

Written Testimony of Beth McGrath
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Before
The House Armed Services Committee
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Chairman McKeon, distinguished members of the committee. It is a privilege to appear before you today to testify regarding efforts to achieve meaningful and lasting reform in the acquisition process of the Department of Defense.

I appreciate the commitment the House Armed Services Committee has shown in searching for innovative and productive ways to meet that goal, to streamline agency spending, to develop more effective processes and to achieve significant savings wherever possible for the American taxpayer.

It's a challenging time for the Department of Defense. Budget constraints placed on the DoD as a result of sequestration and a shrinking public appetite for government spending overall are focusing a powerful spotlight on all aspects of the Department's complex budgetary and spending processes. The Department's acquisition program is a critical component that deserves the Committee's scrutiny. Together, it is an area in which all stakeholders can collaborate on solutions that will work both in the short and long terms.

This area of management – business operations and their linkages to the acquisition process and the enterprise Information Technology (IT) environment – is one with which I have considerable/significant familiarity and experience. Until recently, in my capacity as the Deputy Chief Management Officer for the DoD, I was responsible for drafting strategies, implementing plans and recommending changes in critical business operations on behalf of the Secretary and Deputy Secretary of Defense. I am grateful for your interest today in my perspective.

I served for 25 years across all aspects of Defense business operations. I was an acquisition-certified professional, a program manager at various levels, and finally as a Milestone Decision Authority for many large scale business IT systems. Each of these prepared me well for instituting changes in acquisition that have led to substantial reforms.

The commitment to providing maximum, positive impact on acquisition and procurement strategies is integral to my current role as Director in the Federal advisory team of Deloitte Consulting. In that capacity, I continue to support meaningful, actionable and sustained reform in the acquisition and procurement areas across the federal government.

In recent years, the modernization of DoD's business systems has increased, and the efforts of this Committee, and Congress at-large, have contributed significantly in shaping the governance

framework and oversight efforts. Some of the most visible of those defense business system advances have come through the department's Enterprise Resource Planning systems (ERPs).

ERPs serve broadly as a backbone for DoD operations. Each stands at a different stage in its lifecycle and many if not most are encountering challenges in the transition from design to implementation.

Changes Implemented at the Department of Defense

Strategic performance management is about identifying what matters, measuring it, and then managing it to improve effectiveness, efficiency and overall performance. During my time as Deputy Chief Management Officer, I pursued answers about root causes of program success or failure, in terms of cost, performance and schedule, and what we could do to improve chances of future success.

We learned some important lessons from that self-study, lessons that continue to apply to our collective efforts to identify programs that work, those in need of fixing, and why each succeeded or didn't.

I can say that the chance of success can be predicted early in the acquisition lifecycle – frequently before a request for proposal is issued. Understanding the key aspects of a program as early in the program as possible is essential.

In planning for a successful outcome, a variety of factors come into play:

- Is the design of the program clear enough, in terms of objectives, requirements and technical elements, so that it is commonly understood by all stakeholders?
- Is the program robust enough to remain a good government investment even when problems materialize?
- Can program requirements be severed from one another, to maximize return on investment (ROI) delivery across the full lifecycle of the program?
- Is program design stable enough to minimize changes and mitigate risks?
- Are program dependencies with other requirements, systems or data sources identified up front to ensure program success?
- Is the level of accountability clear, to ensure various stakeholders are aligned, and that they recognize and communicate critical messages required for decision makers?

Acknowledging each of these considerations, we took the following steps to raise the odds of a successful outcome. I urge you to consider these elements in any future reform approach.

We increased our emphasis on the use of the Business Capability Lifecycle (BCL) alternative acquisition processes for defense business systems. The BCL recognizes that technology rapidly evolves and changes, and consequently mandates delivery within 18 months or less of program initiation. BCL is outcome-based, and modeled on best commercial practices. The process allows for the fact that not all solutions are purely technical. The entire DOTMLPF (Doctrine, Organization, Training, Materiel, Leadership and education, Personnel and Facilities) spectrum of potential solutions are considered as a matter of course. This enabled the Department to apply more consistency and rigor to programs throughout different lifecycle phases.

A problem statement review process was implemented within the Defense Business Council. This required comprehensive business cases to justify IT functionality provided by large programs at the earliest stages of the project.

We launched reviews of large, Major Automated Information Systems (MAIS)/ACAT-1 business systems to identify if and how problems were developing at each step in the lifecycle. We established a performance management structure to measure leading indicators that ideally would keep programs from incurring cost increases or delays.

While we were able to make great strides toward a more efficient acquisition model, there are still many hurdles to overcome.

One statistic never seems to change. Double-digit percentages of software development projects fail to meet schedule or cost promises. Or, they fail to meet the customer's ultimate requirements. Every component in the development chain, from hardware to compilers, has grown more powerful and efficient than ever. Yet an unacceptably high percentage of software projects don't work out.

Can this trend ever be reversed, and software projects undertaken with a high degree of confidence in the ability of the government and industry working together to deliver them on time, within budget, and with acceptable levels of functionality? I believe it can.

Recommendations Going Forward

As this committee continues to assess where the government currently stands, and considers how reforms discussed today can take root at the DoD, there are several areas that deserve continuing attention.

How the government defines clear, measurable results is critical for both the DoD and for industry. There are benefits for all parties involved in executing an efficient acquisition program. But cost overruns, system underperformance and scheduling delays continue to produce adverse effects.

Requirements

Acquisition requirements must articulate the government's desired outcomes, and must do so in ways that incorporate instructive market research and portfolio analysis. Refined requirements can determine what the agency can achieve; can establish what is feasible in eliminating acquisition chain redundancies.

This is especially true in the area of enterprise IT and its value in reforming the acquisition process.

During my time at the DoD, we learned three important lessons for any group wanting to build software projects in a flexible yet predictable fashion:

First, put prototype functionality in front of users as soon as possible after they articulate what they need in the system. That initial release often sparks changes in the requirements or priorities once users see the possibilities.

For example, functions planned for a later release may move up to the first release. In fact, frequent, incremental releases keep a project fresh, and keep users constantly engaged and excited to get new functions. Each release is regarded as a checkpoint at which to compare progress against the expectations of mission stakeholders. Keep in mind, the earlier in the development cycle corrections are made, the cheaper they are.

Second, use strong program and IT managers. The program manager must keep the project focused on outcomes, and he or she must be the advocate for the ultimate system users. The IT project manager guides the development and adherence to sound, standards-based practices to avoid risks from bugs and security vulnerabilities. Both IT and program managers need to intimately understand the planned features of the system.

Third, build flexibility into the contract while protecting the interests of the government. Realize that between prototyping and delivering releases, change orders will occur. Include the contracting officer in establishing a change process that is definitive, predictable and fair to all stakeholders. Focused upfront planning should define the scope of the contract, with flexibility built-in to allow for changing priorities.

The budgets for IT will be tight for the foreseeable future. No agency has money or time to waste. The tools exist to develop mission-critical software projects that meet specifications – functional, as well as cost and schedule. Project Management teams need to think creatively and work collaboratively.

Contracts

Securing the best value for the money has rarely been more important than it is now. Finding the right contract vehicle offers substantial benefits – controlling costs while reducing risk, to name two. Because of the DoD's program variations and complexity, a highly tailored approach when selecting contracts is preferred. The opportunity exists to align acquisition plans with the right contract vehicles.

I would recommend a study of the effectiveness of specific source selection techniques, such as Lowest Price Technically Acceptable (LPTA). This not only would identify optimal conditions for use, but could also shed light on how mis-matched source selection techniques contribute to program failure..

Also, greater use of value-based contracts can better align contractor performance with providing clear, agreed-upon value to the government. Examples like Share-in-Savings (SiS) can also help promote powerful cost-saving tools to the broader government community.

Workforce

I believe that a qualified, dedicated and fully engaged workforce is inextricably linked with developing successful acquisition programs. However, within the three DoD decision-making support systems lies an imbalance between responsibility and accountability among the key stakeholders.

There are a number of ways we can close that imbalance and promote the kind of accountability that breeds success. With regard to workforce issues, there are three key considerations to guide any approach to reform.

The first is by creating an incentive structure that is both equitable and matched against specific acquisition success measures. This can foster a shared reward system and attach performance responsibility to maintaining baseline metrics.

The second is the development of deeper leadership and skillsets all across the acquisition process within the government workforce.

Third is the establishment of specialized centers of excellence staffed by subject-matter experts operating within high-priority acquisition programs, and providing program-specific expertise. When used in combination with contracted acquisition support, the workforce can focus on governmental work while still being able to access a much larger experience base.

Conclusion

The acquisition process is dynamic and complex. Any effective and workable solution must consider a wide number of factors and a diverse group of stakeholders. That can make comprehensive acquisition system reform difficult and unwieldy.

As Congressman Thornberry has noted, building a comprehensive acquisition model relies on valuable input from the Pentagon, the individual services, Industry, and members of Congress. That level of engagement is vital, and we must continue to search for ways to instill new, innovative and efficient techniques into the process.

I look forward to continuing to work with this committee in the months and years ahead and being able to report additional gains in the quest for greater efficiency, increased effectiveness, and further agility, enabled by modern, interoperable IT capabilities.

Thank you very much, Mr. Chairman, for the opportunity to discuss these critical budgetary and operational issues today.

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