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# *Lightning Bolts*

**By James Kitfield**

**N**OT long after she became USAF’s principal deputy assistant secretary for Acquisition and Management, Darleen A. Druyun received a call from R. Noel Longuemare, her counterpart in the Office of the Secretary of Defense. He wanted her to come review the Air Force’s request for proposal concerning a major GPS satellite upgrade.

And there, atop his desk, she found it—a mountain of paper, 1,200 pages high. It symbolized everything about acquisition that she wanted to change.

“I took that RFP home with me for the weekend, and when I got in to work on Monday I was not happy,” Ms. Druyun said. “Every milspec and milstandard imaginable was crammed into it.”

Within hours, she had set to work with managers in the GPS System Program Office. Together, they pared 1,000 pages from the RFP, virtually eliminating military specifications and standards. She cut the contract data requirements lists from 100 to 10.

In the end, Ms. Druyun said, that streamlining process cut program costs by nearly \$500 million. Those unspent funds became available for other modernization programs sought by US Space Command, which at the time was headed by Gen. Joseph W. Ashy.

“I can tell you that the CINC of Space Command became a believer that day,” Secretary Druyun said. “He realized there was something to this acquisition reform after all.”

The experience convinced Ms. Druyun, and many others, of the wisdom of the Air Force acquisition office’s so-called “Lightning Bolt” initiatives, launched in 1994 at a time

when reform seemed to have bogged down. [See box, p. 62.] It's not just the GPS program that has benefited, said Ms. Druyun. She pointed to some 30 programs in which the Lightning Bolts have allowed the Air Force to recapture savings from budgeted funds and reinvest them in modernization.

At the outset of the Clinton Administration, William J. Perry, then deputy secretary of Defense, introduced a number of acquisition reforms. Despite early enthusiasm, the campaign soon hit a bureaucratic wall. To refocus the effort and overcome entrenched institutional resistance, Secretary Druyun administered some jolts with the bolts.

### Seeking Focus

"I personally felt that we [in the Air Force] lacked a certain focus," she noted. "Early on, there was reticence on the part of Air Force people, in terms of walking away from the way we had traditionally done things. Some folks were kind of groping around for where to start the reforms."

She added, "I think the Lightning Bolts really helped our focus, and our acquisition people went out and actually changed the Air Force's acquisition culture."

The Lightning Bolt initiatives draw heavily from former Secretary Perry's emphasis on commercial practices. From his first days as deputy secretary, he argued that rapid advances in computer and communications technologies meant that future technological breakthroughs were as likely to come from the commercial sector as from the defense sector.

Moreover, he said, with relatively few new weapon programs on the drawing board, it was difficult to justify arcane military specifications and practices.

To adjust to those changes, Secretary Perry, Under Secretary of Defense for Acquisition and Technology Paul G. Kaminski, and their team instituted a host of acquisition reforms that generally forced program managers to abandon military-specific requirements and focus on commercial products and practices. Partnerships between government and industry were encouraged.

Mr. Perry, who became Secretary of Defense in early 1994 and served three years in the post before stepping down

in January, said he had seen amazing changes in a short period. "When you go out and visit program offices today to see how programs are unfolding, in many cases you see the kind of project action teams that are typical of the commercial sector, with contractors, government program managers, and users all working together," he remarked in a farewell interview with defense reporters. "That reform of the acquisition system is fundamentally changing the relationship between the Pentagon and its suppliers."

Air Force and industry officials said acquisition reforms are bringing to an end the largely adversarial relationship that existed between service program managers and industry executives throughout the 1980s and early 1990s. At that time, the relationship was characterized by armies of government regulators and plant inspectors, reams of detailed military specifications, extremely high-risk, fixed-price development contracts that often left even contract winners badly bruised, and fractious multibillion-dollar lawsuits.

"We're continuing to move in the direction that Dr. Perry pushed from his first day in office," remarked Ms. Druyun, "and I don't see the direction changing" under new Secretary of Defense William S. Cohen. That direction, she said, "is basically toward creating a partnership with our contractors. They are not our enemy. If we erect a wall between us, then chances are we're both going to walk away with a failure."

### We've Met the Enemy

Industry leaders say the new approach emphasizes the view that declining budgets and program turbulence constitute the true "enemies" in the acquisition business.

"Both sides now realize that, to ensure we get the most bang for our buck during this great competition for dollars in the federal budget, we have to act as a team," said Harry C. Stonecipher, president and chief executive officer of McDonnell Douglas. "You have to give Perry and Kaminski a great deal of credit for establishing a foundation of mutual trust and respect between the Pentagon and its suppliers. If you have an idea to speed up the process and save money, they'll let you lay it on the table and give it fair consideration."

Kent Kresa, chairman, president,

and CEO of Northrop Grumman Corp., agrees with that assessment. "There's absolutely been dramatic progress in terms of acquisition reform, and you see it across the board," he said. "There's the relaxation of milspecs and requests for proposals that tell you what the military wants, rather than how to design it."

Mr. Kresa continued, "All of that is in the spirit of the commercial marketplace, and I expect we'll see even more of it in the future."

One of the original Lightning Bolts reflected former Defense Secretary Perry's emphasis on integrated process action teams. By "reinventing the [Air Force acquisition] process through Integrated Process Teams," Air Force officials say, they have not only transformed the way they develop weapons but also how contract competitions are conducted.

"With our Integrated Process Teams, we've tried a radically different approach to recent competitions," said Ms. Druyun.

One case in point, she said, is the Joint Direct Attack Munition program. The Air Force detailed five government employees to the two contractors competing for the JDAM program. For 24 months, they worked with the contractors to help them put together their programs in ways that would help them win the competition. The Air Force also dispatched a neutral team that oversaw the competition and became deeply involved in the source selection.

The approach, said Ms. Druyun, produced "outstanding results." The Air Force was able to cut JDAM production delivery time by 60 months and development costs by \$167.7 million even as it increased the JDAM warranty from five years to 20 years. In the process, the size of the program office staff was cut in half (from 80 to 40), the statement of work was reduced from 137 pages to two, and the number of military standards and specifications used was slashed absolutely, from 87 to zero.

The net result: an estimated \$2.7 billion in savings over the life of the JDAM program.

Air Force officials have also used the team approach to fundamentally change their interaction with acquisition officials in the Office of the

## Lightning Bolts, by the Numbers

**One:** Establish a centralized request for proposal support team to scrub all RFPs, contract options, and contract modifications worth more than \$10 million.

**Two:** Create a standing Acquisition Strategy Panel composed of senior-level acquisition personnel from the Office of the Assistant Secretary of the Air Force (Acquisition), Air Force Materiel Command, and the user.

**Three:** Develop a new System Program Office manpower model that uses tenets established in the management of classified and special-access programs.

**Four:** Cancel all Air Force Materiel Command center-level acquisition policies by December 1, 1995.

**Five:** Reinvent the Air Force System Acquisition Review Council process through Integrated Process Teams.

**Six:** Enhance the role of past performance in source selections.

**Seven:** Replace acquisition documents with the Single Acquisition Management Plan.

**Eight:** Revise the Program Executive Officer's and Designated Acquisition Commander's Portfolio Review to add a section that deals specifically with acquisition reform.

**Nine:** Enhance the acquisition work force with a comprehensive education and training program that integrates acquisition reform initiatives.

**Ten:** Reduce by 50 percent the amount of time taken to award contracts that meet customers' needs.

**Eleven:** Enhance the capabilities of laboratories by adopting improved business processes learned from weapon system reform efforts.

Secretary of Defense.

Today, Air Force and OSD acquisition personnel meet each month as a team and review the progress of various programs. Said Ms. Druyun, "Too often in the past, the two sides used to sit across the table from one another and point fingers. It was time to stop fighting with each other and start working together to try and figure out how to solve the tough acquisition issues."

### The Hated Milspec

Another Lightning Bolt stated simply that the Air Force should "establish a centralized RFP support team to scrub

all RFPs . . . [worth more than] \$10 million." This initiative directly targets the much-reviled military specifications. The result of the initiative, Air Force officials said, is a dramatic reduction in the number of military specifications, as shown in these examples:

- Airborne Warning and Control System upgrade. Before: 120 milspecs. After: zero.

- F-22 fighter. Before: 204 milspecs. After: 31.

- Common Missile Warning System. Before: 60 milspecs. After: zero.

- C-17 transport. Before: 82 milspecs. After: six.

In this, Ms. Druyun said, the Air Force is only responding to the desires of the private sector.

"Contractors have been pleading with the Air Force for years not to depend so heavily on milspecs and milstandards, because we used to just stuff them in all our statements of work," she said. "My goal is to get milspecs down to zero and, instead of writing statements of work, just lay out a broad statement of objectives, where we tell contractors what is absolutely essential in terms of key performance parameters and let them come back to us with a solution."

Secretary Druyun promulgated two other Lightning Bolts to clear potential bureaucratic roadblocks and develop a more streamlined approach. These called on the Air Force to "cancel all Air Force Materiel Command center-level acquisition policies" and to "replace acquisition documents with a Single Acquisition Management Plan." According to service officials, those initiatives led to a 40 percent reduction in acquisition policies and greater flexibility in developing innovative acquisition strategies.

Air Force officials concede, however, that weaning acquisition personnel away from military-specific requirements and familiar contracting policies has required patience and significant retraining.

Thus, Lightning Bolt Number Nine: "Enhance the acquisition work force with a comprehensive education and training program that integrates acquisition reform initiatives."

By necessity, that retraining effort has also involved contractor personnel. "There's been a lot of training involved in this effort, not only with our own acquisition personnel, but also with contractors who need to understand how to write a good proposal from our broad statement of requirements," Ms. Druyun said.

To assist field offices in implementing the reforms and dealing with unfamiliar problems, she said, Lightning Bolt Number Two created a standing Acquisition Strategy Panel of senior acquisition experts to offer advice and guidance.

### Lobotomies for All

The whole idea behind the Lightning Bolts, said Ms. Druyun, was "to change the paradigm and, in a sense,

give us all frontal lobotomies, so we can change the ways of the past and approach this business in a very, very different manner.”

That new paradigm for Air Force acquisition is reflected in the size and attitude of the System Program Offices. Throughout the 1980s, SPOs were swelled by government inspectors, lawyers, and overseers. All too often, program disputes were settled in court rather than in face-to-face talks.

USAF officials believe that this extremely aggressive government supervision and oversight was out of step with reforms emphasizing teamwork and streamlining.

Lightning Bolt Number Three calls on USAF to “develop a new SPO manpower model that uses tenets established in the management of classified and special-access programs.”

According to DoD officials, that initiative is in keeping with a belief that streamlined “special-access” programs, such as the F-117 stealth fighter, stayed on course more often than was the case with traditional programs. “Many of the acquisition reforms we’ve instituted were lessons learned from the F-117 program,” said Secretary Kaminski.

Ms. Druyun directed the SPOs to cut staff levels by 50 percent by 2000. The objective is to create new SPOs of about 140 workers for complex development programs and of about 50 for large but not complex production programs. The staff of the assistant secretary of the Air Force for Acquisition will be similarly reduced over the next five years.

The upshot, said Ms. Druyun, is to have “small program offices, not standing armies.”

She went on, “I pay a contractor to develop and manage a program, and I don’t need to be looking over his shoulder at every single thing he does. The new philosophy is that the contractor should have approved systems in place, with metrics that track how a program is going and that give the Air Force adequate insight into the program. Then if the contractor runs into problems, we can go from an insight to an oversight role.”

Industry leaders say relaxation of burdensome oversight requirements has generated major rewards. One of these, said Mr. Stonecipher, concerns the C-17 advanced transport program.

“We now have a common-cost model, so that anyone at Wright-Patterson [AFB, Ohio, location of the C-17 SPO] or the Pentagon can call up a common database and look at the same numbers my accountants look at,” noted the McDonnell Douglas chief. “We’re all working from the same cost model. That kind of system, however, requires mutual trust. It couldn’t happen prior to the real acquisition reforms we’ve seen.”

### Performance Counts

Along with that greater emphasis on mutual trust, however, goes added responsibilities. Thus Lightning Bolt Number Six: “Enhance the role of past performance in source selections.” The idea, say Air Force officials, is to hold contractors responsible for meeting schedule, cost, and performance goals.

“That renewed emphasis on past performance has had a very positive effect in terms of contractors delivering on their promises,” contended Ms. Druyun. “They know that if they do a crummy job, then they’re going to have a very, very difficult time winning a future contract. They use similar criteria in picking their own subcontractors, so why would I do it any differently? I also want to reinforce the message that if you keep giving me excellent performance, business will keep coming in your direction.”

Again, the C-17 program best illuminates the positive impact of the Air Force acquisition reforms.

For years after the Air Force and McDonnell Douglas signed the contract in 1985, the program suffered under cumbersome military specifications; a firm, fixed-price development contract that shifted many of the consequences of a high-risk program onto the contractor and disputes into the hands of lawyers; and cost overruns and schedule slippages.

By 1993, the C-17 was more than \$1 billion over budget and a year behind schedule—in danger of being canceled. Acrimony and legal wran-

gling had poisoned the relationship between the Air Force and McDonnell Douglas. Pentagon leaders gave the service and contractor a two-year probationary period to get the program back on track while other alternatives were explored.

In the meantime, however, many of the acquisition reforms embodied in the Lightning Bolt initiatives were aimed at the C-17 program. Under the new strategy, use of milspecs declined dramatically. After approving commercially based manufacturing standards, the Air Force cut its inspection staff by 60 percent. Defects decreased by 76 percent. Integrated Process Teams were formed to bring customer, user, and contractor together to work out problems early and in unison.

“What had happened at the low point was that lawyers had taken over all negotiations,” said Stuart Thompson, vice president of Business Development at McDonnell Douglas’s Military Transport Division. “A McDonnell Douglas executive wouldn’t even talk to a government representative without a lawyer by his side. To get away from that adversarial approach, both sides had to agree to trust each other again.”

A little more than two years after the acquisition reforms were adopted, the C-17 program is on schedule, the costs are dropping, and the aircraft is flying to favorable reviews. Last year, the Air Force signed a \$14.2 billion multiyear contract to build the next 80 C-17s, the largest multiyear defense contract ever awarded. The C-17 team received the prestigious Collier Trophy from the National Aeronautic Association, symbolizing the top aeronautical achievement of 1994.

Air Force officials said that, as a result of the Lightning Bolt reforms, the service has avoided \$5.4 billion in C-17 costs. Such bottom-line results, they say, will ensure that the acquisition reforms firmly take root in the Air Force culture.

As Ms. Druyun put it, “When you look at the requirements the users have in terms of the future modernization of the Air Force, you realize that they are depending on us. That’s why I remind my people that we’re acquisition warriors. Our battle cry is ‘Better, faster, cheaper.’” ■

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