuring organization and the resources of its customary vendors, then it would not be supported by that acquisition community. In this case, a directive to apply strictly uniform standards was inappropriate and ultimately unfulfilled.

Although the promise of FACNET was never realized, the leaders discovered that the workforce was not averse to utilizing new electronic technologies. In fact, the workforce moved swiftly and with great vigor in adopting the Internet as a tool for market research, for communications with industry, and even for purchasing small dollar items. Acquisition practitioners showed, with great determination and drive, a desire to use the new technology tools to improve their procurement process.

With the exception of FACNET, Perry, Preston, Kaminski, and Kelman were very much on target in assessing how best to navigate between uniformity and adherence to common standards on one side, and flexibility of approach and customized application on the other. Generally, they showed a tremendous deference to the desires of the workforce and industry. And for the majority of the reform initiatives, they allowed these practitioners to design implementation processes that worked best for the buying offices. But as with the past performance effort — and sometimes when introducing a reform effort — it was necessary to push down direct and unwaiverable demands for implementing reform. Of course knowing when to ease the directives and relinquish control was a key factor in their successful implementation strategy.

## Capitalizing on Climate

Using history as a guide, one might assume that any attempt at defense procurement reform would be nothing extraordinary, just one more in a string of reports. In fact, the odds would have favored a short burst of effort followed by a stack of paper and not much action. However, this time there

were other history-making events to consider. Indeed, the political, technological, and national security environments fundamentally altered the situation. And while the leaders of acquisition reform cannot take credit for these important, world-altering circumstances, they must be commended for recognizing the unique opportunities presented and for moving swiftly and surely.

In the early 1990s, the country was basking in its victories in the Cold War and Desert Storm. There was a public sentiment that it was time to scale back; the nation was looking for the so-termed “peace dividend.” Many leaders in government wanted to reduce the size of the armed forces, to reallocate funds to other national priorities, to reconfigure the defense industrial base, and to reconsider the nation’s “stockpile strategy” for weapons and armaments. It was appropriate that the Pentagon leadership reevaluate the traditional procurement system — a process that touched on all those elements. It was time for review and revision.

Defense leaders could now devote more resources to reinventing their procurement operations. It was not that the notion of acquisition reform had never been developed or even appreciated. But in the prioritization of efforts, fighting the Cold War was an appropriate reason for leaders to push acquisition reform to the background. And when the issue did bubble up to the top for consideration, it was not an impassioned desire for efficient government but a response to scandal. To clamp down on the indiscretions and crimes of a few, another layer of rules would be applied across the entire bureaucracy. Previous efforts were never integrated efforts to repair the inefficiencies of the entire system. That piecemeal effort was about to change.

The new international conditions enabled innovative thinking. But so too did the technological realities of the times. The United States was witnessing an unprecedented advance in information technology. Design-to-market timetables had accelerated sharply. New applications in telecommunications and advances in software and hardware development were happening with great speed.

Commercial advances in these sciences were outpacing DoD’s traditional role as a trailblazer in high-tech R&D. Defense leaders knew the horror

stories of the Pentagon’s inability to buy the latest technologies even as commercial firms sold state-of-the-art products to private customers. They knew the price tags on their custom-made weapons and support systems were eating up funds, causing a reduction in force modernization. The leaders worked from the DoD’s historical legacy that held continual technology advances in high regard. But they were also realistic about the source of the new breakthroughs. The commercial firms were developing the breakthroughs faster than the Pentagon. Leaders reasoned that it was better to capitalize on this trend than to buck a wave they had no hope of fighting. The answer was to move toward integration of more commercial firms as DoD product sources, a condition that could only be achieved through reform of milspecs and traditional source selection processes.

Still defense procurement was only partly about the technology needed to create the weapons. Defense acquisition had been operating in much the same way for four decades; changing it would mean significant cultural changes. Some of those changes would require statutory modifications. Others were regulatory but would still require the visible support of the nation’s highest leaders. That meant political assistance.

A leadership team with a combination of experience and empowerment could do remarkable things. The reform leaders had the group commitment and experience to move rapidly to introduce their initiatives. What they also needed was the political support of the White House and Congress. Both were present.

Clinton had made his reinvention goals public and a priority. Recall that presidential candidate Clinton had campaigned on a promise to create a federal government that was leaner and more responsive to its taxpayer customers. Accordingly, President Clinton initiated an effort to reform government operations. Under Vice President Gore’s leadership, the administration launched a national agenda for reinventing government — the National Performance Review (NPR). The six-month effort to review all systems within the government was a measure to create change within all facets of government operations, including defense procurement. Perhaps it was the president’s reputation as a



“policy wonk”; maybe it was Vice President Gore’s commitment to his first major public policy initiative. Whatever it was, strong leadership for procurement reform at the top of government was critical in the reform effort. It allowed Aspin and Perry to nominate an entire slate of candidates for appointed positions within the Pentagon. The common theme among these candidates was procurement reform. Indeed, White House support of the effort inspired a team of dedicated leaders who made changing acquisition a top priority. In addition, the publicity surrounding the president’s NPR advanced the defense procurement reform effort. The political commitment to reinvention fueled the defense reform rhetoric and showed Defense Department personnel that they were part of an important presidential effort.

Congress for its part was also supportive — a position that had not historically been its role. But Congress was responding to the public demand for a peace dividend and was not about to be seen as an obstacle for fixing a system most Americans believed needed improvement. A rather unglamorous but very important part of the puzzle was Section 800 of the Fiscal Year 1991 National Defense Authorization Act. That section of the act created the Acquisition Law Advisory Panel, which came to be known as the “Section 800 Panel.” Like many study groups before it, the Section 800 Panel was to investigate the inefficiencies of the defense procurement system and to suggest remedies for the problems it uncovered. Given the climate of reduction, Congress requested that the Section 800 Panel actually rewrite statutory code based upon their findings. The panel’s report provided Congress with a vehicle to respond to public opinion, as it became the foundation for the Federal Acquisition Streamlining Act (FASA) of 1994.

Even the partisan divisions that might normally derail congressional objectives were not present. Republicans are loath to oppose any initiative that deregulates a system swarming in restrictions, governmental control, and oversight. Although reducing DoD funding to the levels desired by Democrats was not their intent, conservatives were not opposed to an overhaul of the acquisition system that untied the hands of defense contractors. Democrats, for their part, were siding with their new president, the Democratic initiative to reinvent

### **“Too Many Good Intentions: Making FASA”**

Only days after Steve Kelman’s confirmation, the OFPP administrator began an effort to save the stalled and potentially fatal legislative process surrounding the Federal Acquisition Streamlining Act of 1994 (FASA). Friction between the Defense Department, the Office of the Vice President, and the Senate threatened to derail the effort to gain statutory changes in procurement law. The Pentagon wanted an aggressive bill that would take a firm stand in deregulating the procurement system. The Senate bill was less hard-hitting and assertive than expected, given the “Section 800 Panel” recommendations. As a result, a long list of recommended changes to strengthen the bill came from the Pentagon. This in turn upset the Senators who claimed that such a major overhaul could not be passed as quickly as the administration would like. Indeed, the Office of the Vice President was anxious to see reform legislation passed quickly, seeking to create momentum for the reinvention effort.

Kelman sided in part with the Defense Department, agreeing that more substantive and NPR-related provisions should be added to the bill. But he also understood the administration’s perspective and appreciated how failure to pass any reform legislation would be a detriment to the reinvention and procurement reform efforts. In the end, Kelman’s negotiation skills resulted in seven substantive changes to the bill. The changes brought the bill closer to the Section 800 Panel recommendations, removed provisions that had decreased rather than increased the bill’s streamlining effects, and added some specific NPR recommendations.<sup>23</sup> Although the vice president, the Defense Department, and the Senate all appreciated and desired procurement reform, creating a law that satisfied all the good intentions had begun to look treacherous. Reform leaders on all sides could not “have it all.” But thanks to skillful brokering, everyone ended up with a winning outcome.

<sup>23</sup> Steven Kelman, “White House-Initiated Management Change,” in James P. Pfiffner, ed. *The Managerial Presidency* (Texas A&M University Press: College Station, 1999) 239-264.

government, and a chance to reduce defense spending in favor of other allocations. The result was a winning combination of policy outcomes.

Inspired by world events, technological advances, commercial trends toward industrial streamlining, and personal appreciation for reform of government operations, the president and congressional leaders had set the stage for defense procurement reform. Indeed, the Perry Pentagon had tremendous backing from the Clinton administration and the Congress: They had the benefit of acquisition reform legislation, a public campaign to support reinvention of government, and the ability to choose their own reform-minded appointees. Moreover, the reform leaders moved quickly to take advantage of the political opportunities — a condition that would not last forever. This political support, in combination with the leaders' own personal commitment to reform, allowed them to move further and faster than ever before.

The climate of the era — political, technological, and national security — facilitated reform efforts. This cannot be overlooked as a critical element for reform success. It was great leaders taking advantage of those conditions that enabled the widespread and swift adoption of procurement changes. At bottom, the leaders acted with a clarity of vision that allowed them to capitalize on the climate.

# Conclusions and Recommendations

The Defense Department has been led by many dedicated public leaders, but their efforts never brought about substantial and widespread changes to the procurement system. The Perry Pentagon was different. Broadly speaking, six factors distinguish this effort from previous initiatives.

## 1. A Cohesive Leadership Team

One of the most uncommon but essential features about the leaders of defense acquisition reform is the set of unifying characteristics they shared, characteristics not usually found within a cadre of appointed leaders. This report has pointed out that the government's appointed leadership, while well qualified in many ways, often has shortcomings that inhibit the attainment of strategic and cultural change. Limited tenure leads to shortsighted, near-term goals, a lack of strategic planning, a failure to follow through, and the interruption of long-term projects. In addition, a lack of relevant experience often means a sharp learning curve and a delayed start to agency initiatives. The acquisition reform leaders did not have those shortcomings. They had previous government experience, had a strategic outlook for reengineering the procurement system, held their positions for over four years, and had first-hand experience with the acquisition system.

Moreover, most of the people selected for the key acquisition positions had worked together before, either in government or industry. This familiarity allowed the leaders to gain synergy and strength as

a team. They all held the same vision for the acquisition system. In fact, Perry had the rare opportunity to nominate a self-chosen slate of key appointments within DoD. He created a complementary leadership team with members who recognized that their selection was based upon a shared commitment to reform. Not only did DoD leaders share a desire to reform the system, but they were prepared to begin the transformation immediately because they were all long-time reform enthusiasts.

This preparation and commitment did not occur by happenstance. Rather, it was a considered strategy initiated by Perry, agreed to by Aspin, authorized by Vice President Gore, sustained by Kaminski and Preston, and expanded by Kelman. Their efforts demonstrate a successful approach to initiating organizational change.

### Recommendations:

- **Prioritize organizational goals.** Missteps at the outset can doom an initiative. Decide up front what the key agency objective will be. Then get moving.
- **Choose colleagues and subordinates wisely.** The campaign to institute change begins with the selection of leaders. Membership in the leadership team should be based on shared convictions and personal commitment to the top goal. Be sure all included know the price of admission.

- **Be realistic about timing.** Cultural change is not quick and requires sustained attention.
- **Forge effective relationships with coordinating and staff agencies by starting at the top.** New leaders offer a chance for new interagency cooperation. A clear signal from the top leaders can revitalize stalled or ineffective relationships.

## 2. Inclusion of Industry and the Acquisition Workforce

Perry, Kelman, Preston, and Kaminski did not simply “order” reform; they brought the bureaucracy into their implementation plan. By using Process Action Teams, by soliciting comments from the “field,” by disregarding organizational hierarchy and soliciting recommendations on a nonattribution basis, by including operators in roundtable reform discussions, and by involving industry in a complete and untraditional way, they brought the entire workforce into the reform effort in a way that earlier reform efforts had failed to do.

In part the bureaucracy wanted to be involved, recognizing for themselves that budget figures and manpower numbers meant changes for their organization, whether they participated personally or not. But the leaders’ willingness to establish an environment that allowed the workforce to announce their ideas on reform was a creative and successful strategy for instituting the organizational changes.

Although the leaders of reform at the Pentagon were well prepared for their role, they did not attempt a unilateral decree of reform upon the workforce or industry. Striking a complementary balance between advocate and initiator on one side, and facilitator and coordinator on the other, truly allowed the devolution of power to begin immediately. If the leadership team had not had the depth of experience in the acquisition process, had not understood the magnitude of the changes they were seeking, or if they had felt compelled to corral their power and demand change (without recommendation or comment from the workforce), it is doubtful that the reforms would have been as successful.

### Recommendations:

- **Include the front-line practitioners in developing any major organizational change.** Often they are the ones who know best what the problems are; and, given the opportunity, they are the best ones to design a solution.
- **Be willing to form untraditional alliances.** Consider *all* the actors. Ultimately, an internal reform will not be successful unless the external actors — industry, legislators, other agencies — are considered. Neglecting their insights only proves problematic in the long run.
- **Be aware that not everyone in the organization will be amenable or even interested in change.** Begin the change process by unleashing what Kelman terms “the internal constituency for change” to get the ball rolling.
- **Create an environment accepting of ideas and conducive to untraditional approaches.** This will move others to join with the initial enthusiasts.
- **Foster a creative workplace environment.** Use a variety of forums, including open dialogue between leaders and practitioners via e-mail, an open door policy, internal conferences, town hall meetings, and brown bag lunch discussions.

## 3. Continuous Communication

The incorporation of industry and the acquisition workforce was accomplished in concert with another tactic — consistent and continuous communication of the reform effort. The key leaders of acquisition reform were vocal and persistent. Their vision for DoD acquisition system was constantly reiterated. In speech after speech, in testimony, on websites, in memoranda, and in policy letters, the idea that DoD would become “the smartest, most efficient, most effective buyer of goods and services to meet warfighter needs” could be heard over and over. There was persistent and uninterrupted advertising.

A critical component of the communication strategy was the inclusion of reform success stories. Reiterating success stories provided not only a model of desired behavior and incentives for

future performance, but as Kelman has pointed out, they were an effective antidote for warding off a reversion to pre-reform ways. What better way to promote reform ideas and to encourage acceptance than through public recognition of new approaches.

#### Recommendations:

- **Keep communication consistent to avoid atrophy of the issue.** Even a good idea will fade from the limelight absent a concerted effort to maintain its distinction and prominence.
- **Vary the venue.** A full spectrum approach is needed for a successful communications campaign. From brown bag lunches and town hall meetings to national symposia and congressional testimony, use every audience and medium as a pulpit for encouraging change.
- **Market the message.** The three-word slogan “better, faster, cheaper” did not begin to capture the reasons why procurement reform was needed or what it entailed, but it did keep the initiative in the forefront. The workforce could easily latch on to this short, catchy reminder about a huge organizational movement.

## 4. Recognition, Awards, and Training

Kelman, Preston, Kaminski, and Perry focused on three incentives for achieving acceptance of the various reform initiatives: recognition, awards, and training. It was important that the acquisition workforce acknowledge their critical role in reform: Leaders expected front-line practitioners to be not only the *implementers* but also the *source* of reform initiatives. The leaders focused on this role by publicly recognizing the contributions of the workforce — in speeches, during congressional testimony, in trade publications, and in visits to local buying offices. The accomplishments of the workforce and their innovative ideas for changing defense procurement were an ever-present part of the leaders’ management strategies. Still, they did not abandon the tried and true of organizational incentives — awards.

However, Under Secretary Kaminski felt strongly that procurement awards should focus on the same

criteria as the reform initiatives themselves. To that end, organizational rather than individual awards became the standard. One could hardly promote the Integrated Product Team reform initiative and then focus solely on individual contributors, failing to recognize the accomplishments of the acquisition program office. The leaders were practicing what they had taught.

Of course, the workforce, even with bright ideas and great individual inspiration could not be expected to implement the reform ideas without training. They needed the knowledge and the practical tools to make the new practices a reality. From the creation of the Acquisition Reform Communication Center, to the Best Practices Guides published by OFPP, to Acquisition Stand-Down days and brown bag tutorial lunches, a full spectrum of training opportunities was prepared.

#### Recommendations:

- **Push even the best ideas.** Do not expect an organization to accept the changes simply on good merit alone.
- **Focus on the carrots, and use very few sticks.** Procurement reform was about devolution of authority, innovation, and best judgment. Leaders cannot lecture on these values and then crack down with harsh repercussions for setbacks or failures.
- **Spotlight the source of reform.** It creates incentive for repetition.
- **Give the workforce the tools to do the new job.** Training is essential, but it is better applied using a variety of media, from the informal and free-of-charge to the structured and more costly.

## 5. Autonomy vs. Uniformity

The leaders appreciated the magnitude of the changes they expected. Clearly there was much to be accomplished. And for many of the reforms, it was beneficial to allow the services as much autonomy as possible in defining and implementing the reform notions. Customized approaches were likely to be more easily accepted since they were tailored to the particular needs of a specific buying agency. And yet, to get the ball rolling, to provide for some level of consistency, the top reform leaders needed

to provide specific and unwaivering direction. The solution to this dilemma came first from recognition of the potentially serious management problem, and second from a careful determination about which reforms demanded uniformity and which could more easily accommodate variation. The leaders believed that the past performance initiative (and, for a time, the milspec reform) needed specific and unwaivering direction. This slowed the speed of implementation but was necessary for overall success. With the bulk of the other initiatives (IPT, communications, commercial items, and eventually electronic commerce), more autonomy was given to the individual services and buying organizations. As a result, these initiatives gained a momentum and organizational acceptance that would not otherwise have been possible.

#### Recommendations:

- **Provide as much discretion and autonomy as possible.** Ownership begets responsibility. It also makes implementation faster.
- **Offer clear, top-down direction.** Workforce participation and autonomy can only be achieved *after* the leadership has established the framework. Do not expect practitioners to develop innovations without being given the signal from above.
- **Decide up front when uniformity is crucial.** The workforce will be unwilling to trust top leadership if they are given the autonomy to proceed with a new idea and are later reined in by a leader who changes his mind.

## 6. Capitalizing on Climate

Perry's team had incredible backing from outside the department in the persons of President Clinton, Vice President Gore, and OFPP Administrator Kelman. The highest leaders within government were ready to enact change. The leaders outside of government were similarly inclined; the defense industry and the public interest groups were ready to implement acquisition reform, at least in the main. Dissension would grow as splinter groups within industry found reason to oppose specific changes. But, overall, during the initiation period when momentum and buy-in are crucial, Perry had them all. It was an enviable situation for a leader.

Ironically, the procurement reform initiatives were not trailblazing management ideas. What distinguished this effort were the leaders. They were combining their shared historical experiences, the practical experience of industry leaders and the acquisition workforce, and the public sentiment and bipartisan commitment to reduce government and increase efficiency. The geopolitical situation moved procurement reform to a more prominent position. The technological exploits of the commercial world accelerated the need for reform. And the intellectual novelty surrounding business reorganization and industrial reengineering fed the government's move toward acquisition reform.

Parts of the acquisition reform effort were innovative, and the application of technology was new, but most of the reforms were recycled editions of past concepts never applied. However, this time they were working. Why? Defense and White House leaders had seized an opportunity. They had capitalized on a unique period of national security, a technological revolution, and bipartisan political support. They had capitalized on climate.

#### Recommendations:

- **Do not work in a vacuum.** Appreciate the conditions that surround you and work quickly to take advantage of them. They will not last forever.
- **Seek common ground and shared objectives.** Changing conditions — political, technological, national security, even environmental — create new constituencies and the possibility for new partnerships. With a confluence of agendas, progress becomes easier.
- **Technological advances will make the time tested ways of the past obsolete.** Rather than buck a trend one cannot stop, focus on the opportunities it presents. Initiate change quickly, but be ready for the long haul. The big changes take time.

## Summary

Perry, Kaminski, Preston, and Kelman were truly skilled leaders. Here was a team of executives committed to defense procurement reform. They capitalized on the political environment of the time and were ready to move when the conditions were

right. There was no fumbling over objectives. There were no initial missteps to derail the critical initiation stage. Moreover, as the initiatives progressed, they were capable of enlisting and maintaining the support of political leaders, industry, and the acquisition workforce. They wisely interpreted and marketed their initiative as a “common sense” approach. As such, they did not alienate the defense industry or the acquisition workforce but rather elevated the role of these groups, continuously soliciting their comments and suggestions. And they never let the spotlight fall from the reform effort. They adapted their implementation strategy to fit the type of initiative and the climate of the department, thoughtfully moving between autonomy and uniformity as the situation demanded. In total, it was a successful strategy. And in the end, their diligence and considerate approach prevailed.

# About the Author



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Dr. Harokopus earned a B.S. in Electrical Engineering from the University of Pennsylvania, an A.L.M. in Government from Harvard University, and a Ph.D. from Boston College.



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