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June 2019

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IDA Paper NS P-10728

Log: H 2019-000322



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About This Publication

The work was conducted by the Institute for Defense Analyses (IDA) under CRP C6488.

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Ten Rules for Successful Defense Management Reform

For the last 30 years, every Secretary of Defense has sought to streamline and improve Department of Defense management. Secretary Mattis made [business reform](#) one of his three major lines of effort, and Secretary Carter made it one of the [three pillars](#) of his force of the future initiative. Before that, the Department had Secretary Hagel's [Strategic Choices and Management Review](#), Secretary Gates' [efficiencies initiatives](#), Secretary Rumsfeld's [business transformation initiative](#), Secretary Cohen's [Defense Reform Initiative](#), and Secretary Cheney's [Defense Management Review](#). At the same time, dozens of independent commissions and panels recommended management improvements, and Congress enacted hundreds of reform provisions.

And yet, the consensus is that the Pentagon remains trapped by outdated systems and a culture that make it almost impervious to streamlining and innovation. While some of the reform efforts have been more successful than others, many have failed because they overlooked simple and obvious rules about why and how management reform works (or doesn't work) in Washington. It would be too much to expect any Administration to reverse the Pentagon's reputation for bureaucracy and inefficiency, but future reform leaders will make measurable progress if they follow ten basic rules for successful management reform.

Rule 1: Nobody gets to start with a clean sheet of paper. Imagining an ideal system in the abstract may be a useful thought exercise, but it is unlikely to lead to real-world reform. The Department of Defense actually exists. It has policies and procedures and systems and organizations, and it employs millions of people who carry out national security missions every day.

In the late 1980s, the General Accounting Office suggested that the Department of Defense could solve its financial management problems and ensure the responsible management of federal funds by adopting [an accrual-based accounting system](#). Congress launched headlong [down that course](#), without considering the fact that the budget and appropriations systems were locked into [a very different accounting approach](#). The result has been the expenditure of billions of dollars in a fruitless thirty year effort to superimpose accrual-based accounting onto incompatible business systems and processes.

More recently, some members of Congress have proposed substituting a [“single-salary pay system”](#) for the complex array of compensation and benefits currently provided to members of the military. [Others have suggested](#) eliminating the Department's schools

and commissaries. If a military were being built from scratch, these might be good ideas, but hundreds of thousands of Service members would suffer real-world pain if these benefits were taken away. Any management reform effort that fails to start with an understanding of what the existing system is, why it exists, what functions it performs, and who it benefits is doomed to failure.

Rule 2: If it sounds easy, it has already been tried. The Department not only exists, it has a history. Management problems also have a history. Previous Administrations have faced these problems over a period of decades and have already tried most of the obvious solutions.

In 2015, the [Defense Business Board](#) asserted that the Department of Defense could save \$125 billion over five years by becoming more efficient in its six core business practices. The Board recommended a handful of approaches, including the more efficient use of service contracts, streamlining of organizational structures, and the rationalization of the Department's business systems. All these approaches had been tried before. With regard to service contracting, for example, Congress has been directing, and the Pentagon has been conducting, efficiency and streamlining reviews for at least [the past twenty years](#).

Also in 2015, the Senate Armed Services Committee [proposed a thirty percent cut](#) to the Pentagon's management headquarters. When the Department pointed out that former Secretary of Defense Hagel had [already required a twenty percent cut](#), which was still being implemented, Congress agreed to [count previous savings](#) toward the new goal. However, even these measures were only the latest in a long series of cuts to management headquarters that go back [at least thirty years](#). It may be possible to wring further savings out of these areas, but any sensible effort at management reform should at least take into account what has been tried before.

Rule 3: Never overlook what is working. Reformers have a tendency to list the problems with the existing system, conclude that the system isn't working, and propose to throw it out and start over. However, that is rarely the right answer. The existing system may also have positive aspects, and those who fail to understand what is working may unwittingly make management problems worse.

In recent years, the [Defense Officer Personnel Management Act](#) has been criticized for taking a cookie-cutter approach to military careers—an approach that rewards risk avoidance, churns out officers who look like their peers rather than those with innovative talents, and pushes highly trained officers with critical skills into premature retirement. On this basis, the [critics conclude](#) that the existing system is broken and propose to eliminate the “up-or-out” policy, scrap mandatory promotion timelines, and apply market-based solutions to officer compensation and assignments.

While the criticism has some validity, the up-or-out system plays a vital role in providing the stability and predictability that young officers need to plan careers and that

personnel chiefs need to plan the future force. It contributes to the development of our young officers by ensuring that the officer corps is continually refreshed and by providing a highly competitive environment in which it is possible to provide responsibility to developing leaders at an early stage in their careers. The point isn't that the reformers shouldn't try to improve the system but that they need to be sensitive to what they risk breaking and to what they may be able to fix.

Rule 4: There are no “perfect solutions,” only competing priorities. The Department's complex business systems and processes serve multiple users and multiple objectives. As a result, efforts to optimize Pentagon management for one purpose often undermine other goals, leading to a reform pendulum that swings from one extreme to the other.

Congress and the Department have recently emphasized the need for an agile, innovative defense acquisition system that presses the technology envelope and operates “[at the speed of relevance](#).” The Department took a similar approach during the acquisition reform era of the 1990s, when it tried using commercial-like processes—including [price-based acquisition](#), [total system performance responsibility](#), and [other transaction authority](#)—to simplify and expedite the acquisition of major weapon systems.

Speed and agility are important priorities, but they are not the only objectives of the acquisition system, which must also reach decisions that are transparent, consistent, and defensible, ensure public confidence by avoiding fraud and misconduct, and control costs and risks to ensure the affordable delivery of quality products. The 1990s experiment was viewed as a success until acquisition programs [began to fail](#) and cost overruns ran into the [hundreds of billions of dollars](#). There is nothing wrong with emphasizing a particular objective, but smart reformers recognize the risks that they take by deemphasizing other objectives and take at least some action to hedge those risks.

Rule 5: One-size-fits-all approaches rarely work. An approach that works for a private sector company may not work for the Department of Defense, and a solution that works for one part of the Department may be completely inappropriate for another.

In the 1990s, the Department saved large sums of money by applying [commercial practices](#) such as prime vendor contracts and just-in-time delivery to reduce the cost of its food, clothing, hardware, and medical supplies. These techniques were less successful, however, when applied to one-of-a-kind military items such as aircraft parts, many of which require production lead times of months or even years. A decade later, the Department ran into similar problems when it decided that [paybanding](#) experiments for civilian employees, which had worked well in the relatively small homogeneous workforces of the Defense laboratories, should be applied to the entire civilian workforce.

Today, some in Congress and the Pentagon have decided that the rapid fielding of [Mine Resistant Ambush Protected](#) vehicles is the ideal model for the acquisition of future

capabilities. However, they are likely to find that techniques appropriate for the purchase of a low-tech system that requires little development are not easily applied to the acquisition of cutting-edge new technologies needed to take on near-peer competitors such as China and Russia. It is perfectly reasonable for the Pentagon to consider commercial solutions and other tried-and-true approaches, but the Department of Defense is an incredibly large and diverse place, and reforms that fail to account for the unique aspects of its operations and requirements are unlikely to succeed.

Rule 6: The best-designed reforms take a well-defined subset of problems, identify root causes, and develop focused solutions. The Goldwater-Nichols [Department of Defense Reorganization Act of 1986](#), which significantly enhanced the effectiveness of the U.S. armed forces and made “jointness” an accepted fact of military life, remains the gold standard for change in the Pentagon.

Goldwater-Nichols succeeded, in large part, because Congress identified a specific, well-defined problem—a series of operational failures caused by the inability of the military Services to function as a unified force—and directly attacked that problem by requiring that all forces in an operational area be under the control of a single commander and that all senior officers develop the joint experience needed to support the new chain of command. Similarly, the Levin-McCain [Weapon Systems Acquisition Reform Act of 2009](#) identified a specific, well-defined problem—huge cost overruns on major weapon systems due to poor decisions at the front end of acquisition programs—and focused on improving discipline in early program decision making.

As noted previously, there are no “perfect solutions.” Goldwater-Nichols has been criticized for overburdening military careers with cookie-cutter assignments, while the Levin-McCain reforms have been criticized for emphasizing cost control at the expense of innovation. Policy makers cannot avoid establishing priorities, but they can maximize their chances of success with focused solutions that take into account the realities of the Pentagon, even as they try to change them.

Rule 7: Legislation alone doesn’t solve anything. If legislation alone could solve problems, we would have no more sexual assault in the military and no more drugs crossing the southern border. The Department of Defense would have had an auditable financial statement thirty years ago, and legislated price caps on aircraft carriers and other major weapon systems would have made cost overruns a distant memory.

In 1986, Congress codified a preference for commercial items over “products developed uniquely for military use,” as recommended by the [Packard Commission](#). For almost a decade, [nothing changed](#) (see Bingaman, 152–155). It was only in 1994, when Secretary of Defense William Perry issued a [memorandum](#) prohibiting the use of military specifications and standards only “as a last resort, with an appropriate waiver,” that the Pentagon began to reverse course and actively seek commercial solutions to military needs.

A decade later, Congress sought to curtail the Pentagon's rush to failure on major acquisition programs by requiring a [technological readiness determination](#) before a weapon system could proceed to full-scale development. Not long after the statute was enacted, the Army proceeded to full-scale development on the Future Combat Systems Program despite the fact that the system barely even existed on paper. Two years later, the [Government Accountability Office](#) reported that forty-nine of the fifty proposed technologies on the program had *still* not achieved minimal readiness levels. Despite further legislation, the Department did not change course until the arrival of [a new Under Secretary for Acquisition](#) who endorsed the requirement. Implementation is the hardest part of defense reform, and it doesn't take place in the legislative branch.

Rule 8: Don't try to take on too much. Senior leaders in the Pentagon have broad responsibilities and limited time, so when they try to attack everything at once they often end up accomplishing nothing at all.

In recent years, Congress has required the Pentagon to undertake major reform requirements by the armload: a complete overhaul the [military health care](#) system, a major [reorganization of the defense acquisition](#), a comprehensive streamlining of the [defense agencies](#), an overhaul of the [officer personnel management](#) system, a reorientation of the [military retirement](#) system, and a rewrite of the [military justice](#) system, to name just a few. While each of these reforms might be worthwhile, together they have overwhelmed the Department's capacity to change. In the area of acquisition reform, for example, most of the [250 legislative provisions](#) legislated in the last two Congresses went unimplemented while the Department's attention was absorbed by the need to stand up the new, congressionally mandated acquisition organization.

In fairness, even many in the Pentagon do not seem to understand the Department's limited capacity for reform. In the 1990s, the Clinton Administration issued acquisition reform initiatives faster than it could implement them, leading one senior official to tell a [RAND review](#) that the effort "has been good at cranking out policies, but hasn't made anything faster, better, or cheaper." Other overambitious reform efforts have suffered a similar fate, from the hundreds of [Defense Management Review Decisions](#) issued by Deputy Secretary Donald Atwood in the late 1980s, to the plethora of business reform objectives included in the Trump Administration's [2018 National Defense Business Operations Plan](#). Reform efforts would be more effective if Congress and the Department of Defense would curb their appetites and select fewer targets.

Rule 9: Nobody in the Pentagon follows orders. People who do not have any experience with the Department frequently assume that everybody in a military organization must follow orders. In fact, no clear chain of command is in place in for management matters in the Pentagon. Under Secretaries of Defense, Service Secretaries, Chiefs of Staff, combatant commanders, and other senior Pentagon officials do not answer to any common official below the level of the Secretary of Defense.

In 1986, when Richard Godwin was named the Pentagon's first "acquisition czar" and the third highest ranking official in the Department, he attempted to assert his authority over all aspects of the acquisition system. Godwin soon learned that any senior official who disagreed with one of his directives would appeal directly to the Secretary or Deputy Secretary. After a year of being undercut on issue after issue, [Godwin left office, telling Congress](#) that "I had the authority to direct—or I guess a better way to put it is, I had the authority to write a letter." Thirty years later, [John Gibson](#) was named the Department's first Chief Management Officer—again, the third-highest position in the Pentagon—and claimed authority to promulgate reforms throughout the Department. He, too, was [gone within a year](#).

While the military has a clear operational chain of command, administrative authority is diffused in so many different directions that most policy decisions must be made on the basis of consultation and consensus, rather than direction. For this reason, reform efforts rarely succeed in the absence of engaged leadership and constant awareness of the institutional interests and internal imperatives of affected organizations and individuals.

Rule 10: The most effective reform initiatives build broad support, address organizational alignment and individual incentives, and are driven by continuous engagement of senior officials. In 2003, the Department made unprecedented effort to implement a flexible new [National Security Personnel System](#) in place of the traditional civil service system. The new program office, which reported directly to the Deputy Secretary of Defense, engaged continually with employees through focus groups, town hall meetings, leadership conferences, and training events. Nonetheless, the effort failed and the [experiment was dismantled](#) because the Administration spurned opportunities to build bipartisan support, insisting instead on comprehensive changes to collective bargaining systems that ensured all-out opposition from federal employee unions and their allies in Congress.

By contrast, the authors of the Goldwater-Nichols reforms built a bipartisan coalition that stood the test of time and provided [relentless follow-up](#). Thirty years after the enactment of the legislation, the first question asked of every senior nominee coming before the Senate Armed Services Committee was still, "Do you support the Goldwater-Nichols organizational reforms?" Although the reforms were initially opposed by the senior leadership of the Department, this position was reversed by a new President and a new Secretary of Defense, who ensured that the reforms were driven into the system.

Defense management reform is a marathon, not a sprint. Enduring change requires coalition building, organizational alignment, and, above all, continuous engagement by senior leaders. Innovative ideas are a starting point, but success is all about implementation.