

What To Expect From DOD's Acquisitions Revamp

By **Alexander Hastings, Justin Weitz and Clinton Small** (December 2, 2025, 5:49 PM EST)

The U.S. Department of Defense recently announced reforms to defense acquisition processes as well as arms sales to foreign militaries. The DOD will reshuffle several offices in an effort to streamline acquisition and sales processes, and simplify approvals, with the goal of accelerating defense acquisitions and foreign military sales.

Taken together, these developments could signal a far more rapid, consolidated and commercially oriented acquisition environment that may materially reshape how contractors position themselves, structure bids and manage compliance in the near term.

Secretary of Defense Pete Hegseth announced the overhaul on Nov. 7 before a gathering of defense industry executives.[1] The reforms have been presented as necessary to "rebuild the defense industrial base."

Some of the reforms are immediately applicable, while others are aspirational or require congressional approval. Under the most immediate reforms, the DOD will consolidate related acquisition efforts and attempt to streamline foreign military sales, or FMS. The department's acquisition office and each branch of the military must develop detailed implementation plans in the coming months.

Importance and Challenges of Foreign Military Sales

The Arms Export Control Act authorizes the sale of weapons and other defensive articles to foreign nations.[2] Under the FMS program, foreign nations and the U.S. negotiate payment terms and delivery schedules, and then the U.S. either sells the items from existing stockpiles or acts as a purchasing agent, managing an acquisition from a defense contractor on behalf of the foreign nation.

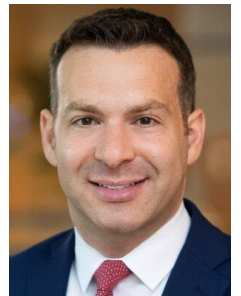
The Defense Security Cooperation Agency, within the DOD, is charged with overseeing the FMS program, in cooperation with the U.S. Department of State.

The FMS program constitutes a significant portion of defense trade. Total sales through the program have surged in recent years, from nearly \$81 billion in fiscal year 2023 to nearly \$118 billion in fiscal year 2024.[3]

While direct sales from producers still represent a larger share of total defense trade — approximately



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\$200 billion in fiscal year 2024 — FMS is gaining ground. From 2023 to 2024, sales through the FMS program increased nearly 46%, while direct commercial sales increased 24%.

Despite this growth, the FMS program continues to be criticized as overly burdensome and slow.

Transactions in the FMS program go through lengthy reviews by the DOD, the State Department and occasionally by Congress to make sure the sale aligns with the U.S. administration's foreign policy objectives. Because the DOD is the first-tier purchaser, defense contractors must comply with a myriad of requirements in the Federal Acquisition Regulation and the Defense Federal Acquisition Regulation Supplement.

These shortcomings have been exacerbated by the unprecedented volume of sales caused by the conflicts in Israel and Ukraine.

Reforms to the FMS Program and Defense Acquisitions

To address these challenges, in April the White House issued two executive orders — Executive Order No. 14265 and Executive Order No. 14268 — directing the secretary of defense to develop plans for accelerating defense acquisitions and the sales of weapons to allies.[4]

The reforms announced on Nov. 7 are in response to these executive orders.

Regarding the FMS program, Hegseth announced that both the Defense Security Cooperation Agency and the Defense Technology Security Administration, the office that approves arms exports, will be moved to the DOD's acquisition program.[5]

The reshuffling is aimed at streamlining the FMS process by allowing the same officials who manage weapons acquisitions to also approve their sale to allies.

Along similar lines, the DOD will create positions for high-level portfolio acquisition executives, who will oversee related acquisition efforts and have performance incentives linked to the speed of delivery.[6]

Previously, individual weapons acquisitions were overseen by a program executive officer. Now, several related acquisitions will be consolidated under a portfolio acquisition executive with authority to shift resources among the acquisitions in their portfolio.

The DOD simultaneously released an acquisition transformation strategy outlining a host of initiatives.[7] Among them are steps the department will take to incentivize speed and innovation, increase competition and flexibility for acquisitions, and reduce compliance costs.

Some potential future changes included in the strategy are:

- Extending the award terms to create "bigger, longer deals";
- Exploring alternate capital investment in the defense industrial base while simultaneously increasing due diligence on government investment deals;
- Maximizing the use of commercial products and services to simplify acquisitions;

- Establishing incentives to work with direct suppliers rather than through large prime contractors;
- Reforming bid protests to discourage the filing of "frivolous bid protests";
- Using artificial intelligence to reduce administrative burdens on the DOD;
- Reviewing and rescinding existing guidance regarding information technology acquisitions;
- Awarding bids that do not completely fulfill solicitation requirements;
- Transitioning from cost accounting standards to commercially used generally accepted accounting principles; and
- Cutting down the Defense Federal Acquisition Regulation Supplement by removing burdensome clauses.

Potential Near-Term Impacts of the Policy

Above all else, the changes signal a shift to prioritizing speed. DOD contractors should expect to see acquisitions with tighter timelines and more performance indicators that are linked to the timeliness of deliveries. Relatedly, the industry may also see a greater demand for commercial off-the-shelf technology and iterated or modular products.

Contractors could also see an increase in contract modifications, stemming from the new authority granted to portfolio acquisition executives to shift resources between acquisition efforts within their respective portfolios.

To increase competition, the DOD may earmark more acquisitions for small businesses or prefer offers directly from suppliers, rather than offers laden with subcontractors. However, contractors that have a preferred-bidder status may see increased scrutiny of their status because of other initiatives within the administration.

Finally, the DOD also signaled it will award larger contracts with longer periods of performance, in an effort to increase risk-taking and investment.

Considering the significant changes to the bid process, contractors should reevaluate traditional bid-response systems to ensure they are adequately addressing the revised solicitation requirements. On the other side, contractors can prepare to bid on solicitations even in cases where they do not fulfill all the solicitation requirements.

Finally, as the FMS program grows, so will compliance burdens, as bribery and corruption can play unfortunately significant roles in military and defense sales. Contractors seeking to take advantage of the FMS program should ensure they have high quality, written anti-corruption and anti-bribery policies that are enforced, including whistleblower processes and protections.

Concrete details for many of these initiatives, such as proposed revisions of the Federal Acquisition Regulation and Defense Federal Acquisition Regulation Supplement, should crystallize over the coming months as the office for acquisition and sustainment, and leaders of each branch of the military, release detailed implementation plans.

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[1] <https://www.war.gov/News/Releases/Release/Article/4329487/secretary-of-war-announces-acquisition-reform/>.

[2] Arms Export Control Act (P.L. 90-629), as amended through P.L. 118-31 (Dec. 22 2023), U.S. Government Publishing Office, Compiled Statutes (COMPS) No. 1061, PDF available at <https://www.govinfo.gov/content/pkg/COMPS-1061/pdf/COMPS-1061.pdf>.

[3] U.S. Department of State, Fiscal Year 2024 U.S. Arms Transfers and Defense Trade (Jan. 24 2025), <https://www.state.gov/fiscal-year-2024-u-s-arms-transfers-and-defense-trade>.

[4] Modernizing Defense Acquisitions and Spurring Innovation in the Defense Industrial Base, Presidential Action (White House, Apr. 9 2025), <https://www.whitehouse.gov/presidential-actions/2025/04/modernizing-defense-acquisitions-and-spurring-innovation-in-the-defense-industrial-base/> and Reforming Foreign Defense Sales to Improve Speed and Accountability, Presidential Action, The White House (Apr. 9 2025), <https://www.whitehouse.gov/presidential-actions/2025/04/reforming-foreign-defense-sales-to-improve-speed-and-accountability/>.

[5] Memorandum from Pete Hegseth, Secretary of the U.S. Department of Defense, Unifying the Department's Arms Transfer and Security Cooperation Enterprise to Improve Efficiency and Enable Burden-Sharing (Nov. 7 2025), <https://media.defense.gov/2025/Nov/10/2003819440/-1/-1/1/UNIFYING-THE-DEPARTMENTS-ARMS-TRANSFER-AND-SECURITY-COOPERATION-ENTERPRISE-TO-IMPROVE-EFFICIENCY-AND-ENABLE-BURDEN-SHARING.PDF>.

[6] Memorandum from Pete Hegseth, Secretary of the U.S. Department of War, Transforming the Defense Acquisition System into the Warfighting Acquisition System to Accelerate Fielding of Urgently Needed Capabilities to Our Warriors (Nov. 7, 2025), <https://media.defense.gov/2025/Nov/10/2003819439/-1/-1/1/TRANSFORMING-THE-DEFENSE-ACQUISITION-SYSTEM-INTO-THE-WARFIGHTING-ACQUISITION-SYSTEM-TO-ACCELERATE-FIELDING-OF-URGENTLY-NEEDED-CAPABILITIES-TO-OUR-WARRIORS.PDF>.

[7] Memorandum, Pete Hegseth, Secretary of the U.S. Department of Defense, Acquisition Transformation Strategy (Nov. 7, 2025), <https://media.defense.gov/2025/Nov/10/2003819441/-1/-1/1/ACQUISITION-TRANSFORMATION-STRATEGY.PDF>.