



Capability Portfolio Reviews

If you look at any one of these systems as an individual system, you can sell just about anything. But, when you look at entire portfolio you can start to see where we have duplication in different systems or maybe we're overinvesting in one and underinvesting in another.

General Peter W. Chiarelli, Vice Chief of Staff, Army
Remarks at the Armor Warfighting Conference, July 2010

Introduction

During the past decade the United States military has maintained global influence, retained military superiority and sustained strategic endurance. Continued success in these areas demands that the Army balance the requirements for the contemporary conflicts in Afghanistan and Iraq with the need to transform and build readiness for the future. Although the operations in Afghanistan and Iraq are distinct, they share indicators about the changing character of 21st century warfare. Current trends suggest that the future security environment will feature conflicts of similar intensity, but history teaches to approach such confident predictions with wariness.

With that in mind, the Army is engaged in a full-spectrum approach that includes prevailing in current conflicts, building partner-nation capacity, supporting civil authorities at home and deterring hybrid threats and state actors, all while remaining postured to address evolving requirements.

In keeping with the Army goal of fielding an effective, modern, flexible and affordable force, the Secretary of the Army has implemented a Capability Portfolio Review (CPR) process for a one-year period. The CPR goals are threefold: to revalidate Army-wide system requirements across all components; to align resources with warfighting and Soldier priorities; and

to institutionalize resource and acquisitions along capabilities-based planning processes to provide flexibility for the future.

Background

Early in 2010, Secretary of Defense Robert M. Gates began his extended campaign to reform DoD spending habits through acquisition reform and overhead efficiency savings. His stated goal is to institute a department-wide "culture of savings" that better aligns expectations with results and resources. This vision is a logical extension of Secretary Gates' program reductions in April of 2009, which eliminated several big-ticket, underperforming weapons projects across DoD. Specifically, the Secretary has, over the last calendar quarter, directed each of the services to review its programs and administrative structure to "find" a collective \$100 billion in cost reductions over the next five years. The intent for these savings is to redirect the funds from overhead back into operations rather than to cut the funding from the budget altogether.

Secretary Gates has outlined his position that he wants to eliminate the extreme peak/valley characteristics of defense spending that are so disruptive and detrimental to both the planning and execution functions of programming. While valley-like cuts are obviously disruptive to long-term programs, high peaks are equally disruptive in that they can cause



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programmers to “throw money” at a problem rather than figure out ways to address scheduling issues, technology maturation problems or general design faults and bring a troubled program back into line. In exchange for a focus on good stewardship of taxpayer resources and overall spending reform, Secretary Gates is hoping to win congressional support for stabilizing the defense budget with a sustainable, inflation-relevant growth rate. He has indicated that his target is a 1 percent real growth rate with 2–3 percent internal savings (redirection from overhead into operations) for 3–4 percent total actionable growth in the next five years. The Army CPR process has been at the leading edge of this efficiency effort.

What is a Capability Portfolio Review?

For the Army, CPRs actually began in December 2009 with the aim of holistically examining, validating, modifying or recommending termination of requirements driving capability development, acquisition and sustainment across a series of portfolios defined by the Army but aligned to those defined by the Department of Defense (DoD).

The process operates with four themes: establish the ability to examine and modify investment/procurement portfolios; develop a baseline understanding of requirements driving investment, procurement and sustainment; reconcile requirements across portfolios through an examination of theater requests; and validate, modify, and terminate investment and/or procurement strategy upon reconciliation of requirements. **The goal of reconciliation is not to save a specified amount of the base budget or to defend an investment, procurement or sustainment effort, but rather to ensure that funds are programmed, budgeted and executed against validated requirements, cost- and risk-informed alternatives.**

To accomplish this goal, the Army has instituted a combined top-down and bottom-up approach designed to accelerate the requirements and validation process, driven by Army Force Generation (ARFORGEN), the Army Campaign Plan (ACP) and related policies that inform force structure and training. The end result of a CPR is a decision brief to the Army’s senior leadership focused on determining the need to modify the requirement or to convene either an Army Systems Acquisition Review Council (ASARC) or Configuration Steering Board (CSB), or to secure Department of Defense support for any needed programmatic changes.

Progress to Date

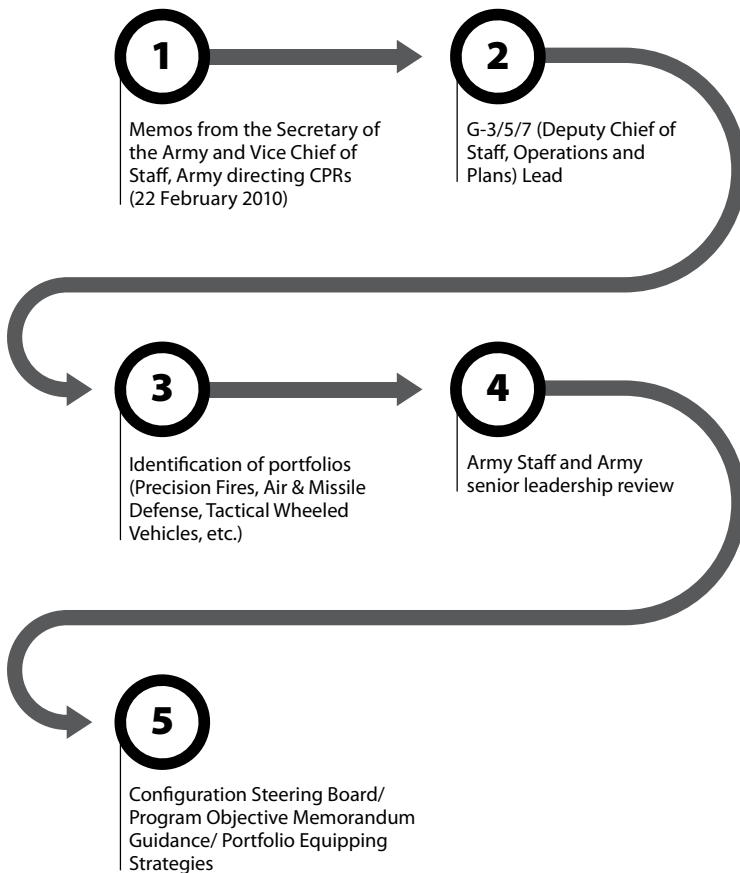
CPRs have been initiated for the eight materiel focus areas of Precision Fires; Air and Missile Defense; Tactical Wheeled Vehicles; Intelligence, Surveillance and Reconnaissance; Engineer Mobility and Counter Mobility; Combat Vehicle Modernization; Network Modernization; Soldier Systems; and Aviation. The Precision Fires and Aviation reviews are complete.

The reviews have yielded two key results: Specifically, Precision Fires, which examined the balance of high-end precision munitions and lower-end near-precision munitions, ceded a detailed analysis of alternatives which determined that the Non-Line-of-Sight Launch System (NLOS-LS) did not provide a cost-effective precision fire capability. Accordingly, the Army concluded NLOS-LS was no longer required; the Secretary of the Army recommended cancellation. The Army intends to pursue other capabilities to engage a moving target in all weather conditions. Additionally, the portfolio review concluded that a reduction in the number of Excalibur and Accelerated Precision Mortar Initiative rounds was warranted due to cost and other factors; the Secretary of the Army recommended approval of these reductions.

The second major result, more general in nature, focused on the Army Acquisition Executive’s plan to transition management responsibilities for system development and acquisition from the cancelled Future Combat Systems program—currently aligned under Program Executive Office Integration (PEOI)—to existing PEOs that already manage similar systems. This realignment allows the systems to be more comprehensively evaluated as part of the CPR process. The Army is better able to achieve efficiencies and frame Army issues and potential responses during the building of the annual Army program.

In keeping with the Secretary of Defense’s guidance regarding efficiencies, CPRs will improve the ability of thoughtful ideas to compete for resources and enhance responsiveness and flexibility for decisionmakers. As a result of the success of the above CPRs, the Army senior leadership added three nonmateriel focus areas—Training, Workforce Composition, and Installation Service/Information Technology—in July 2010. The resulting recommendations will continue to assist the Secretary of the Army in establishing future priorities for investment, research, development, acquisition and life cycle sustainment.

Capability Portfolio Review Process



Intent

- Conduct Army-wide (all components) revalidation of requirements.
- Holistically examine, validate, modify or make recommendations to terminate requirements driving capability development, acquisition and sustainment.

Goals

- Ensure that funds are programmed, budgeted and executed against validated requirements and cost- and risk-informed alternatives.
- Develop a baseline understanding of all the requirements.
- Revalidate portfolios through an examination of combatant command operational needs, wartime lessons learned, Army Force Generation, emerging technologies, affordability, interest and opportunity.
- Make recommendations for validation, modification or termination.

Source: Headquarters, Department of the Army

The Way Ahead

The informational yields from CPRs highlight the utility of this new approach in building an effective and affordable modernization strategy. After nearly a decade at war, the Army must continue transformation and modernization to improve its strategic and operational capabilities for full-spectrum conflict. Two materiel reviews are complete, six are in progress; three nonmateriel reviews have begun. This process will synchronize the planning, programming and budgeting process with feedback from combatant commanders and lessons learned from Iraq and Afghanistan all while leveraging emerging technologies with affordability. The CPR process is a critical element in restoring the balance to the Army and the equipping/fielding processes.

Recently, General Peter W. Chiarelli, Vice Chief of Staff, Army, and the head of the Army CPR effort, indicated that the process as a whole is causing the Army to reconsider some of its force structure decisions. He cited the expansive Army truck fleet as an example of the cost of modularity and how CPRs can provide needed long-range cost and capability assessment beyond just

a review of existing weapons and platforms. Although General Chiarelli did not make any predictions about the future of modularity, he did indicate that some programs under CPR review will be cut; he did not specify which programs or give a corresponding time line.

Under Secretary of Defense for Acquisition Technology & Logistics Ashton Carter recently praised the Army CPR process and held it as the model for his affordability guidance issued to DoD at large earlier this month. As specific dollar savings are directed, the other services are following the Army's lead in reorganizing their acquisition processes and mechanisms to generate more affordability, oversight, accountability and efficiency incentives across the full range of products and services. The CPR process is most likely a permanent addition to the Army's and DoD's acquisition models, since the affordability initiatives from the Secretary of Defense are meant to continue through at least the next half-decade. Accordingly, CPR themes such as "should cost" modeling and technology maturation assessment will come into play on new contracts, such as the Army Ground Combat Vehicle, to ensure that

expectations, affordability and capabilities overlap in a sustainable manner. The CPR process will continue to grow and evolve to incorporate more areas and apply more expertise, analysis and leverage to provide the warfighters what they need, when they need it, and all at the right price. It is designed to maximize every

fiscal resource expenditure and ensure that Soldiers receive the very best capability while taxpayers derive the very best value. With two CPRs complete and nine underway, the Army is a leader in the DoD-wide affordability initiatives.

Key Points

- The Capability Portfolio Review process is designed to look holistically at requirements versus resources across all components and systems.
- CPRs are not meant to save a specific dollar value, but rather to better integrate cost and risk alternatives into requirements planning.
- Two CPRs have been completed, with nine more in progress that span both materiel and non-materiel realms.
- The Army CPR process is a possible model for DoD-wide affordable force modernization and capability/acquisition review.



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