Secretary Hegseth Got a Lot Right – but had a Crucial Miss – in His Call for Acquisition Reform

Secretary of War Hegseth Sees What's Wrong with Acquisition, but the Small Shop Remains a Blindspot

Chickasha, Oklahoma Nov 11, 2025 (Issuewire.com) - Secretary of War Pete Hegseth's remarks last Friday in his "Arsenal of Freedom" address on acquisition reform struck the right tone and urgency. He's right that the Pentagon's industrial base mirrors its own bureaucracy: risk-averse, slow, and unable to scale in crisis. Unfortunately, when he spoke of producing "desperately needed technology," he revealed the same blind spot that has long weakened U.S. defense readiness. Reform isn't only about technology. Reform is also about manufacturing capacity.

The ability to sustain a fight depends on production. The bolts, castings, and components that keep fleets running come from thousands of small and medium manufacturers (SMMs) who rarely make it into Washington's conversations. Sure, they're mentioned in the National Defense Strategy (NDS), but beyond that, they've slipped back into talking-point status. Such complacency comes easy when you're not a shiny new object like the F-47 6th Gen fighter. Worse, there's a persistent assumption that these SMMs, most of them outside the formal Defense Industrial Base (DIB), will simply leap in when needed. That could not be further from reality. Decades of consolidation and procurement stratification have created a gulf between independent manufacturers and the establishment of Tier 1s – Tier 4s comprising defense supply chains. The result is a bifurcated industrial ecosystem - one overburdened and one untapped. Until that divide is addressed, "surge capacity" will remain a slogan, not a capability.

The guest list for Hegseth's meeting - defense primes, Big Tech, and a few favored startups - was predictable. It's the same circle that dominates every "innovation" summit or major announcement. Missing again were the small manufacturers, or even a representative voice for them, who actually sustain aging weapons platforms. The Pentagon doesn't need more panels of Silicon Valley executives; it needs a live map of America's factory floor.

At the Knudsen Institute, that's what we're building: an AI-enabled data and analysis platform that identifies, connects, and activates underutilized manufacturing capacity in real time. It's not about creating more prototypes. It's about restoring the nation's ability to surge production when it matters most.

Hegseth's proposed incentives - tying profit to delivery and penalizing contractor delays -does make sense. Unfortunately, this ignores a central truth: the Pentagon itself is often the cause of delays. Requirements shift midstream. Funding is inconsistent. Oversight layers multiply. No company can plan or invest under such instability.

If the Department truly wants industry to share risk, it must first make itself a reliable partner. Private capital flows toward predictability, not volatility. Until the Pentagon delivers consistent demand signals and stable programs and until Congress stops playing games with the defense budget needed investments will remain tepid.

Several of the structural reforms Hegseth outlined deserve praise. Moving from Program Executive Offices to Portfolio Acquisition Executives could synchronize funding and accountability across related programs. Tying compensation to capability delivery and mission outcomes is long overdue. Preferring commercial contracting methods and discouraging vendor lock are meaningful steps toward agility.

Using Generally Accepted Accounting Principles (GAAP) and away from defense accounting will enable this push for flexible contracting tools. If implemented faithfully, these measures could shift acquisition culture toward results rather than process. But they must extend beyond the Beltway to the forgotten industrial corridors that still hold the keys to American resilience.

Interestingly, one of Hegseth's most consequential moves may become lost in the changes: transferring the Defense Security Cooperation Agency under the Undersecretary of Acquisition and Sustainment. Aligning Foreign Military Sales with acquisition will dramatically improve delivery speed to allies. At Knudsen, we've been developing proposals to build on that shift to include an overhaul of the PROS contracting system, a $3 billion legacy platform that few know exists yet underpins critical exports. It's a bureaucratic choke point that must be replaced to ensure global surge.

Hegseth's focus on speed is right. His commitment to accountability is right. But reform will fall short unless it also rebuilds industrial readiness – the capacity to produce, repair, and sustain at scale. America no longer knows, with precision, what it can make, where, or how fast. That must change.

In the next crisis, it won't be innovation theater or PowerPoint roadmaps that matter. It will be who can make parts the fastest and keep making them. Until the Pentagon's reform agenda acknowledges that truth, acquisition will get faster, but the arsenal will not get stronger.

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Source : Knudsen Institute

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