

Better Buying Power 4 Years On: Is It Making a Difference?

By Frank Kendall

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I believe the answer is a “qualified yes.” “Yes” because there is significant evidence that the policies and practices embedded in BBP 1.0 and 2.0 are taking hold; “qualified” because there is more than ample opportunity for continued improvement. When then-Under Secretary of Defense for Acquisition, Technology and Logistics Ash Carter and I started the first iteration of Better Buying Power as part of Defense Secretary Robert Gates’ efficiency initiatives in 2010, we had the common understanding that improvements would be incremental and take time. Four years later, although we are still in the process of implementing both the original BBP initiatives and the revised and expanded set included in Better Buying Power 2.0 that I introduced in 2012, it is a reasonable time to take stock of the work that has been done and the work that remains. And the plan to replace the president’s Marine One helicopter is a good example.

First of all, what is Better Buying Power? Better Buying Power is a label that Carter attached to a list of policy initiatives we strongly believed would improve the productivity of the Defense Department’s acquisition of both products and services. Carter and I were not fans of management fads or of slogan-based “acquisition reform” programs, but we had to give our set of initiatives a name and he coined “Better Buying Power.”

Dr. Carter and I had both seen many attempts to find the magic process, policy, organization, or contract type that would dramatically improve the nation’s defense acquisition outcomes. None of these attempts seemed to us to have really succeeded. The approach we undertook, and which I have continued, is one of continuous incremental improvement.

Improving acquisition outcomes is a learning experience. Better Buying Power 2.0 was built on the foundation of BBP 1.0, and will, I’m quite certain, be the foundation of other iterations of constructive change based on more experience and measured results. Defense acquisition is a complicated business, with many independent actors and actions that all need to be executed professionally and with sound judgment to achieve success across the wide variety of product

and service types DOD acquires. The original BBP initiatives have already grown in number in order to span that broad range of decisions and actions.

As we move forward, we will be looking for new opportunities to have as much positive impact as possible. The BBP process is analogous to the industrial “Pareto Chart” technique for identifying the most frequent and/or costly defects and addressing them as a priority. It is a never-ending process. As we look forward, we also have to constantly reinforce the practices and policies that have already been demonstrated to work. Old habits have a bad tendency to reappear at the first opportunity as soon as their root causes are neglected. Better Buying Power is at heart a pragmatic and ongoing search to identify and reinforce all the many actions that contribute to increased productivity.

So how are we doing so far? I’m happy to report that we have made progress (and I believe the evidence supports that statement), but I’m disappointed that we haven’t achieved more. I’d like to illustrate what we have done so far with one example; the program to replace Marine One, the presidential helicopter known as V-XX. An earlier attempt to execute this acquisition program ended in failure, due largely to out-of-control user requirements and unrealistic cost estimates. Eventually cost growth made the program obviously unaffordable and it was canceled. The Navy is on the verge of announcing the award for the development and production of the new Marine One. I never make predictions about development programs, which are inherently risky, but in this case I’m hopeful that we have positioned the V-XX program for success. Here is some of what we have done based on the Better Buying Power initiatives:

Establishing Affordability Caps for Investment and Sustainment: The caps that have been put in place for V-XX are based on a realistic assessment of the amount of budgetary resources the Navy can expect will be available for this program. They are not cost estimates, but a design constraint that will be used to control costs and which prospective bidders knew they had to meet. The Defense Department has been imposing these caps on programs since BBP 1.0 in 2010. The earlier Marine One replacement program did not have affordability caps – it continued until as a practical matter the cost estimates exceeded what the department was willing to pay. That is not the way or time to determine an affordability constraint.

Controlling Life Cycle Cost: The use of “should cost” as a tool to examine cost structures, identify opportunities for reduced cost in all phases of the life cycle, and the establishment of management targets to achieve these goals is a central element of BBP that is being used and will continue to be used on V-XX. “Should cost” requires managers to identify and act on opportunities for cost savings. Ever since the predecessor Marine One program was canceled, there has been close and continuous interaction between the requirements community and the

program office to conduct requirements trades and to limit the potential for requirements changes or “creep.” These efforts led to a well-defined and affordable suite of aircraft equipment that is designed to keep costs well within affordability caps. Performance Based Logistics, acquired through partial depot support, is another BBP area of emphasis and will also be used to control support costs.

Incentivizing Productivity: The V-XX risk profile, which is based on off-the-shelf airframes and a well-defined set of aircraft equipment, was considered low enough that a fixed price development contract would be the appropriate type. In addition, the nature of the risks involved and the pre-award mitigation activities that the Navy conducted eliminated the business case for competitive risk reduction prototypes. In this contract vehicle the government will share in some of the risks of overruns or the rewards of underruns, if they occur. Industry has a strong incentive to perform, but has not been asked to take on unreasonable development risk. All the criteria I consider important for fixed price development are present in V-XX: firm requirements, no significant technology risk, a well-qualified and experienced industrial base, firms with the resources to complete development in case of unforeseen problems, and a business case for them to do so. The V-XX contract vehicle provides the type of win-win business opportunity that BBP encourages.

Streamlined Management and Processes: Management throughout the program has been focused on a tight chain of command that emphasizes the Acquisition Executive, Program Executive Officer and Program Manager roles. Executive boards that include White House and Office of Secretary of Defense participation streamline requirements decisions and reviews. The use of off-the-shelf aircraft and government provided components permits a highly tailored acquisition approach that goes directly into Engineering and Manufacturing Development. The tailored V-XX program is built around the product the Navy is acquiring – not around an inflexible standardized acquisition process.

Promoting Competition: Although only one bid was ultimately received, a competitive solicitation was used and modified to allow multiple bidders, increasing the competitive pressures. In addition, the government is using a modular approach based on government-specified components and government data rights to foster competition for sustainment and any future upgrades. BBP emphasizes the creation of a competitive environment even when direct competition isn’t feasible. This approach is being and will be taken in V-XX.

Improving Professionalism: The Navy team has been led throughout by a team of professionals with highly qualified and senior acquisition expertise. I’m delighted that the government did a significant amount of work “in house” that typically is done by a vendor. This included writing the specifications of technical data and producing interface control

documents. Nothing builds professionalism like actually doing technical work, and the team that has brought V-XX to this point deserves a great deal of credit for what they have accomplished. The skills they have honed will serve DOD and the Navy well.

I'm not going to predict how V-XX will progress; there is a great deal of work to be done, as there is to fulfill the full intent of Better Buying Power, but I believe that at least in part through application of the Better Buying Power ideas, the Navy is as well positioned as it can be at this point to succeed. V-XX is just one example of a continuously evolving BBP at work, a process that will continue indefinitely.

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