
“Defense Acquisition and Alliance Strategy”

By

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I have been given the rather daunting task of providing concluding remarks for this meeting, which has brought together key decision makers from the Hill, the White House, State, and DOD. I am particularly grateful to the Institute for Foreign Policy Analysis and the Defense Nuclear Agency for bringing this group together.

As the “new kid on the block,” I recognize that opportunities to share ideas with such a focused group of senior players do not come around all that often. I hope to make the most of it. I have been told that I have about a half an hour to lay out my thoughts for you this afternoon on defense acquisition and alliance security. To do justice to such an important and complex subject in so short a period of time reminds me of the young lady who was coming into the golf club as her friend was leaving.

The friend said, “Charlotte, what are you doing here?” And Charlotte said, “I am going to learn to play golf.” The young woman who was leaving said, “Wonderful! I learned yesterday!” Trying to do justice to this subject in 30 minutes is like trying to learn golf in one day.

I know you have spent the day examining a number of topics crucial to future acquisition policy. The titles of the sessions are formidable: *Nuclear Force Acquisition Planning in the Post Summit Environment*; *Post-CFE (Conventional Forces in Europe) Requirements and Theater Nuclear Force Planning*; and *Protection of Technology Options in the Arms Control Context*.

These subjects do an excellent job of identifying the critical parameters facing the leaders of the defense and more specifically the acquisition process in the near future. These critical parameters are change and competing requirements.

Rather than simply rehash what you have covered today, I would like to take a broader view of these critical parameters—change and competing requirements—as the point man in the department for the acquisition process.

As many of you know, although I am new to the government and relatively new to the defense business, I bring to this job a background of 37 years in private industry—primarily in engineering, manufacturing, and program and general management. I have spent approximately 20 years of my career managing organizations ranging in size from 1,000 to 125,000 people.

MORE SIMILAR THAN DIFFERENT

One of the questions people keep asking me is, “Isn’t it a big change to go from industry to the Department of Defense.” Frankly, since coming to the Pentagon, I keep finding more and more fundamental similarities than differences in the defense acquisition process and the corresponding process in industry.

The fundamentals of good planning and disciplined execution are no different in bringing out a new airplane, missile, or tank than they are in bringing out a new car, transmission, or tractor. Both processes start with a definition of wants and needs and move through the translation of those wants and needs to a description of a specific product with specific requirements and specific characteristics. Affordable cost objectives are established and a schedule is developed to help guide and discipline the system.

All are elements of good planning. If the planning is faulty or the execution undisciplined or inadequate, the results are predictably disastrous for either the defense or the commercial sector. One of the lessons I learned in industry is that there is no substitute for good and thorough planning and there is no acceptable alternative to disciplined execution.

STRESS AND A FLAWED SYSTEM

Another lesson I learned, the hard way, is that periods of change and new requirements will stress any organization, system, or process. If the stress of change and new requirements are imposed on a system, organization, or process that is flawed, the results can be disastrous.

You need only to look at what happened to the American auto industry in the early 1980s. As a result of the gas lines that formed after the Shah fled Iran, the customers demanded cars with more fuel efficiency than was available in U.S. cars and found a substitute in the Japanese products. These substitutes not only satisfied that need, but did so at a lower cost and with higher quality. New requirements for fuel efficiency, cost, and quality were suddenly imposed on systems that had gotten sloppy in the post-war boom years.

The effect on the auto industry was dramatic. I am convinced that the only reason Chrysler exists today is that it was saved from bankruptcy by a government-backed bailout. Ford was on the ropes and had to remake itself to pull itself up by the bootstraps. GM's market share plummeted from one-half of the U.S. market to a little over one-third.

But in the defense business, market share and profits have no significance, and the effects of potential bankruptcy are muted. We do, however, have the awesome responsibility of providing for the protection of our citizens at a cost they can afford, while maintaining and improving the quality of life.

Those are fundamentally conflicting requirements. Declining budgets, coupled with an erosion of the defense industrial base and a changing perception of the threat, cannot help but aggravate those conflicting requirements. They will undoubtedly add further stress to our system.

There are many who would argue that our defense acquisition process is already bankrupt. The number of major programs that have been completed on time and on cost, and which perform as initially promised, seem few and far between. Programs take far too long to go from conception to completion. We have programs whose progress lag behind the update in the threat assessment in a treadmill fashion.

WE SEE THE PROBLEM, BUT. . .

Over the years, one of the similarities I have noticed with any organization, system, or process in trouble is that, almost without exception, everyone involved knows there is a problem but there seldom is agreement on how to solve it.

Our situation is no different. Congress, the Administration, DOD, the defense industry, and the taxpayer all agree there is a problem. Depending on where you sit, however, the cause of the

problem is the incompetence and dishonesty of DOD or the Defense industry, or the incompetence and micro-management by Congress, or all of the above.

There have been many studies of the acquisition process over the years—from the first Hoover Commission report in 1949 to the recently completed defense management review. It is remarkable that the conclusions and recommendations of all these studies are not significantly different. The problem has not been in identifying what had to be done. The problem has been in doing what has to be done.

The Department is currently engaged in the latest effort to “fix” the acquisition process. The blueprint for that effort is contained in the Secretary’s Defense Management Report (DMR) to the President. The DMR declares its intent to involve Congress and the defense industry in its efforts to reform the acquisition process. Whether or not the DMR outlines the perfect solution is irrelevant. It captures the essence of all the studies that have gone on before and attempts to build on them. The challenge now is to flesh out the direction of the DMR with solid specific plans and then to execute those plans brilliantly.

THE BIG FIX?

While we are all engaged in repairing our system, we have got to find a way to incorporate the changing and conflicting requirements you discussed today. You addressed:

- Declining budgets for defense and the resulting demand for greater efficiencies;
- Demographic shifts that will both compound the budget problem and dramatically affect our manpower pool;
- An eroding consensus on the need for modernization and the threats facing the United States and its allies; and
- The impact of arms control agreements on our force structure and acquisition planning.

Which brings me back to those two fundamentals: planning and execution. Planning begins with the definition of need. Consistent with the intent of the Goldwater-Nichols reforms, our Commanders in Chief (CinCs) are assuming greater responsibility for defining military requirements. The importance of articulating realistic requirements that are sensitive to a rapidly changing threat environment cannot be overestimated. It is also important that these requirements take into account the time that it takes to bring out new weapon systems. The worst of all worlds is to spend our resources on fielding new systems to respond to a threat that has been undercalled.

Two other ingredients that are important inputs to the planning process are technology and the political environment. Technology not only provides the opportunity to develop a better solution to a given threat, but may also provide the opportunity to generate a threat that an opponent may have difficulty in countering. As a result, he will have to expend his resources catching up rather than generating a requirement for us to spend additional resources countering. The CinCs must be aware of the opportunities that technology can provide in their input to the planning process.

Good planning also requires an in-depth knowledge of the impact of changes or potential changes in the political environment. For example, evolving arms control restrictions can have a significant impact on both existing and future weapons.

THE NATO CONNECTION

Just last night, I returned from my first NATO meeting as a member of the Conference of National Armaments Directors (CNAD). At the CNAD meeting, NATO Secretary General Manfred Woerner emphasized the importance of proper planning and disciplined execution in a variety of arenas. He urged the alliance armaments directors to ensure that “arms control objectives are harmonized properly with defense acquisition planning needs.” To facilitate that process, particularly in a post-CFE environment, he stressed the need for “an early assessment of future needs.”

Arms control can impact not only programs currently deployed or in production, it can also place limitations on programs in the research and development phases. Arms control can generate requirements for new systems as well—including the verification technology and systems necessary for implementing and complying with arms control agreements.

As a result of the CNAD meeting and the meetings I held last week in Boston with my counterparts from the United Kingdom, France, and Germany, I understand that now, more than ever, defense industry cooperation among allied nations is required to leverage our resources to provide the maximum deterrence and defense for our citizens at the lowest possible cost. In addition, the standardization and interoperability that results from joint programs and common hardware provide us the opportunity to increase the effectiveness of our allied forces.

Simply put, collaborative programs—when done correctly—save money. The Nunn Amendment for cooperative research and development provides an excellent basis upon which to build such programs. As of this past June, 26 Nunn Amendment projects were under way, and statements of intent have been signed on several more. These include joint efforts in some of the most advanced military technologies of the day.

KEEPING OUR WORD

In practical terms, while the United States is projected to invest about \$3 billion in cooperative projects over the next five years, our allies will collectively contribute almost double that amount over the same period of time. Clearly, this is one way the United States can realize substantial saving over programs pursued unilaterally.

I do not have to tell you that it will get increasingly more difficult to embark on joint programs if our potential partners perceive us as fickle. If we continuously change our minds about our needs or if the continued funding becomes uncertain with each annual budget, then it will be increasingly difficult to establish stable relationships. If we are to be a reliable partner, our allies must be able to count on us and take our word to the bank.

But our allies are not the only ones who should be able to take our word to the bank. The same can be said for our partners in the defense industry, and even our own people.

Proper execution of any program requires stability. When programs are stretched out or the funding is arbitrarily increased or decreased, we are reinforcing a culture in which increased cost, schedule delays, and changes in program direction are acceptable. If it is acceptable for Congress or the department’s management to take actions that, for reasons that appear arbitrary—increase program costs or delay schedules, then why isn’t it equally acceptable for the program managers and the contractors to take actions they consider fully justified—that may also increase costs or delay schedules?

After all, we established by our actions that it really is not all that important to meet cost, schedule, and performance commitments.

One of the cornerstones of stability is a consistent and predictable funding base. Multi-year procurements and moving toward multi-year authorization, for example, could contribute significantly toward greater stability throughout the entire acquisition process, from the research and development stages through to systems deployment. This is the same stability and predictability that is vital to the success of collaborative efforts with our allies.

I know the answer is not quite that simple. Until we do a proper job of planning and demonstrate the ability to meet our commitments and develop confidence and trust that we are not only doing things right, but doing the right things, it will be extremely difficult to get the support necessary to overcome parochial reasons for revisiting every decision that does not quite suit us.

Unfortunately, it is a Catch-22. Until we demonstrate the ability to properly plan and execute programs, we cannot engender the confidence and trust necessary to provide the stability in program funding and direction to properly plan and execute programs. That is one of the important conundrums we have to solve if we are to fix the acquisition process.

We are faced with a rapidly changing budgetary, political, and arms control environment. These changes and the conflicting requirements they impose will undoubtedly stress our defense acquisition system. Proper acquisition planning provides the foundation upon which a system that is stressed by a changing environment can still function efficiently and effectively. Stability in funding and direction will enable more disciplined execution. Only with the proper planning and disciplined execution can we control the challenges ahead in the most effective manner possible.