Department of War Announced Acquisition Reform

U.S. Department of War (DOW) Secretary Pete Hegseth on Nov. 7, 2025, unveiled a memorandum and accompanying strategy on defense acquisition reform titled "Transforming the Warfighting Acquisition System." The memo follows President Donald Trump's Executive Order 14265 which was issued in April and represents a fundamental shift in how the Pentagon will develop, procure and field new capabilities. The reform centers on a shift in acquisition philosophy whereby "speed to capability" is now the guiding principle of the DOW, and each element of the acquisition system is expected to demonstrate how it accelerates delivery to the warfighter.

Secretary Hegseth speech on acquisition reform here.

Implementation is already underway and should be expected to accelerate at service level, including this week's announcement from US Army.

Topline Summary:

Speed is Top Priority

The acquisition reform is aimed at "speed to capability delivery" as the decisive factor in maintaining deterrence and warfighting advantage. This is a major shift for the DoW vs. cost control. Secretary Hegseth, in his address and in the accompanying plan, made clear the Pentagon is willing to accept trade-offs in cost and performance if it accelerates the fielding of solutions for the warfighter. The reform plan also provides for ongoing reviews of the acquisition enterprise, forcing every level of review and oversight to prove they add value to delivery timelines or they will be eliminated.

Program Acquisition Executives

To date, the DoW structure had a Program Executive Office (PEO) managing each acquisition program. The Pentagon is now replacing the Program Executive Office (PEO) model to a wider (and more consolidated) Portfolio Acquisition Executives (PAE) model, where a single official is accountable for multiple interrelated programs.

Each PAE will have authority to move funds between programs based on performance and urgency. PAE appointments will last at least four years and their compensation will be tied to delivery time, competition, and mission outcomes.

The overall announced acquisition reforms and the PAE model is similar to reforms currently pending in both the Senate and House versions of the FY2026 National Defense Authorization Act, known as the SPEED and Forged Acts, respectively. The final version of these Congressional reforms is expected to be decided as part of the FY2026 NDAA which

is expected to be completed in early December. The PAE model in particular is meant to break down fragmented accountability and shorten delivery timelines. Officials will be authorized to make pragmatic trade-offs, such as prioritizing "good enough" capabilities over waiting for perfect solutions that take too long to develop and arrive too late.

Commercial-First Philosophy

In his speech, Secretary Hegseth said, **"We're going to make defense contracting competitive again. Those who are too comfortable with the status quo to compete are not going to be welcome."**

The implementation memo emphasizes "commercial first" contracting, directing PAE's and other officials to favor rapid acquisition methods such as Other Transaction Authorities and Commercial Solutions Openings, instead of defaulting to the more lengthy and rigid Federal Acquisition Regulation (FAR).

This shift is aimed to encourage commercial and dual-use companies, particularly the growing wave of venture-backed defense tech startups, to compete alongside traditional defense primes. The memo also calls for the creation of an Economic Defense Unit to help deploy capital through grants, loans, and investment partnerships.

Hegseth's message to industry is *to move fast, take smart risks, and embrace change*.

Industry Incentives

In order to incentivize speed and penalize poor performance within the defense industry, the DoW plans to implement time-indexed incentives into contracts. These incentives mean companies will be rewarded for delivering products ahead of schedule but will also face penalties for delays. Furthermore, the reform aims to use deal structures, drawing on successful models from sectors like mining and shipbuilding, to generate "investable demand signals" and unlock private capital for defense technology firms through mechanisms like advance market commitments and risk-sharing.

More Reading

Speed is central to DoD sweeping acquisition reform, but not a 'mandate'

Army Overhauls Acquisition Structure | Portfolio Management | The Silicon Review

Army scraps PEOs in bid to streamline procurement, requirements processes - Defense One

Defense Department's Acquisition Transformation Strategy - USNI News

Pentagon's 'One Boss' Fix: The Acquisition Shake-Up America Actually Needs

Hegseth, in tone shift, talks nice to defense industry

Secretary of Army Driscoll interview with WSJ; Driscoll on Face the Nation