Center for Strategic and International Studies

Defense Reform in the 21st Century
Panel 2: CSIS Analysis on Defense Reform

Moderator:
Kathleen Hicks,
Senior Vice President, Henry A. Kissinger Chair, and Director, International Security Program,
CSIS

Speakers:
Andrew Hunter,
Director, Defense-Industrial Initiatives Group and Senior Fellow,
International Security Program,
CSIS

Mark Cancian,
Senior Adviser, International Security Program,
CSIS

Todd Harrison,
Director, Defense Budget Analysis and Senior Fellow, International Security Program,
CSIS

Location:  CSIS, Washington, D.C.

Time:  10:00 a.m. EDT
Date:  Monday, March 14, 2016
KATHLEEN HICKS: I think you’ll agree that was a pretty amazing panel. And I’m sorry there wasn’t time for Q&A. You’ll have to settle for Q&A with the group we have assembled here, the proverbial B team, which is the actual B team.

I’m Kathleen Hicks. I direct the International Security Program here at CSIS. And we have been doing some extensive work in this particular cycle of interest in Goldwater-Nichols, in defense reform. Some of you may be familiar with CSIS’ rather long history in this area. Rudy deLeon referenced before the work that CSIS had done prior to the two-year task force work that had been led by Bill Lynn and Barry Blechman prior to the 1986 Goldwater-Nichols Act.

So that was the beginning of our long tradition in this space. It continued through the Beyond Goldwater-Nichols series, which ran from 2004 to 2008, that looked at furthering efforts on defense reform and deeply at interagency reform. Various members of the CSIS team – myself included at the time that I was here – also participated in the project on national security reform, which was also in that 2007-to-(0)9 period. And that brings us to today where – with Dr. Hamre at our helm and incredible expertise represented in this bench here as well as in the audience – we have been able to try to dig in and start to help shape this set of issues that is occurring today.

So the panel that we have before you, we’re going to run through some of the work that we have been doing and some provocative thoughts – no doubt provocative thoughts on what might be achievable in this particular legislative cycle. Let me just give you a quick overview of a few items you may or may not be aware of.

We had a little piece go out this morning in Politico – or Politico had a little piece go out that previewed a number of items. If you haven’t seen that, you’ll hear it here first. We have done a survey – which we’ll run through the results this morning – that had over 900 respondents, to try to look at what are the big issues for defense reform. We’ve had some analysis – that Mark Cancian will walk through – that tried to get at what has been testified to in the Senate Armed Services hearing cycle, and what do we draw – what are the lessons we draw or the insights that we draw from that?

We have also published this morning, on the CSIS website, an open letter that has quite a large number of signatories from the very senior former ranks, military and civilian, including almost everyone who was on the panel this morning, that speak to what we think are the most important principles for reform. I’ll give you a hint. It’s civilian control of the military and the independence of the military advice – the apolitical independence of military advice – and the need for reform, as articulated, I think very well, this morning.

So with that work underway, at the end of our session this morning I’ll talk a little bit about what we plan to do going into later March, and, as the legislative season picks up into the markup season, how we see our role on the outside as a convener, bipartisan, off-the-record in many cases, convener of experts in this area. First I’d like to introduce my fellow panelists and just tell you the order we’re going to go in.
To my immediate right is Mark Cancian. He is a senior adviser in the International Security Program. And Mark, as I said, will be talking a little bit about the assessment that he has undertaken to look at the testimony that’s been given in this cycle. To his right is Andrew Hunter, who is a senior fellow in the International Security Program and also directs our Defense Industrial Initiatives Group. And to his right is Todd Harrison, a senior fellow in the International Security Program and director of our Defense Budget Program. And the two of them will talk a little bit about what we call the “quick wins,” meaning, really, what are items that could be looked at in this legislative cycle? And in between Mark and them, I will talk about the survey results.

So without further ado, over to you, Mark.

MARK CANCIAN: Thanks, Kath.

As Kath mentioned, the first thing we did was to look at all of the testimony that had been provided to the SASC to see if there were some common themes that emerged from all of these experts in the national security area. There were about 35 experts who testified. We looked at that plus a few other documents and arrayed those against nine categories to see if there were some common themes that emerged.

What we found was that there were some – there was some consensus about problems but a lot of disagreement about what to do about those problems. And I’ll walk through a couple of those. But as the previous panel noted, that’s a different situation than we were in back in the 1980s for the original Goldwater-Nichols, because at that time there was a clear consensus that joint warfighting needed to be improved and that the Goldwater-Nichols process needed to address that particular problem. I want to look at three areas that came up actually in the previous panel and where there’s some agreement about the problem but a lot of disagreement about what you do about it.

The first one is about the COCOMs. We heard a lot about the COCOM staffs becoming bloated and that maybe we need to focus them on warfighting, and that came out in a number of the testimonies. The problem is that if you do that, you are going to eliminate certain of their functions. You heard about maybe eliminating some of the – you know, the J6, 7, 8, 9, 10 – not the 6 because that would be communication, but 7, 8, 9, 10.

The flipside, though, is that means that we here in Washington have to stop asking the COCOMs questions that relate to those areas. For instance, we have to stop asking them about budgets. We have to stop asking them about acquisition. And we probably have to stop having them come in and give elaborate posture statements during every budget season because it’s unfair to ask the COCOMs to do this – to provide, for instance, their perspective on the budget – and not allow them to have a staff to do the analysis and provide an insightful position.

If there was a consensus about COCOMs it was that CYBERCOM and possibly SPACECOM needed to be elevated from their current position as sub-unified commands to COCOMs in their own right. Both of those are new demands – space may be a little less new – but some feeling that they need to get a focus that they don’t currently have.
The problem with that is that there was also this strong feeling that the COCOM staffs were bloated, so how do you create two new COCOMs and not add to this COCOM bloat? Well, one suggestion was – a number of people suggested consolidating some of the COCOMs. NORTHCOM and SOUTHCOM is one obvious consolidation. Putting AFRICOM back into EUCOM would be another. On the other hand, others noted that this would send the wrong message to our partners and allies, that we would be seen to be walking away from certain regions and commitments, and they recommended against that.

A third item on the COCOMs was the role of the service component commands. In some circles those are regarded as parochial lobbyists at the COCOM headquarters and should be pared back or eliminated. The services, of course, argue that they perform certain logistical and administrative functions that would have be done by somebody even if it wasn’t done by combatant commands.

Another thing I want to look at is Pentagon bloat. And there is a lot of concern about the size of staffs in the Pentagon, and that comes through in all of the testimonies. You heard about delayering. Jamie Gorelick and a couple of the other panelists in the previous panel suggested delayering. The obvious place for radical delayering would be eliminating the service secretariats. And I say this with some hesitation, recognizing a have a former service secretary at my left over here. (Laughter.) I’ll give him a moment to reply on it later.

A number of people that proposed that are arguing that the service secretaries had once had an important function when they were Cabinet officials, but now that you have the rise of a very large OSD with its five or six undersecretaries and large staff and a joint staff that covers a lot of territory, that those organizations were no longer needed, and that would be delayering. On the other hand, a lot of people were concerned that this would reduce civilian control of the military. And I’ve heard service secretaries say that they like having a civilian service chief there to handle the kind of parochial political issues that they just don’t feel comfortable getting involved in. As a result, in this last year the Congress threw up its hands on this and directed a 25 percent across-the-board reduction rather than trying to figure out which organizations needed to be pared back.

And the final area I want to focus on is this Joint Staff-OSD overlap. And again, from the previous panel you heard concerns that these two organizations duplicated each other. That comes through again in the testimony that was made before the SASC. The obvious solution there would be to go back to an earlier era where you’ve got OSD out of warfighting issues and you’ve got the Joint Staff out of budgeting, programming issues, acquisition issues.

The problem with that is twofold. First, the secretary and the chairman have statutory requirements that require them to be involved in the full spectrum of activities, not just in one subset. The chairman, for example, is asked for his opinion on the adequacy of the budget and the program. And to answer that, he needs a staff. The other argument is that there is some value in having competition between the staffs because competition very often surfaces
alternatives options that might not otherwise be apparent if there’s only one organization providing alternatives.

So the bottom line is that there’s a lot of consensus about problems, not a lot of consensus about what to do about them, and in fact a lot of disagreement about them. I think that opens, then, the space for perhaps some near-term quick wins on places where there are some agreement, and then some opportunities for some long-term study to see whether some of these tradeoffs might be worth making. And with that as an introduction I’ll turn it over to my colleagues, who will talk to that.

MS. HICKS: Actually coming this direction, sorry.

MR. CANCIAN: Oh, OK. (Laughter.)

MS. HICKS: So to validate, I think, a lot of the underlying themes that Mark set out from the testimony, which is obviously at the expert level, we decided to see how that stood up to the great technique of crowdsourcing. So we created a survey tool, and we had it open for a relatively brief period of time – Friday, March 4 to Friday, March 11 – one week open, and we asked a series of questions about defense reform. And I’m going to show you some of the results that we got, given our weekend to analyze them.

So just as an overview, there was – we did require every question on demographics, in terms of what community the person represents, to identify themselves on those questions, but we didn’t require answers to every single question in order to progress through the survey. So there’s some variation – presumably based on how competent people felt about their understanding of a particular question being asked – in the number of respondents, but it was between 700 and 900 respondents for each question. And as I go through the slides they’ll indicate the number of respondents to each question.

One thing I want to note: As I said, we did ask folks to identify themselves by virtue of their background or their affiliation, if you will. One specific category we were looking for is legislative affiliation, a member, a staffer, former staffer, former member. And that piece is under-represented in the respondent pool here, so what you largely have is a pretty heavy military or former military, or civilian DOD or former civilian DOD response set. We also had folks who responded in the “other” category, typically academia, possibly State Department, NSC. And as we go through the responses in more detail over the next week, we’ll be able to identify how differently – how differently they responded on different questions. So again, today we’re just going to go through the top-line results to give you a sense of what we found.

Next slide, please.

So I know this is hard to read, but we asked a question about, what should be the guiding principles for reform? You heard quite a bit about that this morning, and that reflects the best practice that if you want to decide to reform something, you have to know what it is you’re trying to achieve. What are the objectives? And so the answers were ranked. So 1 – 1.00 you
see there – that is a high rank. And 8 would be a low rank. And so these are relative valuations of what is the most important principle for reform.

So what you find is that maintaining civilian authority came out as the strongest response among those who participated. And again, this sample size was about 940, so this is one of our largest – probably the largest response rates. So maintaining civilian authority most commonly chosen as the number-one priority, and second to it by only a little bit was ensuring quality of military advice.

Interestingly, improving strategy and planning was the third. I say interestingly only because it hasn’t generally been focused on. It wasn’t actually a major piece even of the discussion this morning. So I’ll talk a little bit about what we were finding in the response demographics on that. And then you see, if you go all the way down to the bottom, again in a relative ranking, improving personnel management was relatively less important to our respondent pool.

So we’ll go into the next slide, which gives you a sense of relative emphasis. And what you see more than anything that’s important from this slide is that very high uptick at 1 is for civilian authority. And that means that almost 400 of the respondents – almost half of the pool of respondents – found that to be the most important number-one item as a principle – guiding principle for reform. So, remarkably higher than anything else. The distribution was spread much more on other things. So that’s a very strong indicator about where the crowd, if you will, believes we ought to be in terms of priorities. And I do think that was reflected very much in the conversation that you heard this morning.

Next slide, please.

This gives you that breakdown of the same content but – with bigger font, helpfully – but by demographic group. I mean, you can see the legend there at the bottom: legislative branch, executive branch/military, executive branch/civilian and “other” again. We have asked further questions but the general category there was – is probably academia – think tank experts who aren’t otherwise affiliated with the other groups and probably who are participants from other parts of the U.S. government.

So here again you find pretty strong consistency across the different demographic groups in how they responded, so nothing too different to find here. And I point this one out almost as an example because you’re going to see some questions where you do start to see some interesting variation on the “where you sit is where you stand” in response to some of these questions.

Next slide, please.

And again, here you see that executive branch civilians were the most – for them, the – unsurprisingly, maintaining civilian authority is their number one, more so than anyone else, but again not a huge breakdown by demographic group.
Next slide, please.

When it comes to the principle of independence of military advice, again, unsurprisingly, ranking it highest is that executive branch/military with general consistency across the groups. You’ll note that the legislative branch was a little further to mid-ranking on this particular issue.

Next slide, please.

On the question of – on the importance of efficiency and effectiveness, legislative branch thought it was very important whereas DOD civilian and military affiliates found it less important than, if you will, the effectiveness or the more, you know, maybe principled principles than this very pragmatic principle. And those who came from another category sort of consistently have been in that mid-4 response rate for the questions.

Next slide, please.

So the next major issue we asked is, pick five issues that are processes or issues going on inside DOD that you think show the greatest opportunity for reform. So it’s different than just saying, how important is this issue; how badly broken is this issue? It’s really saying, where is there opportunity where reform can really make a difference?

Really interesting here to see that acquisition jumps out pretty high compared to the others in terms of most likely to generate reform, but also interesting to see that most people are very cynical and don’t believe many things are likely to produce reform. And that makes it important – I think ever more so – to make sure problems are well defined before jumping to solutions, because there’s a lot of cynicism, I think, built in about how well solutions will – reforms will actually improve processes.

A runner-up there is strategy. Again, you saw that as a principled issue on the first set of questions, so a continuing drumbeat that there is something going on – and you heard it this morning as well – in terms of at least DOD and possibly interagency strategy formulation. And I think we’ll walk through these in a little bit of detail.

So next slide, please. Woops. Give us a second there. There you go.

So again, this gives you an interesting difference here that strategy is dropping on the list from second to fourth when you’re looking at total response rates. That means fewer people who responded thought strategy was important, but those who thought strategy was important thought strategy was really important. So again, we have to dig into those numbers but there may be – you know, we could hypothesize that there’s a heavily interested minority of people who are very concerned about that problem. But again, most people are – most of the time are quite concerned about acquisition more than anything.

OK, next slide, please. Woops. That’s it.
OK, on this slide again you see – this is where you see an interesting beginning of divergence in terms of the “where you sit is where you stand.” One of the things we’re going to be studying as we go forward is, you know, where potential reforms are most likely to yield notable, noteworthy, positive outcomes. And here you see folks are kind of all over the place, which is reflective, I think, of what you heard this morning, that there is not a – there’s a lot of things people think are problematic, maybe even broken, but there aren’t really clear themes emerging. And you start to see this here, where different demographic groups are pointing in very different directions about where the most likely areas for advancement through reform are.

Next slide, please. And again, I think here you get to see that variation. I’ll give you a second to look at that.

OK, so one of the items that we were really interested in is the relative strength of institutions. You hear a lot around town, and certainly in the testimony that occurred on the – in the Senate, this or that actor or institution is too weak; this or that actor is too strong. So we asked the question – next slide, please – assessing the needs of the Defense Department, what is the strength of these institutions today? And, you know, the scale was “too weak” to “too strong,” “just right” being the 5. And it’s, again, interesting results.

In general, people felt most institutions were “about right,” with the exception – notable exception of the NSC staff. Not surprising – probably will be interesting when we look at our breakdown of our respondents – most of these respondents, the vast majority, are affiliating as former DOD civilian or former DOD military. They’re unlikely to find the National Security Council staff helpful to them in general. We’ll be interested to look at the response rate among that “other” category, which – and how many of those people identify themselves as former NSC, and whether that’s substantially different as we go through the survey.

But as you heard here this morning from the DOD community, a lot of questioning about how much is it worth focusing on DOD reform versus focusing on the things that drive – just to the point that Mark was making – the incentive structures, whether it be from the Hill or from the White House, that drive the things that might create inefficiency.

Next slide, please.

So again, pretty clear “where you sit is where you stand” in terms of the strengths of the institutions. The military think the SECDEF is stronger than the civilians or others do. The legislative branch and military think the chairman is a little weaker than civilians – executive branch civilians and people outside government do. And again, everyone thinks the NSC is a bit too strong. And those not having served in government at all actually had the mildest opinion on that. So, not surprising.

Next slide.

This question was about, given – it was about efficiency issues and size of staffs – relative to the appropriate responsibilities of each of these institutions we’ve just talked about, what is your assessment of their size, with “too small” – scale going from “too small” to “too
large.” And the short answer is everyone thinks everyone’s staffs are too large, COCOMs to the least degree, which was interesting. You heard a lot about COCOMs this morning, but the survey results, the “crowd,” doesn’t have the same relative concern about COCOMs. And of course everyone is the most concerned about the size of the NSC staff, and presumably, given the prior question on relative strength, about the activities of that staff.

Next slide, please.

This is just, again, a breakdown of that by group. You know, which of these institutions is too large: OSD, Joint Staff, combatant command service staffs, NSC staff. And again you see pretty predictable responses there but a lot of conforming.

Next slide, please.

The next question we asked is, rate the effectiveness of the White House-led interagency system. And we asked this question because we do run an experts group of, again, very senior retired civilian and military folks. We did have an indication from them – a pretty strong indication that they weren’t happy, as you heard this morning, about the interagency process.

And so we asked on the scale of “wholly ineffective” to “highly effective” – not a lot of enthusiasm here for how well the U.S. government does everything from strategy development, to assessing policy, to budgeting, policy development and implementation, decisions on the use of force and then the confirmation process. And I rush to add that that is within the executive branch. We have a separate set of questions on the legislative branch. So on scale, no one found them – any of these processes to be at least in the median of effective, so maybe a lot of room for improvement here.

Next slide, please.

And you get – this is the breakdown, again by demographic group. No demographic group went close, really, to that 3, to that median line. So the cynicism, the concern is relatively equally shared across the process – across the groups; excuse me.

OK, next slide.

Now we asked these same exact questions for the legislative branch: Rate the effectiveness of the following aspects of congressional oversight. Again, nothing gets too close to the middle. There is a little more enthusiasm – slightly – for the role of Congress in providing oversight of policies and programs. So we include in that your regular NDAA process, which I have to say, of course, our authorizers in DOD get that done more than any other authorizers, so perhaps that reflects that acknowledgment.

But lowest on strategy development, probably unsurprising given the role of Congress – traditional role of Congress in that area, but interestingly low on use of force authorization. Of course we’ve been waiting on an AUMF, so maybe that’s particularly important exactly now.
And then pretty consistent lack of enthusiasm on effectiveness, just as there is in the executive branch.

Next slide, please. This is just the breakdown by demographics. And you’ll note the legislative branch is not necessarily kinder to itself than others are in most of these areas.

OK, the next question we asked about is role clarity. This has come up time and again. It came up this morning. It comes up in the testimony. There is concern that in some ways this is about duplication, that it’s not clear who is supposed to do what. So we asked, rate the degree of role clarity inside DOD today for these major processes. First is planning for cross-regional operations. And these are ranked here so you can see what was – most respondents found most concerning. That was the area where there was most concern that there was lack of clarity in roles: Who is responsible for that cross-regional planning?

Close second is communications with interagency actors. I think this probably reflects the concern that there are a lot of independent power centers – I think was the way it was described earlier – who are operating inside the system at any given time, everything from NSC staff reaching out to COCOMs to service folks reaching out, you know, to other agencies. Things of that sort play high in there. The executing cross-regional operations, that is linked probably to the planning for those operations, which ranked very highly here, meaning least effective.

And then if you go all the way down to the bottom, I think – back to the issue of has Goldwater-Nichols been successful – people were most positive about the ability to execute military action, which if you had looked pre-1986, presumably that, had you done a similar survey, would have been very low. But today, thankfully we are more than halfway there in terms of a positive response about the ability of the United States to execute military actions effectively.

Next slide, please. And that’s the demographic breakdown for this slide. General consistency of viewpoint demonstrated here. Executive branch civilians, you’ll note, are most concerned about – that says communications with POTUS is really – well, I guess that is. OK, I think it’s with the White House in general. I don’t think it’s literally with POTUS. And otherwise, again, general consistency of approach.

OK, so that’s the end of the survey results that we wanted to share this morning. We’ll be doing a more refined analysis of these results as we go through the week. And in the question-and-answer this morning, if there are particular issues you want to make sure that we’re paying attention to as we assess this, it will be useful.

We see this is just one more tool. We’ve done a number of – we’ve done some private survey work with our group of experts. We’ve done this. And along with the analysis that Mark has done and the open letter, we are striving to move toward what ought to be the big problem statement areas to be pursued, looking again at probably a lengthy period of time for in-depth assessment of how you get from those to solutions.
So I think what will be most interesting now is to say, if this survey indicates that we’re confused collectively, are there areas that we can move on – the United States can move on this year, and what might those be? And so I’ve asked Andrew and Todd to tee those up for us. And as I promised, I’m sure you’ll find some of them provocative.

So over to you two.

ANDREW HUNTER: Well, thanks, Kath.

First a point of clarification. We use the term “quick win” here, and it’s – we have a very particular meaning when we say that. Some of you may chuckle when we get to some of these items and think of them as quick wins.

What we’re really trying to capture with this is something where the problem is actually clearly defined – perhaps in contrast to some of the other things that came out in testimony – where a potential solution that is executable in theory, either by the department directly or by the Congress in statute, would be something that could be put together in this year if the desire to do that were there, and where the proposed solution, or the clear, executable solution would be likely to favorably impact the problem.

So some of these are probably not that quick when you get into the: Would Congress really want to do that this year, in an election year? Maybe. Maybe not. We can all have our own opinions, but the idea is that it’s something that could be done with a fairly well-defined problem and a reasonably well-defined, executable solution.

So with that caveat – and Todd and I are going to kind of pass these back and forth, depending on the various expertise – also we’ve categorized these to kind of address some of the areas – some of the themes that emerged from the testimony as areas where there are problems. So it obviously came out that there is concern about how efficient the Department of Defense is. That also came out in the first panel discussion. The need for innovation is something that has been talked about quite a bit in Congress and in the department. And then this issue of role clarity and command and control, and the ability to do strategy and planning for contingencies, all of those have come out as issues.

And the last thing I want to say in general about these quick wins is these are only the ideas of the crazy people up here on the panel. They are not the fault of anyone else who we’ve talked to in the process. These are our ideas and put forward to further the conversation.

The first item in the efficiencies lane – and it’s a golden oldie, if you will. It’s the closest that we’ve ever come to, in the process of trying to find efficiencies in the Department of Defense, to magic pixie dust that you can sprinkle around and you find that you find savings, and that’s the A-76 process, which does competitions between government and commercial enterprises for commercial activities.

Now, this is, in some respects, a narrow solution because there are plenty of areas – as was discussed, again, on the first panel – that are purely inherently governmental where
efficiencies might be called for and are probably needed. A-76 wouldn’t help with that because if it’s inherently governmental, you can’t compete it with the private sector.

But for that universe of activities that can be competed with the private sector – which is not a small universe; it is a large universe – A-76 is the closest we’ve come to finding a quick and effective way to do that. There’s currently a statutory moratorium on A-76. The idea being put forward here is not only should the moratorium be lifted, but that Congress should mandate that the department re-engage in A-76 competitions on an expedited basis.

TODD HARRISON: I’ll pick up the next one. And, you know, this is about reforming the civilian personnel system.

Now, this is not something new. This is something that comes up every few years. And one of the symptoms we see that, you know, lead us to know that there’s something that needs to be reformed here, is the department frequently goes around its own civilian workforce to get the skills and to get the rapid response, or to be able to quickly increase staff levels and decrease them quickly. We see the military going around and using FFRDCs – Federally Funded Research and Development Centers – and using service support contractors many times because they can’t get the flexibility and agility out of the civilian workforce. And part of the reason for that is the civilian personnel system.

So what we’re recommending here is a quick win. And again, feel free to laugh that this is a quick win, but this is something that DOD and Congress need to go out and study again and try to figure out a way perhaps to opt DOD out of the civilian personnel system. This study should look at things like changing the pay system, the promotion system, the hiring and firing system within the civilian workforce to make it more flexible and agile.

Now, you may recall that we’ve attempted this before. Something called the National Security Personnel System started back, I think, around 2004 and then ended around 2009, and everyone phased out of it by 2012. So if we’ve tried it before and it hasn’t worked, why would it work this time? Well, that’s why we need to study this. It’s not that it failed because we realized there wasn’t a problem. It failed in execution, and so we need to go back and study that, figure out what went wrong the last time we tried to reform this and try again, because the problem seems to persist.

MR. HUNTER: The next item is BRAC – again, a bit of a chuckle in terms of it being quick and easy to do, but it definitely would improve efficiency, would help to eliminate excess infrastructure. And so much of the costs of the Department of Defense are tied up in manning the facilities that the department has. A very large share of the civilian personnel costs is driven by the facilities. And of course the cost of the infrastructure and maintaining that infrastructure is quite large.

And that came through forcefully when we had sequestration, and how much of the budget was really tied up in things that could not be readily or easily modified. And what that led to was dramatic things like shutting down air wings because that was the only place you
could go to get money. BRAC would allow you to free up a lot of resources to go after other priorities.

MR. HARRISON: So the next one – and this is actually a relatively small change, but this goes back to Goldwater-Nichols 1986. It created this idea of joint service and a joint duty requirement for officers. So that is mandated in legislation. It says, for officers, in order to be promoted to general or flag-level rank, you had to have done a three-year joint tour. And it is rather rigid in the law in what is – what can qualify as a joint service tour.

But while it’s rigid on the one hand, it does have broad flexibility in that the secretary of defense can waive a lot of these things. It has very broad waiver authority. And we see the waiver authority being used routinely, and so it does beg the question: If we’re waiving these requirements so often, maybe the requirements aren’t quite right, and maybe it is driving the military career system in a direction that’s not necessarily healthy.

So after 30 years of experience doing jointness, I think we’ve learned a lot and I think we could refine this. And this is something that Congress could look at going back and giving DOD more inherent flexibility in the joint service requirement that would not always require the SECDEF to give waivers.

You know, one of the things that we have learned in our discussions, going around and talking to people in the community, is that the idea of jointness and being able to operate jointly, that’s not something that you need to wait until later in your career as an officer to learn. It’s something you should start learning very early in your career, even as an 01 or an 02.

And so maybe we need some flexibility built into this requirement so that you could break it up and part of the service requirement could be early in your career and part of it could be in the middle of your career, and part of it could be at the end of your career, rather than making it this big three-year block that’s supposed to happen sometime later in your career.

Oh, I think I have the next one. (Laughter.) And this one would likely draw some fire here, but one of the ideas that’s been bandied around – you know, it’s not new. For a while people have discussed consolidating the war colleges. So right now we operate four different war colleges. It does start to beg the question of, once officers are getting to that point in their career – you know, the 06 level – why are we sending them to separate war colleges? Why isn’t this something that is inherently joint?

Part of the reason is we put a lot of people through war colleges, right, and so maybe what we should consider is, is that the right level at which we want to send people to the war college? Maybe we should delay it slightly later in people’s career and narrow the focus of who attends, and then consolidate this function across the services into a single, centralized war college.

MR. HUNTER: Our next category is innovation. And the innovation is – in this respect, innovation is happening. It’s happening out in the world. And in some respects this is a priority, of driving innovation, with the department, and partly it’s reacting to the innovation that’s
happening in the world, and the department needs to be able to cope with it. You think about how you do that. It’s money, it’s people, and it’s process. The two recommendations here get at the people and the money aspects of that.

Now, the first one is to change the SASC rules governing conflicts of interest for the divestment of assets for incoming DOD appointees. These rules are – they’re rules in the sense that they are applied as rules. They’re not written down in a clear way anywhere. They’re not statutory. They’re not regulatory. They are, in that sense, somewhat informal, and the application of them has migrated over time towards a continuously more restrictive posture.

And what the result of that is, is that the pool of top-quality people who are – who are the people that you want to have in your top jobs in the executive branch – but in our case particularly in the Department of Defense – gets shrunk dramatically, because when someone has to, you know, take multimillion-dollar losses in their personal portfolio of assets for themselves and their family, again, the number of people who are going to do that is not zero, happily for us, but it’s substantially less than it would be if a more reasonable policy were in place. That is something completely within the control and essence of the Senate Armed Services Committee to address and to modify.

The second item here is what we call a bishop’s fund, overseen by the deputy, for innovative experiments in joint warfighting. And so, you know, the department has budgets for warfighting experimentation. Historically they have been fairly small. And with the efforts currently going in the Department of Defense, dedicating resources to do experimentation, wargaming and warfighting experiments on a significantly larger scale we believe would substantially help the process.

MR. HARRISON: So the next one, command and control, this gets back to something that Mark discussed earlier that’s been recommended in some of the testimony that’s come out on the Hill, and that is to break out CYBERCOM and SPACECOM from Strategic Command. So Space Command used to be its own separate command and then we combined it, and then Cyber has come up more recently and that’s been thrown under STRATCOM as well.

So what has changed? Why would we want to break these out now? Well, I think the thing that really has changed is that in Space and Cyber, these are not just supporting elements to the warfighter anymore. These are operational domains in and of themselves. On a day-to-day basis we are conducting operations in these domains and they are rightly receiving more focus and more scrutiny. And I think it just makes sense to separate those out so that you can have a command structure that focuses on each of these elements and is not trying to look across all of them.

Now, if you do that, the risk of course is that you just enlarge the steps of the COCOM, for the COCOMs overall. If you look at what happened when we separated AFRICOM out of EUCOM, it just increased the staffs. We didn’t do it in-house. If you look at then what happened when we eliminated JFCOM, those people – that staff didn’t go away; they just went into the Joint Staff.
So this is really a risk here, is that you could just balloon the size of your staffs if you do this. So this is something where it should be mandated from the beginning that if you break out Space Command and Cyber Command from Strategic Command, that you must do it within existing personnel resources and using existing facilities. These functions already exist. The only reason for breaking them out really is to give them greater focus and clarity of responsibility. You do not need to add people to do this.

MR. HUNTER: The next area of recommendations is on strategy and planning, and that came out in the survey as an issue of significant concern. And for those for which it was a concern, it was a great concern. And I’m just going to hypothesize that, you know, it’s an area that is maybe not well understood outside the department, so it’s quite possible that the actual practitioners were the ones who were – who were maybe turning on the red light there.

And, of course, as with other areas that we’ve looked at, the idea that there’s a problem is fairly clear. What exactly the problem is, is less clear. But one of the ideas that was brought forward is that it’s particularly challenging when you’re looking at cross-regional problems, because we tend to task plans within the Department of Defense to combatant commanders who have defined areas of responsibility. And so they’re looking within that area of responsibility. They’re going to call for help from other combatant commanders but their focus is on their AOR.

But some problems may not lend themselves to that kind of an approach. And I think of the five big challenges that the Department of Defense has been talking about in its budget, which were Russia, China, North Korea, Iran and terrorist networks. One of those clearly presents huge cross-regional problems. Just think of ISIS, the fact that ISIS has engaged in operations in Africa, in the Middle East, in Europe and in the United States homeland. So they may not have been directly directed, but there have certainly been attacks. So, you know, a plan to deal with ISIS is inherently going to be a cross-regional plan because it’s a cross-regional terrorist network – al-Qaida also. Perhaps less immediately evident, unless – it hasn’t necessarily developed into this, but when you have Russia engaging in activities in the Ukraine, other parts of its border region, and also present in some large numbers in Syria, you start to see that, if one were to want to take action on that – and we have not chosen to do that directly in some of these cases – but if you were, you would have to think about that and what you were doing in a multiregional way.

So the recommendations here task the chairman to develop some cross-regional, cross-functional plans for the secretary of defense; basically beef up the cadre of planners within the services and the Joint Staff, because there are not as many people trained and doing plans if you really were going to develop a new set of plans. And then, lastly, there’s been a lot of concern that the service chiefs no longer have a strong role to play in the development of operational plans, but of course they are responsible for developing the forces that would have to execute those plans. And so the third item is to have the service chiefs join the review meetings that the SECDEF has to make sure that the plans are feasible, executable, and the service chiefs are able to share their views on the plan, but also to have enough knowledge of what the plan requires to be able to ensure that the forces are ready to do that.
MR. HARRISON: And so the last major bullet here is the way ahead on defense reform. And you know, one of the guiding principles in all of this is do no harm, and I think everyone can agree with that. And so one of the things – one of the quick wins is really to look before you leap on some of these other issues, and study them and vet ideas and vet solutions more carefully before we try to jump into anything this legislative cycle.

So one of the things Congress could do in this legislative cycle is create these studies and perhaps independent commissions to go look at some of these areas that are tricky, where you really need to thoroughly scrub the ideas before we move forward with any solutions. And I know sometimes Congress can create an independent commission as a way of stalling action, as a way of making sure nothing happens anytime soon, but I think that recent history suggests that these independent commissions can really do some good and can really provide some independent ideas and fodder that Congress can then come back and act on later.

A good example would be the QDR Independent Review Panel from past QDRs that has provided a good independent perspective for Congress.

Also, the recent Military Compensation and Retirement Modernization Commission, MCRMC. I think I got the name right there. It’s a very long name for a commission. But, you know, at the time, you know, myself and I think others looked at it as a stalling tactic for Congress, that they didn’t want to have to deal with compensation reform so they put it off to a commission. Well, lo and behold, the commission went off and did their work, and came back with some pretty sensible reforms that Congress looked at and said, you know what, we’re actually going to act on some of these.

And so they did act on some of the recommendations last year. So that is another quick win that Congress could do right now, is go out and charter these independent commissions to study some of these areas. I won’t go into any detail on the items that are listed here, but things like the structure of the combatant commands, defense efficiencies in various areas. You know, one that the compensation commission looked at before was education benefits for families. That is a complex issue that probably does need to be studied more, because these education benefits extend not just, you know, within DOD and the military, but also in the Department of Veterans Affairs, so it does become a complex issue.

And Force of the Future – the last item up here, civilian and military personnel systems. That’s something that DOD’s own internal Force of the Future initiative has been looking at. That has been moving along very slowly, at a glacial pace. I think there’s a lot of institutional resistance to doing some of the things that have been brought up as part of that study. This is something that might be ideal to pull out of DOD’s hands, give it to an independent commission to go out, study it, vet the ideas carefully, and start to get some buy-in from different communities of interest here.

MS. HICKS: Great. So we’re going to open it up for questions. And to give you a second to think about your questions, I am going to read you the open letter that was signed today. We have a number of signatories in the audience. The ones that I see are Eric Edelman, former undersecretary of defense for policy; Michael Bayer was wandering around here
somewhere, in the back there; of course, Mike Donley and Frank Hoffman. And if there are
others in the room, I apologize. But I’ll read you that letter, and again, it’s posted on the CSIS
website.

“This year” – and I should have just added John Hamre also, of course, is a signatory.

“This year marks the 30th anniversary of the passage of the Goldwater-Nichols Defense
Reorganization Act. The landmark 1986 legislation sought to improve the quality of military
advice, enhance the effectiveness of military operations, and strengthen civilian authority. The
subsequent improvements in U.S. military effectiveness are global benchmarks for other
militaries. Recently, President Xi Jinping of China announced a set of military reforms for his
country that mirror the approaches taken by the U.S. Congress in 1986.

“For all its merits, we believe the time is right to reexamine the Goldwater-Nichols Act
and national security reform more generally. We should leverage the interest in defense reform
to focus on the most important challenges facing our national defense, which are different than
those that drove change at the height of the Cold War. We find two broad problem areas most
compelling for reformers.

“First, the complexity of the security environment and the speed with which it changes is
unprecedented. Adversaries and potential” – “Adversaries and potential adversaries are adapting
to this environment in ways that affect U.S. interests, from the broad use of information
campaigns and political warfare to the game-changing spread of militarily significant
technologies around the globe to the blending of conventional, unconventional, and strategic
approaches to deny U.S. access. Moreover, many challenges are transregional and
multifunctional in nature, increasing demands for integration in the national command structure.
Against this challenge set, the Defense Department, and even more so the broader U.S.
national security complex, appear sclerotic in their planning, prioritization, and decision-making
processes. We should identify better ways to pace and get ahead of this changing environment.

“Second, the defense enterprise is too inefficient. These two problems are intertwined.
There appears to be significant duplication of responsibilities and layering of structure, which
contributes materially to the perception that we are at risk of being outpaced and outwitted by
adversaries. Moreover, our military and defense civilian personnel systems, requirements and
acquisition systems, security cooperation and foreign military sales systems, and strategy,
planning, programming, and budgeting systems reflect twentieth-century approaches that often
seem out of step with modern best practices. Enterprise inefficiency is all the more problematic
because the gap between our goals, as set forth in national security (sic; strategy) documents, and
our means, as manifested in defense resourcing levels, is growing. Defense and national security
reform alone will not create the needed dollars for defense – we must have adequate and stable
funding for the military. Nevertheless, reform can help improve efficiency in ways that both
create a better value for the American taxpayer and increase military effectiveness.

“Each of these problem areas requires significant refinement to validate and scope so that
possible solutions can be considered. We believe efforts now underway inside the Defense
Department and on Capitol Hill are spurring such inquiry into clearer problem definition. Over
the next nine months, we likewise plan to focus ourselves individually and, under the auspices of the Center for Strategic and International Studies, collectively on helping to advance understanding of these two problems, clarify associated problem statements, and promote open-minded and innovative approaches to devising possible solutions. Our goal is to provide the Congress and the administration with our insights into possible major reforms.

“We have the finest military in the world and the strongest civilian defense expertise. Reform efforts should seek to build on and expand these advantages. As we go about our efforts, we will keep two central principles of our national heritage in mind. First, we must sustain civilian control of the military through the secretary of defense and the president of the United States and with the oversight of Congress. Second, military advice should be independent of politics and provided in the true ethos of the profession of arms. We urge those in the Pentagon, those advising presidential campaigns, and those on Capitol Hill to keep these principles at the forefront of any reform discussions.”

And with that, we open it up for your questions. Let’s see, where do we begin? How about we begin with Frank, whose hand I saw go up first?

Q: Thank you very much. Frank Hoffman from National Defense University.

I want to see if Todd and Kath could respond to a question. As I understood, one of the serious problem issues was in the strategy and kind of planning function, and we’ve satisfied the old problem of joint acculturation. But in your efficiency for consolidating war colleges, which I think – I think there are five – one’s on the campus where I work, and each of the services had one, so I think I got to five, maybe. But if you’re just consolidating but not reducing the throughput, you know, there’s a, you know, somewhat savings, but I took it to mean that you’re going to reduce the number of students that attend the school, which I would find to be both the generation of the next generation of strategists, the place to acculturate people in a sense of jointness if you didn’t get that in your first 15 years – and for most of us that was true – and you’re probably reducing the number of senior planners that are serving on the Joint Staff, OSD, and the larger national security community. So the problem and your efficiencies seem to violate one of Todd’s first principles of do no harm, if I understood you properly. Can you kind of tie that problem and solution together a little bit for me?

MS. HICKS: You want to start, and then I’ll go?

MR. HARRISON: Yeah. I mean, I would start and say that, you know, we got to look at, are we sending people at the right time in their career, before they’re going to go on to some of those assignments where the type of things they learn at the War College will really be needed. And so I guess what I would argue is that I think we’re sending people there who don’t yet need to go, and many of them won’t get selected to 07 or above, and so we’re going to lose them within a few years anyway. So why are we sending them?

And it is expensive. Let’s be honest here: it’s very expensive to send people to the war colleges. The cost per student varies widely among the services. I’ve looked at this in a previous study. I forget all the numbers off the top of my head, but it does vary considerably. I
believe the Army has traditionally been most expensive per student because of the overhead cost of Carlisle being allocated really just to that function of the War College.

But we’re also paying for them to move – to PCS for a year and then PCS after that to another assignment. So we’re moving their family and all their goods and everything. Why are we putting that expense into every person that’s going right now when we may not need to? And so that, I think, should be part of the consideration here.

MS. HICKS: Right, I think there are a couple things, obviously, that surround, that contextualize this that aren’t on the slide. And so I agree that, without them, it’s complicated.

So first was the – was the infrastructure footprint point, which really was about do you consolidate locations. It was not about do you reduce throughput per se.

Second is the point that Todd’s, I think, pointing to, which is are we using them the right way. Are we getting the most out of education that we can? Are we leveraging the vast network of U.S. colleges and universities? And what is the unique role of war colleges?

That was really how we were kind of coming to are there ways that you could get to an efficiency here. But you can’t do it alone. It has to be part of that broader study of who should be going to war college, to what end are they going, when are they going, and how is it benefiting their career. And then how could you – for less money in many cases, how could you better leverage the extensive educational system that’s available.

OK, let’s see. I also saw you were second here. Nope. Yeah, right here. Yep. We’ll get to everybody. Yeah. (Laughs.)

Q: Hi. George Nicholson with the Global Special Operations Forces Foundation.

Tod, one of the things you talked about was synchronization of plans. Right now within SOCOM we’ve got 0300, we’ve got 0400 and 0500, and in SOCOM we have an annual synchronization conference. Did you-all look at that as a template for the future?

Second part of that: When you talk about what’s going to be done to Goldwater-Nichols, I remember when we stood up SOCOM, my old boss, Major General Dick Scholtes, the first commander JSOC, resigned his commission to testify in front of the Armed Services Committee. And basically, after his testimony – after Admiral Crowe had testified, everything’s fine with SOF, don’t need to change anything; all the service chiefs, everything’s fine with SOF, don’t need to change anything. After Scholtes testified, Nunn turned to Cohen and said, we need to have a private hearing. And after that, they made the decision which resulted in the Nunn-Cohen amendment.

What’s your confidence right now within the Department of Defense that they’re going to make those significant changes like we saw that were made, directed by Congress, which established SOCOM?
MS. HICKS: Let me take the first piece, at least. I’m not going to talk about plan numbers, because those are classified. So what I would say is the idea of the global synchronizer, which is manifest in some – SOCOM certainly has such responsibilities, as do other functional commands, combatant commands – the idea, I think, is that if there is indeed, which there seems to be, a sense – and I would even go so far as to say an extreme angst on the part of some people – that there is not sufficient transregional, transfunctional effort underway with the chairman centrally in the role, that you could take a global synchronizer-like approach beefed up at the chairman level with the right expertise that he can call forth to bring those together.

So that is the concept. In that sense it is based on the original conception of the global synchronizer but, again, presumably the chairman has the ability to come across multiple functional and regional domains more easily than any given combatant commander. And that can be done without any statutory change. Some of that is probably, in some forms, already under way in the department, but if there is this concern, I think that would be a very clear signal a secretary of defense could send, to say, yes, I really want the chairman’s voice in this process, if in fact that’s where the problem definition gets them inside the department.

On the issue of major change, I think was the second half, on the Hill, I will just ask, because Andrew has the most Hill experience of anyone here, his sense of the politics in the land and what we’re in for.

MR. HUNTER: Well, I mean, you point out accurately that historically Congress has intervened in the organization of the COCOMs. It has done so fairly reluctantly, although there’s been sort of a constant degree of turn. As unified command plan arrangements have been changed, Congress has had hearings. There was a lot of interest in Congress when NORTHCOM and AFRICOM were created, and it wasn’t all positive. But in the end, Congress did not sort of forbid or deny the creation of those entities but have put pretty rigorous oversight on it.

I think the change being proposed here, which to my mind is sort of a – perhaps an intermediate or a more palatable way to have the chairman increase influence in the – eventually in the operations by having such a role in the planning process and potentially creating options, that in the heat of the moment when a crisis hits, that’s not probably your best time to come up with several creative options for how to deal with it. If you thought it through ahead of time – and of course, presuming that one’s plan actually applies to a problem that comes up in the world – you’re going to be in a better place.

So to my mind, this would be something more of an intermediate step, perhaps, not in conflict with putting the chairman in the chain of command, but something short of that that would increase the ability of the chairman to influence the way operations are carried out. I think it’s pretty practical from a Hill perspective, maybe harder in the department to execute this.

MR. CANCIAN: Let me add one thing, which is, we’re in an unusual situation in that Senator McCain seems to be personally committed to doing something big. So there may be some big change proposed that, you know, otherwise might not be – you know, get out there.
Q: Thank you for this whole event because I keep learning. I’m Mitzi Wertheim with the Naval Postgraduate School.

And it’s my view that the most difficult thing to change is something called culture. It’s how people think, feel, behave and believe. And we have a rather rigid culture within our defense community as I observe it.

I’m also a great believer in learning from others, and Apple computer, considered the most successful corporation in the world, has a mantra, which is, if you don’t know, ask; we all learn together. Now, imagine what a difference that would make if that’s the way the Defense Department behaved. We penalize curiosity in DOD, in the sense that you’re inhibited in asking questions because it exposes your ignorance rather than showing your curiosity.

And I would argue you ought to put into the personnel system your – we want you to be curious and we’ll take note of it and it will become part of your personnel record. John Dewey, the great educational philosopher, said you learn best by doing. If you’re in a problem in a ship, in a submarine, and you’re having trouble, the last thing you want to do is go look at a book; you need to ask somebody for help. And that ought to be our process, I think, throughout the whole institution.

And it troubles me that we’re so into wanting to find a big mechanical system, which probably won’t work.

MS. HICKS: Todd, do you want to –

MR. HARRISON: Yeah. I mean, I think you’re right that a lot of the issues we’re citing are, at their root, cultural.

Q: So how do we change that?

MR. HARRISON: I think the way you change it, the best you can, I think, in a large bureaucracy, the best way to change the culture is by changing the personnel system and how you show people the kinds of behaviors and the kinds of thinking that is valued by the organization. So if you can change that system, I think over time you can gradually change the culture that’s behind it.

MR. HUNTER: Well, I was going to say I had a little bit of a joke I used to say when I was in OSD that I think captures what you’re talking about. I would always say, until the secretary of defense says something, you’re not allowed to think it; after he or she says it, you’re not allowed to think anything else. And, you know, that was an exaggeration, but, you know, the culture does tend to operate that way a little bit: “Well, what you’re saying doesn’t sound like what the secretary of defense is saying, so you must be off the reservation.” And then likewise, when something new comes out of the secretary, everyone scrambles to catch up and to be on that same page.
Now, there’s a good aspect to that too, because the secretary of defense is the leader of the department and you want the secretary’s, you know, statements and policies and positions to be something that people are aligning to and lining up behind.

But the other thing that I wanted to point out – and this is something that comes out strongly in the world that I spend most of my time on in acquisition – which is there’s also the statutes and the regulations and the policies, the written policies, the instructions. And when those are not right, it poisons the whole system and it furthermore creates a dynamic where you have the people whose job it is to check compliance – IG community, the GAO and others – and that’s the standard they’re looking at. They’re looking to the standard that the reg, the instruction and the statute says. And when those are misaligned from what the department’s trying to do, it may mean the department’s trying to do something it shouldn’t, but it may just mean that those policies and statutes are out of date.

And that’s where I think you get a lot of rigidity in our system, particularly to the extent that those things are over-specified. In other words, they get into great detail about how they want to see people behave, and that’s not the world we live in.

Q: I would suggest that if it was sent out signed by both the chairman and the secretary of defense, a very simple PowerPoint page that gets posted in every room, “If you don’t know, ask; we all learn together,” it’s an idea that has to be advertised, not dictated. Coca-Cola would not sell as much Coke if they only said it once. Every time you go to the movies, the last thing you see is buying Coca-Cola.

So I’m only suggesting if you care about ideas that affect cultural behavior, it has to be advertised for everybody to understand.

MS. HICKS: Thank you.

Harlan?

Q: I’m Harlan Ullman with the Atlantic Council and Business Executives for National Security.

I would like to expand the horizon a little bit. As you know, that Goldwater-Nichols really came into place because of military incompetence going back to Desert One, Grenada and Beirut. The Packard Commission was in place because of $600 toilet seats and other seeming excesses that didn’t exist. If you take what you’re doing, how does this respond to two major problems?

First, we’re not doing very well in Afghanistan or Iraq or against the Islamic State. And second, I would argue that the fundamental challenge, the worst threat to the Department of Defense, is not Russia or China or even the Islamic State; it’s inherent, in-built, uncontrollable cost growth, 5 (percent) to 7 percent a year. And if we don’t fix that, the next president is going to oversee a hollow force in some form, shape or another.
So how do these things, as the original Goldwater-Nichols and Packard Commission were meant to deal with huge problems – how does this deal with what I think are really huge problems that nobody seems to want to address?

MS. HICKS: I’m sure everyone on this panel has a view on these issues. Do you want to start, Mark? Is there anything you want to say on this?

MR. CANCIAN: The one place I’d start is – I’ll leave that position to Andrew – on the personnel side, we’ve seen a very large increase in personnel costs over the last 15 years or so. Part of the problem is that to stay competitive in the U.S. economy, you have to increase the real compensation to your workforce or you’ll fall behind and you’ll have recruiting problems. The way we’ve compensated is the way businesses have compensated. That is, we rely more on part-timers – that is the reserves; we’ve outsourced what we can, as we’ve used a lot of contractors, particularly on the battlefield; and we’ve become more capital intensive. And there have been a lot of efforts to mitigate that personnel cost growth. They’ve only been moderately successful. So I think what you’re going to see is more of that, and I think we need to talk more about those trends and to shape those trends.

MR. HUNTER: Well, let me say on acquisition reform – and obviously it’s notable, given the prominence of interest in acquisition reform, that we don’t have it in our quick wins – we have been working at CSIS on acquisition reform, with the Hill, with the executive branch and with the policy community and industry, to try and think through issues. It is – in many ways, I would argue the acquisition reform problem is like the defense reform problem writ small, in that there are many separate problems that you can kind of clearly identify. Cost growth is one of them.

I would say to my mind the more urgent problem is a lack of agility, a lack of ability to respond quickly to changes in the world at a time when the world is changing very quickly. And so that would be my number one problem, but it’s clearly not everyone’s number one problem in the acquisition system. There’s also not – personally, I find the case that the system is not agile enough to be inarguable, and I don’t know that many people who would argue against it.

On the issue of cost growth, you will find folks who’ve put a lot of time and effort into studying the problem to say the trends right now are actually positive on cost growth. And oh, by the way, when you say cost growth, what problem are you trying to specify, because cost growth is cost compared to a baseline and so you can improve the cost growth problem by just increasing the baseline.

That has some positive benefits. It means your planning may be more realistic, but the system actually isn’t executing any differently, because you’re paying the same cost without cost growth as you were paying with cost growth; you’ve just changed, you know, the numbers as to where you set your baseline.

So, like the big problem, I think you have to be careful about clearly articulating the problem you’re trying to solve in acquisition, and in some cases solutions cut against each other, because if you’re trying to be more agile – as we did and we were more agile in Iraq and
Afghanistan when it came to acquisition – but that wasn’t always the lowest cost option. You know, we spent money on systems that were very helpful for the short period of time that they were needed in theater and then weren’t really terribly useful when that conflict changed its nature, in the case of moving from Iraq to Afghanistan, and the MRAPs that were great in Iraq weren’t great in Afghanistan and so we had to buy another set. Or when, you know, as we came out of Afghanistan, some of those vehicles weren’t worth transporting back to CONUS.

But the one case where I think it really is inarguable is this need for greater agility, because technology is moving and we have potential competitors who are investing substantially in systems that were very carefully thought through to counter systems that the United States uses today. And that is a problem that absolutely bears attention in this year’s process.

MR. HARRISON: One thing I would pick up on on what you said is I think you’re right that Goldwater-Nichols reform round two, this time, is different because the problem sets that we’re looking at are different than 30 years ago. And I think whereas 30 years ago it was more operationally focused, I think now inherently it’s going to be more management and efficiency focused. That’s where I think we can find consensus on some of the problems.

But one of the things we have to be careful about is making very long-term solutions, long-term structural changes to address problems that may be short-term in nature. We don’t want to – you know, rework our whole command structure so that it works better for the kind of threats we’re seeing in Syria and Iraq and ISIS, because that’s not likely to be the threat that we face 20 or 30 years from now but we may still be stuck 20 or 30 years from now with the changes that we make today. So that’s something we have to be aware of, you know, not making long-term changes to things that are short-term problems but looking for the long-term problems that we could start to address.

In terms of – you know, I think you hit the nail on the head that, you know, we have the potential for really hollowing out our force, because as the defense budget has grown, our force has gotten smaller, and as the defense budget has come down, our force gets even smaller. And so we’ve got this problem that we’re spending more but we’re not getting more in terms of the size and capabilities of our force.

Part of that is due to compensation; that you have to pay people now a competitive wage because we have an all-volunteer force. But I would argue, and I’ve written about this in the past, that I think the way we’re spending our compensation dollars are not wholly efficient because we’re not putting resources into the things that people value the most. We have this broad-brush approach of just, well, if we add more benefits, if we give a more generous health-care benefit or if we just do an across-the-board pay increase, well, that will make people like the military more and want to stay in. Well, it’s not necessarily true. Adding more of certain benefits doesn’t necessarily improve recruiting and retention at all. It may be a nice thing to do, but it might not be where the money can be best spent.

So I think we’ve got to move to more of a preference-based compensation system where we actually go and frequently measure the preferences of people of where would they like an extra dollar of compensation to be allocated. And you can do that in great detail down to certain
parts of your force and understand who is most likely to leave and what would it take to keep them; what would you have to change. And in some cases you can make small changes in compensation that have a big impact on the force.

You know, the private sector does this all the time. You look at the way Google does their compensation, I mean, they study in detail where they put the M&Ms in their office. That’s a form of compensation – free food at the office – by the way. They study where they put the M&Ms and where they put the bananas and the bottled water to see how it affects people’s behavior in their office. And so if private sector companies are doing this at that level of detail, we ought to be doing it in defense, at least at the level of detail of TRICARE benefits and health care benefits for military family members, and retirement benefits. And to date, the Department of Defense has not been doing that.

MS. HICKS: So let me just close out with the opening issue, which was Afghanistan and ISIS. And here I think you very clearly have to get back to interagency issues. Whether that is interagency reform in some sort of major structural way, I don’t know, but I think the next administration is looking, whoever they may be, have to be looking at how do we bring the other parts of the government to bear more fully. And that has been – I think the comprehensive-approach, if you will, argument has been with us since at least the mid-2000s. The previous, as I said before, beyond Goldwater-Nichols effort was focused in large part on changes that would be helpful there. I’m not going to run through all of that now.

But let me just close by – much of this was talked about this morning, and Jamie Gorelick, in particular, I thought, brought many of these items clearly home. But ISIS – the great example, I think, on the counter-ISIS is you have a multi-line of effort articulated strategy from the U.S. government; one line of effort is the military’s. And so we could spend all day talking about Defense Department reform, but if that’s the kind of outcome we want to change, DOD reform is not going to get you there. We can get that one piece better, there are certainly things to improve, and we can even use that as a lever to improve other parts indirectly, but it can’t solve those major problems on its own.

All right, I’m going to group question, so we’ll do two at a time just to make sure we get through. And here’s one right – why won’t we just do you two since you’re sitting next to each other.

Q: Andrea Shalal with Reuters.

I wanted to ask you about one issue that’s mentioned in the letter, hasn’t come up in your points here, but foreign military sales has been getting a lot of attention and a lot of concern. You know, this is another area where the interagency process seems to be falling down and really mired and then slowing down sales, which slows down your ability to execute policy and also has implications for the industrial base. So I wanted to ask you if you think there’s any chance in hell of getting some change there.
And then I really wanted to step back and ask you, sort of aside from the entire sort of very detailed look that you’re looking at now – you know, from the outside looking in, why is change necessary, and how likely is it that any change can happen? Just very succinctly.

Q: Valerie Insinna from Defense Daily.

I wanted to ask about the innovation bullet points. How would you suggest changing the SASC rules governing conflict of interest? And the “bishop’s fund,” could you just talk a little bit more about that, why it’s necessary, how much money you might recommend putting in that and what you might want to see coming out of that?

MS. HICKS: We’ll take those two. I can start on FMS reform. Why don’t we just begin there.

I think chances are better than they’ve been in the past. That said, it is an issue where the State Department authorizers would be very important to be centrally involved. There has been good movement, in my opinion. I’m not an uninterested observer. But in my opinion, there has been good movement on DOD-Department of State efforts, much like there has been essentially on acquisition, just sort of work inside the set of rules you have to make it as agile as you can. But you have to have that partnership fully across those two agencies – departments and with Capitol Hill.

And I do think there is more fundamental reform that needs to be had. That includes everything from getting folks to understand that Buy American is not exactly what it used to mean. And by that I mean that the global supply chain, the value chain for defense is international in nature, it is commercial and defense in nature, and the rule set that we have, like – as we said in the letter – you know, is fixed around a 20th century conception of what is a foreign military sale and where does the U.S. have technological lead and where is that lead fading. Let me stop there.

Why change is necessary? I’ll just quickly give my view and then I’ll pass it over, and I can come back on the “bishop’s fund” if that’s helpful.

You know, I think our view is that the most compelling reason to say it’s necessary, as we say in the letter, is that the world is changing and the department is not being agile enough in changing with it. You know, as John Hamre opened the session this morning, I think most of the folks that we have talked to – and I would put myself in this category – do not believe we have a broken department, but it’s a department that isn’t, you know, operating at a 21st century speed level and, as Mitzi pointed out, sort of doesn’t have a mindset that is attuned to the way in which organizations thrive today. Many of the best practices that DOD uses, which are still best practices for much of the interagency, are built on, you know, the GM or Ford model of how to operate a large organization.

And that relates, again, fundamentally to – it makes you less effective and it does make you hugely inefficient. And the inefficiencies, with dollars going down, that’s killing us. I
mean, we can’t get what we need to out of our military in order to have it meet these high demands and expectations that have been set out in strategy.

Todd.

MR. HARRISON: I would add to that. I think one of the reasons we should be looking at reform is – set aside the issue of identifying problems for a minute because it’s not always about problems, right? There may be opportunities. So ask yourself, can the Department of Defense do better? Can it do better than it’s doing today? I think we would all agree, yes, of course it can. It’s not perfect. Of course it can do better. All right, well, then let’s go and look for opportunities where we can do things better than we’re doing today. And in some cases it may be because we have a problem that needs to be fixed, but in other cases it might just be because nothing’s necessarily broken, but it’s dated and we could just improve upon what we’re already doing.

And so that’s kind of the way that I approach this, is that we need to reform always because we can always do better and it’s too important to ignore it when it comes to national security. If you can do anything better, you should be working your hardest to do it.

MR. HUNTER: Let me talk a little bit about the SASC conflict of interest rules. I won’t get into names, but I’m familiar with certain cases where senior officials said they had to divest their stock in Coca-Cola in order to become a Department of Defense employee, because there’s lots of Coca-Cola purchased by the Department of Defense. Well, I mean, to me that’s patently ridiculous. You know, the idea that some senior official is going to push business to Coca-Cola because they may own a few shares of Coca-Cola stock is, frankly, crazy.

Now, would you be comfortable with someone who had, you know, 20,000 shares of a major defense contractor making decisions about whether that defense contractor got a contract or not? Well, that’s – you know, that’s more problematic. There used to be a system where people could kind of put their assets into a blind trust, and then there could also be a system where people could buy insurance such that if the value of that trust was majorly affected, you know, they could be insured against a substantial loss, so that, you know, they wouldn’t be there in a position of power worrying about how their official actions might affect their investments even if they didn’t know fully what those investments were.

So, you know, there are mechanisms that have been successfully used in the past. And we really are precluded right now – you think of some of the – you know, the top-flight CEOs who have recently left companies that you might want to recruit. I’m afraid by going to names, it will start to sound like favoritism to certain companies, so I’m going to – I thought about that; I’m not going to do it. But there are some really top-flight managers from industry that you could imagine coming in in a next administration, but they’re not going to do it, probably, under the rules that have been applied in the last few years.

MS. HICKS: I’ll just build on that anecdote with another anecdote, knowing that the plural of anecdote is not data, but – (laughter) – a recent nominee told me that he could not – he had to divest his Starbucks stock because there are Starbucks in the Pentagon. Now, that’s
probably a slight exaggeration; I think it’s more that there’s probably Starbucks all over DOD, but still, you know, it gets to the point of being ludicrous. The – yep, go ahead.

MR. HUNTER: On the “bishop’s fund,” to me the real power of that is, the way the budget works today, it’s a two-year delay from realizing that you need money to actually being able to spend money. If you’re really lucky, you might be able to get away with one year because you can do a reprogramming, but really what the “bishop’s fund” just allows you to do is to respond with the speed of the problems that are coming up.

And the problem you always run into – and this is true within the department as well as without the department – is everyone says, well, tell me exactly what you need that money for. But you actually don’t know, the two years before, when you start the process of asking for the money, exactly what the problem you’re going to be trying to solve in 2017 is going to be. It’s going to be something you didn’t expect, at least for the purposes of what this fund is for.

And so the advantage of it really is, you know, to have a small – relatively small – it’s not small, maybe, in absolute terms, but an amount of money dedicated to problems that you can’t fully predict two years ahead of time. It’s for problems that arise on a more rapid basis.

MR. CANCIAN: Let me just add something putting on my OMB hat.

MR. HUNTER: (Laughs.)

MR. CANCIAN: Which is that there are some things that secretaries can do on their own. What Andrew outlined would require agreement from the Congress to put something actually in the budget year as a flexible fund. Secretaries can put money into the out years of the FYDP and then allocate that during the budget development process. Now, that means that you’re going to be – two years out, you don’t have the agility that Andrew would be looking for, but it does give the secretary the ability to influence the process in a way that the secretary does not now have.

MS. HICKS: We have reached the end of our time. Thank you to everyone for coming today. Thanks to my fellow panelists and to the panel this morning, Secretary Donley and others. Thank you for leading the way, really, in this issue space.

Going forward, we are moving into what we call phase two. We don’t know how many phases there are, but there will be a phase two, where we’re going to focus the efforts of our group, working with former senior officials such as Secretary Donley and others, to take those big problem statements that we had in the letter, which is the need to become more agile and adaptive to the security environment and the need to be more efficient in how we do it, and breaking that down into specific problem areas with some range of solutions proffered, assessing pros and cons for those.

And our aim is really to influence the next Congress, the next administration with that work, so aiming for January time frame with those results. Even so, we will be continuing to run alongside the process as it’s underway this year. To the extent that there are efforts on Capitol
Hill that manifest in the 2017 NDAA or anything the department is doing internally, we will be there to be assessing, and obviously we hope to be helpful as part of the process in either case as well.

So if you have any suggestions or areas that you think we ought to be looking into or suggestions on how to do an area we’ve talked about today better, we welcome those.

And with that, we look forward to seeing you again. Thank you for coming. (Applause.)

(END)