

Scheduled to completely replace CH-53E Super Stallion by 2030, CH-53K King Stallion lands after test flight in West Palm Beach, Florida, March 22, 2017 (U.S. Marine Corps/ Molly Hampton)



The Case for Joint Force Acquisition Reform

By Michael E. McInerney, Conway Lin, Brandon D. Smith, and Joseph S. Lupa

In the past 2 years, Congress has enacted new reforms to enable rapid acquisition of technologies for military use. If successful, these reforms may end up delivering warfighting capability more quickly and cheaply, but they will not solve the fundamental flaw in defense acquisitions.

While efficiency is a worthy goal, the bedrock value of acquisitions must be to deliver a joint force with the capability and capacity to effectively meet the demands of combatant commanders.

The Goldwater-Nichols Department of Defense Reorganization Act of 1986 revolutionized how America goes to

war by imposing jointness on the command structure of the U.S. military. Goldwater-Nichols turned the military Services into force providers responsible for organizing, manning, training, and equipping units that are then employed by warfighting combatant commanders as a joint force.

This dynamic leaves the Services fundamentally in control of the acquisition process, creating a classic “principal-agent” problem characterized by misaligned incentives. As agents, the Services should act on behalf of their

Lieutenant Colonel Michael E. McInerney, USA, is a Joint Capabilities Analyst at Headquarters, U.S. Africa Command. Lieutenant Colonel Conway Lin, USA, is Deputy Chief of Space and Weapons Cybersecurity at the National Security Agency. Lieutenant Commander Brandon D. Smith, USN, is an Operations Officer in the National Military Command Center, Joint Staff J3. Major Joseph S. Lupa, USAF, is a Force Analyst at the Joint Staff J35 South in Norfolk, VA.

principals, developing forces tailored to the needs of the combatant commanders. History has demonstrated repeatedly, however, that the Services are too often motivated by parochial incentives, which do not always align with those of the combatant commanders. The result has been the consistent development of materiel solutions that are not optimized for joint warfighting. To improve joint interoperability and warfighting capability, Congress should reform the Defense Acquisition System (DAS) to empower combatant commanders and the Chairman of the Joint Chiefs of Staff with early, direct, and proactive influence over materiel systems development.

Acquisition System vs. Acquisition Process

For decades, critiques of the DAS have plowed the same infertile ground. Dozens of failed efforts to reform the system have diagnosed the inefficiency of the acquisition process and then suggested additional regulations, authorities, and oversight as the cure. For example, in his March 1973 statement before the U.S. House Committee on Armed Services, Comptroller General of the United States Elmer B. Staats identified that “overly ambitious performance requirements combined with low initial cost predictions [and] optimistic risk estimates . . . lead almost inevitably to engineering changes, schedule slippages, and cost increases.”¹ Yet 43 years later, in the 2016 National Defense Authorization Act, Congress articulated the need for a new round of acquisition reforms in parallel language, noting that “both the Department of Defense [DOD] and Congress are complicit in pursuing acquisition strategies that downplay technical risk and underestimate cost . . . resulting in an acquisition process that is not agile enough, too risk averse, and takes too long to deliver.”²

Why do problems with the DAS persist despite decades of attempted reforms? One reason these reform efforts fall short is that their respective analyses tend to concentrate on ways for DOD to more quickly and cheaply purchase equipment.³ While efficiency and timeliness

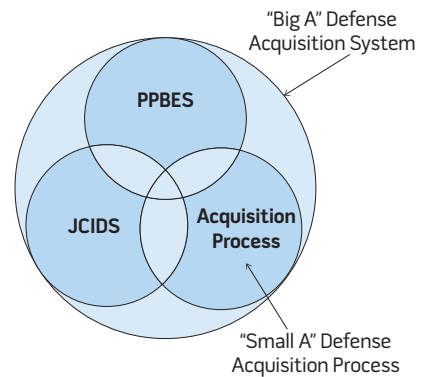
of acquisitions are obviously important concerns, the myopic focus on these two goals obscures the fact that the biggest defense acquisition problems often have nothing to do with how cost-effectively materiel is purchased.

Stories of money wasted during development of ambitious acquisition programs like the F-35 fighter or the Marine Corps’ Expeditionary Fighting Vehicle excite the media and may infuriate taxpayers. What the warfighter finds more troubling, however, is when the Services continue to champion fruitless acquisition programs like the Army’s Future Combat System (FCS) for years while underinvesting in capabilities demanded by combatant commanders to support ongoing operations around the globe. Without fixing that issue, efforts to improve the acquisition process may inject some efficiency into the system but will not lead to a more integrated and capable joint force.

To understand this point, it is important to first sketch out the bigger picture of how materiel development and acquisition works. The DAS—colloquially known as “Big A” acquisitions—is actually three interconnected subprocesses within DOD. First, the Joint Capabilities Integration and Development System (JCIDS) is the subprocess that identifies capability gaps and generates requirements. Think of JCIDS as the way that DOD decides what to buy. Second, the Planning, Programming, Budgeting, and Execution (PPBE) system is the subprocess that matches available resources against these requirements to produce a spending plan and a budget. The PPBE is the way that DOD decides how much it can afford to buy and when. Finally, the Acquisition Process—called “Small A” acquisitions—guides how those budgeted resources are spent to develop and procure materiel capabilities. The main concerns in this process are cost and schedule—in other words, how to efficiently buy the equipment. This article purposely does not focus on the Small A subprocess, as it is downstream of the root problem in the Big A system (figure).

To be successful, the DAS must buy the right amount of the right things at

Figure. The Acquisition System



Source: Ronald T. Kadish et al., *Defense Acquisition Performance Assessment Report* (Washington, DC: Office of the Deputy Secretary of Defense, January 2006), 17.

the right time. If decisions regarding what, when, and how much are wrong, it does not matter how efficiently money is spent—the wrong equipment is procured.⁴ For that reason, and because the Acquisition Process has been studied exhaustively, this article proposes modest reforms to JCIDS and PPBE in order to make the DAS more accommodating of combatant commander needs.

Misalignment of Incentives

The 2006 Defense Acquisition Performance Assessment Report, led by Lieutenant General Ronald Kadish, found that “combatant commanders participate but do not play a leading role in defining capability shortfalls.”⁵ Often, this leads to the Services generating and validating requirements that are not linked to what combatant commanders really need.⁶ Despite almost 17 years of war in Iraq and Afghanistan, criticisms persist that the Services place too much focus on winning conventional wars, leaving combatant commanders perpetually short of the systems needed to conduct intelligence, surveillance, and reconnaissance; deploy joint capabilities globally into contested environments; conduct sustainment; command and control widely dispersed joint forces; and fight the asymmetric wars we currently confront and that we predict for the future.⁷



Ramp crew specialists from 386th Expeditionary Logistics Readiness Squadron secure MRAP onto C-17, December 28, 2017, before its transportation downrange at undisclosed location in Southwest Asia (U.S. Air Force/Louis Vega, Jr.)

Former Secretary of Defense Robert Gates called this “next-war-itis”—the tendency of the Services to overly focus on creating exquisite and expensive systems to dominate possible future battlefields rather than on providing combatant commanders with good enough interoperable capabilities that they need right now.⁸ Every program emanating from a “Center of Excellence,” which focuses on closing a Service-peculiar capability gap without due regard for what value the capability provides the joint force warfighter, highlights the danger of misaligned incentives in the DAS. When producers deliver a product that their customer does not want or need, it really is not relevant how efficiently that product is produced.

Goldwater-Nichols charged combatant commanders with employment of joint warfighting forces around the

globe. It therefore follows that combatant commanders have an incentive to pursue materiel solutions that increase joint capability and prioritize characteristics such as interoperability, deployability, sharing of advanced technologies, minimal duplication of programs with similar capabilities across Services, joint logistical and maintenance support, and compatible software. Meanwhile, although the Services are charged with training and equipping the joint force on behalf of the combatant commander, in practice the Services are actually heavily incentivized and motivated by budget pressures to act in their own respective best interests: dominance of warfighting capabilities within their domains of land, sea, air, space, and cyberspace.⁹

Additionally, even if the Services pursue a joint vision, there are conflicting

time-based incentives for the principal and agent. The combatant command focus is on the near-term problems of crisis response, current operations, and showing progress along lines of effort in the 5-year Theater Campaign Plan. The Services are fundamentally focused on long-term problems like preserving budget share over time and managing the life cycle of programs in the Future Years Defense Program and beyond. Therefore, the principal prioritizes short-term thinking, while the agent has a strong disincentive to resource near-term demands at the expense of long-term requirements.

To align efforts, the Services must have more incentive to see the problem from the perspective of the combatant commanders. In the social sciences and in economics, this tension between the

incentives of combatant commanders and the Services is classically defined, as noted earlier, as the *principal-agent problem*. In this construct, combatant commanders are collectively the principal due to their responsibilities to employ forces in joint operations, while the Services are the agents that generate these forces. Normally, an effective principal-agent relationship requires that the agent is compelled to act on behalf of the principal. However, in defense materiel acquisition, a principal-agent problem arises due to a misalignment of the incentives between combatant commanders and the Services.

The result of incentive misalignment is that programmed funding only haphazardly follows joint priorities. The Chairman of the Joint Chiefs of Staff issues the National Military Strategy, which lists his strategic priorities, and the Secretary of Defense issues the Defense Planning Guidance to influence the Services' Program Objective Memoranda. Once the memoranda are complete, the Secretary proposes changes through Resource Management Decisions. However, this process on average results in a change of less than 2 percent in the Service budgets from year to year.¹⁰ In other words, this review ends up being largely a rubber stamp of the Service budgets. Since each Service essentially controls its own budget, it remains stovepiped, focusing on Service requirements ahead of the needs of combatant commanders.

The Chairman's Program Assessment and the Chairman's Program Review theoretically offer additional points for joint input, but evidence over many years and several Chairmen confirms that these tools have little measurable impact on budgets. In fact, "each Service's share of the defense budget . . . with a standard deviation of less than 1.8 percent over a 40-year period" has remained consistent. Despite "massive strategic or technological changes over four decades" and the transition from "Cold War to peace dividend to sustained irregular warfare during the war on terror" or even "during the so-called revolution in military affairs and Donald Rumsfeld's efforts at

transformation," Service shares of the defense budget have remained steady. In the end, "if major external factors cannot change Service shares, there must be powerful internal forces at work."¹¹ In other words, no one outside the Services has any significant impact on Service budgets.

Examples of how the misalignment of priorities affect materiel development are numerous. Greg Milner's book *Pinpoint* highlights an episode from the 1970s in which Air Force leadership underfunded, neglected, and eventually tried to kill the Global Positioning System, known at the time as the 621B Program. Milner notes that "the Air Force gets to build for space, but the Marine Corps, Army, and Navy are much more reliant on actual space services [for navigation] than the Air Force itself is. The budget for space is in the Air Force, but in terms of the number of customers and users, they're all in the other Services."¹² This telling historical example demonstrates how a critical joint warfighting capability was neglected because the Service with the least need for the capability happened to control the budget.

A more recent example is the reluctance of the Army to procure the mine-resistant ambush protected (MRAP) vehicle. To reduce casualties from improvised explosive devices in Iraq and Afghanistan, U.S. Central Command was demanding a blast-resistant vehicle to replace the overburdened and under-armored high-mobility multipurpose wheeled vehicle. At the time, the Army had spent the previous decade championing its \$160 billion FCS program, a family of high-tech systems envisioned to fight a near-peer competitor in major ground combat. Rather than divert money away from FCS to pay for the MRAP, Army leadership insisted that "everything we're doing in Future Combat System has a direct relationship to what Soldiers in combat need today."¹³ Despite these assurances, the first vehicles were not scheduled to be fielded for another 10 years.¹⁴ Months later, Secretary of Defense Robert Gates personally killed off the FCS and diverted the money to meet U.S. Central Command's need.

Simply put, a combatant commander desperately needed a capability to fight an ongoing war, yet the Service strongly resisted due to the long-term monetary impact on other acquisition programs that it rated as a higher priority. While it is difficult to go into much detail here on current capability gaps, a conversation with requirements managers at any combatant command will reveal that these problems persist.

Achieving Joint-Focused Defense Acquisitions

Alignment of combatant commanders' desire for joint capability with the acquisition actions of the Services can be achieved by addressing how requirements and funding are handled in DOD. Some might argue that combatant commanders already have sufficient input in these processes. For example, they submit an integrated priority list (IPL) consisting of their highest priority joint warfighting capability gaps to the Joint Staff annually. The Joint Staff analyzes these gaps and recommends solutions to the Joint Requirements Oversight Council (JROC), a board consisting of the Service chiefs and chaired by the Vice Chairman of the Joint Chiefs. In previous years, the combatant commanders were also members of this council; however, the 2017 National Defense Authorization Act reduced their role from full members "when matters related to the area of responsibility or functions of that command are under consideration" to advisors whose input the "council shall seek and consider."¹⁵

Despite the joint purview and powerful membership of the JROC, the impact of the IPL on Service budgets is negligible. Of over 250 issues submitted by combatant commands in a recent year, the council only recommended for the Services to "invest additional resources" for four issues. Even then, the Services are not bound to implement these recommendations, and the Chairman of the Joint Chiefs of Staff lacks the authority to direct procurement of any materiel capabilities.¹⁶ Additionally, although the Chairman does publish the Chairman's

Program Recommendation each year, this input is not directive and only affects Service budgets on the margins.¹⁷

To be effective, reforms must align Service and combatant command incentives in the JCIDS and PPBE. This will not be easy, as it will affect Service equities and may require congressional action, but the cost of failure in both blood and treasure is high.

Our recommended solution requires revamping how the IPL is handled to ensure that combatant commander needs drive the “front end” of the requirement process. Combatant commanders continue to submit their highest priority capability gaps and capacity shortfalls in the IPL. Additionally, the commands should coordinate a list of common high-demand gaps and shortfalls that span all commands. To reduce staff churn and institutionalize longer range thinking, this process should take place no more than once every 2 years.

These submissions would be developed by the Joint Staff Functional Capability Board and validated by the JROC with combatant commands serving as voting members. To put teeth into this effort, the resulting recommendation would nominate the list of gaps and shortfalls to the Secretary of Defense for endorsement.

Next, the Services would have the opportunity to bid on these gaps and shortfalls by proposing programs to address these needs. For example, if strategic power projection is a high-priority gap, the Air Force could present a plan to purchase additional airframes, while the Navy might present a requirement for a new high-speed transport vessel. The JROC would then vote on these proposals, with the winning proposals passed to the Office of the Secretary of Defense for final endorsement and resourcing decisions.

To react to these requirements, the Secretary of Defense would need to provide more flexibility in how Service procurement budgets are allocated. One way would be to designate a percentage of the overall acquisition budget, separate from the Service base budgets, to support this new process. With this

budget flexibility, the Secretary would direct corresponding base procurement budget share to the winning bidder’s base budget. Once the Service receives the money, it manages these programs the same as every other acquisition program. This aligns incentives because reacting to combatant command needs would add budget share rather than cut into limited resources.

Services would retain control over a majority of their procurement budget for long-term Service needs under this plan. The major change is the opportunity to secure additional base budget resources by satisfying combatant command requirements. The incentive not to shift money away from these programs would be the simple fact that failing to deliver on these programs would influence later rounds of bidding. This plan places the JROC at the center of joint force development, aligns combatant command and Service incentives more closely, and leaves civilian control of the military and its finances with the Secretary of Defense and ultimately with Congress.

Although Goldwater-Nichols imposed jointness on the U.S. military, it failed to fundamentally change the incentives that had long driven the Services to competition and self-interest rather than cooperation. To get the Services to act on behalf of the combatant commanders—working together to develop forces tailored for joint warfighting—the DAS must be reformed to empower combatant commanders and the Chairman of the Joint Chiefs of Staff with direct, proactive control over requirements and funding. JFQ

Notes

¹ Robert N. Charette, “The More Things Change. . . A Sampling of Viewpoints about Problems in Defense Acquisitions over the Last 25 Years,” *IEEE Spectrum*, November 1, 2008, available at <<http://spectrum.ieee.org/aerospace/aviation/the-more-things-change>>.

² Moshe Schwartz, *Acquisition Reform in House- and Senate-Passed Versions of the FY2016 National Defense Authorization Act (H.R. 1735)*, R44096 (Washington, DC: Congressional Research Service, July 2, 2015).

³ Ronald T. Kadish et al., *Defense Acquisition Performance Assessment Report* (Washington, DC: Office of the Deputy Secretary of Defense, January 2006), 17, available at <www.dtic.mil/dtic/tr/fulltext/u2/a459941.pdf>.

⁴ Mary Maureen Brown, Robert M. Flowe, and Sean Patrick Hamel, “The Acquisition of Joint Programs: The Implications of Interdependencies,” *CrossTalk* 20, no. 5 (May 2007), 23. The authors present evidence that “joint” acquisition programs are, in general, less efficient than single Service programs, though they do not identify a cause. Even if correct, we contend that it is still preferable to pursue less efficient joint programs if they result in a more effective joint warfighting force.

⁵ Kadish et al., 36.

⁶ Leslie Lewis, Roger Allen Brown, and John Y. Schrader, *Improving the Army Planning, Programming, Budgeting, and Execution System (PPBES)* (Santa Monica, CA: RAND, 1999), available at <www.dtic.mil/dtic/tr/fulltext/u2/a370563.pdf>.

⁷ Christopher J. Lamb, Matthew J. Schmidt, and Berit G. Fitzsimmons, “MRAPs, Irregular Warfare, and Pentagon Reform,” *Joint Force Quarterly* 55 (4th Quarter 2009), 77; and Del C. Kostka, “Moving Toward a Joint Acquisition Process to Support ISR,” *Joint Force Quarterly* 55 (4th Quarter 2009), 70.

⁸ Robert Gates, speech, United States Military Academy, West Point, NY, February 25, 2011, available at <<http://archive.defense.gov/Speeches/Speech.aspx?SpeechID=1539>>.

⁹ Jim Cooper and Russell Rumbaugh, “Real Acquisition Reform,” *Joint Force Quarterly* 55 (4th Quarter 2009), 63–64.

¹⁰ *Ibid.*, 61.

¹¹ *Ibid.*, 63.

¹² Greg Milner, *Pinpoint: How GPS Is Changing Technology, Culture, and Our Minds* (New York: Norton, 2016), 45.

¹³ Sandra I. Erwin, “Immunizing Weapons Against Next-War-itis,” *National Defense*, July 1, 2008, available at <www.nationaldefensemagazine.org/articles/2008/7/1/2008july-immunizing-weapons-against-nextwaritis>.

¹⁴ *Ibid.*

¹⁵ U.S. Senate, *National Defense Authorization Act for Fiscal Year 2017*, Public Law 114–328, 114th Cong., December 23, 2016, 130 Stat. 2360 § 925, available at <www.congress.gov/114/plaws/publ328/PLAW-114publ328.pdf>.

¹⁶ Defense Acquisition University (DAU), *Joint Program Management Handbook* (Fort Belvoir, VA: DAU Press, July 2004).

¹⁷ Cooper and Rumbaugh, 61.