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SUBJECT: The DoD Challenge

What is the biggest change in the Pentagon over the past 25 years? Almost without notice, the reservoir of trust—the glue that makes relationships work—has been drained. The answer is that there has been an erosion of confidence between:

- The senior military leadership and their subordinates, as seen in the increase in resignations of junior officers, those who could be the military leaders of the future.
- Political leadership and the Armed Forces due to under funding that has left the impression that our government undervalues military service.
- The Department of Defense and Congress, leading to a layering of restrictions and requirements that have reduced the DoD's ability to manage the Department.

The Defense establishment is tangled in its anchor chain. To manage DoD efficiently and to transform the Armed Forces for the 21st century we need to first transform the Department—how it operates internally, how it deals with its industrial suppliers, and how it interacts with the Congress.

The Armed Forces have been fortunate in attracting and retaining truly outstanding men and women, who voluntarily put their lives at risk to perform the noble work of defending our country. But government too often provides training and equipment that are more appropriate for the Cold War than for the coming decades.

DoD is one of the largest enterprises on earth, but its leadership has little control over the resources, personnel, and operations of the Department. DoD:

- Is unable to reallocate savings to more effective ends, so managers at all levels have no incentive to save dollars.
- Can't account for millions of transactions valued at more than \$2.6 trillion.
- Is required by law to submit 905 reports to Congress per year, many of which are of marginal value and probably little read, despite the hundreds of trees sacrificed.

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- Has to respond to some 2,500 to 3,000 inquiries of concern or complaint from Members of Congress each week.
- Has a backlog of some 150,000 security clearances.
- With a \$300 billion budget, needs Congressional approval to build a \$500,000 building and is required to maintain some 20-25%+ more facilities than are needed.
- Is monitored closely by the General Accounting Office, more than eight Inspectors General and a testing organization that report to Congress, with the result that the Department has so many auditors and inspectors—some 24,000—that they approximate the number of U.S. Army “trigger pullers” that can be deployed at any one time.
- Has overhead that has grown to the point where it is estimated that only 14% of the DoD manpower is directly related to combat operations.
- Has antiquated personnel policies, many of which were designed to manage a conscript force of single men, but now manage a volunteer force with families.
- Has several different personnel systems that enlist their workforces for four-year tours, as opposed to bringing them onboard for a career.
- Has policies that uproot personnel and families every few years to move them to new assignments, and then, after training them and benefiting from their fine services, shove many out while still in their 40’s.
- Has policies that commission officers, train them, and then bounce them and their families from assignment to assignment every two to three years, to the point that the most successful officers skip across the tops of the waves so fast that they can’t learn from their own mistakes because they are seldom in an assignment long enough to see what they were; and then we ease them out to retirement between the ages of 45 and 55, while still in their prime.
- Has benefit and assistance programs for military personnel that some critics say emulate the failed Soviet model of centralized systems for housing, commissaries, and healthcare, rather than using private sector competitive models that are the envy of the world.
- Has three separate Post Exchange systems, and a law prohibiting DoD from consolidating them without the approval of Congress.

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- Is faced with a process where in the year 2000 54% of the President's DoD R&D programs were changed by Congress and 32% of its procurement programs.
- Has three or four different health systems and three or four surgeons general, rather than a single service that an efficient, large-scale enterprise would fashion.
- Grade and rank systems more than 100 years old and which were rejected years ago by the for-profit sector in favor of flatter, more nuanced organizations and compensation arrangements.
- Financial management and information systems designed to report to Congress and comply with the maze of laws, amendments and requirements that have grown geometrically and accumulated over decades, rather than systems designed to provide the financial information managers need to manage.
- Rules, regulations and approval requirements that guarantee the Defense establishment infrastructure remains decades behind in recapitalization, rather than the more efficient models most companies use, including outsourcing, sale/lease back arrangements, and privatizing.
- Organizations and practices that perpetuate separateness, as we talk of "jointness," causing many dedicated, well-organized, able people to work hard doing things that need not and/or should not be done.
- Despite some 128 DoD acquisition reform studies, an acquisition system that since 1975 has doubled the time it takes to produce a weapon system, while the pace for new generations of technology has shortened from years to 18 months, guaranteeing that DoD's newest weapons will be one or more technology generations old the day they are fielded.
- Processes and regulations so onerous that many commercial businesses, developing needed military technologies, refuse to do business with DoD.
- A U.S. defense industrial base that has declined from 20+ companies in 1976 to 5 major firms today, with the 6th a foreign firm.
- Seeks a warrior culture, but slides from what some estimate to be in the neighborhood of a 55/45 teeth-to-tail ratio to a 45/55 ratio (percentages depend on classification categories).

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- Statutory requirements that include some \$7 billion of non-traditional defense programs that run the gamut of non-defense interests from education, drugs and the environment to snakes, fossils and cancer research.
- Metrics more focused on inputs, efforts and intentions than on outputs and results.
- A pattern of legal and/or Congressional challenges to most major program decisions.
- A Defense Authorization Bill that in 1962 was one page; in 1975 totaled 75 pages; today, packed with requirements, prohibitions, stipulations, entitlements and mandated organizational structures, it has ballooned to 988 pages, during a time when the number of men and women in the armed forces has dropped from 2.1 million to 1.4 million.

This situation has undoubtedly evolved over the past decades as a result of a series of instances that caused distrust between the Congress and the Department. Unfortunately, the result has not been improved oversight. Quite the contrary, each new layer of control and micromanagement has compounded the problem of accountability. From a practical standpoint, DoD no longer has the authority to conduct the business of the Department, and, as a result, its performance is deteriorating.

The maze of constraints on the Department forces it to operate in a manner that is so slow, so ponderous and so inefficient that whatever it ultimately does produce is late, wasteful of taxpayer dollars, and has the unintended result of leading to still more letters of complaint and calls of criticism from Congress, more critical hearings and more condemnation in GAO reports, to be followed by a still greater number of amendments, restrictions and requirements to try to correct the seeming mismanagement.

Transforming the U.S. Armed Forces for the tasks ahead is important. However, transforming how DoD functions and its relationship with Congress may be even more important. Without transforming the Department, the transformation of the armed forces may not be possible. What may be needed is an "omnibus process" to overhaul this relationship and a "compact" so controls, requirements, reports and regulations in future years will have a sunset provision and do not again compound over time.

Notwithstanding the fact that there are outstanding people who care about our country both in Congress and working throughout the Defense Department,

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none of whom would knowingly damage national interest, that is our circumstance.

Our country functions smoothly today because of the rule of law. If all contracts in our society had to be adjudicated or were subject to constant oversight, the system would break down completely. Fortunately, that is not the case. Almost all of our business and personal relationships are based not on oversight, inspections, audits, adjudication or micromanagement. Rather, they are based on trust.

Today that is not true. Over time, the regulations and requirements that have been laid on are so onerous that, over time, they are smothering incentive, innovation and risk taking.

The late Senator Everett Dirksen used to tell the story about how to cook a frog. He said if you put a frog into a pot of boiling water, it will jump out. But, if you put a frog in cool water, it will be comfortable in its new surroundings. Then, if you slowly turn up the heat, the frog will not notice. Eventually the water will boil, and you will have a cooked frog.

That is what has happened. It has taken decades of small, logical, or at least understandable, individual acts to create a situation where in the aggregate they prevent the Department from serving the national interest.

No large institution willingly reforms itself. Resistance to change is great. To accomplish the task will take the best efforts of the President, the civilian and military leadership in the Department, and, importantly, the leaders and Members of the House and Senate.

During his term each President has available only the Defense capabilities left by his predecessors. So, too, the decisions he makes and the capabilities invested in during his term will be available not to him, but to his successors.

So it is our responsibility to get about the task of transforming this great national asset, the Department of Defense, that is so needed to preserve peace and stability in our still dangerous, untidy and dynamic world.

The country and the men and the women of the Armed Forces who put their lives at risk deserve no less.

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