Strengthening Defense Management: History and Lessons from the Department of Defense Deputy/Chief Management Officer

Jason A. Dechant, Project Lead
Daniel L. Cuda
Michael F. Fitzsimmons

DMi Defense Management Institute

Managed by the Institute for Defense Analyses
730 East Glebe Road, Alexandria, Virginia 22305

The Defense Management Institute is an independent research organization dedicated to assisting the Department of Defense (DOD) find solutions to the immense management challenges it faces. DMI was established by the DOD's Director of Administration and Management/Performance Improvement Officer and is operated by the Institute for Defense Analyses.

For More Information:
Dr. Jason A. Dechant, Project Leader
jdechant@ida.org, 703-845-2495
Ms. Jessica L. Stewart, Director, SFRD
jstewart@ida.org, 703-575-4530

DEFENSE MANAGEMENT INSTITUTE

IDA Paper P-33453

Strengthening Defense Management: History and Lessons from the Department of Defense Deputy/Chief Management Officer

Jason A. Dechant, Study Lead
Daniel L. Cuda
Michael F. Fitzsimmons

This page is intentionally blank.

Executive Summary

From 2008-2021, the Department of Defense (DOD) had a senior official dedicated to management, reform, and oversight of the Department's enterprise business operations: a Deputy Chief Management Officer, which was replaced in 2018 with a Chief Management Officer, which was then disestablished by Congress in 2021. The DOD may learn lessons from this experience that strengthen defense management. That is why the DOD Performance Improvement Officer/Director, Administration and Management asked the Institute for Defense Analyses (IDA) Defense Management Institute to develop a history of the Department's experience with the Deputy and Chief Management Officer (D/CMO)[1] that would identify management lessons.

Objectives and Approach

The objectives of this research were threefold. First, IDA researchers sought to provide a history of the Department's experiment with the D/CMO positions. Then, from that history, the Department may learn lessons from the experience, knowing that there may be future attempts by the Department or Congress to strengthen central management functions. Lastly, the research is intended to provide insights into broader defense management challenges that may go beyond the Office of the Secretary of Defense (OSD) and affect the larger defense enterprise.

In developing a history of the DOD D/CMO and identifying lessons from the experience, IDA sought to answer three key questions: 1) what defense management problems led to the establishment of the D/CMO position, 2) how were the problems addressed, and 3) what challenges arose in the way they were addressed?

Answering these questions required a multi-step approach that drew upon various data. First, a library of primary and secondary sources including statutes, regulations, congressional testimony, government reports, news reporting, and assessments was compiled and reviewed. In addition, a primary source of data was a set of 40 interviews with current and former senior officials with some experience with the D/CMO. Those interviewed included all former D/CMOs, their assistant D/CMOs, and three former Deputy Secretaries of Defense.

A final major data source was OSD historical records from the Office of the D/CMO from February 2009-May 2019. Amounting to over 21,000 pages of documents, they included

---

[1]   This paper uses the abbreviation "D/CMO" throughout to refer to the combined experiences, organizations, leaders, and staffs associated with either the DCMO from 2008-2018 or the CMO from 2018-2021.

meeting minutes, major proposals, decisions, and descriptions of reform initiatives, among other items.

Background

The Fiscal Year (FY) 2008 National Defense Authorization Act (NDAA) established DOD's first Deputy Chief Management Officer (DCMO) to assist Deputy Secretaries in performing their existing duties as the Department's Chief Management Officer (CMO). Nearly 10 years later, the FY 2017 NDAA replaced the DCMO with the Department's first CMO, distinct from the Deputy Secretary of Defense, who had previously held the title. However, this position was short-lived, as the CMO was repealed in the FY 2021 NDAA and the responsibilities transitioned to others in OSD.

This 13-year experience with dedicated senior management officials in the Department is the latest in a long history of DOD management reforms—some driven by the Department, and others, such as this, introduced by Congress and the White House. Selected examples of leading management reforms (both internally and externally motivated) include: creation and evolution of defense agencies, Second Deputy Secretary of Defense (1975-1977), the President's Blue Ribbon Commission on Defense Management, aka "Packard Commission" (1986), the President's Council on Integrity and Efficiency (1988-present), National Performance Review (1993), and Government Performance and Results/Modernization Acts (1993 and 2010). Many of these reforms informed and influenced the types of responsibilities the D/CMO had and how it accomplished the work.

The D/CMO existed during a time of considerable turnover in leadership both inside and outside of the Department. Over its 13 years, the D/CMO had six different office holders who served nearly half this time only in "acting" or "performing the duties of" capacities. Over the same period, the DOD had nine different Secretaries of Defense and eight different Deputy Secretaries of Defense. There was similarly high turnover among key OSD stakeholders that D/CMO worked closely with: Under Secretary of Defense (Comptroller); Director, Cost Assessment and Program Evaluation; and the Chief Information Officer. Both the House and Senate Armed Services Committees leadership turned over multiple times as well. This frequent turnover contributed to changing dynamics between the D/CMO and key stakeholders as well as changing expectations of the Office of the D/CMO, both inside and outside the Department.

These changes in personnel were accompanied by an evolving statutory landscape that continued to expand (and sometimes contract) the responsibilities of the office over time. When the office's responsibilities were not being modified, there were often other organizational changes introduced (by both DOD and the Congress) that altered the D/CMO's bureaucratic environment. Examples include elimination of the Business Transformation Agency, reorganization of the OSD, and bifurcation of the Under Secretary of Defense for Acquisition, Technology, and Logistics, to name a few.

The combination of changes in leadership and structure, along with other factors (such as staff, authorities, and influence), had significant impacts on the evolving role of the D/CMO. The history conveyed throughout this paper examines these various factors and draws from them to offer both findings and management lessons from which the Department may learn.

Selected Major Findings

Although IDA's findings are too numerous to list in this summary, major findings drawn from the history of the D/CMO include:

1. The DCMO was imposed by Congress on an unconvinced DOD leadership community. The introduction of the CMO experienced a similar reception. The concept of a management official (other than the Deputy) originated outside of the DOD and there is no evidence to suggest that the Department would have adopted a similar approach had Congress not legislated the DCMO. The Department's leadership appeared unconvinced that it needed a senior management official dedicated to defense reform and business operations.

2. Both Congress and different Secretary of Defense (SD)/Deputy Secretary of Defense (DSD) teams frequently changed (and expanded) D/CMO's mission, taskings, priorities, and resources. This lack of continuity became a major challenge. The D/CMO had to contend with changes in Congress and Department senior leadership. With these changes in stakeholders and leaders came new expectations of the D/CMO and sometimes new authorities or organizational changes that altered the responsibility and scope of the office, raising uncertainty across DOD regarding the office's mission.

3. Many of the D/CMO challenges exacerbated uncertainties about the boundaries of mission and authority between D/CMO and other OSD Principal Staff Assistants. An official charter to reform the DOD has, by definition, relatively broad license to engage in a range of functions. This created uncertainty throughout the Department about boundaries and further complicated the relationship with the rest of OSD, as several officials were cautious of D/CMO overreach into their areas of responsibility.

4. More generally, enterprise-wide management, business reform, and efficiency have no natural constituencies or advocates in the Department outside of senior leadership. Advocating for efficiency across the DOD is primarily the domain of senior leadership, which is responsible for managing the enterprise and contending with (external) pressure on the topline. By contrast, reform that cuts across many or all DOD entities inevitably creates "winners" and "losers" in the domain of the reform, and only the SD and DSD are in a position to adjudicate competing claims about those trade-offs.

5. Effectiveness in DOD relies on formal authorities as well as "informal" authority, which D/CMO never accumulated due to the factors previously described. For the DCMO, these authorities were all granted to the DSD and exercised, as directed, by the DCMO. The CMO had a longer list of authorities (that did not rely on the DSD), which accumulated over

the few years the office existed. However, regardless of the statutory authorities granted to the D/CMO, its effectiveness relied upon "informal" authority and influence it could exercise through its relationships.

6. The capabilities provided to the DCMO and even subsequently to the CMO were still not sufficient to drive change in the Services or the Fourth Estate, without significant involvement and support from the DSD. The OD/CMO was composed of staff from pre-existing organizations that the office inherited; it was "meshed together….and not designed to meet its statutory requirements," as one former DCMO described. A former senior OSD official noted that priorities assigned to the D/CMO "had to be driven by SD or DSD to carry it out."

7. Business process reform and cost-cutting are related, but distinct goals, and D/CMO was frequently tasked with focus on the latter more than the former. Congress established the DCMO (and later the CMO) to serve as a senior official dedicated to leading business process reform in the Pentagon. However, after the Budget Control Act of 2011 imposed tight funding ceilings, DOD leadership began to insist that the D/CMO focus on cost-cutting initiatives. While the two—reform and cost-cutting—are related, they are distinct goals and also lead to different perceptions about motivations.

Selected Management Lessons

This review of the history surrounding the Department's experience with the D/CMO offers several management lessons, including the following:

1. Any organizational solution to improve enterprise-wide management and business reform in DOD confronts inherent structural obstacles. These obstacles include a core management dilemma: DOD's decentralized governance model, between SD and the Military Departments (MILDEPS) and Services, requires senior leaders (SD and DSD) to invest substantial time and political capital to drive enterprise-wide change. However, DOD's huge size, complexity, and strategic importance ensures that SD and DSD will always have limited time and capital to dedicate to management and business process and reform issues.

2. For Congressional specification of organizational change details, less may be more. The continuing congressionally imposed changes to the D/CMO increased resistance to the new organization, making a difficult job even more so. This observation was shared not only by DOD insiders, but also by then-Congressman Mac Thornberry (R-TX), Chairman of the House Armed Services Committee, who announced in 2020, "I have come to the conclusion that Congress is largely responsible for making this an impossible job, and we need to figure out something different."

3. Success in defense management reform is sensitive to the personalities, experience, and skills of individual leaders and the quality of their relationships with the SD and DSD. The personalities, experience, and skills of individual leaders and the dynamics with top management is essential to the success of defense management reform. It is particularly

significant in the D/CMO portfolio because: 1) the issues are inherently complex, both technically and bureaucratically, 2) advocating for efficiency and reform is inherently in tension with other stakeholders and key mission objectives, 3) institutional mechanisms and culture around management and business reform are fraught with a history of failure, and 4) accomplishing cross-enterprise reform is difficult.

4. Effective change management requires ownership or sufficient influence (through relationships) over any of the businesses, processes, and systems to be reformed. Accomplishing the job of the D/CMO most effectively requires ownership of the major processes—especially the resourcing process—to ensure compliance. Failure to incorporate the D/CMO into formal processes to exercise the influence it needed was its primary downfall, according to some. One senior official judged, "We never rationalized the CMO in institutional policies and processes, and if you are outside of institutional processes, you are dead." There are ways of exercising influence when a principal lacks direct involvement or control, but that is highly personality-dependent and can change over time.

5. Accountability for success must be paired with a commitment to continuity in organization and resources over reasonable time periods. Meaningful enterprise-wide management change and reform can generally only be achieved over timeframes longer than a single administration. Frequent disruptions in priorities, resources, and leadership will undermine reform no matter the quality of the effort's initial organization, design, and leaders. "[The CMO] needs to be resourced in terms of people, but also needs time to have an effect. It needs leadership stability, buy-in and emphasis; the CMO office didn't have enough of this," according to a former official.

6. Defense management and business transformation requires sufficient staff with appropriate expertise to perform its mission. The original DCMO was not well equipped in either size or skill to perform its responsibilities. The Office of the Chief Management Officer (OCMO), in particular, was limited to no growth in its transition from DCMO to CMO in February 2018, despite taking on new responsibilities. Making matters worse, when there were mergers with other organizations, the OD/CMO frequently saw an exodus of talent. The D/CMO required a staff of sufficient size and skill to accomplish its mission, thus it was hampered by the lack thereof.

This page is intentionally blank.

Contents

.

1.   Introduction

The Fiscal Year (FY) 2008 National Defense Authorization Act (NDAA) established the Department of Defense's (D0D) first Deputy Chief Management Officer (DCMO) to assist Deputy Secretaries in performing their existing duties as the Department's Chief Management Officer (CMO). Nearly 10 years later, the FY 2017 (and 2018) NDAA replaced the DCMO with the Department's first CMO, distinct from the Deputy Secretary. However, this position was short-lived, as the CMO was repealed in the FY 2021 NDAA and the responsibilities transitioned to others in the Office of the Secretary of Defense (OSD). This 13-year experience with dedicated senior management officials in the Department is the latest in a long history of DOD management reforms—some driven by the Department, and others, such as this, introduced by Congress.

Even prior to the establishment of the DCMO, the subject received attention from government and non-government organizations alike, investigating potential organizational remedies to some of the Department's enduring management challenges. Once established, the DCMO (and later CMO) continued to be the subject of investigation by the U.S. Government Accountability Office (GAO), as it assessed the office's progress in mitigating selected GAO "high-risk areas" that it was chartered, in part, to address. A final Defense Business Board (DBB) assessment in 2020 evaluated the effectiveness of the CMO and informed Congress's eventual decision to disestablish the position. Collectively, these assessments provide a body of valuable critical review of the office.

These prior assessments offer aspects of history of the office, but not a full accounting from beginning to end (as it was beyond their scope or charter). That is why the DOD Director, Administration and Management/Performance Improvement Officer asked the Institute for Defense Analyses' (IDA) Defense Management Institute to develop a history of the Department's experience with the DCMO and CMO, and to draw from it management lessons the Department should learn.

This opening chapter provides an overview of the approach used to develop this history and associated lessons. The remainder of the paper seeks to address the central question: what management lessons can the Department learn from its experience with the Deputy and Chief Management Officers?

A. Research Objective

The objectives of this research are threefold. First, to provide a history of the Department's experiment with the Deputy Chief Management Officer and Chief Management Officer

(D/CMO) positions.[2] Then, from that history, to draw lessons that the Department may learn from the experience, knowing that there may be future attempts by the Department or Congress to strengthen central management functions. Lastly, the research intends to provide insights into broader defense management challenges that may go beyond the Office of the Secretary of Defense (OSD) and affect the larger defense enterprise.

This investigation explores the Office of the D/CMO as it evolved over time. It summarizes the legislative antecedents to the establishment of the office and samples of major developments in defense reform over the decades prior.

The focus of the study is on the timeline associated with the establishment and disestablishment of the D/CMO. It explores the OSD office and identifies the intersections with the Military Departments (MILDEP), but does not examine that dynamic or the CMO structure of the MILDEPS in any detail.[3] The study is a descriptive, not evaluative, history of the office and is not intended to provide a formal assessment of its performance with objective criteria.[4] Furthermore, this report seeks to highlight the major D/CMO initiatives over time but does not chronicle all of its activities.

B. Approach

In developing a history of the DOD D/CMO and identifying lessons from the experience, IDA sought to answer three key questions:

- What defense management problems led to the establishment of the D/CMO?

- How were the problems addressed?

- What challenges arose in the way they were addressed?

Answering these questions required a multi-step approach that drew upon various data (see Figure 1). The first step was to *describe the background and motivations for creation of the D/CMO*. This involved broadly surveying the Department's tradition in strengthening defense management. It included a review of prior studies that examined alternatives for centralizing the management function. In addition, the immediate legislative precursors were examined to characterize Congress's positions.

---

[2] This paper uses the abbreviation "D/CMO" throughout to refer to the combined experiences, organizations, leaders, and staffs associated with either the DCMO from 2008-2018 or the CMO from 2018-2021.

[3] Each of the Military Departments' Under Secretary served as Chief Management Officer and designated a senior official to serve as Deputy Chief Management Officer. Where that designee existed in the organization varied by MILDEP.

[4] The 2020 Defense Business Board assessment of the CMO is referenced throughout this report and is a good source for critical evaluation of the CMO and how it addressed congressional requirements. See Defense Business Board, *The Chief Management Officer at the Department of Defense: An Assessment*, DBB FY20-01, June 1, 2020, https://dbb.defense.gov/Portals/35/Documents/Reports/2020/DBB%20FY20-01%20-%20FY2020%20Section%20904%20CMO%20Assessment%20-%201%20June%202020%20signed.pdf.

The next step was to *document the legislative history and changes to the position over time*. This encompassed identification of the legislative proposals immediately preceding the creation of the DCMO, describing the enacted laws that followed, and depicting the organizational changes (to the office) over time.

The third step was to *outline the authorities of the D/CMO*. This includes authorities granted by law, responsibilities assigned through DOD issuances, and description of the office's leading functions.

A fourth and primary step involved *characterizing the evolution of the D/CMO over time*. A review of each of the D/CMOs was conducted to identify the major activities under each, the changes in the organization, major successes, and the challenges they encountered. In addition to chronicling the evolution of the office by D/CMO, several major themes that cut across all of the officials were identified and examined in greater detail.

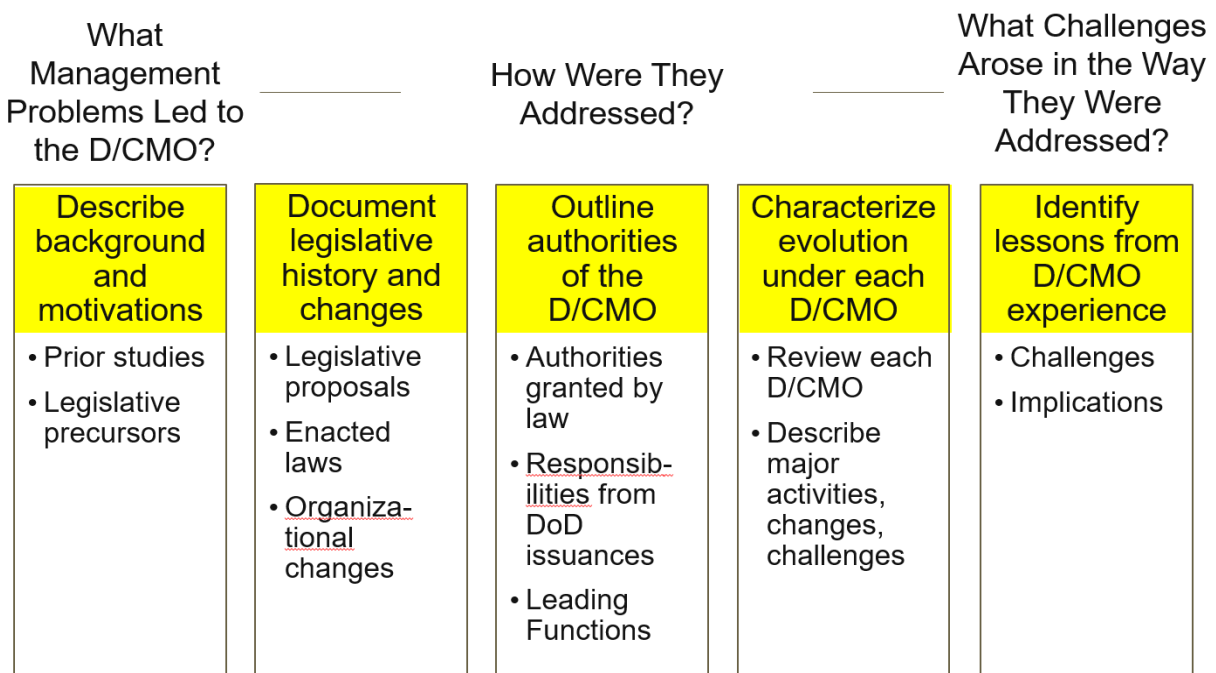| What Management Problems Led to the D/CMO?		How Were They Addressed?		What Challenges Arose in the Way They Were Addressed?
Describe background and motivations	**Document legislative history and changes**	**Outline authorities of the D/CMO**	**Characterize evolution under each D/CMO**	**Identify lessons from D/CMO experience**
• Prior studies • Legislative precursors	• Legislative proposals • Enacted laws • Organizational changes	• Authorities granted by law • Responsibilities from DoD issuances • Leading Functions	• Review each D/CMO • Describe major activities, changes, challenges	• Challenges • Implications

Figure 1. General Approach

C. Data Sources

To perform the analysis described above, several data sources were collected and reviewed. First, a library of primary and secondary sources consisting of over 150 elements was compiled. The sources included statutes, regulations, congressional testimony, government reports, news reporting, and assessments.

In addition to the library, a primary source of data was approximately 40 interviews with current and former senior officials with some experience with the D/CMO (Appendix A provides a list of the interviewees). The interviews were conducted between October 2022 and April 2023. Figure 2 illustrates the proportion of interviewees that came from different positions inside and outside of the Department. Those interviewed included all of the former D/CMOs, their assistant DCMOs, and three former Deputy Secretaries of Defense. These interviews provide an important basis for the history conveyed throughout this report, but claims were also verified when possible by other interviews or documentary sources. Claims from interviews not supported elsewhere in the body of research were not included or were caveated accordingly.
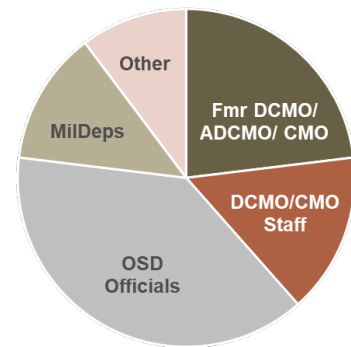
Figure 2. Proportion of Respondents

A final major data source was OSD historical records from the Office of the D/CMO from February 2009-May 2019. Amounting to over 21,000 pages of documents, they included meeting minutes, major proposals, decisions, and descriptions of reform initiatives, among other items. The volume of the material was such that it was not reviewed in great detail, but it was surveyed and drawn upon as part of the analysis.[5]

D. Organization of the Paper

Chapter Two describes the background and motivations for the creation of the D/CMO, and Chapter Three provides the establishment and authorities of the D/CMO. Chapter Four is a chronological history of the D/CMO by each official who held the position. Major issues that cut across all of the D/CMOs are presented in Chapter Five. Chapter Six summarizes the disestablishment of the office and varying interpretations of its causes. The final chapter concludes with major findings and lessons from the Department's experience with the D/CMO.

---

[5] Some of the OSD historical records cited here—for example, memoranda and reports from the Defense Business Board and CMO—are not available publicly and cannot be found online. These documents were provided to IDA's research team by the sponsor.

2. Motivations for the D/CMO

As the world's largest bureaucracy, the U.S. Department of Defense is a complex organization comprising a range of components and vast array of actors. It operates as part of the U.S. interagency and is shaped by direction from both the executive and legislative branches. The nature of the Department and the environment within which it operates gives rise to unique and substantial challenges that must be managed by its senior-most leadership. DOD's ability to manage these challenges has been the subject of inquiry since its establishment and is complicated by the inherently decentralized, federated nature of the Department. This has resulted in periodic calls by Congress (and commissions it creates) for strengthening the Department's management mechanisms.

The history of the DOD Deputy Chief Management Officer and the Chief Management Officer (D/CMO) is the most recent major attempt by Congress to legislate improved management. It is the latest in a long tradition of attempts to strengthen defense management by both DOD-specific and federal government-wide measures. This chapter begins by highlighting a few of those measures before identifying the DOD management problems which proponents of change sought to address circa 2005-2006. The chapter concludes by summarizing the assessments that motivated change by evaluating these problems (and others) and the potential solutions that informed Congress in their formulation of the DCMO legislation.

A. Tradition of Strengthening Defense Management

Since the Department's inception in 1949, there have been periodic attempts to strengthen its management. Some of these initiatives were driven by the Department while others were Federal government-wide. Surveying all of them all is beyond the scope of this study. However, highlighting leading initiatives helps to put Congress's attempt to strengthen management with a D/CMO into context. Selected examples of leading management initiatives include:

- **Creation and Expansion of Defense Agencies and Field Activities.** The original National Security Act (NSA) of 1947 directed the Secretary of Defense to "eliminate unnecessary duplication or overlapping in the fields of procurement, supply, transportation, storage, health, and research." The NSA 1949 amendment began an active process under the SD to find these efficiencies. These efforts came to fruition in 1958 when the Secretary gained statutory powers to directly address duplication and overlap within the MILDEPS through the creation of Defense Agencies. The first

Defense Agencies and Field Activities (DAFA) began with the creation of the Defense Communications Agency in 1960 (now Defense Information Systems Agency) and the Defense Supply Agency in 1961 (now Defense Logistics Agency). Many other have been created over DOD's history.

- **Second Deputy Secretary of Defense 1975-1977.** In February 1971, Secretary of Defense Melvin Laird sought President Nixon's support for establishing a second Deputy Secretary of Defense. Laird sought to reduce the amount of time he spent on management to spend more time with the Service Secretaries and the Chairman of the Joint Chiefs of Staff. An outside blue-ribbon panel had suggested three deputies but Laird believed that was an excessive concentration of authority "at the top level."[6] DOD requested the second Deputy not have statutory responsibilities. In addition, Secretary Laird thought it would be better to let the incoming Secretary of Defense fill the role. However, when Secretary of Defense Donald Rumsfeld elected to fill the position with Robert Ellsworth in 1975, he instead focused the second Deputy on intelligence activities.[7] The second Deputy was removed as part of an organizational realignment which reduced the HQ staff by 25 percent. At this time the SD also assigned operational responsibility of the DAFAs to his Under Secretaries (USDs).[8]

- **President's Blue Ribbon Commission on Defense Management (aka "Packard Commission), 1986.**[9] President Ronald Reagan initiated the Commission in 1985, and the final report was issued in June 1986. The panel offered significant recommendations for military organization and procurement and acquisition—including the creation of an undersecretary of defense for acquisition.[10] The report also spawned several pieces of legislation, including the Military Reform Act of 1986 (also known as the Defense Acquisition Improvement Act of 1986[11]) and the Goldwater-

[6] Richard A. Hunt, *Melvin Laird and the Foundation of the Post-Vietnam Military, 1969-1973*, Vol. 7, (Washington, DC: Government Printing Office, 2015).

[7] Comptroller General United States, *Suggested Improvements in Staffing and Organization of Top Management Headquarters in the Department of Defense*, ADA 104 277 (Washington, DC: General Accounting Office, Federal Personnel and Compensation Division, April 20, 1976).

[8] Paul R. Ignatius, *Department of Defense Reorganization Study Project: Departmental Headquarters Study. A Report to the Secretary of Defense*, ADA 085 889 (Washington, DC: Department of Defense, June 1, 1978).

[9] President's Blue Ribbon Commission on Defense Management, *A Quest for Excellence: Final Report to the President*, (Washington, DC: President's Blue Ribbon Commission on Defense Management, June 30, 1986), https://dair.nps.edu/bitstream/123456789/3705/1/SEC809-RL-86-0106.pdf.

[10] The Commission made a total of 55 recommendations; most of which were implemented or partially implemented. See United States General Accounting Office, *Defense Management: Status of Recommendations by Blue Ribbon Commission on Defense Management*, GAO/NSIAD-89-19fs. (Washington, DC: U.S. General Accounting Office, November 1988), https://www.gao.gov/assets/nsiad-89-19fs.pdf.

[11] Col. William D. Smith, Lieutenant Colonel Brian l. Kessler, Lieutenant Colonel Fred T. McGregor, Lieutenant Colonel Dennis F. Markisello, Lieutenant Colonel Everett G., Odgers; and Lieutenant Colonel Charles M.

Nichols Department of Defense Reorganization Act of 1986.[12] The Military Reform Act created the undersecretary for acquisition with authority over the Departmental secretaries, created acquisition executives for each military department, and program executives for each major weapon program.[13] Goldwater-Nichols strengthened civilian authority over the DOD, officially established OSD—which had no statute in its first 40 years—and forbade the establishment of a military staff in OSD.[14] It also supported joint actions by empowering the Joint Chiefs of Staff (JCS) Chairman as the principal military advisor to the President, and increased scope and powers of combatant command (COCOM) commanders.

- **President's Council on Integrity and Efficiency (PCIE), 1988-Present**. The PCIE was established in January 1988 by Executive Order (EO) 12625.[15] It was primarily composed of the Presidentially appointed Inspectors Generals and was chaired by the Deputy Director for Management of the Office of Management and Budget (OMB). The PCIE conducted interagency audit, inspection, evaluation, and investigative projects to address integrity, economy, and effectiveness issues that transcend individual government agencies. It also had the role of increasing the professionalism and effectiveness of Inspector General personnel throughout the government. The PCIE was abolished and reestablished by EO 12805 in May 1992.[16] It was later replaced by the Council of the Inspectors General on Integrity and Efficiency (CIGIE) with the Inspector General Reform Act of 2008.[17]

- **National Performance Review (NPR), 1993.** The NPR was a government-wide review initiated by President Bill Clinton and led by Vice President Al Gore. The report of 1993 was "a major management reform initiative by the administration and

---

Swager, *The Impact of the Packard Commission Report Within USAF and DOD,* AD-A186 697 (Maxwell Air Force Base, Alabama: Air War College, December 1987), https://apps.dtic.mil/sti/pdfs/ADA186697.pdf.

12 Roger R. Trask, and Alfred Goldberg, *The Department of Defense 1947-1997: Organization and Leaders*, ADA330985 (Washington, DC: Office of the Secretary of Defense Historical Office, October 23, 1997), https://apps.dtic.mil/sti/citations/ADA330985.

13 National Defense Authorization Act for Fiscal Year 1987, Public Law 99-661, 100th Cong. (1986), https://www.govtrack.us/congress/bills/99/s2638/text.

14 Goldwater-Nichols Department of Defense Reorganization Act of 1986, Public Law 99-433, 99th Cong. (1986), https://history.defense.gov/Portals/70/Documents/DOD_reforms/Goldwater-NicholsDODReordAct1986.pdf.

15 "President's Council on Integrity and Efficiency," Federal Register Website, Vol 53, No 20, February 1, 1988, accessed February 2023, https://www.federalregister.gov/agencies/president-s-council-on-integrity-and-efficiency.

16 Ibid.

17 "Council of the Inspectors General on Integrity and Efficiency," Federal Register Website, accessed January 13, 2023, https://www.federalregister.gov/agencies/council-of-the-inspectors-general-on-integrity-and-efficiency.

is intended to identify ways to make the government work better and cost less." Twelve of the NPR report's 384 recommendations were for DOD and included improving policy directives to provide more guidance and less procedure, establishing a unified budget, getting best value for supplies and services, outsourcing functions not core to DOD, improving efficiency of DOD health care, and streamlining the Army Corps of Engineers.[18] Additionally, the NPR gave rise to the President's Management Council, composed of the chief operating officers of the departments and major agencies, to provide leadership in implementing the NPR recommendations.[19]

- **Government Performance and Results/Modernization Acts (1993 and 2010).** The original Government Performance and Results Act (GPRA) of 1993 requires agencies to clearly define their missions, set goals, link activities and resources to the goals, measure performance, and report on their accomplishments. It includes with it the requirement for strategic plans and annual performance plans. With GPRA, Congress sought to shift the federal management and oversight from measuring staffing and activity levels to focusing on outcomes or results of federal programs. The Government Performance and Results Modernization Act (GPRAMA) of 2010 sought to update the original 1993 GPRA by retaining and amplifying some aspects of it while also addressing some of its weaknesses. It sought to improve the quality of performance information by increasing transparency and regular reporting. Taken together, these acts had a significant impact on the way the DOD reported its annual performance, in particular, through the DOD Strategic Management Plan and the Annual Performance Plan and Performance Report.

Taken together, these initiatives and others not listed here demonstrate that DOD (on its own and as part of government-wide efforts) has a long history of improving its management practices.[20] Whether it be the creation of the D/CMO or other attempts to strengthen management, these efforts must be put in a broader context of management reforms to understand what has succeeded and failed in the past, and why.

---

[18] United States General Accounting Office, *Management Reform: Implementing National Performance Review's Recommendations*, GAO/OCG-95-1 (Washington, DC: United States General Accounting Office, December 1994), https://www.gao.gov/assets/ocg-95-1.pdf.

[19] Breul, Jonathan, and John Kamensky, "Federal Government Reform: Lessons from Clinton's 'Reinventing Government' and Bush's 'Management Agenda' Initiatives," *Public Administration Review* 68, no. 6, (November-December 2008): 1012, https://www.jstor.org/stable/25145699.

[20] Although not listed here, two other federal management reform efforts particularly relevant to the D/CMO are the Chief Financial Officers Act (1990) and the Clinger-Cohen Act (1996).

B. Identifying Problems in Defense Management

Despite the long tradition of management reform, numerous management challenges persist and are frequently cited by observers inside and outside of government. These persistent challenges received increasing attention in the halls of Congress in the early 2000s, as members and their staffs discussed ways of addressing them. These deliberations ultimately culminated in new legislation to create a Deputy Chief Management Officer in 2007. (The legislative history is further detailed in Chapter Three.)

The perceived management challenges that appear to have been most influential in the deliberations leading to the creation of the DCMO can be summarized in four inter-related categories, as follows.

1. DOD internal management processes failed to reverse identified deficiencies (specifically, the GAO "High-Risk Areas")

One frequently cited problem motivating the creation of a senior management official is the perception that major DOD management processes were deficient and little had been done to correct them. In his 2005 testimony before the U.S. Senate Subcommittee on Oversight of Government Management, Comptroller General of the United States David Walker said, "Numerous management problems, inefficiencies, and wasted resources continue to trouble DOD's business operations, resulting in billions of wasted resources annually at a time when our nation is facing an increasing fiscal imbalance."[21]

Those processes most deficient and earning GAO's designation of "high-risk" areas included: Business Transformation, Business Systems Modernization, Contract Management, Financial Management, Support Infrastructure Management, Weapon Systems Acquisition, Personnel Security Clearance Program, and Supply Chain Management.[22] Addressing these high-risk areas requires sustained attention by senior leadership, according to the GAO. Many proponents for defense reform in Congress echoed this argument that the Department was struggling across a range of its major business operations.

2. Problems with business systems and data contributed to DOD's chronic inability to pass an audit

---

[21] David Walker, *Defense Management: Key Elements Needed to Successfully Transform DOD Business Operations*, Testimony Before the Subcommittee on Oversight of Government Management, the Federal Workforce, and the District of Columbia, Committee on Homeland Security and Governmental Affairs, U.S. Senate, April 28, 2005.

[22] David Walker, *GAO'S High-Risk Program*, Testimony Before the Subcommittee on Oversight of Government Management, the Federal Workforce, and the District of Columbia, Committee on Homeland Security and Governmental Affairs, U.S. Senate, March 15, 2006.

One problem frequently cited by DOD management critics is the Department's inability to conduct a clean financial audit. The absence of an audit is, in part, due to disjointed DOD business systems and lack of ready access to financial data. The requirement for a clean financial audit is one levied by the Chief Financial Officers Act (1990),[23] which most federal agencies had complied with by 2006, but the DOD had not (and still has not). Highlighting the importance of data to an audit, Paul Granetto, Director of Defense Finance Accounting Service (DFAS) testified before the U.S. House in 2003 that: "Data reliability, integrity, timeliness and auditability continue to impede our ability to render an opinion on the financial statements. The Department has readily acknowledged that many of its financial management and feeder systems simply do not produce accurate enough data to support some material amounts on the financial statements."[24]

This view was embraced by members of Congress, notably Senator Robert Byrd (D-WV), who introduced early legislation to create a DOD CMO (by establishing a second Deputy Secretary of Defense for that purpose). In November 2005, Senator Byrd said on the floor of the Senate: "Despite decades of congressional scrutiny, multi-billion dollar reform efforts and promises for progress, the Pentagon is unable to pass an audit of its books…Above all else, the Defense Department needs this sustained, high-level leadership it if is ever going to fix its accounting problem."[25] This recognition of the multiplicity of business systems throughout the Department, their contribution to inability to conduct a clean audit, and the perceived waste that results in their duplication all contributed to business systems being a focus of the eventual Deputy Chief Management Officer.

3. **The Deputy Secretary's span-of-control was too wide to enable effective, sustained, focus on business management reform**

The Deputy Secretary of Defense is responsible for a vast range of functions across the Department. While the focus of the Secretary of Defense has traditionally been "up-and-out"—managing external relationships with the President, Congress, foreign partners, and others—the Deputy is more typically focused on "down-and-in" management. That is, the Deputy is responsible for chairing (or co-chairing) countless governance boards and providing oversight of everything in the department from acquisition to the planning, programming, budgeting, and execution system. These duties are in addition to leading ongoing special initiatives to achieve

---

[23] Chief Financial Officers Act, P.L. 101-576, 101st Cong. (1990), https://www.congress.gov/bill/101st-congress/house-bill/5687.

[24] *Winning the War on Financial Management—Status of Department of Defense Reform Efforts*, Hearing before the Subcommittee on Government Efficiency and Financial Management of the Committee on Government Reform, *U.S. House of Representatives*, 108th Cong., H.G.R. No. 108-64, June 25, 2003 (Paul Granetto testimony), https://www.congress.gov/event/108th-congress/house-event/LC14251/text.

[25] Robert Byrd, "Amendment 2442 To Establish the Position of Deputy Secretary for Management," *Congressional Record*, vol. 151, no. 147, November 8, 2005, p. S12483, https://www.congress.gov/congressional-record/volume-151/issue-147/senate-section/page/S12483-12485.

the Secretary's (or White House) priorities, and to standing in for the Secretary in various venues and on occasions when the Secretary is unavailable.

This expansive list of responsibilities leads many to argue that the Deputy Secretary's span-of-control is much too wide to focus on business transformation and management of enterprise operations. Even when the Deputy can commit time to these issues, it may be episodically rather than providing the sustained focus required for effective management. Some Deputies can periodically commit more time to management than others, but even the best performance in this regard is still often seen as insufficient and certainly inconsistent across Deputies. As one longtime Senate Committee staffer noted, "given other demands on the Deputy's time, the time left to management was minimal."[26] Speaking about business systems and transformation, a former Deputy Secretary of Defense admitted, "I didn't have time to do it, so it was good to have a CMO to do it."[27]

4.   Defense-wide elements of the Department demanded greater oversight, scrutiny, and management

The DOD operates "defense-wide" elements that provide a range of services (and combat support) to other parts of the Department.[28] These defense-wide organizations are outside of the military departments and include the Office of the Secretary of Defense, the Joint Staff, the Combatant Commands, and DAFAs. In particular, the DAFAs are responsible for "consolidated supply and service functions on a department-wide basis."[29] The cost of defense-wide operations has grown as a percentage of the total DOD budget from ~8 percent in FY01 to over 17 percent by FY2020.[30] Thus, these activities comprise an increasing portion of the overall DOD budget and are critical to support the department's business operations.

The DAFAs provide important services to the Department and are managed in a decentralized manner, reporting through Principal Staff Assistants (PSAs) in OSD. However, they have been the subject of evaluation and criticism in terms of their management and oversight. In 2018, the GAO found that the DOD "does not comprehensively or routinely assess

---

[26]   Interview with a former Congressional staff member.

[27]   Interview with a former Deputy Secretary of Defense.

[28]   Technically, "defense-wide" is a budget category, not an organizational category.

[29]   U.S. Government Accountability Office, *Defense Management: DOD Needs to Address Inefficiencies and Implement Reform Across its Defense Agencies and Field Activities*, (Washington, DC: Government Accountability Office, GAO-18-592, September 2018), https://www.gao.gov/products/gao-18-592.

[30]   Defense Business Board, *The Chief Management Officer of the Department of Defense: An Assessment*, (Washington, DC: DBB, June 1, 2020), 29.

the continuing need for its defense agencies and DOD field activities."[31] Another interviewee observed "management of the Fourth Estate is a legitimate issue."[32]

Much of the portfolio of the DAFAs could arguably fall under the purview of a new senior management official. That was not necessarily the primary motivation for the original creation of the DCMO, but it was a major problem area that the CMO was intended to address according to Congress, with specific authorities granted in both the FY2018 and FY2019 NDAA.[33]

The varied, albeit interrelated, nature of these problems highlights a theme throughout the history of the D/CMO: there was no consensus among Congress or others about the definition of "defense management" and the scope or priority of the problems that the D/CMO was to address. Rather, different stakeholders expressed and imposed their own priorities on the office over time: reform, business systems, category management, and human resources, among others. These changing priorities were both reflected and reinforced by changing legislation. They resulted in shifting boundaries of the office which, in turn, contributed to other problems the office faced during its existence (which are detailed throughout this report).

C. Evaluating the Problems and Identifying Potential Solutions

The government subsequently ordered assessments to evaluate the nature of these problems and identify potential solutions. They were conducted by the GAO and others were congressionally-directed (in the case of the DBB and IDA assessments). Collectively, they played a significant role in motivating Congress to establish the DCMO. The assessments are summarized chronologically as follows (and summarized in greater detail in Appendix B):

- **Task Group on the Role of the Chief Management Officer in the Department of Defense**, Defense Business Board, May 2005.[34] In 2005 the DBB was commissioned to determine if a separate role for CMO was needed in the DOD and whether the USD(AT&L) could take on the role. The task group considered the DSD for the CMO role, separation of duties to two DSDs, and a separate position reporting to the DSD.

  The DBB report was initiated, in part, to address a GAO report released earlier in 2005 stating no improvement had been made on business operations because no one with authority was focused on reform in the Department. The GAO contended that a

---

[31] Government Accountability Office, *Defense Management: DOD Needs to Address Inefficiencies and Implement Reform Across its Defense Agencies and Field Activities,* September 2018.

[32] Interview, not for attribution.

[33] Specifically, Sections 910 and 912 of the FY2018 NDAA granted the CMO "authority, direction, and control" over the DAFAs providing shared business services. Sections 903 and 921 of the FY2019 NDAA provided the CMO with budget review authority of DAFA budgets.

[34] Defense Business Board, *Task Group on the Role of a Chief Management Officer in the Department of Defense*, (Washington, DC: DBB, May 2005), https://dbb.defense.gov/Portals/35/Documents/Reports/2005/FY05-1_Role_Chief_Management_.pdf.

CMO would have the authority to manage business operations and lead business transformation efforts.

The DBB recommended the DSD take on the CMO role because a top down approach was needed. It acknowledged DSD lacked management time to focus on reform, but believed maintaining the Department's well-established management structure was critical to success. They also recommended that the DSD have measurable goals in six areas including acquisition reform, financial management/auditability, and business modernization. The DBB also recommended assessing the need for a second Deputy Secretary of Defense (focused on management) at a later time.

- **Creating a Chief Management Officer in the Department of Defense**, Defense Business Board, May 2006. With increased Congressional interest in creating a senior DOD management official (as evidenced by both House and Senate initiatives), the DOD continued to explore the options for, and implications of, creating a senior management official.[35] In a memo from DSD Gordon England, the DBB "was asked to provide a proposed vision, a detailed scope of responsibilities, an organizational structure, and an implementation plan for a CMO."[36]

  The DSD tasking of the DBB was motivated, in part, by the GAO's continuing assessment that the DOD needed a dedicated CMO to advance organizational transformation.[37] The DBB identified barriers to change in DOD including Services resistant to integration, the mix of civilian and military employees, and a culture that did not readily understand the benefits of reform. Duties of the CMO would include developing and tracking performance measures, creating personnel development programs, and oversight of business systems, Washington Headquarters Services (WHS) and Pentagon Force Protection Agency (PFPA).

  The DBB constructed two options for creating a senior management official: 1) a Level III Under Secretary position to assist the Deputy, or 2) a Level II Principal Under Secretary with a fixed term across administrations, authority to direct subordinate Under Secretaries, and budget authority. They rejected the option of giving the role to the USD(AT&L) because of the already limited management time. The board favored a Level II position with a five-year fixed term, budget authority, and responsibility for

---

[35] The 109th Congress Senate proposed a bill (S. 780) to amend 10 USC to establish the position of DSD for Management. The House passed Section 907 calling for a report evaluating the feasibility and advisability of creating a second deputy.

[36] Defense Business Board, *Creating a Chief Management Officer in the Department of Defense Task Group Report*, (Washington, DC: DBB, May 2006), https://dbb.defense.gov/Portals/35/Documents/Reports/2006/FY06-4_Creating_Chief_Management_Officer_2006-5.pdf.

[37] The tasking of the DBB was motivated by the same FY2005 NDAA that prompted the IDA study of the 2006 CMO study.

executing tasks set by the Secretary of Defense (SECDEF). It recommended an interim special assistant position should begin immediately until the new CMO position is established.

- **Does DOD Need a Chief Management Officer?** Institute for Defense Analyses, December 2006. This study was congressionally mandated by the FY2005 NDAA to analyze alternatives for the CMO position either as 1) a new role at the DSD level, 2) a new role at the USD level, or 3) as an added responsibility to an existing position.[38] The study was motivated by the recognition that the DSD's responsibilities are vast as second in command of the world's largest bureaucracy and leave little time to focus on defense reform. Given that Congress was calling for increased focus on business transformation, other management models were under consideration.

  The IDA study recommended that the DSD should be named the CMO because that option is "most likely to sustain recent progress" and is simplest to pursue, with the clearest management structure.[39] IDA argued establishing a separate position would create challenges in maintaining momentum and unity of effort across the Department. For the DSD to perform the duties of a CMO, there must be clearly defined duties for CMO (strategic leadership, creating performance metrics, etc.); a management system (business support areas must report capability plans, expanded responsibilities for the Defense Business System Management Committee (DBSMC) and Business Transformation Agency, or BTA); and a strategy for hiring more business professionals with a budget to teach business transformation skills.

  Other alternatives considered by IDA were 1) creation of a new CMO position at Executive Level II with and without ownership of business support areas, and 2) creation of a second Deputy Secretary of Defense.

- **Defense Business Transformation: Achieving Success Requires a Chief Management Officer to Provide Focus and Sustained Leadership**, Government Accountability Office, September 2007. In its assessment, the GAO evaluated DOD's progress in improving business transformation efforts and obstacles to successful implementation.[40] The report restated the GAO's recommendation for a CMO to address business transformation and other areas DOD is responsible for on GAO's high-risk list. Some progress had been made since the 2005 GAO report (such as set-up of DBSMC, BTA, and investment review boards, or IRBs), but the DOD still lacked a

---

[38] David R. Graham, Jason A. Dechant, Christopher H. Hanks, Hansford T. Johnson, James R. Locher, Pamela J. Olson, and Paul H. Richanbach, *Does DOD Need a Chief Management Officer?,* IDA Paper P-4169 (Alexandria, VA: Institute for Defense Analyses, December 2006).

[39] Ibid, 52.

[40] United States General Accounting Office, *Defense Business Transformation: Achieving Success Requires a Chief Management Officer to Provide Focus and Sustained Leadership*, GAO-07-1072 (Washington, DC: U.S. General Accounting Office, September 2007), https://www.gao.gov/assets/gao-07-1072.pdf.

management framework that clarifies roles and responsibilities of major actors, and its focus needed to be broader than just business systems.

The GAO argued that DOD needed a plan with goals, monitoring, performance measures, and tools to push for accountability. To address this, the GAO recommended designating a leader with DSD-level authority who can be dedicated to oversight and monitoring of business transformation efforts. It further recommended that the position should be statutory with a tenure of 5-7 years to ensure continuity in business transformation initiatives.

- **Organizational Transformation: Implementing Chief Operating Officer, Chief Management Officer Positions in Federal Agencies**, Government Accountability Office, November 2007. Responding to a congressional request, the GAO examined how a Chief Operating Officer (COO)/Chief Management Officer (CMO) should be implemented at federal agencies.[41] It argued that organizations especially in need of a COO/CMO are those with known management weaknesses and those with high-risk functions, such as DOD. To address such weaknesses and/or high-risk areas, the GAO recommended creating a second deputy position for the largest most complex organizations (like DOD) that require significant transformation.

  In implementing a COO/CMO, the GAO recommended that the responsibilities of the position must be statutory, but described broadly with leeway in how they are accomplished. COO/CMOs must control the speed of implementing new initiatives and work closely with organizational managers. The level of authority should be second or third position in the organization reporting directly to the head or deputy. Reporting structures of other chief officers and top leaders could change to report to the COO/CMO, but changes would require further analysis to improve management functioning and not harm authority/prominence of other positions.

  The new position must establish integration and transformation structures and processes. Offices, committees, councils, and/or cross functional teams are needed to support and sustain transformation initiatives. To accomplish its goals, it should promote individual accountability and performance through specific job qualifications and effective performance management.

  The COO/CMO position should have experience managing large complex organizations and demonstrated achievements in strategic planning and change management. A performance agreement would define personal and organizational goals for the position to hold the COO/CMO accountable and reward high performance.

---

[41] United States General Accounting Office. *Organizational Transformation: Implementing Chief Operating Officer/Chief Management Officer Positions in Federal Agencies*, GAO-08-34, (Washington, DC: U.S. General Accounting Office, November 2007), https://www.gao.gov/assets/gao-08-34.pdf.

Lastly, the GAO observed that term appointments would help to maintain ongoing initiatives, but would risk misalignment with the appointed leaders of the organization especially if mission and goals change. Term appointments vary greatly in government leadership from 3-15 years. Some experts recommended career appointments to truly provide continuity across administrations, but others suggested the President and SD must be able to influence the selection because of the importance of a good working relationship.

Although each of the reports above provided different perspectives, they shared important similarities in terms of their options and recommendations (see Table 1). These reports tended to agree that the CMO should have the same level of authority as the Deputy Secretary, but differed on whether the DSD should take on the role or whether it should be a new position subordinate or equal to the Deputy. When the current deputy was recommended for the role of CMO, limited management time was acknowledged as an issue, but maintaining momentum and the existing power structure was prioritized.

Other common recommendations across the reports were budget control and term appointments to support ongoing initiatives. They frequently stated the CMO needed clearly defined roles and performance goals. IDA and the GAO also described the personnel, resources, and organizational structures needed to support the role: committees, councils, and cross-functional teams. A CMO responsible for business transformation also requires the ability to hire management professionals and a budget to teach management skills to its personnel.

Table 1. Summary of Major Report Options and Recommendations

Option \ Study	DBB 2005	DBB 2006	IDA 2006	GAO 9/2007	GAO 11/2007
Dual Deputies	✓		✓	★	★
DSD as CMO	★		★		
DSD + Business Transformation Exec	✓				
CMO Reporting Through DSD	✓		✓		
USD(Management)		✓			
Add CMO Duties to USD(AT&L)		✓			
PUSD(Management) / CMO		★			

Note: ✓ = Option Considered; ★ = Recommended Option

D. Conclusion

Eventual congressional calls for the establishment of a senior defense official dedicated to defense reform followed a long tradition of strengthening defense management through different measures. Some of them included the establishment of a second Deputy Secretary of Defense (1975-1977), the President's Blue Ribbon Commission on Defense Management

(1986), the President's Council on Integrity and Efficiency (1988-present), the National Performance Review (1993), and the Government Performance and Results/Modernization Acts (1993 & 2010).

The creation of DCMO was intended to address four interrelated problems in defense management: 1) DOD internal management processes failed to reverse identified deficiencies, 2) ongoing problems with business systems and data contributed to DOD's chronic inability to pass an audit, 3) the DSD's span of control was too wide to enable effective, sustained focus on business management and reform, and 4) defense-wide elements of the Department demanded greater oversight, scrutiny, and management.

These problems were examined in detail through a series of assessments conducted by outside organizations (the GAO, DBB, and IDA), some at the behest of Congress. The organizations agreed on the general problems that existed and that they warranted attention, but differed slightly on the solutions to implement. It was the problem definition and solution space in these assessments that motivated, in part, eventual action by Congress to strengthen defense management through the creation of a DCMO.

This page is intentionally blank.

3. Establishment and Authorities of the D/CMO

This chapter examines the events leading up to the establishment of the DCMO. It begins by describing some immediate organizational precursors to the DCMO. The next section presents the early legislative actions Congress took before the establishment of the office. The chapter ends with a listing of the responsibilities and the authorities of the D/CMO.

A. Immediate Precursors to the D/CMO

Prior to the establishment of the D/CMO in the Department of Defense, Congress and the DOD itself had already taken several steps to strengthen management of enterprise-wide operations and business systems, in particular. These new organizations and governance measures shaped the bureaucratic environment within which the eventual D/CMO would operate. Although there are arguably others, those immediate legislative precursors to the D/CMO of greatest import included the establishment of 1) the Chief Information Officer, 2) the Defense Business Systems Management Committee, and 3) the Business Transformation Agency.

The **Chief Information Officer** (CIO) of the Department of Defense was created by the FY1996 National Defense Authorization (NDAA) (Public Law 104-106). CIOs were created for all executive agencies to acquire and implement an "integrated information technology architecture."[42] The DOD CIO, in particular, had oversight of the acquisition of all "mission critical" and "mission essential" information systems prior to the creation of the DCMO.

The **Defense Business System Management Committee** (DBSMC) was created by the FY2005 NDAA (Public Law 108-375). The committee was established to recommend policy on business systems, review business enterprise architecture development, and manage enterprise-wide integration.[43] It was chaired by the DSD, and the DCMO later became the vice-chair. The committee played an important role for several years as the governance body reviewing and certifying defense business systems, a role later assumed by the Defense Business Council.

---

[42] National Defense Authorization Act for Fiscal Year 1996, 40 USC 1425, § 5125, 104th Cong., February 10, 1996, https://uscode.house.gov/view.xhtml?req=granuleid:USC-1999-title40-section1425&num=0&edition=1999#sourcecredit.

[43] National Defense Authorization Act for Fiscal Year 2005, Public Law 108-375, §186, 108th Cong., October 10, 2004, https://www.congress.gov/108/plaws/publ375/PLAW-108publ375.pdf.

The **Business Transformation Agency** (BTA) was established by Deputy Secretary of Defense Gordon England on October 7, 2005 to coordinate and integrate enterprise-wide services and improve financial accountability. It had six priorities: personnel visibility, acquisition visibility, common supplier engagement, materiel visibility, real property accountability, and financial visibility.[44] The agency performed several functions similar to those the eventual DCMO was expected to oversee, which contributed to its eventual absorption into the ODCMO in 2011.

Collectively, these initiatives (and others) formed the bureaucratic environment within which the D/CMO eventually operated. In the case of the CIO, there emerged instances of perceived overlap in authorities, especially regarding business systems oversight. The DBSMC was a governance board that the DCMO eventually vice-chaired, while the BTA was overseen and later absorbed by the ODCMO. Both are discussed in greater detail later in the paper.

B.   Early Legislative Action[45]

Even prior to the establishment of the DCMO, there was legislation and debate surrounding the formation of the position. The early discussion stemmed from the multiple organizational options proposed by the DBB, GAO, and IDA. Initially, proponents of a new management official focused their attention on the creation of a new Deputy Secretary of Defense.

In April 2005, a bill was introduced in the Senate that sought to **establish a Deputy Secretary of Defense for Management** (DSD(M)) (S. 780, 109th Congress). It was sponsored by Senator John Ensign (R-NV) and lead co-sponsor Senator Daniel Akaka (D-HI), who had been discussing the issue for several years with Comptroller General David Walker.[46] The bill would have established an Executive Level II position as a 7-year term appointment and exercise the power of the Secretary or Deputy if their positions are vacated for any reason.[47] The DSD(M) would be responsible for matters relating to: planning and budgeting, acquisition, logistics, facilities, installations, and environment, financial management, human resources and

---

[44]   Tom Modly and Paul Brinkley, "Long Live the Business Transformation Agency," *Real Clear Defense*, June 30, 2016, https://www.realcleardefense.com/articles/2016/06/30/long_live_the_business_transformation_agency_1095 02.html. See also Henry S. Kenyon, "Business Transformation Agency Hits the Ground Running," *Signal Magazine*, September 1, 2006, https://www.afcea.org/signal-media/business-transformation-agency-hits-ground-running.

[45]   This section draws from and selectively expands a thorough chronicle of legislative history presented in Defense Business Board, *The Chief Management Officer of the Department of Defense: An Assessment*, DBB Report 20-1, June 2020, Tab F. The history (and supporting data) was compiled by Mr. Jeff Eanes, Office of the Director, Administration and Management in the Office of the Secretary of Defense.

[46]   Interview with a former Congressional staff member.

[47]   The Deputy Secretary and the Secretaries of the Military Departments were the only Level II positions in the Department (until the eventual establishment of the CMO).

personnel, and information resource management. The DSD(M) would exercise statutory authority, direction and control (ADC) over the Secretaries of the Military Departments and the heads of the DOD Components for matters within its authority. According to one interviewee, Secretary of Defense Donald Rumsfeld was "partial to the theoretical benefits of a second deputy" since he was in the Department when it had a second Deputy from 1975-1977.[48] However, many in the Department believed a second deputy was a "horrible idea".[49] The proposed bill did not make it into law but the issue was taken up in the FY2006 NDAA (as a directed study).

In January 2006, the FY2006 NDAA (PL 109-163, Section 907) **directed an independent report on the feasibility and advisability of the establishment of a DSD(M)**. This requirement was the result of an amendment proposed by Senator Robert Byrd (D-WV) in November 2005 when Byrd originally called for the creation of a second Deputy Secretary to "bring order to the Pentagon's bloated bureaucracy."[50] Senator Byrd's intervention on the subject was noteworthy and drew attention from others in the chamber because, as Peter Levine noted, "Nobody had trouble saying no to [Senators] Akaka and Ensign but when Byrd popped up, everyone took notice."[51]

The independent report was to be developed by a Federally Funded Research and Development Center and submitted to the Armed Services Committees no later than December 1, 2006. The Institute for Defense Analyses (IDA) conducted the study and issued the report (which is described in the preceding chapter of this paper). In the report, IDA recommended strengthening the role of the existing DSD (and not creating new officials).[52] Shortly thereafter in March, DSD England requested the DBB create a task force to revisit the prior DBB proposal to create a CMO.[53]

In summer and fall 2007, as part of the FY2008 NDAA cycle, the House Armed Services Committee introduced a provision (H.R. 1585, section 906) which would "assign duties for significant management issues to a senior defense official of a rank not lower than Under Secretary of Defense." The Senate Armed Services Committee (SASC) introduced a provision (S. 1547, Sec 902) which would designate the DSD as the CMO, create a new USD(M)(DCMO), and assign the Under Secretaries of the Military Departments as CMOs of

---

[48] Interview with a former senior OSD official. Robert Ellsworth was the second Deputy Secretary of Defense from 1975-1977.

[49] Ibid and interview with former Congressional staff member.

[50] Robert Byrd, *Congressional Record*, vol. 151, no. 147, November 8, 2005.

[51] Interview with former DCMO Peter Levine.

[52] Graham, et al., *Does DOD Need a Chief Management Officer?*, 2006.

[53] This resulted in Defense Business Board, *Creating a Chief Management Officer in the Department of Defense Task Group Report*, May 2006.

their Departments. The White House objected to the establishment of a new management official in the Statement of Administration Policy for S. 1547.[54]

Throughout these early iterations of legislation and the testimony and public pronouncements surrounding them, ambiguity around the definition of "defense management" and the scope and priorities of the DCMO remained. That is, many proponents had differing views of the DCMO's primary responsibilities—defense reform, business systems, category management, and human resources, among others. The early legislative action did not clarify this and perpetuated the ambiguity of "defense management" that would persist throughout the evolution of the D/CMO.

C.   Establishment and Authorities of the D/CMO

The DCMO was formally established in January 2008 with the FY2008 NDAA (PL. 110-191, section 904). The NDAA stipulated that the DSD was the Department's Chief Management Officer and established the new DCMO position as an Executive Level III (which is the same level as the USDs). It stated that, "The Secretary shall assign such duties and authorities to the Deputy Chief Management Officer as are necessary for that official to assist the Chief Management Officer to effectively and efficiently organize the business operations of the Department of Defense."[55] The FY2008 NDAA also designated the Under Secretaries of the Military Departments as the CMOs of their Departments.

The authorities and responsibilities of the D/CMO evolved over time as described in the following chapter. They expanded almost every year, with some removed or revised, especially after the CMO was established.

The DCMO served as the PSA and advisor to the Secretary and Deputy Secretary of Defense for matters relating to their management and improvement of DOD business operations. Specific authorities and responsibilities of the DCMO at the time of its creation are summarized as follows:[56]

- Assist the Deputy Secretary of Defense in his capacity as DOD CMO;

---

[54] George W. Bush, *Statement of Administration Policy: S. 1547 – National Defense Authorization Act for Fiscal Year 2008*, July 10, 2007, https://www.presidency.ucsb.edu/node/276058. Both the House and Senate provisions went to Congress. The House accepted the Senate provision with a further amendment. The conference report was passed by both houses, but was vetoed by the President (for unrelated reasons). As a result, a new bill was introduced in the House, with identical language (except for the unrelated provision to which the White House had objected), passed by both Houses and enacted into law.

[55] National Defense Authorization Act for Fiscal Year 2008, Pub L. 110-181, 110th Cong. (2008), https://www.congress.gov/bill/110th-congress/house-bill/4986.

[56] Adapted from Department of Defense Directive (DODD), "Deputy Chief Management Officer of the Department of Defense," DODD 5105.82 (Washington, DC: DOD, October 17, 2008), https://standards.globalspec.com/std/1114304/dodd-5105-82-d.

- Recommend to the Deputy Secretary of Defense methodologies and measurement criteria to better synchronize, integrate, and coordinate the business operations of the DOD to ensure optimal alignment in support of the DOD warfighting mission;

- Develop and maintain, through the Defense Business Systems Management Committee, the DOD Strategic Management Plan;

- Advise the Secretary of Defense on performance goals and measures and assess progress against those goals;

- Serve as the Capability Portfolio Manager for the Corporate Management and Support Portfolio;

- Participate as a member of senior governance councils;

- Oversee the functions of the Performance Improvement Officer;

- Work in close coordination with the CMOs of the military departments to identify and exchange the information necessary to facilitate execution of the responsibilities of the DOD CMO;

- Assist Office of the Secretary of Defense officials and heads of DOD components in ensuring that strategic plans, performance goals, and measures are aligned with, and assure accountability to, DOD strategic goals; and

- Ensure that business transformation policies and programs are designed and managed to improve performance standards, economy, and efficiency.

The CMO had expanded authorities and responsibilities; it served as the principal advisor to the SD and DSD on establishing policies for all enterprise business operations and shared services of the Department. The CMO was responsible for ensuring that business transformation policies and programs were designed and managed to improve performance standards, efficiency, and effectiveness. Responsibilities can be summarized as follows:[57]

- Serving as the Performance Improvement Officer, reporting directly to the DSD as the Chief Operating Officer of the DOD.

  – Advising and assisting with achievement of DOD goals through strategic/ performance planning, performance reviews, and related efforts.

  – Maximizing efficiency/effectiveness, and establishing performance metrics. Cultivating continuous process improvements and measurable end-to-end performance management.

---

[57] Based upon a draft Chief Management Officer DOD Directive (undated). The directive was coordinated but never approved for issuance.

- Help drive the Department's contribution to implementation of the President's Management Agenda.

- Overseeing OSD- or DOD-wide programs in general categories is reflected in the CMO's organizational structure:

  - Administration and Organizational Policy;

  - Oversight and Compliance; Defense Business Systems;

  - Business Analytics and Insights; and

  - Transformation and Reform

  - Exercising authority, direction, and control (ADC) over the Director of the WHS and the Director of the PFPA.

- Participating in senior governance, as directed by the SD and DSD.

  - Co-chairing the Defense Business Council.

  - Serving as Chief Privacy Officer, Civil Liberties Officer, and Chief Freedom of Information Act Officer, or oversee subordinate officials delegated to serve in these capacities. Oversees the DOD Senior Intelligence Oversight Official.

- Serving as the DOD central liaison with the Comptroller General of the United States on all matters concerning Government Accountability Office (GAO).

The statutory authorities and responsibilities of the CMO are summarized in Table 2, reflecting the final set of responsibilities and authorities resulting from the FY 2020 NDAA.

Table 2. CMO Authorities (post FY2020 NDAA)

10 USC 132a *Chief Management Officer*

- Perform such duties and exercise such powers as the SD or DSD may prescribe
- Manage enterprise business operations (EBO)/shared services of DOD
- Advise SD/DSD on establishing planning processes, business transformation, performance measurement activities, management activities, programs for business operations, and unifying business management efforts
- Has authority to direct Secretaries of the MILDEPs and heads of other elements of DOD
- Attempt to minimize duplication of efforts while maintaining metrics to assist in maximizing efficiency and effectiveness of performance for all elements of the DOD
- Review proposed budget and send the SD a report with comments from the CMO regarding whether each proposed budget achieves the required level of efficiency for EBO
- Support the Secretaries report to Congress by providing each proposed budget for the EBO of a DAFA and identify each proposed budget that the CMO did not certify as achieving the required level of efficiency and effectiveness for EBO

10 USC 192 *Defense Agency and Field Activity Oversight*

- Conduct a review of effectiveness and efficiency of each activity of a DAFA, identifying ones that are substantially similar to or duplicative of an activity carried out by another DOD component
- Develop internal guidance that defines requirements and provides clear direction for conducting and recording the results of reviews
- Submit a report to Congressional Defense Committees which will include list of DAFA that operates efficiently and effectively with a plan for improving those not on the list, and recommendation on consolidating functions from military departments into DAFA

40 USC 11319(d)(4) *Information Technology Review*

- DOD Business Systems IT review shall be carried out by the CMO, in consultation with the CIO DOD, USD(A&S), and other DOD officials with the SD having the option to designate an existing investment/management review process for the review

31 USC 1124 *Performance Improvement Officer*

- PIO shall report directly to the COO [DSD] and shall advise/assist the SD/DSD with respect to achieving DOD mission/goals through strategic performance planning, measurement, analysis, regular assessment of progress, and performance information to improve results

10 USC 240b *Financial Improvement and Audit Remediation Plan*

- Maintain, in consultation with the USD(COMPTROLLER), a "Financial Improvement and audit Remediation Plan" which will include specific actions to be taken to correct deficiencies, ensure financial statements are complete, and achieve unqualified audits for all major DOD elements

10 USC 2222 *Defense Business Systems*

- Develop and maintain the Defense Business Enterprise Architecture (DBEA), which shall be integrated into the Information Technology Enterprise Architecture (ITEA), developed by the CIO
- Has primary decision-making authority with respect to the development of common enterprise data and shall, in consultation with the DBC, develop an associated data governance process; and oversee the preparation, extraction, and provision of data across the defense business enterprise.
- Document/maintain, with the USD(COMPTROLLER), common enterprise data for their respective areas of authority; participate in data governance processes; extract data from DBS; ensure financial/audit data consistency; provide data access; and ensure consistency of common enterprise data

10 USC 131 *Office of the Secretary of Defense*
• The Secretary of each military department, and the civilian employees and members of the armed forces under the jurisdiction of the Secretary, shall cooperate fully with personnel of the Office of the Secretary of Defense to achieve efficient administration of the DOD and to carry out effectively the authority, direction, and control of the SD

D. Conclusion

The DOD has a tradition of strengthening defense management through a range of reform initiatives over the decades. Even in the years leading up to the establishment of the DCMO, Congress and the Department had introduced a variety of measures—such as creation of the CIO, establishment of the DBMSC, and creation of BTA—to improve the management of the Department. Despite this, in the early 2000s, Congress began discussing options for addressing the management challenges it saw in DOD (as detailed in Chapter Two).

These options and the public discussion surrounding them reflect some ambiguity surrounding the definition and scope of "defense management" with proponents differing as to the focus of the new position. The deliberations gave rise to the establishment of the DCMO with an initial set of responsibilities that expanded, through legislation, in the subsequent years. As early as 2014, Congress began to consider the elevation of the DCMO to CMO which it formalized in the 2017 NDAA. However, like with the DCMO, the responsibilities assigned to the CMO continued to expand through subsequent legislation until the position was repealed with the FY2021 NDAA.

4. History of the D/CMO

The D/CMO was established in 2008 to address a range of defense management problems. After its establishment, the office continued to evolve along with its responsibilities and authorities. Those changes occurred "on paper" through statutory changes, but the office also morphed over time based upon the officials who led the office as D/CMO. Each office holder brought expertise and priorities to the new position along with guidance from the SD/DSD on the desired direction of the office. In exploring each leader's tenure, a rich history of the OD/CMO emerges from which insights and lessons can be drawn to inform future efforts to strengthen management of the DOD.

This chapter presents the history of the D/CMO by detailing chronologically the events during the period of each of the office holders—four presidentially appointed, U.S. Senate-confirmed D/CMOs and two who served as acting DCMOs. It begins by providing an overview of the office over time (in terms of funding and manpower) and a timeline of key actors to appreciate the changing dynamics.

Each of the sections provides brief biographical information on the D/CMO, followed by a description of the major events and changes to the office that occurred while they served in the position. The next subsection presents the leading initiatives that characterized the office during that time. It is followed by a listing of the challenges and successes of the office and a summary of their tenure to include key themes. These histories are not intended to chronicle every activity performed by the office during each leader's tenure. Instead, they feature the leading initiatives in which the office was most directly involved, based upon interviews and historical documentation available.[58]

A. The D/CMO Over Time

As detailed in Chapter Three, the role of the D/CMO has evolved over time as it gained additional responsibilities and absorbed other organizations (such as BTA). This evolution involved expansion and contraction of both personnel and funding of the office.

---

[58] Some sources (memos, assessments, etc.) include longer lists of "accomplishments" but they are frequently lists of activities with which the OD/CMO was only tangentially involved. The topics described in this volume are limited to those where the D/CMO had an important and significant role.

Figure 3 illustrates the changes over time in both personnel and funding. It differentiates between funding type: operations and maintenance (O&M) mission, research, development, test and evaluation (RDT&E), and O&M reform.
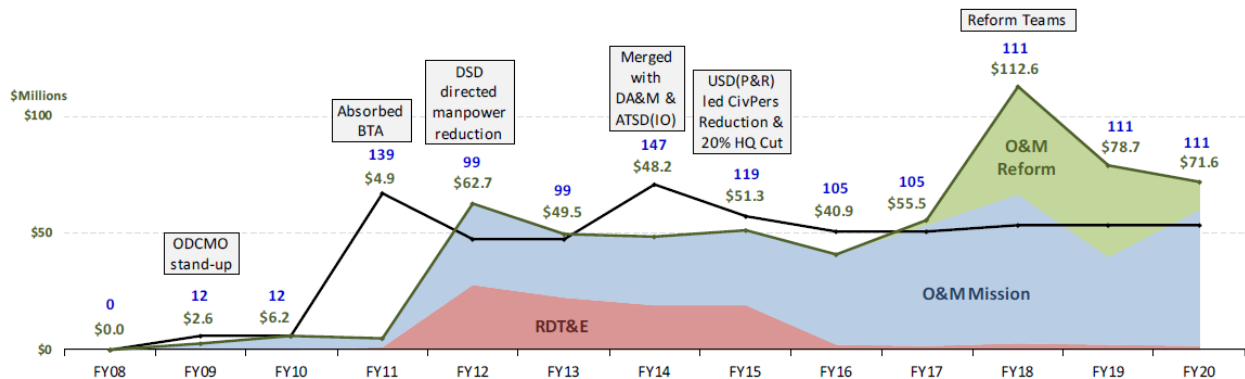
Note: **Workforce** and **Funding ($M)** (excludes civilian personnel and military personnel funding)
Source: Defense Business Board, *The Chief Management Officer of the Department of Defense: An Assessment*, June 1, 2020, Tab F.

Figure 3. OD/CMO Resource Profile

Over the course of its existence, the OD/CMO experienced leadership turnover and uncertainty. Four of the six D/CMOs were presidentially appointed, U.S. Senate-confirmed (McGrath, Levine, Gibson, Hershman) and two others served as either official acting and/or performing the duties of the CMO (Tillotson and Scheid). But over the OD/CMO existence, it was led nearly 50 percent of the time by these same persons either acting or "performing the duties of" (PTDO) while a D/CMO nominee was sought.

The average time each served in the office was 24 months with an average term (as DCMO, CMO, acting, or PTDO) of 10 months.[59] In addition to frequent changes in the position of the D/CMO, key actors across the Department and in Congress also turned over regularly, creating changing dynamics in personalities, expectations, and support for the office (as described in subsequent sections). Figure 4 illustrates the turnover in key positions from 2007-2021 to provide a perspective on the composition of the leadership team during the tenure of any D/CMO.

---

[59] DBB, *The Chief Management Officer of the Department of Defense: An Assessment*, Tab H, slide 172. The term in office is defined as a change in incumbent or status (e.g., DCMO to CMO or Acting to PTDO). Both of these averages drop considerably if you exclude Beth McGrath's term. The average time is how long a person was in the office, whereas "term" is how long a person held a specific title.

CY	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
SASC	Levin / McCain (Inhofe 2014)							McCain/Reed			Inhofe/Reed			Reed
HASC	Skelton/McKeon			McKeon/Smith				Thornberry/Smith				Smith / Thornberry		
POTUS	Bush	Obama								Trump				Biden
SD	Gates	Gates		Panetta		Hagel		Carter		Mattis		Shanahan	Esper / Miller	Austin
DSD	England	Lynn			Carter		Fox	Work		Shanahan		Norquist		Hicks
D/CMO		McGrath		McGrath			Scheid / Tillotson		Levine	Tillotson		Gibson	Hershman	
A/DCMO	McGrath		Wennergren			Scheid		Tillotson				Hershman		Whitley
USD(C)	Jonas	Hale						McCord		Roth	Norquist		McCusker/Harker	McCord
CAPE	Berkson	Fox				Comes		Morin		Comes	Daigle		Brumer/Whitley/Nogueira	Blume
CIO	Grimes	Roby		Takai			Halvorsen			Zangardi/Miller	Deasy			Sherman
CY	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021

KEY: Acting/PTDO   Democratic Leadership   Republican Leadership
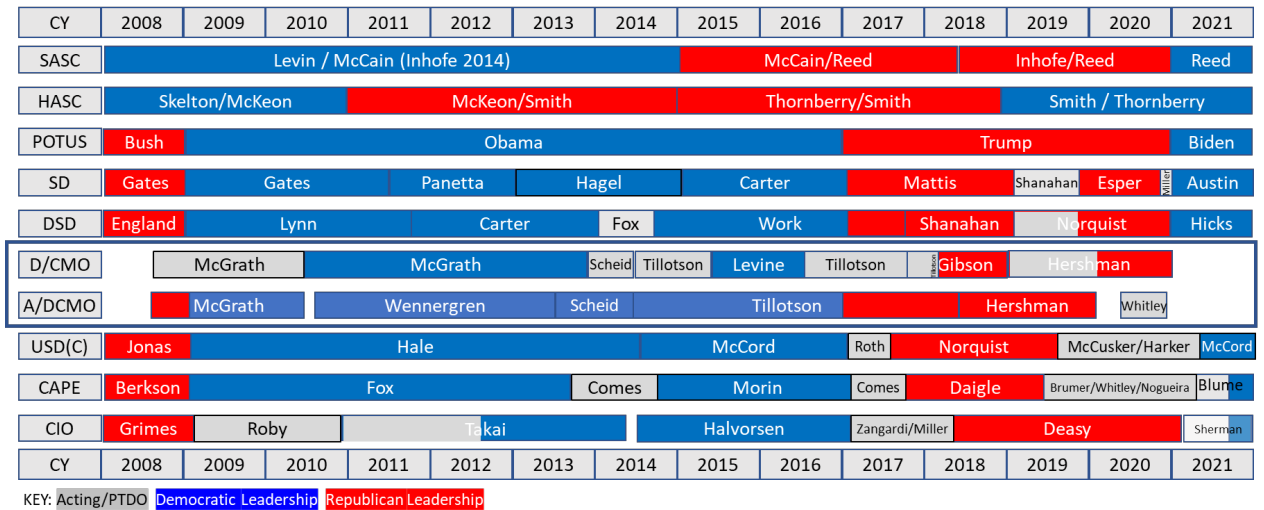
Figure 4. Key Leadership 2008-2021

The turnover in key leadership illustrated in Figure 4 influenced developments throughout the history of the D/CMO in performance of its statutory responsibilities. Among other things, this frequent turnover made it more difficult to establish a strong partnership between the D/CMO and the Deputy Secretary (or Secretary). Examples of this are detailed throughout the following sections.

B.   2008-2013 – Beth McGrath

The Honorable Elizabeth (Beth) McGrath (Figure 5) was the Department's first DCMO and by far the longest-serving top official in the DCMO or CMO roles. Ms. McGrath was named as ADCMO upon the initial establishment of the OCMO in October 2008. As only a few months remained in President Bush's administration, no nomination to the DCMO job was made at that time, and Ms. McGrath was PTDO DCMO in addition to serving as ADCMO.

While Robert Gates remained as SECDEF across the presidential transition, the new Obama administration made no nomination of a permanent DCMO for over a year. Ultimately, Ms. McGrath was that nominee and was finally confirmed as the first

Figure 5. Beth McGrath DOD DCMO

DCMO in June 2010. She continued to serve in the role until November 2013, when she left government for a private sector role; her tenure lasted a little over five years.

Prior to her initial appointment, Ms. McGrath was the Assistant Deputy Undersecretary of Defense (ADUSD) for Business Integration, served as an executive in the Defense Finance Accounting Service (DFAS), was manager of the Business Management Modernization Program, and had various business and acquisition roles in the Department of the Navy.

29

1. **Major Events and Changes to the Office**

As PTDO DCMO, Ms. McGrath oversaw the initial launch of the Office of the DCMO (ODCMO) in October 2008. At the beginning, the office was small, with a budget of only $2.6 million and authorized staff of 12. Outgoing Deputy Secretary Gordon England designated its original organization to align with his four management pillars of Business and Systems Transformation, Performance Improvement/Assessment, Corporate Support, and Institutional.[60]

The role of the DCMO was first expanded in October 2008 with passage of the FY2009 NDAA (PL. 110-417, Section 904), which added the DCMO to the membership of the Defense Business System Management Committee and made the DCMO the Vice Chairman of the Committee, under the DSD as chair.[61]

Additional roles and responsibilities for the ODCMO became clearer as the Obama administration political appointees arrived in the Pentagon in 2009. For example, new Deputy Secretary Bill Lynn reassigned leadership for DOD responsibilities under the Government Performance and Results Act (GPRA) from the Comptroller to the DCMO, and also delegated to the DCMO milestone decision authority (MDA) for Major Automated Information Systems (MAIS).[62]

The FY2010 NDAA (PL. 111-84, Section 1003) further expanded the DCMO role by directing it, in consultation with the USD(COMPTROLLER), to develop and maintain the Financial Improvement and Audit Readiness (FIAR) Plan intended to ensure the Department's financial statements were ready for audit no later than September 30, 2017.[63] Importantly, Section 932 of the FY2010 NDAA also created the Defense Integrated Military Human Resources System (DIHMRS) Development and Transition Council to oversee a struggling DIHMRS program (owned by BTA), which is addressed later in the paper.

In 2011, DCMO was designated as the Department's Performance Improvement Officer (PIO). In fact, McGrath became DOD's first PIO in November 2007, in her role as ADUSD (Business Integration).[64] But the 2010 GPRA Modernization Act (GPRAMA) had elevated the stature of the PIO in each federal agency, requiring the position to be a direct report to its

---

[60] DBB, *The Chief Management Officer of the Department of Defense: An Assessment*, Tab F, 3.

[61] Duncan Hunter National Defense Authorization Act for Fiscal Year 2009, PL. 110-417, Section 904, 110th Cong. (October 14, 2008), https://www.congress.gov/bill/110th-congress/senate-bill/3001.

[62] DBB, *The Chief Management Officer of the Department of Defense: An Assessment,* Tab F, 3. MDA for MAIS was subsequently transitioned back to USD(AT&L) in 2013.

[63] National Defense Authorization Act for Fiscal Year 2010, Public Law 111-84, Section 1003, 111th Cong. (October 28, 2009), https://www.congress.gov/111/plaws/publ84/PLAW-111publ84.pdf. The FIAR Plan was later renamed the Financial Improvement and Audit Remediation Plan in section 1002 of the FY2018 NDAA (PL. 115-91).

[64] Jacques S. Gansler and William Lucyshyn, *Defense Business Transformation,* (Washington, DC: National Defense University Center for Technology and National Security Policy, December 2009), 44.

agency's chief operating officer – the DSD, in this case. Hence, McGrath once again became the PIO.

The most significant organizational change for the ODCMO during this period was the 2011 absorption of the remnants of the Business Transformation Agency (BTA). Secretary Robert Gates decided to disestablish BTA as part of his efficiency task force (ETF) efforts to identify overhead savings. Some BTA functions and staff positions were eliminated, but some of its staff, functions, and budgets were transferred to ODCMO. The result was a sudden tenfold increase in ODCMO's staff and budget, from 12 billets at $6 million per year to 139 billets and $63 million per year.[65] ODCMO and BTA had worked closely together prior to the merger, but the former now took on full responsibility for some of the latter's activities, such as Defense Business Systems certification.

The FY2012 NDAA (PL. 112-81, Section 901), enacted in December 2011, significantly revised 10 USC 2222 pertaining to Defense Business Systems, substantially expanding the DCMO's role in the acquisition and investment planning process for Defense Business Systems.[66] In particular, it stated the DCMO "shall be responsible and accountable for developing and maintaining the defense business enterprise architecture as well as integrating business operations."[67]

In January 2013, the FY2013 NDAA (PL 112-239) provided some assistance to the DCMO by giving them greater access to business systems data.[68] Specifically, Section 906 amended 10 USC 2222 to require components to make information on business system investment available to the DCMO.

Beginning in the summer of 2013, Congress began considering the position of the DCMO in DOD top management and exploring other roles of the DCMO. Initially, the Senate introduced a provision in the FY 2014 NDAA (in S. 1197, Section 901) to bolster the DCMO by converting it into the USD(Management) at Executive Level III and dual-hatting the position as the CIO. In this capacity, the new USD(M)/CIO would: 1) serve as the DOD PIO, 2) exercise, in the role of the CIO, ADC over the Information Assurance Directorate of the National Security Agency, and 3) take precedence (in succession) after the USD(Intelligence).[69] The Section 901 provision was not included in the final NDAA.

---

[65] DBB, *The Chief Management Officer of the Department of Defense: An Assessment*, Tab F, 5.

[66] National Defense Authorization Act for Fiscal Year 2012, Public Law 112-81, 112th Cong. (2011), https://uscode.house.gov/statutes/pl/112/81.pdf.

[67] Ibid, Section 901.

[68] National Defense Authorization Act for Fiscal Year 2013, Public Law 112-239, 112th Cong. (2013), https://www.govinfo.gov/content/pkg/PLAW-112publ239/pdf/PLAW-112publ239.pdf.

[69] National Defense Authorization Act for Fiscal Year 2014, S. 1197, 113th Cong. (2013), https://www.congress.gov/bill/113th-congress/senate-bill/1197/text.

2. Leading Initiatives

During McGrath's term as DCMO, the office undertook several initiatives (in addition to routine operations performed by the OCMO). Leading initiatives included:

- *Defense Business Systems*. The principal focus area of the ODCMO in its initial years was oversight of defense business systems (DBS). (This subject is also addressed in more detail in Section 5.B.) The new office had authority for certification of new business systems across the Department. The applicable statute (Section 2222 of Title 10) provided that any defense business system modernization expenditures in the Department in excess of $1 million over the FYDP required approval by OSD.[70] DCMO was designated as the vice chair (under the Deputy Secretary) of the Defense Business Systems Management Committee (DBSMC) as a means and venue for executing this responsibility. DCMO's role in this area also expanded over time during McGrath's tenure, as the office became the MDA for MAIS and then took over residual BTA functions. Carrying out these responsibilities required developing a new process for reviewing defense business systems. This, in turn, required refining existing approaches to understanding the wide range of relevant systems as a portfolio and gaining visibility in Department-wide activities and programs.[71] McGrath's office also devised a new process for conducting DBS investment reviews, standing up the Investment Review Board (IRB).

- *Support to Financial Audit*. Another key early initiative in the office was assisting the Comptroller with audit improvement efforts. As Congress had directed, DCMO was partnered with Comptroller in developing and executing the new FIAR plan.

- *Strategic Management Plan*. McGrath and her team also invested considerable effort in further development of DOD's Strategic Management Plan (SMP), the first of which was published shortly before the creation of the DCMO.[72]

- *DOD-VA Electronic Health Records*. Another challenging and relatively high-profile initiative involving ODCMO during this period was collaboration with the Department of Veterans Affairs (VA) on improving DOD-VA data sharing and interoperability of electronic health records.[73]

- *Security Clearance Process Reform*. McGrath inherited ongoing work aimed at improving security clearance investigations and processing, for which large backlogs

---

[70] U.S. Code, Title 10, Sec. 2222.

[71] Interview with former DCMO Elizabeth McGrath.

[72] See Department of Defense, *Strategic Management Plan*, July 2009.

[73] DBB, *The Chief Management Officer of the Department of Defense: An Assessment*, Tab H, 177.

had accumulated. As a result of these challenges, DOD's security clearance process had twice been flagged by GAO on its high-risk areas list in 2005 and 2007.[74]

3. Challenges and Successes

During McGrath's inaugural tenure, ODCMO experienced a range of challenges and successes. Some challenges were unique to the time and circumstances and others would endure for the office and its successors. Notable challenges included:

- *Establishing the organization.* The first—and perhaps most enduring—challenge confronting the ODCMO at its inception was carving out a role for itself and proving its worth with Departmental leadership who had opposed its creation in the first place. This is not to say that the Secretaries and Deputy Secretaries during this time were hostile to the office, but neither had they sought its creation. Moreover, the office had to build from scratch the relationships with the key stakeholders across the enterprise— both in the MILDEPS and among the PSAs in OSD—that would be necessary to give relevance to the office's new authorities. In the first year of McGrath's tenure, she had not only a small staff, but also relatively light guidance from the Deputy Secretaries, given the transition of presidential administrations.

- *Maintaining senior leader interest in business systems oversight.* The office's early focus on business systems had a downside. In light of the $1M programmatic threshold for triggering the DCMO DBS reviews, the deliberations at the DBSMC and related forums ended up focused much of the time on relatively technical issues on relatively small programs. As a result, senior leaders in OSD and the MILDEPS soon delegated their participation in the process to more junior members of their staff. And in this sense, the choice of focus on DBS review and approval made it challenging for the ODCMO to also pursue a broader enterprise reform agenda of the sort envisioned by the office's Congressional architects.

- *Limited resources to exert influence.* Another episode indicative of the new office's challenge in establishing its bona fides with Department leadership was the Efficiency Task Force launched in 2010. The work was aimed at finding ways to save money through more efficient management practice and organization, particularly in "overhead" functions. Secretary Gates assigned leadership for this effort to CAPE. Based on its mission, ODCMO would have been a logical choice for this role, but its limited capacity and institutional power likely convinced Gates that the office would not have been effective in the role.

In spite of these limitations, the office enjoyed some successes during this period. Notable examples include:

---

[74] Gansler and Lucyshyn, *Defense Business Transformation*, 88.

- *Establishing business systems oversight role.* Needing to be selective in areas of focus, and having a strong background in business systems, McGrath invested particular effort in the DCMO's responsibilities in building the new investment review board process for DBS. In concert with key partners, such as CIO, BTA, and the Service DCMOs, McGrath achieved early successes in this area.

- *New functional strategies and business enterprise architecture.* Another achievement from this period was development of functional strategies for modernization and a business enterprise architecture. While they proved to be relatively short-lived, the office's leadership saw these new frameworks as enabling greater unity of effort among stakeholder organizations for assessment and collaboration in cross-cutting functional lanes (e.g., personnel, health).[75]

- *Security clearance process reform.* McGrath also scored some successes in a long-standing business process nettle – security clearance investigation processes. Reform of the process was underway prior to the creation of the DCMO, but McGrath and the BTA helped manage that reform, and by 2010 could report that, "in 2005, the average time for the fastest 90 percent of initial clearances took 265 days. Today, that number is below 60. Additionally, in 2006, the backlog of pending clearance investigations stood at almost 1,000 cases. Today, that backlog is gone."[76]

- *DAI implementation.* A final success worth noting is the successful implementation of the Defense Agencies Initiative (DAI) enterprise resource program (ERP). The DAI program was run by BTA and developed to create a standard system for management of end-to-end financial management processes across many or all of the Department's defense agencies and field activities (DAFAs).[77] As with security clearance process reform, DAI development was advanced prior to the creation of the DCMO. But its successful rollout and adoption across multiple agencies was managed by BTA during the period that it was aligned with, and subsequently absorbed within, ODCMO. It stood as what one interviewee described as the "primary success story" of the BTA during this period.[78]

4. Summary

As the first and the longest-serving leader of the D/CMO organization, Beth McGrath played a critical role in defining the character of the role. One of the key sources of success she enjoyed was the expertise in DOD business systems that she brought to the job. This helped provide some focus to the office's first initiatives and to advance them in the form of new IRB

---

[75] Interview with former ADCMO David M. Wennergren.

[76] Beth McGrath testimony before the House Armed Services Committee, July 22, 2010.

[77] Gansler and Lucyshyn, *Defense Business Transformation*, 88.

[78] Interview with former BTA Director David M. Fisher.

process for systems approvals. Also critical in this regard was the Section 2222 authorities requiring OSD approval of a wide range of business systems, which brought the key stakeholders to the table.

Beyond business systems, DCMO formal authorities were less clear, which, in combination with minimal initial staff resources, limited the influence of the office. In this regard, McGrath's personal skills and experience were important assets for the office, given extensive career civilian expertise, relationships, and continuity within a relevant portfolio of issues. As one contemporary put it, McGrath's "success [at DCMO] you can attribute in part to her relationships with key individuals, like Bill Lynn, General [James] Cartwright, Bob Hale, the Service CMOs, etc. In the absence of these relationships, there wasn't enough 'umph' behind the [DCMO] position."[79]

The limitations McGrath faced were representative of limitations her successors would also grapple with, to varying degrees. In addition to modest formal authority and staff resources, the influence of the office depended in large part on the orientation and preferences of the Deputy Secretary, which varied considerably.

As McGrath, herself, described, "if anyone went to Bill Lynn to go over my head I knew he would send them back to me. I didn't have that confidence later. . . when Ash Carter was in, I didn't know if I would have top-cover. I didn't have persistent regular accountability. [Stakeholders who dissented at the DBSMC would just say] we don't need this, just go to the DMAG."[80] As the D/CMO experience would continue to make clear, the Deputy's support for the organization and its initiatives was a critical ingredient in overcoming the Department's natural cultural tendencies to resist enterprise-wide initiatives.

C. 2013-2014 – Kevin Scheid

In the summer of 2013, ADCMO Dave Wennergren left his position, and Beth McGrath recruited Mr. Kevin Scheid to take over as ADCMO (Figure 6). Only a few months later, McGrath herself departed government for a private sector job, and Scheid became Acting DCMO. He served in that role (as well as continuing in the Assistant DCMO role) for only six months, departing ODCMO in May 2014.

Prior to joining ODCMO, Scheid was a career member of the Senior Executive Service, and had served in a number of executive positions in government. He came to ODCMO from a senior C4ISR acquisition role in NATO. His most recent DOD position had been as

Figure 6. Kevin Scheid Acting DOD DCMO

---

[79] Interview with former ADCMO David M. Wennergren.

[80] Interview with former DCMO McGrath.

Deputy Comptroller from 2006-2009. Prior to that, Scheid had served in management, acquisition, and budgeting positions with the Office of the Director for National Intelligence (ODNI), the Office of Management and Budget (OMB), and the Central Intelligence Agency (CIA).

1.   Major Events and Changes to the Office

When Scheid first joined the ODCMO, Secretary Hagel had recently concluded the Strategic Choices Management Review (SCMR), which aimed, among other things, to support the Department's continuing efforts to identify cost savings under the constraints of the 2011 Budget Control Act and related sequesters.[81] The SCMR produced two initiatives launched in Scheid's first few months that would come to dominate his brief tenure as the acting DCMO.

First, Secretary Hagel directed a 20 percent cut in "management headquarters spending" throughout the Department.[82] Second, Hagel asked former Secretary of the Air Force Michael Donley to conduct an "OSD Organizational Review," which included assessments of SCMR recommendations on a potential merger of the ODMO, the Office of the Director for Administration and Management (DA&M) and the office of the Assistant to the Secretary of Defense for Intelligence Oversight (ATSD(IO)).[83] Ultimately, the OSD Organizational Review endorsed those recommended mergers and, in December 2013, Hagel approved the recommendations and directed their implementation.

The other most significant development for ODCMO during Scheid's tenure was notable turnover in the Deputy Secretary's role. At nearly the same time that Scheid assumed the DCMO reins from McGrath in late 2013, Ash Carter departed the Deputy position. Former CAPE director Christine Fox was appointed Acting Deputy Secretary on a temporary basis. Fox had very little interaction with Scheid and the ODCMO in her six months as the acting Deputy. She indicated that the office's portfolio of work did not have significant overlap with the relatively short list of her priorities during her tenure or with urgent, emergent issues facing Department leadership at the time.[84]

Then in the spring of 2014, Robert Work was confirmed as Deputy Secretary. Each of the three DSDs had different relationships with, and ideas regarding, the DCMO role. These successive changes in leadership complicated Scheid's ability to position the organization effectively. And, soon after Work's confirmation as Deputy, he decided to re-orient the

---

[81]   Secretary of Defense, "Strategic Choices and Management Review," (memorandum, Washington, DC: Secretary of Defense, March 15, 2013).

[82]   Deputy Secretary of Defense, "20% Headquarters Reductions," (memorandum, Washington, DC: Deputy Secretary of Defense, July 31, 2013).

[83]   Deputy Secretary of Defense, "Terms of Reference for the 2013 OSD Organizational Review," (memorandum, Washington, DC: Deputy Secretary of Defense, August 26, 2013); Eanes, DCMO-CMO evolution, July 31, 2020, 6-7.

[84]   Interview with former Acting Deputy Secretary of Defense Christine Fox.

ODCMO's leadership team, resulting in Scheid's departure, the appointment of David Tillotson as ADCMO, and Peter Levine's nomination as DCMO.

2. Leading Initiatives

During Scheid's term as Acting DCMO, both the tumult of organizational and leadership changes and brevity of his tenure limited the scope of initiatives the office was able to pursue. Examples included:

- *OSD Re-organization*. The office's principal initiative during Scheid's time as DCMO was leading implementation of the one of the key elements of the OSD organizational changes directed by Secretary Hagel in December 2013: specifically, the merger of the ODCMO, itself, with DA&M and ATSD(IO). Acting Deputy Secretary Fox asked Scheid to lead the integration, which was somewhat complicated by some disagreements among the affected staffs on the wisdom of the move.[85]

  Developing Fourth Estate Focus. In early 2014, as Scheid got better oriented to the ODCMO's range of functions and missions, he began to set priorities for the office's future. He developed a proposal for the incoming Deputy Secretary Work that involved enhancing the DCMO's focus on assisting the DAFAs with their management challenges and looking for efficiencies in the Fourth Estate more broadly. This direction was in accord with incoming Deputy Secretary Work's intentions, and Work was favorably disposed toward the proposal in Scheid's first meetings with him, as were Service stakeholders that Scheid engaged.[86] However, in the midst of executing the organizational change, the office was not able to implement any significant, concrete steps in this area before Scheid's departure in May 2014.

- *Exploring a "New" Vision of OSD Management*. When major OSD reorganization decisions were announced in December 2013, they included a "vision" of OSD management as a "single DOD component" with DCMO to play a greater role in their coordination. This vision suggested achieving greater coherence in OSD than might have existed previously among a disparate set of PSAs, each with independent staff responsibilities and distinct organizational cultures. This line of development for the vision fell to the ODCMO, working with the then-independent DA&M. It required five "deep dive" analyses needed to achieve this vision. These included, for example, an independent analytical effort to understand OSD workload, likely as a pre-cursor metric to control the demand for manpower among the various organizations. These analyses

---

[85] Interview with former ADCMO Kevin Scheid.

[86] Ibid.

were begun but ultimately put aside by the then-acting DSD Fox to await endorsement by the incoming DSD.[87] This overall line of effort was not renewed.

3. Challenges and Successes

The period from late 2013 to mid-2014 was a challenging time for the ODCMO.

- *Organizational turbulence.* The turbulence of leadership turnover in the DCMO and Deputy Secretary positions was further accentuated by the simultaneous merger among ODCMO, DA&M, and ATSD(IO).

- *Headquarters cuts.* Those difficulties were also magnified by the strain of finding (and helping to drive) the Secretary's new round of mandated headquarters cuts, which were themselves being levied on top of earlier cuts from the Efficiency Task Force and the budget sequester.

- *Staff morale.* As a result of these factors above, morale in the office did suffer to some degree.[88]

Given the circumstances and brevity of this transitional period, maintaining the office's regular portfolio of activities and beginning the merger with DA&M and ATSD(IO) mark the extent of the office's accomplishments. Progress on management reform initiatives was difficult to come by.[89]

4. Summary

The six months of the ODCMO's history corresponding to Kevin Scheid's tenure as acting DCMO was a transitional period. Multiple factors aligned to constrain the office's capacity for advancing new initiatives proactively. First among these factors was the near simultaneous departure of Beth McGrath and Ash Carter. Another important limitation was the particular set of circumstances of Scheid's elevation to the DCMO role. In the first instance, he was a career civil servant hired by McGrath for the ADCMO position, but was never politically appointed and had no prior relationships with the Secretary, the Deputy Secretary, or the key aides in their front offices. He then had to take over the top role of DCMO after serving for only three months as ADCMO. The combined limitations in experience and relationships among the Department's political leadership was an obstacle in gaining the leadership attention and organizational influence upon which the role depended.

---

[87] Fox, Christine, memorandum to acting DCMO, May 1, 2014, "Interim Implementation Guidance Regarding the Consolidation and Restructuring of Management and Compliance Functions within the Office of the Secretary of Defense."

[88] Interview with former ADCMO Kevin Scheid.

[89] In its table summarizing D/CMO "accomplishments" throughout its history, the 2020 DBB study lists "N/A" for this period. DBB Study, 2020, Tab H, 177.

Also during this period, ODCMO's merger with ATSD(IO) and—especially—DA&M, with all of its operational and regulatory responsibilities, placed heavy demands on Scheid's and the ODCMO staff's time and attention.

D. 2014-2015 – David Tillotson

Mr. David Tillotson has the longest tenure of any senior executive in the Office of the DCMO, and the second longest tenure (after McGrath) as its top official (Figure 7). In an office that existed almost 150 months, Tillotson served 42 of those months as the acting (or PTDO) DCMO, over two extended periods where no confirmed DCMO existed.[90] His two long tours in those capacities were separated by Peter Levine's incumbency during which he continued to serve as the assistant DCMO. Through his entire time in the office, he was a career civil servant, never a political appointee. Tillotson had previously served a long career in government, both in the military and as a civilian. He graduated from the Air Force Academy in 1975, retiring from active duty in 2002, and immediately entered Air Force Senior Executive Service the same year. He served as the first Air Force Deputy Chief Management Officer before being directed into the OSD Office of the DCMO.[91] This section will address Tillotson's first period of service and is followed by discussion of Peter Levine's tenure. After Levine's section, the discussion of Tillotson's ODCMO service will continue.

Figure 7.
David Tillotson
Acting DCMO

1. Major Events and Changes in Office

As was often the case in the history of the DCMO, there were no immediate nominations for a successor after Beth McGrath announced she would step down effective November 30, 2013. The senior DOD leadership within OSD at this time was in transition. When DSD Carter announced in October 2013 he would step down in December, some commentators described it as a move that "rattled an already beleaguered Defense Department."[92] The Department was still operating under the constraints of the 2011 Budget Control Act and government-wide

---

[90] Tillotson actually served a third, short term as acting DCMO in February 2018 when Gibson awaited a second, unexpected confirmation hearing to assume the new statutory position of DOD CMO. Gibson had been confirmed as the final DCMO in November 2017 with the expectation this would allow him to be appointed as the first CMO without a second Senate approval.

[91] Interview with former ADCMO David Tillotson.

[92] Sisk, Richard, "Ash Carter Steps Down as Pentagon's No. 2," *Military.com*, October 10, 2013, https://www.military.com/daily-news/2013/10/10/ash-carter-steps-down-as-deputy-defense-secretary.html.

Sequestration. Secretary Hagel described the time as a period of "unprecedented budget uncertainty."[93]

But a new DSD (Bob Work) was nominated in February 2014, confirmed in April, and sworn in on May 5. Almost simultaneously, DSD Work drafted Tillotson into the position of acting DCMO in May 2014, replacing Kevin Scheid in both the ADCMO and acting DCMO roles. There would be no nomination of a Senate-confirmed DCMO for another 10 months. The immediate issue faced by Tillotson upon entering the ODCMO was the further implementation of Secretary Hagel's OSD Organizational Review decisions, announced in December 2013.[94]

In the changes that followed from Secretary Hagel's 2013 organizational decisions, there appeared a new partnership emerging between the DSD and the ODCMO. Deputy Secretary Work's July 11, 2014 memo, "Reorganization of the Office of the Deputy Chief Management Officer," included a relatively unusual personal endorsement of Mr. Tillotson's position (Mr. Levine had not yet been nominated). The memo stated:

> *"Until a permanent DCMO is confirmed and appointed, Mr. Tillotson will assist me and the Secretary as we expand and strengthen the full-spectrum management of DOD, the Office of the Secretary of Defense, the Defense Agencies, the DOD Field Activities, and other organizations, to enhance Department-wide efficiency and effectiveness. Please give him your full support."*

2. Leading Initiatives

Leading initiatives from Mr. Tillotson's first 10-month tenure as acting DCMO included:

- *Completing OSD Reorganization Decisions*. Mr. Tillotson and the ODCMO played notable roles in implementing OSD reorganization following Mr. Hagel's 2013 decisions.[95] As described in the previous section, Secretary Hagel directed a 20 percent reduction in management headquarters funding by FY2019, including substantial reductions in civilian and contract manpower levels across OSD. These cuts continued Secretary Gates' efficiency initiatives from 2011, followed from the Strategic Choices Management Review conducted earlier in 2013, and were then paired with the OSD organizational changes directed at the end of that year. This included an extensive OSD-level reorganization that eliminated and downgraded many OSD positions. This was

---

[93] Hagel, Chuck, "Statement on Strategic Choices and Management Review," *Real Clear Defense*, July 30, 2013, https://www.realcleardefense.com/articles/2013/07/31/statement_on_strategic_choices_and_management_review_106730.html.

[94] Department of Defense, "Results of the Office of the Secretary of Defense Organizational Review," (memorandum, Washington, DC: DOD, December 4, 2013).

[95] Department of Defense, "Updated OSD Manpower and Spending Controls," (memorandum, Washington, DC: DOD, August 27, 2014).

jointly coordinated by the ODCMO and the ODA&M. Acting DSD Christine Fox described a portion of these overall changes as "intended to empower the ODCMO and provide for better coordination and integration of the Department's business affairs."[96] Acting DCMO Scheid further cited these decisions as bolstering the ODCMO to provide the Secretary and the Deputy Secretary of Defense "full spectrum oversight" of the management activities of OSD, DAFAs, and the larger Department.[97] These final broad decisions began a series of narrower implementing alternatives and analyses led partly by the ODCMO. Implementation was first begun under Mr. Scheid, but were completed after Tillotson assumed the office.

- *DCMO Reorganization*. Secretary Hagel's December 2013 reorganization decision directed consolidation within ODCMO of selected OSD-level Intelligence Oversight activities and the diverse responsibilities of the Director of Administration and Management.[98] ODCMO responsibilities now included oversight of the Washington Headquarters Services and the Pentagon Force Protection Agency. The merger of most DA&M functions into DCMO appears to have further changed the tenor of the office from its past absorption of the BTA. Implementing decisions for the DCMO reorganization were announced in July 2014 for completion by January 1, 2015. These included the reduction of 16 civilian positions in accordance with overall OSD reductions.

3.   Challenges and Successes

In pursuit of its objectives, the ODCMO experienced both challenges and successes under Tillotson's first term as acting/PTDO DCMO. They included:

- *DCMO Endorsement*. Secretary Hagel's 2013 organizational decision included a clear endorsement of the office of the DCMO and its emerging role.[99] This endorsement and the directed 2014 CMO reorganization, along with the apparent personal selection of Mr. Tillotson as the assistant DCMO, seemed to promise a new level of prominence of the ODCMO in the management plans of the DSD. Interviews suggest this support was more than on paper: One interview said, "Tillotson would unilaterally take something

---

[96]   Fox memo, May 1, 2014.

[97]   Scheid/Rhodes memo, December 16, 2013.

[98]   Department of Defense, "Reorganization of the Office of the Deputy Chief Management Officer," (memorandum, Washington, DC: DOD, July 11, 2014).

[99]   From "Results of the Office of the Secretary of Defense Organizational Review" memorandum: "The Deputy CMO is the Principal Staff Assistant and advisor to the Secretary and Deputy Secretary of Defense for full spectrum oversight, at both the OSD and DOD levels, of management and administration, coordination and collaboration across DOD Components and business functions, performance improvement, and regulatory compliance."

from someone and they would go to DSD Work and he would always back up the DCMO. People quickly learned the Deputy always backed Tillotson up so [going over his head] wasn't going to work."[100]

- *ODCMO Coordinated DBB Study*. In October 2014, the ODCMO developed Terms of Reference (TOR) for an ambitious study by the Defense Business Board (DBB). The DBB consists of volunteer, private sector executives who provide a business orientation for the analysis of sensitive DOD issues.[101] The proposed study was entitled, "Transforming DOD's Core Business Processes for Revolutionary Change" and was approved by DSD Work the same month. The DBB and its contract analysts reportedly used data provided by the ODCMO to produce their study.[102] The DBB suggested extensive DOD business process redesign based on commercial standards. It concluded DOD could made significant savings in "back office" business-like functions such as logistics and supply chain management, acquisition and procurement, or real property management. The DBB briefed the expansive results to senior DOD leadership, but in general the savings were judged largely unrealistic for the government environment. The DBB published the study results for its public meeting on January 22, 2015, but the effort gained wider attention in December 2016 during Mr. Tillotson's 2016-17 tenure as PTDO DCMO.

- *Limited Post-Reorganization Tasking.* Until Mr. Levine was nominated in March 2015, the available historical record includes limited direct major taskings from Secretary Work.[103] Much of it consists of consolidation of the DA&M and the former ATSD(IO) into the new organization of the DCMO. Given the relatively limited attention that senior leadership had generally provided to ODCMO up to this point, this new formally announced relationship offered new hope for relevance in DOD reform and management. This must be counted as signal success for Mr. Tillotson's 12-month tenure.

---

[100] Interview with former Chief of Staff to the CMO Tom Mooney.

[101] In accordance with the provisions of the Federal Advisory Committee Act (FACA) of 1972 (5 U.S.C., Appendix, as amended), the Federal Advisory Committee Management regulations (41 C.F.R. Part 102-3), and Department of Defense Instruction (DODI) 5105.04, "Department of Defense Federal Advisory Committee Management Program, dated August 6, 2007, you are hereby appointed as an Alternate Designated Federal Officer (DFO) for the DBB."

[102] Craig Whitlock and Bob Woodward, "Pentagon buries evidence of $125 billion in bureaucratic waste," *The Washington Post*, December 5, 2016, https://www.washingtonpost.com/investigations/pentagon-buries-evidence-of-125-billion-in-bureaucratic-waste/2016/12/05/e0668c76-9af6-11e6-a0ed-ab0774c1eaa5_story.html.

[103] This is not to claim there were actually only limited taskings directly from the DSD, but rather that the available record does not include much evidence of it.

4. Summary

Despite suggesting a period of administrative consolidation in Mr. Tillotson's first period of service, the evidence from this time suggests a nascent partnership between the office of the Deputy Secretary and a re-organized ODCMO. The office effectively received a new internal organizational charter with the re-organization of 2014 and the apparent partnership with the DSD. Some study interviews of other periods suggested DSDs looked past the ODCMO to solve their day-to-day issues. In contrast, it appears the OSD reorganization studies started under Secretary Hagel elevated and reoriented the ODCMO towards a greater role within OSD and the Defense-wide management portfolio. In a period dedicated to reducing DOD costs, all business activities within DOD—not just defense-wide—came under greater scrutiny. The ODCMO re-organization appeared poised to contribute to that effort as an active player in reform and budget cutting activities.

E. 2015-2016 – Peter Levine

The Honorable Peter Levine served as DOD's second Deputy Chief Management Officer from May 2015 until April 2016 (Figure 8). In April 2016, Mr. Levine became Acting USD(Personnel and Readiness). He continued to encumber the position of DCMO until January 2017. During that time, the ADCMO, Mr. David Tillotson, performed the duties of the DCMO.

Figure 8. Peter Levine DOD DCMO

Prior to his appointment as DCMO, Mr. Levine served on the staff of the Senate Armed Services Committee (SASC) from August 1996 to February 2015. During that time, he served two years as Staff Director, eight years as General Counsel, and eight years as minority counsel. Mr. Levine also served as counsel to Senator Carl Levin of Michigan and as counsel to the Subcommittee on Oversight of Governmental Management, under the Senate Committee on Governmental Affairs. It was based upon his knowledge and experience on the SASC that Deputy Secretary Robert Work, who had worked with Mr. Levine when the Deputy was the Under Secretary of the Navy (and the Navy's Chief Management Officer), asked Mr. Levine to serve as the DOD DCMO.

1. Major Events and Changes to the Office

Although there were no major changes to the ODCMO during Levine's tenure, there were several legislative changes that influenced the character of the office and its responsibilities. Notably, the FY2016 NDAA (PL. 114-92) introduced several provisions that directly affected the ODCMO.[104]

---

[104] National Defense Authorization Act for Fiscal Year 2016, Public Law 114-92, 114th Cong. (2015), https://www.congress.gov/114/plaws/publ92/PLAW-114publ92.pdf.

First, Section 346 ("Reduction in amounts available for Department of Defense headquarters, administrative, and support activities") required the SECDEF to achieve $10 billion in cost savings to headquarters, administrative, and support activities over five years (FY2015 to 2019). It also directed reductions to headquarters of 25 percent by FY2020 (adding 5 percent to the 20-percent reductions already directed by Secretary Hagel). It also called upon the DOD to conduct a comprehensive review of headquarters and administrative support activities (informally referred to as the "Goldwater-Nichols Review").

Next, Section 883 ("Streamlining of requirements relating to defense business systems") amended 10 U.S.C. 2222 by establishing the Defense Business Enterprise Architecture and requiring the DCMO to manage it. The section also required the establishment of a Defense Business Council, co-chaired by the DCMO and CIO, with membership to include the CMOs of the Military Departments, USD(AT&L), USD(COMPTROLLER), and USD(P&R). It also established a new certification and approval process for defense business systems naming the DCMO as the initial approval official for any covered defense business system supporting more than one Military Department or DAFA.

Finally, Section 889 ("Unified information technology services") required the DCMO, CIO, and USD(AT&L) to complete a business case analysis to determine the most effective and efficient way to procure and deploy information technology (IT) services.

2.   Leading Initiatives

During Mr. Levine's term as DCMO, the office undertook several initiatives (in addition to routine operations performed by the ODCMO). Leading initiatives included:

- *Civilian Hiring Process Improvements*. The civilian hiring process in the DOD had evolved to a state where its timelines had grown and delays were "negatively impacting recruitment and retention."[105] To address this, the ODCMO conducted a review through 2015 to identify ways of re-engineering the civilian hiring process as it related to the OSD Principal Staff Assistant organizations and the broader WHS-serviced population. The objective of the review conducted from July-October 2015 was to identify a more effective and efficient way to structure the process to meet or exceed OPM's 80-day model to attract, hire, and retain top talent.

  A particular area of emphasis during the review was the Department's Priority Placement Program (PPP). The PPP is an automated program to assist in the placement of employees adversely affected by actions such as Reduction-in-Force, base closures, realignments, consolidations, contracting out, position classification decisions, rotation

---

[105] According to an ODCMO review conducted in 2015 and presented to the Defense Business Council November 3, 2015. As described in a memorandum from the DCMO to the Defense Business Council, "Summary of Defense Business Council Meeting on November 3, 2015," November 16, 2015.

from overseas, and transfer of function.[106] The DCMO found the process to be time-consuming, delaying hiring of qualified candidates, and making it difficult to hire the best qualified candidates, which made the PPP ripe for re-engineering.[107]

The efforts of the ODCMO supported by the working group resulted in a modified civilian hiring process that streamlined the overall process addressing the challenges that were identified.[108] The transition of the GS civilian hiring was completed in September 2017.[109] In addition, the recommendations pertaining to the PPP were advanced as pilot initiatives and also informed courses of action the USD(P&R) developed for improving the program.[110]

- *Goldwater-Nichols Review*. As part of his institutional reform agenda and in response to the FY2016 NDAA, in December 2015 Secretary Carter directed the DCMO to lead a review of organizations and responsibilities of the DOD (referred to as the "Goldwater-Nichols Review).[111] The objective of the review was to make recommendations for updates or adjustments to organizational relationships and authorities based on the Department's 30 years of experience since the Goldwater-Nichols Act. To accomplish this, the DCMO was tasked to work with the Director, Joint Staff J7 (LtGen Thomas Waldhauser) and others throughout OSD and the Joint Staff, to perform the review that was to be completed by March 2016.

  The review was organized around five working groups: 1) optimization of command and control relationships to meet current and future security challenges, 2) improved coordination and elimination of overlaps between OSD and the Joint Staff, 3) the possible stand-up of CYBERCOM as a unified combatant command, 4) potential improvements to the requirements and acquisition decision making process, and 5)

---

[106] Department of Defense, *Priority Placement Program Handbook*, (Washington, DC: DOD, November 2019), https://www.dcpas.osd.mil/sites/default/files/2021-09/PPP%20Handbook%20-%20Nov%202019.pdf.

[107] According to DCMO memorandum to the Acting under Secretary of Defense for Personnel and Readiness, "Department of Defense Priority Placement Program," December 1, 2015.

[108] See Department of Defense, "Business Reference Model: General Schedule – Time-to-Hire," January 11, 2016, Version 2.7.

[109] See DCMO memorandum to the Defense Business Council, "Summary of Defense Business Council Meeting on April 5, 2016," April 18, 2016.

[110] See DCMO memorandum to Acting USD(P&R), "Priority Placement Program Recommended Course of Action," February 5, 2016.

[111] Named after the 1986 Goldwater-Nichols Defense Reorganization Act which, among other things, strengthened the role of the Secretary of Defense along with the Chairman of the Joint Chiefs of Staff. For more details, see Clark Murdock, Beyond Goldwater-Nichols: Defense Reform for a New Strategic Era," Center for Strategic and International Studies, March 2004, 14-18, https://csis-website-prod.s3.amazonaws.com/s3fs-public/legacy_files/files/media/csis/pubs/bgn_ph1_report.pdf.

increased flexibility in law and policy governing joint duty assignments.[112] It yielded a series of recommendations that were presented to the Secretary of Defense and his leadership team.

The resulting recommendations were responsible for motivating several changes throughout the Department that were also accompanied by relevant statutory changes from Congress.[113] For example, the review recommended strengthening the CJCS capability to support the Secretary in the management, planning, and execution across the Combatant Commands, which was later implemented by assigning the CJCS the role of advisor on "global military integration."[114] The review also recommended that Cyber Command be elevated to a unified combatant command, a decision that was implemented in 2017.

- *Defense Resale Optimization*. The DOD had been considering ways to achieve efficiencies in its commissaries and exchanges, but the FY2016 NDAA forced the issue when it "mandated DOD to provide a comprehensive plan to achieve 'budget neutrality.'"[115] Indeed, proposals in the FY2015 and FY2016 Pentagon budgets aimed to "slash taxpayer support of the Defense Commissary Agency (DeCA) by as much as $1 billion a year within two or three years."[116] As these were rejected by Congress, the DOD continued to explore options for achieving efficiencies, to include merger of the commissaries as recommended by the Military Compensation and Retirement Modernization Commission.[117]

  The DCMO established a working group to evaluate a range of options including: 1) empowered governance with focused goals, 2) aligning accounting and review accruals, 3) moving DeCA to a non-appropriated funds business model, and 4) extended services,

---

[112] According to a DCMO memorandum to the Secretary of Defense, "Progress Report on Goldwater-Nichols Review," February 2, 2016.

[113] For more details, see DCMO memorandum to the Secretary of Defense, "Goldwater-Nichols Working Group Recommendations," March 2016.

[114] See "Chairman: Functions" 10 U.S.C. 153 for more details on global military integration, https://uscode.house.gov/view.xhtml?req=granuleid:USC-prelim-title10-section153&num=0&edition=prelim.

[115] Government Accountability Office, *DOD Commissaries and Exchanges: Plan and Additional Information Needed on Cost Savings and Metrics for DOD Efforts to Achieve Budget Neutrality*, GAO-17-38, (Washington, DC: GAO, November 2016), https://www.gao.gov/assets/gao-17-38.pdf.

[116] Tom Philpott, "Department of Defense Plan Puts Commissaries at Risk," *Montgomery Adviser*, October 29, 2015, https://www.montgomeryadvertiser.com/story/news/local/dispatch/2015/10/29/dept-defense-plan-puts-commissaries-risk/74795144/.

[117] Defense Technical Information Center, *Military Compensation and Retirement Commission Final Report*, (Fort Belvoir, VA: DTIC, January 2015), 5, https://dair.nps.edu/bitstream/123456789/3557/1/SEC809-RL-15-0441.pdf.

among other ideas.[118] Based upon their deliberations and the decision of the Defense Business Council, in February 2015 the DOD established a new Defense Resale Business Optimization Board to achieve savings in the operations of commissaries and exchanges. It would accomplish this with improved business practices and efficiencies, and one of its early initiatives was to experiment with new pricing models in the commissaries.[119] Despite the 10 months of effort and early successes, the issue took seven years to reach closure and just recently "collapsed" with no clear solution in sight.[120]

- *Service Requirements Review Board (SRRB)*. The Fourth Estate organizations maintain services contracts collectively amounting to several billions of dollars annually. The Military Departments had long maintained boards to review their contracts to ensure efficiency and alignment, and the DCMO determined the Fourth Estate needed the same. Therefore, in December 2015, the DCMO established an SRRB for the Fourth Estate to "improve the outcomes of contracted services" and review contracted efforts with a value above $10 million annually.[121] The objective of the SRRB was to ensure DOD service requirements meet minimum mission needs, identify unneeded or low priority requirements, align funding to requirements, and realize savings.

  The review started in December 2015 and first targeted organizations in the Fourth Estate with the highest spending in order to influence the FY2017 budget; the review then continued through 2016 with the remaining organizations. During Mr. Levine's tenure, five SRRBs were conducted and a savings of $50.5 million was identified for the FY 2017 budget.[122]

- *Major Headquarters Reductions*. Responding to the FY 2016 NDAA (P.L. 114-92), the DOD had to achieve a 25 percent reduction to headquarters by FY 2020. It determined this was to include the 20 percent reduction already directed by Secretary Hagel two years prior. To accomplish this, the DCMO led a DOD-wide effort to define "major

---

[118] According to a DCMO memorandum to the Defense Business Council, "Summary of Defense Business Council Meeting on May 5, 2015," May 19, 2015.

[119] Karen Jowers, "New Commissary Pricing Models to be Tested," *Military Times*, January 4, 2016, https://www.militarytimes.com/2016/01/04/new-commissary-pricing-models-to-be-tested/.

[120] Interview with a former DCMO.

[121] See DCMO memorandum to DOD (selected distribution), "Service Requirements Review Board Implementation for the Department of Defense Fourth Estate," December 22, 2015.

[122] See DCMO memorandum to the Defense Business Council, "Summary of Defense Business Council Meeting on March 8, 2016," March 30, 2016. As stated, the savings reported are for FY 2017. Overall savings for the SRRB effort through 2021 were reported to be $1.9B, according to Department of Defense information paper, "DOD Efficiency Initiatives—FY2017 Budget," undated.

headquarters activities" which described what was included and excluded.[123] This was required because earlier cuts had been taken in parts of organizations not traditionally defined as headquarters.

To accomplish this, the DCMO identified targets for affected organizations and required them to submit plans. These plans were then negotiated to achieve reductions that met the target. In doing so, the DCMO worked with OSD(CAPE) to generate estimates of the cost savings that would result from the reductions. In the end, the reductions resulted in an estimated dollar savings of approximately $1.4 billion in the FY 2017-2021 Future Years Defense Program.[124] This was accomplished primarily because the DCMO operated in "lock-step" with the DSD and had his support at every stage.[125]

- *Other leading initiatives*. In addition to those above, several other leading initiatives were pursued by the ODCMO during Mr. Levine's tenure including: 1) organizational delayering—achieving efficiency through billet-by-billet reviews, rationalization of supervisory spans of control, realignment of organizational structures to match mission, among other actions, 2) military integrated personnel and pay process—providing a simplified financial reporting environment, with better cash accountability and timely and accurate payroll, and 3) Fourth Estate business operations improvements— implementing a more disciplined implementation of business systems improvements to achieve a better return on IT investments.

3. Challenges and Successes

The ODCMO under Levine continued to encounter a similar bureaucratic environment as did his predecessors. That is, it was a new office, imposed by Congress, still working to define its role in the Pentagon. Key stakeholders across OSD and the Services continued to engage with the ODCMO, while being wary of potential (perceived) overreach.

In pursuit of its objectives, the ODCMO experienced both challenges and successes under Levine. Notable challenges included:

- *Inability to obtain transparency in acquisition data*. Senior DOD leaders are routinely making decisions that could be greatly informed by visibility into acquisition data. Therefore, one of Mr. Levine's priorities was to gain greater visibility into the data so senior leaders could draw upon common data sets. However, he was unable to improve visibility because the USD(AT&L), Mr. Frank Kendall, assigned the matter to his staff

---

[123] The concept for what constituted major headquarters activities was provided in a Deputy Secretary memorandum to the DOD, "Cost Reduction Targets for Major headquarters," August 24, 2015.

[124] According to DCMO memorandum for Defense Business Council Members, "Summary of Defense Business Council Meeting on March 8, 2016," March 30, 2016.

[125] Interview with former DCMO Peter Levine.

and believed his office could better handle the issue without the assistance of the DCMO.[126]

- *Ran out of time to reform negotiation of position descriptions*. Another initiative that was started during this time, but never completed was an attempt to improve civilian hiring by reforming the process for negotiating position descriptions. This process added considerably to the overall hiring timelines and also limited the range of candidates the Department could consider for certain positions. This was a focus area of the ODCMO under Mr. Levine but never achieved major gains simply due to running out of time and the issue not receiving the same attention under his successor.

Notable successes during Mr. Levine's tenure included:

- *Key contributor to SD budget cuts*. Through a range of initiatives addressed above, the DCMO successfully contributed to the Secretary's budget priorities. It did this through major headquarters reductions, service contract reviews for the Fourth Estate, and improved business operations for the defense commissaries and military exchanges.

- *Defining Management Headquarters*. As part of the larger effort to reduce major headquarters across the Department, the ODCMO spent considerable time defining what constituted "Major DOD Headquarters Activities." It developed a framework that defined headquarters elements, non-headquarters elements, and organizations excluded.[127] The framework was developed by working with Washington Headquarters Services and others across the Department to create a common understanding of headquarters elements. It served as an important basis for the overall headquarters reduction efforts.

4. Summary

Mr. Levine's tenure as DCMO experienced both successes and challenges, but was markedly different than that of his predecessor as a Presidentially Appointed, Senate-Confirmed (PAS) DCMO. Ms. McGrath's ODCMO focused largely on business system transformation, but Mr. Levine addressed a wider range of defense management issues.[128] Some of these issues included improving DOD hiring procedures, conducting a review of Fourth

---

[126] Ibid.

[127] According to a Deputy Secretary of Defense Memo to select DOD leadership, "Cost Reduction Targets for Major Headquarters," August 24, 2015.

[128] This is explained by both the expertise that each brought to the position—Ms. McGrath in business systems and Mr. Levine in broader defense management—and the time they assumed the position, with Ms. McGrath as the first office holder with a clear charter from Congress to focus on business systems. Based upon an interview with a former senior official in USD(Comptroller).

Estate service contracts, and seeking major DOD headquarters reductions. Through these initiatives and others, the ODCMO under Mr. Levine succeeded in achieving major savings even while it struggled to see some initiatives to completion due to his relatively short time leading the office.[129]

A major reason for Mr. Levine's successes was the close alignment of the ODCMO with key stakeholders like Congress and the Deputy Secretary during his tenure. As a creature of the Congress (having been created by it just a few years prior), it was important that the ODCMO pursued the agenda set forth by it. In doing so, it garnered support from influential members of Congress; this was not lost on the Pentagon bureaucracy, which was aware of the support. Levine said, "the reason I could get things done is because [Senator John] McCain was behind me with a hammer."[130] Others in the Department shared this view, believing Levine had a charter to introduce major headquarters reduction.[131]

Alignment with the DSD was also important, and Deputy Secretary Bob Work was "invested in making the DCMO position work."[132] This may have been, in part, due to the fact that DSD Work had served as the Navy's Chief Management Officer when he was Under Secretary of the Navy and appreciated the need to focus on defense management. However, under Mr. Levine, alignment of the ODCMO with stakeholders went beyond Congress and the DSD, as one former official noted: "The chain of Work-Levine-Tillotson [as ADCMO]-Halverson [as CIO] was the best."[133] Collectively, the alignment with the range of stakeholders was due largely to the fact that Mr. Levine worked with many of them while on the SASC.

Another important factor during this time was the ability of the ODCMO to overcome the limits of its headquarters staff by leveraging DCMO subunits such as WHS. Levine and others (both inside the ODCMO and outside observers) noted that the ODCMO headquarters staff was limited both in size and expertise—not necessarily having the breadth of expertise required to take on some of the issues facing the office. For example, Mr. Levine found that his immediate staff lacked the expertise to assist with the Priority Placement Program initiative, but he reached into WHS and identified experts in the issue that prepared supporting analysis and issue papers on the subject.[134]

---

[129] Several reports indicate these initiatives saved approximately $5.9 billion over the FYDP, according to a DOD issue paper "DOD Efficiency Initiatives—FY2017 Budget," undated.

[130] Interview with former DCMO Peter Levine.

[131] For example, a former senior OSD official interviewed observed that this was widely known during Levine's tenure.

[132] Interview with former DCMO Peter Levine.

[133] Interview with a former senior OSD official.

[134] Interview with former DCMO Peter Levine.

Lastly, the ODCMO continued to experience difficulty not "owning" anything. That is, aside from the ODCMO components (e.g., DA&M and ATSD(IO)), the office did not control any of the organizations or processes that it was intended to influence. The ODCMO did not control the resources going toward the business systems it was certifying or the DAFAs it was trying to make more efficient (which belong to assigned PSAs). Nor did the ODCMO have a formal role in any of the major DOD resourcing processes such as requirements, acquisition, or PPBE. This lack of formal participation in processes and the lack of "firsthand" knowledge of them detracted from the office's ability to conduct the reform job Congress had assigned it.[135] The only way to overcome this was by exercising influence through the relationship it had directly with the DSD or other key stakeholders throughout the Department.

F.   2016-2017 – David Tillotson

In April 2016, David Tillotson began his second stint as leader of the ODCMO. That month, Peter Levine became acting Under Secretary of Defense for Personnel and Readiness. When Levine was confirmed as DCMO in May 2015, it might have been expected that he would remain in office until January 2017, the end of the Obama administration. With the sudden transfer, however, Tillotson again rose to lead the ODCMO. Levine officially continued to encumber the DCMO position, so Tillotson filled the role this time in "PTDO" capacity. His second period of extended ODCMO leadership came again with Robert Work as the Deputy Secretary. As a career civil servant, Tillotson would continue to serve in the OCMO until the confirmation of Ms. Hershman as Mr. Gibson's deputy in April 2018.

1.   Major Events and Changes to the Office

Discussions of creating a new Chief Management Officer began during Tillotson's first term in 2014, when the SASC introduced a provision for the FY 2015 NDAA (S. 2410, Section 901) to elevate the DCMO by removing the CMO title from the DSD and converting the DCMO into the CMO at an Executive III level. Importantly, the CMO would also serve as the CIO and PIO. This proposal evolved into the establishment of a USD for Business Management and Information (USDBM&I) at the Executive II level in the FY 2015 NDAA (PL. 113-291, Section 901).[136] The position would be established February 1, 2017 (on a two-year delay) and would also serve as the CIO.

During Tillotson's second term, important legislation emerged that would make significant changes within OSD and eventually create the new office of DOD CMO. The SASC leadership had changed with the 2014 mid-term elections, and from 2015 forward, Senator John McCain (R-AZ) had a focus on OSD reorganization that included the DCMO. These congressional changes culminated with legislation that would become the 2017 National

---

[135] Ibid.

Defense Authorization Act (PL 114-328). This ultimately passed in December 2016. Elements of the bill were already visible in 2015 with suggestions for the division of USD(AT&L).

2.   Leading Initiatives

Leading initiatives under Tillotson's second term performing the duties of the DCMO included:

- *Implementing Ongoing Reforms.* Tillotson's second round as DCMO (this time PTDO) continued implementation of Mr. Levine's initiatives. During this period, summaries of Defense Business Council meetings reported 1) the introduction of a new investment review and acquisition process for business systems, as required by the 2016 NDAA;[137] 2) Leased Space Reduction Phase I and II;[138] and 3) Defense Resale Veterans Online Shopping Benefit (VOSB).[139]

- *Coordinating External Change.* When significant new legislation began to emerge from the SASC in May 2016, both Levine (as acting USD(P&R)) and Tillotson were asked by DSD Work to assess the emerging OSD reorganization proposals originating within the SASC. The 2015 NDAA legislation had enacted a new Under Secretary of Defense for Business Management and Information (USD(BMI)). This position would absorb a part of the former USD(AT&L) portfolio and actually play a role in weapon system acquisition. The USD(BMI) concept was considered largely unworkable by the assessment of Levine and Tillotson.

- *Coordinating Legislation.* Despite finding the USD(BMI) concept infeasible, both Levine and Tillotson found intriguing organizational considerations that might otherwise be transferred to a new USD for Management (USD(M)). Coordinating their efforts with DSD Work, their internal review assessed that such an organization, along with absorbing other existing OSD responsibilities, might better address some defense-wide business and support functions. The assessment concluded the emerging USD(M) concept was sufficiently complex that one to two years would be necessary to implement the changes.[140] This concept created the basis for working with Congress in creating the final form of Section 901 of the 2017 NDAA passed on December 23, 2016.

---

[137] Memorandum for Defense Business Council Members, Summary of Defense Business Council (DBC) Meeting on June 14, 2016.

[138] Memorandum for Defense Business Council Members, Summary of Defense Business Council (DBC) Meeting on May 3, 2016.

[139] Memorandum for Defense Business Council Members, Summary of Defense Business Council (DBC) Meeting on December 22, 2016.

[140] Peter Levine (acting USD(P&R), and David Tillotson (ADCMO), "SASC Bill and Proposed OSD Staff Structure Changes," memorandum for Deputy Secretary of Defense [FOUO – Contains Pre-decisional Information], May 13, 2016.

The legislation would require additional coordination with the incoming Trump administration.

- *Data Initiatives*. Other initiatives developed by Tillotson and ODCMO in the final year of the Obama Administration included what would become the Enterprise Cost Management Project. Tillotson described the project as "a financial model to determine what it actually costs to do things to allow people to make resource-based decisions."[141] When the development initiative was completed in early 2017, with Tillotson still serving as acting DCMO, the process was described as "an important multi-year journey toward increased financial auditability and improved resource management." The effort appears to have its origins in a DBB study from early 2015 that proved difficult to implement without, among other things, better internal cost information across the DOD. The initiative defined a common enterprise Cost Decision (CODE) framework that consistently defined major cost activities. DSD Shanahan signed the memorandum on July 13, 2017 and established a Cost Management Executive Steering Committee co-chaired by the OSD(Comptroller) and the DCMO.[142] The CODE framework was to be implemented in major DOD business areas beginning with Real Property management.

- *Beginning CMO Implementation.* Still as the acting DCMO, Tillotson continued to help coordinate implementation of the 2017 NDAA within the new Trump Administration. Passage of the legislation in December 2016 required early decisions by the incoming administration on how to implement the changes. Secretary Mattis was confirmed on January 20, 2017 and he asked outgoing DSD Work to stay on until a replacement was confirmed. With Peter Levine's departure, Tillotson coordinated with Work on further designs of the CMO concept. The legislation required DOD to identify recommended organizational and management structures in an interim report by March 1, 2017 to support additional legislation needed to fully implement the NDAA's Section 901 guidance.

- *Finalizing CMO Legislation.* The March 1 interim report on the 2017 NDAA and Section 901, coordinated by Tillotson, came in a memorandum from Work to the Chairs of the Defense Congressional Committees.[143] The document described creating a position with "responsibilities for Department-wide business processes and more

---

[141] Interview with former ADCMO David Tillotson.

[142] Deputy Secretary of Defense, "Enterprise Cost Management Project," (memorandum, Washington, DC: DSD, July 13, 2017).

[143] Department of Defense, "Interim Report to Congressional Defense Committees on Near-Term Actions Required Pursuant to NDAA 2017," (memorandum, Washington, DC: DOD, February 28, 2017).

focused responsibilities for processes within Office of the Secretary of Defense and defense/field agencies."[144]

- *Total Force Manpower Governance.* A final initiative developed by Tillotson and the ODCMO culminated in a DSD memorandum titled, "Total Force Manpower Governance for the Office of the Secretary of Defense, the Defense Agencies, and Department of Defense Field Activities."[145] This memorandum directed the DCMO to be the single oversight authority for manpower resources within the DAFAs. In addition, a subsequent memorandum directed an organizational evolution among the DAFAs to make exclusive use of Fourth Estate Manpower Tracking System (FMTS) not later than October 1, 2018.[146] The FMTS consolidated multiple, separate manpower accounting systems that had lacked a central coordinating focus now supplied by the ODCMO.

3. Challenges and Successes

The ODCMO experienced both challenges and successes under Tillotson's second term as PTDO/acting DCMO. They included:

- *DBB Public Controversy.* The January 2015 DBB study, "Transforming DOD's Core Business Processes for Revolutionary Change," became controversial almost two years later. In December 2016, the Washington Post headline claimed DOD was "hiding" $125 billion in savings (identified by the study) that otherwise might reduce defense overhead and back office accounts and increase force structure.[147] The nature of the savings and the internal DOD response to the DBB recommendations have already been discussed. The study had been publicly available on the DOD website for the DBB. DBB oversight fell under the ODCMO, and multiple congressional queries required Tillotson to provide a detailed rebuttal of the claims in the newspaper story.[148]

---

[144] Office of the Deputy Secretary of Defense, Department of Defense, *Interim Report Required by Section 901(j)(1) of the 2017 NDAA,* (Washington, DC: DSD, March 1, 2017).

[145] Department of Defense, "Total Force Manpower Governance for the Office of the Secretary of Defense, the Defense Agencies, and Department of Defense Field Activities," (memorandum, Washington, DC: DOD, June 6, 2017).

[146] Department of Defense. "Total Force Manpower Governance for the Office of the Secretary Defense, the Defense Agencies, and DoD Field Activities," (memorandum, Washington, DC: DOD, July 26, 2017).

[147] Craig Whitlock and Bob Woodward, "Pentagon buries evidence of $125 billion in bureaucratic waste," The Washington Post, December 5, 2016, https://www.washingtonpost.com/investigations/pentagon-buries-evidence-of-125-billion-in-bureaucratic-waste/2016/12/05/e0668c76-9af6-11e6-a0ed-ab0774c1eaa5_story.html..

[148] David Tillotson, Acting DCMO Letter to Senator Marco Rubio (R-FL) in response to letter to DSD, April 10, 2017. This letter to Senator Rubio is representative of responses to multiple Congressional inquiries regarding the claims of the December 2016 story in The Washington Post.

- *Cost Models for Savings*. Beyond the DBB challenge there was an area of some success achieved by Tillotson. As context, Tillotson in his interview spoke of a developing cost model that was assisting the ongoing work of ODCMO to find budget savings. But a crucial difficulty of the era was understanding the full cost of organizational activities.[149,150] The budget process arguably balkanizes this data, and it is sometimes difficult to construct full cost accounting within DOD. This differs from financial accounting, which is the current focus of the FIAR "clean audit process." In this vein, Tillotson coordinated another DBB study to address issues of internal DOD cost accounting (*Fully Burdened and Lifecyle Costs of the Workforce*).[151] The effort noted that determining fully burdened and life-cycle cost of each of its category of personnel is a critical factor in decisions needed to reduce DOD overhead. The study purpose rested on the premise that the full cost of DOD labor represented around two-thirds of DOD total cost. The study scope included military, civilian and contracted services. The DBB completed the study in 2018. This effort continued themes first addressed in Tillotson's earlier tenure as acting DCMO with regard to DOD cost accounting.

4. Summary

The development and evolution of the CMO concept before and after the passage of the 2017 NDAA must be counted as a notable occurrence during Tillotson's time in office. Overall, despite his never being nominated as the DCMO, Tillotson's 42-month tenure in the office (across two tours as acting/PTDO DCMO) is an important period in the history of the office. Tillotson offered the office stability over this time along with an ability to work with DSD Work and within OSD. With Secretary Hagel's 2013-14 OSD re-organization, Tillotson's ODCMO was merged with the Directorate of Administration and Management and brought together a broad and diverse portfolio of administrative responsibilities. Over this time, the office had changed in notable ways towards broader management issues from original business systems roots. Finally, and most significantly, Mr. Tillotson as the acting DCMO helped shape the CMO legislation and then transitioned the office into its new role.

---

[149] Interview with former ADCMO David Tillotson.

[150] Interview with former Deputy Secretary of Defense Robert Work.

[151] Defense Business Board, *Fully Burdened and Lifecycle Costs of the Workforce*, (Washington, DC: DBB, FY18), https://dbb.defense.gov/Portals/35/Documents/Reports/2018/DBB%20FY18-01%20FBLCC%20Study%20Final%20(Feb%202018).pdf.

G. 2017-2018 – John Gibson

The Honorable John "Jay" Gibson (Figure 9) entered office in 2017 as the last DCMO. He was recruited for this position by Secretary Mattis with the expectation he would immediately transition to become the first CMO upon that office's official establishment in February 2018, which he did. He then served in that position until leaving government in November 2018. Gibson's career prior to his appointment had mainly been in private sector management positions in a number of industries. However, he also previously served in senior Pentagon roles, as the Air Force Comptroller (Assistant Secretary for Financial Management and Comptroller) and as a Deputy Under Secretary of Defense for Management Reform.

Figure 9. John Gibson DOD CMO

1. Major Events and Changes to the Office

The new CMO office came with high expectations within the new administration and within the Congress for identifying budget savings. OMB generated government-wide savings targets that Mr. Gibson had responsibility for meeting within DOD. Yet, the new office also inherited a complicated set of existing responsibilities from its DCMO past.[152] Separately and more broadly, the new administration froze civilian hiring government-wide and made it difficult to staff the new office commensurate with its expanded responsibilities. It was judged indefensible that the organization responsible for savings would start by expanding its hiring.[153]

In a memo to Secretary Mattis explaining the new CMO reorganization from DCMO, Gibson said, "Because I am the official responsible for driving efficiency and effectiveness throughout the Department, it is incumbent on my organization to lead by example."[154] In Congress, initiatives originating in the HASC proposed outright elimination of seven non-military management agencies in the Fourth Estate. A part of this proposal was elimination of the Washington Headquarters Services (WHS) that had been incorporated into the DCMO Office several years before.[155] Gibson saw his efforts "aligned with the spirit of these

---

[152] Interview with John Gibson. Gibson remarked at the diverse responsibilities he was required to oversee as D/CMO. From interview notes: "So you took an office dramatically expanded in roles and responsibilities. People don't understand: the Pentagon reservation was mine, the water leak on corridor 10 was mine. I owned the building. I owned WHS which was not seen in a popular light. Lots of orphans were slammed together. Then you throw in the real duties of CMO…"

[153] Interview with former Chief of Staff to the CMO Tom Mooney.

[154] Department of Defense, "Office of the Chief Management Officer of the Department of Defense Reorganization Plan," (memorandum, Washington, DC: CMO, July 27, 2018).

[155] Tony Bertuca, "Thornberry faces bipartisan resistance on 'Fourth Estate' Cuts," *Inside Defense*, May 10, 2018, https://insidedefense.com/daily-news/thornberry-faces-bipartisan-resistance-fourth-estate-cuts.

[congressional] goals," but insisted, "the most value and the most synergies [come] from true enterprise-wide reform."[156] In these two approaches, there was an obvious distinction between calls for dramatic and decisive actions to generate savings in contrast with a more measured, deliberate process.

The new CMO responsibilities were further defined in the FY 2018 NDAA (PL. 115-91)[157] in December 2017. In addition to management of enterprise business operations, it added performance measurement and management of shared services by exercising authority, direction, and control over the Defense Agencies and Field Activities. Section 912 also established the CMO as the official with principal responsibility in the DOD for ensuring the availability of common, usable, Defense-wide enterprise data sets for use in managing and improving business operations. Importantly, the FY 2018 NDAA made the CMO an Executive II official and established the CIO as a PAS official.

Confirmed as the CMO in 2018, Gibson was immediately expected to help shape the FY 2020 budget under development in that same year. The 2018 National Defense Strategy (NDS) had articulated an ambitious set of organizational goals. As Deputy Secretary Shanahan would describe the NDS, "the essence of the strategy is we're restructuring the department."[158] The FY 2020 budget would emphasize the transfer of savings from DOD business-type activities into increased combat lethality. DSD Shanahan continued in reference to Gibson, "So, over the course of calendar year '18, that's Jay's primary responsibility – is to help us make those structural shifts." With these high, public expectations, Gibson moved to re-align former DCMO functions, organizing the existing staff into five functional directorates (Transformation, Fourth Estate Management, Data and Metrics, Compliance and Oversight, Shared Services Delivery), each led by an SES.

The FY2019 NDAA (PL. 115-232) continued to expand the CMO's responsibilities through several provisions.[159] Notable among them was, first, Section 921 required the CMO to reform enterprise business operations and also certify 25 percent savings in selected functional areas against a cost framework. This requirement became known as the "921 report" and is also addressed in subsequent sections. Section 921 also established the CMO as the official with principal responsibility for minimizing the duplication of efforts, maximizing

---

[156] Aaron Mehta, "How the DOD's first-ever chief management officer plans to turn cash into military capabilities," *Defense News*, May 22, 2018, https://www.defensenews.com/interviews/2018/05/22/how-the-dods-first-ever-chief-management-officer-plans-to-turn-cash-into-military-capabilities/.

[157] National Defense Authorization Act for Fiscal Year 2018, Public Law 115-91, 115th Cong. (2017), https://www.congress.gov/115/plaws/publ91/PLAW-115publ91.pdf.

[158] Patrick Shanahan, "TRANSCRIPT: Off-Camera, On-the-record Media Availability with Deputy Secretary Shanahan," (Washington, DC: DOD, December 21, 2017), 3, https://www.defense.gov/News/Transcripts/Transcript/Article/1402941/off-camera-on-the-record-media-availability-with-deputy-secretary-shanahan/.

[159] John S. McCain National Defense Authorization Act for Fiscal Year 2019, Public Law 115-232, 115th Cong. (2018), https://www.congress.gov/115/plaws/publ232/PLAW-115publ232.pdf.

efficiency and effectiveness, and establishing metrics for performance. Section 923 gave the CMO responsibility for conducting (not less frequently than every four years) a review of the efficiency and effectiveness of each DAFA. Other sections levied additional reporting requirements on the CMO.

2. Leading Initiatives

Leading initiatives under Gibson's term as DCMO then as the Department's first CMO included:

- *Business Reform Teams.* Soon after his appointment as DCMO in 2017, Mr. Gibson already formed nine reform teams (listed in Table 3. R) to undertake the work of DOD restructuring. Each team had an appointed leader and an agenda for reform in its designated functional area. In interviews, Mr. Gibson spoke of his trust for his "reform leaders" in charge of the nine teams.[160] Those leaders formed cross-functional teams that included civilian experts from outside the DOD, ODCMO staff members, and representatives from the military services. These teams' efforts were intended to "improve the quality and productivity of the business operations of the Department, including moving toward more use of enterprise services." There was discussion of changing processes, but the reform team appointment memos pointedly continued: "By doing so, the Department will also reduce the costs of those operations" and create in DOD "a more lethal and effective force."[161]

Table 3. Reform Teams – FY18-22 National Defense Business Operations Plan

• Human Resources Management	• Financial Management
• Real Property Management	• Acquisition & Contract Management
• Logistics & Supply Chain Mgmt	• Healthcare Management
• Community Services	• Cyber Defense & IT Management
• Testing and Evaluation	

- *Category Management.* In connection with at least two of the reform teams, Mr. Gibson extended use of the technique of Category Management. OMB Memo M-19-13, issued March 20, 2019, described category management as bringing "common spending under management." The concept particularly impacted the reform area of Acquisition and Contract Management where similar spending within even diverse contracts might align with a best-in-class (BIC) component commodity. For example, under Category Management, two weapon systems using the same component would not independently

---

[160] Mehta, "How the DOD's first-ever chief management officer plans to turn cash into military capabilities."

[161] Department of Defense, "Appointment of Reform Leader for Testing for the Department," (memorandum, Washington, DC: CMO, November 8, 2017).

purchase the component at different prices from the same vendor. Category Management had emerged as an area of emphasis within the new administration and Mr. Gibson brought the emphasis into the reform teams. Reform teams were retitled to explicitly reference the technique. Further, DSD Shanahan had prior experience with category management from his previous business positions and he reportedly expected immediate and widespread implementation of the technique to quickly generate savings.[162] Mr. Gibson worked to implement category management through a process of "clean sheeting" the review of DOD contracts. Mr. Gibson estimated savings of 15-16 percent through the process.[163]

- *Data Initiatives.* In his 2017 confirmation hearing, Mr. Gibson responded to a comment on the need for good financial information within DOD: "Senator, I couldn't agree with you more. Timely, accurate, and relevant data is essential to good business decisions in all areas."[164] On a smaller but related scale, the healthcare reform group was reported to enhance ongoing data programs used to make decisions on in-house DOD healthcare or to outsource. Despite this, Mr. Gibson's Cyber and Information Technology teams found challenges in achieving savings. He described these as turf issues or "rice bowls" that slowed reform and finding savings. Partly in response to these overall issues, Mr. Gibson began the process of appointing DOD's first chief data officer.[165]

3. Challenges and Successes

The OCMO experienced both challenges and successes under Gibson's tenure as CMO. They included:

- *Expectations for Savings.* The expectations for rapid savings was Gibson's biggest challenge. As early as his 2017 SASC confirmation hearing, there were suggestions from members of the committee for rapid DOD savings of $33 billion that simply needed implementation.[166] As described earlier, the new administration entered office with ambitious goals to find savings within the non-combat elements of the Department. Interviews explicitly suggest that senior leadership in the department expected to move up to $100 billion into combat capabilities over the FYDP period.[167] Representative of these expectations, DSD Shanahan, from his past experience in industry, had used the

---

[162] Interview with a former senior OSD official.

[163] Interview with former CMO John Gibson II.

[164] John Gibson, responding to Senator Angus King, (I-ME), CQ Congressional Transcripts (subscription service), "Senate Armed Services Committee - Pending Nominations -(Hearing)," July 18, 2017.

[165] Interview with former CMO John Gibson II.

[166] John Gibson, responding to Senator James Inhofe, (R-OK), CQ Congressional Transcripts (subscription service), "Senate Armed Services Committee - Pending Nominations -(Hearing)," July 18, 2017.

[167] Interview with former CMO John Gibson II.

category management technique and pressed Gibson to develop a "war room" of DOD contracts that could be rigorously examined for savings. Gibson was held accountable for these expectations and he said in May 2018 that he was "comfortable" with meeting OMB targets of $6 billion in savings in FY2019 and $46 billion over the FYDP: "We're on target and trajectory," and "we're probably going to pleasantly surprise people."[168]

- *Use of Reform Teams.* Gibson and his reform teams were expected to achieve these savings quickly and to see them incorporated into the FY 2020 budget that would be completed at the end of 2018. As a reform or saving technique, the efficacy of these small, relatively low-level teams remains unclear. Often these reform teams lacked specific expertise for their reviews and required the addition of outside consultants.[169] Occasionally, during the reviews, objections to sharing proprietary contract information with commercial consultants slowed down the review process.[170] The use of the reform teams presented a challenge to progressing at the speed the DSD and others demanded.

- *Improving Internal Financial Data.* As recognized earlier by Gibson, to meet savings expectations beyond the work of the reform teams, there was the need for quality internal financial data, accepted as authoritative by most if not all parties. Tillotson, still serving as the assistant DCMO at this time, expressed concerns about the quality of internal DOD cost information.[171] Other interviewees described data shortcomings as DOD's "biggest issue," in dramatic contrast with data practices within the private sector: "There's no question anywhere in the [private sector] hierarchy that the company owns the data. In DOD meetings they argue over whose data is correct more than actual issues. They don't have integrated data."[172] Others, such as Kevin Scheid, echoed these themes: "There was no management data because people didn't know what it was or how to collect it. I really wanted a dashboard for the Secretary of Defense and the Deputy Secretary. How do they know if they're flying straight?"[173] The D/CMO office had begun to address these data issues over time, as did Gibson when confronted with expectations for significant cost savings. Nevertheless, particularly during the later period of the CMO, concerns remained regarding the shortcomings within the office's data and analytic functions. These capabilities were said to contrast unfavorably with

---

[168] Mehta, "How the DOD's first-ever chief management officer plans to turn cash into military capabilities."

[169] Department of Defense, "Request to Appoint Highly Qualified Expert," (memorandum, Washington, DC: DOD, July 31, 2018). This is a representative memo used specifically to request support for the Community Services reform team.

[170] Interview with Tom Mooney, former Chief of Staff for CMO.

[171] Interview with former ADCMO David Tillotson.

[172] Interview with CEO of Professional Services Council David Berteau.

[173] Interview with former ADCMO Kevin Scheid.

the long-established offices of OSD Comptroller and CAPE, upon which the OCMO relied heavily.[174,175]

- *Compounding Challenges to CMO.* Despite these efforts with data, category management, and the work of the reform teams, reports of trouble for Gibson appeared publicly only a few months into his tenure as the first CMO. DSD Shanahan was reportedly pushing Gibson hard in regular check-ins to discuss savings targets and progress, and wanted the CMO to do more and deliver faster.[176] By September, rumors were circulating that Secretary Mattis planned to remove Gibson from his post, apparently disappointed with the search for budget efficiencies.[177] Ultimately, this period of uncertainty ended in November 2018 when Mr. Gibson submitted his resignation.[178] In the private sector, Gibson had been an executive at companies in difficult, "turnaround" situations. As he described in his confirmation hearing, "Sometimes external factors are beyond your control. As it applies to this particular [CMO] situation, I've often heard that the situation we have here on reforming the Department is a challenge. It can be messy. And I think one could argue that perhaps someone with that expertise and skillset experience might actually be very beneficial."[179]

The new CMO did, in fact, turn out to be in a difficult situation with a number of obstacles to achieving the high goals that had been established. Gibson had been recruited for other positions within the new administration but had been pressed to accept the CMO nomination, despite his hesitation. Also, DSD Shanahan had not yet been selected as the DSD at the time Gibson was nominated, but was confirmed before Gibson was.[180] As a result, that crucial CMO-DSD relationship itself began on unsure footing. Many CMO functions had been reshaped from former DSD prerogatives and practices. Despite the office's new authorities and nominal prominence in organizational precedence, the need for a strong working relationship between the DSD

---

[174] Interview with former Acting USD(COMPTROLLER) Elaine McCusker.

[175] Interview with former acting D(CAPE) John Whitley.

[176] Interview with former Special Assistant to DSD Justin Johnson.

[177] Gordon Lubold, "Mattis Plans to Remove Pentagon's Chief Management Officer," *Wall Street Journal* (subscription service), September 5, 2018, https://www.wsj.com/articles/mattis-plans-to-remove-pentagons-chief-management-officer-1536181817.

[178] Aaron Mehta, "Pentagon chief management officer resigns after weeks of speculation," *Defense News*, November 9, 2018, https://www.defensenews.com/pentagon/2018/11/09/pentagon-chief-management-officer-officially-resigns-after-weeks-of-speculation/#:~:text=WASHINGTON%20%E2%80%94%20After%20weeks%20of%20expectations,30.

[179] John Gibson, responding to Senator Jack Reed, (D-RI), CQ Congressional Transcripts (subscription service), "Senate Armed Services Committee - Pending Nominations (Hearing)," July 18, 2017.

[180] Interview with a former OSD senior official on December 13, 2022.

and the CMO remained here, as elsewhere in the history of the office, a factor for its success. It is an understatement to describe these as challenges: a new office, new responsibilities added to existing efforts without expanded resources, and a new individual with limited ties to leadership in the new DoD administration, all intertwined with high expectations of immediate, even daily successes.

- *Some Lasting Effects.* Despite the challenging situation, a Pentagon spokesman offered this statement on Gibson's tenure: "His efforts to streamline processes, establish the department's Reform Management Group, and identify significant saving across the department will pay dividends in FY19."[181] Gibson's reform groups did continue through the life of the OCMO, despite the limitations in their utility.

4. Summary

Jay Gibson's tenure coincided with a crucial transitional period for the OD/CMO. It marked not only the elevation of the DCMO to the CMO, but also coincided with the beginning of an administration that identified Departmental reform as a key element of its defense strategy. Hence the new CMO role was launched into the world with additional responsibility and stature, together with high expectations from senior leaders both inside and outside the Department.

However, the office's heightened responsibility came with little in the way of additional staff to execute its new roles. Moreover, the new statutory authorities granted to the CMO were vague and, in practice, did little to actually empower the office.

Additionally, there appeared to be mismatched expectations between the CMO and other senior leaders regarding the pace at which "reform" initiatives could produce major budgetary savings. Throughout the internal DOD leadership and congressional oversight community during Mr. Gibson's tenure, there appears an eagerness, but more importantly, an expectation for ready budget-cuts that could be used for other DOD purposes. Alternately, there is a view of process reform or "business re-engineering" that may require detailed, sometimes time-consuming reviews of existing activities. These re-engineering efforts bring external benchmarks from comparable activities—sometimes within DOD or government or business—that may then serve as templates for a revised activity at assumedly a lower cost. This latter process may require significant management data to recognize the difference between excess and necessity and to estimate savings.

Echoing his work on improving management data, Gibson had also insisted, "the most value and the most synergies [come] from true enterprise-wide reform."[182] Some interviewees argued this reform process actually might require additional upfront investment to re-engineer

---

[181] Mehta, "Pentagon chief management officer resigns after weeks of speculation."

[182] Mehta, "How the DOD's first-ever chief management officer plans to turn cash into military capabilities."

fundamental work processes. This was not a chosen reform technique at this time. Mr. Gibson's tenure arguably can be interpreted as a conflict between the two views: that Mr. Gibson's nine Reform Management Group (RMG) teams effectively sought to begin a reform process while the Department's leadership expected immediate savings.

H. 2018-2021 – Lisa Hershman

The Honorable Lisa Hershman served as DOD's second Chief Management Officer, from December 2019 to January 2021 (Figure 10). Prior to that, she served as the DCMO, starting in April 2018. When Jay Gibson departed in November 2018, while remaining DCMO, Hershman became acting CMO until she was confirmed.[183] She served as CMO until Congress disestablished the office in January 2021. (The disestablishment of the office is addressed in Chapter Six.)

Figure 10. Lisa Hershman DOD CMO

Prior to her time in DOD, Hershman was the founder and CEO of the DeNovo Group, a global consulting firm. She also served as CEO of business consulting and education firm Hammer and Company. Earlier in her career, Hershman was Corporate Senior Vice President of Operational Excellence at Avnet Inc. and also led process and resource development efforts at Brightpoint Inc.

1. Major Events and Changes to the Office

In addition to and in compliance with FY2020 NDAA, the SD and DSD began to give the CMO a larger role in major DOD processes. For example, in establishing reform focus areas in January 2020, Secretary Esper worked to transition Defense-wide organizations to CMO governance. This move is frequently referred to as the Secretary's anointing the CMO as the "Secretary of the Fourth Estate" and was formalized in January 6 memo to the Department.[184] The CMO was to focus on reforming business processes, overseeing resource planning, and evaluating their performance against business goals. It was to accomplish this in coordination

---

[183] Although described here as continuously serving as "acting" CMO, as DCMO, Hershman became acting CMO in June 2019. But from June 2019 until she became CMO in December 2019, she served as DCMO (discharging the duties of CMO).

[184] Department of Defense, "Department of Defense Reform Focus in 2020," (memorandum, Washington, DC: January 6, 2020), https://federalnewsnetwork.com/wp-content/uploads/2020/01/010620_esper_2020_reforms_memo.pdf. See also Jared Serbu, "DOD CMO Gains New Cachet as 'Secretary of the Fourth Estate,'" *Federal News Network*, July 9, 2020, https://federalnewsnetwork.com/on-dod/2020/07/dod-cmo-gains-new-cachet-as-secretary-of-the-fourth-estate/.

with the D(CAPE) and the USD(COMPTROLLER) by developing a consolidated program and budget for the defense-wide accounts.

The organization of the OCMO was also realigned to better perform the duties it was assigned. In December 2018, shortly after Gibson's departure, the OCMO was reorganized around five primary directorates: Administration and Organization Management; Data Insights; Fourth Estate Management; Oversight and Compliance; and Transformation and Reform.[185]

During Hershman's tenure, the OCMO experienced several significant changes to its organization and responsibilities. Notably, the FY2020 NDAA (PL. 116-92) returned the CMO responsibilities related to business systems back to the CIO and realigned the Chief Data Officer responsibilities to the CIO (Section 903).[186] Also noteworthy was the direction of two studies (one by the SD and the other by the DBB) on the implementation of the CMO. The requirement for the studies was based upon the recognition that the CMO had experienced "significant structural challenges" since its inception and it needed to be reviewed for its effectiveness. There was expressed willingness in Congress to consider changing the CMO position from Executive II to Executive III rank or even disestablish the position altogether.

In accordance with the FY2020 NDAA (Section 904) Deputy Secretary Norquist tasked the DBB to conduct an independent assessment of the CMO. The DBB delivered its report in May 2020, recommending that the Executive II CMO be disestablished and its functions be transitioned to other organizations.

The most significant legislative change during Hershman's tenure came with the passage of the William M. "Mac" Thornberry NDAA for FY 2021 (Section 901), which disestablished the OCMO effective January 1, 2021. It did so by repealing Section 132a of Title 10, U.S. Code which established the DOD Chief Management Officer. The legislation called for, no later than one year after enactment of the law, "each duty or responsibility that remains assigned to the Chief Management Officer of the Department of Defense shall be transferred to an officer or employee of the Department of Defense designated by the Secretary of Defense."[187]

2.   Leading Initiatives

During Hershman's term as CMO, the office undertook several initiatives (in addition to routine operations performed by the OCMO). Leading initiatives included:

---

[185] According to a memorandum from the Chief Management Officer "Reorganization of the Office of the Chief Management Officer" to personnel of the organization, December 7, 2018.

[186] National Defense Authorization Act for Fiscal Year 2020, Public Law 116-92, 116th Cong. (2019), https://www.congress.gov/116/plaws/publ92/PLAW-116publ92.pdf.

[187] William "Mac" Thornberry National Defense Authorization Act for Fiscal Year 2021 (PL 116-283), Section 901, 116th Cong. (2021), https://www.congress.gov/bill/116th-congress/house-bill/6395/text.

- *Category Management*. Category management is the practice of buying common goods and services as an organized enterprise in order to improve the efficiency and effectiveness of acquisition activities.[188] It was an area of efficiency which the OCMO (and ODCMO before it) focused on. However, it was a high priority during Hershman's tenure and was pursued as the "Category Management Initiative" under the Reform Management Group.

  The initiative was conducted through a series of 90-day category management "sprints" that leveraged global business consultants and component stakeholders to examine both categories of spending, as well as specific program acquisitions through contract efficiency assessment. Each sprint covered 20-30 projects and evaluated $10-$20 billion in spending.[189] For each initiative, spend data, practices, and commercial markets were analyzed to identify opportunities to improve management in the spending category. The Military Departments participated in this process and also have their own internal category management efforts.

  The category management initiative brought together stakeholders from across the department and leveraged some existing efforts (such as the Service Requirements Review Board created under Levine's tenure) to generate a savings of $1.6 billion by September 2020.[190] This was accomplished through conducting better supplier management, contract consolidation, demand management, and best cost sourcing, among other actions. For example, Hershman claimed, "We found 23 brands of apple juice sold at commissaries and 7 produced 97 percent of sales."[191]

- *Regulatory Reforms*. Reform of DOD regulations was a major focus area under Ms. Hershman as it was a stated priority of Secretary Mattis.[192] As the CMO, she continued to lead a Regulatory Reform Task Force established in April 2017 (prior to her arrival in the Department). Its membership included senior representatives from across the Department including the Military Departments USD(R&E), USD(A&S), USD(P&R), and OSD OGC. The main goal of the task force was the "removal of outdated, unnecessary, and ineffective regulations."[193]

---

[188] For additional description of category management, see U.S. General Services Administration Website, "Category Management," https://www.gsa.gov/buy-through-us/category-management.

[189] According to DOD working papers, "The Potential of Category Management in the Department of Defense" September 28, 2020.

[190] Ibid.

[191] Interview with former CMO Lisa Hershman.

[192] Ibid.

[193] Memorandum from the Chief Management Officer to the Deputy Secretary of Defense, "Department of Defense Regulatory Reform Task Force Progress Report and Recommendations," December 7, 2018.

The Task Force reviewed all 716 existing DOD regulations and developed recommendations on the disposition of each. It identified 248 rules for repeal, resulting in an annualized cost avoidance of $134.2 million.[194] Implementation of the recommendations would reportedly result in additional savings and the task force continued to report quarterly on implementation.

- *Defense-Wide Review II*. Under Secretary Mark Esper, OSD conducted two Defense-Wide Reviews that sought savings and efficiencies across the Department (as described in Chapter Five). Esper tapped the CMO to lead the second of the reviews in 2019 along with CAPE and Comptroller. The review focused on defense-wide accounts, specifically the DAFAs. It created $5 billion in savings across the FYDP.[195]

    The review, while considered by many a success, required the CMO to coordinate closely with CAPE and Comptroller for expertise, given it was not resident in the CMO. In fact, the OCMO was so dependent on CAPE during the review that "Everyone knew CAPE was doing it at the end," according to one former senior OSD official.[196] In addition, executing the review required "brow-beating the Services and the Fourth Estate, in a positive way" to succeed and required a considerable amount of Secretary Esper's personal time to accomplish this because the CMO could not.[197]

- *CARES Act/Pandemic Management*. The COVID-19 pandemic placed incredible demands on all sectors of the economy and transformed the workplace. Related, the Coronavirus Aid, Relief, and Economic Security (CARES) Act of 2020 introduced relief provisions for the workforce that had to be administered by the DOD. Managing both the pandemic and CARES Act provisions fell to the CMO in the Department.

    Managing the pandemic for the DOD involved carefully monitoring its conditions and phases of workplace transition. As a result, Ms. Hershman gave periodic press conferences on conditions that were met to transition from one phase to another and what that meant for the Pentagon workforce. Like many sectors of the economy, the DOD had to adjust to teleworking by both establishing policies and providing IT support. This too was the responsibility of the CMO (in conjunction with the DOD CIO) as Ms. Hershman oversaw the transition to telework where nearly 75 percent of the Pentagon workforce began teleworking.[198] Collectively, these steps were both

---

[194] According to a DOD working paper, "Regulatory Reform" 30 October 2020.

[195] DBB, *The Chief Management Officer of the Department of Defense: An Assessment*, Tab H, 180.

[196] Interview with a former senior OSD official.

[197] Ibid.

[198] Mila Jasper, "Coronavirus 'Shattered the Myth' that the Defense Workforce Can't Telework, Official Says," *NextGov*, July 14, 2020, https://www.nextgov.com/it-modernization/2020/07/coronavirus-shattered-myth-defense-workforce-cant-telework-official-says/166867/.

significant in that they quickly adapted the Pentagon to the changing conditions. The OCMO was well-positioned to perform this role, especially given its subcomponents such as DA&M and WHS.

As part of managing the CARES Act, Hershman led a "careful review" of the funding available from the act for COVID-related costs so that the Department would not have to dip into modernization accounts to cover related expenses.[199] These were important functions for the CMO to perform, but they consumed a considerable amount of the CMO's time, even detracting from performing other responsibilities of the office.[200] This was compounded by the fact that the office received no extra staff to perform these additional duties.

- *Other leading initiatives.* In addition to those above, several other leading initiatives were pursued by the OCMO during Ms. Hershman's tenure:[201] 1) operationalized Fourth Estate Management Office to execute Secretary Esper's vision of oversight of Defense-wide accounts, 2) led the signing of the USALearning memorandum of agreement with OPM, which resulted in greater efficiency and savings in training through an "economy of scale" acquisition of training courses, and 3) pursued development of the first unified Defense Agency program objective memorandum (POM).

3. Challenges and Successes

The OCMO under Ms. Hershman continued to encounter a similar bureaucratic environment as did her predecessor, Jay Gibson. The CMO continued to be seen by stakeholders in the Department as an externally driven strengthening of the DCMO that left many PASs suspicious and Deputy Secretaries trying to define their relationships with the CMO. Furthermore, Ms. Hershman's OCMO experienced considerable turnover at the top with four Secretaries of Defense in three years, making it difficult for the CMO to define its role. This was especially the case on key issues such as the Fourth Estate, where the Secretaries had very different views on the CMO role relative to the DAFAs.[202]

---

[199] Kristin Itig, Christopher Yukins, and Michael McGill, "Defense Department Signals Way Forward for Contractor Paid Leave Reimbursement Under CARES Act," *Arnold and Porter*, June 11, 2020, https://www.arnoldporter.com/en/perspectives/advisories/2020/06/dod-signals-way-forward.

[200] Interview with a DBB member.

[201] For additional details, see Defense Business Board, June 2020, Tab H, 180.

[202] For example, when Patrick Shanahan was acting Secretary of Defense, he did not want the CMO to focus on the Fourth Estate at all, but later, Secretary Esper wanted that to become the primary responsibility of the CMO.

In pursuit of its objectives and because of this difficult bureaucratic environment, the OCMO experienced both challenges and successes under Ms. Hershman. Notable challenges included:

- *Some key initiatives stifled*. Like other D/CMOs, Ms. Hershman saw some of her key initiatives languish. Notable among them was her attempt to reform DOD commissaries and exchanges by introducing "click-and-go" online shopping. The effort required considerable negotiation with Congress, and found success with the average value of a shopping basket increasing from $68 (in-person) to $400 (online).[203] The effort was conducted as a pilot but failed to get Congress's approval to expand beyond its pilot stage.

- *Key functions transferred to the CIO*. The FY2020 NDAA (PL. 116-92) returned the CMO responsibilities related to business systems back to the CIO and realigned the Chief Data Officer responsibilities to the CIO (section 903).[204] The business system portfolio was central to the mission of the OCMO dating back to its origins as the DCMO beginning with Beth McGrath. Combined with this was the realignment of the CDO under the DOD CIO. This was more of a blow to the CMO because it was an office established under the CMO by Hershman.[205]

- *Failing to account for reforms to enterprise business operations*. The FY2019 NDAA required the Secretary to submit to Congress a plan, schedule, and cost estimate for reforms of DOD's enterprise business operations to increase efficiency and effectiveness.[206] Referred to as the "921 Report" (after the section of the NDAA requiring it), it has drawn criticism from various stakeholders. For example, the GAO determined that DOD provided limited documentation on progress in implementing the 921 Plan.[207] The DBB, too, found that the reports failed to provide comprehensive budget certification.[208] Regardless of whether the reports addressed Congressional intent, they were also submitted late.

- *Record of delays in responding to congressional reporting requirements*. The NDAAs during this period granted additional authorities, but they also levied new reporting

---

[203] Interview with former CMO Lisa Hershman.

[204] National Defense Authorization Act for Fiscal Year 2020, Public Law 116-92, 116th Cong. (2019), https://www.congress.gov/116/plaws/publ92/PLAW-116publ92.pdf.

[205] Interview with a former ODMO senior official. See also Defense Business Board, June 2020, Tab 4, 19.

[206] Section 921(b)(3) of the John S. McCain Fiscal Year 2019 National Defense Authorization Act (PL. 115-232).

[207] United States Government Accountability Office, *Defense Management: Observations on DOD's Business Reform Efforts and Plan,* GAO-19-666, (Washington, DC: U.S. Government Accountability Office, January 2019), https://www.gao.gov/assets/gao-19-666.pdf.

[208] DBB, *The Chief Management Officer of the Department of Defense: An Assessment*, Tab H, 116.

requirements. The OCMO developed a reputation for ignoring these requirements and responding to them late. As one former OCMO senior staff member recounted, "We were just trying to survive and could only focus on the crisis of the day…One report on cross-functional teams was delivered a year and a half late and that was an issue for [Senator] Mac Thornberry."[209] Another former staff member pointed to delays in issuing the Section 921 report saying that it resulted in Hershman being criticized "because we were so late in doing things."[210]

- *Suffered from a credibility gap that was difficult to overcome*. Due to a range of factors reported by multiple sources, including lack of staff competency and capability, lack of CMO experience in the Department, and unwillingness to exercise statutory authorities, the OCMO during this time lacked credibility in advancing its agenda. According to one former senior official, "No one felt they had to follow [direction from the CMO]—they assumed the Secretary and the Deputy wouldn't back it."[211] Another official recalled that the CMO "wasn't equipped" to enforce compliance with any of its direction, due in large part to its lack of credibility.[212]

Notable successes during Ms. Hershman's tenure included:

- *Played a more active role in Defense-Wide Review*. One success of the OCMO was its elevated role in major defense reviews, even if it relied heavily on CAPE and Comptroller during execution. Under prior leadership, the CMO (and DCMO before that) did not have a major role in Defense-Wide Reviews. Even under Secretary Esper, the CMO was not assigned a role in his first Defense-Wide Review. However, this changed with the second review, which focused on the Fourth Estate, making the CMO a natural lead in conjunction with USD(Comptroller) and D(CAPE).

- *Established first DOD Chief Data Officer*. Ms. Hershman hired the Department's first Chief Data Officer in Summer 2018, in pursuit of requirements laid out in the FY2018 NDAA calling for the CMO to develop a framework to establish common enterprise data and data management and analytics as a shared service. The goal of establishing the CMO was not only to implement common enterprise data and data management and analytics as a shared service but to also "create a lasting data-driven ecosystem."[213]

---

[209] Interview with a former senior OCMO official.

[210] Ibid.

[211] Interview with a former senior OSD official.

[212] Ibid.

[213] *Department of Defense Information Technology, Cybersecurity, and Information Assurance: Hearing before the Committee on Armed Services, House of Representatives,* H.A.S.C. 116th Cong. (February 26, 2019),

- *Achieved savings through a range of initiatives*. The CMO conducted a range of initiatives reporting savings to the Department over the FYDP. These initiatives included category management, regulatory reform, and Defense-Wide Review, among others. Toward the end of her tenure, Hershman claimed $37 billion in savings over the three years prior. This figure was widely debated by the GAO and others claiming they were overstated and attributed to other efforts (which the CMO was not responsible for).[214] The USD(Comptroller) later reported that the Department was "committed" to ensuring that the savings were real, even if their attribution to the CMO "could be debated."[215]

4. Summary

Hershman's tenure as CMO saw both successes and challenges that were exacerbated by a difficult transition from her predecessor, Jay Gibson, and her lengthy road to nomination and eventual confirmation. Indeed, there was a "period of unknown" after Gibson's departure as DSD Shanahan was trying to decide on the approach for the CMO.[216] During that time, the OCMO team "struggled" with lack of direction, and it took the office a while to get its "sea legs."[217] The situation was further complicated by her acting status for over a year and was seen as "completely unhealthy, further diminishing the perceived power of the CMO."[218]

One of the things that Hershman brought to the OCMO was an increased focus on reform. While related, the notion of reform and savings are often conflated with emphasis placed on the latter. "The MILDEPs didn't see us as business partners in reform. They just saw us as somebody looking for cuts," Hershman reported.[219] She sought to reverse this tendency and focus on reform, but found the office hampered at times. "We were building a start-up in the middle of an entrenched bureaucracy…but were not given one dime for reform," Hershman noted.[220] Although the reform focus was generally seen as a positive development during this time, some who worked with Hershman thought the reform focus traded off with other priorities

---

https://www.congress.gov/116/meeting/house/108939/witnesses/HHRG-116-AS26-Bio-HershmanL-20190226.pdf.

[214] Government Accountability Office, *Defense Management: Observations on DOD's Business Reform Efforts and Plan*.

[215] Tony Bertuca, "Congressional Axe Falls on DOD Chief Management Officer," *Inside Defense*, January 11, 2021, https://insidedefense.com/daily-news/congressional-axe-falls-dod-chief-management-officer.

[216] Interview with former CMO Lisa Hershman.

[217] Ibid.

[218] Interview with a senior DOD official.

[219] Interview with former CMO Lisa Hershman.

[220] Ibid.

claiming that "all of the resources and attention went to reform…everything else was short-changed."[221]

It also became apparent to most that DOD's senior management official requires deep knowledge and experience in the Department.[222] Private sector experience can be valuable in providing new approaches to management and performance improvement, but it should be balanced with knowledge of how to best implement these approaches in DOD. As importantly, it benefits greatly from familiarity with people inside the organization. Hershman had a record of knowledge and performance in the private sector, but did not know the Department or anybody in it until she became DCMO. This prior business knowledge provides an understanding on how to approach reform initiatives. However, it did not provide a basis for familiarity with other senior leadership throughout the Department or credibility amongst key stakeholders. As one OSD senior official serving at the time shared, the CMO needs to be a leader "with deep knowledge and understanding of the enterprise and have the credibility to get people to do what they want."[223]

Both internal factors and external forces undermined the credibility of the CMO in its final years. One of the internal factors that handicapped the office was the lack of an approved DOD Directive chartering the organization (which the DCMO before it had). Several staff and outside observers noted this limitation and Hershman observed that "without a charter the CMO was never fully sanctioned or accepted into the organization—being seen as not-official hurt us tremendously."[224] Also limiting was the erratic relationship between the CMO and Deputy Secretary, due in part to the turnover at the position and also "frustration" with the OCMO in its inability to perform some of its core responsibilities.[225]

External forces also weighed on the OCMO, notably the waning support—and the eventual outright skepticism—from Congress. This trend is most evident in the 2020 NDAA where lawmakers asserted that DOD has "faced significant structural challenges in implementing the Chief Management Officer position since its inception."[226] It continued into the summer of 2020 when the House Armed Services Committee's ranking Republican, Representative Mac Thornberry (R-TX), told a group of reporters in June: "I have come to the conclusion that Congress is largely responsible for making this an impossible job, and we need

---

[221] Interview with a senior OSD official.

[222] This perspective was shared by virtually everybody interviewed for this study. It is also documented in the Defense Business Board, June 2020, Tab H, 121.

[223] Interview with a former senior OSD official.

[224] Interview with former CMO Lisa Hershman.

[225] The term "frustration" was used by several OSD officials interviewed for the study, sometimes attributing it to personalities in the respective positions and other times to the lack of staff capacity to perform the functions.

[226] Serbu, "DOD CMO Gains New Cachet as 'Secretary of the Fourth Estate.'"

to figure out something different."[227] This sentiment, which had begun to emerge much earlier, resulted in the OCMO "suffering under the umbrella of not being valued" and further hampered its morale and effectiveness.[228]

I.   Conclusion

Over its 13 years of existence, the OD/CMO was led by six different D/CMOs, four of which were Senate-confirmed. Each brought to the position different background and expertise from government, Congress, and the private sector. In only one case—Jay Gibson—did the office holder have significant experience in both the public and private sectors. Further distinguishing their tenures was the dynamic that existed between the D/CMO and the SD/DSD, positions that also turned over regularly during the same time period. These dyads of relationships significantly impacted the effectiveness of the D/CMO, given that the relationship between the D/CMO and DSD was shown to be an essential contributor to the success (or struggle) of the office.

Several findings emerge from the history of the D/CMO (and are further detailed through this chapter and Chapter Seven), but a few to note in closing are:

- *The leader's prior experience can significantly impact the focus of the office.* The interests and expertise that the D/CMO brought to the office frequently influenced the office's agenda, especially in the formative years.

- *Lack of ownership of resources or formal role in resourcing processes limited the effectiveness of the D/CMO.* The office was responsible for affecting change in the Department but it did not have control over any of the levers of influence (e.g., PPBE process) that would permit it to do so, thus requiring it to rely on other means of influence.

- *Strong relationships were important to performing the responsibilities of the D/CMO.* As a new office and one that lacked formal authorities (until the CMO was created), it was important that the office develop strong relationships with partners throughout OSD and the MILDEPs. Particularly important was a strong relationship with the DSD, from which strength and credibility of the OD/CMO derived.

- *The demands of operational components detracted from pursuit of other D/CMO priorities.* The DCMO was created by Congress without any operational encumbrances. That changed as it absorbed BTA and then later DA&M and responsibilities for WHS, PFPA, and others. Most D/CMOs reported this span of

---

[227] Joe Gould, "Congress Close to Axing Pentagon's 'Impossible' Chief Reform Job," *Defense News*, June 29, 2020, https://www.defensenews.com/congress/2020/06/29/congress-close-to-axing-pentagons-impossible-chief-reform-job/.

[228] Interview with former CMO Lisa Hershman.

control and responsibilities traded off with performance of their core statutory responsibilities for business transformation and reform.

- *The OD/CMO struggled to balance the long-term mission of business reform with the short-term imperatives to identify budgetary savings.* Although related, cost savings and defense reform are distinct goals. The office's freedom to focus on the latter was often constrained by the need to focus on the former.

- *The two positions—DCMO and CMO—had different goals and made varying degrees of progress towards achieving them.* The DCMO had more limited goals, based upon expectations of and authorities granted by Congress and made incremental progress towards achieving them. The CMO had much more ambitious goals, also based upon expectations of and authorities granted by Congress, but was unsuccessful in achieving most of them.[229]

---

[229] Based both upon the history presented here and the independent assessment of the CMO in Defense Business Board, *The Chief Management Officer of the Department of Defense: An Assessment*.

This page is intentionally blank.

5. Cross-Cutting Issues

The chronology of the OD/CMO conveys the shifting interests and priorities of the office as it was shaped by the SD/DSD and the larger bureaucracy. However, in examining the historical record, several cross-cutting issues emerged that transcend individual D/CMOs. These themes extended through most, if not all, of the office's history and they included business transformation and reform, defense business systems, management of the Fourth Estate, and budget cuts and efficiencies.

This chapter presents these cross-cutting issues in the context of the D/CMO and provides some background information. Each discussion describes the D/CMO role in the issue and the efforts the office took to address it. Also included in the discussion are accomplishments and challenges encountered by the D/CMOs.

A. Business Transformation and Reform

Catalyzing business transformation and reform was a key motivation for the creation of the D/CMO and remained a central responsibility throughout the office's existence. "Reform" by that name took on particular emphasis under the new CMO office, as it corresponded to the 2018 National Defense Strategy's "line of effort" (LOE) 3, to "reform the Department for greater performance and affordability."[230] In practice, transformation and reform were often equated with the goal of seeking budgetary savings. But, as the Defense Business Board (DBB) emphasized, "transformation" is better defined as:

> . . . making major changes in the size, structure, policies, processes, practices, and technologies to improve the economy, efficiency and effectiveness of the organization. Transformation goes far beyond traditional cost cutting exercises and should result in much larger sustained reductions in costs and improvements in effectiveness over time . . .[231]

---

[230] Department of Defense, *Summary of the 2018 National Defense Strategy of the United States of America: Sharpening the American Military's Competitive Edge*, 10-11 (Washington, DC: DOD, 2018), https://dod.defense.gov/Portals/1/Documents/pubs/2018-National-Defense-Strategy-Summary.pdf.

[231] DBB, *The Chief Management Officer of the Department of Defense: An Assessment*, 2.

1. D/CMO Role

The D/CMO's enumerated statutory responsibilities do not explicitly mention "reform," but the office was charged with serving:

> as the principal advisor to the Secretary and Deputy Secretary on establishing policies for, and directing, all enterprise business operations of the Department, including planning and processes, business transformation, performance measurement and management activities and programs, including the allocation of resources for enterprise business operations and unifying business management efforts across the Department.[232]

The 2008 chartering directive for the DCMO included among the new office's specified responsibilities and functions:[233]

- "Recommend to the Deputy Secretary of Defense methodologies and measurement criteria to better synchronize, integrate, and coordinate the business operations of the Department of Defense to ensure optimal alignment in support of the DOD warfighting mission."

- "Ensure that business transformation policies and programs are designed and managed to improve performance standards, economy, and efficiency . . ."

Hence, even though the DCMO had no direct authority over enterprise business operations, it was generally considered to be—in support of the Deputy Secretary as CMO—the Department's principal agent for advancing "business transformation." A wide range of its activities were grouped under this general heading.[234]

The transition from DCMO to CMO brought to the office new emphasis and new roles and responsibilities related to reform. The Department's leadership under the new administration in 2017—Secretary of Defense Jim Mattis and Deputy Patrick Shanahan—made organizational reform a key priority, most prominently by including it as "Line of Effort (LOE) 3" in the 2018 National Defense Strategy, as noted above.

In 2017, CMO was made the lead for the newly established DOD Regulatory Reform Task Force, with the Office's Director of Oversight and Compliance as the chair.[235] Also starting in

---

[232] U.S. Code, Title 10, Section 132(a)(2) (as of September 2020).

[233] Department of Defense, "Deputy Chief Management Officer (DCMO) of the Department of Defense," DODD 5105.82 (Washington, DC: DOD, October 17, 2008, 2, https://standards.globalspec.com/std/1114304/dodd-5105-82-d.

[234] See, for example, GAO, *Defense Business Transformation: DOD has Taken Some Steps to Address Weaknesses, but Additional Actions Are Needed,* February 2015, GAO-15-213.

[235] Memorandum from the Chief Management Officer to the Deputy Secretary of Defense, "Department of Defense Regulatory Reform Task Force Progress Report and Recommendations," December 7, 2018.

2017, the Department began to stand up nine cross-functional "Reform Teams" and, in January 2018, the Reform Management Group (RMG). Chaired by the CMO, the RMG was to serve as a venue to engage the Department's functional leaders on defense reform initiatives, allowing them to stay informed of Reform Team work and adjudicate concerns and share best practices. According to the CMO, the RMG was to be: "the principal governance body that drives execution of the third line of effort in the National Defense Strategy . . . It is a deliberative body with the seniority and authority to make decisions affecting the business of the Department."[236] Its membership included the Military Department Undersecretaries, USD(R&E), USD(A&S), USD(P&R), USD(COMPTROLLER), DCAPE, DJ8, CIO, ASD(LA), NGB Chief, DLA Director, and Reform Team leads.

In the CMO's final years, Congress also levied new reporting requirements on the office regarding its reform efforts. These included, most notably, the "Section 921 reports" on reform of enterprise business operations that focused on four areas: civilian resources management, logistics management, services contracting, and category management.[237]

2. Efforts to Address Issue

As described in Chapter 4, the DCMO initiatives in its first several years focused reform efforts on defense business systems. The ODCMO transformation and reform efforts varied over time according to the particular priorities and interests of senior leaders, including the DCMO incumbents themselves, but especially the Deputy Secretary. Key DCMO work in this area involved building and updating elements of a Departmental framework for pursuing and evaluating reform in key functional areas. Examples of these elements include the development of the "business enterprise architecture" (BEA), functional strategies for end-to-end business processes, and the set of performance goals and metrics promulgated in successive Strategic Management Plans.

Upon the official stand-up of the CMO in 2018, the OCMO office re-organization introduced "Transformation" as one of its five main directorates, which was given responsibility

---

[236] Lisa Hershman, Chief Management Officer, *DoD Reform Savings*, (Washington, DC: CMO, September 2020), 4, https://trumpadministration.archives.performance.gov/defense/FY2020_september_DoD_Reform_Savings. pdf.

[237] National Defense Authorization Act, FY2019, Public Law 115-232, August 13, 2018, Section 921(b); Office of the Chief Management Officer, *Initial Plan for Reforming the Business Operations of the Department for Efficiency and Effectiveness,* April 26, 2019; Office of the Chief Management Officer, *Section 921(b)(5)(B) of the John S. McCain Fiscal Year 2019 National Defense Authorization Act Report: Notice and Justifications to the Congressional Defense Committees with Description of the Efficiencies to be Achieved,* October 1, 2019; Office of the Chief Management Officer, *Report on Section 921(b)(3) of the John S. McCain Fiscal Year 2019 National Defense Authorization Act (Public Law 115-232),* January 1, 2020 (reference is For Official Use Only).

for the office's initiatives supporting implementation of business improvements across DOD.[238] New CMO Jay Gibson also identified the office's "mission set #1" as to "set mission/vision and drive large-scale Reform efforts for the Department," in conjunction with the 2018 NDS's LOE 3. Notably, the directorate was later renamed "Transformation and Reform."[239]

As noted earlier, the office's reform agenda during this period was organized around nine new cross-functional Reform Teams: Community Services, Financial Management, Health Care Management, Human Resources, IT and Business Systems, Real Property Management, Service Contracts and Category Management, Supply Chain and Logistics, and Testing and Evaluation. Each of the teams had a designated lead from one of the RMG membership organizations.

Reform initiatives were brought before the RMG and assigned to Reform Teams responsible for their pursuit. The RMG received updates from the teams and provided guidance and decisions as necessary. The topics that the teams addressed were defense-wide, such as the defense working capital fund, rate setting, the financial audit, and the Advana data repository.

Linked to these reform team activities, but also distinct, was a senior leader push to step up scrutiny and coordination on the Department's Fourth Estate and on activities conducted under Defense-Wide accounts. Referring to the Fourth Estate as a "target rich environment for reform," Jay Gibson stood up a few divisions dedicated to Fourth Estate management under the direction of DCMO Lisa Hershman, and initiated reviews of the Defense Agencies and Field Activities (DAFAs).[240]

Although those reviews did not bear any immediate fruit, this area of focus continued to receive senior leader emphasis with the Defense-Wide Reviews in 2019 and 2020. In conjunction with the latter, Secretary Esper included among his three main initiatives an ongoing implementation of the 2018 NDS's reform goals as "[Defense-Wide] Organizations Transition to Chief Management Officer Governance."[241] This corresponded to Esper's goal of making the CMO the "Secretary of the Fourth Estate." Section 5.C (below) addresses this focus area in more detail.

---

[238] Department of Defense, "Office of the Chief Management Officer of the Department of Defense Reorganization Plan," (memorandum, Washington, DC: DOD, July 27, 2018).

[239] Lisa W. Hershman, "Reorganization of the Office of the Chief Management Officer," Memorandum, December 7, 2018.

[240] Department of Defense, "Enhancing Performance of the Office of the Secretary of Defense and Defense Agencies and DOD Field Activities," (memorandum, Washington, DC: DOD, September 5, 2018).

[241] Department of Defense, "Department of Defense Reform Focus in 2020," (memorandum, Washington, DC: DOD, January 6, 2020), https://federalnewsnetwork.com/wp-content/uploads/2020/01/010620_esper_2020_reforms_memo.pdf; Department of Defense, "Defense-Wide Organizations Transition to Chief Management Officer Governance," (memorandum, Washington, DC: DOD, January 24, 2020).

Ultimately, the RMG disbanded in conjunction with the OCMO's disestablishment, and related activities were transferred to the DBC.

3.   Accomplishments and Challenges

The rejuvenated transformation and reform efforts launched under the new OCMO in 2018 enjoyed some successes. The various initiatives pursued by the nine cross-functional reform teams identified the potential for substantial savings. For example, as documented in the 2020 Section 921 report, efforts in the functional areas of civilian resource management, logistics management, service contracting, and real estate management flagged a little over a billion dollars in potential savings.[242] Not all of these initiatives were implemented and not all estimates were independently validated, but the Comptroller did verify some of the reported savings estimates.[243] The generally critical 2020 DBB assessment acknowledged that, while distinguishing between the independent contributions of the OCMO and MILDEP efforts is difficult, progress was made in generating savings through improved category management.[244]

At the same time, the RMG and the reform teams faced a number of important constraints in their work. They had very limited budgets for testing and piloting various reform initiatives.[245] Robust analysis was key to demonstrating value to the wide range of—sometimes skeptical—stakeholders. But OCMO was not staffed for major analytic efforts, nor was it funded to support major outside analytic work. Initial notions that reform analysis and testing would be self-funding were unrealistic, based on long lead times to realize savings and the feasibility of applying savings in one part of the Department to these particular efforts. Several alternative funding schemes were discussed, but the only one implemented involved WHS shifting money midyear from under-executing contracts across OSD to fund reform efforts.[246]

The reform teams themselves were also reliant on staff contributed from various other components. Over time, the RMG also evolved into more of an information-sharing body than a decision body, which reduced senior leader participation.[247] And, echoing many previous D/CMO experiences with driving change, the RMG enjoyed no formal mechanism outside

---

[242] Office of the Chief Management Officer, *Report on Section 921(b)(3) of the John S. McCain Fiscal Year 2019 National Defense Authorization Act (Public Law 115-232),* January 1, 2020.

[243] Interview with former Acting USD(Comptroller) Elaine McCusker.

[244] DBB, *The Chief Management Officer of the Department of Defense: An Assessment*, Tab H, 177.

[245] United States Government Accountability Office, *Defense Management: DOD Needs to Implement Statutory Requirements and Identify Resources for Its Cross-Functional Reform Teams*, GAO-19-165, 0-22 (Washington, DC: GAO, January 2019), https://www.gao.gov/assets/gao-19-165.pdf.

[246] Thomas F. Mooney, "Financing Alternatives to the Reform Tax," Action Memo, December 10, 2018. These midyear re-allocations is what is captured as "O&M Reform" funding in Figure 3.

[247] United States Government Accountability Office, *Defense Management: DOD Needs to Implement Statutory Requirements and Identify Resources for Its Cross-Functional Reform Teams*, 16; DBB, *The Chief Management Officer of the Department of Defense: An Assessment*, 51.

intervention by the Secretary or Deputy Secretary (or simply consensus among key MILDEP or PSA representatives) to actually implement reform team and RMG ideas.

4. Summary

For the time of its existence, the D/CMO was effectively the DOD's principal official and point of accountability for advancing business transformation and reform. This broad agenda is notoriously challenging. The GAO added the "approach to business transformation" as one of DOD's "high-risk" areas in 2005. And, despite the Department's progress in many aspects of transformation and reform that are described throughout this paper, it remains on the high-risk list as of this writing.[248] Ultimately, it was in terms of "transformation" that the 2020 DBB study drew its main conclusions about the performance of the D/CMO over time. The study argued that the office had "failed to deliver the level of department-wide business transformation envisioned in the legislation, nor met the expectations of multiple" Department and Congressional leaders.[249]

B. Business Systems

"Defense Business Systems" (DBS) are defined in statute as information systems that are

> operated by, for, or on behalf of the Department of Defense, including any of the following: a financial system, a financial data feeder system, a contracting system, a logistics system, a planning and budgeting system, an installations management system, a human resources management system, a training and readiness system.[250]

Oversight of DBS was another core function of the D/CMO throughout the life of the office, though its particular role and share of responsibilities with other elements of OSD varied over that time.

1. D/CMO Role

The legislation establishing the DCMO in 2008 did not assign the office direct oversight of defense business systems, but did so indirectly by placing DCMO in charge of the Business Transformation Agency (BTA).[251] Subsequently, the next year's NDAA directed that the DCMO would serve as the Vice-Chair (under DSD) of the Defense Business Systems

---

[248] U.S. Government Accountability Office, *High-Risk Series: Efforts Made to Achieve Progress Need to be Fully Maintained and Expanded to Fully Address All Areas,* GAO-23-106203, 143-146 (Washington, DC: GAO, April 2023), https://www.gao.gov/assets/gao-23-106203.pdf.

[249] DBB, *The Chief Management Officer of the Department of Defense: An Assessment*, 2.

[250] U.S. Code, Title 10, Section 2222, "Defense business systems: architecture, accountability, and modernization."

[251] National Defense Authorization Act for Fiscal Year 2008, Public Law 110-181, January 28, 2008, Section 904.

Management Committee (DBSMC).[252] Previously, the FY2005 NDAA had written into law that all business systems costing more than $1 million over the FYDP must be reviewed and certified by OSD, and created the DBSMC as the principal venue for the Deputy Secretary to fulfill that function.[253]

These factors, together with DCMO Beth McGrath's expertise and experience, made DBS a core early focus for the office. Then in 2011, the BTA's disestablishment and partial absorption by ODCMO further underscored the office's key role in DBS oversight. Accordingly, the FY2012 NDAA updated Title 10, Section 2222 to expand the DCMO's role in DBS acquisition and investment planning processes. This included codifying taskings of two key activities that the DCMO had already taken on: developing and maintaining the "defense business enterprise architecture" (DBEA); and establishing "an investment review board and investment management process . . . to review and certify the planning, design, acquisition, development, deployment, operation, maintenance, modernization, and project cost benefits and risks of covered defense business systems programs."[254]

A few years later, the FY2016 NDAA introduced additional significant changes to Title 10 Section 2222, affecting the DCMO's DBS responsibilities.[255] These included codifying the Defense Business Council (DBC), to be co-chaired by DCMO and the DOD CIO. While the DBC had already existed for a few years, at this point, it effectively replaced the DBSMC. And, perhaps most important, the new legislation raised the threshold of "covered" systems from a budget authority of $1 million over the FYDP to $50 million over the FYDP. DCMO would be the approval authority for any covered systems affecting the DAFAs or more than one military department, and for any "priority" systems with more than $250 million in budget authority over the FYDP. This change dramatically reduced the volume of investment review work required of the DCMO, because any MILDEP-specific business system with less than $50 million of budget authority over the FYDP no longer required DBC review and approval.

In subsequent years, the sharing of DBS-related responsibilities between the D/CMO and the CIO changed multiple times. Congress tasked CMO with developing the DBEA, but the CIO was responsible for the Information Technology Enterprise Architecture (ITEA). At the

---

[252] National Defense Authorization Act for Fiscal Year 2009, Public Law 110-417, October 14, 2008, Section 904.

[253] National Defense Authorization Act for Fiscal Year 2005, Public Law 108-375, October 28, 2004, Section 332; U.S. Code, Title 10, Section 2222.

[254] National Defense Authorization Act for Fiscal Year 2012, Public Law 112-81, December 31, 2011, Section 901. Also see GAO, *Defense Business Systems Modernization: Governance Mechanisms for Implementing Management Controls Need to Be Improved,* June 2012, GAO-12-685, 34-36.

[255] National Defense Authorization Act for Fiscal Year 2016, Public Law 114-92, November 25, 2015, Section 883.

time the CMO legislation was being written, there was considerable debate over whether the CIO function should be made subordinate to CMO, though that option was not pursued.[256]

The NDAAs in FY2018 and FY2019 attempted to clarify a "bifurcation" of CIO responsibilities, where the CMO would be clearly responsible for business systems.[257] However, the transfer of functions did not occur as planned or in any systematic way.[258] And the FY2020 NDAA reversed course on this point, returning responsibilities related to business systems back to the CIO, and realigning the Chief Data Officer (CDO) from CMO to CIO.[259]

2.   Efforts to Address Issue

As discussed in Section 4.A, oversight of DBS was perhaps the signature issue for ODCMO in its initial years under the leadership of Beth McGrath. The office's leadership of the BTA and vice-chairmanship of the DBSMC afforded it substantial platforms for gaining expertise and seeking influence across the enterprise in this area. Its prerogatives were further enhanced by its designation in 2009 as the Milestone Decision Authority for Major Automated Information Systems (MAIS), though that responsibility was rescinded again in 2013.

Through its oversight of BTA, ODCMO was helped shepherd development of a few particularly important DBS programs, including both troubled programs and ones that enjoyed considerable success. Among the more successful were the Defense Agencies Initiative enterprise resource program (ERP) and the revamping of the Defense Travel System (DTS).[260] Among the failing programs BTA and ODCMO helped attempt to salvage were the Air Force's Expeditionary Combat Support System (ECSS) ERP[261] and the Defense Integrated Military Human Resources System (DIMHRS). In both of those cases, the programs were ultimately

---

[256] Interview with former DSD Robert Work.

[257] National Defense Authorization Act for Fiscal Year 2018, Public Law 116-92, December 12, 2017, Section 910; National Defense Authorization Act for Fiscal Year 2019, Public Law 115-232, August 13, 2018, Section 903.

[258] U.S. Government Accountability Office, *Defense Business Operations: DOD Should Take Steps to Fully Institutionalize the Chief Management Officer Position,* GAO-19-199, 20-21 (Washington, DC: GAO, March 2019), https://www.gao.gov/assets/gao-19-199.pdf.

[259] National Defense Authorization Act for Fiscal Year 2020, Public Law 116-92, December 20, 2019, Section 903.

[260] Interview with former BTA Director David M. Fisher on November 9, 2022. Also see Gansler and Lucyshyn, *Defense Business Transformation*, 82-84.

[261] Interview with former Acting DSD Christine Fox. Also see U.S. Senate Permanent Subcommittee on Investigations, *The Air Force's Expeditionary Combat Support System (ECSS): A Cautionary Tale on the Need for Business Process Reengineering and Complying with Acquisition Best Practices,* Staff Report, Senate Committee on Homeland Security and Governmental Affairs, July 7, 2014.

cancelled after years and hundreds of millions of dollars of investment. DIMHRS, in particular, consumed considerable ODCMO bandwidth in its first year or two of operation.[262]

ODCMO's activities on DBS increased in 2011-2012 upon the disestablishment of BTA, the absorption of its staff elements and functions, and new statutory mandates in the FY2012 NDAA. McGrath established a new investment review process for DBS and began work on the DBEA, in conjunction with the CIO's work on the ITEA.

Following McGrath's departure from the DCMO job, two significant developments reoriented the office's orientation toward DBS. The first was the arrival of Bob Work as Deputy Secretary. Work had served previously as Undersecretary (and therefore CMO) of the Navy, had been a member of the DBSMC, and as a result of that experience, came to office with ideas on changing the DCMO's role with respect to DBS.

Specifically, he was skeptical that the immersion in the details of small business system programs was a good use of the DCMO's—and other leaders'—time. "Our job [as MILDEP Undersecretaries] was if anyone in the Department was buying it, the system had to be approved by the DCMO. . . [But] we don't have wherewithal to dive in at the program level to decide how much to spend on one contract or another."[263] As a result, Work wanted the DCMO to focus less time and attention on oversight of DBS, allowing the MILDEPS to regain more independence on smaller systems.

The second (and related) development in this time period was Congress's decision to significantly raise the threshold for which businesses systems were considered "covered" systems for purposes of OSD oversight (from $1 million to $50 million in budget authority over the FYDP). This new legislation helped fulfill Deputy Secretary Work's inclination to reduce the scope and effort associated with ODCMO's DBS oversight.

At the same time, around 2016, the CIO began co-chairing the Defense Business Council, which had succeeded the DBSMC as the Deputy's principal mechanism for DBS oversight. From this period on, DCMO (and then the CMO) shared responsibilities with CIO in executing this function. The division of labor was not always clear and shifted on multiple occasions, especially in light of the considerable organizational and leadership turbulence both offices experienced from 2017-2021. For example, CMO temporarily had responsibility in 2018 for execution of the Department's major cloud computing initiative, the Joint Enterprise Defense Infrastructure (JEDI). Ultimately, this responsibility was moved to the CIO, as was the main responsibility for DBS oversight a year later.

---

[262] Interview with former Under Secretary of Army Nelson Ford. Also see Gansler and Lucyshyn, *Defense Business Transformation*, 73-81.

[263] Interview with former DSD Robert Work.

IT and Business systems was one of the nine reform teams operating under the RMG from 2018-2020. Then, finally, the CMO's DBS responsibilities transferred to USD(COMPTROLLER) and the CIO upon the OCMO's disestablishment in 2021.

3. Accomplishments and Challenges

Business system modernization and oversight was certainly among the motivations for creating the DCMO. However, several interviewees argued that the office's early focus on business systems was more of an improvisation based on McGrath's expertise than on top-down prioritization by leadership at the time.[264] Regardless, the DCMO's early focus on oversight of DBS generated some significant accomplishments. Beth McGrath had strong expertise in business systems and relationships with key stakeholders across the Department, and was thus able—with backing from Deputy Secretaries England and Lynn—to provide effective and improved guidance in the context of the DBSMC. Similarly, ODCMO's development of a new investment review process for DBS and its integration of BTA functions and staff in 2011 appear to have been largely successful.

The scrutiny ODCMO provided of DBS was significantly enabled by statutory provisions in place through 2015 that "covered" systems, those for which DCMO had a role and leverage, included most business systems in the Department. And it is worth noting that, over the years of D/CMO's existence, DOD did make progress in GAO's High-Risk list assessments for the Business Systems Modernization area.[265]

Nevertheless, progress in this complex portfolio was always fitful, and significant challenges clearly remained at the end of the D/CMO experience. When OCMO was shuttered, Business Systems Modernization remained on that GAO High-Risk List, and several GAO recommendations on DBS remained unimplemented.[266]

In the ODCMO's first years, the same opportunity that enabled some of the office's successes on DBS issues also came with significant downsides. For one, the volume of investment review requirements for business systems limited the depth of reviews that were possible with limited staff. For another, the small dollar value of most business systems

---

[264] Interviews with former Under Secretary of Army Nelson Ford, former DCMO Peter Levine, and OSD DA&M official Jeff Eanes.

[265] U.S. Government Accountability Office, *High-Risk Series: Substantial Efforts Needed to Achieve Greater Progress on High-Risk Areas,* GAO-19-157SP, 152-156 (Washington, DC: GAO, March 2019), https://www.gao.gov/assets/gao-19-157sp.pdf.

[266] U.S. Government Accountability Office, *Business Systems Modernization: DOD Has Made Progress in Addressing Recommendations to Improve IT Management, but More Action Is Needed,* GAO-20-253 (Washington, DC: GAO, March 2020), https://www.gao.gov/assets/gao-20-253.pdf; U.S. Government Accountability Office, *High-Risk Series: Dedicated Leadership Needed to Address Limited Progress in Most High-Risk Areas,* GAO-21-119SP, 147-153 (Washington, DC: GAO, March 2021), https://www.gao.gov/assets/gao-21-119sp.pdf.

addressed by the DBSMC tended to drive discussions toward lower-level, technical issues more than larger strategic questions that management reform was supposed to tackle. This contributed to a common view that the DCMO office, while competent on business systems oversight, was focused on small, narrow issues. In turn, this perception diminished participation of senior leaders in the DBSMC and other related processes. [267]

Access to the data needed for effective oversight of DBS was another challenge D/CMO confronted over time. As with many other management areas, D/CMO usually owned neither the critical technical, budget, and program data required for oversight, nor the established processes for collecting that data in the way that OSD(C) and CAPE did.

Another persistent challenge in this functional area related to overlap between D/CMO and CIO responsibilities. As noted earlier, OSD's DBS oversight was marked by frequent changes, uncertainties, and even friction regarding the division of labor between the two offices, including CIO-related DBS responsibilities being taken over by CMO and then returned to CIO by statute in the span of a single year (2019-2020).

Acting DCMO Kevin Scheid noted that, "I think I was in direct competition with CIO in IT architecture role. That got us into trouble a lot."[268] As one experienced OCMO staffer described it: "Business systems was always the odd duck. Some thought it should be a CIO function since they had more expertise. . . On business systems, the division between DCMO and CIO was confusing to a lot of people."[269] Lisa Hershman also commented about the instability in Congressional direction on this point:

> The problem is they're changing things so quickly that we don't always get a chance to make progress. Business systems is a great example. [New CMO responsibilities] went into place on January 1, 2019, and within four months, we had NDAA language to change it back [to the CIO.] It's very difficult to get your arms around the problem and start showing demonstrable improvement when the shifts are happening that rapidly.[270]

Similar dynamics created debate and contention between the offices and Department leadership over who should manage the chief data officer (CDO) when that role was being established in 2018-2019.[271]

---

[267] Interviews with former DCMO Peter Levine, former DSD Robert Work, and former HQDA Director of Business Transformation Robin Swan.

[268] Interview with former ADCMO Kevin Scheid.

[269] Interview with former senior director OCMO Andy Haeuptle.

[270] Serbu, "DOD CMO gains new cachet as 'secretary of the Fourth Estate.'"

[271] Interviews with former Chief of Staff to the CMO Tom Mooney and former CIO Dana Deasy.

4. Summary

To a significant degree, the D/CMO's roles and mission with defense business systems were an integral part of its larger mission to advance business transformation and reform. Both represent key frontiers for modernization, new technology, and innovation where the Department must constantly engage, and improvements in efficiency and effectiveness of information systems and business processes are mutually reinforcing.

Hence, the D/CMO's experience and track record in these two areas were intimately linked and can be summarized in a similar vein. The office's efforts and initiatives in business system oversight contributed to some significant but relatively isolated improvements. However, more systemic and enterprise-wide reforms were generally stymied by the marriage of both technical and organizational complexity with the limitations on the D/CMO's limits of formal and informal power within the Department.

C. Management of the Fourth Estate

One of the most notable developments in the later history of the CMO was its characterization as the "Secretary" of the Fourth Estate.[272] The Fourth Estate is defined here as the Defense Agencies and Field Activities (DAFA). After the 2019 Defense-Wide Review (DWR), Secretary Esper's memo directed that the DAFA and other organizations would now operate under CMO governance.[273] This included a consolidated program and budget in future PPBE cycles. When the CMO was given responsibility for Fourth Estate POM submissions, the change attempted to shift DAFA PPBE oversight from various OSD offices to a single office. However, the "Secretary of the Fourth Estate" title is a misnomer; neither CMO's authority nor its capacity ever rose to the equivalent of a Secretary of a Military Department.[274] This DAFA oversight arrangement was ultimately never fully implemented due to the dis-establishment of CMO, but it provides an end point to address the changing relationship of the D/CMO with DAFAs over the course of its existence.

1. D/CMO Role

The ODCMO initially had a limited role in the management of the Fourth Estate, but the relationship with DAFAs began to change when Kevin Scheid became the acting DCMO in November 2013. Scheid describes plans for a new D/CMO "Fourth Estate" focus that he says was favorably received by new incoming DSD Robert Work.[275] In contrast with the Military

---

[272] Serbu, "DOD CMO gains new cachet as 'secretary of the Fourth Estate.'"

[273] Department of Defense, "Department of Defense Reform Focus in 2020," (memorandum, Washington, DC: DOD, January 6, 2020).

[274] Interview with former OSD DA&M official Jeff Eanes.

[275] Interview with former ADCMO Kevin Scheid.

Departments, Mr. Work is reported to have sought a new, sustained emphasis on Fourth Estate reform and cost savings. The Military Departments already had their own DCMO while there was a perception that DAFAs had lacked effective oversight.[276] This new, more general management efficiency focus on defense "overhead" had become part of the DOD reform environment as early as 2010 with Secretary Gates' Efficiency Initiatives.[277] The shift initiated by Mr. Scheid adapted to this emerging reform environment within and around DOD.

2.   Efforts to Address Issue

In May 2010, Secretary of Defense Gates had called for a two to three percent reduction in Defense overhead costs in the FY2012 budget.[278] The Obama administration and Secretary Gates operated within the aftermath of the 2008-2009 Recession, and during the DOD disengagement from active Iraqi operations and the reduction of overseas contingency operations (OCO) budgets. This broader context of DOD governance created an atmosphere of budget austerity that was then further exacerbated by the 2011 Budget Control Act and its subsequent threat of sequestration.

Secretary Gates in his 2010 initiative set a theme for this period, directing that money be taken from the defense "tail" to be reinvested as "tooth.[279] As a part of the 2010 defense overhead cuts, Gates froze the personnel within OSD, Defense Agencies, and the Combatant Commands for the next three years. The Business Transformation Agency was eliminated and largely absorbed by the office of the D/CMO. This emerging emphasis on seeking budget cuts in the Fourth Estate began under Secretary Gates, was extended and expanded by Secretary Hagel, and would continue through the decade.

Moreover, the growing focus on Fourth Estate management and efficiencies corresponded to the D/CMO office's gradual re-orientation toward a more active role in this area. A summary of the Defense Business Council activities from July 1, 2014 described an overview of tasks focused on the Fourth Estate as directed by Secretary Hagel and assigned to the DCMO and CIO. In late 2014, Deputy Secretary Robert Work asked the Defense Business Board (DBB) to review core DOD business processes that included Fourth Estate activities.[280] These savings covered a wider scope than just the Fourth Estate, but they continued the theme of cutting DOD "tail" to fund "tooth." In December 2016, acting DCMO David Tillotson publicly commented

---

[276] Interview with former OSD DA&M official Jeff Eanes.

[277] Washington Watch, "Call for Cannibalism," *Air and Space Forces Magazine*, July 1, 2010, https://www.airandspaceforces.com/article/0710watch/.

[278] Ibid.

[279] Ibid.

[280] Department of Defense, "Defense Business Board Terms of Reference: Transforming Department of Defense Core Business Processes for Revolutionary Change," (memorandum, Washington, DC: DCMO, October 8, 2014).

on the difficulty of DOD cost-cutting associated with the DBB's recommendations, arguing that the report "underestimated the degree of difficulty we have in doing something that in the commercial sector would seem to be very easy to do."[281]

Around the time the original DBB report was completed, the acting DCMO reported to the Defense Business Council on a draft charter for a Fourth Estate Working Group. This was approved in February 2015. Subsequently, in May 2015, the SASC proposed a 30 percent reduction in O&M accounts funding the DAFAs. This was opposed by the administration and not adopted in conference. Instead, the subsequent 2016 NDAA directed $10 billion in reductions to "headquarters, administrative, and support activities." The confirmation of Peter Levine as the DCMO came in May 2015. Consistent with congressional direction for reductions, DSD Work asked Mr. Levine to find dollar savings within the department, particularly in the area of the Fourth Estate.

Subsequently in 2016, the 2017 NDAA Conference Report language on establishing the new office of CMO indicated that the new organization would, "provide greater oversight and management of the Department's Fourth Estate." This included a four year cycle of DAFA reviews.[282] In June 2017, the SASC further proposed a requirement for the CMO office to establish data analytic capabilities for enhanced oversight and management of the DAFA. This provision was adopted in Section 912 of the 2018 NDAA. The focus on the Fourth Estate activities continued.

This arrangement would culminate in August 2019 when Secretary Esper announced a "comprehensive zero-based review of all defense-wide (DW) functions and activities." This framing assumption for the Defense Wide Review (DWR) echoed previous reform activity to find savings that would free up funds for other uses. The FY 2020 Annual Performance Report of the CMO would almost exclusively focus on defense-wide activities to include:

- Review current year budget execution and develop a consolidated annual program and budget for defense-wide organization and accounts;
- Conduct bottom-up reviews of Defense Agencies and Field Activities (DAFA); and
- Reform business processes, evaluate and oversee DAFA performance against measurable business goals.[283]

3. Accomplishments and Challenges

The D/CMO "Fourth Estate" focus would begin under DSD Robert Work and largely started when Mr. Levine was confirmed as DCMO in 2015. After investigation, Mr. Levine

---

[281] Ibid.

[282] DBB, The Chief Management Officer of the Department of Defense: An Assessment, Tab F (History), 12.

[283] Lisa Hershman, FY 2020 Annual Performance Report, December 31, 2020.

proposed savings partly through Fourth Estate information technology consolidation and reduction of the Defense Commissaries subsidies. In addition, there were reductions in Fourth Estate service contracts and congressionally directed personnel reductions.[284] In connection, final decisions on the FY 2017 budget reduced funds for Fourth Estate business systems by $310 million over the FYDP period. This original estimate was an analysis generated by OSD CAPE but the component breakout estimates were provided by ODCMO in April 2016.[285] DCMO records indicate many Fourth Estate Working Group efforts were focused on information technology system efficiencies over this time.

The creation of the CMO had explicit legislative direction to better oversee the Fourth Estate. Yet CMO efforts to oversee the Fourth Estate were heavily dependent on support by the OSD office of CAPE and Comptroller.[286] Despite this, Secretary Esper noted the 2019 Defense-Wide Review had generated $5 billion in FY 2021 savings from DAFAs and other organizations.[287] Beyond these savings, when published, the DWR announced a new Defense-Wide governance model. The effort would be led by the CMO, with considerable assistance from CAPE and USD(Comptroller).

Secretary Esper further directed some immediate actions to begin implementation of this reform priority, to include assigning the CMO responsibility to: 1) review current year budget execution and develop a consolidated annual program and budget for DW organization and accounts, 2) conduct bottom-up reviews of Defense Agencies and Field Activities (DAFAs), and 3) reform business operations and evaluate DAFA performance against measurable business goals. The DWR announced the immediate focus for the CMO would be to develop a consolidated FY 2022-2026 program and budget for the DW organizations and accounts.[288]

4. Summary

The OD/CMO oversight of the Fourth Estate emerged in the latter half of the organization's history after the departure of Ms. McGrath. This period first started with Secretary Gates' Efficiency Initiative in 2010, but early attempts to address the DAFA issues came as early as the 1996 Defense Reform Initiative.[289] Particularly after the Cold War, these

---

[284] Interview with former DCMO, Peter Levine.

[285] Department of Defense, "Fourth Estate Business Operations Improvements Efficiency," (memorandum, Washington, DC: DOD, April 11, 2016).

[286] Interview with former D(CAPE), John Whitley.

[287] Department of Defense, "Department of Defense Reform Focus in 2020," (memorandum, Washington, DC: DOD, January 6, 2020).

[288] Department of Defense, FY2021 Defense Wide Review, January 2020, 5.

[289] Department of Defense, "SECRETARY COHEN ESTABLISHES TASK FORCE ON DEFENSE REFORM," (press release, Washington, DC: DOD, May 1997, https://govinfo.library.unt.edu/npr/library/news/0597.html.

activities had grown in size due to a series of consolidations from common activities within the Military Departments: missile defense, health care, supply, and contract management. Congressional interest in DAFA management within DOD grew after 2010 and increasingly involved activities of the DCMO. The CMO legislation of the 2017 NDAA explicitly called for CMO DAFA oversight. Subsequently, the 2019-20 Defense-Wide Review focused on the DAFAs and announced $5.7 billion in internal savings that was freed up for higher priority activities.[290]

Secretary Esper reported the results of the review and named Ms. Hershman and the OCMO responsible for future DAFA governance. However, the 2019 review only occurred with the significant organizational aid of the OSD CAPE and USD(Comptroller).[291] Despite this significant assistance, the CMO received the press label of "Secretary of the Fourth Estate"[292] but was disestablished soon afterwards.

D. Budget Cuts and Efficiencies

Finding ways to save money in the defense budget was not an explicit statutory function of the D/CMO. At the same time, however, cost reduction is a natural corollary to improved efficiencies in business operations, and is also the easiest metric by which to gauge progress. As a result, identifying budget cut opportunities and "efficiencies" in this sense was a mission that Department leaders frequently gave to the office.

1. D/CMO Role

The D/CMO's mandate to drive reform and efficiency presented a good fit with the leadership's focus on budgetary savings. Among its statutory responsibilities, after all, was to "serve as the official with principal responsibility in the Department for minimizing the duplication of efforts, maximizing efficiency and effectiveness..."[293] Similarly, the concentration the D/CMO's portfolio of responsibilities on business operations made it a seemingly attractive tool for implementing the Department's growing desires to shift "tail" to "tooth," to move resources toward "lethality" and the highest priority capability areas.

Even so, in the earliest rounds of major budget cutting efforts during the D/CMO's existence, the office was not a main player. The first major Departmental cost-cutting effort during this period was the "efficiency task force" (ETF), started in 2010 under Secretary Gates.

---

[290] Jim Garamone, "Defense-Wide Review Finds $5.7 Billion for Higher Priorities," *DOD News*, February 6, 2020, https://www.defense.gov/News/News-Stories/Article/Article/2076798/defense-wide-review-finds-57-billion-for-higher-priorities/.

[291] Department of Defense, "Department of Defense Reform Focus in 2020."

[292] Serbu, "DOD CMO gains new cachet as 'secretary of the Fourth Estate.'"

[293] U.S. Code, Title 10, Section 132(a)(7).

Gates sought cuts of $100 billion over the FYDP with the goal of reinvesting those savings in higher priority capabilities. This was followed by the 2011 Budget Control Act and related provisions for automatic budget caps to be enacted under "sequestration."[294] These developments prompted further rounds of budget cut drills in the Pentagon, including under Secretary Panetta in 2012 and then the Strategic Choices and Management Review (SCMR) under Secretary Hagel in 2013.

However, DCMO did not lead any of these efforts. The workload associated with these reviews was significant, and their content often controversial. These factors, as well as the centrality of program and budget data and analysis to the efforts, prompted OSD leadership to look to CAPE and Comptroller to play the most prominent roles in the reviews.[295]

Subsequently, as efficiency reviews took on a greater focus on reducing the size of headquarters, DCMO's role in managing budget cutting exercises expanded. Under Deputy Secretary Work, acting DCMO Tillotson and DCMO Levine helped lead significant efforts to find savings.

Later still, the creation of the CMO gave the role greater authorities—at least on paper— to drive change across the enterprise. Expectation rose accordingly among both Congress and DOD leaders that the CMO could identify and implement significant cost cutting under the impetus of renewed pushes for reform. An example of the manifestation of increased expectations can be found in the mandatory "Section 921" reports instituted by Congress in the FY2019 NDAA. The legislation directed OCMO to report on progress in reforms in management activities within four broad functional areas, and to certify 25 percent budgetary savings in those activities, or to justify the realization of any lesser level of savings.[296] (The 25 percent savings mandate was then removed in the subsequent year's NDAA.[297])

The most prominent instances of D/CMO's role in the Department's budget cutting activities are summarized in the next section.

2.   Efforts to Address Issue

As described above, ODCMO did not play a leading role in the series of efficiency efforts leading up to or following the 2011 Budget Control Act. During that time, the office had neither

---

[294] For an overview, see Todd Harrison, "What Has the Budget Control Act of 2011 Meant for Defense," *Center for Strategic and International Studies,* August 1, 2016, https://www.csis.org/analysis/what-has-budget-control-act-2011-meant-defense.

[295] Interview with former Acting DSD Christine Fox.

[296] National Defense Authorization Act for Fiscal Year 2019, Public Law 115-232, August 13, 2018, Section 921(b).

[297] National Defense Authorization Act for Fiscal Year 2020, Public Law 116-92, December 20, 2019, Section 901.

the capacity nor the directed mission from senior leaders to play such a role. Indeed, one of the major outcomes of Secretary Gates's ETF in 2010 was the disestablishment of BTA, a decision that fundamentally transformed the ODCMO at the time.

But beginning in 2013, DOD leaders looked to the DCMO to expand its role in initiatives to find budget savings. Immediately following completion of the SCMR, Secretary Hagel directed a new round of 20 percent headquarters cuts[298] as well as a review of OSD organization.[299] These efforts converged in December 2013 in a set of organizational changes for OSD that Hagel directed and Acting Deputy Secretary Christine Fox assigned to the ODCMO for implementation.[300]

Less than a year later, DSD Work launched another related effort focused on reducing costs at Pentagon headquarters organizations. The CIO was tasked with reviewing information technology aspects of Pentagon operations, and the DCMO was tasked with the portion of the review aiming "to unify, improve, and reduce the costs of total operations to operate our DOD Headquarters."[301] These headquarters-focused cost-cutting efforts—as well as new ones—became a major focus area for new DCMO Peter Levine upon his arrival in the role in May 2015. Key elements of the work included clarifying the definitions of "major headquarters activities" that were subject to cuts,[302] and plans for "delayering" management structures within OSD and the DAFAs.[303] ODCMO was tasked with leading these initiatives.

The Department's and ODCMO's ongoing work on headquarters reductions was given further impetus when Congress introduced a new mandate in the FY2016 NDAA for DOD to achieve 25 percent reductions in headquarters activities.[304] More generally, Congress directed the Department to find $10 billion in headquarters and administrative support cost savings over

---

[298] Department of Defense, "20% Headquarters Reductions," memorandum, July 31, 2013.

[299] Department of Defense, "Terms of Reference for the 2013 OSD Organizational Review," memorandum, August 26, 2013.

[300] Eanes, DCMO-CMO Evolution, July 31, 2020, 7; interview with former ADCMO Kevin Scheid.

[301] Department of Defense, "Review of the Total Costs of the Pentagon Reservation Operations," (memorandum, Washington, DC: DOD, October 7, 2014).

[302] Interview with former DCMO Peter Levine.

[303] Department of Defense, "Implementation of Institutional Reform Opportunities," (memorandum, Washington, DC: DSD, July 24, 2015); Department of Defense, "Hiring Suspension to Ensure Implementation of Organizational Delayering Commitments," (memorandum, Washington, DC: DSD, February 23, 2016.

[304] National Defense Authorization Act for Fiscal Year 2016, Public Law 114-92, November 25, 2015, Section 346. The 25 percent target was intended to be inclusive of any savings already achieved by the 20 percent reductions previously directed by Secretary Hagel. In anticipation of Congressional action on this point, Deputy Secretary Work actually directed the 25 percent reductions prior to enactment of the FY2016 NDAA. See Department of Defense, "Cost Reduction Targets for Major Headquarters," (memorandum, Washington, DC: DOD, August 24, 2015).

the FYDP. The effort ultimately resulted in an estimated dollar savings in the FY 2017-FY 2021 Future Years Defense Program of about $1.4 billion.[305]

Another development related to cost cutting in the Department that occurred around this time period was the completion of a Defense Business Board study that was to become both notorious, but also influential. This study, originally commissioned by DSD Work and conducted largely by consultants from McKinsey & Company, concluded that DOD could save as much as $125 billion over five years through management reforms and efficiencies such as headquarters cuts, contract consolidation, and IT modernization.[306]

However, many experts—including Work himself—found the estimates to be poorly supported and unrealistic from both technical and political perspectives.[307] Nevertheless, when the press received a copy of the study nearly two years later, it presented the findings under the headline, "Pentagon buries evidence of $125 billion in bureaucratic waste."[308] Hence, while the study did not directly affect cost cutting at the time of its publication, it contributed to controversy regarding defense management at the sensitive political time of the transition between Obama and Trump administrations, and buttressed a prevailing desire among the incoming administration to rebalance spending from "tail" to "tooth."

The priorities of the new administration also corresponded, of course, with the pending elevation of the CMO. Deputy Secretary Shanahan expressed his desire to take $100 billion out of the Department to reinvest in other capabilities.[309] At that time, OMB had targeted a more modest—but still aggressive—goal of finding $46 billion in savings over the FYDP. Moreover, the new inaugural CMO Jay Gibson expressed confidence about reaching those targets: "We're very comfortable. We're probably going to pleasantly surprise people."[310]

The principal mechanism for pursuing these savings was initially the Reform Teams and Reform Management Group (described in Section 5.A). Over time, senior leaders initiated additional mechanisms to buttress the search for savings, such as the two Defense-Wide Reviews in 2019-2020 (and described in Section 5.C) and the related emphasis on the Fourth Estate management. Unlike in previous years, the Department's leadership placed OCMO at the center of these efforts, albeit without its own staff and expertise to conduct them

---

[305] Department of Defense, "Summary of Defense Business Council Meeting on March 8, 2016," (memorandum, Washington, DC: DCMO, March 30, 2016).

[306] Defense Business Board, *Transforming Department of Defense's Core Business Processes for Revolutionary Change*, Report FY 15-01, February 2015.

[307] Sydney J. Freedberg, Jr., "$125B Savings? Not so fast, say experts, DOD, Rep. Smith," *Breaking Defense,* December 7, 2016, https://breakingdefense.com/2016/12/125-billion-savings-not-so-fast-say-experts-rep-smith;.interviews with former DSD Robert Work interview and OSD DA&M official Jeff Eanes.

[308] Whitlock and Woodward, "Pentagon buries evidence of $125 billion in bureaucratic waste."

[309] Interview with former CMO John Gibson II.

[310] Mehta, "How the DOD's first-ever chief management officer plans to turn cash into military capabilities."

independently (thus relying on CAPE and Comptroller for expertise). It was in this context that Congress added the new mandate requiring the CMO to report its progress toward 25 percent cost reductions in several broad management areas (civilian resource management, logistics management, services contracting, and real estate management).[311]

Hence, the search for budgetary savings ultimately dominated the OCMO's agenda in its final years.

3.   Accomplishments and Challenges

The D/CMO undoubtedly can claim some accomplishments in helping the Department identify and implement budget savings during the years it was involved in such exercises. Billions of dollars in savings were realized in those efforts, though attributing them to D/CMO activity, in particular, is very difficult for at least two reasons. First, D/CMO never controlled resources beyond its own office, and had only indirect roles in the programming and budgeting process. Second, D/CMO generally convened various stakeholders and orchestrated efficiency searches, as opposed to actually generating cost savings ideas independently.

That said, OCMO reported to the DBB savings identified through these processes at approximately $4.7 billion in FY17-18, $6.5 billion in FY19, and $7.7 billion in FY20. The Comptroller verified at least some of those estimates, as well.[312] Later, Hershman claimed as much as $37 billion in savings, though the GAO, among others, expressed skepticism of that figure as representative of true savings from reform or other CMO-led initiatives. The savings came from the MILDEPS and Fourth Estate in a roughly 70/30 proportion.[313] Savings occurred across all of the functional reform areas, with the highest savings from areas such as personnel management, health care, equipment and program divestitures, and improvement in contracting, such as category management.[314]

D/CMO also faced considerable challenges in pursuing efficiencies and savings. The goal is inherently difficult, complex, and politically fraught. D/CMO had the additional hurdle of owning relatively little in the way of data, analytic capacity, and PPBE expertise. This made D/CMO success dependent on extensive collaboration and high performance from other

---

[311] National Defense Authorization Act for Fiscal Year 2019, Public Law 115-232, August 13, 2018, Section 921(b).

[312] DBB, *The Chief Management Officer of the Department of Defense: An Assessment,* 45, 48. Details of savings estimated during this period by OCMO are provided in Tab H, 180-189.

[313] Bertuca, "Congressional Axe Falls on DOD Chief Management Officer,"; GAO, *Defense Reform: DOD Has Made Progress, but Needs to Further Refine and Formalize Its Reform Efforts,* November 2020, GAO-21-74; Mooney interview, December 13, 2022.

[314] Defense Business Board, *The Chief Management Officer of the Department of Defense: An Assessment*, Tab H, 119-120, 180-189; Office of the Chief Management Officer, *Report on Section 921(b)(3) of the John S. McCain Fiscal Year 2019 National Defense Authorization Act (Public Law 115-232),* January 1, 2020 (reference is For Official Use Only).

organizations, especially CAPE and Comptroller, and also the equivalent offices in each of the MILDEPS.[315]

Another pervasive challenge that budget cutting posed for D/CMO was the tendency for longer-term reform goals to be subordinated to the need to realize near-term savings. The mission of finding savings is not identical to reform and yet, as one interviewee put it, "Reform and savings were equated very much. That was the problem."[316] Any holistic reckoning of the Department's budget cuts should draw a distinction between cost avoidance and cost savings from reform. As the DBB concluded about much of the cost reduction identified in the OCMO's final years, "The savings are more opportunistic rather than conforming to an ongoing transformation strategy. . . [They] derive mostly from MILDEP reduction efforts, and other activities, not from those related to the responsibilities of the OCMO."[317]

4. Summary

The D/CMO's role in the Department's efforts to identify and implement budget cuts grew over the office's lifespan. At the beginning, ODCMO had neither the capacity nor the functional responsibility to spearhead major budget cutting initiatives. As the office's size and taskings grew, so did the willingness of senior leaders to assign it responsibility for such efforts, especially in light of a seemingly growing demand for cost reductions in the Department's administrative functions. This trend culminated in the period of time when the DCMO was elevated to become the CMO. For these years, budget cuts and reform were essentially at the top of the office's agenda. In principle, these two objectives were pursued in tandem, but the urgent timelines of budget cut demands made clear that the savings themselves were higher priorities than fundamental management reform.

E. Conclusion

When examining the D/CMO's history, it is through the lens of several cross-cutting issues that the challenges and complexities it encountered become even more apparent. The cross-cutting issues highlighted here include: business transformation and reform, business systems, management of the Fourth Estate, and budget cuts and efficiencies. Together, they demonstrate the complexities of the responsibilities that the D/CMO was assigned and the challenges it faced in performing them.

Several issues, such as business transformation and business systems certification, were linked, and struggles with one often affected the other. The D/CMO achieved limited successes

---

[315] Interview with former D(CAPE)/ADCMO John Whitley on October 14, 2022; interview with former CIO Robert Daigle on October 25, 2022; interview with Mark Easton on November 10, 2022; interview with former Acting USD(COMPTROLLER) Elaine McCusker on November 23, 2022.

[316] Interview with former OSD Deputy CFO Mark Easton.

[317] Defense Business Board, *The Chief Management Officer of the Department of Defense: An Assessment*, 48.

in both, but systemic, enterprise-wide reform was stymied by the complexity of the issues and limits of both formal and informal power of the office. In other areas, such as budget cutting exercises, the D/CMO role grew over time along with the size of the office and trust it had from senior leadership. However, a challenge throughout was the tension between the near-term savings achieved through budget cuts and the longer-term goals of defense reform. Both required the time and attention of the OD/CMO but traded off with each other, with the latter often losing out to the former.

6. Disestablishment and Perspectives

Over approximately 13 years, the OD/CMO took on a range of initiatives aimed at strengthening defense management and improving business operations. Its focus shifted during this time based upon the personalities and priorities of the D/CMO and the Deputy Secretary. The OD/CMO operated in a complex bureaucratic environment that was suspicious of it from the outset, given it was externally imposed on the Department and its boundaries shifted over time. In January 2021, it ended with the announcement that the CMO position would be disestablished and the office closed in October of that year.

This chapter describes the steps leading to the disestablishment of the OCMO. It then explores the factors contributing to the decision to fold the office. The chapter also considers whether the OD/CMO was a "failed experiment" and offers explanations for why it may have failed. It concludes with a survey of different institutional perspectives of the D/CMO and areas of agreement and disagreement among key stakeholders.

A. Disestablishment of the CMO

The FY2020 NDAA (Section 904) directed an assessment of the CMO that evaluated, among other things, its effectiveness and the extent to which the organizational culture presents challenges to the office. This was based upon the sense of some in Congress that the CMO had experienced "significant structural challenges" and needed to be reevaluated. The Secretary asked the Defense Business Board to conduct the assessment, which they delivered to the Department in May 2020. The DBB report found the CMO to be largely ineffective in performing its responsibilities and offered a range of organizational alternatives.

The next legislative action occurred on January 1, 2021 with the enactment of the FY2021 NDAA that called for the disestablishment of the CMO. In addition to disestablishing the position, the act stated that not later than one year after enactment "the personnel, functions, and assets of the Office of the Chief Management Officer shall be transferred to such other organizations and elements of the Department as the Secretary considers appropriate."[318]

Inside the Department, Deputy Secretary Norquist took steps to implement the provisions of the FY2021 NDAA. He issued two memoranda that began the process of disestablishment.

---

[318] National Defense Authorization Act for Fiscal Year 2021, Section 901, 116th Cong. (2021), https://www.congress.gov/bill/116th-congress/house-bill/6395/text.

The first reassigned major responsibilities of the CMO to other elements of OSD and called for creating a working group to develop a plan for transferring the functions and people to other elements of OSD.[319] The second memo re-established two key positions under the CMO as separate organizations. It re-established the Assistant to the Secretary of Defense for Intelligence Oversight and the Director of Administration and Management.[320]

The OCMO was disestablished (effective October 1, 2021) and its functions and personnel transferred in a memorandum issued by Deputy Secretary Kathleen Hicks on September 1, 2021.[321] The memorandum stated that the authorities of the CMO will revert back to the Deputy Secretary of Defense, as the Chief Operating Officer of DOD, and the functions and responsibilities of the former CMO will transfer to OSD PSAs. Additionally, it directed that the Director of Administration and Management will be designated as the Performance Improvement Officer and serve as the senior official for Defense Reform under the Deputy Secretary.

Oversight of defense business systems was to be shared by the Under Secretary of Defense (Comptroller) and the Chief Information Officer of the DOD. Lastly, it directed that the Assistant to the Secretary of Defense (ATSD) for Intelligence Oversight (IO) be combined with the Privacy, Civil Liberty and Transparency (PCLT) functions under a new official called the ATSD (PCLT). The memo included a detailed appendix outlining all of the statutory and regulatory responsibilities assigned to the CMO and the new organization that inherited each of them.

B.   Explaining the Change of Direction

The disestablishment occurred almost 13 years after Congress created the DCMO, but only three years after elevating the position to CMO. Given that the organization was Congress's creation and it provided little time for the new CMO to prove itself, the question arises as to why Congress changed direction on the CMO? A contributing factor was the 2020 DBB assessment that found the office had failed to meet congressional intent. However, sentiment on the Hill (and inside DOD) had already turned against the CMO prior to that, but why?

---

[319] Department of Defense, "Disestablishment of the Chief Management Officer of the DOD and Realignment of Functions and Responsibilities," (memorandum, Washington, DC: DSD, January 11, 2021), https://media.defense.gov/2021/Jan/11/2002563170/-1/-1/0/REALIGNMENT-OF-CMO-FUNCTIONS.PDF.

[320] Department of Defense, "Re-establishment of the Assistant to the Secretary of Defense for Intelligence Oversight and the Director of Administration and Management," (memorandum, Washington, DC: DSD, January 11, 2021), https://media.defense.gov/2021/Jan/11/2002563174/-1/-1/0/REESTABLISHMENT-OF-ASD-IO-AND-D-AM.PDF.

[321] Department of Defense, "Disestablishment of the Chief Management Officer, Realignment of Functions and Responsibilities, and Related Issues," (memorandum, Washington, DC: DOD, September 1, 2021), https://media.defense.gov/2021/Sep/03/2002847421/-1/-1/0/DISESTABLISHMENT-OF-THE-CMO-REALIGNMENT-OF-FUNCTIONS-AND-RESPONSIBILITIES-AND-RELATED-ISSUES.PDF.

1. Contributing Factors

One reason for Congress's change of direction was that the CMO **lost advocates for the position in Congress**. The Senate Armed Services Committee (SASC) and its Chairman, Senator John McCain (R-AZ) had been proponents of the CMO (and DCMO before it) and defense reform, more generally. In fact, it was McCain who was the driving force behind elevation of the DCMO to a CMO position. With McCain's passing in 2018, the chairmanship changed hands to Senator James Inhofe (R-OK) who was not the ardent supporter of the office that McCain had been.

One congressional observer noted that the "SASC went from the [CMO's] greatest supporter to least interested—the writing was on the wall that Inhofe was not a big fan."[322] The CMO also lost support on the House side as the Chairman of the House Armed Services Committee (HASC), Congressman Mac Thornberry (R-TX) told reporters in June 2020 that "I have come to the conclusion that Congress is largely responsible for making this an impossible job, and we need to figure out something different."[323] A reason for this is that key members did not understand the functions performed by the OCMO. When Thornberry was briefed on what components of OCMO did, he responded "I had no idea."[324] One of the few remaining proponents for the office was Senator Joe Manchin (D-WV) who, during conference negotiations for the FY2021 NDAA (that disestablished the office), sent a letter urging the preservation of the OCMO.[325]

Another reason sentiment in Congress turned against the CMO is because its "**good government" proponents began to question its effectiveness**. Some of the same organizations that were instrumental in establishing the office issued reports critical of the CMO. One of those initial proponents was the DBB with the issuance of their 2020 assessment (addressed above). Another original proponent was the Government Accountability Office. Several of its assessments of DOD from 2012-2021 were critical of the D/CMO's implementation and exercise of its authority; these included reports issued in the years immediately prior to its disestablishment.[326]

A third set of factors behind Congress's changed direction were **major gaps in performance and execution of responsibilities**. In the first instance—gaps in performance—there were differences between the expectations Congress and others had of the D/CMO and its

---

[322] Interview with a senior OSD official.

[323] Gould, "Congress Close to Axing Pentagon's 'Impossible' Chief Reform Job."

[324] Interview with a former CMO.

[325] United States Senator Joe Manchin Website, "CMO Conference Letter," accessed June 2, 2023, *https://www.manchin.senate.gov/imo/media/doc/200908%20CMO%20Conference%20Letter%20Final.pdf?cb.*

[326] For example, see Government Accountability Office, *DOD Should Take Steps to Fully Institutionalize the Chief Management Officer*, GAO-19-199, March 14, 2019. While seemingly supportive of the office, the report was critical of CMO effectiveness and accomplishments.

actual performance. During the period of the DCMO, as demonstrated through this history, the performance of the DCMO was characterized by steady, albeit incremental, progress across a range of issues. However, the expectation of Congress was that the DCMO play a larger role in driving reform throughout the Department. This sentiment is what prompted Congressional interest in elevating the position to CMO with the FY2017 NDAA. Therefore, the expectations for the CMO were high, and it began to be endowed with greater authorities to advance reform. However, like the DCMO before it, the actual performance of the CMO did not match expectations, as the history recounted in this paper demonstrates.

The second gap was in the difference that existed between responsibilities and authorities. During the period of the DCMO, it was assigned responsibilities for leading defense reform and driving change for which it lacked authorities—all were derived from the Deputy Secretary. This made the performance of the DCMO dependent on informal influence that it derived from the relationship he or she had with the Deputy and standing as a Presidentially Appointed, Senate-Confirmed (PAS) official. This put those DCMOs who had less of a relationship with the Deputy or were in acting or PTDO status at a disadvantage, undermining their informal influence. This changed with the creation of the CMO, which had both greater responsibility and also greater authorities granted by Congress (which accrued with subsequent NDAAs after its establishment). However, as described in Chapter 5, the CMOs found it difficult to exercise their nominal authority. As one former special assistant to the Deputy Secretary observed, "They [Gibson and Hershman] had the responsibilities that CMO had the authority to do, but didn't do them."[327]

A final factor contributing to changed Congressional sentiment was that **some in the Department were reportedly lobbying against the CMO** in Congress. Several of those interviewed observed that there were PASs at different echelons who had engaged with members of Congress and were critical of the CMO. Notable among them was Deputy Secretary Norquist who worked to prop up the office inside of the Pentagon but eventually "became convinced" that the CMO needed to be disbanded.[328]

2.   A Failed Experiment?

The lifecycle of the D/CMO was only 13 years, of which the CMO had only three years to demonstrate its utility. It was, among other things, an experiment in the ability to legislate better defense management through organizational solutions. In this case, it was the creation of a senior official dedicated to reform and oversight of the Department's enterprise business operations. But eventually, the DOD and Congress determined that it had been a failed experiment that was to be undone by the disestablishment of the office.

---

[327] Interview with a former senior OSD official.

[328] Interview with a former OSD senior official. While the same statement was made by others interviewed, it is important to note that Deputy Secretary David Norquist was not interviewed for this study.

Why did DOD and Congress ultimately agree that the CMO had been a failed experiment? There are at least two schools of thought on the reasons for this: institutional and personal. The two are not incompatible explanations, but different stakeholders tend to emphasize one or the other when explaining why the office struggled.

Institutional Explanation. There is a widely held view that the CMO was not "set up for success" in terms of clear roles and authorities.[329] This view was conveyed most clearly by the 2020 DBB assessment which reported. "The Task Force found, in part, that the position itself, starting in 2008, was never truly set up for success…[its] failure is due [in large part] to an inadequate organizational construct."[330] A former official serving the Deputy Secretary also subscribed to this institutional explanation as he remarked the "ideal of the CMO was a failure. They were told to find savings with no formal role in the resource allocation process…I don't think anyone could have succeeded."[331] (Many of the institutional limitations of the office are detailed in major findings in the final chapter.)

Part of the institutional explanation for the D/CMOs "failure" was the organizational alignment of the new position and the effect it had on the bureaucracy. One senior official referred to the creation of the CMO as nominally the third in line (according to order of precedence) and "destabilizing," a theme that was echoed by others interviewed.[332] One reason for this was that elevating the DCMO to CMO upset the hierarchy of the Department with many not understanding their own relationship to the CMO. As a result, unhealthy relationships emerged in the form of some jockeying for position and influence.

One senior OSD official observed that making the CMO the third in line was "a huge distraction…and all paranoias were channeled [towards the OCMO]."[333] Despite the stature of the CMO position, it lacked clear lines of responsibility. Its creation also placed a burden on the DSD, which had to both devolve authority and responsibility and continue to arbitrate disputes over issues they had delegated, creating a conflict between the DSD and the D/CMO. These factors and others resulted in the "destabilizing" effect that the office had on the rest of OSD (and the larger Department).

Personal Explanation. Although the institutional explanation was often used for why the D/CMO had "failed," others focus on the people in key positions as being the source of the struggles. Specifically, some argue that too often the wrong people were serving in the wrong roles, causing friction and/or ineffectiveness. This explained the fate of the office because, as one former D/CMO noted, individuals, not organizations, determine the outcomes: "At the end

---

[329] This view was held by several of those interviewed, specifically by members of the DBB.

[330] DBB, *The Chief Management Officer of the Department of Defense: An Assessment*, 91.

[331] Interview with a former senior OSD official.

[332] Interview with a senior OSD official.

[333] Ibid.

of the day in any organization, the individual determines the outcome. CEO job descriptions are the same but the outcome is on the individual."[334] Accordingly, if individuals, not organizations, are the primary determinate of outcomes, then having the right individuals serving as D/CMO and in other close senior roles was important to the success of the office. However, some argued that the office didn't have the right people leading it. One DBB member said, the "CMO had the authority it needed… [but] had the wrong people in the job."[335]

While few interviewed for this study were quite as pointed as this, some did question either the quality of the fit between the D/CMO role and individual leaders, and/or the quality of some of the D/CMO-DSD relationships over the life of the office. The lack of fit in either of these dimensions could be due to several factors, such as personalities and/or expertise. For example, one senior OSD official who witnessed the transition from DCMO to CMO reported that the "CMO was structured correctly, but had personality issues that undermined efficacy and growth."[336] These "personality issues" were not necessarily isolated to the D/CMO, but rather resulted from dynamics that exist between senior leadership at any given time.

The lack of fit with the OD/CMO may also be due to insufficient knowledge or expertise of the areas for which the organization was responsible. One senior OSD official contended that the D/CMO "needed leadership with deep knowledge and understanding of the DOD enterprise, credibility to get people to do what you want, access control to money and data, and none of those things existed, so they were set up for failure."[337]

The evolution of the DCMO to CMO was considered by many as a failed experiment, but one counterfactual consideration is whether the DCMO would still exist today if it was not elevated to CMO. Of course, there is no way to test the proposition, but it is feasible that the DCMO might still exist for several reasons.

First, the ODCMO demonstrated successes in a deliberate, incremental fashion as shown through the history of the DCMOs presented in Chapter Three. If the office had more time and benefited from stable leadership (and not rotating "acting" officials), it could have achieved success on business system and defense reform. Next, the DCMO was free of many of the organizational dynamics that made the CMO "destabilizing" to the bureaucracy. The DCMO was, by definition, an agent of the DSD and did not threaten other arms of the organization by being the third in order of precedence (behind the DSD). Also, it did not engender the rivalry between PSAs jockeying for influence in the same way they did with the CMO. "The precursor

---

[334] Interview with a former CMO.

[335] Interview with a DBB member.

[336] Interview with a former senior OSD official.

[337] Ibid.

DCMO was less threatening—it didn't try to come out and be something it wasn't," according to one senior OSD official.[338]

C. Institutional Perspectives on the D/CMO

There were a range of perspectives on the D/CMO—its necessity, its effectiveness, and ultimately, whether it should have been disestablished. Naturally, these perspectives varied across stakeholder organizations and their relationship to the office. Based upon the interviews conducted and the literature surveyed over the course of IDA's work, the research team attempted to characterize the perspectives of the various stakeholders and, in particular, to identify areas of general agreement and disagreement within them.

The following provides a summary of the areas of general (not necessarily complete) agreement and disagreement for each of the stakeholders, recognizing the limits of these generalizations. They are limited to the interviews conducted for this study, and a larger pool of respondents could produce slightly different results. The perspectives are those conveyed directly by those interviewed (belonging to each of the stakeholder groups below) and also statements made by interviewees about how other stakeholders perceived the D/CMO.[339]

1. Top Management Perspectives

Top management perspectives were from the Secretary of Defense and Deputy Secretary of Defense. *They generally agreed that*:

- The Secretary of Defense generally neglected the D/CMO and left it to the Deputy to manage the D/CMO.
- The CMO should not have line authority over the DAFAs.
- Success of the D/CMO depends on a good relationship with the DSD, and that relationship does not need a significant time commitment from the DSD.
- CMO relationships (with other principals) and influence is more important than the formal authorities granted to the position.
- There was limited friction between the D/CMO and OSD Under Secretaries.

There were *differing perspectives* among Top Management on whether the D/CMO:

- Should focus on the Fourth Estate.
- Was properly resourced to perform its responsibilities.
- Afforded the DSD the opportunity to focus more on other matters.

---

[338] Interview with a senior OSD official.

[339] For example, no former Secretaries of Defense were interviewed for the study but several interviewees offered insights into how different Secretaries viewed the D/CMO. However, three Deputy Secretaries of Defense were interviewed and discussed some perspectives of the Secretary they served.

2.   OSD Perspectives

OSD perspectives were from senior leadership from across the Office of the Secretary of Defense including USD(Comptroller), Dir(CAPE), DOD CIO, and others. *They generally agreed that the D/CMO*:

- Maintained good working relationships across OSD leadership and there was limited friction.
- Needed a formal role in the resourcing process to have the impact it was intended to on business systems and defense reform.
- Was assigned several duties they could not perform due to lack of expertise—they relied on other organizational capabilities.
- Was most effective when it was collaborative and developed working relationships with stakeholders.

There were *differing perspectives* amongst senior OSD officials on whether the D/CMO:

- Needed a larger staff to perform its functions.
- Should have been disestablished.

3.   Military Department Perspectives

Military Department perspectives were from senior officials from each of the Military Departments. *They generally agreed that the D/CMO*:[340]

- Lacked control over people, budgets and data.
- Was not well-integrated in the chain of command's decision-making processes.
- Lacked sufficient personnel and expertise to drive transformational change.
- Leadership lacked either sufficient Pentagon knowledge and/or corporate management experience.
- Centralization of business system approval process did not improve the process.

There were *differing perspectives* amongst senior Military Department officials on whether the D/CMO:

- Could play a constructive role in managing the DAFAs.
- Advanced the reform agenda beyond what the DSD alone could accomplish.

4.   Congressional Perspectives

Congressional perspectives were from members of Congress and congressional staffers.[341] *They generally agreed that*:

---

[340] Some of these areas of agreement were drawn from the DBB assessment. DBB, *The Chief Management Officer of the Department of Defense*, 2020, 50.

[341] No members of Congress were interviewed for this study. Their perspectives were drawn from public statements they made regarding the D/CMO.

- The Department needed a dedicated management official; the DSD alone was insufficient to manage business operations and drive reform.
- The Department needed business transformation, in part, to facilitate the completion of a clean audit.
- Management issues can be addressed through congressionally mandated organizational change.

There were *differing congressional perspectives* on:

- The speed at which to introduce organizational change—the House wanted to defer legislating change, the Senate wanted action.
- The problems the D/CMO was to address—these varied across members who focused on their issues of interest.

5. Evaluator Perspectives—GAO, DBB, IDA

Evaluator perspectives came from organizations that had some role in evaluating the D/CMO prior to its establishment and throughout its existence. Specifically, "evaluators" include the GAO, DBB, and IDA. *They generally agreed that*:

- The span of control of DSD too great to focus strongly on business reform.
- The Department needed focused attention on management.
- There needed to be greater attention paid to defense-wide issues.

There were *differing perspectives* amongst the evaluators on:

- The best mechanism for improved defense management—a second deputy, a dedicated USD, DCMO, etc.
- The appropriate span of control of senior management official—Performance Improvement Officer only; added control over operational components; role in the resourcing process; scope of authorities.
- Whether the D/CMO should be a Presidentially-Appointed, Senate-Confirmed (PAS) position or a term appointment.

D. Conclusion

The FY2020 NDAA marked the beginning of the end for the OCMO by calling for assessments of the office's performance, which eventually resulted in the formal disestablishment of the office in October 2021. However, questions remain about how Congress and the broader community that advocated for the establishment of a DCMO in 2008 eventually turned on the notion of a senior DOD official dedicated to defense management and reform. There are at least four factors that contributed to this change in direction: 1) it lost its advocates in Congress, 2) "good government" proponents (such as the GAO) began to question its effectiveness, 3) major gaps in both performance and execution of responsibilities existed, and 4) elements inside DOD were lobbying against the CMO in Congress.

There are multiple explanations for why the D/CMO was viewed by so many as a failed experiment in defense management. Some were institutional in nature and focused on the structural aspects of the office and its relationships to other parts of the Department. Other explanations focused on the personal dimensions of the leadership of the OD/CMO—the dynamics with other senior officials and the expertise which they brought to position. Recognizing that both likely contributed to its struggles, it is worth asking whether the office of the DCMO would still exist today had the position not been elevated to CMO.

Regardless of its performance, a survey of the perspectives of key stakeholders shows that the views on the OD/CMO were varied and depended on the role of each in the arc of the D/CMO story. In general, external actors (Congress and "evaluators") tended to agree more on the problems that plagued the Department and were measured in pursuit of options. Whereas, stakeholders inside of the Department tended to agree on their skepticism of the need for the D/CMO and how much it influenced change in the Pentagon.

7.   Major Findings and Lessons

As this paper has described, the DOD Deputy Chief Management Officer, later transitioning to the Chief Management Officer, was established by Congress in 2008 to address a variety of problems confronting the Department. It was intended to be a senior defense official dedicated to defense reform and improving business operations. To enable this mission, it was provided broad responsibilities that eventually turned into limited authorities through subsequent legislation (as it transitioned to CMO). Despite the institutional standing it was afforded by Congress, the office was buffeted from the beginning by the complex bureaucratic politics of the Pentagon, whose dynamics help explain both the office's successes and its challenges over time. This report presents the history of the office, from its legislative origins and evolution to its individual leaders and the major issues that transcended their terms.

 This history shows that, despite achieving success in some of its initiatives, the D/CMO can be fairly considered an organizational experiment that failed to achieve its goals. There was not a single reason for this failure, but rather several important contributing factors. The office's eventual demise can be explained by institutional factors and/or personal factors (as described in Chapter Six). Although some of those interviewed for this study claim that the D/CMO was "doomed to fail" from the beginning, its history is one of both successes and failures throughout. These are the result of complex interactions of issues, processes, and relationships that determined the office's trajectory, and also could have easily resulted in different outcomes; it did not have to end with the disestablishment of the office.

The creation of DCMO was intended to address four interrelated problems in defense management: 1) DOD internal management processes failed to reverse identified deficiencies, 2) ongoing problems with business systems and data contributed to DOD's chronic ability to pass an audit, 3) the DSD's span of control was too wide to enable effective, sustained focus on business management and reform, and 4) defense-wide elements of the Department demanded greater oversight, scrutiny, and management.

The varied, albeit interrelated, nature of these problems highlights a theme throughout the history of the D/CMO: there was no consensus among Congress or others about the definition of "defense management" and the scope or priority of the problems that the D/CMO was to address. Rather, different stakeholders expressed and imposed their own priorities on the office over time: reform, business systems, category management, and human resources, among others. These changing priorities were both reflected and reinforced by changing legislation. They resulted in shifting boundaries of the office which, in turn, contributed to other problems

the office faced during its existence, such as mismatches in personnel capacity and competencies, differing expectations, and skepticism from other offices.

This final chapter summarizes the major findings and lessons from the Department's experience with the D/CMO, recognizing that questions about how to best strengthen management of the Department are enduring and will reemerge. The first section below outlines the study's major findings, drawing from the history presented in this report. The next section derives a series of management lessons from the findings and history, which the Department should consider the next time a new DOD management structure is proposed. The chapter concludes with selected areas for additional inquiry that would give the Department an even fuller understanding of the enduring management challenges and organizational approaches to address them.

A.   Major Findings

Several important findings that emerged during this investigation are detailed throughout this report. The following summarizes those major findings.

1. **The DCMO was imposed by Congress on an unconvinced DOD leadership community. The introduction of the CMO experienced a similar reception**.

The DCMO (and later the CMO) was externally imposed by Congress upon a reluctant Department of Defense. The concept of a management official (other than the Deputy) originated outside of the DOD and there is no evidence to suggest that the Department would have adopted a similar approach had Congress not taken action and legislated the DCMO. The Department's leadership appeared unconvinced that it needed a senior management official dedicated to defense reform and business operations.

This skepticism started at the top with most Secretaries of Defense giving little time or attention to the D/CMO. In fact, several D/CMOs reported never meeting directly with the SECDEF during their tenures. Only Secretary Mark Esper appeared to be invested in the CMO and worked with his leadership team to try to help it succeed.[342] Deputy Secretaries also varied widely in embracing of the role of the D/CMO (as addressed in further detail below).

Beyond top management, other echelons of the Department remained unenthusiastic about Congress's organizational fix to defense management. Most principal staff assistants (PSAs) at the time of the D/CMO's creation appear to have remained skeptical as well. "DOD opposed it, they viewed it as an unnecessary intervention into internal structure," according to one PSA incumbent at that time.[343] The PSAs worked most closely with the D/CMO when they were

---

[342] This is according to several interviews with senior officials serving at that time. This is also supported in public statements made by Secretary Esper, notably, his January 2020 memorandum granting the CMO increased responsibility over the Fourth Estate.

[343] Interview with a former senior OSD official.

confident it was advancing the Deputy's agenda and/or they were directed by the Secretary or Deputy to assist the CMO (as was the case during Secretary Esper's tenure).

2. Both Congress and different SD/DSD teams **frequently changed (and expanded) D/CMO's mission, taskings, priorities, and resources**. This lack of continuity was a major challenge.

The turnover in the position was only part of the challenge faced by the D/CMO. It also had to contend with changes in Congress and senior leadership in the Department (see Figure 4 in Chapter Four). With these changes in stakeholders and leaders came new expectations of the D/CMO and sometimes new authorities or organizational changes that altered the responsibility and scope of the office. (Chapter Three details the legislative changes in the D/CMO over time.) One former Deputy Secretary remarked "as Deputy Secretary, I wanted Congress to stop experimenting with organizational design. . . sucks all the oxygen out of the room moving people around."[344] These changes in personnel and authorities frequently left the D/CMO adjusting to new leadership priorities, and the broader organization unclear on the scope of the office's responsibilities (because Congress kept "experimenting").

3. In general, enterprise-wide **management, business reform, and efficiency have no natural constituencies** or advocates in the Department outside of senior leadership.

Advocating for efficiency across the DOD is primarily the domain of senior leadership, which is responsible for managing the enterprise and contending with (external) pressure on the topline. It is the responsibility of senior leadership to make major trade-off decisions across the Department. In doing so, they are most interested in seeking efficiencies to stretch finite resources and fund important warfighting initiatives.

In the MILDEPS, there is an incentive to find efficiencies because savings can be redirected to higher priority investments. Often, efficiencies are found to help fund warfighting priorities. By contrast, reform that cuts across many or all DOD entities inevitably creates "winners" and "losers" in the domain of the reform, and only the Secretary and Deputy Secretary can adjudicate competing claims about those tradeoffs. A related challenge faces OSD and the DAFAs, where most or all of the budgets are often viewed—dubiously—as "overhead" or "tail" rather than "tooth." For these organizations, "efficiencies" can be a one-way street where resources are cut and identified efficiencies are unlikely to fund initiatives of priority to them.

There is a constituency for efficiency and management in Congress, but even here it is limited to a few outspoken members and their staffs. Members such as Senator John McCain (R-AZ) have championed defense management for decades and sought to address it through various initiatives such as acquisition reform and creation of the CMO. However, such

---

[344] Interview with a former Deputy Secretary of Defense.

constituency is thin and even fleeting, as demonstrated with McCain's passing and the subsequent disestablishment of the CMO. One interviewee even suggested that the office's disestablishment, in fact, was an indirect result of McCain's death.[345]

In addition, "good government" advocates—especially outside of the bureaucracy, such as the GAO, DBB, FFRDCs, and others—frequently remind the Department through their assessments of the importance of defense management, business reform, and efficiency. However, their remedies for improving defense management differ, and their ability to affect change is much less than the other stakeholders, given they do not have a direct role in governmental processes.

4. **Lack of continuity in D/CMO leadership** was a major challenge.

Throughout its approximate 13 years in existence, the OD/CMO experienced considerable turnover in leadership. Although its first office-holder, Beth McGrath, had an exceptionally lengthy tenure (at 1,873 days in office), the average tenure of a D/CMO leader was less than 800 days and only 575 days for those both confirmed and serving in the position. This is below the approximate two-year tenure of the average PAS. This contributed to the fact that the D/CMO position was filled by a PAS for only 45 percent of the existence of the office.[346]

When the position was unfilled during the remainder of the time, the acting officials—often the assistant DCMO—were outranked relative to other senior leaders they engaged with and were expected to wield some influence over. This lack of continuity was a major challenge, especially since strong leadership was the "only hope the D/CMO has of overcoming the major structural issues that face OSD in making change."[347]

The lack of lengthy tenure made it more difficult to develop a strong partnership between the D/CMO and the Deputy Secretary (and Secretary)—a relationship that was crucial to the success of the office and the ability to exercise "informal" authority. Historically, strong partnerships with the Deputy Secretary have helped new DOD offices survive transitions. An example of this was the relationship that existed between Secretary of Defense Robert McNamara and his Assistant Secretary of Defense Alain Enthoven, which aided in the survival of the new Systems Analysis Office through subsequent leadership transitions.[348]

5. There was great **variation in attitudes of DSDs toward D/CMO** and its portfolio.

---

[345] Interview with a former senior Congressional staff member.

[346] DBB, *The Chief Management Officer of the Department of Defense*: *An Assessment*.

[347] Interview with a former senior OSD official.

[348] Interview with a former senior OSD official. See also Clark A. Murdock, "McNamara Systems Analysis and the Systems Analysis Office," *Journal of Political and Military Sociology*, 2, no. 1 (Spring 1974), https://www.jstor.org/stable/45292889.

Deputy Secretaries, who by design should have been closer to the D/CMO than others in the Department, were sometimes either indifferent or hostile to the D/CMO. For example, Deputy Secretary Gordon England took several months before complying with the legislation requiring the creation of a DCMO, a move that some speculated spoke to his indifference regarding the new position.[349] Another former deputy noted, "In my first six months, I never thought to call the DCMO."[350] One deputy would convene defense reform meetings and invite D(CAPE) while intentionally excluding the CMO from those meetings.[351] Some even believed that a DSD saw the creation of the CMO as a threat to his own prerogatives.[352] Although personalities certainly play a role, these sentiments were aimed at the office of the D/CMO and its responsibilities and eventual position in the order of precedence.

In particular, the CMO experience from 2018-2020 suffered from consistent mismatches between DSD priorities and expectations and OCMO execution of its responsibilities. For example, DSD Shanahan reportedly had little interest in the CMO having a role in overseeing the Fourth Estate despite the statutory responsibilities of the office on the matter. Conversely, DSD Norquist was keenly interested in the CMO providing oversight of defense-wide matters.

Personal and idiosyncratic factors were perhaps equally important as structural, institutional factors in determining the success of the D/CMO. One example was the DSD's willingness (or lack thereof) to provide public backing for the D/CMO, an issue critical to the credibility of the position. As a former CMO chief of staff reported, "DCMO Tillotson would unilaterally take something from someone, and they would go to DSD Work and he would always back up DCMO. People quickly learned, he always backed him up, so it wasn't going to work. [With DSD Shanahan] not once did he back up CMO when someone went around him. There's no chance of redeeming the CMO's authority after so many times of so publicly undermining it."[353]

6. All of the challenges cited exacerbated uncertainties **regarding the boundaries of mission and authority between D/CMO and other PSAs**, such as USDs, CAPE, and CIO.

An official charter to reform the DOD has, by definition, relatively broad license to engage in a range of functions. This created uncertainty throughout the Department regarding the boundaries of OD/CMO's mission and authorities relative to other organizations. As one former DCMO described, "the DCMO doesn't have a responsibility that doesn't overlap with other

---

[349] Interview with a former DCMO.

[350] Interview with a former Deputy Secretary of Defense.

[351] Interview with a former senior OCMO official.

[352] Interview with a former senior OSD official.

[353] Interview with a former OCMO official.

offices."[354] The CMO, too, overlapped considerably with others in the Department, sharing responsibilities with the DSD, PSAs, and MILDEPs in all but 2 of 13 major functions.[355] This further complicated the relationship of the D/CMO with the rest of OSD, as several officials were cautious of D/CMO overreach into their areas of responsibility.

Areas of particular tension between the D/CMOs and others were business systems and IT issues, as noted in Section 5.B. On business systems, the MILDEPs saw the D/CMO adding little value to the approval process that consumed a considerable amount of leadership time.[356] Furthermore, the division between the DCMO and the CIO on business systems was "confusing to a lot of people."[357]

A range of IT issues also placed the D/CMO in "direct competition" with others, notably the CIO. Governance over IT architectures, in particular, was a point of uncertainty and "got the DCMO into trouble a lot."[358] Another IT issue that suffered in transition from the CMO to another office was the Joint Enterprise Data Infrastructure (JEDI) cloud computing architecture. Established initially by the CMO, the program was developed with CAPE's assistance, which resulted on an emphasis on the contract and structure of the program rather than the underlying technology and services it provided. This made the eventual transition to the CIO challenging as they worked to reorient the program, losing as much as four years of time in doing so.[359]

Regarding the blurred boundaries between the D/CMO and others, one senior OSD official argued, "If the Pentagon wanted to take expertise outside of OSD principal offices and put it in CMO office, they have to put that in statute so they know who is responsible for running it…That was a colossal unclarity."[360]

7. Effectiveness in DOD relies on formal authorities as well as **"informal" authority**, **which D/CMO never accumulated**, due to the factors described above.

The formal authorities of the D/CMO are outlined in Chapter Three. For the DCMO, these authorities were all granted to the DSD and exercised, as directed, by the DCMO. The CMO had a longer list of authorities (that did not rely on the DSD), which were accumulated over the few years the office existed. However, regardless of the statutory authorities granted to the D/CMO, its effectiveness relied upon "informal" authority and influence it could exercise through its relationships.

---

[354] Interview with a former DCMO.

[355] Defense Business Board, *The Chief Management Officer of the Department of Defense: An Assessment*, 77.

[356] Ibid, 50.

[357] Interview with a former senior OCMO official.

[358] Interview with a former DCMO.

[359] Interview with former CIO Dana Deasy.

[360] Interview with a former senior OSD official.

The clearest example of the gap between the D/CMO's formal and informal authority can be found in the portion of the statute establishing the CMO that gave the role the "authority to direct the Secretaries of the military departments and the heads of all other elements of the Department with regard to matters for which the Chief Management Officer has responsibility . . ."[361] This authority appears significant, but is also a bit vague, and was never codified in practice or widely recognized by key stakeholders.

The missing informal influence could have been built on personal credibility, support from the SD/DSD, data and resources, or other factors, but was not. A former Deputy Secretary observed that "for the most part, the authority of the office is a direct link to the influence the office is perceived to have with the leadership. Doesn't matter if they have authority if they don't see the SD and DSD and nobody hears the DSD talk about it in the DMAG, otherwise no one pays attention."[362]

The D/CMO needed to be able to exercise informal authority to be effective. As one former senior OSD official remarked, "The CMO statutorily had responsibilities and expectations but couldn't break through bureaucracy…The CMO was in horrible position, had . . . responsibilities but they didn't have control of money, and didn't have, 'I've been in your shoes,' credibility," according to one senior OSD official.[363] Selected office holders occasionally mustered enough credibility to advance their agendas, but the position never accumulated enough to provide continuity over time. As former acting Under Secretary (Comptroller) Elaine McCusker noted, "When you overlay something outside the process the Department's used to using, it's just going to be [based on] power of current personality and coalition-style approach rather than [becoming] institutionalized."[364]

8. D/CMO effectiveness benefits from **integration of expertise in both business process engineering and DOD organization**, process, and culture.

Given that a primary responsibility of the D/CMO was defense reform, this required knowledge of both business process reengineering and the Pentagon bureaucracy and processes. Beyond knowledge of these domains, performing the duties of the D/CMO necessitated integrating them to identify solutions and navigate the bureaucracy to pursue and implement them. However, such integration is inherently difficult to operationalize and to find in individual leaders. As evidence of this, Lisa Hershman noted that the office holder had to "be conversant on business operations in the building but also conversant in war fighting military strategy. How many people in this world are experts in both? I can't think of one. Lots of people are one or the other…"[365]

---

[361] U.S.C. Title 10, Section 132(a).

[362] Interview with a former Deputy Secretary of Defense.

[363] Interview with a former senior OSD official.

[364] Bertuca, "Congressional Axe Falls on DOD Chief Management Officer."

[365] Interview with a former CMO.

If the rare combination of these two areas of expertise—business process reengineering and the DOD organization—was not hard enough to find, DBB member Arnold Punaro added that to be successful a D/CMO needs to be a "junkyard dog" personality that is ready and willing to do bureaucratic battle with entrenched interests.[366]

9. The **capabilities** provided to the DCMO and even subsequently to the CMO **were still not sufficient to drive change** in the Services or the Fourth Estate, without significant involvement and support from the DSD.

The OD/CMO was composed of staff from pre-existing organizations that the office inherited; it was "meshed together" as one former DCMO described. Observers from both inside and outside the office noted the staff often lacked the expertise and size to perform the duties Congress had assigned to it. On the lack of expertise, one senior OSD official notably said, "the OCMO had the authorities but not the competencies."[367] They were responsible for everything from business process reengineering to category management and pandemic response—a wide range of issues for which the office was not staffed. The staff "was not designed to meet its statutory requirements" in the words of one former DCMO.

Nowhere was this clearer than in the CMO's participation in the second Defense-Wide Review (in 2019) when it was assigned the lead, but the DSD had to request CAPE and USD(Comptroller) provide the office with the requisite analytic expertise to get the job done. A former special assistant to the DSD noted "that exercise showed some gaps in CMO. At the end of day, CAPE and Comptroller did the bulk of that… they had to be driven by SD or DSD to carry it out. CMO wasn't equipped to do it."[368]

In addition to lacking the expertise to perform its functions, the D/CMO also operated on a very slim staff that many say was too small to accomplish its tasks. The DCMO staff was just 12 people during its first few years of existence. Then, in FY2011 it grew to almost 140 people as it absorbed the remnants of BTA. However, only a small number were assigned to the front office to perform special projects. Most were dedicated to supporting other ongoing, necessary functions, such as supervision of the Pentagon reservation, oversight of WHS and PFPA, managing DOD responses to the Inspector General, GAO, and FOIA requests, and a variety of other duties. Several people that served in the office said there were no more than 6-8 personnel in the office at any given time to work special projects and priority SD/DSD initiatives.

10. Business process **reform and cost cutting are related, but distinct goals,** and D/CMO was frequently tasked with focus on the latter more than the former.

Congress established the DCMO (and later the CMO) to serve as a senior official dedicated to leading business process reform in the Pentagon. This was one of the chief missions

---

[366] Interview with DBB member Arnold Punaro.

[367] Interview with a former senior OSD official.

[368] Ibid.

of the office not only in the eyes of Congress, but also of outside organizations (e.g., GAO, DBB) that recommended the establishment of the D/CMO. Indeed, it was also the focus of the initial appointees to the position. As Beth McGrath recalled, "In the beginning, it was not a cost cutting exercise, it was about business process reform but it flipped, and when it did, I said that is not my purpose."[369] A similar sentiment was held by the Department's second CMO, Lisa Hershman, who said, "When people in the DOD heard the word 'reform' they thought it meant cuts. That's not what I wanted to do."[370]

However, after the Budget Control Act of 2011 imposed tight funding ceilings on the Department, DOD leadership insisted that the D/CMO should focus on cost-cutting initiatives. While the two—reform and cost-cutting—are related, they are distinct goals and also lead to different perceptions about motivations. Cost-cutting is understandably viewed with skepticism by most of the Department, who see risks to their budgets if they identify efficiencies they cannot recoup. Those D/CMOs that were most effective at cost-cutting allowed the MILDEPs to keep their savings so they could enjoy the benefits of greater efficiency. The push for cost-cutting was driven largely by the need to show immediate results, whereas the benefits of business process reengineering can take years to realize.[371]

11. **D/CMO effectiveness was diluted** by taking on a wide range of diverse functions and responsibilities.

The D/CMO was responsible for a wide range of diverse functions, some of which were only tangentially related to its core responsibilities. Many are detailed throughout this report but they included things such as: tracking over 5,000 DOD Inspector General findings, co-chairing the FIAR governance board, administering the Deputy's Management Action Group, managing the USD(AT&L) split, co-chairing the Cloud steering group, co-chairing the Defense Safety Operations Council (DSOC), and leading DOD's COVID-19 response. According to a former ADCMO, the office "successfully avoided" this laying on of additional duties in its early years, but it did not last for long.[372]

This expanding "mission creep" resulted in what former DCMO Kevin Scheid referred to as the office taking on a lot of "cats and dogs" (a point echoed by several others outside of the OD/CMO).[373] These expanding responsibilities consumed considerable time and detracted from the small staff's ability to perform core responsibilities, which the office was later criticized for neglecting. One former senior OCMO staff member reported, "we had good people, but compared to the scope of the efforts we were tasked with, there was not enough…we

---

[369] Interview with former DCMO Beth McGrath.

[370] Interview with former CMO Lisa Hershman.

[371] Interview with a DBB member.

[372] Interview with a former ADCMO.

[373] Interview with former DCMO Kevin Scheid.

didn't have all the skill sets necessary to cover all of the initiatives. Then COVID made it much worse in terms of matching troops to task."[374]

B. Management Lessons

Based upon this review of the history surrounding the Department's experience with the D/CMO, several lessons emerge that could inform future efforts to strengthen defense management. These management lessons include:

1. **Any organizational solution** to improving enterprise-wide management and business reform in DOD **confronts inherent structural obstacles**. These obstacles include a core management dilemma:

- DOD's **decentralized governance model** (between SD and the MILDEPS/Services) **requires senior leaders (SD and DSD) to invest substantial time** and political capital to drive enterprise-wide change.
- However, **DOD's huge size**, complexity, and strategic importance **ensures that SD and DSD will always have limited time and capital to dedicate to management** and business process and reform issues.

This dilemma is what prompts recommendations to create a second DSD. But the indivisibility of management and business processes and more strategic, mission-oriented concerns is such that **no SD or DSD has ever supported this approach**.

These structural challenges can be usefully contrasted with the three Military Departments and the State Department, where the spans of control are smaller *and* decision-making authorities are more unified. Not coincidentally, these organizations have had more success in implementing D/CMO-like organizations.

Implication: The most straightforward way to mitigate the risk associated with these structural obstacles is to experiment with smaller incremental changes and not major, radical ones. Alternatively, consider piloting organizational changes before committing to wholesale changes. From these narrower changes, organizations can harvest successes and consolidate them in an organizational solution that maximizes the strengths and limits weaknesses. It may be a more modest organizational solution, but it will be one more likely to succeed in moving the institution to a new "resting state." compared to more radical changes (like the CMO) that fail to do so and are eventually rejected.[375]

For example, the DCMO was not a radical change—it was a significant change in title, but not in authorities. It did not alter the power structure. That is because it named the DSD the CMO while the DCMO assisted DSD to perform this function. The DCMO did not alter the decentralized nature of DOD. The Department can experiment with similar changes in the

---

[374] Interview with a former senior OCMO official.

[375] This notion of successful reforms being those that move the organization to a new "resting state" was introduced by former special assistant to the SD Robert Rangel during an interview.

future with the major benefit of avoiding the "not invented here" resistance the DCMO encountered when it was imposed by Congress.

2. **For Congressional specification** of organizational change details, **less may be more.**

Many of the challenges experienced by the D/CMO stemmed from senior leaders' disagreements and uncertainties about major and frequent statutory changes to the organization. The continuing congressionally imposed changes to the D/CMO increased the resistance to the new organization making a difficult job even more so. This observation was shared not only by DOD insiders, but also by former Congressman Mac Thornberry (R-TX), Chairman of the House Armed Services Committee, who announced in 2020, "I have come to the conclusion that Congress is largely responsible for making this an impossible job, and we need to figure out something different."[376] Regarding the use of legislation to drive defense reform, Robert Rangel, a former special assistant to the SD, remarked, "Using the blunt instrument of legislation to force behavior, it's a fool's errand. Congress serves an important role to create a critically important political dynamic. But it also needs to pay attention to incentives and disincentives."[377]

An alternative approach for Congress in advancing an agenda of reform and efficiency is to specify goals and intent and provide public accountability for DOD leader compliance, but without detailed organizational directives and changes. This is consistent with the recommendation of a former DCMO who said, "Congress should recognize the limitations of power and give guidance of what they were supposed to do."[378]

Implication: Although the Department's role in the legislative process is naturally limited, it should work closer with Congressional staff drafting the NDAA to ensure that the language captures the spirit of the guidance without over-specifying. Such collaboration would ensure that there is a common understanding of the problem being solved, the mechanics of the Department, and the appropriate level of Congressional direction necessary to achieve legislative intent. As one senior OSD official said, "[We need to work with Congress] to put all the facts on the table, ask people what they mean, make sure they develop the proper provisions, and that there's an informed discussion—it's a prescription for disaster when the legislative framework is built on presumptions. The CMO legislation was written without the right expertise in the room."[379]

3. **Success** in defense management reform **is sensitive to the personalities, experience, and skills of individual leaders** and the quality of their relationships with the SD and DSD.

---

[376] Aaron Mehta, "Pentagon reform boss on eliminating entire office: 'This is a guaranteed failure,'" *Defense News*, July 9, 2020, https://www.defensenews.com/pentagon/2020/07/09/pentagon-reform-boss-on-eliminating-entire-office-this-is-a-guaranteed-failure/.

[377] Interview with former special assistant to the SD Robert Rangel.

[378] Interview with a former DCMO.

[379] Interview with a senior OSD official.

The personalities, experience, and skills of individual leaders and the dynamics with top management is essential to the success of defense management reform. This is a truism that appears particularly significant in this portfolio because:

(1) The issues are inherently complex, both technically and bureaucratically;

(2) Advocating for efficiency and reform is inherently in tension with other stakeholders and key mission objectives;

(3) Institutional mechanisms and culture around management and business reform are fraught with a history of failure; and

(4) Accomplishing cross-enterprise reform is difficult.

As a result, this portfolio may be less resilient than some others in the Department to variations in leadership style, ability, and expertise. The D/CMO experience was less resilient due to the lack of authority (of the DCMO) and that the new third-ranking position of the CMO needed DSD support. In addition, the position was limited because it separated management from line authority given that the D/CMO did not own resources (with the exception of its own subcomponents).

Importantly, there is a connection between these different variables—skills/personalities and the relationships with top management—in that the former establishes the basis for the latter. Every person that held the position of D/CMO demonstrates this in terms of the dyads in their relationships with the DSD. "The CEO job descriptions are the same, but the outcome is on the individual," as a former CMO explained. "The individuals involved here did make a difference and it was about the nature of those people."[380] Dana Deasy, former DOD CIO, made a similar observation when he described the role of the skills and personality of the CMO:

> DOD spends a lot of time thinking about legislative authorities. People are effective because of personality and style. If you have to point to NDAA language to get things done, you've lost. Have to have persona, gravitas, and subject matter expertise. . . I can point to places where [CMO] had authority but didn't have a strong enough pen…Congress can give all the power and authorities within DOD but doesn't matter without the quality of person, it's more dependent on how they conduct themselves.

Implication: The criticality of the right person and close relationships (with DSD) in the position of a senior management official requires special attention to this relationship. Should the Department again seek to elevate an individual to serve as a senior management official, it should ensure there is a close relationship between that position and the DSD. One way of doing this is for the DSD to make time for the DCMO through standing meetings or other means to help promote the perception (real or otherwise) that the management has the support of the DSD

---

[380] Interview with a former CMO.

and is operating on his or her behalf. This happened at times through the history of the D/CMO but was the exception, rather than the rule, during its nearly 13-year experiment.

4. Effective **change management requires ownership or sufficient influence (through relationships)** over any of the businesses, processes, and systems to be reformed.

As described in Chapter Three, the D/CMO had far reaching responsibilities, including managing defense business systems, business process reengineering, Fourth Estate management, and defense reform, just to name a few. Of these, broadly managing change and promoting business transformation was chief among them in the eyes of some of its proponents. However, accomplishing this most effectively requires ownership of the major processes—especially the resourcing process—to ensure compliance. According to one former senior OD/CMO official, the CMO was "doomed to fail because there was no hammer to influence organizations, no leverage to make agencies and MILDEPS do what they said."[381] Failure to incorporate the D/CMO into formal processes to exercise the influence it needed was its primary downfall, according to some. Another senior official judged, "We never rationalized the CMO in institutional policies and processes, and if you are outside of institutional processes, you are dead."[382]

Where an organization lacks direct ownership of or influence over business, processes, and systems, it can leverage relationships with those organizations who do. That was the case with the D/CMO where the more effective leaders maximized those relationships in order to perform their responsibilities. As one former OD/CMO senior official described, "[The CMO] never could direct agencies, not anyone but their own office—it just worked through good relationships."[383]

Implication: A change proponent needs to have ownership of or influence over major resource levers in order to influence change. The D/CMO did not have that, but any future senior management official should have a formal role in the resourcing process. Absent that, the official needs to draw influence from their relationship with the DSD and with others. In that regard, the DCMO was arguably better positioned than the CMO even though CMO nominally outranked DCMO. This is because the CMO in some sense put the job in competition with DSD for people's attention and compliance, whereas DCMO was aligned, by definition, with DSD. This is consistent with the "unitary view" of defense leadership advanced by some, where the SD and the DSD (and even the CMO) are fully aligned in the scope and direction of their authority.[384]

---

[381] Interview with a senior OD/CMO official.

[382] Ibid.

[383] Interview with a former senior OCMO official.

[384] Interview with a DBB member.

5. **Accountability for success must be paired with a commitment to continuity in organization and resources** over reasonable time periods.

The expectations were high for the DCMO and even greater for the CMO to improve defense management and business operations. The latter was seemingly armed with the authorities that the former lacked, and so it was reasonable that it be held accountable for achieving the change it was chartered to lead. However, meaningful enterprise-wide management change and reform generally only occurs over timeframes longer than a single administration's tenure (and especially longer than a typical political appointee's tenure, which is 2-3 years). Several officials interviewed agreed that the CMO was not given enough time to succeed. One said, "it was an experiment they didn't run long enough…given time, it could have achieved something."[385]

Frequent disruptions in priorities, resources, and leadership will undermine reform no matter the quality of the effort's initial organization, design and leaders. "[The CMO] needs to be resourced in terms of people, but also needs time to have an effect. It needs leadership stability, buy-in and emphasis; the CMO office didn't have enough of this," according to a former CMO chief of staff.[386]

One way to provide stability and commitment to the office is through a term appointment of the senior management official. This is one of the options the 2020 DBB report offered. It notes how both the United Kingdom and Australian ministries of defense have career civil servants in positions roughly equivalent to DSD and CMO.[387] Although such an appointment at a senior level of the DOD may be unique, there is precedence for it elsewhere in the federal government. Notably, the Comptroller General of the United States (who serves as the head of the Government Accountability Office) serves a term appointment of 15 years. The term of a DOD management official does not need to be that long, but long enough to provide some continuity and demonstrate results. A major drawback of a term appointment is that it could detract from the close ties between top leadership and reform if the reform leader is not part of the rest of the team and not beholden to their agenda.

Implication: A term appointment is a promising option for providing greater continuity to the position of the senior management official. It provides the office with some insulation from turbulence in the bureaucracy and changes in senior leadership. Moreover, it could help the office contend with the bureaucratic culture to "wait out" an office holder whose agenda it opposes because the official will have a term much longer than political appointees.

However, there is a natural tension between the continuity of the senior management official and ensuring there is a strong relationship between the official and the DSD (an earlier point). Put simply, you cannot maximize *both* long tenure *and* close ties with politically appointed leadership. One potential way to manage this tension, and another option for consideration, is designation of a senior management official that the DSD chooses but is not a

---

[385] Interview with a senior OSD official.

[386] Interview with a former senior CMO official.

[387] DBB, *The Chief Management Officer of the Department of Defense*: *An Assessment*, 68-71.

PAS position. This option ensures a good fit between the official and the Department's top leadership while shielding the position from the delays and disincentives associated with Senate confirmation. It also allows for the potential that an effective, expert, non-partisan civil servant could serve in the role across transitions between DSDs and administrations.

6. Defense management and business transformation requires **sufficient staff with appropriate expertise to perform its mission**.

The responsibility of the D/CMO was such that it needed a staff of sufficient size and skill to accomplish its mission. The office began very small with 12 people until FY2011 and only expanded after that due to absorbing organizations such as the BTA and others. The original DCMO was not well equipped in either size or skill to perform its responsibilities; as one former DCMO put it, "the staff was not designed to meet the statutory requirements."[388] The OCMO, in particular, was limited to no growth in its transition from DCMO to CMO in February 2018, despite taking on new responsibilities.

Secretary Mattis's February 1, 2018 memo to the Department further limited the CMO's ability to realign the staff to better perform the new responsibilities by stating, "All civilian employees will be reassigned in their current assignments, with no change to their title, series or grade."[389] Former CMO Jay Gibson reflected, "Then you throw in the real duties of the CMO—enterprise-wide reform of business—and they said you don't get anything more in terms of resources…I said we need people and they said 'no you don't.' That was constraining."[390]

Making matters worse, the OD/CMO frequently saw an exodus of talent when it merged with other organizations. Such was the case when BTA merged with ODCMO in 2011, as the Director of BTA, David Fisher reported: "The loss of talent was a big deal… disestablishing the agency lost about 100 really good people recruited for that mission."[391] The same was true with the transition from DCMO to CMO and then, as speculation began in 2019 about the uncertain future of the office, one senior OSD official observed that, "People vote with their feet, and talent left the office."[392]

Another staffing limitation was the lack of a senior career civilian during much of the OCMO's existence. For most of the time, the OD/CMO had a senior civilian serving in the role of ADCMO, but that position went away when David Tillotson left in late 2018. Therefore, there was no senior career civilian in leadership in the office when it was disestablished. This complicated the transition of the functions since there was no institutional knowledge at the senior management level to assist with the transition.

---

[388] Interview with a former DCMO.

[389] Department of Defense, "Disestablishment of the Deputy Chief Management Officer and Establishment of the Chief Management Officer," (memorandum, Washington, DC: DSD, February 1, 2018).

[390] Interview with former CMO Jay Gibson II.

[391] Interview with former BTA Director David Fisher.

[392] Interview with a former senior OSD official.

Implication: Whether it is the D/CMO or another change agent, it is unreasonable to expect results without ample, tailored resources. The D/CMO had neither as they inherited staff from other organizations and had strict limits on their ability to grow to meet the need. A future organization should be right-sized based upon its mission to ensure sufficient manpower.

The office also needs to have the right skillsets to perform its tasks even if it risks limited duplication of skillsets with other offices such as CAPE and USD(Comptroller). The idea is to avoid duplicating the capabilities of other offices, while maintaining just enough organic capability in key areas to be credible and to work more effectively with partner organizations that have the resident capabilities. There is a feedback loop between high-performing organizations and high-performing people. If the organization has the right tools, it will attract the right people and they will be effective.

7. Senior management officials benefit from **a clear mission and charter to formalize their role**

The DCMO was formally chartered in DOD Directive (DODD) 5105.82 "Deputy Chief Management Officer of the Department of Defense," which assigned the responsibilities, functions, relationships, and authorities of the DCMO.[393] The chartering document was important because it provides official standing of the office and clearly outlines the DCMO's responsibilities. Unfortunately, the original DCMO charter was never updated to reflect changes in statutory changes to its responsibilities.

The CMO, however, had no such chartering document and had only the standing of SD memos, notably the February 2018 memo that disestablished the DCMO and established the CMO. This gap did not emerge for lack of trying, though. There was a draft DODD chartering the CMO, but it never received sufficient concurrence from OSD to advance to the SD for signature and issuance.

The lack of an official charter for the OCMO was significant for several reasons. First, the term "chief management officer" did not have a generally accepted meaning, which a charter would have established. Next, the lack of a charter left the office's responsibilities unclear and how or whether they overlapped with other elements of OSD. Together, these things made it difficult to overcome the bureaucratic culture which resisted the new organization and "significantly diminished its authority in the Pentagon hierarchy."[394] An official charter might have helped to clarify the CMO's nominal but underspecified power to "direct the Secretaries

---

[393] Department of Defense, "Deputy Chief Management Officer of the Department of Defense," DOD Directive 5105.82.

[394] DBB, *The Chief Management Officer of the Department of Defense*: *An Assessment*, Tab H, slide 41.

of the military departments and the heads of all other elements of the Department with regard to matters for which the Chief Management Officer has responsibility . . ."[395]

As one senior official in the OCMO recalled, "[I] never could direct agencies, not anyone…I had no authority to make them spend resources to do what I needed."[396] The importance of a charter for a new organization is not unique to the CMO, though, as the lack of one has adversely affected other change agents. For example, the Department's Office of Force Transformation (OFT), which existed from 2001-2006, also lacked a formal charter which had "an initial and lasting blow to the bureaucratic standing of OFT in DOD."[397]

Implication: Any office chartered with defense reform and business operations similar to the D/CMO needs to have a current charter (in the form of a DODD) that provides the organization with official standing in the Department. This should be a priority of the leadership to ensure it is drafted, coordinated, and enacted shortly after the office is created (or assigned the responsibility, if given to an existing organization). Failure to do so sends a message to the bureaucracy and subjects the new office to bureaucratic resistance and questions about its responsibilities and authorities.

8. Ideally, senior management officials would have **both DOD and private sector experience, but the former is more important than the latter**.

Title 10 U.S. Code Section 132(a) establishing the CMO stated that "The Chief Management Officer shall be appointed from among persons who have an extensive management or business background and experience with managing large or complex organizations."[398] The intent of the statute was to help ensure that the CMO come from the private sector or have experience managing "large or complex" organizations. This is an understandable requirement of the incoming CMO given its assigned reform agenda and focus on enterprise-wide operations. These are things in which private sector business leaders are perceived to have deep expertise.

Despite the focus of the legislation (on private sector experience), there are important differences between private sector corporations and the DOD. The most obvious is that corporations are profit-driven whereas DOD has no such motive and seeks to maximize national security. One way this difference is manifested is in performance measurement. Profit allows leaders to reconcile differences across an organization under a single number and optimize for

---

[395] United States Code Title 10, Section 132(a).

[396] Interview with a former senior OCMO official.

[397] Jason Dechant, *Catalyzing Change in Complex Organizations: The Department of Defense Office of Force Transformation*, IDA NS-D-4948 (Alexandria, VA: Institute for Defense Analyses, June 2013), 92.

[398] United States Code Title 10, Section 132(a), "Chief Management Officer," 2019, https://www.govinfo.gov/content/pkg/USCODE-2019-title10/html/USCODE-2019-title10-subtitleA-partI-chap4-sec132a.htm.

a single function. The DOD has no such metric, instead trying to track a multitude of independent variables that influence warfighting performance and readiness.

Another key difference is that the size and complexity of the DOD dwarfs even large companies. A third difference is the inherently political nature of the organization. In a private corporation, a CEO has wide latitude to pursue an agenda, and to align resources and hold subordinates accountable accordingly. They typically do not have to go to a board for permission to hire senior executives, whereas a SD does. External stakeholders for a firm generally share the same goals as a company but that is not the case for DOD.

Lastly, as one former Deputy Secretary described, "The biggest difference [between DOD and the private sector] is the DOD is more focused on compliance that it is on performance."[399] These factors result in a different incentive structure between DOD and the private sector. For these reasons, and others, one longtime former senior defense reflected that, "One of the real lessons of my lifetime in DOD is that almost nothing is relevant from private sector experience that can apply to DOD."[400]

Due to these differences, most of those interviewed for this research argued that a combination of DOD and private sector management experience was ideal, but the former was much more important for a senior management official in the Department. Pointing out that corporate credentials alone are not enough, one former senior congressional staffer observed "[DOD] had a pure business management person and it didn't work…need someone that has both."[401] A successful senior management official needs to understand first and foremost that the DOD is a political bureaucracy. "[They] need to know there are elements within DOD that have their own agendas. Need to figure out how to herd these cats….they need to know how DOD works," according to one former OSD Under Secretary.[402]

Implication: Given the relative importance of experience in the DOD versus the private sector, it should not be required that the senior management official have corporate experience. That is because the case of the D/CMO demonstrates that working knowledge of the DOD and operating within a political bureaucracy is more important than private sector experience. Such experience should be considered an added benefit, given that it frequently brings familiarity with business process reengineering, change management, enterprise business systems, and other topics relevant to defense management. If it proves difficult to find a principal with background in DOD and the private sector, subordinates can be selected who bring private sector experience that could benefit the organization.

---

[399] Interview with a former Deputy Secretary of Defense.

[400] Interview with a former DBB member and senior OSD official.

[401] Interview with a former senior Congressional staff member.

[402] Interview with a former senior OSD official.

9. Catalyzing organizational change, promoting reform, and seeking efficiencies, are best served by **dedicated leadership attention rather than shared operational responsibilities**.

As the D/CMO evolved, it accumulated organizations and responsibilities that went beyond what Congress originally envisioned as a champion for reform and a steward of business system streamlining. That is, it assumed "other duties as assigned," even if they distracted from the primary mission of the organization. Organizationally, it absorbed the BTA in 2011 and merged with DA&M and the Assistant to the Secretary of Defense (Intelligence Oversight) in 2014. The D/CMO also maintained authority, direction, and control of Washington Headquarters Services since the same timeframe. Referring to the expansive (and expanding) responsibilities of the CMO, one former CMO said it was an office that had "dramatically expanded roles and responsibilities. People don't understand…the Pentagon reservation was mine, the water leak on corridor 10 was mine."[403]

It was not just the organizations that the D/CMO inherited that occupied time it could otherwise have spent on statutory responsibilities, but also the range of other tasks it was assigned. The office became a "garbage can" of functions (according to one senior official) rather than a leader of defense reform as it was intended. A former CMO chief of staff quipped, "When you look at the things we were working on, most of it had nothing to do with the CMO."[404] Collectively, these operational responsibilities and non-statutory tasks that the D/CMO assumed, in the view of many of those interviewed, detracted from the priorities of the office and addressing the statutory requirements.[405] There are also some accounts that folding these organizations under the D/CMO disadvantaged those organizations. According to one senior OD/CMO official, "Was combining these organizations with the DCMO compromising to the health and vigor of those agencies? Yes, absolutely…because they were subordinated under the DCMO."[406]

Implication: Some of the DCMOs managed the issues and organizations they inherited, even those that went beyond their statutory responsibilities. However, most of those interviewed believed they detracted from the CMO's primary responsibility for enterprise-wide business transformation. For that reason, if a senior official for defense management is reconstituted in some form, the architects of the organization must be cautious if assigning it operational responsibilities. "I think they ought to try to establish the office the way it was intended first. They didn't do what they were supposed to do," according to one DBB member.[407] It should

---

[403] Interview with a former CMO.

[404] Interview with a former senior OCMO official.

[405] Interview with a DBB member where they indicated the office "needed to be focused on the right things— major transformational change but it had additional responsibilities."

[406] Interview with a former senior OCMO official.

[407] Interview with a DBB member.

be a narrower scope akin to a performance improvement officer with specific responsibilities, authorities, and formal role in the resourcing process in order to have greatest impact.

C. Areas for Further Inquiry

Through the course of this study, several areas for further inquiry were identified. They include:

- **Evaluating the optimal organizational solution for performing the responsibilities previously assigned to the CMO.** The duties of the CMO were reassigned to several components of OSD, with most falling to the Director for Administration and Management (DA&M). Given the lessons from the D/CMO conveyed here, it would be useful to evaluate the different options (including the status quo) offered by the DBB and others, based upon the lessons. The objective of the evaluation would be to identify organizational alternatives that have the greatest chance of learning the lessons of the past and succeeding where the D/CMO struggled.

- **Assessing the transition of functions from the CMO to other components in OSD.** The CMO's functions were transitioned to the CIO, CAPE, Comptroller, and DA&M. Few, if any, resources came with the new responsibilities. Assessing how (and whether) these functions have been absorbed would be valuable in determining whether a new organizational structure might be needed to better perform them or if their decentralization provides the best model.

- **Learning from the Military Departments' experience with a CMO.** Each of the Military Departments also operated with a CMO during the life of the OSD D/CMO. By some accounts, they had better success with their experiences, and it is worth exploring why, if true, this was the case. It could inform how OSD organizes to conduct similar functions. Such an assessment could also examine what has happened to Military Departments' CMOs since the disestablishment of the OSD CMO, and the impact the disestablishment had on management of business operations in the Military Departments. Specifically, the assessment should focus on the MILDEPs' ability to leverage the resource allocation process, the contracting process, their relationship with the CIO, partnerships with their Under Secretaries, and the personnel system to ensure they obtained adequate personnel.

- **Selected D/CMO case studies.** In addition to the history conveyed here, it would be worthwhile to identify selected cases that concretely illustrate what worked, what did not, and why. The cases could examine the circumstances, the actors, and the problems to be overcome. They would identify how the D/CMO contributed to them and focus on specific projects or mission areas. The cases could begin to build the foundation for the education and training of defense management professionals.

- **Characterizing DOD-wide management functions.** Based upon this history and other analysis, create a systemic vision and rationale for the DOD-wide management functions that are essential for the effective operation of the Department. This would help to identify other DOD-wide management functions that the D/CMO should have been doing which still must be done. This would help to clearly define the responsibility of any successor organization rather than letting it evolve over time.

This page is intentionally blank.

Appendix A. Interviews

The following were interviewed for this study:

HON David Berteau, CEO of Professional Service Council; Former Asst. Secretary of Defense for Logistics & Material Readiness

Ms. Anita Blair, Former Director, Fourth Estate Management Division, Office of the Chief Management Officer

Ms. Julie Blanks, Executive Director, Office of the Under Secretary of Defense for Personnel and Readiness

HON David Chu, Former Under Secretary of Defense for Personnel and Readiness

Ms. Joo Chung, Assistant to the Secretary of Defense for Privacy, Civil Liberties, and Transparency

HON Bob Daigle, Former Director, Cost Assessment and Program Evaluation (CAPE)

HON Dana Deasy, Former DOD Chief Information Officer

Mr. Mark Dupont, DOD Senior Intelligence Oversight Official

Mr. Jeffrey Eanes, Director, Organizational Policy & Decision Support, Office of the Director, Administration and Management

Mr. Mark Easton, Deputy Chief Financial Officer, Office of the Under Secretary of Defense Comptroller

Mr. David Fisher, Former Director, Business Transformation Agency

HON Nelson Ford, Former Under Secretary of the Army

HON Christine Fox, Former Acting Deputy Secretary of Defense; former Director of Cost Assessment & Program Evaluation

HON John Gibson, Former DOD Chief Management Officer

Mr. Bill Greenwalt, Nonresident Senior Fellow, American Enterprise Institute; former Deputy Under Secretary of Defense for Industrial Policy

Mr. Andy Haeuptle, Director, Navy Staff, Office of the Chief of Naval Operations; former Senior Director, Office of the Chief Management Officer

HON Lisa Hershman, Former Chief Management Officer

HON Robert Hood, Assistant Secretary of Defense for Legislative Affairs

Mr. Justin Johnson, Former Special Assistant to the Secretary of Defense; former Special Assistant to the Deputy Secretary of Defense

HON Peter Levine, Senior Fellow, Institute for Defense Analyses (IDA); former Deputy Chief Management Officer; former Acting Under Secretary of Defense for Personnel and Readiness

Mr. Richard Lombardi, Deputy Chief Management Officer, Dept. of the Air Force

Mr. Andy Mapes, Former Chief of Staff, Office of the Chief Management Officer

Ms. Anne McAndrew, Deputy Comptroller (Program/Budget), Office of the Under Secretary of Defense Comptroller

HON Elaine McCusker, Former Acting Under Secretary of Defense Comptroller/Chief Financial Officer

HON Beth McGrath, Former Deputy Chief Management Officer

Ms. Regina Meiners, Director, Washington Headquarters Services

Mr. Tom Mooney, Former Chief of Staff, Office of the Chief Management Officer

HON Dave Patterson, Former Special Assistant to the Deputy Secretary of Defense; former Principal Deputy Under Secretary of Defense Comptroller/Chief Financial Officer

Mr. Greg Pejic, Former Special Assistant to Deputy Secretary of Defense

Mr. Arnold Punaro, Defense Business Board Member; CEO, The Punaro Group

Mr. Robert Rangel, Former Chief of Staff to the Secretary of Defense

Dr. Silvana Rubino-Hallman, Deputy Performance Improvement Officer, Office of the Director, Administration and Management

Mr. Kevin Scheid, Former Assistant Deputy Chief Management Officer; former Acting Deputy Chief Management Officer

HON Pat Shanahan, Former Deputy Secretary of Defense

Mr. Robin Swan, Deputy Director, Army Office of Business Transformation

Mr. David Tillotson, Former Assistant Deputy Chief Management Officer; former Acting Deputy Chief Management Officer

HON David Walker, Defense Business Board Member; former Comptroller General of the United States

Mr. David Wennergren, Former Assistant Deputy Chief Management Officer

HON John Whitley, Former Acting Director, Cost Assessment & Program Evaluation; former Acting Deputy Chief Management Officer

HON Robert Work, Former Deputy Secretary of Defense

Appendix B. Assessment Summaries

This appendix provides brief summaries of the major assessments that both informed the inception and evaluated the performance of the DOD Office of the Deputy/Chief Management Officer. Others exist (and are referenced throughout the report), but those most relevant and summarized here include:

- Defense Business Board (DBB). *Task Group on the Role of a Chief Management Officer in the Department of Defense*. Report to the Secretary of Defense, DBB FY05-01, May 2005.
- Defense Business Board (DBB). *Creating a Chief Management Officer in the Department of Defense Task Group Report*. Report to the Secretary of Defense, DBB FY06-04 (May 2006).
- Dechant, Jason A., David R. Graham, Christopher Hanks, Hansford T. Johnson, James R. Locher, Pamela J. Olson and Paul H. Richanbach. *Does DoD Need a Chief Management Officer?* IDA Document P-4169. Alexandria, VA: Institute for Defense Analyses, December 2006.
- U.S. Government Accountability Office. *Defense Business Transformation: Achieving Success Requires a Chief Management Officer to Provide Focus and Sustained Leadership*. GAO-07-1072. Washington, DC: U.S. Government Accountability Office, September 2007.
- U.S. Government Accountability Office. *Organizational Transformation: Implementing Chief Operating Officer/Chief Management Officer Positions in Federal Agencies*. GAO-08-34. Washington, DC: U.S. Government Accountability Office, November 2007.
- Defense Business Board (DBB). *An Assessment on the Creation of an Under Secretary of Defense for Business Management & Information*. Report for the Secretary of Defense, DBB FY16-03, March 2016.
- U.S. Government Accountability Office. *Defense Business Operations: DOD Should Take Steps to Fully Institutionalize the Chief Management Officer Position.* GAO-19-199. Washington, DC: U.S. Government Accountability Office, March 2019.
- Defense Business Board (DBB). *The Chief Management Officer of the Department of Defense: An Assessment*. Report to the Secretary of Defense, DBB FY 20-01, June 2020.

Summary: Defense Business Board (DBB). *Task Group on the Role of a Chief Management Officer in the Department of Defense*. Report to the Secretary of Defense, DBB FY05-01, May 2005.

- The task group was asked to determine if a separate role for CMO was needed in the DOD and whether the USD(AT&L) could take on the role.
- The DSD was required to charter the DBSMC and transfer business transformation responsibilities to the USD(AT&L) in the 2005 NDAA.
- The task group considered the DSD for the CMO role, separation of duties to two DSDs, and a separate position reporting to the DSD.
  - DBB determined a top-down approach was needed and recommended the DSD take on the CMO role and the need for a second deputy could be assessed later
  - The disadvantage is a lack of DSD bandwidth, but maintains management structure
- DSD should have measurable goals in: "DoD civilian personnel management; Business management systems modernization; Implementation of the base closure process; Integrated supply chain management; Acquisition process reform; Financial management and auditability."

Summary: Defense Business Board (DBB). *Creating a Chief Management Officer in the Department of Defense Task Group Report*. Report to the Secretary of Defense, DBB FY06-04 (May 2006).

- Following DBB's 2005 report, Congress required a study on the feasibility of establishing a DCMO and the GAO testified that a CMO position was needed. DBB "was asked to provide a proposed vision, a detailed scope of responsibilities, an organizational structure, and an implementation plan for a CMO."
- DBB constructed two options: a Level III Undersecretary position or a Level II Principal Undersecretary with a fixed term across administrations, authority to direct subordinate secretaries, and budget authority.
  - Vision for Level III CMO: Assist DSD with COO duties
    - Responsibilities would entail setting goals and performance metrics and manage coordination with DOD leaders (full list slides 24-25)
    - Appointed by President, confirmed by Senate, authority and tenure equal to other USDs
    - Legislation should require business and change management experience
  - Vision for Level II CMO: Position has authority/responsibility to oversee business transformation, can direct USDs, and has continuity across administrations
    - SD and DSD still have authority to direct initiatives
    - Has 5-year tenure, budget authority, and responsibility for executing tasks set by SD
    - Legislation should give authority to direct USDs and appointee should have business and DOD experience

- o DBB rejected the option to designate the USD(AT&L) as CMO because of lack of bandwidth
- o The board favored a Level II position with a fixed term, and an interim special assistant position to begin immediately until the new CMO position is established
- Barriers to change in DOD include Services resistant to integration, the mix of civilian and military employees, and a culture that doesn't readily understand the benefits of reform.

Summary: Dechant, Jason A., David R. Graham, Christopher Hanks, Hansford T. Johnson, James R. Locher, Pamela J. Olson and Paul H. Richanbach. *Does DoD Need a Chief Management Officer?* IDA Document P-4169. Alexandria, VA: Institute for Defense Analyses, December 2006.

- IDA completed a congressional study to analyze alternatives for the CMO position either as a new role at the DSD level, a new role at the USD level, or as an added responsibility to an existing position.
- IDA's analysis of the challenges determined only the Secretary and Deputy currently have the needed authority and neutrality to resolve conflicts. The interdependencies among the DOD organizations requires cooperation and integration to improve business support areas. Funding goes to the Military Departments and federal agencies and then splits to COCOMs and Joint staff. However, there were no performance metrics or information systems to monitor how money was being spent, which made coordination and communication difficult. And DOD hiring practices inhibited hiring of professionals with business management experience in key business support areas.
- IDA also identified areas in which DOD was already making progress: establishment of the Defense Business Systems Management Committee (DBSMC) to support the Business Transformation Agency (BTA) (e.g., they put DIMHRS on track and adopted "strategic objectives" for defense business transformation). The Military Departments and defense agencies began using Lean Six Sigma, and logistics was improved by having an end-to-end process owner.
- IDA made four main recommendations:

1. DOD should define duties for a Chief Management Officer.
   - o IDA categorized duties for a CMO into four domains: supporting SecDef's strategic leadership through the PPBE process, developing a framework for planning and execution in the Business support areas, recruiting business management personnel, and creating and implementing tools for organizations to use (e.g., performance metrics, operational plans).

2. DOD should establish a Federated Management system for the Business Support Areas.
   - o Business Support areas should be required to develop Capability Delivery Plans (CDPs) to apply DOD Secretary and Deputy strategic direction and PPBE to operations level; CMO would oversee plans and conduct program reviews. Establish

boards to facilitate collaboration in planning and execution and resolve enterprise-wide problems. The top tier board would be led by the DMBSC and BTA with expanded responsibilities to cover all management processes. DCMO would be the Director of BTA and Vice chair of the board with DSD as chairman of DMBSC and chair of the board. Each Business Support Area would also have a board focused on execution activities in that area. DOD orgs would execute CDPs, identify enterprise-wide issues, and share improvements that could be applied in other organizations. Joint staff, COCOMs, Mil Deps, and agencies would have board representation.

- o CMO needs to develop a strategy for hiring personnel and make policy recommendations to the National Security Personnel System. Special hiring authority to recruit 100-200 business professionals to term appointments with minimal obstacles (e.g., conflict-of interest & divestiture rules), while still maintaining public integrity. CMO needs budget to train additional personnel in Lean Six Sigma for business transformation to be successful.
- o Management tools would include Capability Delivery Plans (relates resources to cost and performance), performance metrics (process management, cost savings, customer experience), operating plans (specific actions to execute in support of CDPs and for meeting performance goals), and IT deployment plans (should align with CDPs and be integrated with ops plans).

3. DOD should assign the duties of the CMO to the Deputy Secretary. Corresponding roles and accountability for the Federated Management System should be defined at all levels of DOD.
   - o IDA recommended assignment of the CMO role and responsibilities to the Deputy Secretary because that option is "most likely to sustain recent progress," and is simplest with the clearest management structure. Creating a separate position would create challenges in maintaining momentum and unity of effort. Other alternatives considered were creation of a new CMO position at Executive Level II with and without ownership of business support areas, or creation of a second Deputy Secretary of Defense.

4. Congress should support the actions needed to build the Federated Management System Legislation for hiring personnel, and changes to DBSMC and BTA charters would be needed.

Summary: U.S. Government Accountability Office. *Defense Business Transformation: Achieving Success Requires a Chief Management Officer to Provide Focus and Sustained Leadership*. GAO-07-1072. Washington, DC: U.S. Government Accountability Office, September 2007.

- GAO added the DOD's business transformation to its high-risk list in 2005 because DOD lacked an enterprise-wide implementation plan and a senior official to lead the effort.
  - DOD is responsible for 15 of the 27 high-risk areas GAO has identified in the government, 8 of which are DOD-specific, and 7 are government-wide; mostly related to business operations.
- GAO assessed DOD's progress in developing a management framework for business transformation and the challenges they have encountered.
  - GAO interviewed DOD leaders and studied meeting minutes and other documentation from business transformation-related organizations – DBSMC, the Deputy's Advisory Working Group, DBB, and BTA.
- DOD has made some progress in developing an infrastructure for business transformation, but the department still lacks an institutionalized framework and clarity on roles and responsibilities.
  - The Financial Improvement and Audit Readiness Plan was released in December 2005
  - DOD set up a Defense Business Systems Management Committee (DBSMC) to provide the strategic plan, approve business transformation plans, and recommend policy to the Sec Def who chairs the committee
  - Investment review boards were established in 2005 to provide oversight on business technology investments using the guidance in DODs Business Enterprise architecture
  - DOD created the Business Transformation Agency (BTA) to implement DBSMC policy and plans and lead business transformation enterprise wide. BTA uses the Enterprise transition plan to provide planning guidance for setting milestones and metrics and determining resource needs to implement business transformation.
  - DBSMC, IRBs, and BTA are all too focused on business system investments and not enough on overall business transformation
  - DOD needs to institutionalize the management framework, clearly define what is part of business transformation, and define individual's and group responsibilities for business transformation
- GAO recommends a separate full-time CMO position codified by Congress.
  - DOD lacks strategic direction because it does not have a comprehensive business transformation plan for all business support areas. They need a plan with goals, monitoring, performance measures, and tools to push for accountability.
  - "In May 2007, DOD submitted a letter to Congress outlining its position regarding a CMO at DOD, stating that the Deputy Secretary of Defense should assume the CMO responsibilities"
  - The DSD has elevated business transformation efforts but sustained leadership efforts are needed for successful reform. GAO analysis indicates a leader with DSD-level authority

is needed who can be dedicated to oversight and monitoring of business transformation efforts.

- o CMO position should be statutory with a tenure of 5-7 years to ensure continuity in business transformation initiatives.

Summary: U.S. Government Accountability Office. *Organizational Transformation: Implementing Chief Operating Officer/Chief Management Officer Positions in Federal Agencies*. GAO-08-34. Washington, DC: U.S. Government Accountability Office, November 2007.

The GAO responded to a congressional request to determine how a COO/CMO should be implemented at federal agencies. GAO interviewed organizational leaders with COO/CMOs and conducted a forum with experts in business transformation to develop five criteria for determining who should have COO/CMO responsibilities in a federal agency:

- History of organizational performance – organizations especially in need of a COO/CMO are those with known management weaknesses and those with high-risk functions, such as DOD.
- Degree of organizational change needed – organizations needing a COO/CMO are those undergoing significant transformation efforts and those in need of cultural integration.
- Nature and complexity of mission – organizations needing a COO/CMO are those with multiple missions.
- Organizational size and structure – organizations needing a COO/CMO are large, have dispersed offices, have many management layers, or duplicative activities.
- Current leadership talent and focus – organizations needing a COO/CMO are those with more short-term appointees rather than career positions in leadership, and those with leaders lacking bandwidth to focus on transformation initiatives.

Roles similar to the COO/CMO for business management integration have existed since the late 1940s. In the 1990s and 2000s there were performance-based organizations that were set up to achieve transformation goals operating with fewer rules and regulations. In 2002, the Comptroller General gathered agency leaders and business management experts to discuss how to implement COOs in the federal government. Most government organizations designated a COO, often the Deputy, and these leaders are on the President's Management Council. The council began in 1993 to improve executive functioning coordinate initiatives, resolve interagency issues, and implement best practices.

Types of positions GAO considered were designating the deputy with business transformation responsibilities (for small or very stable agencies); creating a senior executive-level role that reports to the deputy, such as an undersecretary (for larger organizations); or creating a second deputy position (for the largest most complex organizations that require significant transformation). GAO also generated six strategies for implementation:

- Define the specific roles and responsibilities of the COO/CMO position.

- o Responsibilities must be statutory but described broadly with leeway in how they are accomplished. COO/CMOs must control the speed of implementing new initiatives and work closely with organizational managers.
- Ensure that the COO/CMO has a high level of authority and clearly delineated reporting relationships.
  - o Level of authority should be second or third position in the organization reporting directly to the head or deputy. Reporting structures of other chief officers and top leaders could change to report to the COO/CMO, but changes would require further analysis to improve management functioning and not harm authority/prominence of other positions.
- Foster good executive-level working relationships for maximum effectiveness.
  - o A good working relationship with organizational leaders is more important than place on the chart, they must have effective communication and coordination.
- Establish integration and transformation structures and processes in addition to the COO/CMO position.
  - o Offices, committees, councils, and/or cross functional teams are needed to support and sustain transformation initiatives.
- Promote individual accountability and performance through specific job qualifications and effective performance management.
  - o The COO/CMO position should have experience managing large complex organizations and demonstrated achievements in strategic planning and change management. Advantage to making qualifications statutory is the person appointed is more likely to be qualified, but potential disadvantages would be screening out talented people, reducing flexibility in hiring, and slowing ability of the position to change with needs of the organization.
  - o A performance agreement would define personal and organizational goals for the position to hold the COO/CMO accountable and reward high performance.
- Provide for continuity of leadership in the COO/CMO position.
  - o Term appointments would help to maintain ongoing initiatives, but would risk misalignment with the appointed leaders of the organization especially if mission and goals change. Term appointments vary greatly in government leadership from 3-15 years. Some experts recommended career appointments to truly provide continuity across administrations, but others suggested the President and SD must be able to influence the selection because of the importance of a good working relationship.

Summary: Defense Business Board (DBB). *An Assessment on the Creation of an Under Secretary of Defense for Business Management & Information.* Report for the Secretary of Defense, DBB FY16-03, March 2016.

- DBB task group was asked to assess the proposed change to combine the DCMO with the DOD CIO position as a new USD position.
  - DBB conducted a literature review and interviews with DOD and government leaders and experts.
- SD and DSD responsibilities have become more complex due to national security threats, developing technology, social issues, and the growth of government & subordinates.
  - The DCMO is responsible for strategic business planning, performance and financial management, and determining appropriate business solutions.
  - The CIO is responsible for information technology and business systems including communications and cyber security.
    - Ensures interoperability of IT architecture DOD-wide
    - Evaluates performance of IT systems and return on investment
    - Reviews and determines IT budget requests
    - Looks for ways to improve IT efficiency
- The new position would be level II like DSD and USD(AT&L) and place the new USD in the third ranking position behind DSD, and diminishes authority of the other USDs. DBB predicts the change in hierarchy would confuse and slow decision making and activity.
- DOD has more talent challenges than the private sector and high PAS turnover.
- Support for the change includes potentially recruiting higher caliber talent, emphasizing the importance of business management in the department, and GAO approval.
  - Opposition for the change suggest DOD still won't be able to find one individual with the needed expertise in business management and information technology and prestige of other USD positions will be diminished and potentially less attractive.
- DBB recommends leaving DCMO at level III and a DOD mandate to get smaller with OSD leading the effort.
  - DSD's primary responsibility should be CMO role focused internally on management issues and delegate interagency coordination to USDs (P) and (P&R)
  - DCMO's role should be emphasized and placed on the organization hierarchy, be a 5-7 year tenured position
  - Keep CIO role with no mandated long tenure
  - Simplify ethics rules to attract more talent (e.g., blind trusts, longer divestitures) and require commitment to full term from appointees

Summary: U.S. Government Accountability Office. *Defense Business Operations: DOD Should Take Steps to Fully Institutionalize the Chief Management Officer Position.* GAO-19-199. Washington, DC: U.S. Government Accountability Office, March 2019.

- History of the CMO position. In 2007, GAO recommended a CMO position separate from the Deputy Secretary, and in 2016 the position was created to take effect in 2018.
- Statutory authorities of CMO.
  - DCMO's office had five directorates: "(1) Administration; (2) Planning, Performance, and Assessment; (3) Defense Business Management, Analysis, and Optimization; (4) Oversight and Compliance; and (5) Organizational Policy and Decision Support." The CMO reorganized the office in 2018 to better align to statutory requirements: 1) Administration and Organizational Management, 2) Data Insights, 3) Fourth Estate Management, 4) Oversight and Compliance, and 5) Transformation and Reform, with a charter for each.
  - The office has limited personnel increases and the budget decreased from 2017-2019 as an example to other offices to minimize management and cut costs.
  - OCMO created a chief data officer position and a steering committee to strengthen data capabilities and have an initiative to standardize data across the department.

GAO evaluated implementation of the CMO position and found three issues for DOD to resolve:

- The CMO's authority to direct the military departments on business reform issues.
  - The CMO has statutory authority to direct the MilDeps, was tasked by the SD to integrate business operations initiatives department-wide, and is responsible for implementing reforms as stated in the FY 2018-FY 2020 National Defense Business Operations Plan.
  - The CMO has no way to enforce its authority over the MilDeps and resolve issues. MilDeps resisted the decision to move to one contract writing system, and sought through memorandum (12/10/2018) to bypass the CMO and have direct oversight from the SD in business reform efforts.
- The CMO's oversight responsibilities of the Defense Agencies and DOD Field Activities (DAFAs).
  - GAO has found overlap and duplication of business operations among the 27 DAFAs and recommended improvements to coordination.
  - The CMO has statutory authority to direct shared business services at the DAFAs and to review their budgets for business operations, but only two DAFAs were initially identified as SBSs by the SD, and the CMO review to identify others has proceeded slowly. The CMO cannot perform its oversight function until the SD makes a determination on more DAFAs.
- Transfer of responsibilities from the Chief Information Officer to the CMO.
  - The CIO continues to keep responsibilities for business systems which should be transferred to the CMO. The offices are currently operating with an informal agreement on responsibilities, which can cause confusion within the department.
  - The SD memoranda that have been released are insufficient; a current DODD delineating CMO responsibilities is needed.

- GAO made four recommendations:
  - "The Secretary of Defense should ensure that the Deputy Secretary of Defense makes a determination as to how the CMO is to direct the business-related activities of the military departments. (Recommendation 1)
  - The Secretary of Defense should ensure that the Deputy Secretary of Defense makes a determination regarding the CMO's relationship with the DAFAs, including whether additional DAFAs should be identified as providing shared business services and which DAFAs will be required to submit their proposed budgets for enterprise business operations to the CMO for review. (Recommendation 2)
  - The Secretary of Defense should ensure that the CMO and CIO conduct an analysis to determine which responsibilities should transfer from the CIO to the CMO, including identifying any associated resource impacts, and share the results of that analysis with the Congress. (Recommendation 3)
  - The Secretary of Defense should ensure that the Deputy Secretary of Defense, on the basis of the determinations regarding the CMO's statutory and discretionary authorities, codify those authorities and how they are to be operationalized in formal department-wide guidance. (Recommendation 4)
- CMO authorities and responsibilities (extended)

Summary: Defense Business Board (DBB). *The Chief Management Officer of the Department of Defense: An Assessment*. Report to the Secretary of Defense, DBB FY 20-01, June 2020.

- Congressional requirements for the independent assessment of CMO break down to six tasks. DBB described security threats, fiscal pressures and government-wide high-risk areas. DBB conducted ~90 interviews of DOD and government leaders to inform assessment tasks.
  - DBB evaluated CMO effectiveness for each of the Title 10 Requirements for the position and found the CMO to be mostly ineffective for all other than "Manage DODs Enterprise Business Operations/Shared Services." They concluded DOD savings in the previous years were due to MilDep reductions, not transformational change.
  - MilDep CMOs reported the CMO is ineffective due to lack of people and budget to make changes; lack of charter; and confusion between DOD CMO and DSD/COO authorities and responsibilities.
  - DOD organizational culture hinders CMO effectiveness because leaders recognize the DSD as the authority who controls the people, budget, and adjudication of issues. CMO has no way to enforce changes with MilDep and DAFA leaders.
  - The Comptroller general regards the CMO as ineffective because high-risk areas identified by the GAO for the DOD have increased, and CMO functions should address 13 of the 34 areas. Half of GAO's six standards for CMO implementation were rated as ineffective; the others are somewhat effective. Ineffectiveness is attributed to failure to codify the CMO position and give it direct authority over business support areas.

- o DBB investigated seven best practices in the private/public sector regarding mission, structure, performance, and data, and determined the CMO has not effectively aligned DOD with any of them.
  - o DBB concluded the lack of charter and significant overlap in responsibilities with DSD/COO causes confusion and hinders success.
  - o Summary of tasks the DBB Report accomplished
- DBB discusses Defense Agencies' and DOD Field Activities' budget, functions and challenges; inadequate authority across agencies, capacity to manage, and ability to assess performance. DBB suggested performance metrics and a committee and office to oversee changes and compliance.
- DBB recommends studying Defense Working Capital Funds efficiency to determine ways they could be improved.
- DBB recommends organizational alternatives to CMO: assign functions to a new Principal Undersecretary of Defense, create a second Deputy Secretary, designate DepSec as COO and distribute CMO functions between COO and other lower-level officials that would report to DSD or SD.
- DBB concluding recommendations: Disestablish CMO and replace with one of the organizational alternatives, new lower-level positions to monitor performance and support SD and DSD in tracking priorities. Reforms to DAFA leadership and emphasis on hiring leaders with commercial industry experience are needed. Assess China's industrial base and conduct reviews of DAFAs, DWCFs, and intelligence agencies. Update governance structure to align with the National Defense Strategy.
- Back-up
  - o Articles about the CMO, p. 91-92
  - o Previous Studies on DoD Management, p.109
  - o CMO History, p. 165-172
  - o Nomination and departure dates, p. 171
  - o Statutory Responsibilities and Authority for the CMO, p. 174-175
  - o CMO accomplishments, p. 177-178

This page is intentionally blank.

Appendix C. Illustrations

Tables

Figures

This page is intentionally blank.

Appendix D. References

Bertuca, Tony. "Congressional Axe Falls on DOD Chief Management Officer." *Inside Defense*, January 11, 2021. https://insidedefense.com/daily-news/congressional-axe-falls-dod-chief-management-officer.

Bertuca, Tony. "Thornberry faces bipartisan resistance on 'Fourth Estate' Cuts." *Inside Defense*. May 10, 2018. https://insidedefense.com/daily-news/thornberry-faces-bipartisan-resistance-fourth-estate-cuts.

Breul, Jonathan and John Kamensky. "Federal Government Reform: Lessons from Clinton's 'Reinventing Government' and Bush's 'Management Agenda' Initiatives." *Public Administration Review* 68, no. 6 (November-December 2008): 1012. https://www.jstor.org/stable/25145699.

Bush, George W. Statement of Administration Policy: S. 1547 – National Defense Authorization Act for Fiscal Year 2008, July 10, 2007. https://www.presidency.ucsb.edu/node/276058.

Chief Financial Officers Act of 1990. Pub. L. 101-576. 101st Cong. (1990). https://www.congress.gov/bill/101st-congress/house-bill/5687.

Dechant, Jason. *Catalyzing Change in Complex Organizations: The Department of Defense Office of Force Transformation*. IDA Document NS-D-4948. Alexandria, VA: Institute for Defense Analyses, June 2013.

Defense Business Board (DBB). *Creating a Chief Management Officer in the Department of Defense Task Group Report*. Washington, DC: DBB, May 2006. https://dbb.defense.gov/Portals/35/Documents/Reports/2006/FY06-4_Creating_Chief_Management_Officer_2006-5.pdf.

Defense Business Board (DBB). *Fully Burdened and Lifecycle Costs of the Workforce.* Washington, DC: DBB, FY18. https://dbb.defense.gov/Portals/35/Documents/Reports/2018/DBB%20FY18-01%20FBLCC%20Study%20Final%20(Feb%202018).pdf.

Defense Business Board (DBB). *Task Group on the Role of a Chief Management Officer in the Department of Defense*. Washington, DC: DBB, May 2005. https://dbb.defense.gov/Portals/35/Documents/Reports/2005/FY05-1_Role_Chief_Management_.pdf.

Defense Business Board (DBB). *The Chief Management Officer of the Department of Defense: An Assessment.* Washington, DC: DBB, June 1, 2020. https://dbb.defense.gov/Portals/35/Documents/Reports/2020/DBB%20FY20-01%20-

%20FY2020%20Section%20904%20CMO%20Assessment%20-%201%20June%202020%20signed.pdf.

Defense Business Board (DBB). *Transforming Department of Defense's Core Business Processes for Revolutionary Change.* Report to the Secretary of Defense, DBB FY 15-01, February 2015.

Defense Technical Information Center. *Military Compensation and Retirement Commission Final Report.* Fort Belvoir, VA: DTIC, January 2015, 5. https://dair.nps.edu/bitstream/123456789/3557/1/SEC809-RL-15-0441.pdf.

Department of Defense Directive (DODD), "Deputy Chief Management Officer of the Department of Defense," DODD 5105.82. Washington, DC, October 17, 2008. https://standards.globalspec.com/std/1114304/dodd-5105-82-d.

Department of Defense Information Technology, Cybersecurity, and Information Assurance: Hearing before the Committee on Armed Services, House of Representatives. H.A.S.C. 116th Cong. (February 26, 2019). https://www.congress.gov/116/meeting/house/108939/witnesses/HHRG-116-AS26-Bio-HershmanL-20190226.pdf.

Department of Defense. "20% Headquarters Reductions." Memorandum. Washington, DC: DSD, July 31, 2013.

Department of Defense. "Appointment of Reform Leader for Testing for the Department." Draft Memorandum. Washington, DC: CMO, November 8, 2017.

Department of Defense. "Business Reference Model: General Schedule – Time-to-Hire." January 11, 2016. Version 2.7.

Department of Defense. "Cost Reduction Targets for Major Headquarters." Memorandum. Washington, DC: DSD, August 24, 2015.

Department of Defense. "Defense Business Board Terms of Reference: Transforming Department of Defense Core Business Processes for Revolutionary Change." Memorandum. Washington, DC: DCMO, October 8, 2014.

Department of Defense. "Defense-Wide Organizations Transition to Chief Management Officer Governance." Memorandum. Washington, DC: DOD, January 24, 2020.

Department of Defense. "Department of Defense Priority Placement Program." Memorandum. Washington, DC: DCMO, December 1 2015.

Department of Defense. "Department of Defense Reform Focus in 2020." Memorandum. Washington, DC: DOD, January 6, 2020. https://federalnewsnetwork.com/wp-content/uploads/2020/01/010620_esper_2020_reforms_memo.pdf.

Department of Defense. "Disestablishment of the Chief Management Officer of the DOD and Realignment of Functions and Responsibilities." Memorandum. Washington, DC: DSD, January 11, 2021. https://media.defense.gov/2021/Jan/11/2002563170/-1/-1/0/REALIGNMENT-OF-CMO-FUNCTIONS.PDF.

Department of Defense. "Disestablishment of the Chief Management Officer, Realignment of Functions and Responsibilities, and Related Issues." Memorandum. Washington, DC:

DSD, September 1, 2021. https://media.defense.gov/2021/Sep/03/2002847421/-1/-1/0/DISESTABLISHMENT-OF-THE-CMO-REALIGNMENT-OF-FUNCTIONS-AND-RESPONSIBILITIES-AND-RELATED-ISSUES.PDF.

Department of Defense. "Disestablishment of the Deputy Chief Management Officer and Establishment of the Chief Management Officer." Memorandum. Washington, DC: DSD, February 1, 2018.

Department of Defense. "Enhancing Performance of the Office of the Secretary of Defense and Defense Agencies and DOD Field Activities." Memorandum. Washington, DC: CMO, September 5, 2018.

Department of Defense. "Fourth Estate Business Operations Improvements Efficiency." Memorandum. Washington, DC: DOD, April 11, 2016.

Department of Defense. "Goldwater-Nichols Working Group Recommendations." Memorandum. Washington, DC: DCMO, March 2016.

Department of Defense. "Hiring Suspension to Ensure Implementation of Organizational Delayering Commitments." Memorandum. Washington, DC: DSD, February 23, 2016.

Department of Defense. "Implementation of Institutional Reform Opportunities." Memorandum. Washington, DC: DSD, July 24, 2015.

Department of Defense. "Interim Report to Congressional Defense Committees on Near-Term Actions Required Pursuant to NDAA 2017." Memorandum. Washington, DC: ADCMO, February 28, 2017.

Department of Defense. "Office of the Chief Management Officer of the Department of Defense Reorganization Plan." Memorandum. Washington, DC: CMO, July 27, 2018.

Department of Defense. *Priority Placement Program Handbook*. Washington, DC: DOD, November 2019. https://www.dcpas.osd.mil/sites/default/files/2021-09/PPP%20Handbook%20-%20Nov%202019.pdf.

Department of Defense. "Progress Report on Goldwater-Nichols Review." Memorandum. Washington, DC: DCMO, February 2, 2016.

Department of Defense. "Re-establishment of the Assistant to the Secretary of Defense for Intelligence Oversight and the Director of Administration and Management." Memorandum. Washington, DC: DSD, January 11, 2021. https://media.defense.gov/2021/Jan/11/2002563174/-1/-1/0/REESTABLISHMENT-OF-ASD-IO-AND-D-AM.PDF.

Department of Defense. "Reorganization of the Office of the Deputy Chief Management Officer." Memorandum. Washington, DC: DOD, July 11, 2014.

Department of Defense. "Request to Appoint Highly Qualified Expert." Memorandum. Washington, DC: DOD, July 31, 2018. This is a representative memo used specifically to request support for the Community Services reform team.

Department of Defense. "Results of the Office of the Secretary of Defense Organizational Review." Memorandum. Washington, DC: DOD, December 4, 2013.

Department of Defense. "Review of the Total Costs of the Pentagon Reservation Operations" Memorandum. Washington, DC: DSD, October 7, 2014.

Department of Defense. "SECRETARY COHEN ESTABLISHES TASK FORCE ON DEFENSE REFORM." Press release. Washington, DC: DOD, May 1997. https://govinfo.library.unt.edu/npr/library/news/0597.html.

Department of Defense. "Service Requirements Review Board Implementation for the Department of Defense Fourth Estate," Memorandum. Washington, DC: DCMO, December 22, 2015.

Department of Defense. "Strategic Choices and Management Review." Memorandum. Washington, DC: SD, March 15, 2013.

Department of Defense. "Summary of Defense Business Council Meeting on April 5, 2016." Memorandum. Washington, DC: DCMO, April 18, 2016.

Department of Defense. "Summary of Defense Business Council Meeting on March 8, 2016." Memorandum. Washington, DC: DCMO, March 30, 2016.

Department of Defense. "Summary of Defense Business Council Meeting on May 5, 2015." Memorandum. Washington, DC: DCMO, May 19, 2015.

Department of Defense. "Terms of Reference for the 2013 OSD Organizational Review." Memorandum. Washington, DC: DSD, August 26, 2013.

Department of Defense. "Total Force Manpower Governance for the Office of the Secretary Defense, the Defense Agencies, and DoD Field Activities." Memorandum. Washington, DC: ADCMO, July 26, 2017.

Department of Defense. "Total Force Manpower Governance for the Office of the Secretary of Defense, the Defense Agencies, and Department of Defense Field Activities." Memorandum. Washington, DC: DSD, June 6, 2017.

Department of Defense. "Updated OSD Manpower and Spending Controls." Memorandum. Washington, DC: ADCMO, August 27, 2014.

Department of Defense. *FY2021 Defense Wide Review.* Washington, DC: DOD, January 2020. https://media.defense.gov/2020/Feb/06/2002244621/-1/-1/1/FY-2021-DEFENSE-WIDE-REVIEW-FINAL.PDF.

Department of Defense. *Summary of the 2018 National Defense Strategy of the United States of America: Sharpening the American Military's Competitive Edge.* Washington, DC: DOD, January 19, 2018. https://dod.defense.gov/Portals/1/Documents/pubs/2018-National-Defense-Strategy-Summary.pdf.

Deputy Secretary of Defense. "Enterprise Cost Management Project." Memorandum. Washington, DC: DSD, July 13, 2017.

Duncan Hunter National Defense Authorization Act for Fiscal Year 2009. Pub. L. 110-417, 110th Cong. (October 14, 2008). https://www.congress.gov/bill/110th-congress/senate-bill/3001.

Federal Register Website. Vol 53, No 20, February 1, 1988. "Council of the Inspectors General on Integrity and Efficiency." Accessed February 2023.

https://www.federalregister.gov/agencies/council-of-the-inspectors-general-on-integrity-and-efficiency.

Fox, Christine. Memorandum to acting DCMO. May 1, 2014. "Interim Implementation Guidance Regarding the Consolidation and Restructuring of Management and Compliance Functions within the Office of the Secretary of Defense.

Freedberg, Jr., Sydney J. "$125B Savings? Not so fast, say experts, DOD, Rep. Smith." *Breaking Defense,* December 7, 2016. https://breakingdefense.com/2016/12/125-billion-savings-not-so-fast-say-experts-rep-smith/.

GAO'S High-Risk Program, *Hearing Before the Subcommittee on Oversight of Government Management, the Federal Workforce, and the District of Columbia, Committee on Homeland Security and Governmental Affairs, U.S. Senate.* 109th Cong. (March 15, 2006).

Gansler, Jacques S., and William Lucyshyn. *Defense Business Transformation.* (Washington, DC: National Defense University Center for Technology and National Security Policy, December 2009). 44.

Garamone, Jim. "Defense-Wide Review Finds $5.7 Billion for Higher Priorities." *DOD News,* Feb 6, 2020. https://www.defense.gov/News/News-Stories/Article/Article/2076798/defense-wide-review-finds-57-billion-for-higher-priorities/.

Gibson, John, responding to Senator Angus King, (I-ME). CQ Congressional Transcripts (subscription service). "Senate Armed Services Committee - Pending Nominations - (Hearing)." July 18, 2017.

Gibson, John, responding to Senator James Inhofe, (R-OK). CQ Congressional Transcripts (subscription service). "Senate Armed Services Committee - Pending Nominations - (Hearing)." July 18, 2017.

Gibson, John, responding to Senator Jack Reed, (D-RI). CQ Congressional Transcripts (subscription service). "Senate Armed Services Committee - Pending Nominations (Hearing)." July 18, 2017.

Goldwater-Nichols Department of Defense Reorganization Act of 1986. Pub. L. 99-433, 99th Cong. (1986). https://history.defense.gov/Portals/70/Documents/DOD_reforms/Goldwater-NicholsDODReordAct1986.pdf (last accessed February 2023).

Gould, Joe. "Congress Close to Axing Pentagon's 'Impossible' Chief Reform Job." *Defense News*, June 29, 2020. https://www.defensenews.com/congress/2020/06/29/congress-close-to-axing-pentagons-impossible-chief-reform-job/.

Government Accountability Office (GAO). *Defense Management: DOD Needs to Address Inefficiencies and Implement Reform Across its Defense Agencies and Field Activities,* GAO-18-592. Washington, DC: U.S. Government Accountability Office, September 2018. https://www.gao.gov/products/gao-18-592.

Graham, David R., Jason A. Dechant, Christopher H. Hanks, Hansford T. Johnson, James R. Locher, Pamela J. Olson, and Paul H. Richanbach. *Does DOD Need a Chief Management*

Officer? IDA Document P-4169. Alexandria, VA: Institute for Defense Analyses, December 2006.

Hagel, Chuck. "Statement on Strategic Choices and Management Review." *Real Clear Defense*. July 30, 2013. https://www.realcleardefense.com/articles/2013/07/31/statement_on_strategic_choices_and_management_review_106730.html.

Hershman, Lisa. "DoD Reform Savings." Briefing. Washington, DC: Department of Defense, September 2020. https://trumpadministration.archives.performance.gov/defense/FY2020_september_DoD_Reform_Savings.pdf.

Hershman, Lisa. FY 2020 Annual Performance Report. December 31, 2020.

Hunt, Richard A. *Melvin Laird and the Foundation of the Post-Vietnam Military, 1969-1973*. Vol. 7. Washington, DC: Government Printing Office, 2015.

Ignatius, Paul R. *Department of Defense Reorganization Study Project: Departmental Headquarters Study. A Report to the Secretary of Defense*. ADA 085 889. Washington, DC: Department of Defense, June 1, 1978.

Itig, Kristin, Christopher Yukins, and Michael McGill. "Defense Department Signals Way Forward for Contractor Paid Leave Reimbursement Under CARES Act." *Arnold and Porter*, June 11, 2020. https://www.arnoldporter.com/zh-hans/perspectives/advisories/2020/06/dod-signals-way-forward.

Jasper, Mila. "Coronavirus 'Shattered the Myth' that the Defense Workforce Can't Telework, Official Says." *NextGov*, July 14, 2020. https://www.nextgov.com/it-modernization/2020/07/coronavirus-shattered-myth-defense-workforce-cant-telework-official-says/166867/.

John S. McCain National Defense Authorization Act for Fiscal Year 2019. Pub. L. 115-232. 115th Cong. (2018). https://www.congress.gov/115/plaws/publ232/PLAW-115publ232.pdf.

Jowers, Karen. "New Commissary Pricing Models to be Tested." *Military Times*, January 4, 2016. https://www.militarytimes.com/2016/01/04/new-commissary-pricing-models-to-be-tested/.

Kenyon, Henry S. "Business Transformation Agency Hits the Ground Running." *Signal Magazine*, September 1, 2006. https://www.afcea.org/signal-media/business-transformation-agency-hits-ground-running.

Levine, Peter (acting USD(P&R), and David Tillotson (ADCMO). "SASC Bill and Proposed OSD Staff Structure Changes." Memorandum for Deputy Secretary of Defense [FOUO – Contains Pre-decisional Information]. May 13, 2016.

Lubold, Gordon. "Mattis Plans to Remove Pentagon's Chief Management Officer." *Wall Street Journal* (subscription service), September 5, 2018. https://www.wsj.com/articles/mattis-plans-to-remove-pentagons-chief-management-officer-1536181817.

Mehta, Aaron. "How the DOD's first-ever chief management officer plans to turn cash into military capabilities." *Defense News*, May 22, 2018. https://www.defensenews.com/interviews/2018/05/22/how-the-dods-first-ever-chief-management-officer-plans-to-turn-cash-into-military-capabilities/.

Mehta, Aaron. "Pentagon chief management officer resigns after weeks of speculation." *Defense News,* November 9, 2018. https://www.defensenews.com/pentagon/2018/11/09/pentagon-chief-management-officer-officially-resigns-after-weeks-of-speculation/.

Mehta, Aaron. "Pentagon reform boss on eliminating entire office: 'This is a guaranteed failure.'" *Defense News*, July 9, 2020. https://www.defensenews.com/pentagon/2020/07/09/pentagon-reform-boss-on-eliminating-entire-office-this-is-a-guaranteed-failure/.

Memorandum for Defense Business Council Members Summary of Defense Business Council (DBC) Meeting on December 22, 2016.

Memorandum for Defense Business Council Members Summary of Defense Business Council (DBC) Meeting on May 3, 2016.

Memorandum for Defense Business Council Members. Summary of Defense Business Council (DBC) Meeting on June 14, 2016.

Memorandum from the Chief Management Officer "Reorganization of the Office of the Chief Management Officer" to personnel of the organization, December 7, 2018.

Memorandum from the Chief Management Officer to the Deputy Secretary of Defense, "Department of Defense Regulatory Reform Task Force Progress Report and Recommendations," December 7, 2018.

Modly, Tom and Paul Brinkley. "Long Live the Business Transformation Agency." *Real Clear Defense*, June 30, 2016. https://www.realcleardefense.com/articles/2016/06/30/long_live_the_business_transformation_agency_109502.html.

Mooney, Thomas F. "Financing Alternatives to the Reform Tax." Action Memo, December 10, 2018.

Murdock, Clark A. "McNamara Systems Analysis and the Systems Analysis Office." *Journal of Political and Military Sociology*, 2, no. 1 (Spring 1974). https://www.jstor.org/stable/45292889.

National Defense Authorization Act for Fiscal Year 1987. Pub L. 99-661. 100th Cong. (1986). https://www.govtrack.us/congress/bills/99/s2638/text.

National Defense Authorization Act for Fiscal Year 1996. 40 USC 1425, § 5125. 104th Cong. February 10, 1996. https://uscode.house.gov/view.xhtml?req=granuleid:USC-1999-title40-section1425&num=0&edition=1999#sourcecredit.

National Defense Authorization Act for Fiscal Year 2005. Public Law 108-375, §186. 108th Cong. October 10, 2004. https://www.congress.gov/108/plaws/publ375/PLAW-108publ375.pdf.

National Defense Authorization Act for Fiscal Year 2008. Pub L. 110-181. 110th Cong. (2008). https://www.congress.gov/bill/110th-congress/house-bill/4986.

National Defense Authorization Act for Fiscal Year 2010. Pub. L. 111-84. 111th Cong. (2009). https://www.congress.gov/111/plaws/publ84/PLAW-111publ84.pdf.

National Defense Authorization Act for Fiscal Year 2012. Pub. L. 112-81. 112th Cong. (2011). https://uscode.house.gov/statutes/pl/112/81.pdf.

National Defense Authorization Act for Fiscal Year 2013. Pub. L. 112-239. 112th Cong. (2013). https://www.govinfo.gov/content/pkg/PLAW-112publ239/pdf/PLAW-112publ239.pdf.

National Defense Authorization Act for Fiscal Year 2014. S. 1197. 113th Cong. (2013). https://www.congress.gov/bill/113th-congress/senate-bill/1197/text.

National Defense Authorization Act for Fiscal Year 2016. Pub. L. 114-92. 114th Cong. (2015). https://www.congress.gov/114/plaws/publ92/PLAW-114publ92.pdf.

National Defense Authorization Act for Fiscal Year 2017. Pub. L. 114-328. 114th Cong. (2016). https://www.congress.gov/114/plaws/publ328/PLAW-114publ328.pdf.

National Defense Authorization Act for Fiscal Year 2018. Pub. L. 115-91. 115th Cong. (2017) https://www.congress.gov/115/plaws/publ91/PLAW-115publ91.pdf.

National Defense Authorization Act for Fiscal Year 2020. Pub. L. 116-92. 116th Cong. (2019). https://www.congress.gov/116/plaws/publ92/PLAW-116publ92.pdf.

National Defense Authorization Act for Fiscal Year 2021. Section 901. 116th Cong. (2021). https://www.congress.gov/bill/116th-congress/house-bill/6395/text.

Office of the Chief Management Officer, Department of Defense. *Initial Plan for Reforming the Business Operations of the Department for Efficiency and Effectiveness.* Washington, DC: CMO, April 26, 2019. https://insidedefense.com/sites/insidedefense.com/files/documents/2019/apr/04262019_DOD_Reform.pdf.

Office of the Chief Management Officer, Department of Defense. *Report on Section 921(b)(3) of the John S. McCain Fiscal Year 2019 National Defense Authorization Act (Public Law 115-232).* January 1, 2020.

Office of the Chief Management Officer, Department of Defense. *Section 921(b)(5)(B) of the John S. McCain Fiscal Year 2019 National Defense Authorization Act Report: Notice and Justifications to the Congressional Defense Committees with Description of the Efficiencies to be Achieved.* Washington, DC: Office of the Chief Management Officer, Department of Defense. October 1, 2019. https://media.defense.gov/2019/Oct/04/2002190690/-1/-1/1/SECTION-921-(B)-(5)-(B)-FY19-NDAA-REPORT-OCT-01-2019.PDF.

Office of the Deputy Secretary of Defense, Department of Defense. *Interim Report Required by Section 901(j)(1) of the 2017 NDAA.* Washington, DC: DSD, March 1, 2017.

Philpott, Tom. "Department of Defense Plan Puts Commissaries at Risk." *Montgomery Adviser*, October 29, 2015.

https://www.montgomeryadvertiser.com/story/news/local/dispatch/2015/10/29/dept-defense-plan-puts-commissaries-risk/74795144/.

President's Blue Ribbon Commission on Defense Management. *A Quest for Excellence: Final Report to the President*. June 30, 1986. Washington, DC: President's Blue Ribbon Commission on Defense Management. https://dair.nps.edu/bitstream/123456789/3705/1/SEC809-RL-86-0106.pdf.

Robert Byrd. "Amendment 2442 To Establish the Position of Deputy Secretary for Management." Congressional Record, vol. 151, no. 147. November 8, 2005. p. S12483. https://www.congress.gov/congressional-record/volume-151/issue-147/senate-section/page/S12483-12485.

Serbu, Jared. "DOD CMO Gains New Cachet as 'Secretary of the Fourth Estate.'" *Federal News Network*, July 9, 2020. https://federalnewsnetwork.com/on-dod/2020/07/dod-cmo-gains-new-cachet-as-secretary-of-the-fourth-estate/.

Shanahan, Patrick. "TRANSCRIPT: Off-Camera, On-the-record Media Availability with Deputy Secretary Shanahan." Washington, DC: Department of Defense, December 21, 2017. https://www.defense.gov/News/Transcripts/Transcript/Article/1402941/off-camera-on-the-record-media-availability-with-deputy-secretary-shanahan/.

Sisk, Richard. "Ash Carter Steps Down as Pentagon's No. 2." *Military.com*. October 10, 2013. https://www.military.com/daily-news/2013/10/10/ash-carter-steps-down-as-deputy-defense-secretary.html.

Smith, Col. William D., Lieutenant Colonel Brian l. Kessler, Lieutenant Colonel Fred T. McGregor, Lieutenant Colonel Dennis F. Markisello, Lieutenant Colonel Everett G., Odgers, and Lieutenant Colonel Charles M. Swager. *The Impact of the Packard Commission Report Within USAF and DOD.* AD-A186 697. Maxwell Air Force Base, Alabama: Air War College, December 1987. https://apps.dtic.mil/sti/pdfs/ADA186697.pdf.

Trask, Roger R., and Alfred Goldberg. *The Department of Defense 1947-1997: Organization and Leaders.* ADA330985. Washington, DC: Office of the Secretary of Defense Historical Office, October 23, 1997. https://apps.dtic.mil/sti/citations/ADA330985.

U.S. General Services Administration Website. "Category Management." Accessed January 2023. https://www.gsa.gov/buy-through-us/category-management.

United States Code Title 10, Section 132(a). "Chief Management Officer." 2019. https://www.govinfo.gov/content/pkg/USCODE-2019-title10/html/USCODE-2019-title10-subtitleA-partI-chap4-sec132a.htm.

United States Code, Title 10. "Armed Forces." https://www.govinfo.gov/content/pkg/USCODE-2010-title10/html/USCODE-2010-title10.htm.

United States Government Accountability Office. *Defense Business Operations: DOD Should Take Steps to Fully Institutionalize the Chief Management Officer Position.* GAO-19-199. Washington, DC: U.S. Government Accountability Office, March 2019. https://www.gao.gov/assets/gao-19-199.pdf.

United States Government Accountability Office. *Defense Business Systems Modernization: Governance Mechanisms for Implementing Management Controls Need to Be Improved.* GAO-12-685. Washington, DC: U.S. Government Accountability Office, June 2012. https://www.gao.gov/assets/gao-12-685.pdf.

United States Government Accountability Office. *Defense Management: DOD Needs to Implement Statutory Requirements and Identify Resources for Its Cross-Functional Reform Teams.* GAO-19-165. Washington, DC: U.S. Government Accountability Office, January 2019. https://www.gao.gov/assets/gao-19-165.pdf.

United States Government Accountability Office. *Defense Management: Observations on DOD's Business Reform Efforts and Plan.* GAO-19-666. Washington, DC: U.S. Government Accountability Office, January 2019. https://www.gao.gov/assets/gao-19-666.pdf.

United States General Accounting Office. *Defense Management: Status of Recommendations by Blue Ribbon Commission on Defense Management.* GAO/NSIAD-89-19fs. Washington, DC: U.S. General Accounting Office, November 1988. https://www.gao.gov/assets/nsiad-89-19fs.pdf.

United States Government Accountability Office. *Defense Reform: DOD Has Made Progress, but Needs to Further Refine and Formalize Its Reform Efforts.* GAO-21-74. Washington, DC: U.S. Government Accountability Office, November 2020. https://www.gao.gov/assets/gao-21-74.pdf.

United States Government Accountability Office. *DOD Commissaries and Exchanges: Plan and Additional Information Needed on Cost Savings and Metrics for DOD Efforts to Achieve Budget Neutrality.* GAO-17-38. Washington, DC: U.S. Government Accountability Office, November 2016. https://www.gao.gov/assets/gao-17-38.pdf

United States Government Accountability Office. *High-Risk Series: Efforts Made to Achieve Progress Need to be Fully Maintained and Expanded to Fully Address All Areas.* GAO-23-106203. Washington, DC: U.S. Government Accountability Office, April 2023. https://www.gao.gov/assets/gao-23-106203.pdf.

United States Government Accountability Office. *High-Risk Series: Dedicated Leadership Needed to Address Limited Progress in Most High-Risk Areas.* GAO-21-119SP. Washington, DC: U.S. Government Accountability Office, March 2021. https://www.gao.gov/assets/gao-21-119sp.pdf.

United States Government Accountability Office. *High-Risk Series: Substantial Efforts Needed to Achieve Greater Progress on High-Risk Areas.* GAO-19-157SP. Washington, DC: U.S. Government Accountability Office, March 2019. https://www.gao.gov/assets/gao-19-157sp.pdf.

United States General Accounting Office. *Management Reform: Implementing National Performance Review's Recommendations.* GAO/OCG-95-1. Washington, DC: United States General Accounting Office, December 1994. https://www.gao.gov/assets/ocg-95-1.pdf.

United States General Accounting Office. *Organizational Transformation: Implementing Chief Operating Officer/Chief Management Officer Positions in Federal Agencies.* GAO-

08-34. Washington, DC: U.S. General Accounting Office, November 2007. https://www.gao.gov/assets/gao-08-34.pdf.

United States General Accounting Office. *Suggested Improvements in Staffing and Organization of Top Management Headquarters in the Department of Defense*. ADA 104-277 Washington, DC: General Accounting Office, Federal Personnel and Compensation Division, April 20, 1976.

United States Senate Permanent Subcommittee on Investigations. *The Air Force's Expeditionary Combat Support System (ECSS): A Cautionary Tale on the Need for Business Process Reengineering and Complying with Acquisition Best Practices.* July 7, 2014.

United States Senator Joe Manchin Website. "CMO Conference Letter." Accessed June 2, 2023. *https://www.manchin.senate.gov/imo/media/doc/200908%20CMO%20Conference%20Letter%20Final.pdf?cb.*

Walker, David. *Defense Management: Key Elements Needed to Successfully Transform DOD Business Operations.* Testimony Before the Subcommittee on Oversight of Government Management, the Federal Workforce, and the District of Columbia, Committee on Homeland Security and Governmental Affairs, U.S. Senate, April 28, 2005.

Walker, David. *GAO'S High-Risk Program.* Testimony Before the Subcommittee on Oversight of Government Management, the Federal Workforce, and the District of Columbia, Committee on Homeland Security and Governmental Affairs, U.S. Senate, March 15, 2006.

Washington Watch. "Call for Cannibalism." *Air and Space Forces Magazine*, July 1, 2010. https://www.airandspaceforces.com/article/0710watch/.

Whitlock, Craig and Bob Woodward. "Pentagon buries evidence of $125 billion in bureaucratic waste." *The Washington Post*. December 5, 2016. https://www.washingtonpost.com/investigations/pentagon-buries-evidence-of-125-billion-in-bureaucratic-waste/2016/12/05/e0668c76-9af6-11e6-a0ed-ab0774c1eaa5_story.html.

William M. (Mac) Thornberry National Defense Authorization Act for Fiscal Year 2021. Pub. L. 116-283. 116th Cong. (2021). https://www.congress.gov/116/plaws/publ283/PLAW-116publ283.pdf.

Winning the War on Financial Management—Status of Department of Defense Reform Efforts, Hearing before the Subcommittee on Government Efficiency and Financial Management of the Committee on Government Reform, U.S. House of Representatives. H.G.R. No. 108-64. 108th Cong. (June 25, 2003). https://www.congress.gov/event/108th-congress/house-event/LC14251/text.

This page is intentionally blank.

Appendix E. Abbreviations

ADC	Authority, Direction and Control
ADCMO	Assistant Deputy Chief Management Officer
ADUSD	Assistant Deputy Undersecretary of Defense
ASD(LA)	Assistant Secretary of Defense for Legislative Affairs
ATSD(IO)	Assistant to the Secretary of Defense for Intelligence Oversight
BEA	Business Enterprise Architecture
BTA	Business Transformation Agency
CAPE	Cost Assessment and Program Evaluation
CARES	Coronavirus Aid, Relief and Economic Security
CDO	Chief Data Officer
CEO	Chief Executive Officer
CIO	Chief Intelligence Officer
CJCS	Chairman of the Joint Chiefs of Staff
CMO	Chief Management Officer
COCOM	Combatant Command
CODE	Cost Decision
COO	Chief Operating Officer
DA&M	Director, Administration and Management
DAFA	Defense Agency and Field Activity
DAI	Defense Agencies Initiative
DBB	Defense Business Board
DBC	Defense Business Council
DBEA	Defense Business Enterprise Architecture
DBS	Defense Business Systems

DBSMC	Defense Business Systems Management Committee
DCAPE	Director, Cost Assessment and Program Evaluation
DCMO	Deputy Chief Management Officer
DeCA	Defense Commissary Agency
DFAS	Defense Finance Accounting Service
DIMHRS	Defense Integrated Military Human Resources System
DLA	Defense Logistics Agency
DMAG	Deputy's Management Action Group
DOD	Department of Defense
DODD	Department of Defense Directive
DSD	Deputy Secretary of Defense
DSD(M)	Deputy Secretary of Defense for Management
DW	Defense-Wide
DWR	Defense Wide Review
EBO	Enterprise Business Operations
EO	Executive Order
ERP	Enterprise Resource Program
ETF	Efficiency Task Force
EX	Executive Schedule
FIAR	Financial Improvement and Audit Readiness
FMTS	Fourth Estate Manpower Tracking System
FY	Fiscal Year
FYDP	Future Years Defense Program
GAO	Government Accountability Office
GPRA	Government Performance and Results Act
GPRAMA	Government Performance and Results Modernization Act
HASC	House Armed Services Committee
IDA	Institute for Defense Analyses
IRB	Investment Review Board

IT	Information Technology
ITEA	Information Technology Enterprise Architecture
JCS	Joint Chiefs of Staff
JEDI	Joint Enterprise Data Infrastructure
LOE	Line of Effort
MAIS	Major Automated Information Systems
MDA	Milestone Decision Authority
MILDEPS	Military Departments
NDAA	National Defense Authorization Act
NDS	National Defense Strategy
NPR	National Performance Review
O&M	Operations and Maintenance
OCMO	Office of the Chief Management Officer
ODCMO	Office of the Deputy Chief Management Officer
OFT	Office of Force Transformation
OMB	Office of Management and Budget
OPM	Office of Personnel Management
OSD	Office of the Secretary of Defense
PAS	Presidentially Appointed, Senate-Confirmed
PCIE	President's Council on Integrity and Effectiveness
PCLT	Privacy, Civil Liberty and Transparency
PFPA	Pentagon Force Protection Agency
PIO	Performance Improvement Officer
POM	Program Objective Memorandum
PPBE	Planning, Programming, Budgeting and Execution
PPP	Priority Placement Program
PSA	Principal Staff Assistant
PTDO	Performing the Duties Of
RMG	Reform Management Group

SASC	Senate Armed Services Committee
SCMR	Strategic Choices Management Review
SD	Secretary of Defense
SMP	Strategic Management Plan
SRRB	Service Requirements Review Board
TOR	Terms of Reference
USD(A&S)	Under Secretary of Defense for Acquisition and Sustainment
USD(AT&L)	Under Secretary of Defense for Acquisition, Technology, and Logistics
USD(BM&I)	Under Secretary of Defense for Business Management and Information
USD(COMPTROLLER)	Under Secretary of Defense Comptroller
USD(M)	Under Secretary of Defense for Management
USD(P&R)	Under Secretary of Defense for Personnel and Readiness
USD(R&E)	Under Secretary of Defense for Research and Engineering
VA	Veterans Affairs
WHS	Washington Headquarters Services

1. REPORT DATE (DD-MM-YY) XX-06-2023	2. REPORT TYPE Final	3. DATES COVERED (From – To)	

4. TITLE AND SUBTITLE

Strengthening Defense Management: History and Lessons from the Department of Defense Deputy/Chief Management Officer

5a. CONTRACT NO.
HQ0034-19-D-0001

5b. GRANT NO.

5c. PROGRAM ELEMENT NO(S).

6. AUTHOR(S)

Jason A. Dechant, Study Lead
Daniel L. Cuda
Michael F. Fitzsimmons

5d. PROJECT NO.

5e. TASK NO.
BK-06-5110

5f. WORK UNIT NO.

7. PERFORMING ORGANIZATION NAME(S) AND ADDRESS(ES)
Institute for Defense Analyses
730 E. Glebe Road
Alexandria, VA 22305

8. PERFORMING ORGANIZATION REPORT NO.
IDA Paper P-33453
Log: H 23-000109

9. SPONSORING / MONITORING AGENCY NAME(S) AND ADDRESS(ES)
OSD
Director, Administration and
Management
The Pentagon, Room 5C842
Washington, DC 20301

10. SPONSOR'S / MONITOR'S ACRONYM(S)
OSD

11. SPONSOR'S / MONITOR'S REPORT NO(S).

12. DISTRIBUTION / AVAILABILITY STATEMENT

Approved for public release; distribution unlimited.

13. SUPPLEMENTARY NOTES

14. ABSTRACT
This Institute for Defense Analyses study provides a history of the Department of Defense's Deputy Chief Management Officer (DCMO) and Chief Management Officer (CMO) positions with referenced documentary material and lessons learned. It addresses the central question: what defense management lessons can be learned from the Department's experience with the D/CMO?
Important Contributions:

• Historical record of the Department's experience
• Characterization of lessons from the office
• Insights into defense management challenges

15. SUBJECT TERMS
Deputy Chief Management Officer; Chief Management Officer; Defense Management; Performance Improvement; Business Transformation; Business Systems; Financial Management; Defense Agencies; Audit; Peter Levine; Beth McGrath; Kevin Scheid; David Patterson; John Gibson; Lisa Hershman; Lessons Learned

16. SECURITY CLASSIFICATION OF:			17. LIMITATION OF ABSTRACT	18. NO. OF PAGES	19a. NAME OF RESPONSIBLE PERSON Silvana Rubino-Hallman
a. REPORT	b. ABSTRACT	c. THIS PAGE	U	176	19b. TELEPHONE NUMBER (Include Area Code) 703-692-8413
U	U	U			

This page is intentionally blank.