

ADAPTIVE ACQUISITION: A Cure for Contract Inertia

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CHANGE IS REQUIRED TO BE EFFICIENT, EFFECTIVE AND PROACTIVE in today's fast-paced and rapidly changing world. Dr. Kurt Lewin's Change Theory offers a model for change. This model suggests three steps in change management: unfreeze (preparing for the desired change), change (implementing the desired change), and refreeze (solidifying the desired change).

Change often is resisted, and the result may be inertia (remaining unchanged). "That's just the way we've always done it" is a common response that implies a resistance to change. Resistance to change can occur at both the individual (e.g., fear, new learning or disruptions of stable relationships) and the organizational level (e.g., threat to power structure, system relationship, sunk costs, vested interests or inertia of organizational structure). Correspondingly, there are internal (e.g., new technology, changing work values, creating new knowledge or product obsolescence) and environmental forces for change (e.g., competition activities, changes in consumer demands, resource availability, social and political change, or international change). The question then becomes how to facilitate change given resistance. Lewin's model suggests that the need for change must be determined, support ensured, resistance managed and understood and its importance recognized. In commercial markets, customers increasingly are demanding faster transactions, establishing focus for business operations, in terms of reaching customer needs faster and with more flexibility. From Amazon's one-day shipping to Little Caesar's grab-and-go pizzas, both capitalize on speed to meet consumer demands.

Within the military, the need for rapid acquisition is increasingly pertinent; however, transactions for defense equipment and services often are not facilitated as rapidly as in the commercial sector. The current acquisition process is much more complex and requires much more coordination between the two parties (government and the contractor) and therefore ultimately require more time. However, the current acquisition system allows for programs to tailor their acquisition strategies, based on the needs and the priorities of their respective programs. Such options include (as laid out in the Defense Acquisition University [DAU] Contracting Cone) Other Transaction Authorities (OTAs), Procurement for Experiments, and Research and Development (R&D) Agreements. Therefore, examining these options, and what current programs have employed these options, will provide the

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best opportunity to streamline the acquisition process and avoid contract inertia.

Past and Current State of Affairs

Over the last 18 years, the United States has engaged in the War on Terror with adversaries that have had deficient technical capabilities. However, according to the 2018 National Defense Strategy (NDS), present peer state adversaries, such as China and Russia, are beginning to boost their military capabilities and close their gap with U.S. military supremacy. The NDS further calls on the need for innovation, speed and agility to combat these new threats. As opposed to the War on Terror, direct war with a peer-state adversary would require a revamped acquisition process. Prevention of such a war should be the focus of U.S. policy.

The best prevention based on the NDS is deterrence. Such deterrence could come in the form of acquisition agility. The 2018 National Defense Authorization Act calls for increased acquisition agility, as well as the intent of producing rapid capabilities for the U.S. military. Maintaining and improving these capabilities would be a viable and efficient way to deter such emerging threats. It is not enough to simply have the military hardware and services available for production; rather, it is essential to rapidly acquire and deploy these capabilities to the field, or as needs demand. Therefore, the speed of production, while necessary, depends on the transaction speed as dictated by the contracting and acquisition process. But what if this process could be improved?

Contract Inertia

Becoming faster and more agile requires change. One barrier to change is “contract inertia”: comfort in a standardized transactional process and an unwillingness to change such a process, even if the result is more streamlined. Education can reduce this barrier. Sometimes inertia occurs as the participants have failed to recognize that the environment has changed, and that the present system, and its requirements, or assumptions, may also have changed. For example, consider the QWERTY system used on modern keyboards; this system was originally designed in the age of mechanical typewriters to slow typing, in order to avoid

the jamming of the metal keys. With modern keyboards, there no longer is a need to slow down the typing and yet the system persists. Arguably, this resistance could be rooted in complacency, comfort or resistance to change, and yet its present users also may not know of the basic rationale for the original system, which has been largely forgotten over time. Thus, part of the impetus for change lies in understanding why there could be resistance. This resistance could be rooted in fear, risk aversion, control, perceived inefficiencies, process ownership, and commitment to past actions, to name a few motivations.

In any case, communicating, disseminating and learning are essential components to facilitating change. Therefore, within government contracting, while current systems such as the Federal Acquisition Regulation (FAR) and Defense Federal Acquisition Regulation Supplement (DFARS) are put in place for most standard programs, in times of need and rapid innovation, flexible options should be explored and considered.

Flexibility in Defense Contracting

Within the FAR, flexibility in contracting is allowed for both the government and contractors on a case-by-case basis. As mentioned, even outside the FAR within defense contracting, there are alternative options such as OTAs, Procurement for Experiments, and R&D Agreements. The options are in place; we need to ask, “When should these options be deployed and what are the pros and cons of such utilization?” The FAR and its supplements obviously were put in place for a reason. Doing away with these standards entirely would not be advisable. Making significant changes also will not be a near-term option, due to the time needed to implement the changes, have the changes flow down, and for the industry adapt to these modifications. Instead, adaptive approaches based on case-by-case program requirements should continue to be utilized.

Every defense program is different, each with varied priorities and complexities. Thus, it would be overly simplistic to assume that flexibility in contracting can apply in the same way to all programs. Doubtless, some contracting methods, such as the standard FAR/DFARS regulations, are in place to facilitate a standardized approach

applicable for most defense programs. However, OTAs or R&D Agreements are options that should be considered more openly to ensure that there is a more flexible contracting approach.

The New Deterrence: Rapid Deployment and Agility

In military-based Deterrence Theory, there is concept of having an advanced weapon capability with no intention of using it except as a last resort. The premise of this theory is that the fear of retaliation prevents aggression on the part of adversary powers. This Mutually Assured Destruction (MAD) policy has worked in the past Cold War between the United States and the Soviet Union.

Today, this threat is given more weight depending on the possible speed with which a response can be made. The ability to field new military capabilities and have adequate services available as rapidly as possible facilitates deterrence. Of course, R&D of such defense technology will make up the bulk of the turnaround time for deployment, there will be an equally important transaction time through the appropriate requests for proposals to received proposals, to contract award, and then to follow-on contracts. Contractual arrangements between the government and the contractor pave the way for deploying hardware and services. Therefore, a focus on speed and flexibility in acquisition is a necessity in deterring emerging threats to both the United States and its allies.

Path Forward

Following Lewin's model, change requires communication, clarification, empowerment and involvement in the process. Current acquisition needs to be cognizant of peer-state adversaries and prepare for new domains of future conflict. For example, the Department of Defense has prioritized hypersonic technology, given the clear advances in this technology by Russia and China. Director James Faist of the Defense Research and Engineering for Advanced Capabilities argued that OTAs, in this case, could avoid the obstacles of traditional contracting, "The intent is to get rid of the contractual ... valley of death." That valley is any hindrance to acquisition speed and agility.

At present, there is no one size fits all approach, but proper planning for future needs is a necessity. This requires an ongoing situation analysis—meaning intelligence gathering, in terms of the present system, its assumptions, its requirements, and where there are opportunities for a competitive advantage, which in turn provide opportunity for deterrence.

If rapid deployment and agility are viable to deterrence, then one competitive advantage would be innovativeness in the process of change itself. As suggested by the strategy advisor, Ross Dawson, such innovation gover-

nance would center on a unified vision. This vision would prioritize innovation objectives and would reveal how innovation contributes to future success. Of course, to manage risk, an organizations' risk-to-reward tolerance must be clarified, prior to the development of management team capabilities and establishment of organizational structures and processes. Finally, success hinges on extensive dissemination of this overall innovative vision, within the boundaries of established risk tolerance. However, fundamental to innovation (a form of change) is the understanding of the compelling reason for change, as outlined by this article—essentially, an inability to adapt (inertia and complacency) could be considered a national security risk.

Such risk is not deterred solely by awareness but also by the ability to proactively act when there is a threat (e.g., cyber-terrorism, a significant threat to the United States), for which until now there has been little preparation. As it stands, however, the government does have options at its disposal, but these options need to be utilized on a proactive as opposed to a reactive basis. Being efficient and agile are parts of being proactive.

Peer adversaries are moving faster than ever in defense. In order for the United States to maintain its military superiority, it must be adaptive, not only in the production process but also in the transactional process through its contracting methodology. Thus, contract inertia or inertia of any kind that hinders innovation and puts U.S. defense advancement at risk could be a significant national security risk that requires resolution.

It is necessary to move a change plan forward to complete the third step in Lewin's model. Consistent with this but providing further guidance from common elements across other change models, is a framework offered by the University of Virginia. This involves communications, engagement, training, support, metrics and transition sustainment. More specifically, this plan depends on defining the need, the change, assessing the environment and, finally, the impact on the three types of change (people, process/structure and technology). To succeed, two-way communication and engagement are needed to explain the "why" and the desired outcomes, while understanding and developing the human resources and embedding change into systems, processes, and policies (anchoring the changes in the culture). This change will require reinforcement, measurement, continuous improvement, and the celebration of successes, in order to battle contract inertia and maintain competitiveness in deterrence and security risks to the United States and its allies.

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