2006Quadrennial Defense Review Report

Reshaping the Defense Enterprise

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Improving Defense Acquisition Performance
There is a growing and deep concern in the Department of Defense's senior leadership and in the Congress about the acquisition processes. This lack of confidence results from an inability to determine accurately the true state of major acquisition programs when measured by cost, schedule and performance. The unpredictable nature of Defense programs can be traced to instabilities in the broader acquisition system. Fundamentally reshaping that system should make the state of the Department's major acquisition programs more predictable and result in better stewardship of the U.S. tax dollar. There are several ongoing reviews of defense acquisition improvements being conducted both within and outside the Department in an effort to address these issues. Their results will inform the Department's efforts to reshape defense acquisition into a truly 21st century process that is responsive to the joint warfighter.
The Department of Defense is focusing on bringing the needed capabilities to the joint force more rapidly, by fashioning a much more effective acquisition system and associated set of processes. The Department is considering adopting a risk-based source selection process in place of the current cost-based approach. Source selection decisions would not use cost as the sole criteria but rather would be based on technical and management risk. Effectively balancing cost, technical risk and management realities would require closer integration of the Department's joint capabilities identification, resource allocation and acquisition processes, with clear responsibilities defined for each.
In an effort to ensure needed capabilities are fielded rapidly, acquisition development and procurement programs will shift to a time-certain approach. Early in program development, senior

leaders will make the key trade-offs necessary to balance performance, time and available resources. Upgrades and improvements can be added in subsequent spirals based on the maturity of the technology. Combining time-certain development and procurement of capability with a risk-based approach to source selection should provide much greater stability in the acquisition system. Stability should allow for more predictable acquisition programs measured by cost, schedule and performance.

Managing Supply Chain Logistics

In response to the 2001 QDR, the Department undertook a number of initiatives to improve the effectiveness and efficiency with which the Department moves and sustains military forces. These initiatives included efforts to improve the deployment process and reduce the logistics footprint and its associated costs. The

Department also worked to provide standing joint force headquarters with an integrated logistics picture and accelerated the creation and use of logistics decision-support tools. In the past four years, the Department has markedly increased the integration of field exercises and experimentation with the processes for determining logistics systems, doctrine and force structure requirements. In addition, as noted earlier, the Department is changing its logistics processes and procedures as dictated by the needs of current operations.

As a result of these initiatives, the Department has made significant strides in migrating to a capabilities-based logistics approach. In this QDR, the Department focused on improving visibility into supply chain logistics costs and performance and on building a foundation for continuous improvements in performance. The strategy for achieving these objectives starts by linking resources to supply chain logistics activities in order to understand the costs they entail. The Department must also assess commercial supply chain metrics as potential performance targets to

bring down the costs and to speed the delivery of needed items. Promising ongoing initiatives, such as the single deployment process owner, must be continually improved and accelerated. Lastly, there is a need to develop realistic and defendable strategic performance targets for focused logistics capabilities to guide both capital investment and process improvement.

The Department is implementing a number of specific initiatives aimed at meeting supply chain objectives. For example, the use of active and passive Radio Frequency Identification (RFID) technologies will play a key role in achieving the Department's vision for implementing knowledge-enabled logistics support to the warfighter through automated asset visibility and management. RFID is designed to enable the sharing, integration and synchronizing of data from the strategic to the tactical level, informing every node in the supply chain network. This information should provide greater insight into the cause-and-effect relationship between resources and readiness. Such fact-based insights, coupled with the implementation of continuous process improvement tools like Lean, Six Sigma and **Performance Based Logistics**, will help optimize the productive output of the overall Department of Defense supply chain.