

TEN RULES FOR DEFENSE MANAGEMENT REFORM

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COMMENTARY

JULY 9, 2019



For the last 30 years, I've worked on defense management issues on congressional staff and in senior Pentagon positions. I've watched as every secretary of defense has sought to streamline and improve management at the Department of Defense. And yet, the consensus is that the Pentagon remains trapped by outdated systems and a culture that make it almost impervious to streamlining and innovation. While some of the reform efforts have been more successful than others, many have failed because they overlooked simple and obvious rules about why and how management reform works (or doesn't work) in Washington. It would be too much to expect any administration to reverse the Pentagon's reputation for bureaucracy and inefficiency, but future reform leaders will make measurable progress if they follow ten basic rules for successful management reform.

Rule 1: Nobody gets to start with a clean sheet of paper. Imagining an ideal system in the abstract may help reformers identify the direction and objectives for needed changes, but ideal systems can rarely, if ever, be implemented in the real world. The Department of Defense actually exists. It has policies and procedures and systems and organizations, and it employs millions of people already doing their jobs.

In the late 1980s, the General Accounting Office suggested that the Department of Defense could solve its financial management problems and ensure the responsible management of federal funds by adopting the type of accounting system used in the private sector, which focuses primarily on matching the value of goods purchased and sold. Congress launched headlong down that course, without considering the fact that the budget and appropriations systems require a different type of accounting to ensure that federal funds are spent in a manner consistent with congressional requirements. The result has been the expenditure of billions of dollars in a fruitless 30-year effort to superimpose accrual-based accounting onto incompatible business systems and processes.

More recently, some members of Congress have proposed substituting a “single-salary pay system” for the complex array of compensation and benefits currently provided to members of the military. Others have suggested eliminating the department’s schools and commissaries. If a military were being built from scratch, these might be good ideas, but hundreds of thousands of servicemembers would suffer real-world pain if these benefits were taken away. Any management reform effort is doomed to failure if it fails to start with an understanding of what the existing system is, why it exists, what functions it performs, and who it benefits.

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

In 2015, the Defense Business Board asserted that the Department of Defense could save \$125 billion over five years by becoming more efficient in its six core business practices. The board recommended a handful of approaches, including the more efficient use of service contracts, the streamlining of organizational structures, and the rationalization of the department’s business systems. All these approaches had been tried before, with varying degrees of success. With regard to service contracting, for example, Congress has been directing, and the Pentagon has been conducting, efficiency and streamlining reviews for at least the past 20 years.

Also in 2015, the Senate Armed Services Committee proposed a 30 percent cut to the Pentagon’s management headquarters. When the department pointed out that former Secretary of Defense Chuck Hagel had already required a 20 percent cut, which was still being implemented, Congress agreed to count previous savings toward the new goal. However, even these measures were only the latest in a long series of cuts to management headquarters that go back at least 30 years. It may be possible to wring further savings out of these areas, but any sensible effort at management reform should at least take into account what has been tried before.

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

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

While the criticism has some validity, the up-or-out system plays a vital role in providing the stability and predictability that young officers need to plan careers and that personnel chiefs need to plan the future force. It contributes to the development of young officers by ensuring that the officer corps is continually refreshed and by providing a highly competitive environment in which it is possible to provide responsibility to developing leaders at an early stage in their careers. The point isn’t that the reformers shouldn’t try to improve the system but that they need to be sensitive to what they risk breaking and to what they may be able to fix.

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

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

Speed and agility are important priorities, but they are not the only objectives of the acquisition system, which must also reach decisions that are transparent, consistent, and defensible; ensure public confidence by avoiding fraud and misconduct; and control costs and risks to ensure the affordable delivery of quality products. The 1990s experiment was viewed as a success until acquisition

programs began to fail and cost overruns ran into the hundreds of billions of dollars. There is nothing wrong with emphasizing a particular objective, but smart reformers recognize the risks that they take by de-emphasizing other objectives and take at least some action to hedge those risks.

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

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

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

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

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

Goldwater-Nichols has been criticized for overburdening military careers with cookie-cutter assignments, while the Levin-McCain reforms have been criticized for emphasizing cost control at the expense of innovation. Policymakers cannot avoid establishing priorities, but they can maximize their chances of success with focused solutions that take into account the realities of the Pentagon, even as they try to change them.

Rule 7: *Legislation alone doesn't solve anything.* If legislation alone could solve problems, we would have no more sexual assault in the military and no more drugs crossing the southern border. The Department of Defense would have had an auditable financial statement 30 years ago, and legislated price caps on aircraft carriers and other major weapon systems would have made cost overruns a distant memory.

In 1986, Congress codified a preference for commercial items over “products developed uniquely for military use,” as recommended by the Packard Commission. One of my first congressional hearings explored why, three years after this legislation, nothing had changed. It was only in 1994, when Secretary of Defense William Perry issued a memorandum prohibiting the use of military specifications and standards only “as a last resort, with an appropriate waiver,” that the Pentagon began to reverse course and actively seek commercial solutions to military needs.

A decade later, Congress sought to curtail the Pentagon’s rush to failure on major acquisition programs by requiring a technological readiness determination before a weapon system could proceed to full-scale development. However, the department did not change course until the arrival of a new under secretary.

for acquisition who endorsed the requirement. Congress can play a vital role in prompting the Pentagon to act, but implementation is the hardest part of defense reform, and it doesn't take place in the legislative branch.

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

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

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

Rule 9: *Nobody in the Pentagon follows orders.* It is widely assumed that everybody in a military organization follows orders. In fact, no clear chain of command is in place in for management matters in the Pentagon. Under secretaries of defense, service secretaries, chiefs of staff, combatant commanders, and other senior Pentagon officials do not answer to any common official below the level of the secretary of defense.

In 1986, when Richard Godwin was named the Pentagon's first "acquisition czar," he attempted to assert authority over all aspects of the acquisition system. Godwin soon learned that senior officials who disagreed with his directives could appeal directly to the secretary of defense. After a year of being undercut on issue after issue, Godwin left office, telling Congress that "I had the authority to direct—or I guess a better way to put it is, I had the authority to write a letter." Thirty years later, John Gibson was named the Department of Defense's first chief management officer and claimed authority to promulgate reforms throughout the department. He, too, was gone within a year.

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

Rule 10: *The most effective reform initiatives build broad support, address organizational alignment and individual incentives, and are driven by continuous engagement of senior officials.* In 2003, the department made unprecedented effort to implement a flexible new National Security Personnel System in place of the traditional civil service system. The deputy secretary of defense personally led the effort, which included focus groups, town hall meetings, leadership conferences, and training events. Nonetheless, the effort failed and the experiment was dismantled because the administration spurned opportunities to build bipartisan support, insisting instead on controversial policies that ensured all-out opposition from federal employee unions and their allies in Congress.

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

Defense management reform is a marathon, not a sprint. Successful reforms often start small and build support by demonstrating their value over time – as was the case with the laboratory demonstration programs of the 1990s, which provided the model for almost all subsequent civilian personnel reforms in

the Department of Defense. I have found, however, that enduring change requires coalition building, organizational alignment, and, above all, continuous engagement by senior leaders. Innovative ideas are a starting point, but success is all about implementation.

BECOME A MEMBER

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