FROM **CRISIS** TO **OPPORTUNITY**

Creating a New Era of Government Efficiency, Innovation and Performance

THE REPORT OF THE 2013 PSC LEADERSHIP COMMISSION

PSC PROFESSIONAL SERVICES COUNCIL

TABLE OF CONTENTS

LIST OF FIGURES

EXECUTIVE SUMMARY

Over the course of the last three decades, there have been numerous analyses, reports, and initiatives designed to generate meaningful improvements in the federal government's performance. Some have focused broadly (e.g., National Performance Review, Government Performance and Results Act), some more narrowly (e.g., Federal Acquisition Streamlining Act, Clinger-Cohen Act, E-Gov Act, and the National Commission on the Public Service). Each has contained important and valuable recommendations. And each has resulted in some measurable improvements.

Nonetheless few would argue that the federal government today is on a positive, sustainable path toward optimizing its operations and its delivery of services to the American people. Longstanding, seemingly intractable, systemic pressures; new and daunting fiscal and human capital crises; and growing functional and mission disconnects have left the federal government at one of its most difficult points in its post-World War II history.

Thus, the PSC Leadership Commission has sought to address one significant, albeit partial, set of those challenges: the intersection of federal human capital, acquisition and technology. It is our view that, by addressing substantively and aggressively some of the more prominent challenges impacting those crucial aspects of government operations, meaningful change can and will occur and a tone and path charted for further fundamental change of the type needed to meet the demands of the current times and into the future.

Indeed, it is our view and vision that the challenges of today and the mandate for change they present represent equally great opportunities to make real progress toward a government that encourages and sustains people, innovation and performance through the use of smart, thoughtful and evidence-based business, programmatic and contemporary practices. Rather than remaining stuck in its past, we envision a government moving forward on a refreshed and energized path.

The Commission's internal deliberations and its discussions with numerous external stakeholders were framed by six basic tenets:

- Massive change has surrounded and engulfed the government. That "change" is both internal and external and only some of it is within the power of government to control. But it must be leveraged so that the force of change can be used to launch long-term improvement rather than be allowed to further wither and weaken the government of today and tomorrow.

- There are a number of near-term steps that can be taken, most without legislation, that can serve as the building blocks for more in depth change that will result in real process and performance improvements.

- Any recommendations for change must evolve from a holistic, multi-functional perspective, reflective of the "whole of government," including government employees, industry, non-profits and others implementing partners.

- The application of innovative technologies, solutions, processes and business models can provide the government with game changing opportunities during these challenging times.

- The responsibility for accepting and pursuing change and driving excellence is a shared one. Each segment of the "whole of government" must be a willing and collaborative contributor in the process. Rare is the case where a failure to achieve excellence can be laid at the feet of just one component; likewise, rare is the case where great success can be attributed to any one component.

- While all aspects of government operation must be a part of the solution, the greatest returns will be gained through a clear and persistent focus on the people from all entities that perform the government's work.

The challenges of today and the mandate for change they present represent equally great opportunities to make real progress.

Through its work, the Commission arrived at key findings, each of which is important, but which together offer a road map forward. Those findings are detailed in the next sections of this report as are the recommendations derived from them. Some recommendations are near term, some long term; some complicated and difficult, some simpler. The key recommendations resulting from these findings are summarized as follows:

• It is time to fundamentally rethink and revise current human capital strategies, including planning, development, performance management, and, in some cases, structures. It must be recognized that whatever has been done for the last two decades simply is not delivering the desired results, and future-focused human capital initiatives must not be based on present or past presumptions.

• Collaboration must become a central component of government operations, internally and externally. This means that all participants, inside and outside of government, must be working toward and evaluated against a set of common performance and mission measures.

• Industry, and all other components of the "whole of government," must demonstrate a sustained commitment to being a pro-active partner with government in the search for solutions. Similarly, the government must view and treat those components as partners, even as it exercises strong and appropriate oversight and management of their work.

• Filling the growing leadership void in government must be a priority for the executive and legislative branches.

• The government must seize this moment of change and reap the significant benefits by establishing and embracing a culture of excellence and innovation. This will require a structured approach to making investments through R&D funding and incentives that promote collaboration.

• Given the centrality of acquired services of all kinds to the proper functioning of government today and tomorrow, there is an abject need for a common taxonomy of services to drive smart and appropriate business and acquisition strategies.

Summary of Recommendations

■	OFPP/GSA/DoD/DHS teams assess the intersection of human capital planning and the acquisition and technology fields with an emphasis on skills of the future, talent access, development and retention.
	Identify and assess alternative acquisition workforce training and development methods with a focus on business acumen, contemporary online training tools, and enhanced continual learning opportunities.
	Amend the Office of Federal Procurement Policy Act to give OFPP statutory authority over the entire acquisition workforce, including clear authority and responsibility for creating a career path development regime for program managers.
	Create an Acquisition Excellence Council (AEC) with responsibilities including redesigning and restructuring the federal acquisition training system and developing a common evaluation and assessment process.
	Design a new human capital strategy model for both acquisition and technology personnel with rapid rotations across broad functional areas (such as budget, program management, IT, and HR).
	Create mandatory "cross training" requirements for acquisition, technology and oversight/audit personnel.
	Create a "new" cross-functional career ladder for "technology management."
■	Direct collaborative initiatives at the program level to identify and implement targeted, sustainable program efficiencies.
	Institute "360 degree" assessments of acquisition process outcomes.
	Mandate post-award debriefings that are substantive, interactive and provide a scope of information similar to that available through a formal discovery process.
	Expand the role of GSA's Office of Innovative Technologies to coordinate a process to harvest innovative ideas, private sector best practices, targeted crowd-sourcing initiatives, innovation challenges and contests to generate candidates for transformative solutions within the government.
	Facilitate a cross-agency collaborative information sharing initiative to better leverage the benefits of R&D spending in technology across federal agencies, while reducing duplication.
	Create an acquisition dashboard tool to track both procurement lead times and sources of delay.
	Create a broad government-industry exchange program in which government employees have the opportunity to gain a better understanding of how industry functions. This program must be implemented carefully to avoid any potential conflicts of interests.
■	Create a pre-award services taxonomy to inform acquisition strategy based on the characteristics of the desired service.
	Avoid the use of LPTA acquisition processes for any requirement for which new or innovative solutions are sought.
	Include specific source selection scoring where innovation is desired in an acquisition.
■	Convene a joint panel of industry and government to craft recommendations on how to institute balanced and meaningful reforms to the protest process.
	Develop a template to be used as a proposal addendum through which companies can identify *and* monetize proposed innovations or performance objectives that exceed the requested minimum.
	Convene a CEO panel that meets with top federal acquisition and technology officials to identify current trends—positive or negative—in both industry and government practice and behavior.
	Develop and make available (without charge) an online, basic strategic acquisition course focused on consumption-based acquisition/infrastructure as a service.
	Fund one or more focused research initiatives designed to provide effective case-study lessons related to the application of the new services taxonomy to emerging and other complex requirements, such as cloud services.

■ The Human Capital Dilemma

■ A Culture of Innovation and Excellence

■ Achieving Successful Services Outcomes

■ The Role of Industry

INTRODUCTION

The U.S. government is at a critical crossroads. Rarely, if ever, has it had to contend with the kind of fiscal uncertainty and austerity we see today, while also coping with a rapidly escalating human capital crisis, a hitherto unseen pace of change in technology, and diminishing public confidence. If ever there were a compelling crisis out of which lasting change was both possible and necessary, this is it. The current unprecedented convergence of human capital and technology change is the source of many challenges, but it also offers great opportunities for lasting improvement.

This crisis comes as the nation faces a broader set of challenges—from education to science and technology leadership to emerging global competitors and an entirely unpredictable international security environment. While the specific challenges of our time are unique, from a historical perspective these challenges can be seen as analogous to those that have faced many nations and even companies over time. The common lesson of that history is that those that heeded and responded to the environment in which they were operating succeeded in some of the greatest turnarounds in history. It is through that lens—seeing the current crisis as an opportunity to create a new era of government efficiency, innovation and performance—that this report was developed.

What is perhaps most striking about the current environment is that, despite the enormous obstacles and their often demoralizing effects, the government continues to function reasonably well. The civil service and its diverse implementing partners in companies, NGOs, non-profits, and elsewhere—often called the "whole of government"—have not surrendered and have not collapsed. As always, they remain focused on and committed to their missions. But the pressures under which they operate, and the toxicity and friction of the environment in which they are expected to deliver more and increasingly better services, make it nearly impossible to sustain that current level or performance, let alone strive for new levels of excellence and innovation.

The evidence is growing that the fabric of government is at risk of being shredded unless real and substantive change occurs. The rate of federal employee retirements is accelerating.[1] Government's ability to attract and retain critical talent is in serious doubt.[2] And the punitive, risk-averse culture that has grown over more than a decade of second guessing, finger pointing, and casting aspersions, rather than seeking to learn and improve, is deepening its roots. Federal employees labor under pay freezes, the constant threat (or reality) of furloughs, sharply reduced training and development resources and a drumbeat of public debasing. Contrary to widely accepted best management practices, executive and legislative branch leaders continue to sharply devalue the government's most precious asset: its people.

The challenges are not limited to the government's own employees. They also affect the government's implementing partners in the private sector in many similar ways. As government resources have become more constrained, thousands of jobs have been entirely lost through associated contract eliminations or reductions, while others have been forced into part-time status. Anti-contractor rhetoric has become at least as common a political tool as public employee bashing. And

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[1] According to the Office of Personnel Management, federal retirement rates increased 30 percent between fiscal years 2011 and 2012; further, OPM reports handling four times as many retirement actions than expected in March 2013 alone. From April through July, however, the number of retirement actions returned to more historic rates, partially attributable to the imposition of significant furloughs in many federal agencies. Nevertheless, while monthly actions are variable, the long-expected "retirement bow wave" of federal employees is unstoppable. See http://www.fedscope.opm.gov/employment.asp.

[2] According to OPM data, the government's demographic and skills imbalances have not improved; the workforce is aging and, particularly in critical skills functions, the new/younger workforce remains a stark minority, sometimes at levels that are diametrically opposite that which is found in the commercial sector.

perhaps most distressingly, but not surprisingly, the challenges of the times are leading to more divisiveness, even though unity and partnership would be a far more effective and rewarding path forward.

Despite dozens of highly respected, thoughtful, and insightful studies and their recommendations on everything from human capital to technology, to acquisition and organizational structure, things have not noticeably improved. That is not to say those changes were ill-conceived or that they have not had a positive impact. Nor is it to say that there are no pockets of excellence or innovation across government. But collectively, they have been unable to "crack the code." As the combined crises facing government today continue to grow, so does the need to redouble our efforts to make meaningful change.

This is where the PSC Commission has focused its efforts. We do not claim to have "cracked the code." Nor would we suggest that there is a single blueprint that will enable and sustain the kind of agile, innovative government that delivers its services in highly effective and efficient ways. Rather, we have attempted to coalesce the thinking of a set of highly experienced executives with deep roots in and around government, as well as the insights and perspectives of our government colleagues in acquisition, technology and human capital, in an effort to present a framework through which both short- and long-term initiatives can help address the current crises and turn them into exciting opportunities. This is precisely what has transpired in numerous sectors of the economy, and unique as government is, it can also happen there.

This is not a report solely on federal acquisition, although acquisition plays a central role in its findings and recommendations. After all, acquisition—defined broadly and correctly as the entire value chain that drives and supports the vast array of government requirements and capabilities in which "procurement" is a critical subset but far from the only element—is absolutely central to the functioning of today's government. Since acquisition is responsible for nearly half of the government's discretionary budget spending, it only follows that it should also be a primary focus of leadership in every government

component and be positioned to enhance the quality and efficiency of government service delivery. To date, it has not been.

Nor is this another report that attempts to define that which the government should do itself and that which it should contract for. As articulated in the report, our view is that, beyond the existing legal and regulatory framework, including current policy on "inherently governmental" activities, the question of "what" should be, needs to be, or can be performed in the government or private sector should result from the appropriate application of case-specific, objective, strategic, human capital, mission and related analyses.

Finally, this is not a report solely on information technology acquisition or usage. Much has already been said and written about the government's challenges in acquiring and integrating complex IT solutions. But much as acquisition is more central than ever to the proper functioning of our government, so too is technology. In today's time of extraordinary change in both technology and in technology business models, it must also be a central focus of leadership attention, human capital planning, discussion, analysis, and action.

Instead, this is a report that focuses on the combination of these challenges and on ways we believe the government can better and more effectively access, acquire, manage and integrate its own organic capabilities with externally provided professional services and technology to drive optimal outcomes many years into the future. The recommendations in this report are intended to be actionable, objective and multilateral. Each component of the "whole" has both a set of obligations and opportunities to help ensure that the American taxpayer is the beneficiary of greater efficiency and effectiveness in all that the government does. It is the job of leadership, in all aspects and segments of government and industry, to enable them to do so.

The current crises have created a clear need and offer a powerful opportunity for change. Our failure to take advantage of that opportunity may haunt us for decades. On the other hand, our ability to tackle the challenges and take advantage of the opportunities before us offers the hope of an exciting new era.

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FINDINGS AND RECOMMENDATIONS

Through months of research and discussions, both at the Commission level and with a wide range of government officials and front-line professionals in the federal and private-sector acquisition, technology and human capital communities, the Commission reached a set of findings. Of note, *all* of the findings articulated below were consistent with the views of virtually *all* inside and outside government who participated in the Commission's deliberations.

This list of findings and recommendations is not comprehensive and, at its core, reflects a synthesis of dozens of observations and insights from a wide array of sources. And, of course, the Commission remains solely responsible for them. But they do capture the essence of the multi-faceted challenges we face. In addition, while many of our findings have cross-cutting effects, we have attempted to categorize them in generalized terms.

Further, the findings and recommendations intentionally do not extensively reference or address the current fiscal debate. Fiscal instability is, of course, a storm cloud hanging over all that the federal government does. It also greatly reduces certainty and predictability—the two most desirable elements in any marketplace—for both government agencies and their private-sector partners. But solutions to our fiscal status are far beyond the control of those charged with directly executing the government's missions. And it appears evident that even if some degree of certainty returns, the government and its partners are likely to face a prolonged period of austerity. This fiscal austerity is not, and should not be, a barrier to implementing our recommendations. Rather, as suggested by General Martin Dempsey, Chairman of the Joint Chiefs of Staff, a crisis of this type allows you to make changes and improvements that would otherwise be impossible.

Over the next decade, the government will undergo an almost complete generational change and face unrelenting fiscal pressures,

growing public demands, and new and undetermined global threats. Addressing our findings and recommendations will not solve all of government's problems. But ignoring them will almost certainly make them worse.

The Human Capital Dilemma

It is time to fundamentally rethink and revise current human capital strategies, including planning, development, performance management, and, in some cases, structures within the federal government. The world around us is evolving and many sectors are realizing revolutionary benefits through innovations and working models driven by both technology and the capabilities and expectations of the new generation. While many efforts have been made over the last two decades to improve the performance of the federal workforce at large, from expanded cross-functional development to new training and education opportunities and tools, it is time to recognize that these reforms simply are not delivering the desired results. As such, it is folly to base future-focused human capital initiatives on present or past presumptions. Continuing to throw money and resources at the challenge, and to "nibble around the edges" of longstanding strategies, is almost certain to perpetuate rather than change the current trajectory. Instead, the focus must be on carefully and objectively assessing and charting the workforce skills and capabilities that will be most needed in, and available to, the government in the future. Given the tectonic demographic shift the government is currently undergoing, a necessity and an opportunity exist to create a workforce, across the "whole of government," which is characterized by innovation, agility, critical thinking and continuous development, combined with the workforce's longstanding tradition of mission focus. Yet, today there are few signs that the steps needed to move in this direction are being taken.

These workforce challenges are not government's alone. The government's implementing partners, both in the for-profit and not-for-profit sectors, are also facing increasingly acute competition for talent that is in short supply across the economy. Thus, the focus on people, on enabling access to the best and the brightest and on continually supporting and developing them, is a responsibility shared by all components of the "whole of government." As Drs. Robert Kaplan and David Norton discovered in their work on "The Balanced Scorecard," there is a clear causality between employee morale (the net result of a combination of factors, including support, reward, opportunity, and empowerment) and institutional success. While the measures of success are certainly different for government than for a commercial enterprise, the concept and key elements of improving employee morale throughout the "whole of government" nonetheless remains just as relevant and important.

When questioned about obstacles within the federal workforce system, the rising generation of government professionals, primarily, but not solely, in the acquisition field, report that, as a result of the government's approach to workforce training and development, critical thinking and innovation has ceded ground to the kind of rigid, rules-based practices of the past. This trend is identified as one of the single greatest factors driving high performers out of the government and keeping other high performers from seeking government employment. Unfortunately, the adverse consequences of this trend are already becoming more and more evident, particularly within the federal technology and acquisition workforces.

Further, while it does not garner nearly as much attention as the acquisition workforce, the federal technology workforce is facing a set of immense challenges, some of them worse than almost any other sector of the government, particularly as the government's reliance on technology grows. As depicted in Figure 1, according to Office of Personnel Management (OPM) data as of September 2012, among the federal technology workforce there are *at least nine times as many people over 50 as under 30*, and this ratio is even worse among the cybersecurity workforce.[3] This is precisely the opposite of what one

finds among the private-sector technology workforce, where there is a growing reliance on young, innovative workers, and is indicative of the government's continued difficulty attracting and retaining younger, highly skilled technology professionals.

There is little evidence that federal personnel practices and policies have been more than minimally modified to improve the training and development of younger professionals in order to help the government overcome its lack of competitiveness for young talent. While the competition for technology talent continues to increase in the broader commercial human capital market, the federal government continues to be hampered by a lack of an agile, responsive and "welcoming" hiring process and personnel process. Increasingly, the government's implementing partners are being subjected, in some cases intentionally, to similar constraints imposed on their efforts to compete for talent.

The federal technology demographic problems are not limited to its inability to sufficiently recruit young talent. As federal retirements rise, the prevalence of mid-to-peak career professionals (the "next generation of leadership") has been diminishing at a worrisome rate.[4] Yet few if any meaningful steps have been taken to adapt the government's human capital "strategic planning" to modern realities. A meaningful focus on succession planning, performance management (and reward), re-occurring feedback, and career planning and guidance—which are common in high-performing private-sector companies—remain exceptionally rare in government. While legislation and regulation do limit the government's flexibility concerning employee recruitment, management, and compensation, much can still be done. Without renewed efforts and creative thinking, the government's struggles with the technology workforce will only increase in the coming years.
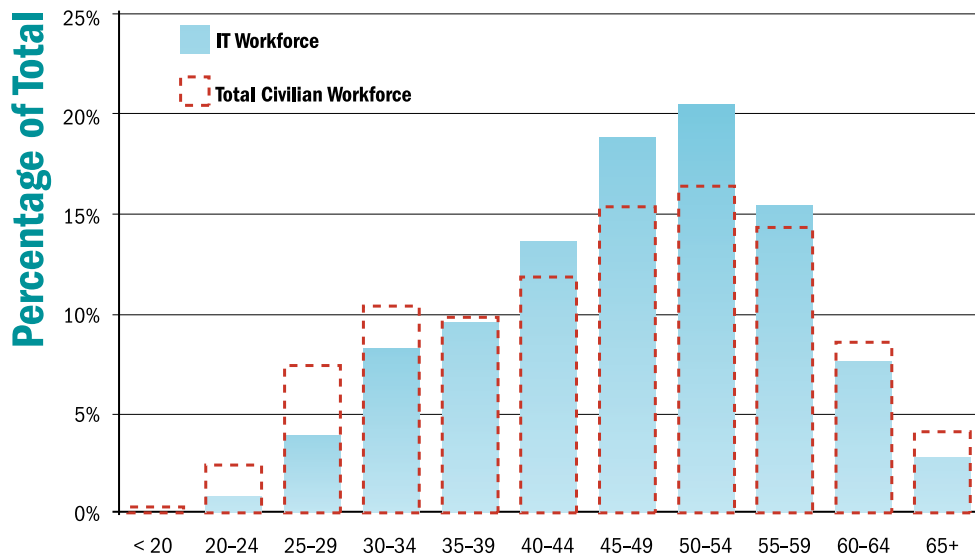
The demographic and training problems within the federal acquisition workforce, while different than those facing the technology workforce, are also especially acute. The acquisition workforce does not face the same competition challenges for recruitment that face the technology workforce. Rather, it has unique

There is little evidence that federal personnel practices and policies have been more than minimally modified to improve the training and development of younger professionals in order to help the government overcome its lack of competitiveness for young talent.

[3] Office of Personnel Management FedScope Data

[4] PSC Analysis of OPM Government Demographic Data 2001-2012

Figure 1. Federal IT Workforce Distribution by Age

IT Workforce

Total Civilian Workforce

Source: OPM Fedscope. The data reflects the workforce demographics as of September 2012. IT workforce is defined as the Information Technology 22xx series classification.

As these results indicate, despite a more than 15 year old policy requiring contracting officers to have a bachelor's degree and 24 hours of business training, federal acquisition leaders overwhelmingly report that their workforces lack core business acumen and knowledge in key areas. Figure 2, taken from PSC's 2012 Acquisition Policy Survey, highlights the gaps in two key acquisition workforce skills between the *requirements* identified by federal acquisition leaders as critical to success and the share of those leaders who feel that their workforces actually have such competencies. And while these concerns have been exacerbated by the current fiscal crisis, they are not new. A decade of PSC's biennial Acquisition Policy Surveys have continuously found that federal acquisition leaders believe that the federal acquisition workforce is not equipped with the necessary knowledge, tools, *and support* to perform their work effectively. In short, despite huge investments of time and money over the last decade, existing training and development programs and entities continue to lack agility and currency and, as articulated by the majority of respondents in PSC's December 2012 survey, simply do not get the job done.[6]

At the same time, over the last decade and a half, the levels of experience within the contracting workforce have shifted significantly for the worse. As Figure 3 shows, in 1998 less than 5 percent of contracting officers had less than five years of service, while in 2012, this number rose to 30 percent. At the same time, the "next generation of leadership," those with 10 to 30 years of experience, has rapidly disappeared, leaving a hollowed out contracting workforce lacking the necessary experience to properly execute complex acquisitions. As a result, inexperienced contracting officers are being promoted and deployed to positions that would normally require far more seasoned professionals.[7] That this is occurring at a time when core business skills appear so lacking is a matter of grave concern and is itself a justification for a major rethinking of the federal acquisition training and development process.

training and development needs that, despite a variety of different attempts, generally remain unmet.

As reported in the December 2012 biennial PSC Acquisition Policy Survey[5] and reconfirmed throughout the Commission's deliberations, government acquisition leaders and younger professionals share a deep concern that, despite policy directives, proclamations, and legislative initiatives—including nearly $2 billion in acquisition workforce development funds spent by the Department of Defense (DoD) alone since 2007—the skills and capabilities of the workforce have not improved and key skills gaps (negotiations, business risk/acumen, understanding complex IT) remain largely unaddressed.

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[5] See: "The Unabated Crisis: The 2012 PSC Acquisition Policy Survey" December 2012. Available at http://www.pscouncil.org/i/p/Procurement_Policy_Survey/c/p/ProcurementPolicySurvey/Procurement_Policy_S.aspx?hkey=835b11ac-0fe7-4d23-a0e0-b98529210f7e
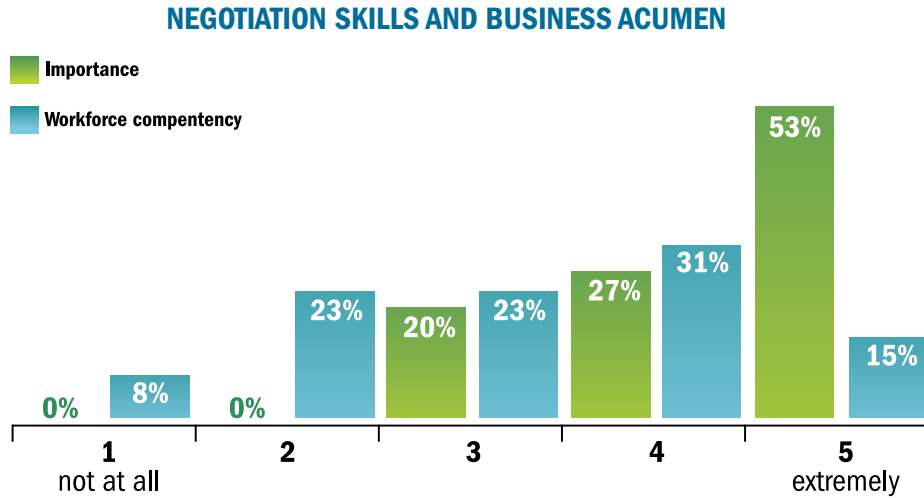
[6] IBID

[7] The age distributions for the technology workforce and contracting officers are opposites of each other, yet both distributions are detrimental due to the type of work being performed. For the information technology workforce, younger workers are extremely valuable due to their familiarity with cutting-edge technology and their frequent contributions to innovation. However, in the contracting officers community, most knowledge is gained on the job and in government-run educational institutions, rather than colleges or universities. Young contracting officers often lack the experience to successfully manage complex acquisitions.

Figure 2. Critical Acquisition Workforce Skills Do Not Align With Core Requirements

NEGOTIATION SKILLS AND BUSINESS ACUMEN

■ Importance
■ Workforce compentency

0%	0%	20%	27%	53%
8%	23%	23%	31%	15%

1
not at all
2
3
4
5
extremely

INFORMATION TECHNOLOGY ACQUISITION SKILLS

■ Importance
■ Workforce compentency

|				
0%	0%	0%	15%	85%
0%	17%	33%	25%	25%

1
not at all
2
3
4
5
extremely

While the acquisition leadership in government acknowledges the central importance of negotiating skills and business acumen within their workforce, they report that these skills are not sufficiently prevalent. Only 15 percent of respondents said that their workforce was extremely competent in this area, while 8 percent said their workforce was not at all competent and more than half of all respondents said their workforce's competencies were average or worse.
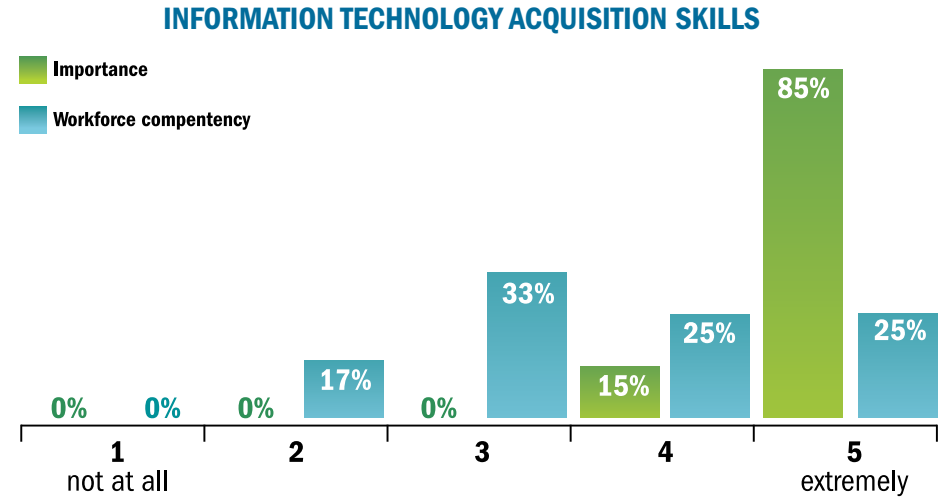
Information technology acquisition skills are another area where there is a misalignment between acknowledged importance and workforce competency. A resounding 85 percent of leaders rated IT acquisition as being extremely important, while only 25 percent said that their workforce was extremely competent in acquiring complex IT and again, more than half rated the competencies as average or worse.

Source: PSC's 2012 Acquisition Policy Survey

Figure 3. Federal Contracting Workforce Distribution by Years of Service
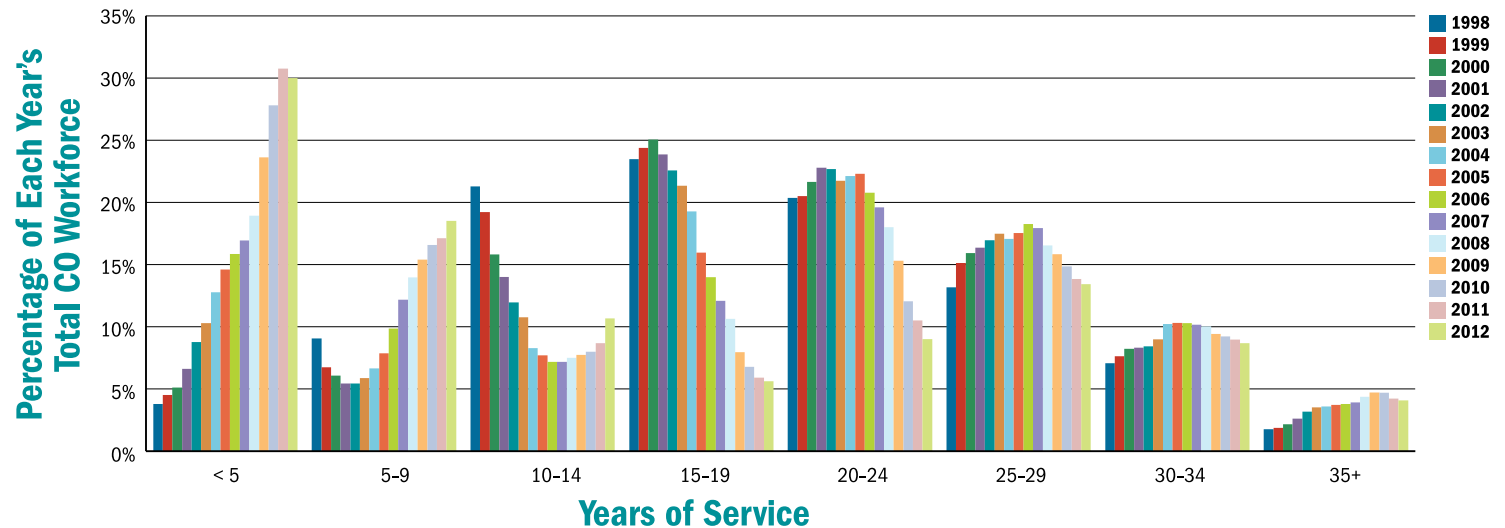
Source: OPM Fedscope. The data reflects the workforce demographics as of September 2012. The contracting workforce is defined as the Contracting Workforce 1102 series classification.

Thus, the key question all must address is why the existing training and education mechanisms for the acquisition workforce are not producing the desired results. It is certainly not for a lack of commitment and passion on the part of those responsible. Nor is it, especially in the cases of DoD, the Department of Homeland Security (DHS) or the Department of Veterans Affairs (VA), for a lack of resources. So it must be that the current structure, content and process associated with curriculum, training, and workforce development are a significant portion of the problem.

Most institutions faced with the evident challenges confronting the government would recognize the futility of perpetuating current strategies or making modest adjustments to them. Instead they would seek new, different and objective resources and strategies to re-vamp the training and education to address gaps in both strategy and content. Doing so has long proven to be the key to a "turnaround."

Yet, this has not taken place within the acquisition, technology, or any other key workforce component in the federal government.

The PSC Commission recommends:

• The creation of a joint working group to assess the intersection of human capital planning and the acquisition and technology fields. The group should be comprised of senior Office of Federal Procurement Policy (OFPP), General Services Administration (GSA), DoD, DHS and other agency officials representing acquisition, technology and human capital leadership. The working group should focus on key strategic questions, including: Where are the government's strengths in workforce recruiting and retention? Where are its weaknesses? Consistent with the government's emerging and likely future missions, what are the government's

most significant long-term workforce needs? What skills do we want that workforce to possess? How do the government's challenges in attracting and retaining technology capabilities affect both the number and skill sets needed in key workforce communities? What will it take to become more competitive for critical skills (including a review of commercial best practices such as how and when firms recruit and make firm job offers, manage high-performing talent, etc.)? And how can the government focus its human capital resources on *critical core capabilities* to help ensure that the problems that emerged from the non-strategic application of workforce reduction requirements in the 1990s do not repeat themselves?

- The Administrator of Federal Procurement Policy, in collaboration with the Undersecretary of Defense Acquisition, Technology & Logistics (AT&L), the Administrator of the General Services Administration, and the Chief Acquisition Officers Council, should launch a research program to demonstrate alternative acquisition workforce training and development methods. The program should be open to acquisition professionals across government, should involve adequate numbers of participants so as to provide a valid test sample, and be designed to include:

  — A curriculum that emphasizes business acumen (to include risk management, negotiations, market research, the keys to successful performance-based engagements, and more), characterized by interactive *case-based* training incorporating unique federal policies and laws.[8]

  — Strong reliance on contemporary online training tools, including gaming, interactive case-study based exercises, and other resources and tools.

  — Presentation of the business-related curriculum components by non-government entities, with the government-unique portions developed jointly by government and non-government experts.

— Rapid and agile testing, with initial launch within six months and continual adjustment and changes.

— Enhanced opportunities for exchange programs and other opportunities for "on the job training" outside of government that do not create a potential conflict of interest.

- Amending the Office of Federal Procurement Policy Act to reflect expanded responsibilities for OFPP beyond "contracting" policy and career development for only contracting officers and contracting officer's representatives. In so doing, OFPP should be given statutory authority over the entire acquisition workforce and restructured as the Office of Federal Acquisition Management and Policy (OFAMP), with clear authority and responsibility for also developing a career path and an education and development regime for program managers. Today, the civilian agencies, unlike the Defense Department, have no clear cut, aspirational career field for program managers, such as those that exist for contracting officers or contracting officer's representatives. There are individuals who have the title of program manager but few have the actual training or experience to fulfill true program management roles, despite the increasingly important role of programs, including technology programs. This new career path should feature numerous early functional rotations as well as a range of contemporary training and educational opportunities (to include rotations in private-sector environments that do not create a potential conflict of interest).

- Creating, under the auspices of OFPP, an Acquisition Excellence Council (AEC), co-chaired by the OFPP Administrator and the Principal Deputy Undersecretary of Defense/AT&L. The council should be populated by a diverse group of experts from across government, to include both senior and front-line acquisition professionals (such as leaders of the Rising Acquisition Professionals Community) and industry experts. The council's responsibilities should include:

OFPP should be given statutory authority over the entire acquisition workforce.

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[8] At DoD in particular, the first step in training for many new acquisition workforce hires is a "FAR Bootcamp" where the acquisition rules are drilled into them. There is significant concern that this strategy actually diminishes their tendency toward critical thinking. As an alternative, one Chief Acquisition Officer told the Commission that she had conducted an informal experiment within her organization, in which half of her new hires went to "bootcamp" while the other half were given a more case-based/critical thinking approach to learning. In her estimation, the latter cohort is demonstrably more effective and efficient in their work than the former in both the short and long term.

— Redesigning and restructuring the Defense Acquisition University, Federal Acquisition Institute, Veterans Affairs Acquisition Academy, Homeland Security Acquisition Institute, and other dispersed government acquisition and training entities.

— Standardizing the core competencies required for a high-performing federal acquisition workforce within DoD and civilian agencies.

— Standardizing "big A" acquisition competencies in a way that allows training to draw from the best-in-class corporate universities, rather than a traditional, organic "brick and mortar" school. The most highly regarded corporate universities have few permanent faculty and focus on institutionally unique content, focusing their limited resources on those areas that are directly tied to the company's core mission, culture and processes. The instruction is conducted principally by *active practitioners* whose job responsibilities explicitly include leading courses at the school for a period of time. For all else, they use external providers. Both of these attributes are the converse of what we see in government today.[9]

— Developing a common evaluation and assessment process for all acquisition education and training provided through the government, regardless of source. The evaluation process should capitalize on feedback mechanisms (from students and their supervisors) that are publicly shared, as well as other tools developed by education evaluation experts. Such a transparent reporting mechanism should drive appropriate competition and performance among the providers.

— Publicly release an annual report on progress in training the acquisition workforce and the continued skill gaps identified as required core competencies.

— Serving as the *sole* arbiter for approving "equivalencies" for non-government providers of acquisition training and education. It is inappropriate for those approvals to rest with existing government education entities, such as the Defense Acquisition University (DAU), since they should be part of, not the owner of, a community of providers who compete to provide excellent results. For them to also "own" the requirements and approval process automatically limits the aperture through which training is or could be provided. No law school determines what other law schools have to teach to qualify for certification; instead, all law schools *compete* to deliver high quality graduates that meet the needs and expectations of their "customers." The same competitive pressure should be injected into the federal acquisition workforce training and education regime.

— Serve as the *sole* overseer of testing and assessment of skills and competencies for the entire acquisition workforce, including contracting, program management and contracting officer's representative (COR) professionals.

— Conducting an annual "Acquisition Excellence" Awards program for outstanding performance, with an emphasis on all levels of acquisition from commodities to complex solutions. The awards should focus on timeliness, levels of collaboration, performance against budget and timelines, and, most significantly, quality of outcome. In addition to making the awards, the council should publish online a "lessons learned" compendium gained through each awardee's experience.

• Designing a new human capital strategy model for both acquisition and technology personnel with rapid rotations across broad functional areas (such as budget, program management, IT, and HR), along with early and continual career development review and path development as standard for new hires, thus adopting a

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[9] The Defense Acquisition University today has a standing budget approaching or exceeding $100 million and several hundred permanent faculty positions with six fixed campuses across the country. This is the traditional "brick and mortar" model that needs to be most significantly overhauled. Of course DAU also offers an extensive online catalog of coursework.

longstanding commercial best practice. Indeed, the more extensive an individual's exposure to and involvement in multiple functional fields of the organization, the more likely they can and will be effective and successful in their chosen career field and be a more effective collaborator and partner. However, clear career guidance is required.

- Creating mandatory "cross training" requirements for acquisition, technology and oversight/audit personnel. These requirements would, in their simplest form, include basic courses to be taken within each functional area as well as in outcome-focused performance management. Moreover, the courses would be offered and taught through the other fields' training auspices. For example, all contracting officers would be required to take a basic auditing course developed by the government audit community, while every government auditor would be required to take a basic acquisition course developed by the acquisition community. These courses should be designed in a way that highlights likely areas of misunderstanding and/or conflict across the disciplines.

- Working with the Performance Improvement Council, Chief Financial Officers Council, Chief Acquisition Officers Council, and the Chief Human Capital Officers Council, as well as grant and program managers, create a "new" cross-functional career ladder for "technology management." There has been much talk of late about the need to create an "IT acquisition cadre" available to assist any federal agency, and such a recommendation is contained in major IT acquisition reform bills before the Congress in 2013. We support this IT cadre to address the temporary, government-wide skills shortage, but the technology shortfall requires more than a "cadre." Again, borrowing from best commercial practices, the government would benefit from the development of a defined, supported, aspirational career field that combines acquisition excellence with technology knowledge and experience and an understanding of effective outcome-focused performance management practices. As the government continues to struggle with the longstanding disconnects between critical functional areas, such an approach offers real opportunity to overcome those disconnects. And perhaps

most significantly, such an integrated workforce offers new and critical opportunities to link individual/functional performance with overall programmatic outcomes, as opposed to the current model in which performance is generally based on functional elements (i.e., contracting officer compliance with acquisition processes and rules) rather than "customer-centric" outcomes.

A Culture of Excellence and Innovation

Transforming government into the efficient, effective, and innovative organization that the current fiscal era demands cannot be accomplished by small improvements around the margins. It requires a change in how leadership views and uses its ability to leverage the "whole of government," as well as a change in how the different components which comprise the "whole of government" view and work with each other. In short, it requires a fundamental change in culture and a more open minded and objective approach to traditional "make-buy" decisions.

Culture is driven by leadership. Even in a bureaucracy as large and complex as the federal government, the culture of each agency is impacted directly by the quality and depth of its leadership engagement. Changing culture is difficult and requires long-term organizational investment, but creating opportunities for excellence and innovation can be done incrementally, laying the groundwork for more sustained change. Pockets of innovation and excellence do exist in government, but right now they are few and far between. Only by reinvigorating the culture in government can these become the norm.

Creating a culture of innovation requires the government to take a comprehensive approach that includes leveraging private sector innovation, providing incentives for the private sector to invest in solving government challenges, making investments in innovations through R&D funding and innovation programs, and collaborating with industry on creating processes to foster innovation. Some of the key actions include simplifying access to commercial items and best practices, establishing a framework to share risks between industry and government, protecting industry intellectual property

Creating a culture of innovation requires the government to take a comprehensive approach that includes leveraging private sector innovation.

and accelerating the acquisition process to leverage the benefits of innovation. To sustain innovation, we have to institutionalize processes along with incentives that involve the employees at the field level, not just management at headquarters.

In order to achieve the performance outcomes the government seeks and the taxpayer deserves, collaboration must become a central component of government operations, internally and externally. The current lack of collaboration is not only seen in the divide between government and industry, but is also visible between different agencies, and even between different components of individual agencies. Collaboration must not only be talked about in vague generalities at the most senior levels. In keeping with many of the most successful models of change management and performance improvement, collaboration must be directed to and engaged at the operational levels and continually reinforced by senior leadership. In today's environment, optimal outcomes are simply not possible without close and continuous collaboration. This means that all participants, inside and outside of government, must be working toward and evaluated against a set of common performance and mission measures. Regrettably, according to virtually every individual the commission spoke with, and as reflected in the 2012 PSC Acquisition Policy Survey, years of rhetoric and overreaction have served to substantially diminish government collaboration, internally and externally.

No one party within the "whole of government" can fulfill the mission demands placed on the government on their own. Only by fully employing all of the parties comprising the "whole of government" can excellent outcomes be achieved at reasonable costs. While there are certainly tasks which are proper for only government employees to perform, often referred to as "inherently governmental," there is a large segment of work which outside parties are especially adept at performing. Key among those parties, of course, is industry. Close to half of all current government discretionary spending goes to acquisition. Yet leadership expertise in acquisition, or even the acknowledgement by agency leadership of the necessity and value of procuring outside services, is lacking.

This divide between government and industry is present in all levels of the government bureaucracy. In most other institutions, top leadership is expected to have strong skills in and knowledge of the principal, *core activities* of the institution they lead. Clearly, acquisition and technology are among government's core operational responsibilities, but that insight and knowledge is too often missing at the top. Senior agency leaders outside of the direct acquisition or technology chain generally do not have the necessary insight and knowledge of either acquisition or technology to adequately manage, let alone drive, change in those functions within their organizations. Moreover, the complexity of acquisition is often underappreciated by agency leaders and congressional decision makers alike. As but one step to address this challenge, a core requirement for advancement to GS-15 and/or Senior Executive Service (SES) levels should include functional (and perhaps organizational) experience in acquisition and technology. Stated another way, in any other organization, if one activity accounted for nearly half of that organization's budget, that activity would be a top priority and focus of that organization's leadership. But this is not true in government.

It is widely accepted that the level and quality of collaboration between government and its implementing partners is at a low ebb, and in some areas explicitly discouraged despite other leadership efforts (i.e., the Office of Management and Budget's Mythbusters Campaign, DoD guidance, etc.) to reverse this disturbing trend. This lack of collaboration and communications has a palpable impact on program outcomes and quality as well as on innovation. Both government and industry ascribe the current lack of innovation to the other's behaviors. Government officials have become increasingly concerned that company proposals lack originality and innovation, while company officials feel compelled to propose only within the lines they believe the customer is willing to consider. Both are undoubtedly right to an extent. And that requires an explicit and sustained change in both the Request for Proposals (RFP) and proposal/execution culture and process. In an era of tightening budgets, innovation in both process and outcomes are vital. Yet

without a more collaborative, trusting culture between government and industry, true innovation will remain elusive.

Furthermore, this lack of collaboration does not exist only between industry and government. It is also prevalent within government itself. In an era when "collaboration" is increasingly recognized as a central operational component in the best of private sector organizations, and a critical element of their success, it is in worrisome decline within the government itself and such decline has frequently been cited in Government Accountability Office (GAO) studies as a contributing factor in underperforming government programs, duplication and fragmentation. Disconnects between the policy, human capital, mission, technology and acquisition communities have improved only marginally at the leadership levels and almost imperceptibly, if at all, at the operational levels. This stovepipe approach leads different components within an agency to pursue different immediate goals, often to the detriment of the desired overarching mission outcome.

In addition, acquisition is often perceived and treated as a "transactional" exercise rather than as a central element of a broader programmatic objective. Instead, acquisition strategy should focus on an organization's desired outcomes and customer/stakeholder benefits. To some extent, the more narrowly defined understanding of acquisition is due to a lack of understanding of the broader meaning of the term itself. Beyond that, the disconnect between key elements of the true "acquisition" system exacerbate the challenge.

In truth, a range of related processes across the value chain are included in "acquisition" and all are essential to the ultimate outcome. Indeed, when it comes to procuring services, even highly complex services, "acquisition" is too often thought of as "contracting." But "acquisition," or "big A acquisition," as shown in Figure 4, covers a broad range of activities, including systems engineering, planning, budgeting, contracting and more, each of which is essential to successful program execution.

Figure 4. The Acquistion System
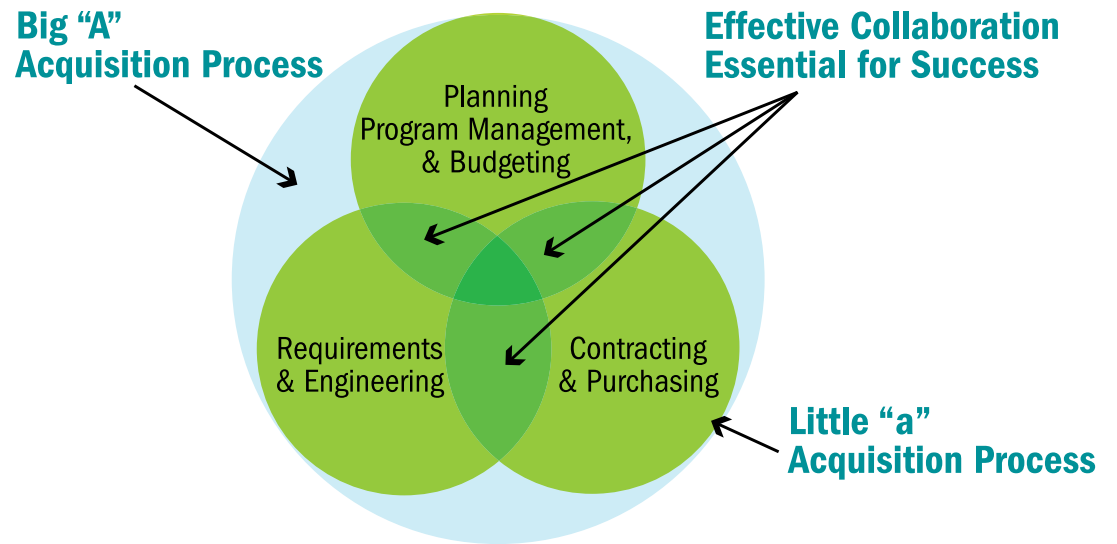
Source: Adapted from Defense Acquisition Performance Assessment Report, February 2006

Many "non-acquisition" professionals in government asserted to the Commission that the contracting community, which is often organizationally distanced from the customers and end-users it serves, overly controls the decision-making responsibility relative to the capabilities that are selected to execute their missions. The contracting community, it must be said, often argues just the reverse. Whichever side is right is far less relevant than the fact that all recognize the fundamental disconnect.

Finally, there also needs to be change in how government leaders engage with government employees, and how leaders leverage their positions to promote innovation. There appears to be limited confidence by rank and file federal employees that government leaders, including senior politicals and senior career professionals,

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recognize the importance of serving as "risk absorbers" for their workforces and their programs. This perception, fair or not, is a major contributor to the culture of risk aversion and risk intolerance that is prevalent across most of government today. It is notable that the majority of agencies in which gaps between leadership and the front-line employees are most pronounced are agencies with substantial acquisition and technology footprints.[10, 11]

As D-Day was unfolding, General Dwight Eisenhower penned a speech to be used if the invasion failed and included the line "If any blame or fault attaches to the attempt it is mine alone." This sentiment is the mark of true leadership, but is rarely heard in government today.

Many ascribe the government's generally risk-averse culture to a lack of protective, empowering leadership, which also makes it a prime obstacle to innovation and excellence. After all, striving for innovation and excellence require reasoned and rational risk taking. Absent that risk tolerance, mediocrity becomes the norm. And that is certainly a part of the problem. For every mistake made or perceived, finding someone, or several someones, to blame is the first response. There is little opportunity or effort to separate honest mistakes from unethical or illegal activity; minor transgressions take on the same caste as major violations. As we heard repeatedly in the 2012 PSC Acquisition Policy Survey, in our own interactions with government professionals, and in other recent surveys of government officials, there is little faith among the federal workforce that, when the chips are down, their leadership will defend them.

This risk-adverse culture has been entrenched by the current divisions in our political system. The constant finger pointing and blame that has accompanied it over the last decade, while possibly politically effective in the short term, has succeeded over the long term in making the federal workforce risk intolerant and the American public more skeptical of the competence of government.

Further, the lack of clearly aligned incentives, including for achieving "stretch goals," plays a significant role in the current culture. The most innovative organizations are able to create aligned objectives and goals, along with appropriate reward structures, for those that meet and, even more significantly, exceed the goals. While there are limits to the kinds of incentives that are possible in government (whether applied to government personnel or contractors), much more can be done to make real headway in this area.

The PSC Commission recommends:

- Using the current fiscal crisis as a springboard for agencies to change their culture to focus on outcomes. To do so, senior leaders should direct major program activities to convene stakeholder meetings focused on specific sustainable efficiency goals that identify lower cost ways to operate the programs, regardless of the source of savings. It is one thing to mandate "cuts;" it is entirely different (and more beneficial) to bring the various stakeholders together, prominently including industry or other implementing partners, to work collaboratively to identify sustainable efficiencies and savings. In so doing, the spirit of partnership can be built, greatly enhancing the potential to avoid penny wise, pound foolish, arbitrary cuts.

- A process should be instituted to garner "360 degree" assessments of acquisition outcomes, particularly for large dollar value or other types of significant acquisition, involving all relevant government organizations and key industry participants. Simply put, in the aftermath of any significant acquisition, customer and partner satisfaction surveys should be conducted to identify ways in which key communities (including internal operational customers, for-profit and not-for-profit implementing partners) felt the acquisition process was effective and responsive, and ways in which it was not. Industry will frequently conduct such internal lessons learned reviews to help inform their future bidding and performance strengths and weaknesses. The results of these surveys should

be routinely reviewed by agency leadership to identify dynamic changes to training and practice to drive future improvement.

• The "360" reviews should also include a formal, *mandatory* process for "reverse debriefings." These debriefings, which can be conducted anonymously and online, perhaps through a neutral agency ombudsman, should be used by agencies to receive candid feedback from industry on what in the procurement worked well or not and why. The results should be shared among all internal and external stakeholders (especially with the end-user "customer"). As such, they can be valuable learning tools for the government's acquisition and related workforces. Consideration should also be given to maintaining these records, and the "360" review results, in a central database that becomes part of the organizational performance evaluations.

• Similarly, agency leadership should *require* that post-award debriefings be substantive, interactive and provide a similar quality and scope of information to unsuccessful offerors as would be provided through a formal discovery process. History has shown that high-quality debriefings help to prevent post-award bid protests. But recent evidence suggests that debriefing quality has dropped dramatically, too often only including electronic "reports" with no meaningful discussion, if they occur at all. This debriefing technique can also be applied to the request for information (RFI) and draft RFP processes, as well. Rarely do government agencies share their rationale for the decisions made from the inputs received from industry in response to these useful pre-solicitation procedures. Sharing these decisions would likely yield better proposals from industry participants and, maybe more valuably, from those stakeholders who were unwilling or unable to participate in a particular acquisition. A laudable example of this pre-award information sharing is the significant effort GSA made in 2012 and 2013 during its development of the OASIS professional services procurements to keep industry informed of both key decisions and the agency's rationale for such decisions. In addition, over the past several years, the FAR and Defense Acquisition Regulations (DAR) Councils have provided extensive supplemental information to accompany significant proposed and final rules that explain how they have addressed or reconciled key issues and public comments.

• Expanding the role of GSA's Office of Innovative Technologies to coordinate a process to harvest innovative ideas, private sector best practices, targeted crowd-sourcing initiatives, innovation challenges and contests to generate candidates for transformative solutions within the government. Connected to this effort, and as a complement to a "cut and re-invest" strategy, provide guidance through GSA and the U.S. Chief Information Officer to establish a process for agency independent reviews of innovation ideas that come from the field, along with criteria that focus on improving mission outcomes.

• Facilitating through the U.S. Chief Technology Officer a cross-agency collaboration information sharing initiative to better leverage the benefits of R&D spending in technology across federal agencies, while reducing duplication. Agencies lack sufficient funds to directly support all of the research needed to target their specific needs. Similarly, industry lacks sufficient funds to pursue activities to support unique agency needs that are not tied to near-term significant acquisition opportunities. But the federal Chief Technology Officer, through the president's Office of Science and Technology Policy, can serve as a neutral convener of agency and technology leaders to share information about needs, trends and capabilities. Consider this recommendation akin to the organized market research that federal agencies should conduct before initiating a strategic sourcing for the cross-agency acquisition of goods or services. The Defense Department already undertakes a limited example of this information-sharing of industry research efforts through its collection and controlled dissemination of company "independent research and development" (IRAD) efforts. NASA also engaged in a similar but less well-known process. Related efforts are undertaken by the National Institutes of Health for medical research and by the Department of Homeland Security's Office of Science and Technology. But too many other agencies have no internal, let alone cross-agency, mechanism for sharing either its technology needs or the results of its technology efforts.

Agencies lack sufficient funds to directly support all of the research needed to target their specific needs.

- Creating an acquisition dashboard tool to both track the time it takes to execute an acquisition and provide insight into those elements of acquisition that most frequently result in delays. This would require immediately beginning a government-wide practice of measuring procurement administrative lead times (the time between release of a final RFP and award of a contract) as well as quarterly updates in which key obstacles (to include external factors, such as budget delays or changes) and challenges are identified.

- As noted in the recommendations in the discussion of the "Human Capital Dilemma" section, one of the proven alternative acquisition workforce training and development efforts can come from well-designed government-industry exchange programs. That recommendation also has relevance to creating the culture of excellence and innovation by providing personal experiences and greater insight into the activities of key stakeholders in the government acquisition and mission-execution processes, although it need not be limited to drawing such exchanges solely from the ranks of current government contractors. For example, pursuant to statutory authority and detailed regulatory procedures, federal agencies have been authorized to undertake a government-industry exchange for information technology professionals under strict rules prohibiting any conflict of interest for either government officials or industry firms participating. In 2012 the Army Contracting Command administratively initiated a limited program for the exchange of its acquisition professionals with major industry partners. Other agencies have similar formal and informal exchange programs—some that go one direction only (government to industry, for example) and some that permit both sectors to participate. Interestingly, in mid-2013, the president launched an exchange program for up to 200 senior African government leaders to take fellowships in U.S.-based organizations. While the details were still being refined as of August 2013, this presidential initiative demonstrates an obvious recognition of the benefits of such government and industry exchanges.

Achieving Successful Services Outcomes

The acquisition system plays a vital role in achieving mission outcomes and providing services to the taxpayer, but it can only be effective, efficient, and innovative if the tools provided for in the rules and regulations governing acquisition are used to their best potential. Acquisitions can vary greatly, and only by using a strategy specifically tailored for an acquisition can one best achieve mission outcomes. Yet, while this may sound like a standard, longstanding tenet of acquisition (and is, indeed, reflected in the Federal Acquisition Regulation), as services acquisitions have become more complex the government has struggled to achieve this basic objective. Instead of focusing on broad business strategy and outcomes, the focus of the acquisition system has become overly centered on rules compliance, presumptive "goods and bads," and rearview-mirror assessments of how and where funds are spent.

To address this fundamental challenge, we believe there is an abject need for a common taxonomy of services to be used to drive business and acquisition strategies based on the acquisition's requirements. Such a taxonomy will help translate and coalesce the often complex mix of mission requirements, business models, and government "rules" in a way to help inform the road forward and provide insight that can help drive smart business and acquisition strategies. Yet a taxonomy like this does not currently exist. The only "taxonomy" that exists within government is solely a look-back review of historical spending data within overly broad, ill-defined, categories. As a result, the services acquisition process is often driven by a loose amalgamation of regulations (Federal Acquisition Regulation and agency/component supplements) and a growing body of legislative and executive branch policy pronouncements that are at times ineffective and/or in conflict with one another. They often fail to align what is being acquired to a real strategy and are exceptionally difficult to implement consistently, even within a single government entity.

The most vital step to achieving efficient processes and effective outcomes is developing the core acquisition strategy for the desired outcomes. There is not a single acquisition strategy suitable for all requirements but there are certain acquisition strategies that are much more preferable for certain types of requirements. For example, the lowest price technically acceptable (LPTA) source selection strategies can be the proper strategy for the purchase of commodities. The process is efficient because it simplifies the award criteria and selection process while still allowing the government to acquire the outcome it demands. However, for more complex requirements, LPTA is not the optimal source selection strategy. Complex acquisitions are often highly technical, and the bids from different offerors can vary significantly in their technical approach as well as their ability to truly achieve the procuring agency's desired program outcomes. Because the LPTA process evaluates all "technically acceptable" offers as sufficient and equal, leading the award to be determined exclusively by price, companies are forced to devise low-cost outcomes that are "technically acceptable" but far from the cutting-edge, high-quality outcomes the government may require. In other cases, such as where cost is largely determined by drivers like the Service Contract Act, there will likely be substantial variations in the capability and quality proposed, with little difference in the price the government pays for the goods or services.
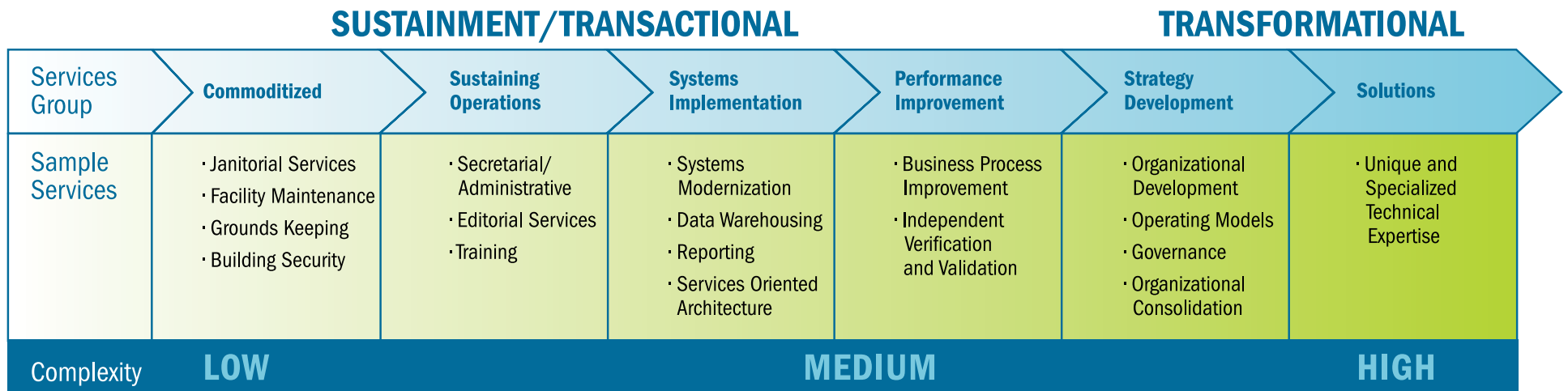
Moreover, if innovation is desired in an acquisition, the acquisition strategy must reflect it. As can be seen in the Figures 5 and 6, some acquisition types, based on their funding structures and distribution of risk, are much more effective at promoting innovation.

The PSC Commission recommends:

• Creating, as a guideline for the development of acquisition strategies, a new taxonomy of services that helps guide the workforce toward the stated objectives of the federal acquisition process by providing the basis for aligning what is to be procured with the options available to the government for such procurements.

There are a number of factors that sub-optimize government acquisition and technology endeavors. For the purposes of this report, we have limited our focus to defining a new *pre-award* taxonomy for the acquisition of services that reflects the *attributes* of what is to be acquired and ties those attributes to a strategic,

Figure 5. Services Acquisition Taxonomy

	SUSTAINMENT/TRANSACTIONAL					TRANSFORMATIONAL
Services Group	Commoditized	Sustaining Operations	Systems Implementation	Performance Improvement	Strategy Development	Solutions
Sample Services	· Janitorial Services · Facility Maintenance · Grounds Keeping · Building Security	· Secretarial/ Administrative · Editorial Services · Training	· Systems Modernization · Data Warehousing · Reporting · Services Oriented Architecture	· Business Process Improvement · Independent Verification and Validation	· Organizational Development · Operating Models · Governance · Organizational Consolidation	· Unique and Specialized Technical Expertise
Complexity	LOW		MEDIUM			HIGH

Figure 6. Acquisition Strategy Decision Matrix

Risk	Very low. Some risk of requirements creep.	Moderately uncertain contract labor or material requirements.	Moderately uncertain contract labor or material requirements.	Highly uncertain and speculative labor hours, labor mix, and/or material requirements (and other things) necessary to perform the contract. The government assumes the risks inherent in the contract, with the flexibility to change the tasks to respond to conditions. The government benefits if the actual effort is less than anticipated, or pays if the effort expands.			
Principal Risk to be Mitigated	The requirement is well-defined. · Contractors are experienced in meeting it. · Market conditions are stable. Financial risks are otherwise insignificant. Contractor expected to resist requirements creep.	A ceiling price can be established that covers the most probable risks inherent in the nature of the work. The proposed profit sharing formula would motivate the contractor to control costs and to meet other objectives.	Subjective standards can be fairly applied by the fee determining official. The potential fee is large enough to both: · Provide a meaningful incentive. · Justify related administrative burdens.	Scope is stable. An objective relationship can be established between the fee and such measures of performance as actual costs, delivery dates, performance benchmarks, and the like.	Objective incentive targets are not feasible for critical aspects of performance. Subjective standards can be fairly applied. Potential fee would provide a meaningful incentive.	Relating fee to performance (e.g., to actual costs) would be of marginal utility or unworkable.	No other type of contract is suitable (e.g., because costs are too low to justify an audit of the contractor's indirect expenses). Cost is directly related to scope— no government risk of adverse indirect rates.
Appropriate Contract Type	Firm-Fixed-Price (FFP)	Fixed-Price Incentive Firm Target (FPIF)	Fixed-Price Award-Fee (FPAF)	Cost-Plus-Incentive-Fee (CPIF)	Cost-Plus-Award-Fee (CPAF)	Cost-Plus-Fixed-Fee (CPFF)	Time & Materials (T&M)
Elements	A firm-fixed-price for each line item or one or more groupings of line items.	Ceiling price Target cost Target profit Delivery, quality, or other performance targets (optional) Profit sharing formula 120% ceiling and 50/50 share are points of departure	Fixed-price Award amount Award fee evaluation criteria and procedures for measuring performance against the criteria	Target cost A minimum, maximum, and target fee A formula for adjusting fee based on actual costs and/or performance Performance targets (optional)	Target cost Base amount, if applicable, and an award amount Award fee evaluation criteria and procedures for measuring performance against the criteria	Target cost Fixed fee	Ceiling price A per-hour labor rate that also covers overhead and profit Provisions for reimbursing direct material costs
Contractor Obligation	Provide an acceptable deliverable at the time, place and price specified in the contract.	Provide an acceptable deliverable at the time and place specified in the contract at or below the ceiling price.	Perform at the time, place, and the price fixed in the contract.	Make a good faith effort to meet the government's needs within the scope of work and the estimated cost in the contract.			Make a good faith effort to meet the government's needs within the ceiling price
Contractor Incentive	Generally realizes an additional dollar of profit for every dollar that costs are reduced.	Realizes profit on cost by completing work below the ceiling price. May earn higher profit by incurring costs below the target cost or by meeting objective performance targets.	Generally realizes an additional dollar of profit for every dollar that costs are reduced; earns an additional fee for satisfying the performance standards.	Realizes a higher fee by completing the work at a lower cost and/or by meeting other objective performance targets.	Realizes a higher fee by meeting judgmental performance standards.	Realizes a higher rate of return (i.e., fee divided by total cost) as total cost decreases.	

principle-based taxonomy. Such a clear, pre-award framework of this type will not only help improve outcomes, but will also help drive innovation. Innovation rarely occurs by accident. It must be actively and openly encouraged and clearly and objectively evaluated. Further, the analysis continuum must include not only levels of complexity and risk but also timelines within which the work must be completed. For example, the design and implementation of a complex information technology solution is likely to take time and substantial long-term commitment. But the development and fielding of a new application might be completed in a six week "sprint." The acquisition strategy must reflect these differences.

As it stands now, the government lacks a clear taxonomy that accounts for these variables. The growing pressures reported by federal acquisition leaders towards process compliance over program outcomes can best be combated by a taxonomy that fully recognizes and respects the importance of process compliance while still illuminating the varied strategies available for achieving better outcomes. In our view, the taxonomy could be based on a continuum, as shown in Figure 5.

• Buttressing basic taxonomy with a clear alignment of responsibility, accountability, risk and reward relating to the overall acquisition strategy and execution that goes well beyond the important decision of the appropriate contract type. Levels of risk require different contract types and incentives. Acquisition strategies should be constructed to result in reasonable contractor risk (recognizing that what defines "reasonable" varies based on the complexity of the desired outcome as well as the necessary level of investment), provide the contractor with the greatest incentive for efficient and economical performance, and properly incentivize the desired level of innovation. The alignment of these factors yields a partnership and contract relationship that is truly an instrument calibrated to provide the greatest opportunity for achieving successful acquisition outcomes and program results.

Regrettably, agencies do not always have the flexibility to make the right choice. For example, some laws have (appropriately or inappropriately) dictated the specific contract type an agency is to use for certain types of acquisitions, such as limitations on DoD's use of time and materials contracts, the requirement for DoD to use fixed-price contracts for certain research and development efforts, and the requirement for the Department of State to award certain guard services performed outside the United States on the basis of lowest price. In addition, while the FAR already requires contracting officers to evaluate the appropriate contract type based on specific attributes of the government's objectives, it does not include any consideration of industry's risks or rewards.

To our knowledge, no taxonomy exists that attempts to focus the government's acquisition strategy decision-making on aligning industry's risks and rewards with the appropriate outcomes to be achieved. Thus, the Commission has attempted to create such a pre-award taxonomy in Figure 6. It seeks to highlight a basis for evaluating a range of risks to be taken into account by the government in the acquisition process with considerations of contractor obligations and the associated incentives for industry in the performance of that acquisition under various contracting scenarios. However, in light of the difficulty in finding a perfect match, and to avoid a "one-size-fits-all" default, to their credit many agencies are now favoring the use of "hybrid" contracts that align the appropriate government objectives and contractor risk and rewards to specific work components or time-phases of performance of an acquisition, rather than to entire contracts.

• Avoiding the use of LPTA acquisition processes for *any* requirement for which new or innovative solutions are sought. By adopting a cost-technical tradeoff strategy (true best value), the government avails itself of the flexibility necessary when considering varied technical solutions and costs. Even if price is the single most important factor in the agency's award decision, true best value enables the agency to make other judgments. Under an LPTA scenario, "technical acceptability" often becomes an exceptionally low bar, and the

No taxonomy exists that attempts to focus the government's acquisition strategy decision-making on aligning industry's risks and rewards with the appropriate outcomes to be achieved.

award *must* be given to the lowest bidder meeting these minimal technical qualifications. In addition, the use of LPTA strategies for other than commodity procurements presumes that the government is the best and sole determinant of the basic technical levels required to achieve optimal outcomes. That is a dangerous presumption and one largely countered by the government's evident (and previously discussed) human capital challenges.

• Including specific source selection scoring for innovation where innovation is desired in the acquisition. For bidders, the inclusion of such criteria signals a seriousness of purpose on the part of the customer. Many in government express concern that industry pro-posals are increasingly "vanilla," while many in industry argue that the "vanilla" nature of their proposals is driven by the objectives and evaluation factors of the government's RFP. By calling out innova-tion as a measurable and meaningful source selection criterion, it should become clear to all when and where innovation is genuinely sought.

The Role of Industry

While this report is intended to focus on how best to optimize government performance, it would be disingenuous to not also focus on how the government's industry partners must also adjust and move forward. A few recommendations along those lines are included in earlier sections of this report. But we make additional recommendations and commitments that the Commission believes can both build confidence and enhance optimization. While some of these recommendations are only actionable on a company-by-company basis, and the Commission's ability to drive or require specific actions is limited, we believe there are impactful steps that can and should be taken.

The PSC Commission recommendations and PSC's commitments for industry are:

• Given that the rising prevalence, and certainly the fear, of award protests is clearly impacting agency willingness to make subjective decisions or to use other than the most basic acquisition techniques, PSC will convene a joint panel of industry and government leaders and recommend to the administration and Congress, within 180 days, reforms to the protest process that are balanced and meaningful. While the recommendations of the proposed industry-government committee are, of course, yet to be determined, they will address issues including protest thresholds, frequency, scope and cost.

Protests are, in part, a principal driver behind the government's over-use of LPTA acquisition evaluations and awards that are centered on minimal or poorly defined technical requirements. It has, at least in part, contributed to some of the reticence on the part of government professionals to engage in meaningful dialogue with their private sector partners.

This is a contentious issue, for both government and industry, with many complex elements. Nonetheless, given the clear impact of protests, or the fear of protests, on the acquisition process, it is time to address it comprehensively and with the views of both government and industry at the table at the same time.

• To help address government concern that industry proposals are lacking in innovation, PSC, hopefully in conjunction with the Office of Federal Procurement Policy, will develop a template to be used as a proposal addendum through which companies can identify *and* monetize proposed innovations or performance objectives that exceed the requested minimum. It is our belief that such information can greatly assist federal acquisition decisions

and add important levels of understanding that will facilitate appropriate cost-technical tradeoffs—a consideration that in today's fiscal environment is greater than ever.

- With a commitment of senior government participation, PSC will convene a CEO Council that meets at least twice a year with top federal acquisition and technology officials to identify current trends—positive or negative—in either industry or government practice or behavior, or both. The key issues identified by the panel should be widely disseminated among government and industry leaders with the intent of discouraging negative trends and encouraging the expansion of more positive actions.

- In addition to the CEO Council, and again assuming the cooperation and commitment of our government counterparts, PSC will convene a new forum for frank dialogue that is geared toward *and driven* by young professionals in both industry and government. Organizations like GovLoop's "Government NextGen," the Rising Acquisition Professionals Community (RAP-C) and Young Government Leaders, offer extraordinary opportunities for collaborative thought leadership with their industry counterparts from those who represent the future of government service.

- Given continued challenges in both government and industry in adopting new technology business models to the government environment, with the approval and cooperation of the Administrator for Federal Procurement Policy and the Undersecretary of Defense (AT&L), PSC will develop and make available (without charge) an online, strategic acquisition course focused on consumption-based acquisition/infrastructure as a service. The course will be designed to help government entities establish effective requirements and execute an appropriate and effective acquisition strategy.

- PSC will fund, or identify funding for, one or more focused research initiatives designed to provide effective case-study lessons related to the application of the new services taxonomy to emerging and other complex requirements, such as cloud services. The case studies will be academically based and subject to approval and validation by academic, government and industry experts and made available at no charge to the government "corporate" universities and private sector educational institutions. PSC will also use its current "Smart Contracting" website as an information resource with these and related case studies, as well as updates from the CEO Council described above.

CONCLUSION

The opportunities are there. And so is the need. The only question is that of our collective will.

As suggested at the beginning of this report, the current fiscal, human capital, and operational challenges facing the government will not ebb anytime soon. If anything, they could actually increase. The pressure that places on those responsible for delivering government services is also going to remain intense. Moreover, even in the unlikely event that the government's fiscal crisis is soon addressed, the other pressures will be largely unaffected. The competition for talent will continue, since it is driven not by the government but by a range of external forces over which the government has no control. Operational challenges will likewise be largely unabated, since the dynamics that drive those challenges—from international security and threats to ever-growing citizen demands for better and more efficient services—are also outside of the government's control.

In their 2004 book "Government by Network," Stephen Goldsmith and William Eggers spoke of a new environment in which the availability of information was becoming ubiquitous, traditional hierarchies of information were breaking down, and governments were increasingly and inextricably tied to broad networks of both information and delivery. In its 2003 report, the National Commission on the Public Service (the "Volcker Commission") said the government was attempting to manage a 21st century mission on the back of mid-20th century structures and processes.[14] And in his series of reports on contracting in Iraq, the Special Inspector General

for Iraq Reconstruction Stuart Bowen reiterated that while fraud and abuse were certainly evident in some Iraq activities, the most significant challenges facing the U.S. government were centered on limited collaboration, coordination, communication, and workforce skills.

The basic conclusions of this report do not break dramatic new ground. As the Commission conducted its work during more than six months of meetings internally and with a range of government officials and other outside experts, the themes of the above work (also reflected in many other reports and analyses), were both prominent and expanded upon in new and different ways. Hence, the Commission's lengthiest deliberations centered on what can or should be done differently to come to grips with long-acknowledged problems as well as newly emerging challenges and what combination of ideas, new or old, offered the best chances for progress.

In the end, our biggest concern was not whether each of our recommendations is enthusiastically adopted and pursued. Rather, it was and remains whether the extent of the current crises is adequately accepted and whether the imperative for real, sustainable change can be identified and recognized. The opportunities are there. And so is the need. The only question is that of our collective will.

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14 "National Commission on the Public Service, Urgent Business for America: Revitalizing the Federal Government for the 21st Century," Washington, DC: Brookings Institution, 2003.
http://www.brookings.edu/research/reports/2003/01/01governance

GLOSSARY OF ACRONYMS

OPM   Office of Personnel Management

AT&L   Acquisition, Technology & Logistics

CO   Contracting Officer

COR   Contracting Officer's Representative

DAU   Defense Acquisition University

DoD   Department of Defense

GSA   General Services Administration

LPTA   Lowest Price, Technically Acceptable

OFPP   Office of Federal Procurement Policy

OMB   Office of Management and Budget

RFP   Request for Proposals

SES   Senior Executive Series

VA   Department of Veterans Affairs

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