

*Shay Assad, Defense Procurement and Acquisition Policy director, discusses improving the department's buying power with members of the acquisition community at the "Making Every Dollar Count — Improving Acquisition Outcomes" symposium hosted by the Defense Acquisition University April 12. (Photos by Carolyn Baum)*

# Assad starts department-wide intelligent business discussion

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**Based on the guidance offered by Dr. Ashton Carter, under secretary of defense for acquisition, technology and logistics,** on better buying power, the Defense Acquisition University in Fort Belvoir, Va., held a symposium April 12 on "Making Every Dollar Count — Improving Acquisition Outcomes."

As the keynote speaker, Shay Assad, Defense Procurement and Acquisition Policy director, asked the audience to join in an informed, intelligent discussion to increase buying efficiency throughout the Department of Defense.

## Identifying the problem

Assad began by discussing the need for efficiency. The secretary of defense realized the only way to find the funds to fill DoD's budget shortfall is to look inward. "We're just flat out paying too much for this stuff," said Assad. "We have to do a better job at the table."

Of the \$700 billion DoD spends, it spends \$400 billion through the acquisition community. That \$400 billion represents an enormous opportunity for savings. Assad asked the audience to think about ways

to increase buying power. He pointed to the five areas outlined in Carter's memo where DoD would concentrate: targeting affordability and controlling cost growth; incentivizing productivity and innovation in industry; promoting real competition; improving tradecraft in services/acquisitions; and reducing unproductive processes and bureaucracy.

## Targeting affordability and controlling cost growth

One area the department is choosing to be informed better about is cost and price, which it made a Key Performance Parameter, which DoD defines as "attributes or characteristics of a system that are considered critical." These are used when analyzing systems and proposals to ensure they meet requirements and accomplish the product or service's goal. "I don't know of a competitive company that doesn't think (that cost is a KPP)," Assad said. "Price is always important, and it has to play a role."

Part of affordability requires analyzing the cost and engineering tradeoffs. Assad asked whether warfighters would need a piece of equipment in two to three years

and for it to receive continuous updates throughout its service life, or if they could wait 15 years, when some would no longer be in the field. In addition, sustainability drives a large portion of cost, but going for a cheaper solution is not always the right answer. Assad cited the Mine Resistant Ambush Protected vehicle program as one that, while expensive, he believes will be remembered as successful. It succeeded on the most important metric: it saved thousands of warfighters' lives.

The flipside of targeting affordability is controlling cost growth. To do this, Assad said DoD needed more upfront discussions and research that identifies and eliminates potential risks. In addition, program managers must state their requirements clearly, prevent creep and indicate what additional costs they will pay for additional capabilities. "We have paid a dear price for speed over the last 10 or 15 years," Assad said.

"We're the only company in the world that tries to spend our money as fast as we can. ... Every other company treats cash for what it is and only tries to spend it absolutely when they have to," Assad said. In the

business world, industry receives value for spending money quickly, such as lower price or quicker deadlines, but the government does not see these benefits. Assad asked those making purchasing decisions to recoup that value for the taxpayer.

“Spend what you need to spend,” he said, “but never any more than that.”

### Incentivizing business and promoting competition

While discussing how to give business appropriate incentives, Assad suggested the community reference a 1969 publication, “DoD and NASA Guide: Incentive Training Guide.” It provides numbers and data points to ensure a baseline opportunity for a fair and reasonable return.

“We are trying to do what business does every day ... have an intelligent business discussion about risks and opportunities,” Assad said.

“DoD is all for a healthy industrial base. We create a business deal where, if (the contractor) delivers the goods and services on time and within spec, they have an opportunity to make a fair and reasonable return for their shareholders,” Assad said. The government’s role is to try and incentivize business to create high-quality, low-price products to ensure the government can get more for less. DoD would prefer for industry to make, for example, \$12 in profits on \$90 in sales instead of \$12 in profits on \$102 in sales. Likewise, communicating with industry earlier can save potentially billions of dollars.

In addition to making business more cost effective, DoD recognizes that real competition increases the value of products and services. Assad cited that approximately one-third of contracts receive a single proposal. This hurts the bottom line. Businesses want to win, and intense competition increases that desire. By giving clearer guidance and having well-refined

requirements, program managers can promote competition. Those requirements signal to industry what the government values. “It is in our best interest to do this. ... When we compete, we get a much better deal 99 percent of the time,” Assad stated.

Competition creates a sense of urgency among industry. “We want delighted warfighters and taxpayers and a highly motivated, incentivized contractor community,” Assad said. When competition exists, government can demand excellence and choose among viable alternatives.

### Contract management and auditing

“The fact of the matter is that we are very fortunate to have the Defense Contract Management Agency and the Defense Contract Auditing Agency, but we have to recognize what we did to those organizations,” Assad said. DCMA and DCAA have lost a significant amount of their workforce and are now rebuilding.

“Only one organization will give contracting officers recommended rates,” Assad said. “That is DCMA. ... They will provide the government’s position as it relates to rates.” However, if DCAA conducts an audit, DCMA will adopt those as the government’s position. By working together and within their clearly defined roles, the organizations provide support for the acquisition community and generate savings for the taxpayer.

“We spend a lot of time worrying about contractors. We need to worry about us; they’ll worry about them,” Assad said. “At the end of the day, we shouldn’t take any shame saying, ‘I have to do what is in the best interest of the taxpayer and warfighter.’”

Assad also discussed should- and will-cost reviews, reviews that industry does every day. DCMA is currently rebuilding its expertise in these areas and has conducted should-cost reviews for the Air Force.

### Continuing the discussion throughout government

Discussions on buying power are occurring throughout government. Congress wants DoD to succeed; the president made statements concerning the need for improvements in military acquisitions. All three senior acquisition executives, the under secretary and deputy secretary are all aligned and focused on improving DoD’s buying power. Leadership is starting this discussion in places like DAU, which trains the acquisition community’s

**Currently, government spends more on services than on acquisitions; it also spends more on knowledge-based services than on major weapons systems in a year. What does saving 3 percent in services mean for acquisitions? That buys, every year, for no additional increase in budget:**

- A couple ships for the Navy
- The entire MRAP complement every single year for the Army and Marine Corps
- A whole multi-year of F-22’s for the Air Force

next generation while preparing the current workforce to handle changes. “We have a jewel. No organization begins to rival DAU,” Assad said.

“When you look at what we have done, we have continued to hold the best-equipped warfighting capability the world has ever known,” Katrina McFarland, DAU president, said. “We have to do that now with a lesser amount of funds because that is the nature of where we are, but we can still do it.”

These cost-saving measures directly benefit the government and warfighters. “It really gets me excited when I hear a procurement manager say, ‘What benefit do I get?’ I (explain that I am) talking about more rifles in Marines’ hands, more gas for F-18s and F-15s, more gear on naval ships, being able to maintain MRAPs for Soldiers with money we don’t have,” said Assad.

“This is a great time to be in our profession in this department,” Assad said. “There’s a lot of money to be saved, and we can never forget that these warfighters need and deserve the very best equipment as quickly as we can get it to them.” 

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— Shay Assad, Defense Procurement and Acquisition Policy director